



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

Heartland Community College

Community College District #540
1500 W. Raab Rd. Normal, IL 61761

1991-2016

25

Proudly serving
our community.



**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Prepared by:

Business Services

Doug Minter
Vice President of Business Services

Sharon McDonald
Controller

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COMMUNITY COLLEGE DISTRICT #540
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INTRODUCTORY SECTION

October 17, 2016

President's Letter



Members of the Board of Trustees,

I am pleased to submit, to you and the residents of District 540, the Heartland Community College *Comprehensive Annual Financial Report (CAFR)* for the Fiscal Year ended June 30, 2016. Heartland is committed to supporting the success of all students. The 2016 CAFR provides evidence that the College is well positioned to serve its communities as a leader in higher education and a responsible financial steward.

Serving the Central Illinois area for over 25 years, Heartland Community College not only remains an important educational option for area students but has been designated a 2016 Great College to Work For as a result of a survey administered and compiled by Chronicle of Higher Education. The College continues to provide a significant return on investment for our community. Student success, community engagement and responsiveness, and fiscal responsibility are the bedrocks of Heartland's many great accomplishments. Those key priorities make Heartland an outstanding institution, intent on keeping higher education affordable for our students as they pursue their dreams and lifelong ambitions.

Heartland is committed to fiscal responsibility. As a steward of public tax dollars and student tuition and fees, Heartland is entrusted to provide District 540 with quality academic programs and valuable community services. To that end, Heartland Community College will continue to appropriately utilize existing revenue streams. The College also will continue to identify and pursue new and innovative sources of funding to support future growth and development. At the same time, Heartland remains committed to implementing and promoting cost-effective strategies across all areas of the College. This will help ensure Heartland's sustainability.

On behalf of all the people representing Heartland Community College, it is my honor to express pride in how we serve our students, our District 540 community, and anyone needing our programs and services.

Sincerely,

Robert D. Widmer
President



HEARTLAND
COMMUNITY COLLEGE

October 17, 2016

To Members of the Board of Trustees and Citizens of Heartland Community College District No. 540:

The Comprehensive Annual Financial Report (CAFR) of Heartland Community College District No. 540, Normal, Illinois, as of and for the fiscal year ended June 30, 2016 is hereby submitted. The CAFR provides a snapshot of Heartland's financial performance and major initiatives, as well as an overview of trends in the local economy. Above all, the report represents the College's commitment to inform members of the community about the College's finances.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the College. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities, in relation to its mission, have been included.

CliftonLarsonAllen LLP, Certified Public Accountants, has issued an unmodified (clean) opinion on the Heartland Community College District No. 540 basic financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of the report.

This letter of transmittal should be read in conjunction with Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A provides a narrative introduction, analyses of the basic financial statements and focuses on current activities, accounting changes and currently known facts.

PROFILE OF THE COLLEGE

Heartland Community College is a comprehensive community college operating in accordance with the provisions of the Illinois Public Community College Act and is recognized by the Illinois Community College Board (ICCB). The College is accredited by the Higher Learning Commission.

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The College District extends roughly from Lincoln, Illinois on the south, along Interstate 55, and north to Pontiac, Illinois. Of the nearly 208,000 district residents, about two-thirds reside in incorporated areas. Bloomington-Normal is the largest population center of this region. The District includes most of McLean County and parts of DeWitt, Ford, Livingston, Logan and Tazewell counties. The main campus is located in Normal, Illinois (McLean County) with centers in both Lincoln and Pontiac.

VISION, MISSION, FOUNDATIONAL COMMITMENTS, AND OUR ENDURING GOALS

Heartland Community College is committed to student success. The College serves as a vital and progressive center for learning as manifested in its vision and mission statements. These are fulfilled through adherence to underlying Foundational Commitments and Enduring Goals.

Vision

Heartland is an adaptable and collaborative community resource, promoting life-long learning, and exceptional community progress.

Mission

Heartland inspires lives through accessible and personalized student support, exemplary innovation, and high expectations for success in teaching and learning.

Foundational Commitments and Enduring Goals

The eight Foundational Commitments that will support our priorities, goals, and operations are: Valuing People, Collaborating Effectively, Serving as a Community Resource, Creating Access to Opportunities, Supporting Student Success, Leading Quality Innovation, Modeling Stewardship and Sustainability, and Exemplifying Teaching and Learning Excellence. For each Foundational Commitment, more specificity is defined by the following Enduring Goals:

Valuing People

- HCC will engage internal and external constituents to encourage open communication, promote professional and personal development, and implement processes that enhance organizational culture.
- HCC will recruit, hire, professionally develop, and retain talented and collaborative employees to advance organizational excellence.

Collaborating Effectively

- HCC will champion collaboration among internal and external constituents to stimulate social, economic, and environmental advancements.

Serving as a Community Resource

- HCC will provide an array of expertise, programs, and facilities to address community needs that align with our mission.

Creating Access to Opportunities

- HCC will broaden pathways to lifelong learning by fostering personal growth, minimizing obstacles, and facilitating progress.

Supporting Student Success

- HCC will effectively transition students into college-level coursework by assessing, accelerating, and augmenting student readiness.
- HCC will empower our students to explore options, develop intentional pathways, and achieve relevant academic, and career goals.
- HCC will improve student support by continually assessing and responding to diverse needs.
- HCC will promote a student-centered culture by intentionally building relationships that promote student engagement and development.

Leading Quality Innovation

- HCC will enhance decision making at all levels of the organization through processes and technologies that guarantee quality data and actionable intelligence to support improvement.
- HCC will incorporate systems-oriented, data-informed approaches to create, implement, and share exemplary practices.

Modeling Stewardship and Sustainability

- HCC will adhere to informed and responsible practices that safeguard social, economic, and environmental well-being.
- HCC will practice visionary planning, actively pursuing resources and partnerships to ensure our long-term viability.

Exemplifying Teaching and Learning Excellence

- HCC will recruit, hire, professionally develop, and retain high quality faculty, instructors, and learning support staff.
- HCC will design, deliver, and assess high quality curriculum and instruction for our diverse programs, supporting relevant career pathways for learners.
- HCC will design, develop, and maintain exemplary physical and technological infrastructure to create an optimal teaching and learning environment.
- HCC will effectively assess students' experiences, creating actionable intelligence applied at key momentum points to improve student learning.

While the College's strategic plan outlines a schedule for shifting emphasis among Enduring Goals during the 2013 through 2017 five year period, College leadership continued the institutional focus on selected Foundational Commitments during fiscal year 2016: (1) Supporting Student Success, (2) Serving as a Community Resource, and (3) Modeling

Stewardship and Sustainability. Activities supporting the College's five year Strategic Plan are winding down and the College community is fully engaged in preparing the institution's next strategic plan. The new plan, when completed, will include updated vision and mission statements, as well as institutional priorities. Undoubtedly, some of the priorities embedded in the current plan will persist.

FINANCIAL INFORMATION

The College maintains its accounts and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as set forth by the Governmental and Financial Accounting Standards Boards, the National Association of College and University Business Officers and the ICCB. The ICCB requires accounting by funds in order to easily account for limitations and restrictions on resources. The financial records of the College are maintained on the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal obligation to pay. The notes to the financial statements expand and explain the financial statements and the accounting principles applied.

The Business Services Division is responsible for directing the College's fiscal, human resources, administrative services, information technology, and facilities operations. Managing resources with strict attention to dynamic facility, funding, technology, and staffing requirements has been the primary goal of the Division. Financial resources and their management have also been strongly influenced by the Board of Trustees. The Board's financial policies, directives, and decisions have set the tone for fiscal stewardship and accountability since the College's founding.

In an effort to continue to improve fiscal understanding of the College budget, as well as to increase transparency and communication, a zero-based budgeting approach was used to develop both the fiscal year 2016 and 2017 annual budgets. A highly collaborative online tool and process were used to engage budget managers from across the College. For the 2016 and 2017 budget, the process also included provision of spending targets, driven by conservative revenue assumptions and based on average prior year spending, for each budget area.

Management of the College is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the College are protected from loss, theft, or misuse, and to ensure that transactions are properly recorded to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of the costs and benefits requires estimates and judgments by the College.

The College maintains budgetary controls. Their objective is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the College's Board of Trustees. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established for each individual fund. The College also maintains an encumbrance accounting system as one method for accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances are only reauthorized as part of the following year's budget when funds are available and with appropriate administrative approvals. As demonstrated by the statements and schedules included in the financial section of this report, the College continues to meet its responsibility for sound financial management.

ECONOMIC CONDITION AND OUTLOOK

The financial position of the College is strong despite the slowly rebounding economy. This is attributed to historically steady and growing enrollments, sound financial planning, a long-term strategic financial plan, consistent budget performance, intentional efforts to improve student success and retention, and a healthy property tax base. Over the last ten years, the College's net position has increased from \$36.7 million in fiscal year 2006 to \$48 million in fiscal year 2016, for an annual average increase of \$1 million over eleven years.

State of Illinois Economy

The State of Illinois economy continues to show some signs of improvement at a rate that nevertheless continues to lag the nation. The unemployment rate for Illinois as of August 2016 was 5.5% (down from 5.6% in August 2015), as compared to 4.9% for the nation as a whole.

The State's job growth numbers also continue to trail those of the rest of the nation and further delay Illinois' economic recovery from the 2007-2009 recession. Illinois has gained 0.7% job growth over the last year, from August 2015 to August 2016, as reported by the US Bureau of Labor Statistics.

The Illinois Department of Employment Security is also concerned about the large number of long-term unemployed in the State. In order to find gainful employment, many will be required to obtain additional training and education from vocational schools, community colleges, or four-year colleges and universities. However, State support for this training need has dwindled.

The State of Illinois also continues to struggle with its financial condition. In lieu of passing a 2016 and a 2017 fiscal year budget, the State passed two different stopgap budgets for fiscal years 2016 and 2017. Stopgap I, Public Act 99-502, provided partial funding for community colleges, including approximately \$70 million for base operating and equalization grants along with Fall 2015 Monetary Award Program (MAP) grants for students. Stopgap II, Public Act 99-524, was enacted on June 30, 2016 and appropriated approximately \$108 million for community colleges in the form of base operating and

equalization grants along with Spring 2016 MAP grants for students. Both stopgap budgets were temporary reprieves from the stalemate that has gripped the State of Illinois for over a year and a half. The continued lack of a State budget to address the last six months of fiscal year 2017 has created even greater uncertainty. In addition, the State's expenditures continue to outpace revenues. Accordingly, the future of State funding and the impact of likely pension cost-shifting continue to be concerns for the College. As State funding continues to be questionable and pension reform proposals continue to be debated, the College has developed some long-term strategies for handling funding shortfalls, late payments, and potential pension cost shifts from the State.

District Economy

The Heartland Community College district is an important business and agricultural region in central Illinois, supported by two major insurance companies, farm implement and agricultural products dealers, and financial and health care institutions. Some of the largest employers in the district are State Farm Insurance Companies (corporate and regional headquarters), Illinois State University, COUNTRY Financial, Advocate BroMenn Medical Center, OSF-St. Joseph Medical Center, McLean County, Anderson Financial Network, Inc., and two local school districts. Although the College district did see Mitsubishi Motor Manufacturing close in Normal, Illinois, the unemployment rate of 5.2% in McLean County is still lower than the state's average.

The District has several higher education institutions. Bloomington-Normal is the location of two major universities, Illinois State University in Normal (with an on-campus enrollment of 20,807 students in 2015) and Illinois Wesleyan University in Bloomington (with an enrollment of approximately 1,842 students). Lincoln, in the southern part of the district, has two colleges: Lincoln College, a private residential college that offers instruction to about 1,700 total students, and Lincoln Christian University, a private four-year institution of about 290 students. Several cooperative arrangements and educational alliances have been established with some of these institutions, as well as with some of our peer Illinois community colleges.

Bloomington-Normal retail sales in 2015 were \$1.7 billion, which was a decrease of 5.0% from 2014 sales. Median household income for McLean County was \$61,955, making it one of the highest counties in the State. The most recent population of the County was 174,061. Population in the County is projected to continue to grow, reaching 176,605 by 2017. The current population of the entire district is 207,953. These economic growth indicators bode well for a young community college.

Tax Base

The Heartland Community College District 2015 tax levy base of \$4,314,111,666 increased by 1.74% from the 2014 tax base. This followed an increase of 2.07% in the previous year. Modest residential and commercial growth is expected to continue, with a projected increase of 1-2% in the 2016 tax levy base. The value of farmland and the varieties of construction growth have been key factors in the District's historical economic growth. There has been recent, new growth within the District in green economy initiatives such as wind farms.

The District's Equalized Assessed Valuation (EAV) is projected to increase slightly, 1-2% per annum, for the next two to three years. Local property taxes will continue to be a significant source of revenue for the College. During fiscal year 2016, local property taxes accounted for 38.1% of total revenues. Local support represents 39.2% of total operating fund revenues in the fiscal year 2017 budget.

There is also some uncertainty regarding local tax support. The Governor has advocated for property tax freeze legislation and there appears to be some support in the General Assembly. The College is monitoring the potential for a freeze and its impact on local property tax revenue.

Net Position and Liquidity

The College's net position decreased from \$48.9 million at the end of fiscal year 2015 to \$48 million at the end of 2016. Net position was 89.4% of total fiscal year 2016 operating expenses. Liquidity is strong, with \$24.7 million of cash and short-term investments at year end.

College Enrollment

Credit hour enrollment declined by 1.5% during fiscal year 2016 as compared to a 1.7% decline in 2015. This was the fourth consecutive year for an enrollment decline. Prior to this, the College had never experienced any such declines in its history. Heartland's enrollment patterns are affected by the economy and have trended more positively, in recent years, than State and national enrollments at other community colleges where declines have been larger and occurring for more years.

For the current fall semester of fiscal year 2017 (fall 2016) total credit hours and the full-time equivalent count both decreased by 1.2%. Total credit hours for fall 2016 were 46,439 as compared to 47,025 in fall 2015. Student headcount at tenth day, however, only decreased by 0.2% to 5,037 students from 5,048 students in the previous fall of 2015. Five years ago, in the fall 2011 semester, 5,558 students were enrolled in 53,944 credit hours. The five-year decline in students is 521 (9.4%) and in credit hours is 7,505 (13.9%).

The College has established several initiatives and teams to address enrollment-related strategies for assessing and improving student registration, engagement, persistence and retention. *Heartland's "Guided Path to Success (GPS)"* initiative is a network of intentional supports embedded throughout the College to foster student success at every level. Partnerships are key to the overall *Heartland GPS* mission.

The *GPS* initiative partners the College with students, K-12 schools, colleges and universities, families, businesses, and our community to create the right circumstances for increased learning and planned progress. Essentially, Heartland is developing the capacity to increase high school graduation rates and college readiness by collaboratively developing and providing career, college, and life planning services. These broad support services are being provided at Heartland and in area high schools for students, whether or not they attend Heartland.

The fiscal year 2017 budget was predicated on an overall 1.4% decrease in credit hours from fiscal year 2016. We believe the enrollment declines during 2016 and the three previous fiscal years have been driven by: (1) economic factors; (2) declines in high school graduating class sizes; (3) changes that restrict students' continuing federal financial aid eligibility; and (4) uncertainty among District residents. Most of our peer institutions have seen similar declines in enrollment this year and in recent years.

An increase of \$2.00 per credit hour was made to the in-district tuition and fees rate between fiscal year 2016 and fiscal year 2017. Heartland's current per credit hour in-district tuition and fees rate of \$144.00 and is now ranked as #10 in tuition rates among other Illinois community colleges.

Adult Education fiscal year 2016 funding was in limbo until the State of Illinois passed Stopgap II on June 30, 2016, which funded the program for fiscal year 2016 and the first six months of fiscal year 2017. Because Adult Education funding was uncertain until the end of the fiscal year, twenty-nine classes were cut, which dropped enrollment by 218 participants or 19.2% between fiscal year 2015 and fiscal year 2016. Heartland is still facing uncertainty as to what the last six months of the fiscal year may bring in State funding.

In fiscal year 2016, overall revenues in the College's continuing education programs increased slightly from fiscal year 2015. Sales and service fees from continuing education programs were \$2,298,398 in fiscal year 2016 as compared to \$2,127,936 in 2015. Increases were seen in the Omnikron program by 33.6% and truck driver training by 70.8% over fiscal year 2015.

Enrollment in Traffic Safety School decreased by approximately 3%, with course fees totaling \$194,845 in fiscal year 2016 and \$200,055 in fiscal year 2015. McLean County officials informed the College of a projected decline in traffic safety enrollments due to a change in focus by local law enforcement groups. Challenger Learning Center revenues decreased from \$151,516 in 2015 to \$140,227 in 2016. This is a result of budget constraints at local school districts. Customized training contracts decreased by approximately 40.5%.

Community education experienced a decrease of about 24%. Decreases in both customized training contracts and community education are a result of the slow economy and the budget woes of the State. Overall enrollments in adult, community, and corporate education programs and offerings are projected to remain level for fiscal year 2017.

The ethnicity of Heartland's students, for the most part, reflects that of the District. Approximately 80% of the students are white non-Hispanic. More than 40% of HCC students receive financial aid, mainly from federal and state grants, scholarships, loans, and student employment. The College has the resources required to serve a growing and diverse student enrollment and to respond to changing enrollments.

Federal Government

Federal grant activity is expected to remain constant in fiscal year 2017. Federal grants accounted for 15.8% of the College's total revenues during fiscal year 2016 as compared to 17.9% in 2015. Federal financial aid dollars for student awards and loans accounted for approximately \$9.1 million (91.5%) of the federal total. As one of its strategic priorities, the College is committed to seeking alternate revenue sources, such as federal grant funds, to support new initiatives.

Component Unit

The Heartland Community College Foundation, considered a component unit of the College, assists the College and its students by providing scholarships and grants from its fundraising efforts. During fiscal year 2016, the Foundation received a large estate donation of approximately \$1.8 million. This donation will generate approximately fifteen more scholarships for students. The Foundation's net position increased from \$3.7 million at the end of fiscal year 2015 to \$5.8 million in 2016. The Foundation also awarded \$370,240 in student scholarships during fiscal year 2016, which was an all-time high.

DEBT ADMINISTRATION

The College had general bonded debt of \$82,206,624 as of June 30, 2016 and \$81,261,750 as of June 30, 2015. The \$944,844 increase from 2016 to 2015 is the result of several different factors: (1) principal payments totaling \$4,180,000 (reducing debt); (2) amortization of bond premiums totaling approximately \$185,500 (reducing debt); (3) advanced refunding of \$8,965,000 of the outstanding balance of the Series 2007 issue of General Obligation College Bonds with General Obligation Community College Bonds, Series 2016B of \$8,675,000, which included additional bond premiums of \$1,001,380 (increasing debt by \$711,360); and (4) issuance of General Obligation Community College Bonds, Series 2016A of \$4,375,000, which included additional bond premiums of \$224,000 (increasing debt by \$4,599,000).

The College advance refunded \$8,965,000 of the Series 2007 issue of General Obligation College Bonds. The net proceeds related to the refunding of \$9,763,252 were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of the Series 2007 being refunded. The savings to the College due to this refunding will be a reduction in the interest rate from a blended rate of 3-5% to 1.85% on the issue of \$8,675,000.

The College also issued General Obligation Community College Bonds, Series 2016A, in the amount of \$4,375,000 with interest rates of 3 to 4 %. Proceeds of the bonds will be used to pay for technology purchases and certain costs associated with the issuance of the bonds.

Moody’s Investor Services rated the College at Aa2. The College continues to be rated high because of “(1) participation in the diverse Bloomington-Normal economy; (2) good wealth and income levels; (3) good financial operations with strong reserves; and (4) a moderate overall debt burden.”

According to State of Illinois statute, the College is subject to a limit on bonded debt equal to 2.875% of assessed valuation. The 2015 assessed valuation of \$4,314,111,666 results in a legal debt limit of \$124,030,710. The College is well within this statutory limit. Other useful indicators of debt position are the ratios of general obligation debt to assessed valuation and debt per capita. For fiscal years 2012-2016, these indicators compare as follows:

<u>Fiscal Year</u>	<u>General Obligation Debt</u>	<u>Debt/EAV</u>	<u>General Obligation Debt Per Capita</u>
2016	\$82,206,624	1.9%	\$395.31
2015	\$81,261,750	1.9%	\$391.06
2014	\$85,700,750	2.1%	\$411.69
2013	\$84,805,000	2.1%	\$407.11
2012	\$87,015,000	2.1%	\$418.14

PROSPECTS FOR THE FUTURE

The College’s financial outlook for the future is stable reflecting its strong financial operations, combined with growing populations within the District. The outlook is supported by the diverse Bloomington-Normal metropolitan area economy. There are certainly challenges facing the institution, including continued uncertain levels of future State funding, the State’s pending pension reform, declining enrollments, student engagement and retention efforts, and long-range master planning under these circumstances.

A long-term financial reserves plan is regularly updated and reviewed with the Board of Trustees to ensure timely and appropriate accumulation of net assets for future capital projects, possible pension cost shifts, and other financial exigencies. The operating budget outlook is updated and reviewed regularly by College management and with the Board of Trustees.

Contingencies and strategic additions to reserves are budgeted annually to provide for the uncertainties associated with State funding, enrollment fluctuations, capital funding requirements, faculty contract negotiations, utility and other market-driven costs and to fund reserve plans. Likewise, alternative means of funding, such as through leasing and bonding, will continue to be evaluated. The College also has the capacity to increase tuition rates since the current rate is below State limits.

AWARDS AND ACKNOWLEDGEMENTS

Independent Audit

The Illinois Public Community College Act requires an annual audit by independent certified public accountants. The College's Board of Trustees selected the public accounting firm of CliftonLarsonAllen LLP. The requirement has been satisfied and the auditor's opinion is unqualified. The auditor's report on the financial statements and schedules is included in the financial section of this report.

Awards for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Heartland Community College for its CAFR for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

Heartland Community College has received the Certificate of Achievement annually since 1998. Staff believes the current report for the fiscal year ended June 30, 2016 continues to meet the stringent program requirements for the Certificate of Achievement for Excellence in Financial Reporting. The report is being submitted to GFOA to determine its eligibility for another certificate.

Acknowledgments

Thanks are to be extended to the Board of Trustees for its continued interest and support in planning and conducting the financial operations of the College with fiscal integrity. Each member of the Business Services Division and the external auditors, Clifton Larson Allen LLP, have our sincere appreciation for the contributions made in preparation of this report.

Respectfully submitted,

/s/ Douglas E. Minter

Douglas E. Minter
Vice President of Business Services

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

PRINCIPAL OFFICIALS

Board of Trustees

	<u>Position</u>	<u>Term Expires</u>
Gregg Chadwick	Chair	2017
Jim Drew	Vice-Chair	2017
John A. Copes	Secretary	2021
Becky Ropp	Trustee	2021
Jeffrey Flessner	Trustee	2019
Donald Gibb	Trustee	2019
Patrick Hardesty	Trustee	2019
Jessica Wheeler	Student Trustee	2017

Officers of the College

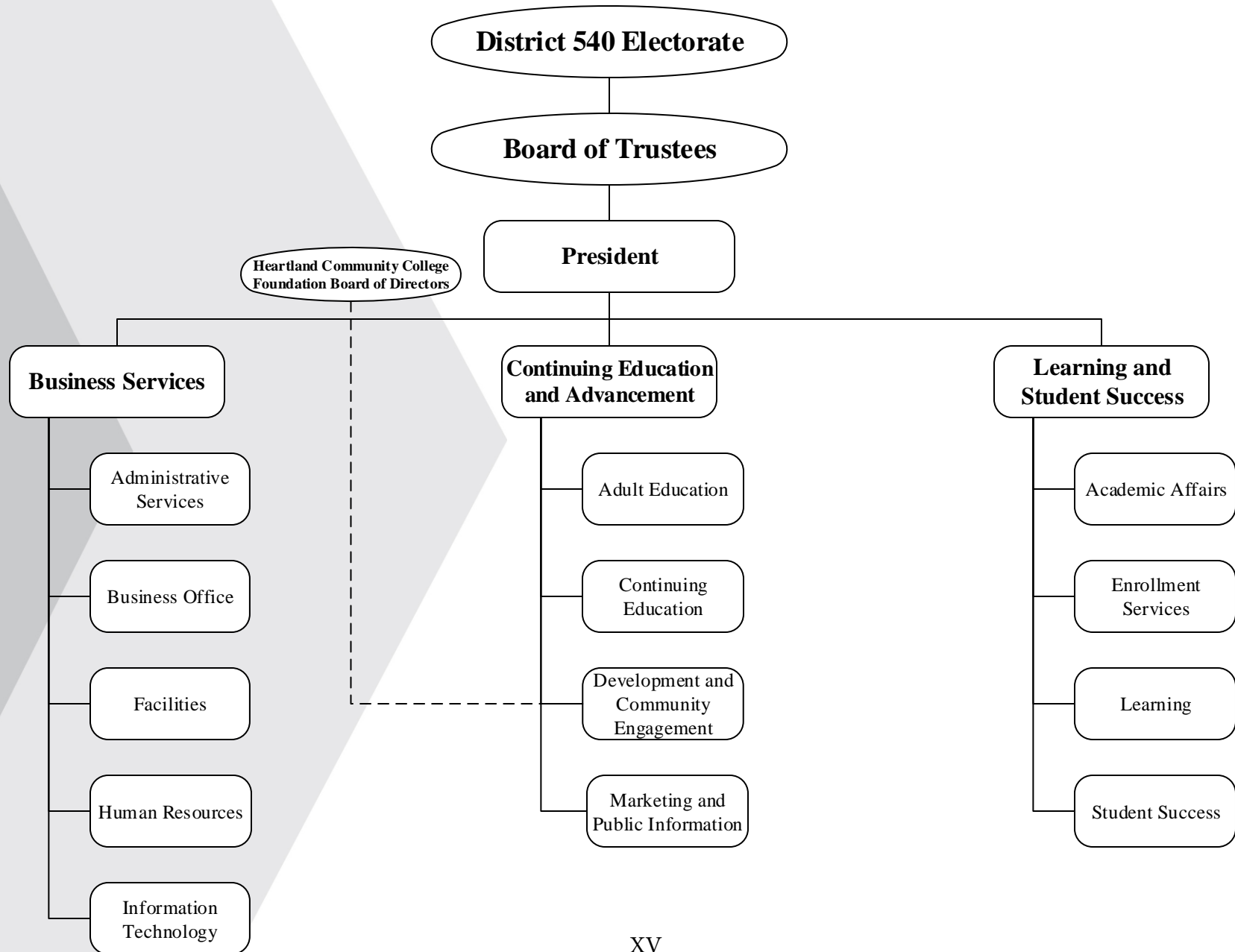
Robert D. Widmer	President
Rick Pearce	Vice President for Learning and Student Success
Kelli Hill	Vice President of Continuing Education and Advancement
Douglas E. Minter	Vice President of Business Services

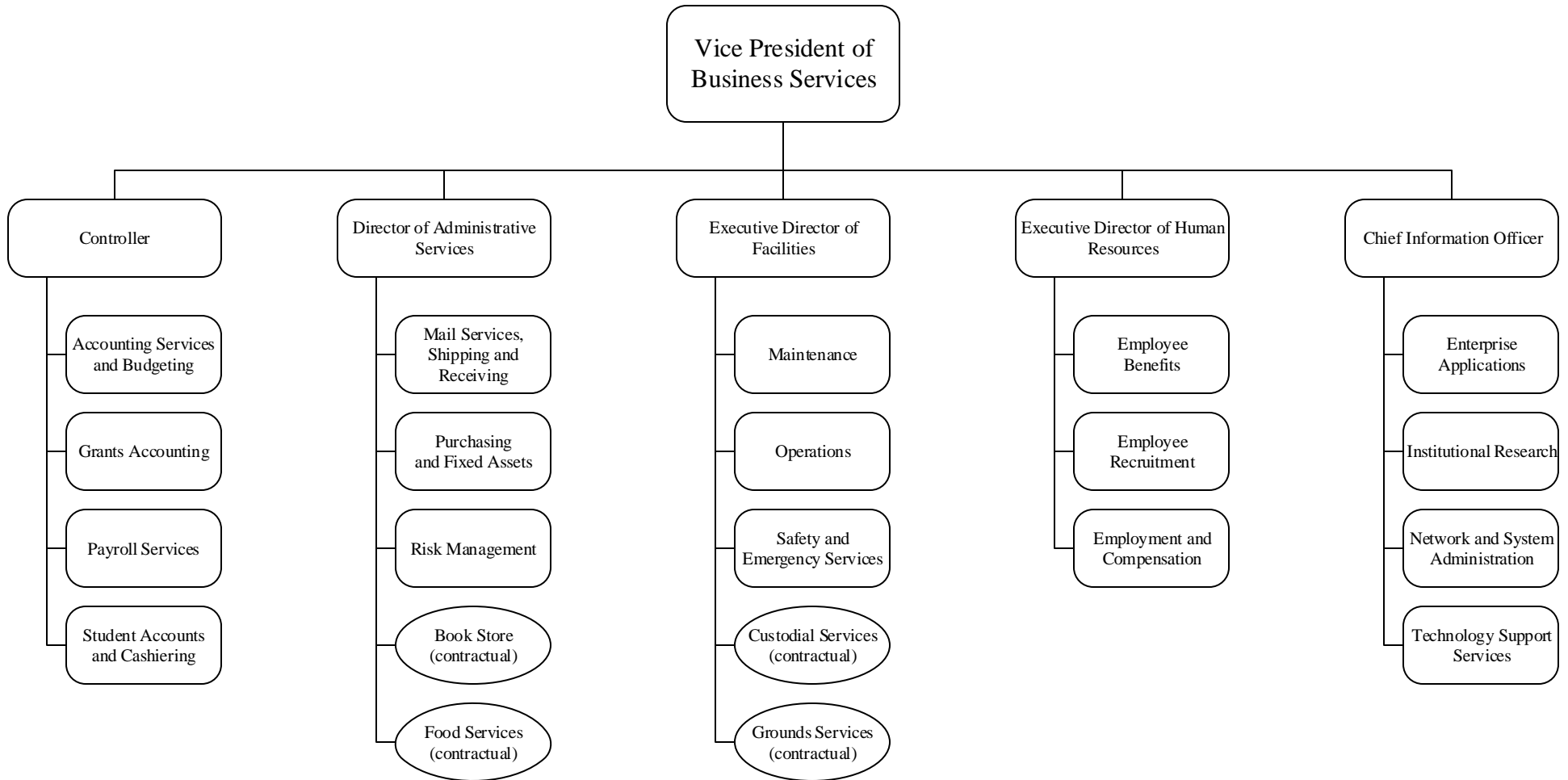
Officials Issuing Report

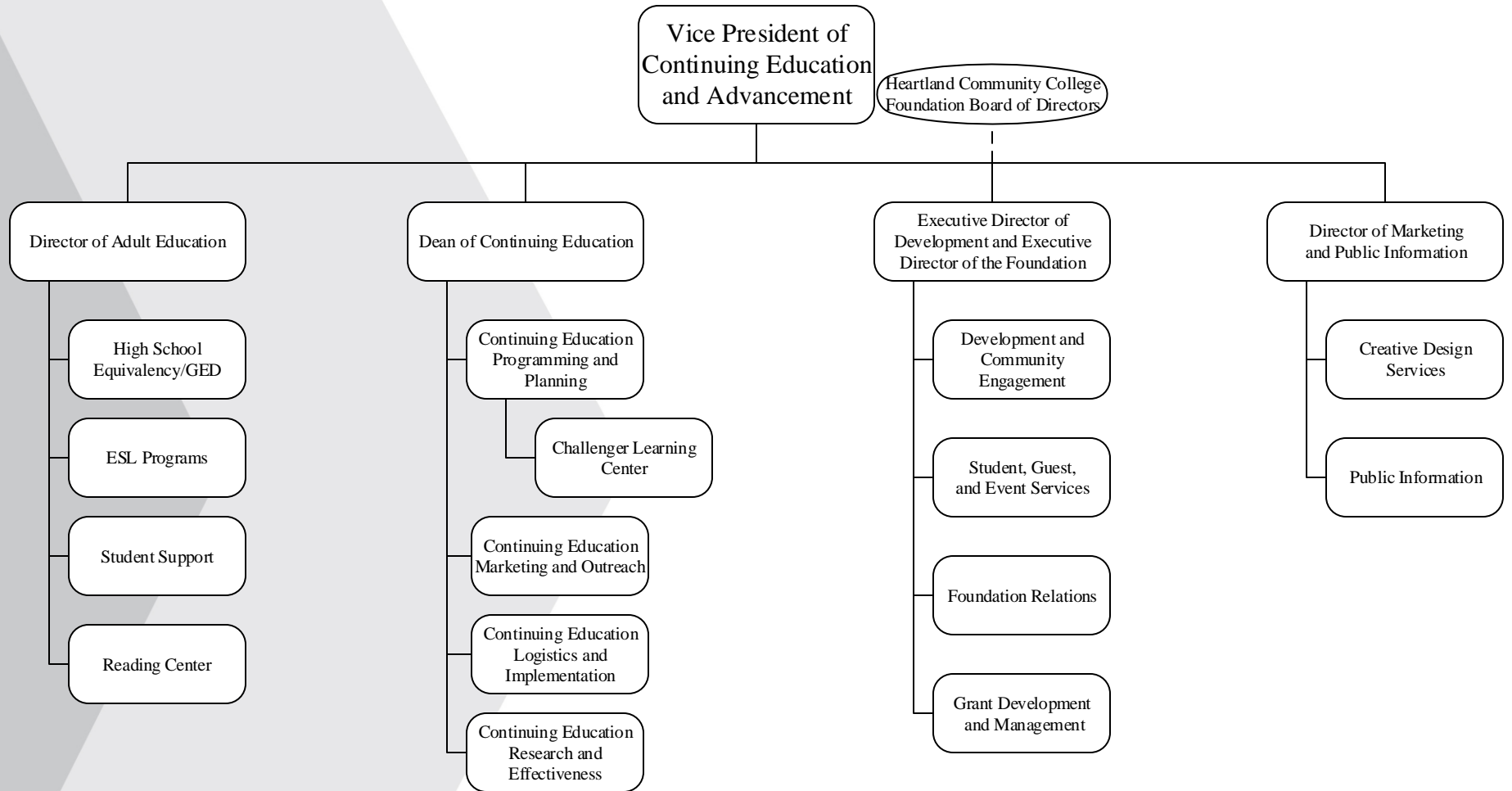
Sharon M. McDonald	Controller
Bridget Miller	Associate Director for Accounting Services
Shelley Marquis	Associate Director for Payroll Services

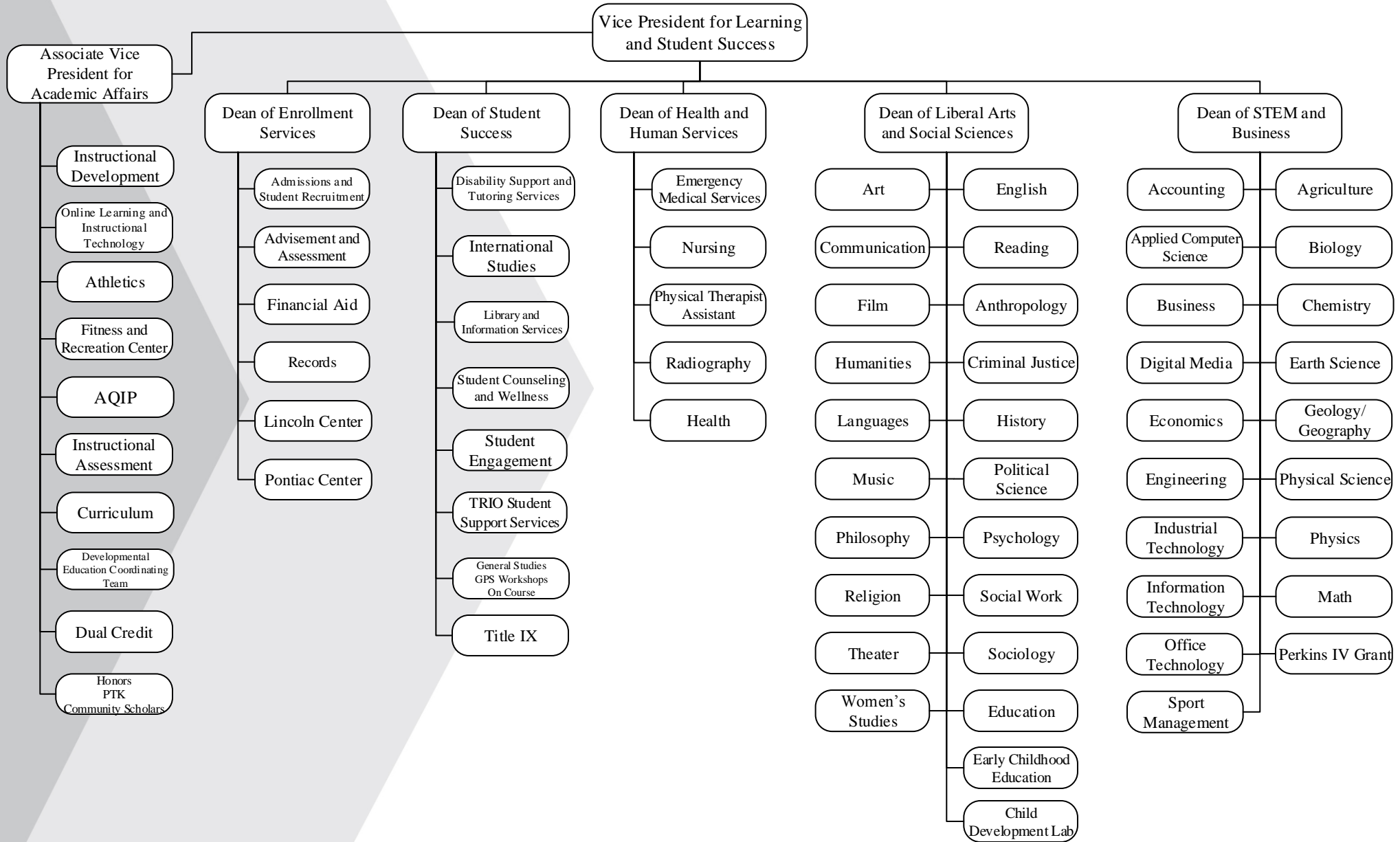
Department Issuing Report

Business Services Division











Government Finance Officers Association

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**Heartland Community College
District #540, Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Heartland Community College
Community College District #540
Normal, Illinois

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities and the discretely presented component unit of Heartland Community College District #540 (District or College), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the basic financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, Heartland Community College Foundation, which represents 100% of the assets, net position and revenue of the component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the District's component unit were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, based on our audits and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Heartland Community College District #540 and its discretely presented component unit as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17 and defined benefit pension plan information on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Heartland Community College District #540's basic financial statements. The Uniform Financial Statement section (pages 94 through 100) and the Certification of Chargeback Reimbursement on page 78 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 102 through 115, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Board of Trustees
Heartland Community College
Community College District #540

The Uniform Financial Statement section, the Certification of Chargeback Reimbursement, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, the statistical section, and the Documentation of Residency Verification Steps on page 92 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016, on our consideration of Heartland Community College District #540's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heartland Community College District #540's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Peoria, Illinois
October 17, 2016

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

Management's Discussion and Analysis

This section of Heartland Community College District #540 (District or College) Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal years ended June 30, 2016 and 2015. Since this discussion and analysis is designed to focus on current activities, resulting changes and currently known facts, please read it in conjunction with the transmittal letters, the College's basic financial statements and the notes to the basic financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

The financial statements focus on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one report.

The focus of the statements of net position is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. It reflects the College's financial position at a certain date. Net position, the difference between the College's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, is one way to measure the College's financial health or position. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the College are included in the Statement of Net Position.

Finally, the statements provide a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows) and its availability for expenditure by the College. Net position is divided into three major categories. Funds invested in capital assets, net of debt, provides the College's equity in property, plant, and equipment owned by the College. Restricted net position reflects the dollars available for expenditure by the College but that must be spent in accordance with any time or purpose restrictions specified by donors and/or other external entities. And unrestricted net position dollars are available to the College for any lawful purpose.

The Statements of Revenues, Expenses, and Changes in Net Position focus on both the gross costs and the net costs of College activities, which are supported mainly by property taxes, student tuition and fees, and by other governmental revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

The Statements of Cash Flows focus on the incomings and outgoings of cash, representing the financial activities of the College and shows the net increase (decrease) in cash and cash equivalents. It is grouped by operating, noncapital financing, capital and related financing, and investing activities. This statement also reconciles Operating Income (loss) to net cash provided by the operating activities of the College.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

Financial Highlights

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows (net position) by \$48,036,244 as of June 30, 2016. Of this amount, \$38,389,218 is invested in capital assets (net of related debt), \$3,900,000 is restricted for working cash, \$374,520 is restricted for capital projects, \$84,604 is restricted for other specific purposes, and \$5,287,902 is unrestricted and available to meet current and future obligations of the College.

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees (net of scholarship allowances), (2) auxiliary enterprise revenues, and (3) other educational sales and service fees. Total operating revenues for the year ended June 30, 2016 were \$13,919,180. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as (1) property taxes, (2) state grants and contracts, (3) federal and local grants and contracts, (4) investment income, and (5) the State Universities Retirement System contribution provided by the state of Illinois. Total net nonoperating revenues for the year ended June 30, 2016 were \$38,967,824.

Operating expenses are those expenses for the purpose of providing educational and operational activities of the College. All expenses not meeting this definition, such as interest expense, are reported as nonoperating expenses. The College's operating expenses are funded primarily through nonoperating revenue. Total operating expenses for the year ended June 30, 2016 were \$53,720,875.

The difference between total operating revenues of \$13,919,180 and total operating expenses of \$53,720,875 produced an operating loss of (\$39,801,695) for the year ended June 30, 2016. Net nonoperating revenue of \$38,967,824 partially offset this loss and resulted in an overall decrease in net position of (\$833,871).

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

Financial Highlights

Following are comparative analyses of net position and operating results for fiscal years 2016, 2015, and 2014.

Financial Analysis of the College as a Whole

Net Position as of June 30, (in Thousands)

	2016	2015	Increase (Decrease) 2016-2015	Percent Change	2014	Increase (Decrease) 2015-2014	Percent Change
Current Assets	\$ 42,703	\$ 39,396	\$ 3,307	8.4%	\$ 39,409	\$ (13)	0.0%
Noncurrent Assets							
Long-Term Investments	1,973	248	1,725	695.6%	1,832	(1,584)	-86.5%
Capital Assets, Net of Depreciation	114,912	119,110	(4,198)	-3.5%	123,095	(3,985)	-3.2%
Total Assets	<u>159,588</u>	<u>158,754</u>	<u>834</u>	<u>0.5%</u>	<u>164,336</u>	<u>(5,582)</u>	<u>-3.4%</u>
Deferred Outflows of Resources	<u>825</u>	<u>49</u>	<u>776</u>	<u>1583.7%</u>	<u>-</u>	<u>49</u>	<u>100.0%</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 160,413</u>	<u>\$ 158,803</u>	<u>\$ 1,610</u>	<u>1.0%</u>	<u>\$ 164,336</u>	<u>\$ (5,533)</u>	<u>-3.4%</u>
Current Liabilities	\$ 13,256	\$ 10,832	2,424	22.4%	\$ 10,838	(6)	-0.1%
Noncurrent Liabilities	<u>75,774</u>	<u>77,668</u>	<u>(1,894)</u>	<u>-2.4%</u>	<u>82,010</u>	<u>(4,342)</u>	<u>-5.3%</u>
Total Liabilities	<u>89,030</u>	<u>88,500</u>	<u>530</u>	<u>0.6%</u>	<u>92,848</u>	<u>(4,348)</u>	<u>-4.7%</u>
Deferred Inflows of Resources	23,347	21,433	1,914	8.9%	20,839	594	2.9%
Net Position							
Net Investment in Capital Assets	38,389	39,913	(1,524)	-3.8%	41,635	(1,722)	-4.1%
Unrestricted	5,288	4,898	390	8.0%	4,496	402	8.9%
Restricted	<u>4,359</u>	<u>4,059</u>	<u>300</u>	<u>7.4%</u>	<u>4,518</u>	<u>(459)</u>	<u>-10.2%</u>
Total Net Position	<u>48,036</u>	<u>48,870</u>	<u>(834)</u>	<u>-1.7%</u>	<u>50,649</u>	<u>(1,779)</u>	<u>-3.5%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 160,413</u>	<u>\$ 158,803</u>	<u>\$ 1,610</u>	<u>1.0%</u>	<u>\$ 164,336</u>	<u>\$ (5,533)</u>	<u>-3.4%</u>

This schedule was prepared from the College's statement of net position which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. The principal liabilities for capital assets are the general obligation bonds and debt certificates used to provide funding for campus development construction, land acquisition and equipment purchases.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

In Fiscal Year 2016, the current assets and current liabilities were adjusted to reflect only unearned revenue and related student accounts receivable for student payments received for Fall 2016 as of June 30, 2016. The two prior years of Fiscal Year 2015 and Fiscal Year 2014 were adjusted accordingly in this narrative for comparison purposes.

Fiscal Year 2016 Compared to Fiscal Year 2015

The College's net position at June 30, 2016 was \$48,036,244 and at June 30, 2015 was \$48,870,115, a decrease of \$833,871 (or 1.7%). The College had a current ratio of 1.19 at June 30, 2016, as compared to 1.20 at June 30, 2015. The current ratio is total current assets and deferred outflows of resources divided by total current liabilities and deferred inflows of resources. This means that for every dollar of current liabilities and deferred inflows, the College had \$1.19 in current assets and deferred outflows. This ratio is one indicator of the College's ability to pay its debts as they become due.

Current assets have increased by \$3,306,785 (or 8.4%) at June 30, 2016 when compared to June 30, 2015. There were some significant fluctuations between the various categories of current assets. Largest among these was the \$2,944,041 increase in cash and cash equivalents from \$11,741,196 in 2015 to \$14,685,237 in 2016. There was a decrease of \$1,295,403 in short-term investments from \$11,275,073 in 2015 to \$9,979,670 in 2016. This represents a shifting of funds from short-term investments to cash for purposes of paying operating expenditures in lieu of a fiscal year 2016 State budget impasse and knowledge of what funding may come from the State. Total accounts receivable increased by \$1,908,739. Property taxes receivable increased by \$945,294 (7.8%) due to an increase in the 2015 tax levy and 1.8% growth in property tax values. Government receivables increased by \$734,163 (61%). Student receivables decreased by \$136,461 (8.6%). Other receivables increased by \$365,743 (139%). Other receivables include Foundation scholarships due for \$13,000, Normal Readiness Center maintenance expenditures due for approximately \$58,000, bus ridership payment due of approximately \$10,000, various Customized Training receivables of approximately \$116,000, and other miscellaneous receivables due such as childcare tuition and room rentals.

Noncurrent assets have decreased by \$2,472,394 (or 2.1%) due to the \$4,198,094 decrease in net capital assets and the \$1,725,700 increase in long-term investments. Net capital assets decreased due to the annual increase in accumulated depreciation. Long-term investments were increased during fiscal year 2016 due to the technology bond fund issued in fiscal year 2016.

Deferred outflows of resources from the subsequent year's pension expense related to federal, trust or grant contributions in the current year decreased by \$11,174 from fiscal year 2015. Also included in deferred outflows of resources for fiscal year 2016 was the deferred charge on refunding bond issue of \$787,261. The result of the two deferred outflows of resources in fiscal year 2016 resulted in an overall increase of deferred outflows of resources of \$776,087.

Current liabilities have increased by \$2,424,961 (or 22.4%) due to the combined effects of various factors. These factors were: (1) an increase of \$2,845,000 in the current portion of bonds payable; (2) an decrease of \$223,751 in unearned student tuition and fees due to lower credit hours for Fall 2016; (3) a decrease of \$159,292 in accrued interest payable due to debt service scheduling; (4) an decrease of \$250,720 in accounts payables; (5) an increase in other unearned revenue of \$120,882; and (6) an increase of \$65,078 in the deposit for bonds.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

Total noncurrent liabilities decreased by \$1,894,125 (or 2.4%) from 2015 balances as a result of bond and debt certificate principal payments and capital lease payments made during 2016.

Deferred inflows of resources from the subsequent year's property taxes increased by \$1,913,514 (or 8.9%) over the 2015 amount. This was due to the overall levy increase and to an increase of 1.81% in the District's equalized assessed valuation.

Fiscal Year 2015 Compared to Fiscal Year 2014

The College's net position at June 30, 2015 was \$48,870,115 and at June 30, 2014 was \$50,649,262, a decrease of \$1,779,147 (or 3.5%). The College had a current ratio of 1.20 at June 30, 2015, as compared to 1.22 at June 30, 2014. The current ratio is total current assets divided by total current liabilities and deferred inflows of resources. This means that for every dollar of current liabilities and deferred inflows, the College had \$1.20 in current assets. This ratio is one indicator of the College's ability to pay its debts as they become due.

Current assets decreased by approximately \$13,000 (or 0.03%) at June 30, 2015 when compared to June 30, 2014. There were however, some significant fluctuations between the various categories of current assets. Largest among these was the \$2,404,504 decrease in cash and cash equivalents from \$14,145,700 in 2014 to \$11,741,196 in 2015 and the corresponding increase of \$2,490,828 in short-term investments from \$8,784,245 in 2014 to \$11,275,073 in 2015. This represents a shifting of funds from cash to short-term investments for purposes of improving investment returns. While there were also fluctuations within the various types of accounts receivable, total accounts receivables decreased by only \$1,248. Property taxes receivable increased by \$378,711 (or 3.2%) due to an increase in the 2014 tax levy and to 2.1% growth in property tax values. Government receivables decreased by \$273,939 (or 18.5%). The State of Illinois' monthly payments to the College were timelier during 2015, as were drawdowns and receipt of federal grant funds.

Non-current assets have decreased by \$5,569,006 (or 4.5%) due to the \$3,985,206 decrease in net capital assets and the \$1,583,800 decrease in long-term investments. Net capital assets decreased due to the annual increase in accumulated depreciation. Long-term investments were liquidated during fiscal year 2015 as the prior year's technology bond fund issue was expended.

Deferred outflows of resources from the subsequent year's pension expense related to federal, trust or grant contributions in the current year were \$49,214. These were required to be reported for the first time in fiscal year 2015 due to implementation of GASB Statement number 68.

Current liabilities have decreased by approximately \$6,000 (or 0.1%) due to the combined effects of various factors. These factors were: (1) a decrease of \$130,000 in the current portion of bonds payable; (2) an increase of \$121,018 in unearned student tuition and fees due to growth in summer and fall 2015 term enrollments as compared to 2014; (3) an increase of \$137,326 in accrued interest payable due to debt service scheduling; (4) an increase of \$115,657 in accounts payables; (5) a decrease in other unearned revenue of \$187,870 due to schedule changes from 2014 to 2015 in an international instruction program; and (6) a decrease of \$50,279 in the deposit for bonds.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

Total non-current liabilities decreased by \$4,341,648 (or 5.3%) from 2014 balances as a result of bond and debt certificate principal payments and capital lease payments made during 2015.

Deferred inflows of resources from the subsequent year's property taxes increased by \$594,442 (or 2.9%) over the 2014 amount. This was due to the overall levy increase and to an increase of 2.07% in the District's equalized assessed valuation.

Operating Results for the Years Ended June 30, (in Thousands)

	2016	2015	Increase (Decrease) 2016-2015	Percent Change	2014	Increase (Decrease) 2015-2014	Percent Change
Operating Revenues							
Net Tuition and Fees	\$ 10,201	\$ 9,323	\$ 878	9.4%	\$ 11,797	\$ (2,474)	-21.0%
Other	3,718	3,545	173	4.9%	3,148	397	12.6%
Total Operating Revenues	<u>13,919</u>	<u>12,868</u>	<u>1,051</u>	<u>8.2%</u>	<u>14,945</u>	<u>(2,077)</u>	<u>-13.9%</u>
Less Operating Expenses	<u>53,721</u>	<u>53,696</u>	<u>25</u>	<u>0.0%</u>	<u>53,952</u>	<u>(256)</u>	<u>-0.5%</u>
Operating (Loss)	(39,802)	(40,828)	1,026	-2.5%	(39,007)	(1,821)	4.7%
Nonoperating Revenues (Expenses)							
Property Taxes	21,376	20,986	390	1.9%	19,985	1,001	5.0%
SURS Contribution by State	8,771	7,346	1,425	19.4%	6,703	643	9.6%
State Grants and Contracts	2,064	4,296	(2,232)	-52.0%	4,261	35	0.8%
Federal Grants and Contracts	9,922	9,943	(21)	-0.2%	9,962	(19)	-0.2%
Investment Income	44	24	20	83.3%	45	(21)	-46.7%
Interest Expense	(3,195)	(3,533)	338	-9.6%	(3,766)	233	-6.2%
Loss on Disposal of Assets	(1)	-	(1)	N/A	(20)	20	-100.0%
Amortization Expense	(13)	(13)	-	0.0%	(13)	-	0.0%
Total Net Nonoperating Revenue	<u>38,968</u>	<u>39,049</u>	<u>(81)</u>	<u>-0.2%</u>	<u>37,157</u>	<u>1,892</u>	<u>5.1%</u>
Change in Net Position	(834)	(1,779)	945	-53.1%	(1,850)	71	-3.8%
Net Position - Beginning of Year	<u>48,870</u>	<u>50,649</u>	<u>(1,779)</u>	<u>-3.5%</u>	<u>52,499</u>	<u>(1,850)</u>	<u>-3.5%</u>
Net Position - End of Year	<u>\$ 48,036</u>	<u>\$ 48,870</u>	<u>\$ (834)</u>	<u>-1.7%</u>	<u>\$ 50,649</u>	<u>\$ (1,779)</u>	<u>-3.5%</u>
Total Revenues	<u>\$ 56,096</u>	<u>\$ 55,463</u>	<u>\$ 633</u>	<u>1.1%</u>	<u>\$ 55,901</u>	<u>\$ (438)</u>	<u>-0.8%</u>
Total Expenses	<u>\$ 56,930</u>	<u>\$ 57,242</u>	<u>\$ (312)</u>	<u>-0.5%</u>	<u>\$ 57,751</u>	<u>\$ (509)</u>	<u>-0.9%</u>

Fiscal Year 2016 Revenues Compared to Fiscal Year 2015

For fiscal year 2016, total revenues were approximately \$56,096,000, a decrease of approximately \$633,000 (1.1%) from 2015 total revenues. Operating revenues increased by approximately \$1,051,000 (8.2%) from 2015 to 2016. Student tuition and fees, net of scholarship allowances, increased by approximately \$878,000 (9.4%) due to a tuition increase of a \$2 per credit hour. Credit hours did decline by approximately 1% from 2016 to 2015. Other operating and auxiliary revenues increased by \$173,000 (4.9%) due to a fall 2015 additional international instruction program.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

Total net non-operating revenues decreased approximately \$81,000 (.2%) over 2015 non-operating revenues due to several variable factors. The largest decrease was in State Grants and Contracts due to the State budget impasse for fiscal year 2016 and only partial funding through Stopgap I and Stopgap II appropriations. The decrease was a little over \$2,232,000 (-52%). An approximate \$1,425,000 (19.4%) increase in the SURS contribution provided by the State is due to increased pension funding required by the State of Illinois. Property tax revenues increased slightly by \$390,000 (1.9%).

Total federal grants and contracts decreased by only \$21,000. During 2016, \$9,087,879 was awarded in federal student awards and student and parent loans, as compared to \$8,910,305 in 2015, for an increase of \$177,574. Investment income increased by \$20,000 due to the new issue of a technology bond fund that has been invested and not yet expensed.

For fiscal year 2016, total expenses were \$56,930,000 resulting in a decrease of approximately \$312,000 (0.5%) from 2015. Net position decreased by approximately \$834,000 which was 1.7% less than the net position change in 2015.

Fiscal Year 2015 Revenues Compared to Fiscal Year 2014

For fiscal year 2015, total revenues were approximately \$55,463,000, a decrease of approximately \$438,000 (or 0.8%) from 2014 total revenues. Operating revenues declined by approximately \$2,077,000 (or 13.9%) from 2014 to 2015. Student tuition and fees, net of scholarship allowances, decreased by approximately \$2,474,000 (or -21.0%) due to an increase of approximately \$2,100,000 in the calculated scholarship allowances amount from 2014 to 2015. Enrollment declines from 2014 to 2015 resulted in approximately \$300,000 less tuition and fees. While there was a significant increase in institutional waivers, students also used more grants, loans and scholarship funds to pay their tuition and fee charges during 2015. Other operating and auxiliary revenues increased by \$397,000 (or 12.6%) due to a donation in direct support of the College NOW program, an increase in fees charged at the child development lab and growth in an international instruction program.

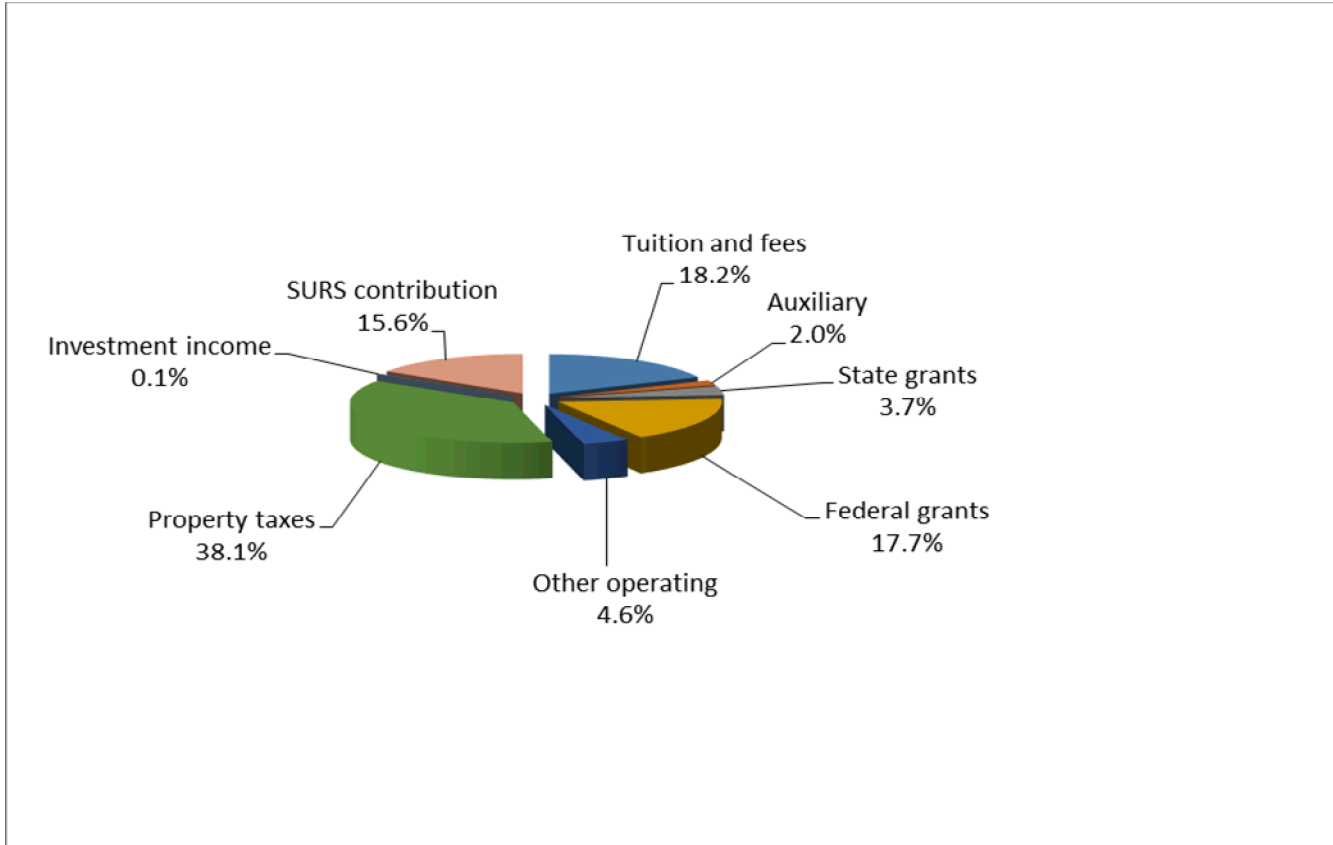
Total net non-operating revenues increased by \$1,891,000 (or 5.1%) over 2014 non-operating revenues. The \$643,000 (or 9.6%) increase in the SURS contribution non-operating revenue and operating expense is due to increased pension funding required by the State of Illinois. Property tax revenues increased by \$1,001,000 (or 5.0%) due to increases in several individual tax fund levies and to 0.55% growth in the District's equalized assessed valuation. The Bond and Interest Fund levy, for debt service payments, increased by \$460,715 and the equity tax levy increased by \$256,804.

State grants funding increased by 0.8%. Interest expense decreased by \$233,000 (or -6.2%) due to the bond interest payment schedules. Total federal grants and contracts decreased by only \$19,000 or -0.2%. During 2015, \$8,910,305 was awarded in federal student awards and student and parent loans, as compared to \$8,887,559 in 2014, for an increase of \$22,746. Several other federal grants received less funding during 2015. Investment income decreased by \$21,000 due to the second year of technology bond fund spending and thereby declining funds available for investment during fiscal year 2015.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

For fiscal year 2015, total expenses were \$57,242,971 resulting in a decrease of \$509,095 (or -0.9%) from 2014. Net position decreased by \$1,779,147 (or -3.5%) which was 3.8% less than the net position change in 2014.

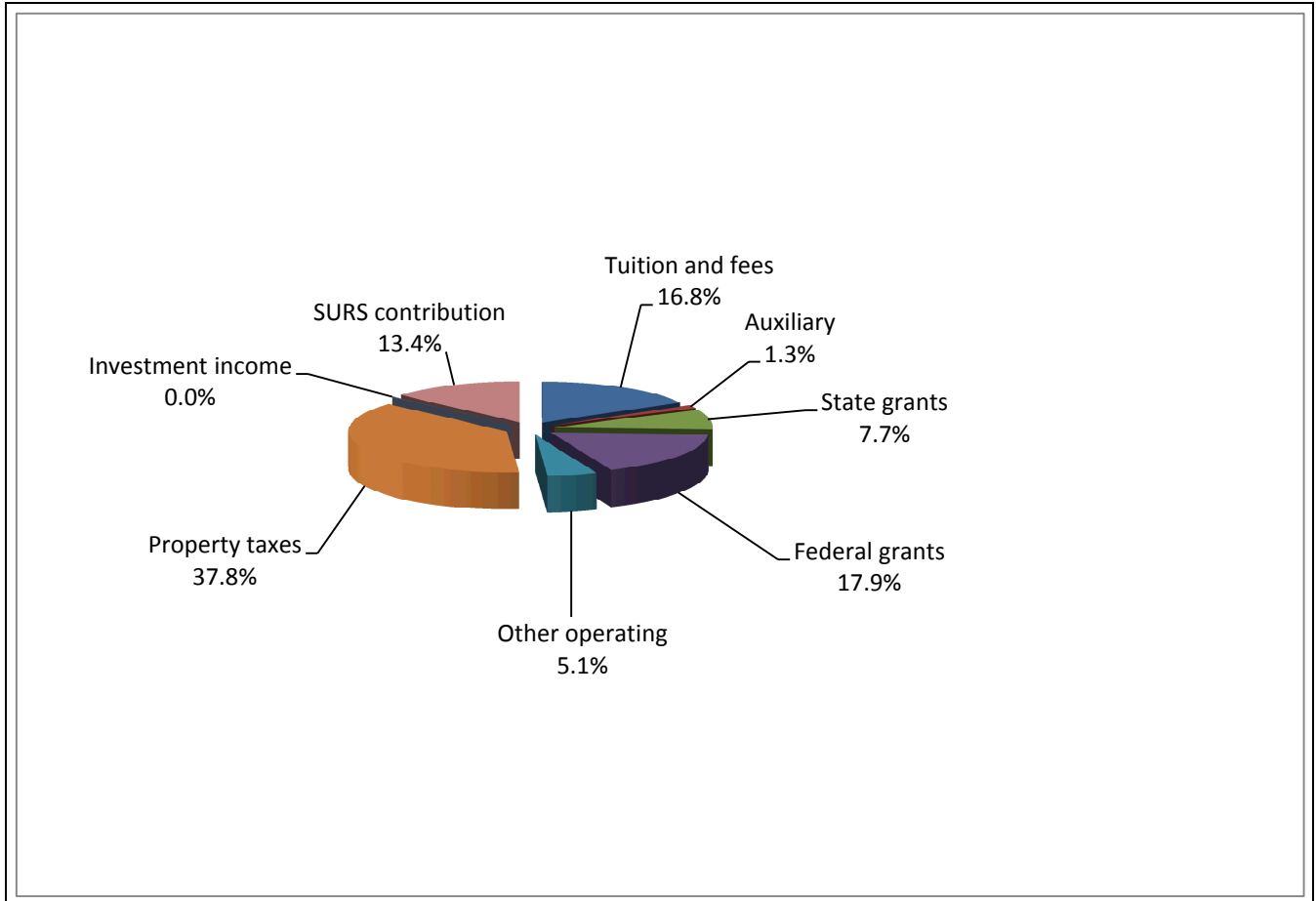
Following is a graphic illustration of revenues by source for fiscal year 2016:



The pie chart above shows all revenue from both operating and non-operating sources. The chart shows that local property taxes accounted for the largest percentage of the College's revenue at 38.1%. The next highest was tuition and fees at 18.2%. Federal grants accounted for 17.7% of the College's revenue and State grants accounted for 3.7% during fiscal year 2016. The SURS contribution reflected 15.6% of total revenues. Other operating revenue accounted for 4.6% of revenues. Auxiliary and investment income were negligible contributing only 2.0% and 0.1% of total revenue, respectively.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

For purposes of comparison, following is a graphic illustration of revenues by source for fiscal year 2015:



**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

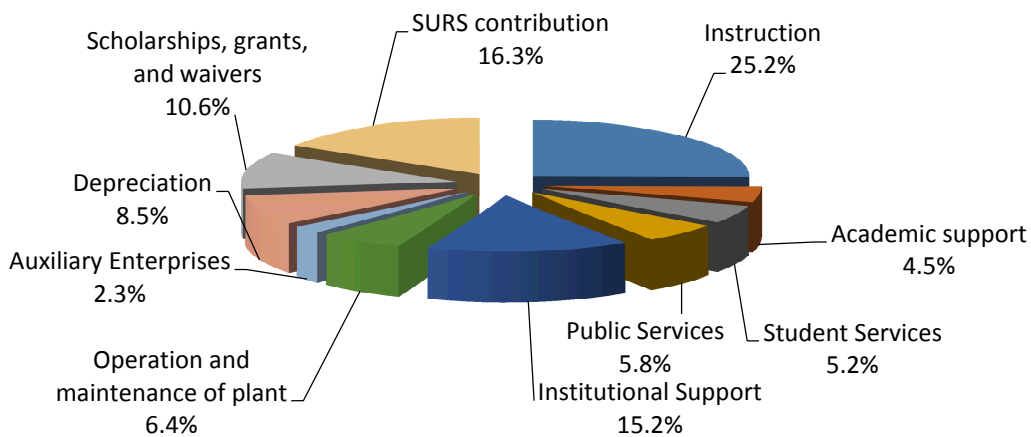
Following is a comparative analysis of operating expense by program:

Operating Expenses by Program for the Years Ended June 30, (in Thousands)

Program:	2016	2015	Increase		2014	Increase	
			(Decrease) 2016-2015	Percent Change		(Decrease) 2015-2014	Percent Change
Instruction	\$ 13,525	\$ 13,807	\$ (282)	-2.0%	\$ 13,666	\$ 141	1.0%
Academic Support	2,410	2,407	3	0.1%	2,324	83	3.6%
Student Services	2,811	2,767	44	1.6%	2,570	197	7.7%
Public Service	3,136	3,190	(54)	-1.7%	3,719	(529)	-14.2%
Institutional Support	8,144	9,287	(1,143)	-12.3%	8,601	686	8.0%
Operating and Maintenance of Plant	3,420	3,622	(202)	-5.6%	3,525	97	2.8%
Auxiliary Enterprises	1,207	1,192	15	1.3%	1,145	47	4.1%
Depreciation	4,587	4,639	(52)	-1.1%	4,710	(71)	-1.5%
Scholarships, Grants, and Waivers	5,710	5,440	270	5.0%	6,989	(1,549)	-22.2%
SURS Contribution Paid by the State	8,771	7,345	1,426	19.4%	6,703	642	9.6%
Total Expenses	\$ 53,721	\$ 53,696	\$ 25	0.0%	\$ 53,952	\$ (256)	-0.5%

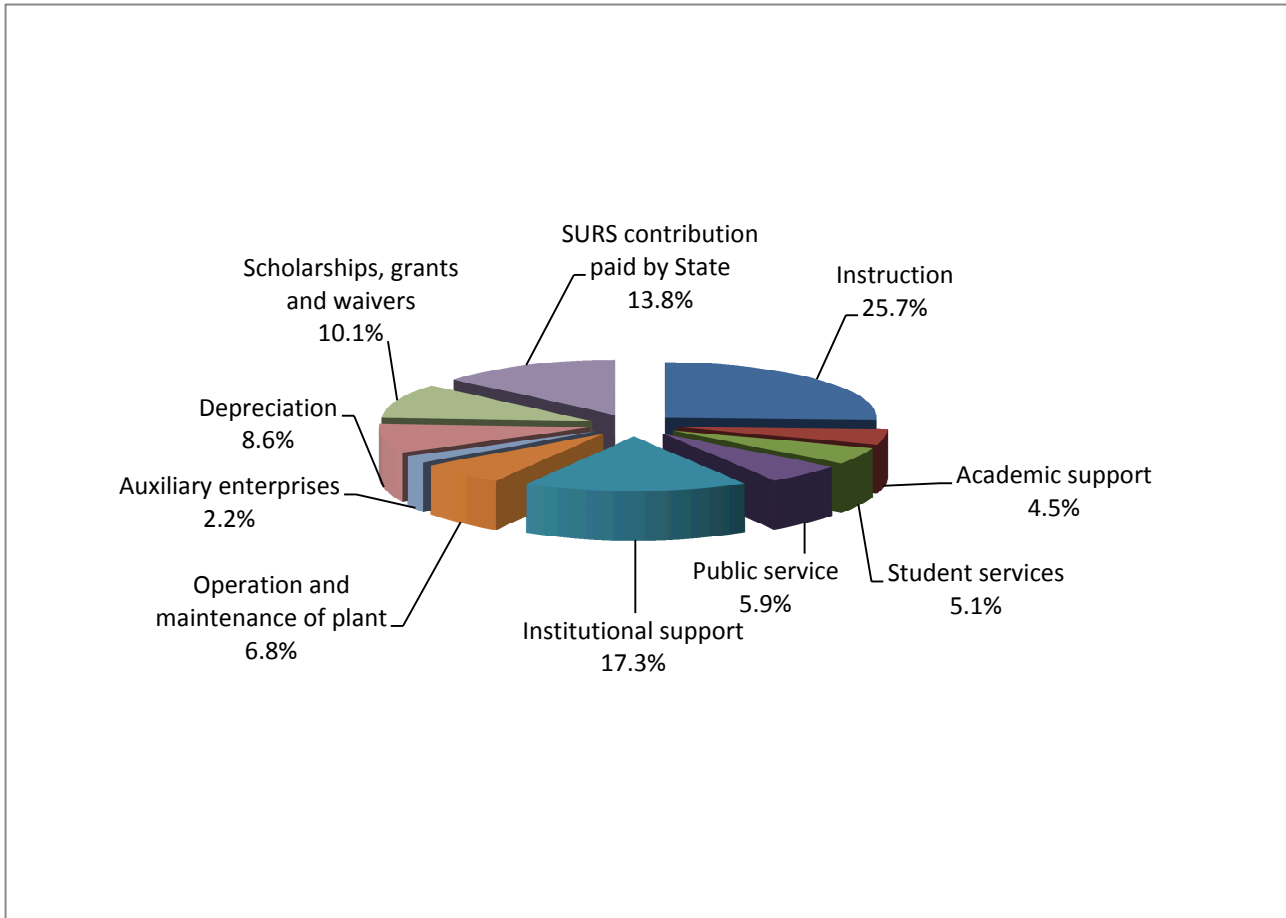
**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

The pie chart following shows the operating expenses by program for fiscal year 2016 as a percentage of total expenses. Direct services to students accounted for 53.6% of total expenses. Direct services to students include: Instruction at 25.2%, Academic support at 4.5%, Student services at 5.2%, Public service at 5.8%, Scholarships, grants and waivers at 10.6%, and Auxiliary enterprises at 2.3%. Indirect services to students accounted for 46.4% of total expenses. Indirect services to students include: Operations and maintenance of plant at 6.4%, Institutional support at 15.2%, Depreciation at 8.5% and the SURS contribution at 16.3%.



**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

For purposes of comparison, following is a pie chart of the operating expenses by program for fiscal year 2015 as a percentage of total expenses.



**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

Capital Assets

As of June 30, 2016, the College investment in capital assets totaled approximately \$157,180,000. Capital assets net of accumulated depreciation of approximately \$42,269,000 totaled \$114,912,000. The 3.5% decrease in net capital assets as of June 30, 2016 is due to the increase in accumulated depreciation of approximately \$399,000 (11.6%). Additional information regarding capital assets can be found in Note 4 to the financial statements. Following is an analysis of capital assets.

Capital Assets for the Years Ended June 30, (in Thousands)

	2016	2015	Increase (Decrease) 2016-2015	Percent Change	2014	Increase (Decrease) 2015-2014	Percent Change
Capital Assets not Being Depreciated							
Land	\$ 4,481	\$ 4,481	\$ -	0.0%	\$ 4,369	\$ 112	2.6%
Construction-in-Progress	103	103	-	0.0%	565	(462)	-81.8%
Capital Assets Being Depreciated							
Buildings	121,164	121,164	-	0.0%	121,097	67	0.1%
Infrastructure	17,679	17,596	83	0.5%	16,918	678	4.0%
Furniture and Equipment	13,754	13,636	118	0.9%	13,427	209	1.6%
Total	<u>157,181</u>	<u>156,980</u>	<u>201</u>	0.1%	<u>156,376</u>	<u>604</u>	0.4%
Less Accumulated Depreciation	<u>(42,269)</u>	<u>(37,870)</u>	<u>(4,399)</u>	11.6%	<u>(33,281)</u>	<u>(4,589)</u>	13.8%
Net Capital Assets	<u>\$ 114,912</u>	<u>\$ 119,110</u>	<u>\$ (4,198)</u>	-3.5%	<u>\$ 123,095</u>	<u>\$ (3,985)</u>	-3.2%

Debt Administration

The College issued \$4,375,000 in Taxable General Obligation Community College Bonds, Series 2016A on February 29, 2016. The proceeds of the bonds will be used to provide technology services and equipment for the College. The College also issued General Obligation Refunding Bonds, Series 2016B on May 12, 2016 in the amount of \$8,675,000. The proceeds of the bonds were used to advance refund a portion of the College's outstanding General Obligation Community College Bonds, Series 2007, and pay certain costs associated with the issuance of the bonds.

The College paid \$4,180,000 in bond and debt certificate principal and \$60,919 in principal on capital leases during fiscal year 2016. Compensated absences for employee vacations increased by a net amount of approximately \$12,000 (1.0%). Bond premiums were amortized along with additional bond premiums added during 2016 due to a technology bond issue in February 2016 and a technology bond issue in May 2016. This increased bond premiums by approximately \$1,040,000 (76.9%). Additional information regarding long-term liabilities can be found in Note 5 to the financial statements. Following is an analysis of long-term liabilities.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015**

	2016	2015	Increase (Decrease) 2016-2015	Percent Change	2014	Increase (Decrease) 2015-2014	Percent Change
Long-Term Debt							
General Obligation Bonds and Debt Certificates	\$ 80,855	\$ 80,950	\$ (95)	-0.1%	\$ 85,260	\$ (4,310)	-5.1%
Bond Premium	1,352	312	1,040	333.3%	441	(129)	-29.3%
Compensated Absences	1,184	1,172	12	1.0%	1,116	56	5.0%
Capital Lease Obligations	-	61	(61)	-100.0%	152	(91)	-59.9%
Total	<u>\$ 83,391</u>	<u>\$ 82,495</u>	<u>\$ 896</u>	1.1%	<u>\$ 86,969</u>	<u>\$ (4,474)</u>	-5.1%

Contacting Heartland's Financial Management

This financial report is designed to provide the College's board of trustees, State Officials, Legislature, taxpayers, students, and other interested parties with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or would like to request additional financial information, contact Sharon M. McDonald, Controller. College budgets and audited financial reports are also available on the College website at www.heartland.edu/bs/bo.

Other

Management is not aware of any other currently known facts, decisions, or conditions that would have a significant effect on the College's financial position (net position) or results of operations (revenues, expenses, and other changes in net position).

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015**

	Primary Government		Component Unit	
	College		Foundation	
	2016	2015	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 14,685,237	\$ 11,741,196	\$ 810,955	\$ 421,865
Short-Term Investments	9,979,670	11,275,073	4,285,864	2,563,953
Accounts Receivable:				
Property Taxes	13,142,065	12,196,771	-	-
Student Tuition and Fees, Net of Allowance of \$437,000 for 2016 and 2015	1,458,623	1,595,084	-	-
Government	1,944,973	1,210,810	-	-
Pledges Receivable	-	-	88,500	97,000
Other Receivables	627,947	262,204	-	6,430
Accrued Interest Receivable	12,281	8,174	21	21
Prepaid Items	667,503	921,005	-	4,762
Other Current Assets	184,548	185,745	-	-
Total Current Assets	<u>42,702,847</u>	<u>39,396,062</u>	<u>5,185,340</u>	<u>3,094,031</u>
NONCURRENT ASSETS				
Long-Term Investments	1,973,200	247,500	601,515	382,836
Pledges Receivable	-	-	106,050	200,500
Capital Assets not Being Depreciated	4,584,486	4,584,486	-	-
Capital Assets, Net of Depreciation	110,327,385	114,525,479	-	-
Total Noncurrent Assets	<u>116,885,071</u>	<u>119,357,465</u>	<u>707,565</u>	<u>583,336</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	787,261	-	-	-
Subsequent Year's Pension Expense Related to Federal, Trust, or Grant Contributions in the Current Year	38,040	49,214	-	-
Total Deferred Outflows of Resources	<u>825,301</u>	<u>49,214</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 160,413,219</u>	<u>\$ 158,802,741</u>	<u>\$ 5,892,905</u>	<u>\$ 3,677,367</u>

See accompanying Notes to Financial Statements.

	Primary Government		Component Unit	
	College		Foundation	
	2016	2015	2016	2015
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	\$ 875,915	\$ 1,126,635	\$ 33,435	\$ 11,757
Accrued Liabilities	1,516,224	1,433,541	-	-
Accrued Interest Payable	360,562	519,854	-	-
Deposit for Bonds	228,634	163,556	-	-
Unearned Revenue:				
Student Tuition and Fees	2,024,770	2,248,521	-	-
Other	633,331	512,449	-	-
Accrued Compensated Absences	592,162	586,161	-	-
Bonds Payable	7,025,000	4,180,000	-	-
Capital Lease Obligations	-	60,920	-	-
Total Current Liabilities	<u>13,256,598</u>	<u>10,831,637</u>	<u>33,435</u>	<u>11,757</u>
NONCURRENT LIABILITIES				
Accrued Compensated Absences	592,162	586,161	-	-
Bonds and Debt Certificates	75,181,624	77,081,750	-	-
Total Noncurrent Liabilities	<u>75,773,786</u>	<u>77,667,911</u>	<u>-</u>	<u>-</u>
Total Liabilities	89,030,383	88,499,548	33,435	11,757
DEFERRED INFLOWS OF RESOURCES				
Subsequent Year's Property Taxes	23,346,592	21,433,078	-	-
NET POSITION				
Net Investment in Capital Assets	38,389,218	39,912,827	-	-
Restricted for:				
Capital Projects	374,520	1,677	-	-
Working Cash	3,900,000	3,900,000	-	-
Specific Purposes	84,604	157,210	5,143,129	2,937,849
Unrestricted	5,287,902	4,898,401	716,341	727,761
Total Net Position	<u>\$ 48,036,244</u>	<u>\$ 48,870,115</u>	<u>\$ 5,859,470</u>	<u>\$ 3,665,610</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015**

	Primary Government		Component Unit	
	College		Foundation	
	2016	2015	2016	2015
OPERATING REVENUES				
Student Tuition and Fees (Net of Scholarship Allowances \$6,707,021 for 2016; \$7,591,288 for 2015)	\$ 10,200,728	\$ 9,322,824	\$ -	\$ -
Auxiliary Enterprises Revenue	1,131,570	724,995	-	-
Annual Campaign/Gifts	-	-	2,434,709	391,508
Fundraising	-	-	213,754	193,384
Other Operating Revenues	2,586,882	2,820,351	195	2,712
Total Operating Revenue	<u>13,919,180</u>	<u>12,868,170</u>	<u>2,648,658</u>	<u>587,604</u>
OPERATING EXPENSES				
Institutional Support	8,144,174	9,287,265	-	-
Instruction	13,525,124	13,806,722	-	-
Scholarships, Student Grants, and Waivers	5,709,869	5,439,759	370,240	221,697
Operations and Maintenance	3,419,832	3,622,478	-	-
Student Services	2,811,517	2,767,179	-	-
Academic Support	2,409,502	2,406,802	-	-
Public Services	3,135,985	3,190,156	-	-
Depreciation	4,587,293	4,638,829	-	-
SURS Contribution Paid by State	8,770,788	7,345,516	-	-
Auxiliary Enterprises	1,206,791	1,191,842	-	-
General and Administrative	-	-	188,382	676,463
Fundraising	-	-	59,021	76,479
Total Operating Expenses	<u>53,720,875</u>	<u>53,696,548</u>	<u>617,643</u>	<u>974,639</u>
OPERATING INCOME (LOSS)	(39,801,695)	(40,828,378)	2,031,015	(387,035)
NONOPERATING REVENUES (EXPENSES)				
Property Taxes	21,376,417	20,986,413	-	-
State Grants and Contracts	2,064,036	4,296,628	-	-
Federal Grants and Contracts	9,921,617	9,942,770	-	-
Interest Expense	(3,194,707)	(3,532,897)	-	-
Investment Income	44,419	24,227	162,845	61,217
Amortization Expense	(13,426)	(13,426)	-	-
Loss on Disposal of Assets	(1,320)	-	-	-
SURS Contribution Provided by State	8,770,788	7,345,516	-	-
Total Nonoperating Revenues (Expenses)	<u>38,967,824</u>	<u>39,049,231</u>	<u>162,845</u>	<u>61,217</u>
INCREASE (DECREASE) IN NET POSITION	(833,871)	(1,779,147)	2,193,860	(325,818)
Net Position - Beginning of Year	<u>48,870,115</u>	<u>50,649,262</u>	<u>3,665,610</u>	<u>3,991,428</u>
NET POSITION - END OF YEAR	<u>\$ 48,036,244</u>	<u>\$ 48,870,115</u>	<u>\$ 5,859,470</u>	<u>\$ 3,665,610</u>

See accompanying Notes to Financial Statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	Primary Government College		Component Unit Foundation	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and Fees	\$ 10,113,438	\$ 9,537,089	\$ -	\$ -
Payments to Suppliers	(19,476,889)	(20,460,259)	(220,963)	(964,493)
Payments to Employees	(20,735,590)	(21,104,325)	-	-
Auxiliary Enterprise Charges	1,131,570	724,995	-	-
Receipts from Contributors	-	-	2,537,854	658,721
Receipts from Fundraising Activities	-	-	220,184	187,511
Payments for Scholarships	-	-	(370,240)	(221,697)
Other	2,353,195	2,649,989	-	-
Net Cash Provided (Used) by Operating Activities	(26,614,276)	(28,652,511)	2,166,835	(339,958)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property Taxes	22,344,637	21,203,144	-	-
State, Federal and Local Grants and Contracts	11,251,490	14,513,337	-	-
Direct Lending Receipts	3,980,939	3,868,239	-	-
Direct Lending Payments	(3,980,939)	(3,868,239)	-	-
Net Cash Provided (Used) by Financing Activities	33,596,127	35,716,481	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of Capital Assets	(390,519)	(653,623)	-	-
Proceeds from Bonds	13,050,000	-	-	-
Principal Payments on Bonds Payable	(13,145,000)	(4,310,000)	-	-
Interest Payments on Long-Term Debt	(3,101,386)	(3,524,571)	-	-
Principal Payments on Capital Leases	(60,920)	(91,501)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,647,825)	(8,579,695)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	40,312	18,249	147,262	128,647
Proceeds from Maturities of Investments	24,764,899	15,734,145	-	-
Purchases of Investments	(25,195,196)	(16,641,173)	(1,925,007)	(295,282)
Net Cash Provided (Used) by Investing Activities	(389,985)	(888,779)	(1,777,745)	(166,635)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,944,041	(2,404,504)	389,090	(506,593)
Cash and Cash Equivalents - Beginning of Year	11,741,196	14,145,700	421,865	928,458
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,685,237</u>	<u>\$ 11,741,196</u>	<u>\$ 810,955</u>	<u>\$ 421,865</u>

See accompanying Notes to Financial Statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

	Primary Government College		Component Unit Foundation	
	2016	2015	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (39,801,695)	\$ (40,828,378)	\$ 2,031,015	\$ (387,035)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	4,587,293	4,638,829	-	-
SURS Contribution Paid by State	8,770,788	7,345,516	-	-
Changes in Deferred Outflows of Resources	11,174	(49,214)	-	-
Change in Assets and Liabilities:				
Receivables	(229,282)	104,969	102,950	264,500
Prepaid Items	240,076	(29,548)	4,762	(4,462)
Other	1,197	69,101	6,430	(5,873)
Accounts Payable	(250,720)	115,657	21,678	(207,088)
Accrued Liabilities	82,683	(13,856)	-	-
Deferred Tuition and Fees	(223,751)	176,018	-	-
Deferred Other Revenue	120,882	(187,870)	-	-
Deposits	65,078	(50,279)	-	-
Accrued Compensated Absences	12,001	56,544	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (26,614,276)</u>	<u>\$ (28,652,511)</u>	<u>\$ 2,166,835</u>	<u>\$ (339,958)</u>

See accompanying Notes to Financial Statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are based on accounts prescribed or permitted by the *Fiscal Management Manual* of the Illinois Community College Board. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as set forth in GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The following is a summary of the more significant policies:

Organization

Heartland Community College Community College District #540 (District or College) is a public community college serving portions of DeWitt, Ford, Livingston, Logan, McLean, and Tazewell Counties. It was established in 1990 and is governed by a board of trustees elected by the residents of the District. The board is responsible for establishing the policies and procedures of the District.

Revenues are substantially generated as a result of taxes assessed and allocated to the District and grants received from state and federal governmental agencies. The District's revenues are, therefore, primarily dependent upon the availability of funds at the state and federal level and the economy within its territorial boundaries. Industries within the territorial area are primarily manufacturing, insurance, retail, and agricultural.

Financial Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. A component unit is a legally separate entity that meets all of the following requirements:

- The economic resources received or held by an organization are entirely or almost entirely for the direct benefit of the District,
- The District is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization, and
- The economic resources received or held by an organization that the District is entitled to, or has the ability to otherwise access, are significant to the District.

Based on the foregoing criteria, the Heartland Community College Foundation (Foundation) is considered to be a component unit and is discretely presented in the basic financial statements.

The Foundation assists the District and its students in the form of scholarships and grants from the Foundation's fundraising efforts. Total student scholarships awarded for the years ended June 30, 2016 and 2015 were \$370,240 and \$221,697, respectively.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The Foundation is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the District in support of its programs. The Foundation is governed by a separate board of directors. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests, are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered to be a component unit of the District.

The Foundation is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Most significant to the Foundation's operations and reporting models is FASB ASC 958 related to accounting for contributions received and financial reporting for nonprofit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. For purposes of the District's financial statement presentation, the financial statements of the Foundation have been converted to a GASB presentation.

Separate financial statements of the Foundation are available. Requests should be made to Douglas E. Minter, Secretary/Treasurer of the Foundation, at (309) 268-8109.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, federal, state, and local grants, state appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value in accordance with guidelines defined by GASB Statement No. 72. Bank deposits and certificates of deposit are recorded at cost. Investment income consists of interest earned on bank deposits and certificates of deposit.

Property Taxes

The District's property taxes are levied each calendar year on all taxable real property located in the District. Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the units their respective shares of the collections. Taxes levied in 2015 become due and payable in two installments (June and September 2016). In accordance with board resolution, property taxes extended for the 2015 tax year and collected in 2016 are recorded as revenue in fiscal year 2017. Uncollected taxes are sold by the County Collector in order that those taxes can be distributed to respective taxing bodies. Final distribution on the current year levy is made by the County Collector's office at a date after the tax sale, usually no later than during the first quarter of the following year.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (such as roads and sidewalks), and intangibles (software and other) which are reported at cost at the date of acquisition or their estimated fair value at the date of donation. The District's capitalization policy includes all items with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure, and land improvements that increase the value more than \$50,000 or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed, with interest accrued during the construction period.

Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	10-20 Years
Buildings and Infrastructure	40-60 Years
Furniture and Equipment	3-10 Years

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage covering each of these risks of loss, except for health care for which the District is self-insured. The District has not had significant reductions in insurance coverage for the past two years. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years.

Unearned Tuition and Grant Revenues

Tuition collected prior to June 30 for the subsequent fall semester and the portion of tuition collected for the summer session that is not earned as of June 30, is recorded as unearned revenue at June 30 and recognized as revenue in the following year.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of general obligation bonds, debt certificates and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the student's behalf.

On-behalf Payments for Fringe Benefits and Salaries

The District recognizes as revenues and expenses contributions made by the state of Illinois to the State Universities Retirement System on behalf of the District's employees. In fiscal years 2016 and 2015, the State made contributions of \$8,770,788 and \$7,345,516, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

Prepaid Items

Prepaid items represent current expenditures which benefit future periods.

Deferred Outflows of Resources

The District reports decreases in net position or fund equity that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The District has two types of items which occur. Employer paid federal, trust or grant contributions were made subsequent to the pension liability measurement date. Additionally, the District has the deferred charge on refunding reported in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources

The District's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund equity that applies to a future period. The District will not recognize the related revenue until a future event occurs. The District has one type of item which occurs related to revenue recognition. This occurs because property tax receivables are recorded in the current year but the revenue will be recorded in the subsequent year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the state of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the nonemployer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the nonemployer is the only entity with a legal obligation to make contributions directly to a pension plan. The state of Illinois is considered a nonemployer contributing entity. Participating employers are considered contributing entities.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The District's net position is classified as follows:

- **Net Investment in Capital Assets:** This represents the District's total investment in capital assets, net of accumulated depreciation and outstanding debt incurred to acquire, construct, or improve those assets. Net investment in capital assets excludes unspent debt proceeds. As of June 30, 2016 and 2015, the District had \$4,332,347 and \$1,813,782, respectively, of unspent bond proceeds.
- **Restricted Net Position:** This includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources when they are needed.
- **Unrestricted:** This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the governing board to meet current expenses for any purpose.

Classification of Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees and (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as (1) local property taxes, (2) state appropriations, and (3) most federal, state, and local grants and contracts and federal appropriations.

Classification of Expenses

Operating expenses are those expenses for the purpose of providing educational and operational activities of the College, such as (1) salaries, (2) scholarships, (3) operations and maintenance, (4) depreciation, and (5) expenses of auxiliary enterprises. Nonoperating expenses include expenses such as interest and amortization.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Loans, Student Support Services, and other educational programs. Federal programs are subject to an audit in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Reclassification

Certain reclassifications have been made to the 2015 financial statements to conform to the current year presentation.

NOTE 2 DEPOSITS AND INVESTMENTS

Cash

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2016 and 2015, the bank balance of the District's deposits, which primarily consists of demand deposits, was \$2,909,081 and \$2,509,055, respectively. At June 30, 2016 and 2015, all deposits were covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The District's deposits had the following balances at June 30:

Deposits

	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 14,685,237	\$ 11,741,196
Less: Illinois Funds	(5,095,628)	(6,116,681)
Less: Illinois School District Liquid Asset Fund (ISDLAF)	(6,939,991)	(3,239,648)
Carrying Amount of Deposits	<u>\$ 2,649,618</u>	<u>\$ 2,384,867</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The District's investment balances were as follows at June 30:

	2016			Rating
	Fair Market Value	Less than One Year	More than One Year	
U.S. Agencies	\$ 5,500,000	\$ 5,500,000	\$ -	AAAm Standard & Poor's
Certificates of Deposit	6,452,870	4,479,670	1,973,200	AAAm Standard & Poor's
Total	<u>\$ 11,952,870</u>	<u>\$ 9,979,670</u>	<u>\$ 1,973,200</u>	

	2015			Rating
	Fair Market Value	Less than One Year	More than One Year	
U.S. Agencies	\$ 6,550,000	\$ 6,550,000	\$ -	AAAm Standard & Poor's
Certificates of Deposit	4,972,573	4,725,073	247,500	AAAm Standard & Poor's
Total	<u>\$ 11,522,573</u>	<u>\$ 11,275,073</u>	<u>\$ 247,500</u>	

Credit Risk

Credit risk is the risk that the District will not recover its investments due to the inability of the counterparty to fulfill its obligation. Illinois statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. Agencies, interest-bearing savings accounts, interest-bearing time deposits, money market mutual funds registered under the Investment Company Act of 1940 (limited to U.S. Government obligations), shares issued by savings and loan associations (provided the investments are insured by the Federal Savings and Loan Insurance Corporation (FSLIC)), short-term discount obligations issued by the Federal National Mortgage Association, share accounts of certain credit unions, securities issued by the Illinois Funds, investments in the ISDLAF, and certain repurchase agreements.

The board of trustees has authorized the District to invest funds in accordance with the Illinois Community College Act and the Investment of Public Funds Act with the exception that investments are not permitted in short-term obligations of U.S. corporations.

Custodial Credit Risk

Investments and deposits held by a financial institution which are in excess of \$250,000 are permitted if pledged securities are obtained to fully collateralize the investment and deposits. All of the District's investments and deposits are held in the District's name and are not subject to creditors of the custodial institution.

Concentration of Credit Risk

The District may be invested in a single institution so long as such funds do not exceed 30% of the institution's capital structure.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Accounting principles generally accepted in the United States of America (GAAP) provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (*Level 1* measurements) and the lowest priority to unobservable inputs (*Level 3* measurements). The three levels of the fair value hierarchy under GAAP are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the *Level 2* input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year end. Such securities are classified within *Level 1* of the valuation hierarchy.

Debt securities consisting primarily of corporate and municipal bonds are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type. Debt securities are generally classified within *Level 2* of the valuation hierarchy.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016:

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
U.S. Agencies	\$ -	\$ 5,500,000	\$ -	\$ 5,500,000
Total	\$ -	\$ 5,500,000	\$ -	\$ 5,500,000

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015:

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
U.S. Agencies	\$ -	\$ 6,550,000	\$ -	\$ 6,550,000
Total	\$ -	\$ 6,550,000	\$ -	\$ 6,550,000

NOTE 3 PROPERTY TAXES

Property taxes are recorded as deferred inflows of resources in the year of the levy and are recognized as revenue in the following year for which they are budgeted. Accordingly, at June 30, 2016 and 2015, the District had \$23,346,592 and \$21,433,078, respectively, of deferred inflows of resources.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 4 CAPITAL ASSETS

The following tables present the changes in the various capital asset categories for fiscal years 2016 and 2015.

Capital Assets – Fiscal Year 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets not Being Depreciated:				
Land	\$ 4,481,528	\$ -	\$ -	\$ 4,481,528
Construction-in-Progress	102,958	-	-	102,958
Total Capital Assets not Being Depreciated	4,584,486	-	-	4,584,486
Capital Assets Being Depreciated:				
Furniture and Equipment	13,636,307	307,996	(189,912)	13,754,391
Buildings	121,163,674	-	-	121,163,674
Infrastructure	17,595,860	82,523	-	17,678,383
Total Capital Assets Being Depreciated	152,395,841	390,519	(189,912)	152,596,448
Less Accumulated Depreciation for:				
Furniture and Equipment	(8,324,136)	(682,520)	188,592	(8,818,064)
Buildings	(21,837,723)	(3,000,251)	-	(24,837,974)
Infrastructure	(7,708,503)	(904,522)	-	(8,613,025)
Total Accumulated Depreciation	(37,870,362)	(4,587,293)	188,592	(42,269,063)
Net Capital Assets Being Depreciated	114,525,479	(4,196,774)	(1,320)	110,327,385
Net Capital Assets	<u>\$ 119,109,965</u>	<u>\$ (4,196,774)</u>	<u>\$ (1,320)</u>	<u>\$ 114,911,871</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital Assets – Fiscal Year 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets not Being Depreciated:				
Land	\$ 4,368,661	\$ 112,867	\$ -	\$ 4,481,528
Construction-in-Progress	564,957	20,447	(482,446)	102,958
Total Capital Assets not Being Depreciated	4,933,618	133,314	(482,446)	4,584,486
Capital Assets Being Depreciated:				
Furniture and Equipment	13,427,141	258,330	(49,164)	13,636,307
Buildings	121,096,775	66,899	-	121,163,674
Infrastructure	16,918,334	677,526	-	17,595,860
Total Capital Assets Being Depreciated	151,442,250	1,002,755	(49,164)	152,395,841
Less Accumulated Depreciation for:				
Furniture and Equipment	(7,610,339)	(762,961)	49,164	(8,324,136)
Buildings	(18,832,247)	(3,005,476)	-	(21,837,723)
Infrastructure	(6,838,111)	(870,392)	-	(7,708,503)
Total Accumulated Depreciation	(33,280,697)	(4,638,829)	49,164	(37,870,362)
Net Capital Assets Being Depreciated	118,161,553	(3,636,074)	-	114,525,479
Net Capital Assets	<u>\$ 123,095,171</u>	<u>\$ (3,502,760)</u>	<u>\$ (482,446)</u>	<u>\$ 119,109,965</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 5 LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2016 and 2015 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Balance Due Within One Year
General Obligation Bonds and Debt Certificates	\$ 80,950,000	\$ 13,050,000	\$ (13,145,000)	\$ 80,855,000	\$ 7,025,000
Bond Premium	311,750	1,225,362	(185,488)	1,351,624	-
Capital Lease Obligations	60,920	-	(60,920)	-	-
Compensated Absences	1,172,322	709,892	(697,890)	1,184,324	592,162
Total	<u>\$ 82,494,992</u>	<u>\$ 14,985,254</u>	<u>\$ (14,089,298)</u>	<u>\$ 83,390,948</u>	<u>\$ 7,617,162</u>

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Balance Due Within One Year
General Obligation Bonds and Debt Certificates	\$ 85,260,000	-	\$ (4,310,000)	\$ 80,950,000	\$ 4,180,000
Bond Premium	440,750	-	(129,000)	311,750	-
Capital Lease Obligations	152,421	-	(91,501)	60,920	60,920
Compensated Absences	1,115,778	825,316	(768,772)	1,172,322	586,161
Total	<u>\$ 86,968,949</u>	<u>\$ 825,316</u>	<u>\$ (5,299,273)</u>	<u>\$ 82,494,992</u>	<u>\$ 4,827,081</u>

Accrued compensated absences (earned vacation leave) at June 30, 2016 and 2015 is \$1,184,434 and \$1,172,322, respectively, and is expected to be paid out ratably or taken over the next two years.

In September 2012, the District issued \$990,000 in General Obligation Debt Certificates, Series 2012, dated September 1, 2012. Proceeds of the certificates were used to finance capital improvements. Principal on the certificates is due annually beginning with December 1, 2013 through December 1, 2022, with interest rates ranging from 1.10% to 2.45%. Interest payments are due semiannually beginning December 1, 2013.

The annual requirements to amortize these general obligation bonds outstanding are as follows:

<u>Year Ending June 30,</u>	Principal	Interest	Total
2017	\$ 100,000	\$ 13,075	\$ 113,075
2018	100,000	11,675	111,675
2019	100,000	10,025	110,025
2020	100,000	8,100	108,100
2021	100,000	5,925	105,925
2022-2023	200,000	4,850	204,850
Total	<u>\$ 700,000</u>	<u>\$ 53,650</u>	<u>\$ 753,650</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

In September 2011, the District issued \$3,300,000 in General Obligation Debt Certificates, Series 2011, dated September 1, 2011. The Series 2011 certificates are due December 1, 2026, and have interest rates ranging from 2.0% to 4.0%. The proceeds were used to fund the construction of a wind turbine.

The annual requirements to amortize these general obligation debt certificates outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 205,000	\$ 92,000	\$ 297,000
2018	210,000	86,800	296,800
2019	215,000	80,425	295,425
2020	220,000	73,900	293,900
2021	230,000	66,000	296,000
2022-2026	1,255,000	185,100	1,440,100
2027	280,000	5,600	285,600
Total	<u>\$ 2,615,000</u>	<u>\$ 589,825</u>	<u>\$ 3,204,825</u>

In November 2013, the District issued \$1,700,000 in General Obligation Debt Certificates, Series 2013, dated November 1, 2013. The Series 2013 certificates are due December 1, 2016, and have an interest rate of 2.9%. The proceeds were used to refund the Series 2010 certificates.

The annual requirements to amortize these general obligation debt certificates outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 1,700,000</u>	<u>\$ 24,650</u>	<u>\$ 1,724,650</u>

On July 1, 2007, the District issued General Obligation Community College Bonds, Series 2007, in the amount of \$72,805,000, due on December 1, 2013 through December 1, 2026 with interest rates ranging from 3% to 5%. Proceeds of the Bonds were used to fund and pay claims against the District, consisting of the refunding of the District's outstanding \$59,000,000 General Obligation Debt Certificates, dated April 12, 2007, which were issued to construct and equip new buildings, repair existing buildings, improve sites and construct a wind generation facility, advance refund all or a portion of the District's outstanding General Obligation Community College Bonds, Series 2000, dated May 1, 2000 (the *Series 2000 Bonds*), General Obligation Community College Bonds, Series 2002, dated June 1, 2002 (the *Series 2002 Bonds*), General Obligation Community College Bonds, Series 2004, dated August 1, 2004 (the *Series 2004 Bonds*) and General Obligation Community College Bonds, Series 2006, dated June 1, 2006 (the *Series 2006 Bonds*) and pay for certain costs of issuance. On April 21, 2016, \$8,965,000 of the outstanding balance was advanced refunded with General Obligation Community College Bonds, Series 2016B.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize these general obligation bonds outstanding are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,870,000	\$ 2,689,150	\$ 5,559,150
2018	3,390,000	2,532,650	5,922,650
2019	3,945,000	2,349,275	6,294,275
2020	4,550,000	2,136,900	6,686,900
2021	5,205,000	1,893,025	7,098,025
2022-2026	29,000,000	5,128,250	34,128,250
2027	10,430,000	156,450	10,586,450
Total	<u>\$ 59,390,000</u>	<u>\$ 16,885,700</u>	<u>\$ 76,275,700</u>

On June 1, 2014, The District issued General Obligation Community College Bonds, Series 2014, in the amount of \$4,100,000, due on December 1, 2015 through December 1, 2017 with an interest rate of 5.0%. Proceeds of the bonds were used to finance capital improvements and to fund and pay claims against the District. Interest payments are due semiannually beginning December 1, 2015.

The annual requirements to amortize these general obligation bonds outstanding are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,000,000	\$ 120,000	\$ 2,120,000
2018	1,400,000	35,000	1,435,000
Total	<u>\$ 3,400,000</u>	<u>\$ 155,000</u>	<u>\$ 3,555,000</u>

On February 17, 2016, the District issued General Obligation Community College Bonds, Series 2016A, in the amount of \$4,375,000, due on December 1, 2017 through December 1, 2018 with interest rates ranging from 3% to 4%. Proceeds of the bonds were used to pay claims against the District and pay certain costs associated with the issuance of the bonds. Interest payments are due semiannually beginning December 1, 2016.

The annual requirements to amortize these general obligation bonds outstanding are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 191,786	\$ 191,786
2018	2,150,000	109,750	2,259,750
2019	2,225,000	33,375	2,258,375
Total	<u>\$ 4,375,000</u>	<u>\$ 334,911</u>	<u>\$ 4,709,911</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

On April 21, 2016, the District issued General Obligation Community College Bonds, Series 2016B, in the amount of \$8,675,000 due on December 1, 2016 through December 1, 2025 with interest rates ranging from 2% to 4%. Proceeds of the bonds were used to advance refund a portion of the District's outstanding General Obligation Community College Bonds, Series 2007 and pay certain costs associated with the issuance of the bonds. The net proceeds related to the refunding of \$9,763,252 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of the Series 2007 being refunded. As a result, the portion of the Series 2016 bonds being refunded are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. As of June 30, 2016, the outstanding principal balance of those bonds to be satisfied by the escrow agent was \$8,965,000.

The annual requirements to amortize these general obligation bonds outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 150,000	\$ 296,278	\$ 446,278
2018	-	279,850	279,850
2019	-	279,850	279,850
2020	-	279,850	279,850
2021	-	279,850	279,850
2022-2026	8,525,000	980,725	9,505,725
Total	<u>\$ 8,675,000</u>	<u>\$ 2,396,403</u>	<u>\$ 11,071,403</u>

At June 30, 2016, the annual requirements to retire the District's long-term debt were as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds and Debt Certificates</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2017	\$ 7,025,000	\$ 3,426,939	\$ 10,451,939
2018	7,250,000	3,055,725	10,305,725
2019	6,485,000	2,752,950	9,237,950
2020	4,870,000	2,498,750	7,368,750
2021	5,535,000	2,244,800	7,779,800
2022-2026	38,980,000	6,298,925	45,278,925
2027	10,710,000	162,050	10,872,050
Total	<u>\$ 80,855,000</u>	<u>\$ 20,440,139</u>	<u>\$ 101,295,139</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

At June 30, 2016, the legal debt limit was \$124,030,710 based on a statutory limit of 2.875% of assessed valuation of \$4,314,111,666. At June 30, 2015, the legal debt limit was \$121,914,053 based on a statutory limit of 2.875% of assessed valuation of \$4,240,488,783.

In July 2007, the District defeased all of its Series 2000, Series 2004 and Series 2006 General Obligation Community College Bonds and a portion of its Series 2002 General Obligation Community College Bonds. These bonds were defeased with the issuance of the 2007 General Obligation Community College Bonds. Portions of the proceeds of the new bonds were placed in irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability related to the defeased bonds are not included in the District's financial statements.

In April, 2016, the District advanced refunded a portion of its Series 2007 General Obligation Community College Bonds resulting in a difference of \$798,252 between the reacquisition price and the net carrying amount of the old debt of \$8,965,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being netted against the new debt and amortized over the new debt's life. This refunding resulted in an economic gain of \$1,976,097. At June 30, 2016, the net deferred amount on refunding was \$787,261.

NOTE 6 OPERATING LEASES

Commitments under operating lease agreements for facilities and equipment provide for minimum annual rental payments as follows:

<u>Year Ending June 30,</u>	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 135,171	\$ 37,344	\$ 172,515
2018	113,976	14,532	128,508
2019	113,976	5,776	119,752
2020	113,976	-	113,976
2021	113,976	-	113,976
Thereafter	284,939	-	284,939
Total	<u>\$ 876,014</u>	<u>\$ 57,652</u>	<u>\$ 933,666</u>

Lease expense amounted to \$210,910 and \$187,952 for the years ended June 30, 2016 and 2015, respectively.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The District contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the state of Illinois (the State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State's financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

Benefits Provided. A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2015 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Contributions. The State is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2015 and 2016 was 11.71% and 12.69%, respectively, of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15.155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability

SURS reported a net pension liability (NPL) of \$23,756,361,087 and \$21,790,983,139 for the years ended June 30, 2015 and 2014, respectively. The net pension liabilities were measured as of June 30, 2015 and 2014.

Employer Proportionate Share of Net Pension Liability

The amount of the proportionate share of the net pension liability to be recognized for the District is \$-0- for both years ended June 30, 2015 and 2014. The proportionate share of the State's net pension liability associated with the District at June 30, 2015 and 2014 was \$104,463,724 or 0.4397% and \$96,989,820 or 0.4451%, respectively. This amount should not be recognized in the financial statements. The net pension liability was measured as of June 30, 2015 and 2014 and the total pension used to calculate the net pension liability was determined based on the June 30, 2014 and 2013 actuarial valuations rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable earnings made to SURS during fiscal years 2015 and 2014.

Pension Expense

For the years ended June 30, 2015 and 2014, SURS reported collective net pension expenses of \$1,994,587,170 and \$1,650,338,263, respectively.

Employer Proportionate Share of Pension Expense

The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable earnings made to SURS during fiscal years 2015 and 2014. As a result, the District recognized on-behalf revenue and pension expense of \$8,770,788 and \$7,345,516 for the fiscal years ended June 30, 2016 and 2015, respectively.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources

Fiscal year ended June 30, 2015	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 27,312,043	\$ -
Changes in Assumption	609,393,909	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	<u>593,840,642</u>	<u>953,329,464</u>
Total	<u>\$ 1,230,546,594</u>	<u>\$ 953,329,464</u>
Fiscal year ended June 30, 2014	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumption	88,940,815	-
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	1,271,105,952
Total	<u>\$ 88,940,815</u>	<u>\$ 1,271,105,952</u>

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

<u>Fiscal year ended June 30,</u>	<u>Net Deferred Outflows of Resources</u>
2016	\$ 154,951,326
2017	118,957,720
2018	(145,152,075)
2019	148,460,159
2020	-
Thereafter	-
Total	<u>\$ 277,217,130</u>

Employer Deferral of Fiscal Year 2015 Pension Expense

The District paid \$38,040 and \$49,214 in federal, trust or grant contributions for the fiscal years ended June 30, 2016 and 2015, respectively. These contributions were made subsequent to the pension liability measurement dates of June 30, 2015 and 2014, and are recognized as Deferred Outflows of Resources as of June 30, 2016 and 2015.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions and Other Inputs

Actuarial Assumptions. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period June 30, 2010 – 2014. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.75% to 12.00%, including inflation
Investment Rate of Return	7.25% Beginning with the Actuarial Valuation as of June 30, 2014

Mortality rates were based on the RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(ies). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	23%	5.77%
Private Equity	6%	9.23%
Non-U.S. Equity	19%	6.69%
Global Equity	8%	6.51%
Fixed Income	19%	1.12%
Treasury-Inflation Protected Securities	4%	1.22%
Emerging Market Debt	3%	4.61%
Real Estate REITS	4%	5.85%
Direct Real Estate	6%	4.37%
Commodities	2%	4.06%
Hedged Strategies	5%	3.99%
Opportunity Fund	1%	6.80%
Total	<u>100%</u>	<u>5.02%</u>
Inflation		<u>3.00%</u>
Expected Arithmetic Return		<u>8.02%</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions and Other Inputs (Continued)

Discount Rate. A single discount rate of 7.12% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 3.80% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2072. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.12% and 7.09% at June 30, 2015 and 2014, respectively, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

June 30, 2015		
	Current Single Discount Rate Assumption	
1% Decrease 6.12%	7.12%	1% Increase 8.12%
\$ 28,929,333,917	\$ 23,756,361,087	\$ 19,470,982,362
June 30, 2014		
	Current Single Discount Rate Assumption	
1% Decrease 6.09%	7.09%	1% Increase 8.09%
\$ 26,583,701,134	\$ 21,790,983,139	\$ 17,796,570,836

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

Changes of Benefit Terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2015 and 2014.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions and Other Inputs (Continued)

Changes of Assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015. The changes are listed below.

- Mortality rates. Change from the RP 2000 mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75% to 15.00% based on years of service, with underlying wage inflation of 3.75%.
- Normal retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. The current assumption is based on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

NOTE 8 RISK MANAGEMENT

The District accounts for and finances its uninsured risks of loss related to medical care, outpatient prescription drug costs, and dental care. A third party administrator provides administrative services for this self insurance plan. Under this program, the fund provides coverage of the District's employee medical insurance up to \$105,000 in eligible claims per covered member per year. The aggregate stop loss coverage limit (for all covered members) equals the average number of employees during the stop loss coverage period multiplied by the aggregate stop loss limit claim value of \$14,563. In no event will the aggregate stop loss coverage limit be less than \$3,827,133.

The reserve for health care costs reported in the fund at June 30, 2016 and 2015, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liability includes all known claims and an amount for claims that have been incurred but not reported (IBNR).

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 8 RISK MANAGEMENT (CONTINUED)

The following is a reconciliation of changes in the reserve for health care costs for the current fiscal year and prior fiscal years. The reserve is based on deposits net of changes.

	<u>2016</u>	<u>2015</u>
Reserve for Health Care Costs at July 1	\$ 765,372	\$ 467,356
Claims Incurred During the Period	3,597,241	3,865,372
Changes in the IBNR Estimate	92,814	112,188
Payments on Claims	<u>(3,990,907)</u>	<u>(3,679,544)</u>
Reserve for Health Care Costs at June 30	<u>\$ 464,520</u>	<u>\$ 765,372</u>

The reserve for health care costs is recorded with the accounts payable and accrued liabilities categories on the statements of net position as of June 30, 2016 and 2015, respectively.

NOTE 9 RESTRICTED AND DESIGNATED NET POSITION

Net position was restricted for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Capital Projects	<u>\$ 374,520</u>	<u>\$ 1,677</u>
Working Cash	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>
Restricted for:		
Audit	\$ 53,206	\$ 46,391
Liability, Protection, and Settlement	<u>31,398</u>	<u>110,819</u>
Total Other Restricted Expendable Net Position	<u>\$ 84,604</u>	<u>\$ 157,210</u>

The working cash fund was created as a result of the issuance of bonds, for which the proceeds were restricted to be used for working cash purposes. The state of Illinois statutory authority for creating working cash funds (110 ILCS 805/3-33.1 through 3-33.6) restricts the use of established funds to making short-term loans to other funds of the College.

At June 30, 2016 and 2015, the District had \$5,287,902 and \$4,898,401, respectively, of unrestricted net position. Of these balances, the District has \$833,742 and \$1,000,965 designated for payment of self insurance claims at June 30, 2016 and 2015, respectively. The remaining unrestricted resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 10 COMPONENT UNIT - FOUNDATION

Following is condensed financial information of the Heartland Community College Foundation (Foundation), a discretely presented component unit of the District.

The Foundation is a private nonprofit organization that reports its financial results under applicable Financial Accounting Standards Board (FASB) Statements.

The financial statements separately identify the net position of the Foundation according to the legal restrictions placed on the assets by donors as follows:

Unrestricted Net Position

Includes net position that is not restricted by donor-imposed stipulations which can be used at the discretion of the Foundation's board to accomplish the purposes for which the Foundation was founded.

Restricted Net Position

Includes net position that is temporarily restricted and permanently restricted by donor-imposed stipulations that require the Foundation to expend the resources either for a particular purpose, or after the expiration of a certain period of time, or not at all. As donor-imposed stipulations are satisfied, the related net position is transferred to unrestricted net position and reported in the statement of revenues, expenses, and changes in net position as net position released from restrictions.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis.

Revenue Recognition

Funds that are not restricted by their sources are recognized as revenue as they are received. Funds that are restricted by their sources are recorded as additions to the net position of the appropriate fund groups. Restricted funds are then recorded as revenue during the period in which they are expended. All other revenue is recognized in the period to which it relates.

Investments

Investments in marketable securities with readily determinable fair values are reported at fair value in the statement of net position. Unrealized gains and losses are included in the change in net position. Investment income and gains restricted by a donor are reported as increases in unrestricted net position if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

Investments as of June 30 are as follows:

	<u>Fair Market Values</u>	
	<u>2016</u>	<u>2015</u>
Mutual Funds	<u>\$ 4,887,379</u>	<u>\$ 2,946,789</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 10 COMPONENT UNIT - FOUNDATION (CONTINUED)

Investments (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 45,762	\$ 67,454	\$ 34,046	\$ 147,262
Unrealized gain (loss) on investments	24,798	-	-	24,798
Realized gain (loss) on sale of investments	<u>(2,625)</u>	<u>(4,364)</u>	<u>(2,226)</u>	<u>(9,215)</u>
Total investment return	<u>\$ 67,935</u>	<u>\$ 63,090</u>	<u>\$ 31,820</u>	<u>\$ 162,845</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 56,245	\$ 71,775	\$ 641	\$ 128,661
Unrealized gain (loss) on investments	(80,013)	-	-	(80,013)
Realized gain (loss) on sale of investments	2,707	9,818	44	12,569
Total investment return	<u>\$ (21,061)</u>	<u>\$ 81,593</u>	<u>\$ 685</u>	<u>\$ 61,217</u>

Restricted Net Position

Temporarily restricted net position is available for the following purposes or period as of June 30:

	<u>2016</u>	<u>2015</u>
Scholarships and Awards	\$ 4,090,677	\$ 2,256,172
Miscellaneous	642,577	332,801
Total Temporarily Restricted Net Position	<u>\$ 4,733,254</u>	<u>\$ 2,588,973</u>

Permanently restricted net position consisted of the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Endowed Scholarship Funds	\$ 409,879	\$ 348,876

NOTE 11 CONTINGENCIES

The District is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, the District has determined that the resolution of this matter will not have an adverse effect on the financial condition of the District.

REQUIRED SUPPLEMENTARY INFORMATION

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
REQUIRED SUPPLEMENTARY INFORMATION (COVERED PAYROLL)
YEAR ENDED JUNE 30, 2016**

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</u>
(a) Proportion Percentage of the Collective Net Pension Liability	0.00%	0.00%
(b) Proportion Amount of the Collective Net Pension Liability	\$ -	\$ -
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability Associated with Employer	96,989,820	104,463,724
Total (b) + (c)	96,989,820	104,463,724
Employer Covered-Employee Payroll	20,083,402	20,112,616
Proportion of Collective Net Pension Liability Associated with Employer as a Percentage of Covered-Employee Payroll	482.94%	519.39%
 SURS Plan Net Position as a Percentage of Total Pension Liability	 44.39%	 42.37%
Federal, Trust, Grant, and Other Contributions	49,214	38,040
Contribution in Relation to Required Contribution	49,214	38,040
Contribution Deficiency (Excess)	-	-
 Employer Covered-Employee Payroll	 20,083,402	 20,112,616
Contributions as a Percentage of Covered-Employee Payroll	0.25%	0.19%
 Additional Information	 <u>Fiscal Year 2015</u>	 <u>Fiscal Year 2016</u>
On-Behalf Payments for Community College Health Insurance Programs	\$ 84,273	\$ 84,316

Note: The System implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

**STATISTICAL SECTION
(UNAUDITED)**

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
STATISTICAL SECTION
YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have change over time.	53-54
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	55-60
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the ability to issue additional debt in the future.	61-66
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	67-69
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	70-76

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
FINANCIAL TRENDS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net Position:										
Net Investment in										
Capital Assets	\$ 38,389,218	\$ 39,912,827	\$ 41,635,091	\$ 46,573,950	\$ 46,469,388	\$ 40,937,774	\$ 37,581,516	\$ 27,452,287	\$ 32,007,788	\$ 33,413,824
Restricted for:										
Capital Projects	374,520	1,677	337,411	651,580	384,545	537,080	72,427	1,874,660	189,405	2,224,417
Working Cash	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000	-	-
Specific Purposes	84,604	157,210	280,128	142,602	24,509	1,542,279	2,597,613	8,395,101	4,679,466	4,404,032
Unrestricted	5,287,902	4,898,401	4,496,632	1,230,631	3,933,290	4,341,765	4,862,254	4,474,335	5,692,700	571,398
Total Net Position	<u>\$ 48,036,244</u>	<u>\$ 48,870,115</u>	<u>\$ 50,649,262</u>	<u>\$ 52,498,763</u>	<u>\$ 54,711,732</u>	<u>\$ 51,258,898</u>	<u>\$ 49,013,810</u>	<u>\$ 46,096,383</u>	<u>\$ 42,569,359</u>	<u>\$ 40,613,671</u>

Sources: Heartland Community College Comprehensive Annual Financial Reports and general ledger reports

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
FINANCIAL TRENDS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
OPERATING REVENUES										
Student Tuition and Fees, Net of Scholarship	\$ 10,200,728	\$ 9,322,824	\$ 11,796,677	\$ 10,529,999	\$ 11,575,275	\$ 9,405,410	\$ 7,849,080	\$ 6,793,175	\$ 5,757,064	\$ 5,033,308
Auxiliary Enterprises Revenue	1,131,570	724,995	637,986	856,864	584,994	578,892	619,166	477,929	913,262	382,941
Other Operating Revenues	2,586,882	2,820,351	2,510,642	3,898,229	2,721,908	1,424,609	1,314,230	1,274,313	1,688,035	1,499,100
Total Operating Revenues	13,919,180	12,868,170	14,945,305	15,285,092	14,882,177	11,408,911	9,782,476	8,545,417	8,358,361	6,915,349
OPERATING EXPENSES										
Instruction	13,525,124	13,806,722	13,665,862	13,616,377	13,865,346	12,556,027	11,188,713	6,091,926	9,669,362	9,203,568
Academic Support	2,409,502	2,406,802	2,323,736	2,672,241	2,531,533	1,755,930	1,827,783	10,437,426	1,790,851	1,359,979
Public Services	3,135,985	3,190,156	3,719,162	5,116,227	3,657,252	2,820,304	2,283,646	2,602,753	1,763,109	1,492,929
Student Services	2,811,517	2,767,179	2,569,575	2,578,637	2,826,803	2,508,947	2,304,352	2,823,286	2,112,189	1,904,431
Institutional Support	8,144,174	9,287,265	8,600,653	9,165,271	8,833,998	7,884,575	7,334,067	2,270,247	6,687,070	8,614,770
Scholarships, Student Grants, and Waivers	5,709,869	5,439,759	6,988,876	4,854,931	6,710,771	6,249,924	3,711,205	1,716,290	2,003,966	1,995,506
Operations and Maintenance	3,419,832	3,622,478	3,525,130	3,454,321	4,124,979	3,725,177	3,162,645	1,943,093	2,898,289	2,826,933
Auxiliary Enterprises	1,206,791	1,191,842	1,145,145	1,237,178	1,118,834	1,762,563	1,641,309	1,986,178	1,283,096	712,380
Depreciation	4,587,293	4,638,829	4,710,573	4,722,293	4,430,553	3,625,303	2,457,929	1,814,969	1,812,825	1,309,995
SURS Contribution Paid by State	8,770,788	7,345,516	6,703,401	6,493,851	4,861,925	3,477,359	2,895,964	1,356,181	1,309,964	950,630
Total Operating Expenses	53,720,875	53,696,548	53,952,113	53,911,327	52,961,994	46,366,109	38,807,613	33,042,349	31,330,721	30,371,121
OPERATING LOSS	(39,801,695)	(40,828,378)	(39,006,808)	(38,626,235)	(38,079,817)	(34,957,198)	(29,025,137)	(24,496,932)	(22,972,360)	(23,455,772)
NONOPERATING REVENUES (EXPENSES)										
Property Taxes	21,376,417	20,986,413	19,985,064	19,798,786	19,502,637	18,587,282	17,807,436	16,744,021	14,563,671	13,401,204
State Grants and Contracts	2,064,036	4,296,628	4,261,307	4,273,349	4,932,733	4,172,813	4,186,981	4,545,743	4,627,970	4,506,707
Federal Grants and Contracts	9,921,617	9,942,770	9,962,457	9,840,696	12,459,068	11,282,682	7,377,813	4,917,827	3,461,924	3,482,085
Local Grants and Contracts	-	-	-	-	-	-	(388,331)	-	-	-
Interest Expense	(3,194,707)	(3,532,897)	(3,766,198)	(3,692,292)	(388,353)	(329,219)	113,198	(1,697,059)	(3,217,685)	(1,458,870)
Investment Income	44,419	24,227	44,931	16,910	201,497	39,716	(50,497)	1,705,568	3,466,130	1,708,638
Amortization Expense	(13,426)	(13,426)	(13,426)	(13,426)	(36,856)	(28,347)	-	(47,213)	(23,431)	-
Gain on Bond Refunding	-	-	-	-	-	-	-	40,100	41,352	-
Loss on Disposal of Assets	(1,320)	-	(20,229)	-	-	-	-	-	-	-
SURS Contribution Provided by State	8,770,788	7,345,516	6,703,401	6,493,851	4,861,925	3,477,359	2,895,964	1,814,969	1,309,964	950,630
Total Nonoperating Revenues, Net	38,967,824	39,049,231	37,157,307	36,717,874	41,532,651	37,202,286	31,942,564	28,023,956	24,229,895	22,590,394
CAPITAL CONTRIBUTIONS	-	-	-	-	-	-	-	-	698,153	4,736,909
CHANGE IN NET POSITION	(833,871)	(1,779,147)	(1,849,501)	(1,908,361)	3,452,834	2,245,088	2,917,427	3,527,024	1,955,688	3,871,531
Beginning of Year, as Previously Reported	48,870,115	50,649,262	52,498,763	54,711,732	51,258,898	49,013,810	46,096,383	42,569,359	40,613,671	36,742,140
GASB 65 Implementation	-	-	-	(304,608)	-	-	-	-	-	-
Beginning of Year, as Restated	48,870,115	50,649,262	52,498,763	54,407,124	51,258,898	49,013,810	46,096,383	42,569,359	40,613,671	36,742,140
END OF YEAR	<u>\$ 48,036,244</u>	<u>\$ 48,870,115</u>	<u>\$ 50,649,262</u>	<u>\$ 52,498,763</u>	<u>\$ 54,711,732</u>	<u>\$ 51,258,898</u>	<u>\$ 49,013,810</u>	<u>\$ 46,096,383</u>	<u>\$ 42,569,359</u>	<u>\$ 40,613,671</u>

Sources: Heartland Community College Comprehensive Annual Financial Reports and general ledger reports

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
REVENUE CAPACITY
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN LEVY YEARS
(UNAUDITED)**

<u>Tax Levy Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>
2015	\$ 4,314,111,666	\$ 12,942,334,998
2014	4,240,488,783	12,721,466,349
2013	4,154,298,826	12,462,896,478
2012	4,131,636,881	12,394,910,643
2011	4,161,237,754	12,483,713,262
2010	4,118,116,444	12,354,349,332
2009	4,048,351,290	12,145,053,870
2008	3,934,147,396	11,802,532,188
2007	3,764,474,185	11,293,422,555
2006	3,580,079,454	10,740,238,362

Source: College Records

Notes: Assessed value is computed to be equal to one third of the estimated actual value.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
REVENUE CAPACITY
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (CONTINUED)
LAST TEN LEVY YEARS
(UNAUDITED)**

Levy Year	Residential Property	Commercial Property	Industrial Property	Farm Property	Railroad Property	Other Property	Total Taxable Assessed Value	Total Direct Tax Rate
2015	\$ 2,656,194,344	\$ 1,073,521,959	\$ 39,187,220	\$ 484,132,645	\$ 22,685,466	\$ 38,390,032	4,314,111,666	0.54116
2014	2,612,074,796	1,057,963,549	42,589,895	467,616,790	19,975,744	40,268,009	4,240,488,783	0.50583
2013	2,561,430,797	1,050,697,690	43,963,693	436,999,100	19,745,865	41,461,681	4,154,298,826	0.50161
2012	2,573,618,223	1,049,682,431	39,273,863	407,565,002	17,913,945	43,583,417	4,131,636,881	0.49191
2011	2,620,093,718	1,060,939,966	40,604,960	385,515,518	16,757,294	37,326,298	4,161,237,754	0.47673
2010	2,607,206,669	1,067,531,559	41,660,214	366,976,710	15,701,968	19,039,324	4,118,116,444	0.47315
2009	2,582,151,424	1,053,616,203	43,482,610	341,410,855	13,673,024	14,017,174	4,048,351,290	0.45988
2008	2,505,052,129	1,046,680,547	43,546,041	327,029,856	11,700,513	138,310	3,934,147,396	0.45331
2007	2,412,182,985	995,472,661	43,619,701	302,525,068	10,535,460	138,310	3,764,474,185	0.44423
2006	2,286,033,435	943,368,468	43,319,871	297,019,383	10,199,987	138,310	3,580,079,454	0.40655

Sources: Heartland Community College Records and County Clerk's Offices of McLean, Livingston, Tazewell, Ford, Logan, and DeWitt Counties

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
REVENUE CAPACITY
PROPERTY TAX RATES – DIRECT AND OVERLAPPING
GOVERNMENTS WITHIN MCLEAN COUNTY
LAST TEN LEVY YEARS
(UNAUDITED)**

Taxing Bodies	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
McLean County	0.91836	0.90133	0.90375	0.91165	0.91571	0.91673	0.90687	0.89659	0.90098	0.91927
Town of Normal	0.92500	0.91581	0.89427	0.76272	0.77488	0.78259	0.78476	0.74289	0.74897	0.75819
Normal Library	0.45049	0.44185	0.44646	0.43971	0.41484	0.39507	0.36452	0.35069	0.33915	0.32919
Normal Township	0.22786	0.22800	0.22296	0.16692	0.16501	0.15807	0.15138	0.14934	0.14858	0.11826
Normal Road and Bridge	0.09571	0.09346	0.09101	0.09070	0.08965	0.08589	0.08115	0.08115	0.08086	0.07591
Normal School District #5	5.05827	5.02707	5.00704	4.88412	4.73499	4.76383	4.69289	4.58932	4.53253	4.44755
Bloomington/Normal Water District	0.17446	0.17216	0.17011	0.16402	0.16390	0.16391	0.16476	0.16036	0.15871	0.15303
Bloomington/Normal Airport Authority	0.13572	0.13655	0.12736	0.12745	0.15486	0.09855	0.08546	0.11008	0.10781	0.11621
City of Bloomington	1.07729	1.06782	1.06121	1.05990	1.05955	1.06013	1.07616	0.99541	1.00665	0.99730
City of Bloomington Township	0.12433	0.12541	0.12243	0.14145	0.14328	0.17309	0.18217	0.18683	0.2208	0.22972
Bloomington School District #87	5.15877	4.95303	4.83486	4.72322	4.65741	4.65682	4.61222	4.58085	4.51459	4.48221
Bloomington Library	0.25098	0.25323	0.25811	0.25620	0.25073	0.25087	0.26108	0.26108	0.26601	0.27099
Bloomington Cemetery	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total Overlapping Rate	14.59724	14.31572	14.13957	13.72806	13.52481	13.50555	13.36342	13.10459	13.02564	12.89783
Heartland Community College	0.54116	0.50583	0.50161	0.49191	0.47673	0.47315	0.45988	0.45331	0.44423	0.40655
Total Rate	15.13840	14.82155	14.64118	14.21997	14.00154	13.97870	13.82330	13.55790	13.46987	13.30438

Source: McLean County Clerk's Office

Notes: Rates are per \$100 of assessed valuation.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
REVENUE CAPACITY
PRINCIPAL TAXPAYERS
CURRENT LEVY YEAR AND NINE YEARS AGO
(DOLLARS IN THOUSANDS)
(UNAUDITED)**

Taxpayer Name	Type of Business/Service	2015 Assessed Valuation	Rank	Percentage of District 540 Assessed Valuation	2006 Assessed Valuation	Rank	Percentage of District 540 Assessed Valuation
State Farm Insurance Company	Insurance	\$ 171,866	1	3.98%	\$ 153,850	1	4.30%
White Oak Energy LLC	Energy	17,925	2	0.42%	-		
Eastland Mall LLC %CBL & Associates Mgt. Inc.	Retail Mall	16,951	3	0.39%	18,109	2	0.51%
Wal-Mart Stores, Inc.	Retail	11,317	4	0.26%	12,982	3	0.36%
High Trail Wind Farm	Energy	10,682	5	0.25%	-		
Illinois Agriculture Association	AG Insurance	9,179	6	0.21%	9,486	6	0.26%
SH The Flats Normal LLC	Apartments	7,726	7	0.18%	-		
Brookridge Apartments LLC	Apartments	6,761	8	0.16%	-		
Wingover Apts	Housing	6,696	9	0.16%	-		
Blue Atlantic Normal LLC	Apartments	6,567	10	0.15%	-		
Advocate/Bromenn Healthcare Hospital	Hospital	-			-		
Country Insurance & F.S.	Insurance	-			12,838	4	0.36%
Mitsubishi Motors Manufacturing	Auto Manufacturing	-			9,568	5	0.27%
American Disposal of Illinois	Waste Management	-			6,566	7	0.18%
Amresco	Retail	-			5,465	8	0.15%
Westminster Village	Retirement Center	-			5,452	9	0.15%
Verizon	Communications	-			4,269	10	0.12%
Total		<u>\$ 265,670</u>		<u>6.16%</u>	<u>\$ 238,585</u>		<u>6.66%</u>

Source: County Assessor's office

Notes:

- (1) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked.
- (2) The 2015 assessed valuation is the most current available.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
REVENUE CAPACITY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN LEVY YEARS
(UNAUDITED)**

Tax Levy Year	Fiscal Year	Assessed Valuation	Direct Tax Rate	Taxes Extended	Total Collected Through June 30, 2015	Collected During Year ended June 30, 2016	Total Collected Through June 30, 2016	Percentage of Taxes Extended Collected Through June 30, 2016
2015	2017	\$ 4,314,111,666	0.54116	\$ 23,346,592	\$ -	\$ 10,204,527	\$ 10,204,527	43.71%
2014	2016	4,240,488,783	0.50583	21,433,078	9,236,307	12,196,771	21,433,078	100.00%
2013	2015	4,154,298,826	0.50161	20,838,636	20,838,636	-	20,838,636	100.00%
2012	2014	4,131,636,881	0.49191	20,324,387	20,132,841	-	20,132,841	99.06%
2011	2013	4,161,237,754	0.47673	19,838,409	19,798,786	-	19,798,786	99.80%
2010	2012	4,118,116,444	0.47315	19,484,868	19,502,637	-	19,502,637	100.09%
2009	2011	4,048,351,290	0.45988	18,617,490	18,587,282	-	18,587,282	99.84%
2008	2010	3,934,177,396	0.45331	17,833,705	17,807,437	-	17,807,437	99.85%
2007	2009	3,764,474,185	0.44423	16,726,407	16,744,020	-	16,744,020	100.11%
2006	2008	3,580,079,454	0.40655	14,562,903	14,563,671	-	14,563,671	100.01%

Source: Heartland Community College Comprehensive Annual Financial Reports and accounting records

Notes:

- (1) Heartland is not subject to tax caps and therefore, has no tax cap limit.
- (2) Due to differences in the computational methods followed by the District's six counties, portions of each which are within the District's boundaries, there may be slight differences between the final levy amounts extended by the counties and those used for financial statement purposes.
- (3) Taxes are generally due on June 1st and September 1st of the calendar year subsequent to the levy year.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
REVENUE CAPACITY
ENROLLMENT, TUITION AND FEE RATES, CREDIT HOURS, AND TUITION AND
FEE REVENUES GENERATED
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Headcount Credit Courses	Tuition and Fee Rates			ICCB S3	Tuition and Fee Revenues
		In District Tuition and Fees per Semester Hour	Out of District Tuition and Fees per Semester Hour	Out of State Tuition and Fees per Semester Hour	Total Semester Credit Hours Generated	All Funds
2016	5,298	\$ 144	\$ 279	\$ 414	97,279	\$ 16,907,749
2015	5,286	142	275	408	99,170	16,914,112
2014	5,215	139	269	399	100,879	17,259,646
2013	5,456	136	263	390	104,408	17,551,049
2012	5,610	131	254	377	111,560	17,844,502
2011	5,459	115	223	331	108,514	15,231,883
2010	5,266	95	183	271	105,787	12,430,415
2009	5,062	87	167	247	95,110	10,393,191
2008	4,827	77	154	231	88,111	8,442,661
2007	4,764	70	140	210	85,855	7,529,795

Sources: Heartland Community College records and Comprehensive Annual Financial Reports, and ICCB S3 Summary Report

The tuition figures here are reflected at gross amounts, while financial statements present tuition net of scholarship allowances.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
DEBT CAPACITY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	General Obligation Bonds (1)	General Obligation Debt Certificates	Bond Premium	Capital Lease Obligations	Total Outstanding Debt	District #540 Estimated Actual Taxable Property Value	Percentage of Total Outstanding Debt to Estimated Actual Taxable Property Value	Population	Total Outstanding Debt Per Capita	Percentage of Total Debt to Personal Income
2016	\$ 75,840,000	\$ 5,015,000	\$ 1,351,624	\$ -	\$ 82,206,624	\$ 12,942,334,998	0.64%	207,953	395.31	1.52%
2015	75,635,000	5,315,000	311,750	60,920	81,322,670	12,721,466,349	0.64%	207,953	391.06	1.53%
2014	79,650,000	5,610,000	440,750	152,421	85,853,171	12,462,896,478	0.69%	208,539	411.69	1.61%
2013	78,915,000	5,890,000	-	93,816	84,898,816	12,394,910,643	0.68%	208,539	407.11	1.66%
2012	82,015,000	5,000,000	-	184,109	87,199,109	12,483,713,262	0.70%	208,539	418.14	1.74%
2011	80,580,000	1,700,000	-	267,100	82,547,100	12,354,349,332	0.67%	208,539	395.84	1.73%
2010	83,040,000	-	-	258,570	83,298,570	12,145,053,870	0.69%	203,178	409.98	1.83%
2009	80,560,000	-	-	300,650	80,860,650	11,802,532,188	0.69%	203,178	397.98	1.86%
2008	77,820,000	-	-	4,089	77,824,089	11,293,422,555	0.69%	203,178	383.03	1.83%
2007	20,115,000	59,000,000	-	15,397	79,130,397	10,740,238,362	0.74%	199,593	396.46	1.93%

Sources: College records, Comprehensive Annual Financial Reports, and ICCB Summary Profile

Notes:

- (1) Balances include current and noncurrent portions of bond principal outstanding.
- (2) Details of the College's outstanding debt can be found in Note 5 in the notes to the financial statements.
- (3) Population is from the ICCB Summary Profile of the IL Public Community Colleges.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
DEBT CAPACITY
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	General Obligation Bonds (1)	General Obligation Debt Certificates	Bond Premium	Net General Bonded Debt	District #540 Estimated Actual Taxable Property Value	Percentage of Net General Bonded Debt to Estimated Actual Taxable Property Value	Population	Net General Bonded Debt Per Capita
2016	\$ 75,840,000	\$ 5,015,000	\$ 1,351,624	\$ 82,206,624	\$ 12,942,334,998	0.64%	207,953	\$ 395.31
2015	75,635,000	5,315,000	311,750	81,261,750	12,721,466,349	0.64%	207,953	390.77
2014	79,650,000	5,610,000	440,750	85,700,750	12,462,896,478	0.69%	208,539	410.96
2013	78,915,000	5,890,000	-	84,805,000	12,394,910,643	0.68%	208,539	406.66
2012	82,015,000	5,000,000	-	87,015,000	12,483,713,262	0.70%	208,539	417.26
2011	80,580,000	1,700,000	-	82,280,000	12,354,349,332	0.67%	208,539	394.55
2010	83,040,000	-	-	83,040,000	12,145,053,870	0.68%	203,178	408.71
2009	80,560,000	-	-	80,560,000	11,802,532,188	0.68%	203,178	396.50
2008	77,820,000	-	-	77,820,000	11,293,422,555	0.69%	203,178	383.01
2007	20,115,000	59,000,000	-	79,115,000	10,740,238,362	0.74%	199,593	396.38

Sources: College records, Comprehensive Annual Financial Reports, and ICCB Summary Profile

Notes:

- (1) Balances include current and noncurrent portions of bond principal outstanding.
- (2) Details of the College's outstanding debt can be found in Note 5 in the notes to the financial statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
DEBT CAPACITY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Assessed Value	Debt Limit Rate	Debt Limit (Assessed Value X Debt Limit Rate)	Net Debt Applicable to Debt Limit (1)	Legal Debt Margin	Net Debt Applicable to Debt Limit as a Percentage of Debt Limit
2016	\$ 4,314,111,666	2.875%	\$ 124,030,710	\$ 82,206,624	\$ 41,824,086	66.28%
2015	4,240,488,783	2.875%	121,914,053	81,261,750	40,652,303	66.65%
2014	4,154,298,826	2.875%	119,436,091	85,700,750	33,735,341	71.75%
2013	4,131,636,881	2.875%	118,784,560	84,805,000	33,979,560	71.39%
2012	4,161,237,754	2.875%	119,635,585	87,015,000	32,620,585	72.73%
2011	4,118,116,444	2.875%	118,395,848	82,280,000	36,115,848	69.50%
2010	4,048,351,290	2.875%	116,390,100	83,040,000	33,350,100	71.35%
2009	3,934,177,396	2.875%	113,107,600	80,560,000	32,547,600	71.22%
2008	3,764,474,185	2.875%	108,228,633	77,820,000	30,408,633	71.90%
2007	3,580,079,454	2.875%	102,927,284	79,115,000	23,812,284	76.86%

Sources: Heartland Community College records, Comprehensive Annual Financial Reports,
and McLean County records

Notes:

- (1) Balances include current and noncurrent portions of bond principal outstanding.
- (2) Details of the College's outstanding debt can be found in the notes to the financial statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
DEBT CAPACITY
LISTING OF DIRECT AND OVERLAPPING BONDED DEBT
LAST TEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Year 2016			Fiscal Year 2015			Fiscal Year 2014		
	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt
Normal School District	\$ 138,845,000	99.92%	\$ 138,733,924	\$ 171,020,000	99.92%	\$ 170,883,184	\$ 175,930,000	99.92%	\$ 175,792,254
Ford County	-	0.00%	-	1,270,000	0.08%	1,016	1,165,000	0.08%	924
City of Bloomington	66,705,000	100.00%	66,705,000	71,555,000	100.00%	71,555,000	79,485,000	100.00%	79,485,000
McLean County Public Building Commission	-	0.00%	-	8,697,489	94.71%	8,237,392	8,697,489	94.71%	8,237,126
B/N Airport Authority	12,615,000	100.00%	12,615,000	17,190,000	100.00%	17,190,000	14,695,000	100.00%	14,695,000
Prairie Central School District #8	4,362,277	69.21%	3,019,132	5,154,923	69.21%	3,567,722	2,101,000	69.21%	1,454,166
Town of Normal	83,530,000	100.00%	83,530,000	84,365,000	100.00%	84,365,000	78,055,000	100.00%	78,055,000
Village of Carlock	35,000	100.00%	35,000	45,000	100.00%	45,000	55,000	100.00%	55,000
Town of Normal Special Service Area #1	-	0.00%	-	-	0.00%	-	-	0.00%	-
Olympia School District #16	15,755,000	99.97%	15,750,274	17,050,000	99.97%	17,044,885	12,530,000	99.97%	12,526,094
Bloomington School District #87	42,955,000	100.00%	42,955,000	45,955,000	100.00%	45,955,000	37,795,000	100.00%	37,795,000
Tri-Valley School District #3	5,320,000	99.91%	5,315,212	5,695,000	99.91%	5,689,875	4,505,000	99.91%	4,500,841
Heyworth School District #4	6,780,000	100.00%	6,780,000	7,660,000	100.00%	7,660,000	6,810,000	100.00%	6,810,000
Ridgeview School District #19	1,280,000	48.30%	618,240	1,920,000	48.30%	927,360	2,660,000	48.30%	1,285,742
Village of Heyworth	149,700	100.00%	149,700	149,700	100.00%	149,700	15,000	100.00%	15,000
Gridley School District #10	-	0.00%	-	-	0.00%	-	-	0.00%	-
Chenoa School District #9	-	0.00%	-	-	0.00%	-	-	0.00%	-
El Paso-Gridley School Unit #11	4,445,000	24.77%	1,101,027	4,445,000	24.77%	1,101,027	3,795,000	24.77%	939,973
Lexington School District #7	5,755,000	100.00%	5,755,000	6,090,000	100.00%	6,090,000	5,380,000	100.00%	5,380,000
City of Chenoa	-	0.00%	-	-	0.00%	-	-	0.00%	-
City of El Paso	221,000	24.77%	54,742	509,000	24.77%	126,079	-	0.00%	-
Randolph Fire Protection District	-	0.00%	-	-	0.00%	-	-	0.00%	-
Village of Stanford	-	0.00%	-	-	0.00%	-	-	0.00%	-
Village of Towanda	-	0.00%	-	-	0.00%	-	-	0.00%	-
Village of Gridley	-	0.00%	-	-	0.00%	-	-	0.00%	-
Village of McLean	-	0.00%	-	-	0.00%	-	-	0.00%	-
City of Lincoln	163,000	100.00%	163,000	493,000	100.00%	493,000	493,000	100.00%	493,000
City of Fairbury	460,000	79.68%	366,528	480,000	79.68%	382,464	500,000	79.68%	398,406
City of Atlanta	15,000	100.00%	15,000	30,000	100.00%	30,000	45,000	100.00%	45,000
Randolph Township Road & Bridge	-	0.00%	-	-	0.00%	-	-	0.00%	-
Town of Randolph Road District	-	0.00%	-	-	0.00%	-	-	0.00%	-
Lincoln Rural Fire Protection District	655,000	97.64%	639,542	750,000	97.64%	732,300	840,000	97.64%	820,180
Lincoln Park District	610,000	100.00%	610,000	3,600,000	100.00%	3,600,000	600,000	100.00%	600,000
Chester-East Lincoln SD #61	2,075,000	99.37%	2,061,928	2,075,000	99.37%	2,061,928	2,075,000	99.37%	2,061,903
Eureka CUSD #140	-	0.00%	-	-	0.00%	-	-	0.00%	-
Illini Central CUSD #189	2,630,000	0.03%	789	2,890,000	0.03%	867	3,140,000	0.03%	967
Lincoln CHSD #404	2,595,000	92.65%	2,404,268	3,200,000	92.65%	2,964,800	3,200,000	92.65%	2,964,943
Lincoln SD #27	-	0.00%	-	670,000	100.00%	670,000	670,000	100.00%	670,000
Pontiac CCSD #429	-	0.00%	-	-	0.00%	-	95,000	99.28%	94,317
Pontiac THSD #90	-	0.00%	-	3,825,000	81.81%	3,129,233	900,000	81.81%	736,320
Rooks Creek CCSD #425	-	0.00%	-	-	0.00%	-	-	0.00%	-
West Lincoln-Broadwell SD #92	1,185,000	96.54%	1,143,999	1,325,000	96.54%	1,279,155	1,325,000	96.54%	1,279,094
Logan County	-	0.00%	-	-	0.00%	-	-	0.00%	-
Downs Fire Protection District	-	0.00%	-	-	0.00%	-	-	0.00%	-
Tazewell County	-	0.00%	-	-	0.00%	-	-	0.00%	-
Village of Cooksville	-	0.00%	-	315,000	100.00%	315,000	-	0.00%	-
LeRoy CUSD #2	7,535,000	0.46%	34,661	8,095,000	0.46%	37,237	8,325,000	0.46%	38,419
Clinton CUSD #15	15,805,000	0.02%	3,161	18,860,078	0.02%	3,772	18,730,000	0.02%	3,331
LeRoy Community Fire Protection Dist	1,830,000	1.22%	22,326	1,900,000	1.22%	23,180	1,900,000	1.22%	23,188
Octavia Park District	-	0.00%	-	-	0.00%	-	-	0.00%	-
Subotal	424,310,977		390,582,453	497,279,190		456,311,176	476,511,489		437,256,188
Heartland Community College #540	82,206,624	100.00%	82,206,624	81,261,750	100.00%	81,261,750	85,700,750	100.00%	85,700,750
Total	\$ 506,517,601		\$ 472,789,077	\$ 578,540,940		\$ 537,572,926	\$ 562,212,239		\$ 522,956,938

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
DEBT CAPACITY
LISTING OF DIRECT AND OVERLAPPING BONDED DEBT (CONTINUED)
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year 2013			Fiscal Year 2012			Fiscal Year 2011			Fiscal Year 2010		
Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt
\$ 179,790,000	99.96%	\$ 179,718,084	\$ 183,650,000	99.96%	\$ 183,576,540	\$ 193,137,884	99.96%	\$ 193,060,629	\$ 175,290,000	99.96%	\$ 175,219,884
475,000	0.10%	475	580,000	0.10%	580	-	0.00%	-	1,060,000	0.06%	636
73,360,000	100.00%	73,360,000	77,145,000	100.00%	77,145,000	73,055,000	100.00%	73,055,000	77,330,000	100.00%	77,330,000
10,625,282	95.01%	10,095,310	12,563,993	95.19%	11,959,665	-	0.00%	-	18,709,513	95.24%	17,818,940
15,080,000	100.00%	15,080,000	15,460,000	100.00%	15,460,000	-	0.00%	-	23,710,000	100.00%	23,710,000
3,976,248	70.17%	2,790,133	5,630,008	70.17%	3,950,577	4,994,576	70.12%	3,502,197	9,559,215	70.12%	6,702,922
78,060,000	100.00%	78,060,000	78,940,000	100.00%	78,940,000	-	0.00%	-	89,590,000	100.00%	89,590,000
65,000	100.00%	65,000	75,000	100.00%	75,000	85,000	100.00%	85,000	100,000	100.00%	100,000
4,870,000	100.00%	4,870,000	5,150,000	100.00%	5,150,000	80,000,000	100.00%	80,000,000	5,510,000	100.00%	5,510,000
13,670,000	99.97%	13,665,899	13,205,000	99.97%	13,201,039	13,905,802	99.97%	13,901,630	13,990,000	99.97%	13,985,803
39,795,000	100.00%	39,795,000	41,580,000	100.00%	41,580,000	43,195,000	100.00%	43,195,000	45,965,000	100.00%	45,965,000
4,875,000	99.88%	4,869,150	5,215,000	99.88%	5,208,742	5,523,460	99.88%	5,516,832	3,060,000	99.88%	3,056,328
7,345,000	100.00%	7,345,000	7,810,000	100.00%	7,810,000	8,005,000	100.00%	8,005,000	9,730,000	100.00%	9,730,000
2,220,000	82.08%	1,822,176	3,395,000	82.08%	2,786,616	3,500,691	82.08%	2,873,367	5,515,000	82.08%	4,526,712
30,000	100.00%	30,000	45,000	100.00%	45,000	60,000	100.00%	60,000	9,075,000	100.00%	9,075,000
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
3,795,000	25.10%	952,545	4,850,000	25.10%	1,217,350	1,460,618	25.10%	366,615	7,500,000	25.10%	1,882,500
5,655,000	100.00%	5,655,000	4,470,000	100.00%	4,470,000	4,735,000	100.00%	4,735,000	2,490,000	100.00%	2,490,000
8,700	100.00%	8,700	17,400	100.00%	17,400	26,100	100.00%	26,100	103,500	100.00%	103,500
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
-	0.00%	-	-	0.00%	-	-	0.00%	-	510,000	100.00%	510,000
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
-	0.00%	-	-	0.00%	-	-	0.00%	-	1,090,000	100.00%	1,090,000
-	0.00%	-	-	0.00%	-	-	0.00%	-	780,000	100.00%	780,000
175,000	100.00%	175,000	345,000	100.00%	345,000	500,000	100.00%	500,000	610,000	100.00%	610,000
500,000	100.00%	500,000	500,000	100.00%	500,000	-	0.00%	-	170,000	100.00%	170,000
60,000	100.00%	60,000	70,000	100.00%	70,000	80,000	100.00%	80,000	450,000	100.00%	450,000
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
-	0.00%	-	-	0.00%	-	-	0.00%	-	230,000	100.00%	230,000
925,000	97.96%	906,130	1,005,000	97.96%	984,498	-	0.00%	-	1,215,000	97.96%	1,190,214
595,000	100.00%	595,000	575,000	100.00%	575,000	-	0.00%	-	545,000	100.00%	545,000
2,105,000	99.93%	2,103,527	88,000	99.93%	87,938	134,900	99.93%	134,806	110,000	99.93%	109,923
-	0.00%	-	365,000	0.04%	146	287	0.04%	0	1,655,000	0.04%	662
3,375,000	0.04%	1,350	3,595,000	0.04%	1,438	1,352	0.04%	1	4,000,000	0.04%	1,600
3,480,000	90.11%	3,135,828	3,745,000	90.11%	3,374,620	3,599,885	90.11%	3,243,856	4,455,000	90.11%	4,014,401
1,085,000	100.00%	1,085,000	1,490,000	100.00%	1,490,000	1,855,000	100.00%	1,855,000	5,370,000	100.00%	5,370,000
350,000	99.01%	346,535	595,000	99.01%	589,110	821,783	99.01%	813,647	1,245,000	99.01%	1,232,675
1,150,000	90.57%	1,041,555	1,390,000	90.57%	1,258,923	1,467,234	90.57%	1,328,874	2,050,000	90.57%	1,856,685
25,000	100.00%	25,000	50,000	100.00%	50,000	75,000	100.00%	75,000	120,000	100.00%	120,000
1,390,000	94.58%	1,314,662	1,450,000	94.58%	1,371,410	1,423,487	94.58%	1,346,334	1,600,000	94.58%	1,513,280
600,000	72.28%	433,680	-	0.00%	-	-	0.00%	-	-	0.00%	-
-	0.00%	-	-	0.00%	-	-	0.00%	-	2,795,000	92.66%	2,589,847
-	0.00%	-	-	0.00%	-	-	0.00%	-	6,655,000	3.89%	258,880
-	0.00%	-	340,000	100.00%	340,000	340,000	100.00%	340,000	-	0.00%	-
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-
10,000	100.00%	10,000	-	0.00%	-	-	0.00%	-	-	0.00%	-
459,520,230		449,915,739	475,384,401		463,631,592	441,983,059		438,099,887	533,942,228		509,440,392
84,805,000	100.00%	84,805,000	87,015,000	100.00%	87,015,000	82,280,000	100.00%	82,280,000	83,040,000	100.00%	83,040,000
\$ 544,325,230		\$ 534,720,739	\$ 562,399,401		\$ 550,646,592	\$ 524,263,059		\$ 520,379,887	\$ 616,982,228		\$ 592,480,392

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
DEMOGRAPHIC AND ECONOMIC INFORMATION
PERSONAL INCOME PER CAPITA
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year	District #540 Counties Served	Size of District (2)	District #540 Population (2)	McLean Co. Population	McLean Co. Personal Income	McLean Co. Per Capita Income	McLean Co. Unemployment Rate
2016	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 Square Miles	207,953	175,890	\$ 5,404,747,920	\$ 30,728	5.20%
2015	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 Square Miles	207,953	174,061	5,301,898,060	30,460	3.90%
2014	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 Square Miles	208,539	174,647	5,319,747,620	30,460	7.30%
2013	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 Square Miles	208,539	171,166	5,128,133,360	29,960	7.20%
2012	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 Square Miles	208,539	170,556	5,018,610,300	29,425	7.20%
2011	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 Square Miles	208,539	169,572	4,776,334,524	28,167	7.70%
2010	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 Square Miles	203,178	168,854	4,553,823,526	26,969	6.40%
2009	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 Square Miles	203,178	167,066	4,350,398,640	26,040	6.70%
2008	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 Square Miles	203,178	165,298	4,261,713,036	25,782	5.50%
2007	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 Square Miles	199,593	165,148	4,094,026,630	24,790	3.90%

Sources: Heartland Community College Comprehensive Annual Financial Reports, ICCB Summary Profile, U.S. Census Bureau - McLean County Personal Income, McLean County Economic Development Council's Demographic Profiles, and Illinois Department of Employment Security - Unemployment Rate/McLean County.

Notes:

- (1) Approximately 100% of Heartland Community College District #540 Metropolitan areas lie in McLean County. All other counties in District #540 are considered Non-Metropolitan.
- (2) Square miles and population data were obtained from the most recent ICCB Summary Profiles available.
- (3) McLean County population growth for FY 2009 - 2010 was based upon the projected increase in population by 2015 by the Department of Commerce and Economic Opportunity, Northern Illinois Planning Commission
 McLean County population for FY 2011 was based upon the US Census Bureau's 2010 report.
 McLean County population for FY 2012 was based upon the US Department of Commerce 2012.
 McLean County population for FY 2013 and FY2014 was based upon the ESRI and U S Census Bureau population for calendar year 2012 from the B/N EDC Report.
- (4) McLean County Per Capita Income was obtained from demographic information from the US Census Bureau. McLean County Personal Income was calculated by multiplying the Per Capita Income by the McLean County Population.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
DEMOGRAPHIC AND ECONOMIC INFORMATION
PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Employer	2016			2015			2014			2013			2012		
	Employees	Rank	District #540% of Population	Employees	Rank	District #540% of Population	Employees	Rank	District #540% of Population	Employees	Rank	District #540% of Population	Employees	Rank	District #540% of Population
Anderson Financial Network, Inc. (AFNI)	765	8	0.37%	765	9	0.44%	-	-	0.00%	700	10	0.34%	778	10	0.37%
Advocate Bro Menn Medical Center	1,402	5	0.67%	1,372	5	0.79%	791	9	0.38%	1,347	5	0.65%	1,157	6	0.55%
City of Bloomington	-	-	0.00%	-	-	0.00%	765	10	0.37%	-	-	0.00%	-	-	0.00%
COUNTRY Financial	1,910	3	0.92%	1,905	3	1.09%	1,949	3	0.93%	1,955	3	0.94%	2,049	3	0.98%
District 87 Schools (Bloomington)	657	9	0.32%	664	10	0.38%	-	-	0.00%	700	9	0.34%	-	-	0.00%
Illinois State University	3,320	2	1.60%	3,639	2	2.09%	3,289	2	1.58%	3,251	2	1.56%	3,275	2	1.57%
McLean County	829	7	0.40%	806	8	0.46%	812	8	0.39%	806	8	0.39%	806	9	0.39%
Mitsubishi Motor Manufacturing	-	-	0.00%	1,280	6	0.74%	1,251	5	0.60%	1,294	6	0.62%	1,270	5	0.61%
OSF St. Joseph Medical Center	1,364	6	0.66%	1,225	7	0.70%	1,012	7	0.49%	1,028	7	0.49%	832	8	0.40%
State Farm Insurance Companies	14,282	1	6.87%	14,109	1	8.11%	14,765	1	7.08%	14,935	1	7.16%	14,528	1	6.97%
TEK Systems	-	-	0.00%	-	-	0.00%	1,131	6	0.54%	-	-	0.00%	-	-	0.00%
Unit 5 Schools (Normal)	1,654	4	0.80%	1,549	4	0.89%	1,576	4	0.76%	1,674	4	0.80%	1,754	4	0.84%
Growmark	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	932	7	0.45%
Heritage Enterprises	596	10	0.29%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Total	26,779		15.69%	27,314		15.69%	27,341		13.11%	27,690		13.28%	27,381		13.13%

Employer	2011			2010			2009			2008			2007		
	Employees	Rank	District #540% of Population	Employee	Rank	District #540% of Population	Employees	Rank	District #540% of Population	Employees	Rank	District #540% of Population	Employees	Rank	District #540% of Population
Anderson Financial Network, Inc. (AFNI)	900	8	0.43%	750	9	0.37%	883	8	0.43%	1,012	7	0.50%	1,217	7	0.61%
Advocate Bro Menn Medical Center	1,522	5	0.73%	2,006	5	0.99%	1,591	5	0.78%	1,537	6	0.76%	1,514	6	0.76%
City of Bloomington	743	10	0.36%	-	-	0.00%	-	-	0.00%	645	10	0.32%	-	-	0.00%
COUNTRY Financial	2,084	3	1.00%	2,174	3	1.07%	2,178	3	1.07%	2,204	3	1.08%	2,158	3	1.08%
District 87 Schools (Bloomington)	-	-	0.00%	699	10	0.34%	680	10	0.33%	-	-	0.00%	675	10	0.34%
Illinois State University	3,259	2	1.56%	3,542	2	1.74%	3,205	2	1.58%	3,152	2	1.55%	3,121	2	1.56%
McLean County	806	9	0.39%	806	8	0.40%	820	9	0.40%	870	9	0.43%	870	9	0.44%
Mitsubishi Motor Manufacturing	1,278	6	0.61%	1,303	6	0.64%	1,418	6	0.70%	1,725	5	0.85%	1,800	4	0.90%
OSF St. Joseph Medical Center	1,140	7	0.55%	1,096	7	0.54%	1,122	7	0.55%	997	8	0.49%	956	8	0.48%
State Farm Insurance Companies	14,450	1	6.93%	15,359	1	7.56%	15,509	1	7.63%	15,297	1	7.53%	14,653	1	7.34%
TEK Systems	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Unit 5 Schools (Normal)	1,826	4	0.88%	2,037	4	1.00%	1,692	4	0.83%	1,754	4	0.86%	1,785	5	0.89%
Growmark	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Heritage Enterprises	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Total	28,008		13.43%	29,772		14.65%	29,098		14.30%	29,193		14.37%	28,749		14.40%

Sources: Heartland Community College Comprehensive Annual Financial Reports and Bloomington-Normal Economic Development Council.

Note: Approximately 100% of Heartland Community College District No. 540 metropolitan areas lie in McLean County. All other counties in District No. 540 are considered Nonmetropolitan for purposes of this table.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
DEMOGRAPHIC AND ECONOMIC INFORMATION
PROPERTY VALUES, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSAND)
(UNAUDITED)**

Fiscal Year	District #540 Property Value	McLean Co. Construction	McLean Co. Bank Deposits
2016	\$ 12,942,335	\$ 72,605	\$ 13,377,016
2015	12,721,466	76,518	13,362,905
2014	12,462,897	92,567	13,362,905
2013	12,394,911	48,823	12,453,121
2012	12,483,713	62,499	12,440,671
2011	12,354,349	62,284	12,415,000
2010	12,145,054	67,808	12,796,000
2009	11,802,532	53,865	12,147,000
2008	11,293,423	72,767	12,026,000
2007	10,740,238	97,578	11,449,000

Sources: Heartland Community College Comprehensive Annual Financial Reports, College Records, McLean County Economic Development Council, U.S. Census Bureau-McLean County Construction, and SummaryofDeposits@fdic.gov

Notes: Approximately 100% of Heartland Community College District #540 Metropolitan areas lie in McLean County. All other counties in District #540 are considered Nonmetropolitan.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
OPERATING INFORMATION
NUMBER OF EMPLOYEES
LAST TEN FISCAL YEARS
(UNAUDITED)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Faculty					
Full Time	85	89	90	93	95
Part Time	81	186	187	172	232
Total Faculty	<u>166</u>	<u>275</u>	<u>277</u>	<u>265</u>	<u>327</u>
Staff					
Administrative	66	68	65	69	66
Classified	46	51	53	63	67
Professional/Technical	88	89	94	96	100
Total Staff	<u>200</u>	<u>208</u>	<u>212</u>	<u>228</u>	<u>233</u>
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Faculty					
Full Time	94	89	85	80	75
Part Time	213	200	189	171	180
Total Faculty	<u>307</u>	<u>289</u>	<u>274</u>	<u>251</u>	<u>255</u>
Staff					
Administrative	57	50	49	43	42
Classified	62	56	58	51	49
Professional/Technical	98	85	89	74	66
Total Staff	<u>217</u>	<u>191</u>	<u>196</u>	<u>168</u>	<u>157</u>

Sources: Heartland Community College Comprehensive Annual Financial Reports
and College Records

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
OPERATING INFORMATION
STUDENT CREDIT HOURS BY ENROLLMENT CATEGORIES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Funding Category	2016	2015	2014	2013	2012
Baccalaureate	69,754	67,943	68,374	71,611	80,036
Business Occupational	2,513	2,282	3,134	3,413	3,404
Technical Occupational	4,029	4,154	4,381	4,039	4,362
Health Occupational	4,552	5,090	5,359	5,353	5,614
Remedial Developmental	8,720	9,649	10,371	11,093	12,138
Adult Basic Education/ Adult Secondary Education	7,711	10,052	9,260	8,899	6,006
Total	<u>97,279</u>	<u>99,170</u>	<u>100,879</u>	<u>104,408</u>	<u>111,560</u>

Funding Category	2011	2010	2009	2008	2007
Baccalaureate	77,170	74,823	68,423	64,090	63,198
Business Occupational	3,571	3,950	3,615	3,970	3,561
Technical Occupational	5,144	5,171	4,959	4,319	3,669
Health Occupational	6,053	5,355	4,483	3,617	3,894
Remedial Developmental	11,770	11,985	10,039	9,609	9,179
Adult Basic Education/ Adult Secondary Education	4,806	4,503	3,591	2,507	2,354
Total	<u>108,514</u>	<u>105,787</u>	<u>95,110</u>	<u>88,112</u>	<u>85,855</u>

Source: College Records

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
OPERATING INFORMATION
STUDENT ENROLLMENT DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Fall Enrollment	Full-Time Equivalent	Male	Female	Full-Time	Part-Time	Average Class Size	Average Class Size and Labs
2016	5,298	3,477	2,375	2,923	2,168	3,130	16.72	179
2015	5,286	3,418	2,413	2,873	2,073	3,213	16.70	179
2014	5,215	3,319	2,414	2,801	2,241	2,974	18.97	179
2013	5,456	3,459	2,529	2,927	2,452	3,004	18.01	179
2012	5,610	3,632	2,616	2,994	2,591	3,019	18.42	179
2011	5,459	3,508	2,545	2,914	2,599	2,860	17.30	179
2010	5,266	3,395	2,451	2,815	2,524	2,742	18.09	179
2009	5,062	3,156	2,298	2,764	2,273	2,710	18.36	179
2008	4,827	3,006	2,186	2,641	2,137	2,690	17.89	170
2007	4,764	2,813	2,092	2,672	2,001	2,774	17.47	136

Fiscal Year	Continuing Students	First Time College Level Students	Nondegree Seeking	Transfer Students	High School Students	In District Residents	Median Age	Degrees Conferred
2016	2,606	498	1,077	550	552	4,215	21	696
2015	2,485	861	960	332	531	4,692	21	639
2014	3,435	783	523	474	141	4,288	21	700
2013	2,532	1,019	824	663	210	4,341	21	654
2012	2,568	1,062	868	709	NA	4,346	21	723
2011	2,514	1,019	870	668	NA	4,192	21	718
2010	2,805	1,129	1,082	250	NA	4,240	22	673
2009	343	2,919	170	1,551	NA	4,834	21	655
2008	521	2,728	121	1,455	NA	4,667	22	646
2007	731	2,519	38	1,487	NA	4,681	22	783

Source: College Records, ICCB E1 and A2 Reports, and IPEDS Fall Enrollment Report.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
OPERATING INFORMATION
CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2016	2015	2014	2013	2012
Net Capital Assets:					
Land	\$ 4,481,528	\$ 4,481,528	\$ 4,368,661	\$ 4,368,661	\$ 4,368,661
Furniture and Equipment	4,936,327	5,312,171	5,816,802	6,325,786	6,880,156
Buildings	96,325,700	99,325,951	102,264,528	105,264,779	106,121,515
Infrastructure	9,065,358	9,887,357	10,080,223	10,873,967	11,779,288
Other Assets (Tower Leases)	165,453	178,879	192,305	205,732	219,158
Construction in Progress	102,958	102,958	564,957	139,573	84,849
Total Net Capital Assets	<u>\$ 115,077,324</u>	<u>\$ 119,288,844</u>	<u>\$ 123,287,476</u>	<u>\$ 127,178,498</u>	<u>\$ 129,453,627</u>

	2016	2015	2014	2013	2012
Other Information:					
Capital Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation Expense	4,587,293	4,638,829	4,710,573	4,722,293	4,430,553
Amortization Expense (Tower Leases)	13,426	13,426	13,426	13,426	13,426

	2011	2010	2009	2008	2007
Net Capital Assets:					
Land	\$ 4,368,661	\$ 2,225,290	\$ 2,225,290	\$ 2,225,290	\$ 2,225,290
Furniture and Equipment	2,278,654	1,687,340	1,315,471	1,323,346	1,089,975
Buildings	106,546,605	85,362,347	50,745,044	44,518,586	26,417,208
Infrastructure	9,777,203	6,209,081	2,593,895	2,806,254	2,459,877
Other Assets (Tower Leases)	232,584	-	-	-	-
Construction in Progress	281,167	18,311,046	28,285,153	7,835,443	18,585,501
Total Net Capital Assets	<u>\$ 123,484,874</u>	<u>\$ 113,795,104</u>	<u>\$ 85,164,853</u>	<u>\$ 58,708,919</u>	<u>\$ 50,777,851</u>

	2011	2010	2009	2008	2007
Other Information:					
Capital Contributions	\$ -	\$ -	\$ -	\$ 698,153	\$ 4,736,909
Depreciation Expense	3,620,387	2,457,929	1,986,177	1,812,824	1,309,995
Amortization Expense (Tower Leases)	4,916	-	-	-	-

Source: College Records

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
OPERATING INFORMATION
CAPITAL ASSET STATISTICS – SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

CAPITAL ASSET TYPE:	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land - Acres	<u>145.05</u>	<u>145.05</u>	<u>142.45</u>	<u>142.45</u>	<u>142.45</u>	<u>142.45</u>	<u>45.00</u>	<u>45.00</u>	<u>45.00</u>	<u>45.00</u>
Furniture and Equipment - No. of Units										
Education	97	110	112	117	116	123	113	110	97	90
Operations and Maintenance	18	19	19	18	14	12	12	14	14	14
Operations and Maintenance Restricted	65	65	67	68	68	85	85	85	85	83
Restricted Purposes	266	244	230	219	193	185	153	131	129	91
Liability, Protection & Settlement	11	8	7	7	7	6	5	5	5	5
Total Furniture and Equipment Units	<u>457</u>	<u>446</u>	<u>435</u>	<u>429</u>	<u>398</u>	<u>411</u>	<u>368</u>	<u>345</u>	<u>330</u>	<u>283</u>
Buildings - Square Feet										
Instructional Commons Building	97,666	97,666	97,666	97,666	97,666	97,666	97,666	97,666	97,666	97,666
Instructional Commons North Building	44,350	44,350	44,350	44,350	44,350	44,350	44,350	-	-	-
Astroth Continuing Education Center	40,751	40,751	40,751	40,751	40,751	40,751	40,751	-	-	-
Child Development Lab	20,100	20,100	20,100	20,100	20,100	20,100	20,100	20,100	-	-
Fitness and Recreation Center	46,784	46,784	46,784	46,784	46,784	46,784	-	-	-	-
Receiving and Storage Building	7,556	7,556	7,556	7,556	7,556	7,556	7,556	7,556	-	-
Physical Plant Building	14,436	14,436	14,436	14,436	14,436	14,436	14,436	14,436	14,436	14,436
Community Commons Building	49,191	49,191	49,191	49,191	49,191	49,191	49,191	49,191	49,191	49,191
Student Commons Building	102,182	102,182	102,182	102,182	102,182	102,182	102,182	79,932	79,932	79,932
Parkside Project Building	1,134	1,134	-	-	-	-	-	-	-	-
Workforce Development Center	101,425	101,425	101,425	101,425	101,425	101,425	101,425	101,425	101,425	-
Total Building Square Footage	<u>525,575</u>	<u>525,575</u>	<u>524,441</u>	<u>524,441</u>	<u>524,441</u>	<u>524,441</u>	<u>477,657</u>	<u>370,306</u>	<u>342,650</u>	<u>241,225</u>
Infrastructure - No. of Improvements										
Education	1	1	-	-	-	-	-	-	-	-
Operations and Maintenance	11	11	9	9	8	6	4	3	3	2
Operations and Maintenance Restricted	17	17	13	12	11	11	10	9	9	8
Auxillary	1	1	1	1	1	1	-	-	-	-
Restricted Purposes	8	8	7	6	4	2	1	-	-	-
Liability, Protection & Settlement	1	-	-	-	-	-	-	-	-	-
Total Infrastructure Improvements	<u>39</u>	<u>38</u>	<u>30</u>	<u>28</u>	<u>24</u>	<u>20</u>	<u>15</u>	<u>12</u>	<u>12</u>	<u>10</u>
Construction in Progress - No. of Buildings/Projects										
Buildings/Projects	2	2	4	2	2	4	1	4	4	1
Total Construction in Progress Buildings/Projects	<u>2</u>	<u>2</u>	<u>4</u>	<u>2</u>	<u>2</u>	<u>4</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>1</u>
Capital Assets Disposed - No. of Units	<u>15</u>	<u>8</u>	<u>13</u>	<u>-</u>	<u>28</u>	<u>3</u>	<u>2</u>	<u>22</u>	<u>1</u>	<u>2</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
OPERATING INFORMATION
EQUALIZED ASSESSED VALUATIONS AND TAXES EXTENDED AND COLLECTED
LEVY YEARS 2015 THROUGH 2007
(UNAUDITED)**

	2015 Levy	2014 Levy	2013 Levy	2012 Levy	2011 Levy	2010 Levy	2009 Levy	2008 Levy	2007 Levy
Equalized Assessed Valuation									
DeWitt County	\$ 10,948,245	\$ 10,451,830	\$ 9,985,298	\$ 9,661,719	\$ 9,257,216	\$ 8,821,882	\$ 8,855,821	\$ 8,329,686	\$ 7,858,785
Ford County	219,550	205,650	196,500	187,310	179,260	171,980	165,330	103,980	98,840
Livingston County	313,498,012	300,293,602	302,920,748	304,334,001	304,891,479	298,191,608	293,226,900	282,111,917	274,909,954
Logan County	351,084,777	339,880,292	322,332,191	314,407,415	310,343,406	311,309,611	303,802,499	300,251,023	290,588,199
McLean County	3,542,390,690	3,494,423,465	3,424,724,043	3,410,957,250	3,447,174,824	3,411,002,045	3,359,472,510	3,263,561,003	3,117,253,117
Tazewell County	95,970,392	95,233,944	94,140,046	92,089,186	89,391,569	88,619,318	82,828,230	79,819,787	73,765,290
Total	<u>\$ 4,314,111,666</u>	<u>\$ 4,240,488,783</u>	<u>\$ 4,154,298,826</u>	<u>\$ 4,131,636,881</u>	<u>\$ 4,161,237,754</u>	<u>\$ 4,118,116,444</u>	<u>\$ 4,048,351,290</u>	<u>\$ 3,934,177,396</u>	<u>\$ 3,764,474,185</u>
Tax Rates (Per \$100 of Equalized Assessed Valuation)									
Educational Fund	0.17500	0.17500	0.17500	0.17500	0.17500	0.17500	0.17500	0.17500	0.17500
Operations and Maintenance Fund	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000
Audit Fund	0.00316	0.00307	0.00314	0.00350	0.00327	0.00300	0.00291	0.00261	0.00259
Liability, Protection and Settlement Fund	0.05310	0.05653	0.06092	0.06770	0.05901	0.05513	0.05184	0.04883	0.04638
Bond and Interest Fund	0.19344	0.17695	0.17880	0.16860	0.15971	0.16256	0.15284	0.14836	0.14260
Operations and Maintenance Fund (Restricted)	0.00116	0.00118	0.00094	0.00061	0.00264	0.00096	0.00099	0.00191	0.00093
Equity Tax	0.06530	0.04310	0.03281	0.02650	0.02710	0.02650	0.02630	0.02660	0.02673
Total	<u>0.54116</u>	<u>0.50583</u>	<u>0.50161</u>	<u>0.49191</u>	<u>0.47673</u>	<u>0.47315</u>	<u>0.45988</u>	<u>0.45331</u>	<u>0.44423</u>
Taxes Extended									
Educational Fund	\$ 7,543,683	\$ 7,415,423	\$ 7,270,023	\$ 7,230,365	\$ 7,282,166	\$ 7,206,704	\$ 7,084,615	\$ 6,884,810	\$ 6,587,830
Operations and Maintenance Fund	2,157,053	2,118,692	2,077,149	2,065,818	2,080,619	2,059,058	2,024,176	1,967,089	1,882,237
Audit Fund	136,500	130,000	130,000	142,704	135,909	123,554	117,670	102,543	97,660
Liability, Protection and Settlement Fund	2,291,000	2,395,000	2,530,799	2,797,118	2,456,000	2,270,000	2,099,000	1,921,000	1,746,441
Bond and Interest Fund	8,345,186	7,497,650	7,428,025	6,967,310	6,646,020	6,694,465	6,187,314	5,836,772	5,368,360
Operations and Maintenance Fund (Restricted)	50,000	50,000	38,800	25,355	110,000	39,600	40,000	75,000	35,000
Equity Tax	2,823,170	1,826,313	1,363,840	1,095,717	1,127,695	1,091,301	1,064,716	1,046,491	1,008,879
Total	<u>\$ 23,346,592</u>	<u>\$ 21,433,078</u>	<u>\$ 20,838,636</u>	<u>\$ 20,324,387</u>	<u>\$ 19,838,409</u>	<u>\$ 19,484,682</u>	<u>\$ 18,617,491</u>	<u>\$ 17,833,705</u>	<u>\$ 16,726,407</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
OPERATING INFORMATION
SUMMARY OF TAXES RECEIVABLE AND TAX COLLECTIONS
YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

	<u>2015 Levy</u>	<u>2014 Levy</u>
Assessed Valuations	\$ 4,314,111,666	\$ 4,240,488,783
Combined Rate Per \$100	0.54116	0.50583
Taxes Extended	<u>\$ 23,346,592</u>	<u>\$ 21,433,078</u>
Total Collected to June 30, 2015	\$ -	\$ 9,236,307
Collected During Year Ended June 30, 2016	<u>10,204,527</u>	<u>12,196,771</u>
Total Collected to June 30, 2016	<u>\$ 10,204,527</u>	<u>\$ 21,433,078</u>
Write-Offs	<u>\$ -</u>	<u>\$ -</u>
Balance at June 30, 2016	<u>\$ 13,142,065</u>	<u>\$ 12,196,771</u>
Percent Collected through June 30, 2016	<u>43.71%</u>	<u>100.00%</u>
Balance by Funds:		
Education	\$ 5,887,478	
Operations and Maintenance	1,213,090	
Operations and Maintenance (Restricted)	28,103	
Bond and Interest	4,695,963	
Audit	76,657	
Liability, Protection, and Settlement	1,240,774	
Total	<u>\$ 13,142,065</u>	

**CERTIFICATION OF CHARGEBACK REIMBURSEMENT
FOR FISCAL YEAR 2017**

(Unaudited)

ILLINOIS COMMUNITY COLLEGE BOARD (ICCB) STATE GRANTS SECTION

**INDEPENDENT AUDITORS' REPORT ON THE
ADULT EDUCATION AND FAMILY LITERACY GRANT PROGRAM**

Board of Trustees
Heartland Community College
Community College District #540
Normal, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Adult Education and Family Literacy Grant Program of Heartland Community College District #540 (District), which comprise the statement of net position as of June 30, 2016, and the related statement of revenues, expenditures and changes in net position for the year then ended, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the grant policy guidelines of the Illinois Community College Board's Fiscal Management Manual. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Heartland Community College
Community College District #540

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Adult Education and Family Literacy Grant Program of Heartland Community College District #540 as of June 30, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

The financial statements of the Adult Education and Family Literacy Grant Program are intended to present the net position and changes in net position of only that portion of the business-type activities of Heartland Community College District #540 that is attributable to the Adult Education and Family Literacy Grant Program. These financial statements do not purport to, and do not, present fairly the statement of net position of Heartland Community College District #540 as of June 30, 2016, or the revenues, expenses, and changes in net position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Adult Education and Family Literacy Grant Program's basic financial statements. The supplementary schedule, on page 87 is presented for purposes of additional analysis and is not a required part of the basic financial statements.



CliftonLarsonAllen LLP

Peoria, Illinois
October 17, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

Board of Trustees
Heartland Community College Community College District #540
Normal, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Adult Education and Family Literacy Grant Program of Heartland Community College District #540 (the District), which comprise the statement of net position as of June 30, 2016, and the related statement of revenues, expenditures, and changes in net position for the year then ended, and the related note to the financial statements, and have issued our report thereon dated October 17, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that Heartland Community College District #540 failed to comply with the terms or conditions of the grant policy guidelines of the Illinois Community College Board's Fiscal Management Manual, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced terms or conditions of the grant policy guidelines of the Illinois Community College Board's Fiscal Management Manual, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of trustees and management of Heartland Community College District #540 and the Illinois Community College Board and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Peoria, Illinois
October 17, 2016

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
ADULT EDUCATION AND FAMILY LITERACY GRANT
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>State Basic</u>	<u>Performance</u>	<u>Total</u>
ASSETS			
Receivable	<u>\$ 69,388</u>	<u>\$ 113,348</u>	<u>\$ 182,735</u>
 LIABILITIES			
Due to District	<u>\$ 69,388</u>	<u>\$ 113,348</u>	<u>\$ 182,735</u>
 NET POSITION	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

See Note to ICCB Grant Programs Financial Statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
ADULT EDUCATION AND FAMILY LITERACY GRANT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016**

	<u>State Basic</u>	<u>Performance</u>	<u>Total</u>
REVENUE			
State Sources	\$ 69,388	\$ 113,348	\$ 182,735
EXPENDITURES BY PROGRAM			
Vocational Instruction	-	-	-
All Other Instructional Types	34,718	2,277	36,995
Social Work Services	8,620	13,686	22,306
Guidance Services	6,019	13,686	19,706
Assessment and Testing	2,442	3,268	5,709
Student Transportation Services	-	-	-
Literacy Services	1,164	-	1,164
Child Care Services	-	3,207	3,207
Subtotal Instructional and Student Services	<u>52,963</u>	<u>36,124</u>	<u>89,087</u>
Improvement of Instructional Services	6,152	5,949	12,100
General Administration	900	29,452	30,352
Operation and Maintenance of Plant Services	-	-	-
Data and Information Services	9,373	41,823	51,196
Subtotal Program Support	<u>16,425</u>	<u>77,224</u>	<u>93,648</u>
Total Expenditures	<u>69,388</u>	<u>113,348</u>	<u>182,735</u>
EXCESS OF REVENUE OVER EXPENDITURES	-	-	-
Net Position - July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION - JUNE 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Note to ICCB Grant Programs Financial Statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
BACKGROUND INFORMATION ON STATE GRANT ACTIVITY
JUNE 30, 2016**

ADULT EDUCATION AND FAMILY LITERACY GRANT PROGRAMS

State Basic Grant. Grant awarded to Adult Education and Family Literacy providers to establish special classes for the instruction of persons of age 21 and over or persons under the age of 21 and not otherwise in attendance in public school, for the purpose of providing adults in the community other instruction as may be necessary to increase their qualifications for employment or other means of self-support and their ability to meet their responsibilities as citizens including courses of instruction regularly accepted for graduation from elementary or high schools, and for Americanization and general education development review classes. Included in this grant are funds for support services, such as student transportation and childcare facilities or provision.

Performance Grant. Grant awarded to Adult Education and Family Literacy providers based on performance outcomes.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTE TO ICCB GRANT PROGRAM FINANCIAL STATEMENTS
ADULT EDUCATION AND FAMILY LITERACY GRANT PROGRAM
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying statements include only those transactions resulting from the ICCB Adult Education and Family Literacy Grant of the District. These transactions have been accounted for in the Restricted Purposes Fund.

Basis of Accounting

The statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
ADULT EDUCATION AND FAMILY LITERACY GRANT SUPPLEMENTARY SCHEDULE
EXPENDITURE AMOUNTS AND PERCENTAGES FOR ICCB GRANT FUNDS ONLY
YEAR ENDED JUNE 30, 2016**

<u>State Basic</u>	<u>Audited Expenditure Amount</u>	<u>Actual Expenditure Percentage</u>
Instruction (45% Minimum Required)	\$ 34,718	50%
General Administration (15% Maximum Allowed)	900	1%

SUPPLEMENTARY ICCB SCHEDULES

**INDEPENDENT ACCOUNTANTS' REPORT ON
SCHEDULE OF ENROLLMENT DATA AND OTHER
BASES UPON WHICH CLAIMS ARE FILED**

Board of Trustees
Heartland Community College
Community College District #540
Normal, Illinois

We have examined the accompanying schedule of enrollment data and other bases upon which claims are filed and the reconciliation of total semester credit hours of Heartland Community College District #540 for the year ended June 30, 2016. Management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and guidelines of the Illinois Community College Board's Fiscal Management Manual and, accordingly, included examining, on a test basis, evidence supporting the schedule of enrollment data and other bases upon which claims are filed and the reconciliation of total semester credit hours and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the student enrollment and other bases upon which claims are filed and reconciliation of semester credit hours of Heartland Community College District #540 for the year ended June 30, 2016, in accordance with the provisions of the aforementioned guidelines.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Peoria, Illinois
October 17, 2016

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
SCHEDULE OF ENROLLMENT DATA AND OTHER BASES
UPON WHICH CLAIMS ARE FILED
YEAR ENDED JUNE 30, 2016**

Categories	Total Reimbursable Semester Credit Hours by Term*							
	Summer		Fall		Spring		Total	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Baccalaureate	7,711.0	25.0	32,235.0	-	29,782.5	-	69,728.5	25.0
Business Occupational	461.0	-	1,003.5	-	1,048.0	-	2,512.5	-
Technical Occupational	206.5	-	1,538.0	-	2,284.0	-	4,028.5	-
Health Occupational	438.0	-	1,521.0	-	2,593.0	-	4,552.0	-
Remedial Developmental	899.0	-	4,467.0	-	3,354.0	-	8,720.0	-
Adult Basic Education/ Adult Secondary Education	552.0	-	1,332.5	3,424.0	445.0	1,957.5	2,329.5	5,381.5
Total Credit Hours Certified	10,267.5	25.0	42,097.0	3,424.0	39,506.5	1,957.5	91,871.0	5,406.5

Reimbursable Semester Credit Hours	Attending In-District		Attending Out-of-District on Chargeback or Contractual Agreement		Total
	77,560.0		309.5		
					77,869.5

Reimbursable Semester Credit Hours	Dual Credit	Dual Enrollment
	5,004.0	271.0

District Prior Year Equalized Assessed Valuation	\$ 4,240,488,783
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Signatures

<u>/s/ Douglas E. Minter</u> Vice President of Business Services	<u>/s/ Robert D. Widmer</u> Chief Executive Officer
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*Unrestricted credit hours are supported with 50% or more of unrestricted sources of funding and are reimbursable if they meet all eligibility requirements. Restricted credit hours are supported with more than 50% of restricted sources of funding.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
SCHEDULE OF ENROLLMENT DATA AND OTHER BASES
UPON WHICH CLAIMS ARE FILED (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Reconciliation of Total Semester Credit Hours

Categories	Total Unrestricted Credit Hours			Total Restricted Credit Hours		
	Unrestricted Credit Hours	Certified to the ICCB	Difference	Restricted Credit Hours	Certified to the ICCB	Difference
Baccalaureate	69,728.5	69,728.5	-	25.0	25.0	-
Business Occupational	2,512.5	2,512.5	-	-	-	-
Technical Occupational	4,028.5	4,028.5	-	-	-	-
Health Occupational	4,552.0	4,552.0	-	-	-	-
Remedial Developmental	8,720.0	8,720.0	-	-	-	-
Adult Basic Education/Adult Secondary Education	2,329.5	2,329.5	-	5,381.5	5,381.5	-
Total	91,871.0	91,871.0	-	5,406.5	5,406.5	-

Reconciliation of In-District/Chargeback and Cooperative/
Contractual Agreement Credit Hours

	Total Attending (Unrestricted and Restricted)	Total Attending as Certified to the ICCB (Unrestricted and Restricted)	Difference
In-District Residents	77,560.0	77,560.0	-
Out-of-District on Chargeback or Contractual Agreement	309.5	309.5	-
Total	77,869.5	77,869.5	-

	Total Reimbursable	Total Reimbursable Certified to the ICCB	Difference
Dual Credit	5,004.0	5,004.0	-
Dual Enrollment	271.0	271.0	-
Total	5,275.0	5,275.0	-

Categories	Total Correctional Credit Hours	Total Correctional Credit Hours Certified to the ICCB	Difference
Baccalaureate	-	-	-
Business Occupational	-	-	-
Technical Occupational	-	-	-
Health Occupational	-	-	-
Remedial Developmental	-	-	-
Adult Basic Education/Adult Secondary Education	-	-	-
Total	-	-	-

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
DOCUMENTATION OF RESIDENCY VERIFICATION STEPS
JUNE 30, 2016
(UNAUDITED)**

NOTE 1 RESIDENCY VERIFICATION PROCESS

Procedures for Verifying and Classifying Residency

Every credit student must submit an application to the College which contains biographic and demographic information. The student signs the application verifying the accuracy of the information and the ability to provide documentation to verify it. The Records Department will use the data contained in the application and on the subsequent enrollment forms to determine residency.

In order to be classified as in-district for tuition, the student must indicate one or more of the following:

- Current residence for at least 30 days at an in-district address
- Permanent residence at an in-district address
- Graduation from or current enrollment in an in-district high school
- Current enrollment at another institution of higher education located in-district
- Although the student resides out-of-district, the student or his parent or guardian maintains full-time employment in-district
- Although the student resides out-of-district, the student owns land and pays taxes in-district

In the case of an address change, a student will submit the change in writing to the Records Department or via the self service address changes in our online system.

The student's signature on the forms mentioned above indicates that he/she is able to produce appropriate documentation to verify residency in-district. Proper documentation includes one or more of the following:

- Drivers license
- State-issued ID
- Voter registration card
- Utility bill
- Bank statement
- ID card from another institution of higher education in-district
- Progress summary from another institution of higher education in-district
- Home/apartment lease
- Cell phone bill

UNIFORM FINANCIAL STATEMENT SECTION

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
UNIFORM FINANCIAL STATEMENT NO. 1
ALL FUNDS SUMMARY
YEAR ENDED JUNE 30, 2016**

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Bond and Interest Fund	Auxiliary Enterprises Fund	Restricted Purposes Fund	Working Cash Fund	Audit Fund	Liability Protection Settlement Fund	Total
Fund Balance July 1, 2015	\$ 2,804,503	\$ 2,314,655	\$ 532,274	\$ 570,550	\$ 12,372	\$ 2,404,033	\$ 3,900,000	\$ 47,373	\$ 106,380	\$ 12,692,140
Revenues:										
Local Tax Revenue	9,167,493	2,902,918	49,999	7,511,305	-	20,677	-	130,375	2,400,400	22,183,167
All Other Local Revenue	-	-	-	-	-	13,477,110	-	-	-	13,477,110
ICCB Grants	697,222	-	-	-	-	182,735	-	-	-	879,957
All Other State Revenue	-	-	-	-	-	377,519	-	-	-	377,519
Federal Revenue	20,125	-	-	-	28,057	9,873,435	-	-	-	9,921,617
Student Tuition and Fees	15,191,113	387,500	-	-	1,140,840	206,122	-	-	-	16,925,575
All Other Revenue	2,504,922	5,287	48	5,506	1,156,409	40,872	9,579	1,956	5,257	3,729,836
Total Revenue	27,580,875	3,295,705	50,047	7,516,811	2,325,306	24,178,470	9,579	132,331	2,405,657	67,494,781
Expenditures:										
Instruction	12,444,316	-	-	-	-	924,576	-	-	212,087	13,580,979
Academic Support	1,018,314	-	-	-	530,998	252,377	-	-	6,264	1,807,953
Student Services	2,595,751	-	-	-	-	133,006	-	-	19,323	2,748,080
Public Service/ Continuing Education	3,034,344	-	-	-	-	96,804	-	-	3,528	3,134,676
Auxiliary Services	-	-	-	-	1,214,098	9,250	-	-	76,489	1,299,837
Operations and Maintenance	-	2,451,929	83,262	-	-	44,682	-	-	1,016,395	3,596,268
Institutional Support	5,534,096	130,210	286,574	2,950,971	55,220	19,196,339	-	127,603	1,205,075	29,486,088
Scholarships, Grants, Waivers	2,916,605	-	-	-	419,009	5,350,970	-	-	-	8,686,584
Total Expenditures	27,543,426	2,582,139	369,836	2,950,971	2,219,325	26,008,004	-	127,603	2,539,161	64,340,465
Net Transfers	4,789	(219,355)	224,144	(4,127,470)	-	4,127,470	(9,579)	-	-	-
Fund Balance June 30, 2016	\$ 2,846,741	\$ 2,808,866	\$ 436,629	\$ 1,008,920	\$ 118,353	\$ 4,701,969	\$ 3,900,000	\$ 52,101	\$ (27,124)	\$ 15,846,456

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
UNIFORM FINANCIAL STATEMENT NO. 2
SUMMARY OF CAPITAL ASSETS AND DEBT
YEAR ENDED JUNE 30, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
CAPITAL ASSETS				
Land and Site Improvements	\$ 4,481,528	\$ -	\$ -	\$ 4,481,528
Buildings, Additions, and Improvements	121,163,674	-	-	121,163,674
Furniture and Equipment	13,636,307	307,996	189,912	13,754,391
Infrastructure	17,595,860	82,523	-	17,678,383
Construction in Progress	102,958	-	-	102,958
Accumulated Depreciation	37,870,362	4,587,293	188,592	42,269,063
Net Fixed Assets	<u>\$ 119,109,965</u>	<u>\$ (4,196,774)</u>	<u>\$ 1,320</u>	<u>\$ 114,911,871</u>
FIXED DEBT				
General Obligation Bonds	\$ 75,635,000	\$ 13,050,000	\$ 12,145,000	\$ 76,540,000
General Obligation Debt Certificates	5,315,000	-	1,000,000	4,315,000
Capital Lease Obligations	60,920	-	60,920	-
Total Fixed Liabilities	<u>\$ 81,010,920</u>	<u>\$ 13,050,000</u>	<u>\$ 13,205,920</u>	<u>\$ 80,855,000</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
UNIFORM FINANCIAL STATEMENT NO. 3
OPERATING FUND REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2016**

OPERATING REVENUES BY SOURCE	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Local Government Revenue:			
Local Taxes	\$ 9,167,493	\$ 2,116,844	\$ 11,284,337
Corporate Personal Property Replacement Tax	-	786,074	786,074
Total Local Government	<u>9,167,493</u>	<u>2,902,918</u>	<u>12,070,411</u>
State Government:			
ICCB Base Operating Grant	697,222	-	697,222
Federal Government:			
Department of Education	20,125	-	20,125
Student Tuition and Fees:			
Tuition	14,337,500	387,500	14,725,000
Fees	853,613	-	853,613
Total Student Tuition and Fees	<u>15,191,113</u>	<u>387,500</u>	<u>15,578,613</u>
Other Sources:			
Sales and Service Fees	2,311,528	-	2,311,528
Facilities Revenue	154,387	-	154,387
Investment Revenue	1,794	5,042	6,836
Other	37,213	245	37,458
Total Other Revenue	<u>2,504,922</u>	<u>5,287</u>	<u>2,510,209</u>
Total Revenue	<u>\$ 27,580,875</u>	<u>\$ 3,295,705</u>	<u>\$ 30,876,580</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
UNIFORM FINANCIAL STATEMENT NO. 3
OPERATING FUND REVENUES AND EXPENDITURES (CONTINUED)
YEAR ENDED JUNE 30, 2016**

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
OPERATING EXPENDITURES BY PROGRAM			
Instruction	\$ 12,444,316	\$ -	\$ 12,444,316
Academic Support	1,018,314	-	1,018,314
Student Services	2,595,751	-	2,595,751
Public Service/Continuing Education	3,034,344	-	3,034,344
Operations and Maintenance	-	2,451,929	2,451,929
Institutional Support	5,534,096	130,210	5,664,306
Scholarships, Grants, Waivers	2,916,605	-	2,916,605
Total Operating Expenditure by Program	27,543,426	2,582,139	30,125,565
Adjusting Nonoperating Items:			
Transfers	(4,789)	514,355	-
Total Adjusted Expenditures	\$ 27,538,637	\$ 3,096,494	\$ 30,125,565
OPERATING EXPENDITURES BY OBJECT			
Salaries	\$ 17,878,331	\$ 529,146	\$ 18,407,477
Employee Benefits	3,049,914	105,893	3,155,807
Contractual Services	1,826,891	577,329	2,404,220
General Materials and Supplies	967,370	177,949	1,145,319
Library Materials**	41,873	-	41,873
Conference and Meeting Expenses	235,628	17,572	253,200
Fixed Charges	153,404	365,295	518,699
Utilities	767	808,955	809,722
Other	3,431,121	-	3,431,121
Student Grants and Scholarships**	2,916,605	-	2,916,605
Total Operating Expenditures by Object	27,543,426	2,582,139	30,125,565
Adjusting Nonoperating Items:			
Net Transfers to Nonoperating Funds	(4,789)	514,355	509,566
Total Adjusted Expenditures	\$ 27,538,637	\$ 3,096,494	\$ 30,635,131

**These items are for informational purposes only and not included in the total expenditure by object code.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
UNIFORM FINANCIAL STATEMENT NO. 4
RESTRICTED PURPOSES FUND REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2016**

REVENUE BY SOURCE

Local Government:		
Other	\$	13,497,787
State Government:		
ICCB - Adult Education		182,735
Illinois Student Assistance Commission		346,002
Other		31,517
Total State Government		<u>560,254</u>
Federal Government:		
Department of Education		9,531,349
Other		342,086
Total Federal Government		<u>9,873,435</u>
Other Sources:		
Tuition and Fees		206,122
Investment Revenue		12,072
Other		28,800
Total Other Sources		<u>246,994</u>
Total Restricted Purposes Fund Revenues	<u>\$</u>	<u>24,178,470</u>

EXPENDITURES BY PROGRAM

Instruction	\$	924,576
Academic Support		252,377
Student Services		133,006
Public Service/Continuing Education		96,804
Auxiliary Services		9,250
Operations and Maintenance		44,682
Institutional Support		19,196,339
Scholarships, Grants, and Waivers		5,350,970
Total Restricted Purposes Fund Expenditures	<u>\$</u>	<u>26,008,004</u>

EXPENDITURES BY OBJECT

Salaries	\$	810,694
Employee Benefits		140,390
Contractual Services		1,036,107
Student Financial Aid		5,350,970
General Materials and Supplies		1,052,803
Travel and Conference/Meeting Expenses		43,470
Fixed Charges		12,903,992
Utilities		2,905
Capital Outlay		285,240
Other		4,381,433
Scholarships, Grants, Waivers*		5,350,970
Total Restricted Purposes Fund Expenditures	<u>\$</u>	<u>26,008,004</u>

*This item is for informational purposes only and not included in the total expenditure by object code.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
UNIFORM FINANCIAL STATEMENT NO. 5
CURRENT FUNDS* EXPENDITURES BY ACTIVITY
YEAR ENDED JUNE 30, 2016**

INSTRUCTION

Instructional Programs	\$	13,580,979
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ACADEMIC SUPPORT

Library Center		515,196
Educational Media Services		210,052
Academic Administration and Planning		159,712
Other		922,993
Total Academic Support		1,807,953

STUDENT SERVICES SUPPORT

Admissions and Records		584,760
Counseling and Career Services		1,140,453
Financial Aid Administration		357,034
Other		665,833
Total Student Services Support		2,748,080

PUBLIC SERVICE/CONTINUING EDUCATION

Community Education		2,233,356
Customized Training (Instructional)		623,171
Community Services		216,761
Other		61,388
Total Public Service/Continuing Education		3,134,676

AUXILIARY SERVICES

		1,299,837
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**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
UNIFORM FINANCIAL STATEMENT NO. 5
CURRENT FUNDS* EXPENDITURES BY ACTIVITY (CONTINUED)
YEAR ENDED JUNE 30, 2016**

OPERATIONS AND MAINTENANCE OF PLANT

Maintenance	\$ 869,824
Custodial Services	543,553
Grounds	68,627
Campus Security	358,063
Transportation	47,517
Utilities	681,408
Administration	487,070
Other	456,944
Total Operations and Maintenance of Plant	3,513,006

INSTITUTIONAL SUPPORT

Executive Management	867,676
Fiscal Operations	708,132
Community Relations	1,214,561
Administrative Support Services	279,663
Board of Trustees	21,047
General Institutional	15,056,685
Institutional Research	252,438
Administrative Data Processing	3,159,296
Other	4,689,045
Total Institutional Support	26,248,543

SCHOLARSHIPS, STUDENTS GRANTS, AND WAIVERS

	8,686,584
Total Current Funds Expenditures	\$ 61,019,658

*Current Funds include the Education; Operations and Maintenance; Auxiliary Enterprises; Restricted Purposes; Audit; Liability, Protection, and Settlement funds

FEDERAL FINANCIAL AND COMPLIANCE SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Heartland Community College
Community College District #540
Normal, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Heartland Community College District #540 (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Heartland Community College District #540's basic financial statements, and have issued our report thereon dated October 17, 2016. Our report includes a reference to another auditor who audited the component unit of the District, as described in our report on Heartland Community College District #540's financial statements. The financial statements of the District's discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heartland Community College District #540's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heartland Community College District #540's internal control. Accordingly, we do not express an opinion on the effectiveness of Heartland Community College District #540's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Trustees
Heartland Community College
Community College District #540

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartland Community College District #540's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Peoria, Illinois
October 17, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Heartland Community College
Community College District #540
Normal, Illinois

Report on Compliance for Each Major Federal Program

We have audited Heartland Community College's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal awards.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

Board of Trustees
Heartland Community College
Community College District #540

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Peoria, Illinois
October 17, 2016

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Aid Cluster (Direct):			
Federal Pell Grant Program	(M) 84.063		\$ 4,904,053
Federal Pell Grant Program-Administrative Cost Allowance	(M) 84.063		7,915
Federal VA - Administrative Cost Allowance	(M) 84.063		1,854
Federal Work Study Program	(M) 84.033		82,507
Federal Supplemental Educational Opportunity Grant	(M) 84.007		100,255
Federal SEOG Cost Allowance	(M) 84.063		10,356
Federal Parent Plus Loans	(M) 84.268		103,034
Federal Subsidized Student Loans	(M) 84.268		1,892,678
Federal Unsubsidized Student Loans	(M) 84.268		1,985,227
Subtotal Student Financial Aid Cluster (Direct)			9,087,879
TRIO - Student Support Services (Direct)	84.042		196,204
Pass-through Illinois State University:			
Race to the Top - Early Childhood Central IL Regional Articulation Partnership	84.412A	5022	7,000
Adult Education - Basic Grants to States:			
Federal Adult Education-Basic	84.002	54001	194,474
EL/Civics Program	84.002	54001	72,917
Subtotal Adult Education Federal Grants from ICCB			267,391
Vocational Educational Basic Grants to States:			
V.E. Perkins Title II Postsecondary/Adult	84.048	CTE54012	176,712
Total U.S. Department of Education			9,735,186

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Labor			
Pass-through Career Link:			
Drop Out Recovery Grant	17.259	OOOSY2015-1	\$ 34,707
Dislocated Workers Grant	17.259	1E-1	21,203
Total Career Link			<u>55,910</u>
Pass-through College of Lake County:			
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	TC-22517-11-60-A-17	43,608
Total U.S. Department of Labor			<u>99,518</u>
U.S. Department of Health and Human Services			
Pass-through Illinois Department of Human Services:			
Childcare and Dev Blk Grant	93.575	80408490W	9,991
Pass-through Illinois Network of Child Care Resource & Referral Agencies:			
Staffing Survey of Licensed Child Care	93.596	INCCRRA	688
Pass-through Illinois Council on Developmental Disabilities:			
HALO Peer Mentoring and Faculty Training	93.575	1088	33,674
Total U.S. Department of Health and Human Services			<u>44,352</u>
U.S. Department of Agriculture			
Pass-through State Board of Education:			
Child and Adult Food Care Program	10.558	1376002057	18,066
Rural Business Enterprise Grant	10.769	1357371271517	16,983
Total U.S. Department of Agriculture			<u>35,049</u>
National Science Foundation			
Pass-through Independence Science:			
Independence Science Grant	47.041	HCC	7,512
Total Expenditures of Federal Awards			<u><u>\$ 9,921,617</u></u>

(M) Denotes major program

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Heartland Community College Community College District #540 (District) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The College has elected not to use its 10 percent de minimis indirect cost rate allowed under the Uniform Guide.

NOTE 2 LOANS OUTSTANDING

The federal award programs of the District had no outstanding loan balances nor were there any loan guarantees as of June 30, 2016.

NOTE 3 INSURANCE

The District maintains property and liability insurance which management believes is sufficient to meet its needs. None of the insurance coverages are directly funded by federal awards.

NOTE 4 SUBRECIPIENTS

No funding was passed through to subrecipients during the year ended June 30, 2016.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes _____ none reported

Type of auditors' report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033, 84.268	Student Financial Aid Center

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

**Section II - Findings Related to the Financial Statement Audit as Required to be Reported in
Accordance with Generally Accepted Government Auditing Standards**

None.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III - Federal Award Findings and Questioned Costs

Finding 2016-001 Financial Aid Over Awards

Department of Education

- Federal Supplemental Educational Opportunity Grants – 84.007
- Federal Work-Study Program – 84.033
- Federal Pell Grant Program – 84.063
- Federal Direct Student Loans – 84.268

Award Period: July 1, 2016 through June 30, 2016

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

Criteria:

Per page 4-55 of the Student Financial Aid Handbook, an over award exists whenever a:

- Student's aid package exceeds his or her need (including when the student's Expected Family Contribution (EFC) is revised upward after initial packaging.
- Student's award exceeds his or her cost of attendance (COA).

Condition:

During our testing, we noted 2 of 40 students tested received financial aid greater than the calculated financial need.

Questioned Costs:

No questioned costs in the current year.

Cause:

During our testing we noted the following causes:

- One student's EFC was not carried forward to their need summary within the District's system, resulting in an over award of a subsidized loan.
- One student selected only attended one semester of classes. Their cost of attendance should have been reduced, but was not, resulting in an over award of a subsidized loan.

Effect:

The District over awarded federal funds to two students.

Recommendation:

We recommend that the Student Financial Aid process become more automated relying on less manual inputs along with generated reports to determine if there is any over awarding prior to the disbursement of federal funds.

View of Responsible Officials:

The District agrees with the finding.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2016-001 (Continued)

Response and Corrective Action Plan:

The two errors in question have two separate responses and corrective action plans since both were manual errors but had different causes in relation to the over award.

The first over-award was a result of not manually updating a student's award based on the proper EFC calculation. This fiscal year (2017) our file was processed after updates were made to our software to ensure the EFC transmitted to the needs analysis table. Heartland has a process in place for this fiscal year that will update the calculations through a system generated process which will eliminate over awards.

The second over-award was due to basing the student award on a full year award instead of a 1 term award. The process for the Financial Aid office to make student awards will have additional reviews added to the process for awarding student disbursements to eliminate any over-awards associated with a 1 term award versus a full year award.

Anticipated Completion Date:

To begin immediately.

Responsible Individual:

Douglas E. Minter, VP of Business Services

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

I. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Internal Control

Finding 2015-001

In 5 of 5 journal entries tested, we noted that there was no second review prior to posting into the general ledger. This finding was not repeated in the current year.

B. Compliance Findings

None

II. Findings and Questioned Costs for Federal Awards

A. Internal Control

None

B. Compliance

Finding 2015-002

In 3 of 25 students selected for testing who had withdrawn during the semester, the District did not calculate the return of funds accurately. This finding was not repeated in the current year.

Finding 2015-003

During our testing, we noted the National Student Loan Data Systems rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days. This finding was not repeated in the current year.