

building
community
through
student
success



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

**WILLIAM RAINEY HARPER COLLEGE –
COMMUNITY COLLEGE DISTRICT NO. 512**

Palatine, Illinois

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

(With Independent Auditor's Report Thereon)

Prepared by:

Accounting Services

**WILLIAM RAINEY HARPER COLLEGE –
COMMUNITY COLLEGE DISTRICT NO. 512**

**TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018**

INTRODUCTORY SECTION (Unaudited):

Transmittal Letter	1
Organization Chart	9
Certificate of Achievement for Excellence in Financial Reporting	10
Principal Officials	11

FINANCIAL SECTION:

Independent Auditor's Report	12
Management's Discussion and Analysis (Unaudited)	15

Basic Financial Statements:

Statement of Net Position	Statement 1	29
Statement of Revenues, Expenses, and Changes in Net Position	Statement 2	30
Statement of Cash Flows	Statement 3	31
Component Unit – Statement of Financial Position	Statement 4	33
Component Unit – Statement of Activities	Statement 5	34
Notes to Financial Statements		35

Required Supplementary Information (Unaudited):

Defined Benefit Pension Plan		
Schedule of College's Proportionate Share of the		
Collective Net Pension Liability	Exhibit 1	64
Schedule of College Contributions	Exhibit 2	65
Schedule of College's Proportionate Share		
of the Collective Net OPEB Liability	Exhibit 3	66
Schedule of the College's Contributions	Exhibit 4	67
Schedule of Changes in Net OPEB Liability and		
Related Ratios	Exhibit 5	68
Notes to Required Supplementary Information		69

STATISTICAL SECTION (Unaudited):

Introduction		70
Net Position by Component	Table 1	71
Changes in Net Position	Table 2	72
Assessed Value and Actual Value of Taxable Property	Table 3	73
Property Tax Rates	Table 4	74
Assessed Valuations and Tax Extensions	Table 5	75
Principal Property Taxpayers	Table 6	76
Property Tax Levies and Collections	Table 7	77
Enrollment, Tuition, and Fee Rates, Credit Hours Claimed		
and Tuition and Fee Revenue	Table 8	78

**WILLIAM RAINEY HARPER COLLEGE –
COMMUNITY COLLEGE DISTRICT NO. 512
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018**

STATISTICAL SECTION (Unaudited) Continued:

Ratio of Outstanding Debt by Type	Table 9	79
Ratio of Net General Bonded Debt Outstanding	Table 10	80
Direct and Overlapping Bonded Debt	Table 11	81
Legal Debt Margin Information	Table 12	83
Population and Unemployment Rates	Table 13	84
Principal Employers	Table 14	85
Employee Headcount	Table 15	86
Operating Indicators	Table 16	87
Capital Asset Statistics	Table 17	88

SPECIAL REPORTS SECTION:

Uniform Financial Statements (Unaudited):

All Funds Summary	Schedule 1	89
Summary of Capital Assets and Debt	Schedule 2	90
Operating Funds Revenues and Expenditures	Schedule 3	91
Restricted Purposes Fund Revenues and Expenditures	Schedule 4	93
Current Funds Expenditures by Activity	Schedule 5	95
Certificate of Chargeback Reimbursement	Schedule 6	97

ICCB State Grants Financial Section:

Independent Auditor's Report on State Grant Programs Financial Statements	98
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of State Grant Program Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	100
State Adult Education Grant Program:	
Balance Sheet	102
Statement of Revenues, Expenses and Changes in Net Position	103
ICCB Compliance Statement	104
Career and Technical Education – Program Improvement Grant Program	
Balance Sheet	105
Statement of Revenues, Expenses, and Changes in Net Position	106
Notes to State Grant Programs Financial Statements	107
Independent Accountant's Report on the Schedule of Enrollment Data and Other Bases upon Which Claims Are Filed	109
Schedule of Findings	111
Schedule of Enrollment Data and Other Bases upon Which Claims Are Filed	112
Residency Verification for Enrollment	114

**WILLIAM RAINEY HARPER COLLEGE –
COMMUNITY COLLEGE DISTRICT NO. 512
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL FINANCIAL COMPLIANCE SECTION:

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	116
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	118
Schedule of Expenditures of Federal Awards	121
Notes to the Schedule of Expenditures of Federal Awards	122
Schedule of Findings and Questioned Costs	123
Schedule of Prior Year Findings and Questioned Costs	125

October 17, 2018

Board of Trustees of William Rainey Harper College and
Citizens of William Rainey Harper Community College District No. 512:

The Comprehensive Annual Financial Report (CAFR) for William Rainey Harper College – Community College District Number 512 (the College), Counties of Cook, Kane, Lake, and McHenry, State of Illinois, for the fiscal year ended June 30, 2018, is hereby submitted. 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 changes in financial position 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. This letter of transmittal should be read in conjunction with the Management's Discussion and Analysis, which focuses on current activities, accounting changes, and currently known facts.

The College maintains its accounts and prepares its financial statements in accordance with generally accepted accounting principles (GAAP) as set forth by the Government Accounting Standards Board (GASB), and the Illinois Community College Board (ICCB). The financial statements of the College as presented in this report have been audited by Crowe LLP. Their report is included as part of the financial section.

College Background

Late in 1964, while legislators in Springfield were adding the final revisions to the Illinois Community College Act enabling citizens to form their own college districts, concerned citizens in Chicago's northwest suburban communities petitioned for a referendum to vote on the establishment of a college. Voters in the four-township area of Elk Grove, Palatine, Schaumburg and Wheeling approved a referendum establishing the Harper district on March 27, 1965.

Two years later, Barrington School District 224 (now Unit School District 220) annexed to the Harper district, and the boundaries of Harper's 200 square mile district were established to become Illinois Community College District No. 512.

Voters in the district approved a \$7,375,000 building referendum by a margin of 4-1 to begin Harper's second year. By September 1967, the College was staffed and operating with more than 1,700 students attending evening classes at Elk Grove High School and ground had been broken for a new campus. Harper College was a reality.

Although in recent years Harper has seen declines in enrollment, it has had a history of strong growth. The 1967 enrollment of 1,725 students jumped to 3,700 in one year, double the projections. In fall 1969, when the doors opened on Harper's new campus, 5,350 students were enrolled. In the 2018 school year, the College enrolled approximately 24,000 credit students.

A successful referendum was held in September 1975 providing funds for the College to move forward with completion of the present campus, purchase land for a second site, and construct the first phase of buildings on that site when required by enrollment increases.

Changes in population trends over the succeeding 10 years indicated that a second campus would not be needed to accommodate projected enrollment, and the decision was made to sell the property, which had been purchased in Arlington Heights. The sale was finalized in 1986.

In August 1993 the College opened Building S, which housed Publications and Communication Services, now called the Marketing Services. In the spring of 1994, Building L was opened. This building includes the Liberal Arts division office, classrooms, faculty offices, and the College Bookstore. The two buildings were part of a building phase that also included renovation plans in existing buildings. Building F was completely renovated in 1995 to provide space on the third floor for the departments and programs of the Academic Enrichment and Language Studies Division and to give appropriate space to Resources for Learning/Library Services on the first and second floors. Renovations completed in 1996 included the addition of a large computer lab in Building I and updating of Building V.

The Board of Trustees approved the first and the second phase of the Technology Plan in 1995 and 1996. The campus computer network was completed in 1996, providing links between offices and classrooms and the Internet with a variety of network resources to position Harper for higher education in the next century.

In 1998, the College embarked upon implementing a new shared governance structure and the publication of the College's first comprehensive strategic long-range plan.

Groundbreaking for the new Performing Arts Center and Instructional Conference Center was held on May 18, 2000. The new buildings were partially funded by the State of Illinois.

During the summer of 2000, Harper College held "Discovery Sessions" with various community members, business leaders, and students and talked about some of the key challenges facing the College to "discover" what the community really wanted from Harper. The Community Response Team (CRT), which was subsequently formed, presented several recommendations to the Board of Trustees, which identified science, technology, and healthcare as top priorities for the College to address.

On November 7, 2000, the Harper College district residents resoundingly voted to pass an \$88.8 million referendum to build a new facility to house Harper's growing science, technology, and healthcare programs. Construction of the science, emerging technology, and health career center began in the fall of 2001.

On August 29, 2001, Harper College opened a new facility in Schaumburg for the TECH (Technical Education and Consulting at Harper) program. Today, the facility now called the Harper Professional Center, is the site for the Fast Track program. It is centrally located to provide easy access for students who work or live in the Schaumburg area.

In the fall of 2002, the conference center opened and was named the Wojcik Conference Center in recognition of a \$1.1 million member initiative grant given to Harper by Illinois State Representative Kay Wojcik. The Wojcik Conference Center houses one of the largest business amphitheaters in the northwest suburbs and offers an array of resources for companies and organizations to provide professional development and interactive education activities to their employees.

The Performing Arts Center opened in the spring of 2003. In addition to providing new expanded educational opportunities for students, the Performing Arts Center will continue to attract well-known entertainers and celebrities to campus.

In the fall of 2004, Harper College opened Avanté, Center for Science, Health Careers, and Emerging Technologies. The state-of-art learning facility encompasses 288,500 square feet of space, an area equal to six and one-half acres.

In 2006, Harper College was granted authority by the Higher Learning Commission to grant online degrees and grant degrees from two off-campus locations, Northeast Center (NEC) and Harper Professional Center (HPC). The College also received the only National Science Foundation Undergraduate Research grant awarded to a community college.

In 2008, Harper College district voters approved a \$153.6 million capital bond referendum allowing the College to repair and renovate existing campus buildings, as well as build new facilities over the next ten years.

In 2012, the U.S. Department of Labor awarded Harper \$12.9 million to expand the Advanced Manufacturing program to community colleges across Illinois. The program offers industry-endorsed skills certificates and paid internships with local manufacturers. It's also designed to encourage younger students to consider a manufacturing career by offering college credit to high school students.

In 2014, the College re-launched the Northeast Center (NEC) in Prospect Heights as the Harper College Learning and Career Center (LCC) with a target market focus on local community needs, credential programs, wrap-around services and workforce emphasis.

In January, 2015 the College completed a \$38 million renovation of Building H, now known as the Career & Technical Education Center. The renovation included classrooms and labs for some of Harper's fastest-growing training programs in fields like manufacturing, welding and architectural technology. About \$20 million of the two-year project was funded by a state grant.

In August, 2016 the College completed a \$45 million addition and renovation to Building D, bringing one of the original six buildings on campus into the 21st century with modernized classrooms, state-of-the-art labs, and more collaborative study space. The centerpiece of the building is the glass two-story Beaubien Family Rotunda that creates an inviting place for students to meet, study and learn.

In April, 2018 the \$26 million renovation of Building F was completed and named the David K. Hill Family Library. One of the first buildings completed on campus in 1970 and then remodeled in 1995, it now houses the Library, Academic Support Services, and the Academy for Teaching Excellence. The renewed Library offers students diverse seating options with many places to congregate and interact with the faculty librarians.

Profile of the College

William Rainey Harper College is one of forty-eight (48) community colleges in the State of Illinois that make up the Illinois Community College System. Harper College's credit full-time equivalent (FTE) enrollment for fiscal year 2018 is 9,376. The College has 751 full-time employees, which includes 228 full-time Faculty.

Harper is a comprehensive community college that offers transfer curriculum, occupational training, adult enrichment classes, and a variety of other community services. The Harper College for Businesses department provides customized training throughout the district. The College offers certificates and associate degrees in a wide range of program areas.

The college district is located in the northwest suburbs of Chicago. The 200-acre campus is located in Palatine, with extension facilities at the Learning and Career Center in Prospect Heights, and the Harper Professional Center in Schaumburg.

The Illinois Community College Board (ICCB) is the coordinating board of Illinois community colleges. ICCB's mission is "To administer the Public Community College Act in a manner that maximizes the ability of the community colleges to serve their communities. To promote cooperation within the system and accommodate those State of Illinois initiatives that are appropriate for community colleges, to be accountable to the students,

employers, lawmakers, and taxpayers of Illinois, and to provide high-quality, accessible, cost-effective educational opportunities for the individuals and communities they serve.” It is the policy of Harper College not to discriminate on the basis of race, color, religion, sex, age, marital status, national origin, ancestry, or physical or mental handicap or unfavorable discharge from the military in its educational programs, activities, or employment.

Accreditation

Harper College is accredited by the Higher Learning Commission, a regional accreditation agency recognized by the U.S. Department of Education.

College Philosophy and Mission

Mission Statement

Harper College enriches its diverse communities by providing quality, affordable, and accessible education. Harper College, in collaboration with its partners, inspires the transformation of individual lives, the workforce, and society.

Vision Statement

We will be an innovative and inclusive institution, the community’s first choice, and a national leader for student success.

Philosophy Statement

We, at Harper College, believe that our charge is to facilitate active learning and foster the knowledge, critical thinking and life/work skills required for participation in our global society. We work with our community partners to enrich the intellectual, cultural and economic fabric of our district. We believe that excellence in education must occur in an ethical climate of integrity and respect. We hold that the strength of our society is rooted in our diversity and that it is through synergy that we achieve excellence

Major Initiatives

Harper College has long distinguished itself through its innovations in curriculum, teaching strategies and support services for students. The College is committed to reducing student performance gaps and increasing the rate of program completion, transfer, and graduation. To assist in achieving these objectives, the College has a four-year Strategic Plan focused on student completion and success. We continue to implement new initiatives aligned with the Strategic Plan that help students meet their educational goals. The College completed its reaccreditation process this year, which ensures institutional quality.

In FY 2019, we will continue to assign students to academic advisors using a case management approach. The College will also operationalize Areas of Interest (AoI) as an organizing framework to help students select an academic pathway. This means establishing core teams comprised of faculty, advisors, and staff, dedicated to a specific AoI. Additionally, and as a result of recommendations made by a task force focused on our growing Latinx community, the College will develop a Parent University and explore grants which would increase our capacity to serve this student population effectively.

The Promise Program, launched in FY 2016, will continue to be a major focus as the College prepares to welcome the first students who have met all the criteria and have earned their first semester of tuition-free education at Harper. To date we have raised more than \$12 million to fund this program, and will continue to engage donors with a goal of raising an additional \$2 million in FY 2019.

We continue to make significant progress with our Campus Master Plan. In FY 2019, we will complete major renovations to Building M, which includes the Health and Recreation Center and a regional immediate care facility. This unique building represents a unique partnership between Harper College, Northwest Community Healthcare, and the Palatine Park District to create a new center focused on wellness and recreation. We have been waiting for State of Illinois funding to be released for the Canning Center renovations, as well as for our Hospitality Program facilities. This project was included in the latest State budget, but it is unclear as to when the funds will be appropriated and released.

A major research project in FY 2019 is the Community Scan, which focuses on the community's attitudes and opinions toward Harper College. Data is collected with the use of two surveys, the Community Survey for community residents and the Employer Survey for community businesses. The College utilizes this information to better understand the needs of the community, measure the community's awareness of Harper's initiatives, and inform the College of potential changes that may benefit both Harper and the community.

Capital Project Priorities

In the fall of 2008, Harper College's district passed a \$153.6 million capital bond referendum. The 2010 Campus Master Plan provided the vision to utilize these funds to update the College's physical plant through 2020. Every five years the Master Plan is updated, with the latest being finalized in February 2017 looking forward to 2020 and beyond. The updated Master Plan identified several common themes: continuing to work towards creating a welcoming campus, supporting growth of academic programs, flexibility for changing programs, and creating 21st century learning environments built around cost effectiveness and sustainability. Master Plan projects that have been provided for in the capital budget are renovations and additions for the Canning Center, Building F, and Building M. These projects, along with planned infrastructure projects, are projected to exhaust the remaining referendum funds.

Other sources of funding for capital projects include non-referendum limited obligation bonds issued every two years yielding around \$5 million, operating surpluses, and an annual small project operating budget of \$250,000 used for projects under \$25,000

The capital projects budget is provided for in the Operations and Maintenance (Restricted) Fund. The budget for FY 2019 includes planned infrastructure projects of \$19 million.

	Projected	Fiscal Year 2019
	Estimated Cost	Budget Request
Building Integrity	\$ 2,328,878	\$ 1,959,383
Sustainability	130,000	130,000
Renewal	1,057,158	657,158
Program Support	143,747,257	31,533,825
Safety and Statutory	9,516,334	8,660,134
System Reliability	16,742,439	9,182,311
Contingency	-	1,000,000
Total Capital Projects	<u>\$ 173,522,066</u>	<u>\$ 53,122,811</u>

As the table above shows, \$31.5 million is estimated for projects that support academic programs. Two of those projects, which are described below, are part of the State's Resource Allocation Management Program (RAMP). These projects were included in the recently passed State budget, and are waiting on further notice from the State.

- Construction of the new Canning Center – Prior to the State hold, the construction documents were completed and the project was ready for bidding. The FY 2019 budgeted project cost is \$18.6 million. The total estimated project cost is \$61.7 million, which includes a state contribution of \$40.7 million.
- Funds to address the Hospitality program facilities. The FY 2019 budgeted project cost is \$1.8 million. The total estimated project cost is \$5.3 million, which includes a state contribution of \$3.9 million.

The College has set aside the required matching funds for these projects. These projects will position the College to better serve our students with excellent facilities and accommodate new programs.

Financial Information

Internal Control

Management of the College is responsible for establishing and maintaining internal controls designed to protect the assets of the College, prevent loss from theft or misuse and to provide that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefit likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

Each year, including the fiscal year ended June 30, 2018, the College receives various reports from an independent certified public accountant reporting, among other things, whether instances of material weakness in the internal controls or material violation of applicable laws or regulations were noted during the audit. These reports are included in the Federal Financial Compliance section of this comprehensive annual financial report.

Budgeting Controls

The College maintains budgetary controls through an encumbrance accounting system. The objective of these budgetary controls 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 (i.e., the level at which expenditures cannot exceed the appropriated amount) is 110% of the budgeted amounts for all funds. The College also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances generally are re-authorized as part of the following year's budget.

Prospects for the Future

The College continues its focus on a four-year Strategic Plan that was approved in FY 2016 and includes five overall goals. Three of these goals were identified within the overarching theme of student success, which drives the overall direction of the College. These goals include Curriculum and Instruction, which focuses on teaching and learning within the classroom, Academic Planning and Pathways, which assists students in understanding their academic area of interest, and Student Experience, which reinforces a culture of care throughout the organization. These three goals are all supported by a fourth goal, Aligning Employee Skills, which seeks to ensure faculty and staff participate in professional development activities that ensure the strategic goals are met. A fifth goal of Stewardship focuses on scaling promising practices.

To uphold its historic and continuing success, Harper College must continue to change to meet the evolving needs of our community, students, and the workforce. Today's new economy demands that our completers be technologically proficient, have communication and critical thinking skills and, most importantly, have access to training and credentialing to upgrade their skills over a lifetime of work. Harper is continually adapting to meet this new reality. While we continue to strive for strong enrollment, our goals are more closely aligned to increasing the number of students who are successful at Harper.

A task force consisting of local community members and business leaders met throughout the year and engaged individuals from all 23 communities in the district to ensure a strong future for Harper. Through surveys, meetings and presentations, thousands of community members identified opportunities to fund three priorities without raising taxes. Those priorities include:

- Priority 1: Drive Economic Opportunity in Our Community (\$28.5 million)
- Priority 2: Educate for Today's High-Tech Jobs (\$88.7 million)
- Priority 3: Maintain and Improve Campus Infrastructure (\$62.8 million)

Acting on the community's advice, Harper's Board of Trustees voted to place a \$180 million bond proposal on the November 6, 2018, ballot to fund these priorities.

Long-Term Financial Planning

The College devotes considerable time and resources to long range strategic and operational planning. The College is equally committed to long range financial planning. Each fall the Five-Year Financial Plan is updated, forecasting financial trends into the future.

The Five-Year Financial Plan is presented in four sections as follows:

- Section One – Executive Summary and Summary of Recommendations
- Sections Two – Historical Information
- Sections Three – Five-Year Projections by Fund and Fund Groupings
- Section Four – Financial Plan Alternatives

The purpose of the Five-Year Financial Plan is to create a framework which allows the College and the Board of Trustees to examine the long range financial implications of the many major financial decisions that have been made. The Five-Year Financial Plan is not intended to be a detailed line item budget for five years, but rather, it is intended to provide a “broad brush” overview of the financial position and the resulting impact of the financial decisions that must be made. The Five-Year Financial Plan is also intended to look prospectively at expenditures, the means of financing those expenditures, and the financial position over a longer period of time than the traditional one-year budget.

Debt Administration

The statutory debt limit based on the property tax assessed valuation totals \$550.8 million. The current indebtedness totals \$126.9 million leaving a substantial margin for additional debt, as determined by the assessed valuation and the current property taxes. Current indebtedness is due to three outstanding series of bonds with varying maturity dates, with the last payment due in 2028.

Financial Guidelines

The Board guideline is to maintain a balanced budget in the across the Tax-Capped Funds, consisting of the Education Fund, the Operations and Maintenance Fund, the Audit Fund, and the Liability, Protection and Settlement Fund. The term balanced budget shall apply only to the Tax-Capped Funds.

Tuition is set by the Board, whose policy is to limit annual tuition and per credit hour fee increases to 5% of total tuition and fees or the Illinois statute limitation using the Higher Education Cost Adjustment (HECA) rate change as a guideline, as appropriate, to promote a balanced budget for Harper College and financial consistency for Harper students.

Fees are increased and/or added to make up for shortfalls in other revenue sources including state funding and property tax reductions due to Property Tax Appeal Board (PTAB) appeals.

It is the Board's policy to maintain the fund balance in the combined Tax Capped Funds between 40% and 60% of budgeted annual expenditures.


Other Information

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Harper College for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the eighth consecutive year Harper College has achieved this prestigious award. In order to be awarded a certificate of Achievement, a government organization must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


State Statute requires an annual audit by independent certified public accountants. The accounting firm of Crowe LLP was selected by the College's Board of Trustees to conduct the fiscal year 2018 audit. The auditor's report on the financial statements and supplemental financial information is included in the financial section of this report. The auditor's opinion is unmodified for this year.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the Accounting Services staff of the College. Each member of this department has our sincere appreciation for the contributions made in preparation of this report. In closing, without the leadership and support of the Board of Trustees of the College, preparation of this report would not have been possible.

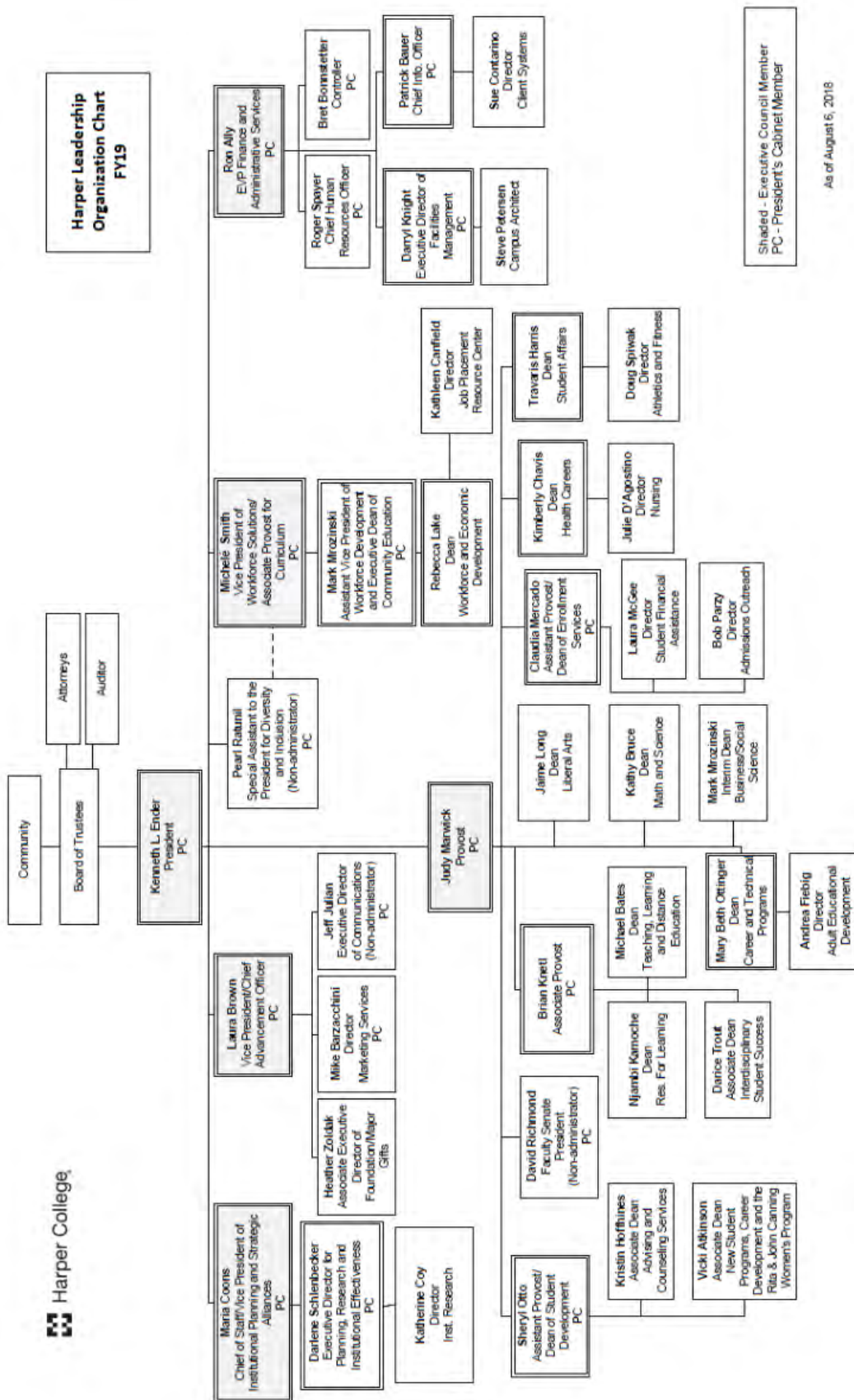
Respectfully,



Kenneth L. Ender, Ph.D
President



Ronald N. Ally, Ed.D
Executive Vice President
Finance and Administrative Services



As of August 6, 2018



Government Finance Officers Association

Certificate of
Achievement for
Excellence in
Financial
Reporting

Presented to

William Rainey Harper College
Community College District #512
Illinois

For its Comprehensive Annual Financial
Report
for the Fiscal Year Ended

June 30, 2017

Executive Director/CEO

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE NUMBER 512**

PRINCIPAL OFFICIALS

BOARD OF TRUSTEES

	<u>Position</u>	<u>Term Expiration</u>
Gregory Dowell	Chair	2019
Pat Stack	Vice Chair	2023
Dr. Nancy Robb	Secretary	2021
Diane Hill	Trustee	2021
Herb Johnson	Trustee	2019
William Kelley	Trustee	2021
Walt Mundt	Trustee	2019
Lavleen Mal	Student Trustee	2019

OFFICERS OF THE COLLEGE

Kenneth Ender, Ph.D	President
Ronald Ally, Ed.D	Executive Vice President Finance and Administrative Services
Laura Brown	Vice President and Chief Advancement Officer
Maria Coons, Ed.D	Vice President of Workforce, Planning and Institutional Effectiveness and Chief of Staff
Judith Marwick, Ed.D	Provost
Michel�� Smith	Associate Provost and Special Assistant to the President for Diversity and Inclusion

OFFICIALS ISSUING THE REPORT

Ronald Ally, Ed.D	Executive Vice President Finance and Administrative Services
Bret Bonnstetter	Controller

DEPARTMENT ISSUING THE REPORT

Bob Grapenthien	Assistant Controller
Laurie Dietz	Budget/Accounting and Operational Analysis Manager

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
William Rainey Harper College
Community College District No. 512

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of William Rainey Harper College, Community College District No. 512 (the "College"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the William Rainey Harper College Education Foundation (the "Foundation"), which represents the College's entire discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. 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 Foundation 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 auditor's 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 opinions.

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2015 the GASB issued GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Statement 75 is effective for the College's fiscal year ending June 30, 2018. This Statement replaces the requirements of Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". Statement 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identified the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about defined benefit OPEB also are addressed. As a result, net position was restated by \$64,625,551 as of July 1, 2017, for the cumulative effect of the application of this pronouncement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Introductory Section, Statistical Section, and Uniform Financial Statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory Section, Statistical Section, and Uniform Financial Statements 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 *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2018 on our consideration of the College'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 results 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 the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Oak Brook, Illinois
October 17, 2018

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Purpose

The discussion and analysis of William Rainey Harper College – Community College District No. 512's (the College) financial performance provides an overall review of the College's financial activities for the fiscal year ended June 30, 2018. The William Rainey Harper College Educational Foundation (the Foundation) is considered to be a component unit of the College. Separate financial statements for the Foundation may be obtained by writing to the Vice President and Chief Advancement Officer of the Foundation, William Rainey Harper College, 1200 West Algonquin Road, Palatine, Illinois 60067. This discussion has been prepared by management and the intent is to present an overview of the College's financial performance as a whole. Readers should also read the basic financial statements and notes in conjunction with this analysis to obtain a more detailed picture of the College's financial performance.

The financial statements are designed to emulate corporate presentation models whereby all of the College activities are consolidated into one total. The focus of the statement of net position is designed to be similar to bottom line results for the College; it combines and consolidates current financial resources with capital assets. The statement of revenues, expenses, and changes in net position focuses on both the gross and net costs of the College activities, which are supported mainly by local taxes and tuition revenues. This approach is intended to summarize and simplify the user's analysis of the cost of services provided.

Highlights

Institutional Description

The College is a two-year public community college founded in 1965 and officially opened for classes during fall 1967. An integral part of the Illinois system of higher education, Harper College is Illinois Community College District No. 512. The Harper district encompasses 23 communities in the northwest suburbs of Chicago and has an area of about 200 square miles and an estimated population of 535,000 citizens. Harper's district contains approximately 30,000 businesses. The College is a comprehensive community college dedicated to providing excellent education at an affordable cost, promoting personal growth, enriching the local community, and meeting the challenges of a global society. The College has an annual enrollment of approximately 24,000 credit students and 21,000 students in continuing education (noncredit) classes.

The College consists of 24 facilities with a combined 1.7 million gross square feet. With the 2008 referendum and the resulting bond funds, the College has invested in needed infrastructure maintenance projects and capital projects to support the growth and future needs of the College.

Accreditations

In June 2018, the Higher Learning Commission (HLC) reaffirmed Harper College's accreditation for the maximum of ten years. Regional accreditation, such as HLC, is the method that colleges and universities use to assure that the institution provides a quality educational experience. Accreditation also provides the College with access to federal financial aid and transfer of credits to other institutions. Regional accreditation allows Harper to provide another ten years of quality education and service to the students of our community.

(Continued)

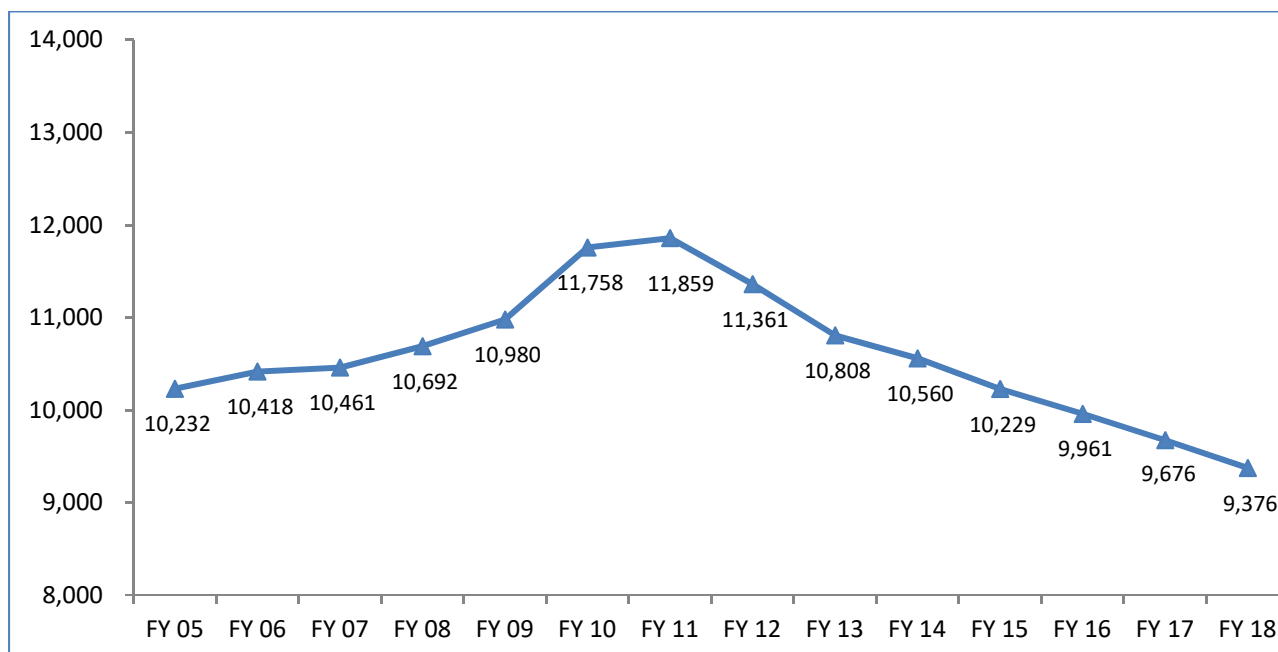
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Enrollment

In 1967, Harper College opened with an enrollment of about 1,700 students. Today the College's enrollment stands at approximately 47,000 students of all ages participating in credit, continuing education, customized, and extension courses at the Harper campus or at other district locations. The majority of Harper's activities take place on the 200-acre campus in Palatine, Illinois. The College also utilizes the Learning and Career Center located in Prospect Heights, Illinois, and the Harper Professional Center in Schaumburg, Illinois.

Certified student credit hours, on which the State claim is filed, decreased for fiscal year 2018 from the levels of fiscal year 2017, from 260,227 to 252,091. The total credit hours decreased by 3.1% from 290,278 in fiscal year 2017 to 281,285 in fiscal year 2018. The full time equivalents (FTEs) decreased to 9,376 for fiscal year 2018 from 9,676 in fiscal year 2017, and headcount (the actual number of students attending the College at any point in time) decreased 6.2% during the same period of time. Total credit hours are budgeted to decrease 0.5% in fiscal year 2019.



The chart above reflects credit full-time equivalents from fiscal years 2005 through 2018.

In fiscal year 2018, Harper College brought 249 curriculum changes to the Curriculum Committee. One certificate was withdrawn (Sign Language Interpreting) and two new certificates were added (Personal Training and Interior Design Assistant). An Associate in Applied Science degree was reactivated (Supply Chain Management).

The College has 6 transfer degrees, 34 associate degree programs and 100 certificate programs. The College continues to review its curriculum, develop new programs and expand the educational options for its students and the community.

The number of formal transfer partnerships has increased to 208, involving 53 institutions.

(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

In 2006, the College received accreditation from the Higher Learning Commission to offer complete degrees online and at two extension sites. Accreditation for the extension site at Northwest Community Hospital was awarded to the College in 2010. The College was re-accredited by the Higher Learning Commission for a 10-year period in June, 2018.

Funding Challenges

The College has become increasingly dependent on local property taxes and student tuition and fees as its main revenue sources. At the same time that the College seeks to expand and serve the greatest percentage of its student population, funding from the State of Illinois continues to fall substantially short of the target set by the State itself.

As the table shows, state funding continues to be below fiscal year 2002 levels.

<u>Fiscal years</u>	<u>State Funding</u>	<u>State Funding as percentage of 2002</u>
2002	\$ 8,115,240	100%
2003	7,552,401	93%
2004	6,997,311	86%
2005	6,535,708	81%
2006	6,506,656	80%
2007	6,651,640	82%
2008	6,867,068	85%
2009	6,956,282	86%
2010	7,019,798	87%
2011	6,469,554	80%
2012	6,469,554	80%
2013	6,478,413	80%
2014	6,545,938	81%
2015	6,864,994	85%
2016	1,992,338	25%
2017	7,342,892	90%
2018	7,019,860	87%

Funding levels for the State base operating grant have remained stagnant since fiscal year 2002, with fiscal year 2016 only receiving reduced stop-gap funding due to the State budget impasse. The State budget for fiscal year 2019 contains appropriations for the College to receive \$7.5 million. Due to funding uncertainties that continue with the State, the College is continuing to reduce its reliance on State funding by reducing the amount budgeted in fiscal year 2019 for the base operating grant to one-quarter of fiscal year 2018's appropriation.

In addition, the College absorbed approximately \$310,000 in fiscal year 2018 for unfunded state veterans' grant programs. Since fiscal year 2003 the cost to the College for this unfunded mandate totals \$3.5 million.

(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

The percentage of the College's funding provided by the State of Illinois, as measured by the per capita costs, is currently 4.8%. This, along with overall increases in the cost to provide services, has increased the percentage that students and taxpayers contribute to the cost of education at the College. The College continues to consider the reduction in State support as it considers program delivery, available revenues, necessary expenditures, and the resulting operating budget.

Additional Employer SURS Contribution

In 2006, the State University Retirement System, to which the College is a mandatory member, sought and received legislation to modify the employer's funding in certain cases. In the event that an employee's salary increases more than 6% in any given fiscal year, the employer must fund the excess pension based on actuarial calculations. The College has adjusted employee compensation and procedures to mitigate the impact. Effective July 1, 2018, the 6% threshold has been lowered to 3%.

Statement of Net Position

The statement of net position presents the financial position of the College at the end of the fiscal year. It includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The difference between the total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources represents the College's "equity" and provides a measure of the financial health of the College. The change in net position is an indicator of whether the financial condition has improved or worsened during the year.

(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Assets and liabilities are measured using current values, with the exception of capital assets. Capital assets are stated as historical cost, lowered by depreciation. A summary of net position at June 30, 2018 and 2017 is as follows:

Summary of Net Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Current assets	\$ 195,934,312	\$ 171,420,676
Noncurrent assets:		
Restricted cash and investments	21,767,355	61,363,534
Unrestricted cash and investments	8,130,608	14,842,385
Capital assets, net of depreciation	<u>281,983,821</u>	<u>240,363,859</u>
Total assets	<u>507,816,096</u>	<u>487,990,454</u>
Deferred outflow of resources	<u>4,577,372</u>	<u>197,398</u>
Total assets and deferred outflow of resources	<u>512,393,468</u>	<u>488,187,852</u>
Current liabilities	48,978,707	42,931,262
Noncurrent liabilities	<u>204,459,312</u>	<u>147,723,272</u>
Total liabilities	<u>253,438,019</u>	<u>190,654,534</u>
Deferred inflow of resources	<u>52,678,280</u>	<u>40,451,130</u>
Total liabilities and deferred inflow of resources	<u>306,116,299</u>	<u>231,105,664</u>
Net position:		
Net investment in capital assets	154,625,077	145,170,610
Restricted, expendable	24,043,949	28,071,192
Unrestricted	<u>27,608,143</u>	<u>83,840,386</u>
Total net position	<u><u>\$ 206,277,169</u></u>	<u><u>\$ 257,082,188</u></u>

Net Position – Fiscal Year 2018 compared to 2017

Current assets increased by \$24.5 million primarily driven by an increase in unrestricted investments of \$15.0 million investments. Increases in accounts receivable of \$1.6 million and cash and cash equivalents of \$8.0 million made up the rest of the increase.

Capital assets, net of depreciation, increased \$41.6 million as a result of additions to buildings and building improvements.

Other noncurrent assets decreased by \$46.3 million due to cash and investments being spent on capital projects.

(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Current liabilities increased \$6.0 million during the year primarily due to increases in accounts payable and the bond principal payments due within one year of June 30, 2018.

Noncurrent liabilities increased by \$56.7 million due to the implementation of GASB Statement 75 which resulted Other Post Employment Benefit liability increase of \$67.6 million, offset by a decrease in bonds payable of \$11.8 million.

(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position represent the operating results of the College, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States.

A summary of changes in net position for the years ended June 30, 2018 and 2017 is as follows:

Changes in Net Position		
Years ended June 30, 2018 and 2017		
	2018	2017
Operating revenues:		
Tuition and fees, net	\$ 38,866,081	\$ 40,574,390
Government grants and contracts	5,610,148	1,700,991
Auxiliary	861,406	904,074
Other	1,612,063	1,794,165
Total operating revenues	46,949,698	44,973,620
Operating expenses	183,887,965	170,111,670
Operating loss	(136,938,267)	(125,138,050)
Nonoperating revenues and expenses:		
Property and other taxes	77,085,753	75,696,330
Government appropriations, grants, and contracts	73,059,823	57,901,159
Investment income	2,166,254	1,098,489
Interest expense	(2,273,955)	(6,315,371)
Other	720,924	772,539
Total nonoperating revenues and expenses, net	150,758,799	129,153,146
Change in net position	13,820,532	4,015,096
Net position, beginning of year	257,082,188	253,067,092
Cumulative effect of a change in accounting principle	(64,625,551)	-
Net position, end of year	<u>\$ 206,277,169</u>	<u>\$ 257,082,188</u>

(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Revenues

Total revenues were \$199,982,452 and \$180,442,137 in fiscal years 2018 and 2017, respectively. The single largest revenue source of the College is property taxes. Revenues from property taxes were \$77,085,753 and \$75,696,330 in fiscal years 2018 and 2017, respectively. The second largest revenue source is tuition and fees. Tuition and fees were \$38,866,081 and \$40,574,390, respectively.

Revenues – Fiscal Year 2018 compared to 2017

Operating revenues increased by \$2.0 million due to an increase in state and local government revenue of \$4.2 million. Tuition and fees decreased by \$1.7 million.

	2018	2017
Operating Revenues:		
Student tuition and fees, net	\$ 38,866,081	\$ 40,574,390
State and local government grants	4,216,208	21,783
Federal government grants	1,393,940	1,679,208
Auxiliary enterprises	861,406	904,074
Sales and services of educational departments	1,206,308	1,196,903
Other	405,755	597,262
Total Operating Revenues	<u>\$ 46,949,698</u>	<u>\$ 44,973,620</u>

Nonoperating revenues increased by \$17.6 million primarily due to increases of \$3.4 million in State grants and \$8.3 million in State appropriations.

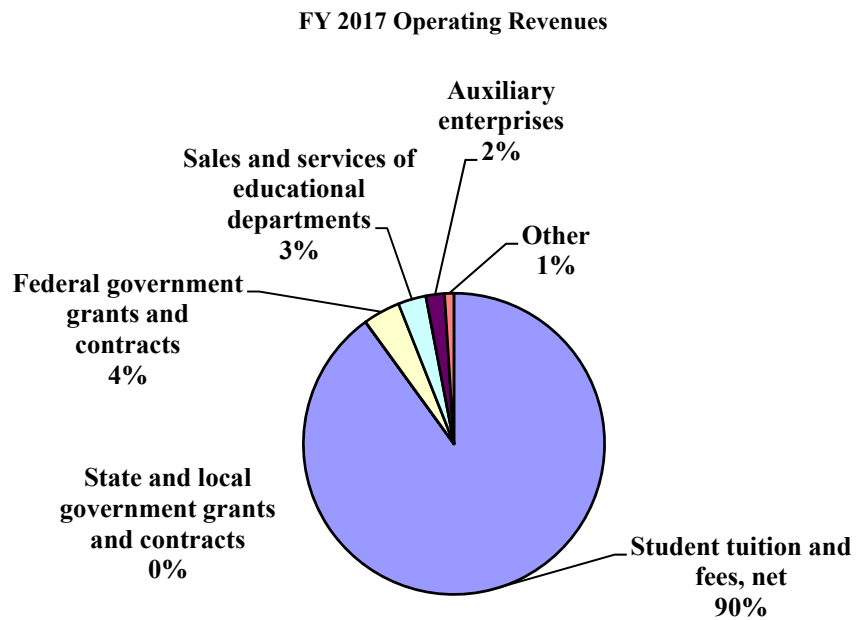
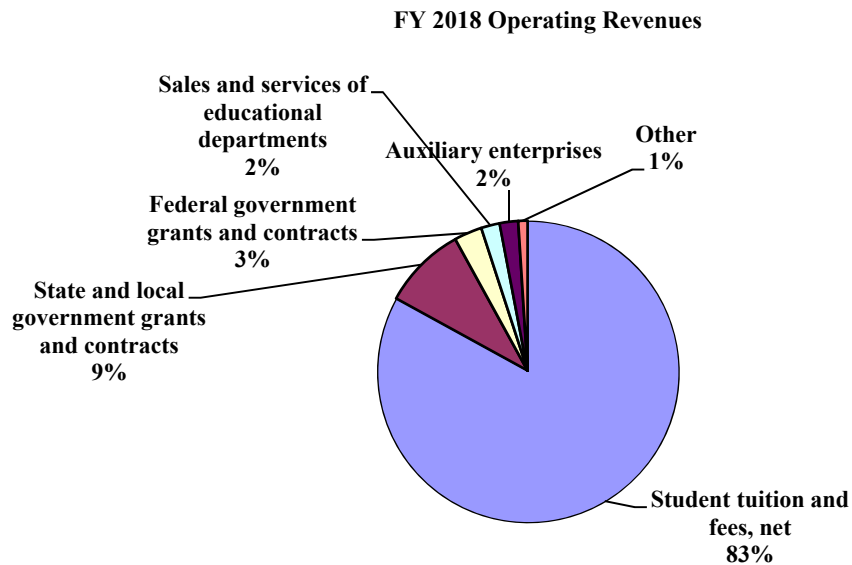
	2018	2017
Nonoperating revenues:		
Property taxes	\$ 77,085,753	\$ 75,696,330
State appropriations	11,309,392	3,053,360
State retirement plan contribution (note 7)	36,188,946	38,799,701
State OPEB on-behalf contribution (note 11)	5,178,785	-
Personal property replacement tax	853,383	1,036,684
State and local government grants and contracts	4,622,817	1,212,671
Federal government grants and contracts	14,906,500	13,798,743
Gifts	386,653	418,283
Investment income, net of investment expense	2,166,254	1,098,489
Other	334,271	354,256
Total Operating Revenues	<u>\$ 153,032,754</u>	<u>\$ 135,468,517</u>

(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

The following are graphic illustrations of operating revenues by type:



(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Expenses

Total expenses were \$183,887,965 and \$176,427,041, and in fiscal years 2018 and 2017, respectively.

Expenses – Fiscal Year 2018 compared to 2017

Operating expenses increased by \$13.8 million driven by small increases from each functional expense category. A 17% increase in scholarships and grants was the largest percentage increase in the functional expenses.

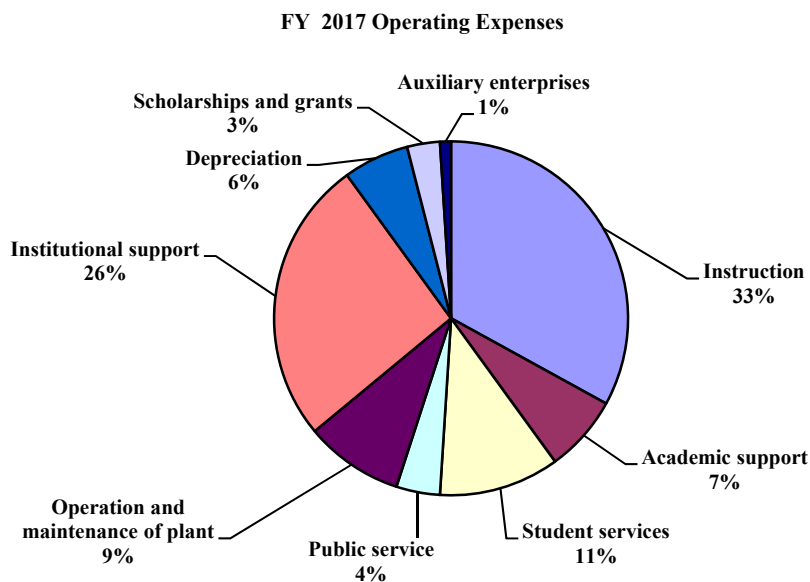
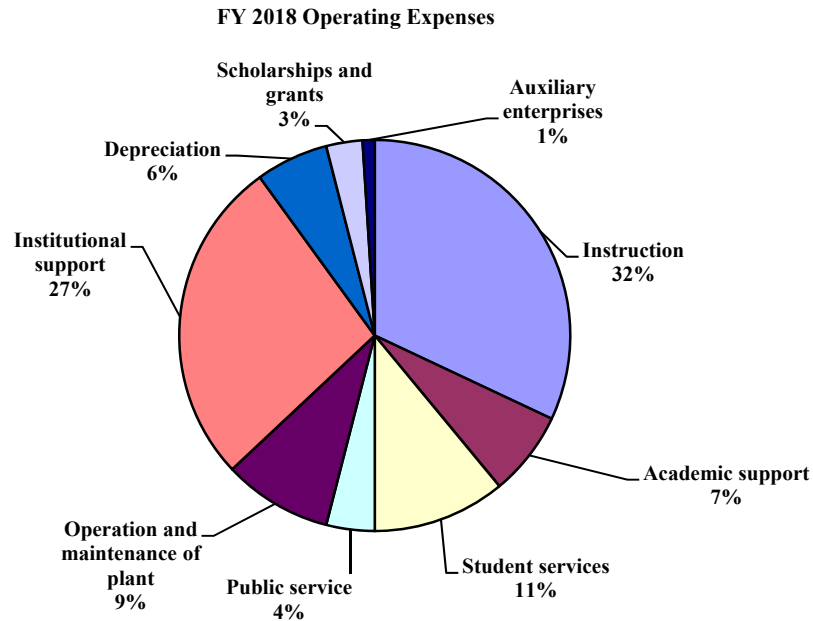
	<u>2018</u>	<u>2017</u>
Operating Expenses:		
Instruction	\$ 58,889,756	\$ 56,219,056
Academic support	13,672,996	12,724,491
Student services	20,691,908	18,474,710
Public services	7,297,440	6,909,302
Operation and maintenance	17,419,499	16,095,691
Institutional	49,283,682	44,060,356
Scholarships and grants	5,469,218	4,686,807
Auxiliary enterprises	1,173,540	1,092,702
Depreciation	9,989,926	9,848,555
Total Operating Expense	<u>\$ 183,887,965</u>	<u>\$ 170,111,670</u>

(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

The following are graphic illustrations of operating expenses by type and function:



(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

The College continues to manage its resources and planned expenses within a framework of long range planning and budgeting. Salaries and benefits represent roughly two thirds of total expenses for fiscal years 2018 and 2017, respectively. Salary costs are determinable for at least the year for all unionized employee groups at the College, because of negotiated contracts. As in most organizations, the College faces the challenge of funding escalating health care costs. The College has programs in place to mitigate the rising costs.

Retirement contributions made by the State on behalf of the College decreased by about \$2.6 million, determined entirely by the State. On behalf payments have no net impact on the College's financial statements as it is presented as both revenue and an offsetting expense.

Capital Assets

	Year ended June 30,	
	2018	2017
Land and land improvements	\$ 4,326,007	\$ 4,326,007
Buildings and improvements	291,967,858	291,593,420
Equipment	22,139,946	21,259,334
Construction in progress	<u>112,757,809</u>	<u>62,402,971</u>
Less: accumulated depreciation	<u>(149,207,799)</u>	<u>(139,217,873)</u>
Net capital assets	<u>\$ 281,983,821</u>	<u>\$ 240,363,859</u>

Net Capital Assets – Fiscal Year 2018 Compared to 2017

As of June 30, 2018, the College had net capital assets of \$282 million, an increase of \$41.6 million from the 2017. The increase in 2018 was due to construction in progress at year end. It is anticipated that most of the \$113 million will be placed into service during FY19. More detailed information on capital assets is provided in Note 4 to the basic financial statements.

Debt Administration

During fiscal year 2018 long term debt obligations decreased \$26.4 million due to existing debt payments of \$129.8 million offset by \$103.5 million in new bonds being issued. More detailed information on debt obligations are provided in Note 6 to the basic financial statements.

(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments received and made during the year. This statement also helps users assess the College's ability to generate net cash flows, its ability to meet its obligations as they become due, and its need for external financing.

The primary cash receipts from operating activities consist of tuition and fee revenues. The largest source of cash is local taxes. Local taxes, along with the State appropriation, are classified as nonoperating sources by accounting standards even though the College's budget depends on this to continue the current level of operations. Cash outlays include payment of wages, benefits, services, supplies, and scholarships. Overall, net cash and cash equivalents increased by \$8.8 million, primarily due to the timing of payments at year end.

Current Issues

The College's management believes it will continue its strong financial position into the future. The major external validation of this strength is Moody's Investors Service. Moody's reaffirmed its highest credit rating (Aaa) for the College in the fall of 2017, changing its outlook from negative to stable. This rating looks at the overall financial health of which net position is a major component. The higher the rating the lower the cost to issue bonds. The lower the cost to issue bonds, the lower the cost to taxpayers in future periods. This aids in obtaining capital funding at the most competitive rates. The Board approved the placement of a bond question on the referendum for November 2008 and the community supported it. The strong fiscal position and bond rating was critical in minimizing costs to the taxpayers. The referendum funds have been used for projects identified through the updated campus master plan and capital repair and maintenance.

Budgeted capital projects include the \$61.7 million Canning Center project, a one stop/student center, and a \$5.3 million renovation of the hospitality program facility. These projects are 75% funded by the State, with the College committing the necessary 25% to match the State funds. Other budgeted capital projects include replacement of Parking Lot 1, construction of a pedestrian bridge between Buildings A and M to be completed with the Canning Center project, and building envelope maintenance on the Learning and Career Center.

On the revenue side of the statements, the College plans to continue incremental increases in tuition to keep pace with increasing costs. This also allows our students to plan for their educational costs. Although the College would like to see a change in the share of the percentage of per capita costs funded by the State, it seems unlikely to change anytime soon.

The College does not anticipate a substantial change in property tax revenues. They are derived mostly from the County of Cook which, under the Property Tax Extension Limitation Law, limits the amount taxes can increase from year to year based on the Consumer Price Index-Urban (CPI-U). The CPI-U for the last two years has been 2.1% and, with the Congressional Budget Office's April 2018 estimate of 2.2% for 2018, revenue growth will remain modest. Further erosion of current tax revenues will come from the continued successful appeals of property assessments.

(Continued)

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

On the expense side, compensation and benefits comprise the largest portion of the College's expenses. All of the College's unionized groups have settled contracts through at least fiscal year 2019.

Rising healthcare costs nationwide continue to impact the College's budgeted spending. Included in the College's employment contracts is a cap on premium increases, and changes to the plan would be necessary should that cap be exceeded.

Going forward, the College will continue its prudent attention to spending and balanced budgets to prevent the erosion of the College's current financial position.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Business-Type Activities
Statement of Net Position
June 30, 2018

Statement 1

Assets	2018
Current assets:	
Cash and cash equivalents (note 2)	\$ 47,174,860
Accounts receivable, net (note 3)	48,881,649
Investments (note 2)	99,126,336
Prepaid expenses and other assets	751,467
Total current assets	<u>195,934,312</u>
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	20,693,024
Restricted investments (note 2)	1,074,331
Other long-term investments (note 2)	8,130,608
Capital assets, not being depreciated (note 4)	117,083,816
Capital assets, net of accumulated depreciation (note 4)	164,900,005
Total noncurrent assets	<u>311,881,784</u>
Total assets	<u>507,816,096</u>
Deferred Outflow of Resources	
Deferred outflow of resources related to OPEB plans (note 11)	1,984,343
Deferred loss on debt refunding (note 6)	2,593,029
Total deferred outflows of resources	<u>4,577,372</u>
Liabilities	
Current liabilities:	
Accounts payable and other liabilities	14,011,708
Reserve for property tax refunds	2,428,578
Accrued payroll and compensated absences (note 5)	5,814,928
Deposits held for others	746,740
Unearned tuition and other revenue	11,729,149
Worker's compensation claims liability (note 10)	567,604
Current portion of long-term debt (note 6)	13,680,000
Total current liabilities	<u>48,978,707</u>
Noncurrent liabilities:	
Long-term debt (note 6)	131,908,367
Unearned rent	970,779
Other Post Employment Benefits (note 6 and 11)	71,580,166
Total noncurrent liabilities	<u>204,459,312</u>
Total liabilities	<u>253,438,019</u>
Deferred Inflow of Resources	
Deferred inflow of resources related to OPEB plans (note 11)	5,049,359
Deferred revenue - service concession arrangement (note 12)	7,051,161
Deferred revenue - property taxes	40,577,760
Total deferred inflows of resources	<u>52,678,280</u>
Net Position	
Net investment in capital assets	154,625,077
Restricted:	
Working cash	9,680,000
Debt service	14,363,949
Unrestricted	27,608,143
Total net position	<u>\$ 206,277,169</u>
See accompanying notes to financial statements.	

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Business-Type Activities

Statement 2

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2018

	<u>2018</u>
Operating revenues:	
Student tuition and fees, net of scholarships and allowances of \$11,401,239	\$ 38,866,081
State and local government grants and contracts	4,216,208
Federal government grants and contracts	1,393,940
Sales and services of educational departments	1,206,308
Auxiliary enterprises	861,406
Other	405,755
Total operating revenues	<u>46,949,698</u>
Operating expenses:	
Educational and general:	
Instruction	58,889,756
Academic support	13,672,996
Student services	20,691,908
Public service	7,297,440
Operation and maintenance of plant	17,419,499
Institutional support	49,283,682
Scholarships and grants	5,469,218
Auxiliary enterprises	1,173,540
Depreciation	9,989,926
Total operating expenses	<u>183,887,965</u>
Operating loss	<u>(136,938,267)</u>
Nonoperating revenues (expenses):	
Property taxes	77,085,753
State appropriations	11,309,392
State retirement plan contribution (note 7)	36,188,946
State OPEB on-behalf contribution (note 11)	5,178,785
Personal property replacement tax	853,383
State and local government grants and contracts	4,622,817
Federal government grants and contracts	14,906,500
Gifts	386,653
Investment income, net of investment expense	2,166,254
Interest expense	(2,273,955)
Other	334,271
Total nonoperating income	<u>150,758,799</u>
Change in net position	13,820,532
Net position at beginning of year (as restated) (note 1)	<u>192,456,637</u>
Net position at end of year	<u><u>\$ 206,277,169</u></u>

See accompanying notes to financial statements.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Business-Type Activities

Statement of Cash Flows

Year ended June 30, 2018

Statement 3

Page 1 of 2

	<u>2018</u>
Cash flows from operating activities:	
Student tuition and fees	\$ 38,837,730
Student aid	5,357,325
Sales and services of educational departments	1,206,308
Payments to suppliers	(36,305,279)
Payments to employees	(86,834,504)
Auxiliary enterprises	(88,955)
Other	1,650,365
Net cash used in operating activities	<u>(76,177,010)</u>
Cash flows from noncapital financing activities:	
Property taxes	84,270,859
State appropriations	11,309,392
Personal property replacement taxes	853,383
Receipts of student loan funds	11,401,239
Disbursements of loan funds to students	(11,401,239)
Contributions and Gifts	386,653
Government grants and contracts	19,529,317
Other	334,271
Net cash provided by noncapital financing activities	<u>116,683,875</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(48,085,639)
Principal paid on bonds	(11,975,000)
Interest paid on bonds	(6,044,866)
Net cash provided by (used in) capital and related financing activities	<u>(66,105,505)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	853,799,941
Purchase of investments	(821,701,251)
Interest on investments	2,275,480
Net cash provided by (used in) investing activities	<u>34,374,170</u>
Net increase (decrease) in cash and cash equivalents	8,775,530
Cash and cash equivalents at the beginning of year	<u>59,092,354</u>
Cash and cash equivalents at the end of year	<u><u>\$ 67,867,884</u></u>

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Business-Type Activities

Statement of Cash Flows

Years ended June 30, 2018

Statement 3

Page 2 of 2

	<u>2018</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (136,938,267)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,989,926
On-behalf contributions to state retirement system	36,188,946
On-behalf contributions to state OPEB	5,178,785
Changes in Net Position:	
Receivables, net:	
Student	(155,715)
Federal, State, and other	(252,823)
Other	(950,361)
Prepaid expenses	92,099
Accounts payable and other liabilities	2,870,382
Accrued payroll and compensated absences	142,189
Deposits held for others	1,244,606
Unearned tuition and other revenue	127,366
Other Post Employment Benefits	6,008,611
Other liabilities	277,246
Net cash used in operating activities	<u><u>\$ (76,177,010)</u></u>

See accompanying notes to financial statements.

Noncash activities:

During 2018, the College issued refunding bonds of \$103,450,000 with the proceeds and the premium amounts being paid directly to the escrow agent in the amount of \$121,665,354.

During 2018 the College incurred \$10,817,638 of capital asset activity that was accrued in accounts payable at year end.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Component Unit – William Rainey Harper College Educational Foundation

Statement of Financial Position

Statement 4

June 30, 2018

Assets	2018
Cash	\$ 1,490,737
Interest receivable	7,771
Prepaid expenses	15,895
Pledges receivable, net	2,346,478
Investments	17,040,978
Art collection	1,813,210
Total assets	\$ 22,715,069
Liabilities	
Accounts payable	\$ 171,337
Deferred Revenue	112,145
Total liabilities	283,482
Net Assets	
Unrestricted	2,698,432
Unrestricted, Board designated	6,962,635
Total Unrestricted	9,661,067
Temporarily restricted	8,872,457
Permanently restricted	3,898,063
Total Net Assets	22,431,587
Total liabilities and Net Assets	\$ 22,715,069

See accompanying notes to financial statements.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Component Unit – William Rainey Harper College Educational Foundation

Statement of Activities

Year Ended June 30, 2018

	2018			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support and revenue:				
Contributions	\$ 1,069,801	\$ 1,548,388	\$ 239,375	\$ 2,857,564
In-kind contributions	35,810	—	—	35,810
Fundraising events	24,730	1,086,451	—	1,111,181
Contributed services	528,199	—	—	528,199
Interest and dividends	14,213	6,967	—	21,180
Investment Gain (Loss)	519,497	447,004	—	966,501
Net assets released from restrictions	1,211,010	(1,211,010)	—	—
	<u>3,403,260</u>	<u>1,877,800</u>	<u>239,375</u>	<u>5,520,435</u>
Expenses:				
Program	1,171,660	—	—	1,171,660
General and administrative	298,071	—	—	298,071
Costs of direct benefits to donors	229,834	—	—	229,834
Fundraising	290,963	—	—	290,963
	<u>1,990,528</u>	<u>—</u>	<u>—</u>	<u>1,990,528</u>
Change in net assets	1,412,732	1,877,800	239,375	3,529,907
Net Assets at beginning of year	<u>8,248,335</u>	<u>6,994,657</u>	<u>3,658,688</u>	<u>18,901,680</u>
Net Assets at end of year	<u>\$ 9,661,067</u>	<u>\$ 8,872,457</u>	<u>\$ 3,898,063</u>	<u>\$ 22,431,587</u>

See accompanying notes to financial statements.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies

The accounting policies of William Rainey Harper College – Community College District No. 512 (the College) conform to U.S. generally accepted accounting principles applicable to government units and Illinois Community Colleges. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. The authoritative pronouncements are consistent with the accounting practices prescribed or permitted by the Illinois Community College Board (ICCB), as set forth in the ICCB *Fiscal Management Manual*. The following is a summary of the more significant policies.

(a) Reporting Entity

The financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

The William Rainey Harper College Educational Foundation (the Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the College in support of its programs. The Foundation's board is self-perpetuating and consists of graduates and friends of the College. Although the College 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 is restricted by donors to the activities of the College. Because these restricted resources can only be used by or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model is ASC 958 Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

Complete financial statements for the Foundation can be obtained from Harper College Educational Foundation, 1200 West Algonquin Road, Palatine, IL 60067 or 847-925-6182.

In addition, the College is not aware of any entity whose elected officials are financially accountable for the operations of the College, which would result in the College being considered a component unit of such entity.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

(a) Financial Statement Presentation and Basis of Accounting

For financial reporting purposes, the College is considered a special purpose government engaged only in business type activities. Accordingly, the College'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.

Non-exchange transactions, in which the College 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 College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

(b) Cash Equivalents

The College considers funds invested through Illinois School District Liquid Asset Fund (ISDLAF) and investments less than 90 days as cash equivalents.

(c) Investments

Investments are reported at fair value using the market approach. Money markets and cash equivalents are reported at cost or amortized cost. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

(d) Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the statements of net position.

(e) Capital Assets

Capital assets are reported at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. The College's capitalization policy on renovations to buildings, infrastructure, and land improvements includes projects greater than \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 10 to 20 years for building improvements, 15 to 20 years for land improvements, and 3 to 10 years for equipment.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

(f) Premiums, Discounts, Issuance Costs, and Deferred Amounts on Refundings

Bond premiums and discounts are recorded and amortized over the life of the bonds using the effective interest method. Long-term obligations (general obligation bonds) are reported net of the applicable bond premium or discount. The deferred gain or loss amount on a refunding is shown as a deferred inflow or outflow. Bond issuance costs are expensed at the time of issuance.

(g) Unearned Revenue

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

(h) Property Taxes

The College's property taxes are levied each calendar year on all taxable real property located in the District. The College's District includes property located in Cook, Kane, Lake and McHenry counties, with over 92% of the property taxes coming from Cook County. The County Assessor is responsible for assessment of all taxable real property within Cook County except for certain railroad property, which is assessed directly by the State. Reassessment is on a three-year schedule established by the County Assessor. The County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Collector as the basis for issuing tax bills to all taxpayers in the County.

Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to each unit its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year, generally on March 1st and August 1st of each year. The first installment is an estimated bill and is approximately one-half of the prior year's tax bill. The second installment is based on the current levy, assessment, equalization, and certificate to limit levy, if any; changes from the prior year will be reflected in the second installment bill. Taxes must be levied by the last Tuesday in December for the following collection year. The levy becomes an enforceable lien against the property as of January 1 of the levy year.

In accordance with the College's Board resolution, 50% of property taxes extended for calendar year 2016 and 50% of property taxes extended for calendar year 2017 are intended to finance the College's fiscal year 2018 budget, and accordingly, have been recorded as revenue for the year ended June 30, 2018. The remaining revenue related to the 2017 tax year extension has been classified as a deferred inflow and will be recorded as revenue in fiscal year 2019. The College records real property taxes at 99.25% of the 2016 extended levy, based upon collection histories. A reserve of \$2,428,578 has been recorded for the net amount of property tax refunds at June 30, 2018.

(i) Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statements of net position, and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net position.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

The College has not recorded a liability for accumulated sick pay because employees are not entitled to cash compensation for unused sick leave upon termination. Employees who retire are given credit for unused sick leave towards years of service in the State Universities Retirement System pension plan.

(j) Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds payable, greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; (3) other postemployment benefits and (4) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

(k) Net Position

The College's net position is classified as follows:

Net investment in Capital Assets – This represents the College's total investment in capital assets related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Restricted net position include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted Net Position – Unrestricted net position represent 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 College, and may be used at the discretion of the governing board to meet current expenses for any purpose.

(l) Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) federal and state awards for student financial aid, and (4) interest on institutional student loans.

Nonoperating revenues – Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as (1) local property taxes, (2) state appropriations, (3) most federal, state, and local grants and contracts and Federal appropriations, and (4) gifts and contributions, and investment income.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

(m) Classification of Expenses

The College classifies all expenses as operating in the statement of revenues, expenses, and changes in net position, except for interest expense and losses on disposal of capital assets which are classified as nonoperating.

(n) 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 statements 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 College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

(o) 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 or the System) 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 non-employer 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 non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

(p) Other Post Employment Benefits

For purposes of measuring the College's Postemployment Benefits Other Than Pensions ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Illinois Department of Central Management Services Community College Health Insurance Security Fund ("CCHISF") and additions to/deductions from the CCHISF Plan's fiduciary net position have been determined on the same basis as they are reported by the CCHISF Plan. For this purpose, the CCHISF Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

(q) Component Unit

The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions.

Revenues are reported as increases in either unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions from unconditional promises to give that are to be collected after one year are discounted at an appropriate discount rate, based on the Federal Funds rate at the date the promise is made. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions if any, on the contributions.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value using the market approach.

The Foundation's art collection consists of approximately 365 art pieces displayed throughout the campus. Additions are recorded at cost when purchased or at fair value when contributed. In-kind contributions of art collection are reflected on the statement of activities. The most recent art appraisal was performed for the year ended June 30, 2014 and estimated the art collection at about \$2,500,000, which is unaudited.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

(r) New Accounting Pronouncements

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the College's fiscal year ended June 30, 2018. A specific change to the College's financial statements relates to the recognition of the College's OPEB Liabilities and related Deferred Inflows of Resources and Deferred Outflows of Resources with a net value of \$64,625,551 that was not previously reported on the financial statements. Due to the requirements of GASB 75, these amounts are now required to be included on the College's financial statements and thus were added to the financial statements as an adjustment to net position. A reconciliation for net position from the 2017 financial statements to beginning net position as reported on the 2018 financial statements is as follows. See note 11 for more information.

Net position as of July 1, 2017	\$ 257,082,188
Net position restatements from State of Illinois CCHISF Plan	
Deferred outflow of resources - contributions made after measurement date	278,869
Net OPEB liability beginning of year	(56,471,534)
Net position restatements from Harper OPEB Plan	
OPEB obligation beginning of year (removing liability previously reported)	4,011,020
Total OPEB liability beginning of year	<u>(12,443,906)</u>
Net position as of July 1, 2017 as restated	<u>\$ 192,456,637</u>

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement was adopted for the College's fiscal year ended June 30, 2018 with no material impact on the College.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement is effective for the College's fiscal year ended June 30, 2019. Management has not determined what impact, if any, this statement will have on its financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for the College's fiscal year ended June 30, 2020. Management has not determined what impact, if any, this statement will have on its financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement was adopted for the College's fiscal year ended June 30, 2018 with no material impact on the College.

In March 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement was adopted for the College's fiscal year ended June 30, 2018 with no material impact on the College.

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the College's fiscal year ended June 30, 2021. Management has not determined what impact, if any, this statement will have on its financial statements.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for the College's fiscal year ended June 30, 2019. Management has not determined what impact, if any, this statement will have on its financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective for the College's fiscal year ended June 30, 2021. Management has not determined what impact, if any, this statement will have on its financial statements.

(2) Deposits and Investments

Cash and investments consisted of the following as of June 30, 2018:

	<u>2018</u>
Demand deposits	\$ 5,646,219
Certificates of deposit	106,231,082
Government securities commons and collective trust funds	21,718,886
Illinois School District Liquid Asset Fund Plus (government investment pool)	35,265,239
The Illinois Funds (government investment pool)	6,263,402
State and local government municipal bonds	<u>1,074,331</u>
Total	\$ <u><u>176,199,159</u></u>

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(2) Deposits and Investments (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the College’s deposits may not be returned. The College’s investment policy requires that time deposits in excess of Federal Depository Insurance Corporation (FDIC) insurable limits at a single financial institution be secured by collateral or private insurance. As of June 30, 2018 there was no custodial credit risk for the time deposits as they were either insured or collateralized with investments held by the College or its agent in the College’s name. The College also has bank demand deposits where collateral is updated daily based on the prior days ending balance. As of June 30, 2018 the demand deposits were fully insured or collateralized.

Interest Rate Risk – Investments – Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. The College’s investment policy does not limit the maturities of investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2018, the maturities for the College’s fixed-income investments are as follows:

	Reported value	Investment maturities (in years)		
		Less than 1	1 to 5	6 to 10
Certificate of deposit	\$ 106,231,082	\$ 99,126,336	\$ 7,104,746	\$ -
Government securities commons and collective trust funds	21,718,886	20,693,024	1,025,862	-
Illinois School District Liquid Asset Fund Plus (government investment pool)	35,265,239	35,265,239	-	-
The Illinois Funds (government investment pool)	6,263,402	6,263,402	-	-
State and local government municipal bonds	1,074,331	1,074,331	-	-
Total	<u>\$ 170,552,940</u>	<u>\$ 162,422,332</u>	<u>\$ 8,130,608</u>	<u>\$ -</u>

Credit Risk – Investments – Credit risk is the risk that the College will not recover its investments due to the ability of the counterparty to fulfill its obligation. Illinois statutes authorize the College 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 Illinois School District Liquid Asset Fund, and certain repurchase agreements.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(2) Deposits and Investments (Continued)

The Illinois Funds is a Local Government Investment Pool (LGIP) created by the Illinois State Legislature and is managed by the Illinois State Treasurer's Office. The Illinois School District Liquid Asset Fund was formed by the Illinois Association of School Boards, the Illinois Association of School Administrators and the Illinois Association of School Business Officials in accordance with the laws of the State of Illinois. For both funds the fair value of their positions in the pool are the same as the value of the pool shares.

The College is also authorized to invest in short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if such obligations are rated at the time of purchase within the three highest classifications established by two or more standard rating services, the obligations mature within 180 days, no more than 1/3 of the total average balances from all funds available at the end of each month is invested in such obligations at any time and such purchases do not exceed 10% of a corporation's outstanding obligations. Investments may be made only in banks, which are insured by the Federal Deposit Insurance Corporation (FDIC).

The College's investment policy does not further limit its investment choices.

As of June 30, 2018, the College had the following fixed income investments, which are rated by Standard & Poor's (S&P):

	2018	
	Reported value	S& P Rating
Government securities commons and collective trust funds	\$ 21,718,886 *	AAA
Illinois School District Liquid Asset Fund Plus (government investment pool)	35,265,239	AAA
The Illinois Funds (government investment pool)	6,263,402	AAA
State and local government municipal bonds	1,074,331	AA+
Total	<u>\$ 64,321,858</u>	
* Fitch rating not S&P		

Concentration of Credit Risk – Investments – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The College's investment policy does not limit the amount the College may invest in any one issuer. The College is considered to have a concentration of credit risk if its investment in any one single issue is greater than 5% of the total fixed income investments. At June 30, 2018, the College did not have a concentration of credit risk.

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(2) Deposits and Investments (Continued)

The College has the following recurring fair value measurements as of June 30, 2018:

- A Local Government Municipal Bond of \$1,074,331 is valued using a matrix pricing model (Level 2 inputs).
- A Federal Home Loan Bank Note of \$1,025,862 is valued using a matrix pricing model (Level 2 inputs).
- A Depository Trust Company Certificate of Deposit of \$5,323,483 is valued using a matrix pricing model (Level 2 inputs)

(3) Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Illinois. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Accounts receivable consisted of the following at June 30, 2018:

	<u>2018</u>
Property taxes	\$ 38,460,696
Student tuition and fees	12,170,270
Auxiliary enterprises and other operating activities	1,695,286
Accrued interest	677,360
Federal, state, and private grants and contracts	<u>1,650,448</u>
	54,654,060
Less allowance for doubtful accounts	<u>5,772,411</u>
Net accounts receivable	<u><u>\$ 48,881,649</u></u>

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(4) Capital Assets

Following are the changes in capital assets for the year ended June 30, 2018:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 4,326,007	\$ -	\$ -	\$ 4,326,007
Construction in progress	62,402,971	50,729,276	(374,438)	112,757,809
Total capital assets not being depreciated	<u>66,728,978</u>	<u>50,729,276</u>	<u>(374,438)</u>	<u>117,083,816</u>
Capital assets being depreciated:				
Buildings and building improvements	291,593,420	374,438	-	291,967,858
Equipment	21,259,334	880,612	-	22,139,946
Total capital assets being depreciated	<u>312,852,754</u>	<u>1,255,050</u>	<u>-</u>	<u>314,107,804</u>
Less accumulated depreciation:				
Buildings and building improvements	122,170,870	8,180,082	-	130,350,952
Equipment	17,047,003	1,809,844	-	18,856,847
Total accumulated depreciation	<u>139,217,873</u>	<u>9,989,926</u>	<u>-</u>	<u>149,207,799</u>
Total capital assets being depreciated, net	<u>173,634,881</u>	<u>(8,734,876)</u>	<u>-</u>	<u>164,900,005</u>
Total capital assets, net	<u>\$ 240,363,859</u>	<u>\$ 41,994,400</u>	<u>\$ (374,438)</u>	<u>\$ 281,983,821</u>

The College has committed an additional \$21,767,356 for the completion of the capital projects included in construction in progress above. \$5,693,607 of interest expense was incurred related to the bonds funding these projects. \$3,251,395 of interest was capitalized during the year.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(5) Accrued Vacation

The College records a liability for employee's vacation leave earned, but not taken. Employees are allowed to carry over a limited number of vacation days from year to year. As of June 30, 2018, employees had earned but not taken annual leave which at salary rates in effect, aggregated \$2,127,438. It is anticipated the entire vacation accrual liability will be liquidated during the upcoming fiscal year, therefore it is considered a current liability.

Fiscal Year	July 1	Issuances	Retirements	June 30
2018	\$ 2,088,152	\$ 2,644,117	\$ 2,604,831	\$ 2,127,438

(6) General Long-Term Obligations

The following is a summary of the College's bond transactions for the year ended June 30, 2018:

	Balance July 1, 2017 As Restated	Additions	Deletions	Balance June 30, 2018	Current Portion
\$153,600,000 G.O. Bonds, 2009A Series due in annual installments through December 1, 2018 bearing interest at 2.0% – 5.0%	\$ 132,095,000	\$ -	\$124,565,000	\$ 7,530,000	\$ 7,530,000
\$4,890,000 G.O Limited Tax Bonds, 2015 series, due in annual installments through December 1, 2017 bearing interest at 2.0% - 3.0%	1,935,000	-	1,935,000	-	-
\$20,110,000 G.O. Refunding Bonds, 2015B Series, due in annual installments through December 1, 2020 bearing interest at 5.0%	14,485,000	-	3,095,000	11,390,000	3,450,000
\$4,740,000 G.O. Limited Bonds, 2017A Series, due in annual installments through December 1, 2019 bearing interest at 5.0%	4,740,000	-	215,000	4,525,000	2,210,000
\$103,450,000 G.O Refunding Bonds, 2017B series, due in annual installments through December 1, 2028 bearing interest at 1.3% - 2.4%	—	103,450,000	—	103,450,000	490,000
Unamortized premium/discount	2,432,252	18,773,805	2,512,690	18,693,367	-
Subtotal	155,687,252	122,223,805	132,322,690	145,588,367	13,680,000
Harper OPEB Plan	12,443,906	518,141	-	12,962,047	-
CCHISF OPEB Plan	56,471,534	2,146,585	-	58,618,119	-
Subtotal	68,915,440	2,664,726	-	71,580,166	-
Total	\$ 224,602,692	\$ 124,888,531	\$ 132,322,690	\$ 217,168,533	\$ 13,680,000

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(6) General Long-Term Obligations (Continued)

At June 30, 2018, the annual cash flow requirements of bond principal and interest were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2019	\$ 13,680,000	\$ 5,962,888	\$ 19,642,888
2020	14,205,000	5,305,625	19,510,625
2021	14,120,000	4,597,500	18,717,500
2022	8,385,000	4,034,875	12,419,875
2023	9,000,000	3,600,250	12,600,250
2024-2028	54,365,000	10,415,875	64,780,875
2029	13,140,000	328,500	13,468,500
Total	<u>\$ 126,895,000</u>	<u>\$ 34,245,513</u>	<u>\$ 161,140,513</u>

General Obligation Bonds – Series 2009A

On February 5, 2009 the College issued the Series 2009A bonds in the amount of \$153,600,000. The proceeds derived from the issuance of these bonds will be used by the College to finance capital projects in support of the Facility Audit and Campus Master Plan and pay the cost of issuing the bonds.

Bond issue date	February 5, 2009
Current portion	\$ 7,530,000
Long-term portion	\$ -
Interest rates	2.00% - 5.00%
Final payment date	December 1, 2018
Payment dates	June 1 and December 1

General Obligation Limited Bonds – Series 2015

On March 12, 2015 the College issued the Series 2015 bonds in the amount of \$4,890,000. The proceeds derived from the issuance of these bonds will be used by the College to finance capital projects and pay the cost of issuing the bonds.

Bond issue date	March 12, 2015
Current portion	\$ -
Long-term portion	\$ -
Interest rates	2.00 - 3.00%
Final payment date	December 1, 2017
Payment dates	June 1 and December 1

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(6) **General Long-Term Obligations (Continued)**

General Obligation Refunding Bonds – Series 2015B

On October 22, 2015 the College issued the Series 2015B bonds in the amount of \$20,110,000 to advance refund a portion of the College's outstanding General Obligation Bond Series 2005A dated December 28, 2005 and General Obligation Refunding Bond Series 2006 dated January 6, 2006 and pay costs associated with the issuance of the Bonds. The economic gain on the transaction was \$1,837,963. The total principal outstanding on the defeased Series 2001A is \$14,960,000, Series 2005A bonds is \$7,830,000 and Series 2006 bonds is \$4,720,000 as of June 30, 2018.

Bond issue date	October 22, 2015
Current portion	\$3,450,000
Long-term portion	\$7,940,000
Interest rates	5.00%
Final payment date	December 1, 2020
Payment dates	June 1 and December 1

General Obligation Limited Bonds – Series 2017A

On March 1, 2017 the College issued the Series 2017A bonds in the amount of \$4,740,000. The proceeds derived from the issuance of these bonds will be used by the College to finance capital projects and pay the cost of issuing the bonds.

Bond issue date	March 1, 2017
Current portion	\$2,210,000
Long-term portion	\$2,315,000
Interest rates	5.00%
Final payment date	December 1, 2019
Payment dates	June 1 and December 1

General Obligation Refunding Bonds – Series 2017B

On December 6, 2017, the College issued \$103,450,000 in Series 2017B bonds with an average interest rate of 1.9% to advance refund \$117,835,000 of outstanding 2009A Series bonds with an average interest rate of 3.5%. The net proceeds of \$121,665,354 (after payment of \$558,451 in underwriting fees, insurance, and other issuance costs) 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 2009A Series bonds. As a result, the 2009A Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(6) General Long-Term Obligations (Continued)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,571,012. This difference, reported in the accompanying financial statements as a deferred outflow, is being amortized through the year 2028 using the effective-interest method. The College completed the advance refunding to reduce its total debt service payments over the next ten years by \$19,622,196 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$16,226,651. The total principal outstanding on the defeased Series 2009A bonds is \$117,835,000 as of June 30, 2018.

Bond issue date	December 6, 2017
Current portion	\$490,000
Long-term portion	\$102,960,000
Interest rates	5.0%
Final payment date	December 1, 2028
Payment dates	June 1 and December 1

(7) Retirement Plans

(a) State Universities Retirement System of Illinois (SURS)

Plan Description. The College participates in the State Universities Retirement System of Illinois, 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 of Illinois' 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 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(7) Retirement Plans (Continued)

Contributions. The State of Illinois 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 2017 and 2018 respectively, was 12.53% and 12.46% 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.

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). There were no such liabilities for the College at year end.

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

Net Pension Liability. The net pension liability (NPL) was measured as of June 30, 2017. At June 30, 2017, SURS reported a net pension liability of \$25,481,105,995.

Employer Proportionate Share of Net Pension Liability. The amount of the proportionate share of the net pension liability to be recognized for the College is \$0. The proportionate share of the State’s net pension liability associated with the College decreased from \$392,587,711 to \$382,165,628 or 1.4998%. This amount is not recognized in the College’s financial statements. The net pension liability and total pension liability as of June 30, 2017 was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2017.

Pension Expense. At June 30, 2017, SURS reported a collective net pension expense of \$2,412,918,129.

Employer Proportionate Share of Pension Expense. The College’s proportionate share of collective pension expense is recognized as an on-behalf payment as both revenue and expense in the College’s financial statements. The basis of allocation used in the proportionate share of collective pension expense as of June 30, 2018 is the actual reported pensionable contributions made to SURS during fiscal year 2017. As a result, the College recognized on-behalf revenue and pension expense of \$36,188,946 for the fiscal year ended June 30, 2018.

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.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(7) Retirement Plans (Continued)

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources for fiscal year 2017 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 139,193,227	\$ 1,170,771
Changes in assumption	205,004,315	259,657,577
Net difference between projected and actual earnings on pension plan investments	94,620,827	-
Total	<u>\$ 438,818,369</u>	<u>\$ 260,828,348</u>

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

Fiscal Year Ending	Net Deferred Outflows of Resources
2019	\$ 55,589,850
2020	187,874,276
2021	90,475,551
2022	(155,949,656)
Total	<u>\$ 177,990,021</u>

Employer Deferral of Fiscal Year 2018 Pension Expense.

The College paid \$120,590 in federal, trust or grant contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability date of June 30, 2017. However, the amount is immaterial to the financial statements and has not been recorded.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(7) Retirement Plans (Continued)

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2016 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, 2016 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 15.00 percent, including inflation
Investment rate of return	7.25 percent beginning with the actuarial valuation as of June 30, 2014

Mortality rates were based on the RP2014 Combined Mortality Table with projected generational mortality and separate mortality assumption for disables participants. 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(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
U.S. Equity	23%	6.08%
Private Equity	6%	8.73%
Non-U.S. Equity	19%	7.34%
Global Equity	8%	6.85%
Fixed Income	19%	1.38%
Treasury-Inflation Protected Securities	4%	1.17%
Emerging Market Debt	3%	4.14%
Real Estate REITS	4%	5.75%
Direct Real Estate	6%	4.62%
Commodities	2%	4.23%
Hedged Strategies	5%	3.95%
Opportunity Fund	<u>1%</u>	<u>6.71%</u>
Total	<u>100%</u>	5.20%
Inflation		<u>2.75%</u>
Expected Arithmetic Return		<u>7.95%</u>

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(7) Retirement Plans (Continued)

Discount Rate. A single discount rate of 7.09%, which is an increase of 0.08% from the prior year rate of 7.01% 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 3.56% at June 30, 2017 (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 2073 as of June 30, 2017. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, 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 at June 30, 2017, calculated using a single discount rate of 7.09%, 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:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>6.09%</u>	<u>7.09%</u>	<u>8.09%</u>
\$30,885,146,279	\$25,481,105,995	\$20,997,457,586

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.

(b) Deferred Compensation Programs

The College offers both a 403(b) and a 457(b) program to eligible employees. The programs are not defined contribution plans, as the College acts as a conduit for the benefit of employees and their personal contributions.

(8) Contingencies

The College is involved in litigation and other claims that have arisen in the normal course of business. It is the opinion of management that the outcome of these matters will not have a material adverse effect on the financial position or results of operations of the College.

(9) Risk Management

The College is exposed to various risks of loss related to torts, property damage, and general business risks. The College carries commercial insurance coverage related to these potential risks and believes coverage is adequate to cover such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(10) Worker's Compensation Claims Liability

The College utilizes the services of Cannon Cochran Management Services Inc. (CCMSI) for administering their self-insured Worker's Compensation program. This program provides coverage for employer required worker's compensation coverage in the State of Illinois. For claims in excess of \$750,000 the College has a stop loss policy.

The following is a reconciliation of changes in the liability for worker's compensation costs for the last two fiscal years. The liability is based on deposits net of charges for this past fiscal year. CCMSI has been administering this program since January 2004. This liability is included in the current liabilities on the statement of net position.

Liability for worker's compensation claims at June 30, 2016	\$ 388,928
Claims incurred	289,866
Claims paid	<u>388,435</u>
Liability for worker's compensation claims at June 30, 2017	290,359
Claims incurred	928,198
Claims paid	<u>650,953</u>
Liability for worker's compensation claims at June 30, 2018	<u>\$ 567,604</u>

(11) Other Post Employment Benefits

(a) State of Illinois Department of Central Management Services Community College Health Insurance Security Fund ("CCHISF")

Plan description. The CCHISF is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. CCHISF is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees and their dependents of Illinois community college districts throughout the state of Illinois, excluding the City Colleges of Chicago. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to CCHISF were transferred to the Department of Central Management Services as of July 1, 2013. The Department administers the plan with the cooperation of the State Universities Retirement System and the boards of trustees of the various community college districts. All members receiving benefits from the State Universities Retirement System ("SURS") who have been full-time employees of a community college district or an association of a community college who have paid the required active member CCHISF contributions prior to retirement are eligible to participate in CCHISF. Survivors of an annuitant or benefit recipient eligible for CCHISF coverage are also eligible for coverage under CCHISF. CCHISF issues a publicly available report that can be obtained at <https://www.auditor.illinois.gov/Audit-Reports/Compliance-Agency-List/CMS/CCHISP/FY17-CMS-CCHISF-Fin-Full.pdf>.

Benefits provided. CCHISF health coverage includes provisions for medical, prescription drugs, vision, dental and behavioral health benefits. Eligibility to participate in the CCHISF is defined in the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3). The Act (5 ILCS 375/6.9) also establishes health benefits for community college benefit recipients and dependent beneficiaries.

Contributions. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.10) requires every active contributor of the State Universities Retirement System (SURS), who is a full-time employee of a

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(11) Other Post Employment Benefits (continued)

community college district or an association of community college boards, to make contributions to the plan at the rate of 0.5% of salary. The same section of statute requires every community college district or association of community college boards that is an employer under the SURS, to contribute to the plan an amount equal to 0.5% of the salary paid to its full-time employees who participate in the plan. The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund in an amount certified by the SURS Board of Trustees.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.9) requires the Director of the Department to determine the rates and premiums for annuitants and dependent beneficiaries and establish the cost-sharing parameter, as well as funding. At the option of the board of trustees, the college districts may pay all or part of the balance of the cost of coverage for retirees from their district. Administrative costs are paid by the CCHISF. The College and the State each contributed to the OPEB plan \$284,429 and \$278,869 for the years ended June 30, 2018 and 2017, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

At June 30, 2018, the College reported a liability of \$58,618,119 for its proportionate share of the collective net OPEB liability. This liability reflects a reduction for State OPEB Support

College's proportionate share of the collective net OPEB liability	\$ 58,618,119
State's proportionate share that is associated with the College	<u>57,878,963</u>
Total	<u>\$ 116,497,082</u>

The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The College's proportion of the collective net OPEB liability was based on the College's fiscal year 2017 contributions to the OPEB plan relative to the fiscal year 2017 contributions of all participating entities. At June 30, 2017, the College's proportion was 3.214352 percent, which was an increase of .111443 percent from its proportion measured as of June 30, 2016 (3.102909 percent). The College's proportion of the collective net OPEB liability was 6.39% which is a 0.05% increase from 6.34% in the prior year.

For the year ended June 30, 2018, the College recognized OPEB expense of \$5,784,641. The College's proportionate share of collective OPEB expense is recognized as an on-behalf payment as both revenue and expense in the College's financial statements. The basis of allocation used is the actual OPEB expense for contributing entities. As a result, the College recognized on-behalf revenue and OPEB expense of \$5,718,785.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(11) Other Post Employment Benefits (continued)

At June 30, 2018, the College reported deferred outflows and inflows of resources related to OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 165,901
Changes in assumptions	-	4,882,841
Net difference between projected and actual earnings on plan investments	-	617
Changes in proportionate and differences between College contributions and proportionate share for contributions	1,690,170	-
College contributions subsequent to the measurement date	284,429	-
Total	<u>\$ 1,974,599</u>	<u>\$ 5,049,359</u>

The \$9,744 difference between the Deferred Outflow of Resources above and the amount presented on the Statement of Net Position is due to the College's other OPEB Plan and its associated Deferred Outflow of Resources at year end. Of the total amount reported as deferred outflows of resources related to OPEB, \$284,429 resulting from College contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the College's OPEB expense as follows:

Year ended June 30,	
2019	\$ 671,838
2020	671,838
2021	671,838
2022	671,838
2023	671,837
Total	<u>\$ 3,359,189</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified

Inflation	2.75%
Salary increases	Depends on service and ranges from 10.00% at less than 1 year of service to 3.75% at 34 or more years of service. Salary increase includes a 3.75% wage inflation assumption.
Investment rate of return	0%, net of OPEB plan investment expense, including inflation.
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.52% is added to non-Medicare cost on and after 2020 to account for the Excise Tax.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(11) Other Post Employment Benefits (continued)

Mortality rates for retirement and beneficiary annuitants were based on the RP-2014 White Collar Annuitant Mortality Table. For disabled annuitants mortality rates were based on the RP-2014 Disabled Annuitant table. Mortality rates for pre-retirement were based on the RP-2014 White Collar Table, Tables were adjusted for SURS experience. All tables reflect future mortality improvements using Projection Sale MP-2014.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2010 to June 30, 2014.

The actuarial valuation was based on the Entry Age Normal cost method. Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained age equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

Discount rate. Projected benefit payments were discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bond with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Under GASB 75, the discount rate for unfunded plans must be based on a yield or index rate for a 20-year, tax exempt general obligation municipal bonds with an municipal bond 20 year high grade rate index as reported in Fidelity Index's "20-year municipal GO AA index" as of the measurement date. The discount rates are 2.85% as of June 30, 2016, and 3.56% as of June 30, 2017, an increase of 0.71%.

During the Plan year ending June 30, 2017, the trust earned \$24,000 in interest and due to a significant benefit payable, the market value of assets at June 30, 2017, is a negative \$51 million. Given the significant benefit payable, negative asset value and pay-as-you-go funding policy, the long-term expected rate of return assumption was set to zero.

Sensitivity of the College's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the College's proportionate share of the collective net OPEB liability, as well as what the College's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	Discount Rate		
	1% Decrease	3.56%	1% Increase
College's proportionate share of the collective net OPEB liability	\$ 67,039,272	\$ 58,618,119	\$ 51,357,981

Sensitivity of the College's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the College's proportionate share of the collective net OPEB liability, as well as what the College's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point higher or lower than the

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(11) Other Post Employment Benefits (continued)

current healthcare cost trend rates. The key trend rates are 8.00% in 2018 decreasing to an ultimate trend rate of 5.02% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.5% in 2027 for Medicare coverage.

	1% Decrease	Healthcare Cost Trends Rates Assumption	1% Increase
	(a)		(b)
College's proportionate share of the collective net OPEB liability	\$ 48,629,670	\$ 58,618,119	\$ 73,072,580

(a) One percentage point decrease in healthcare trend rates are 7.00% in 2018 decreasing to an ultimate trend rate of 4.02% in 2025, for non-Medicare coverage, and 8.00% in 2018 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage

(b) One percentage point increase in healthcare trend rates are 9.00% in 2018 decreasing to an ultimate trend rate of 6.02% in 2025, for non-Medicare coverage, and 10.00% in 2018 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CCHISF financial report.

(b) Harper OPEB Plan

Plan description and benefits provided: The Harper OPEB Plan ("Plan") is a single-employer defined benefit OPEB plan administered by the College. The plan provides the continuation of health care benefits and life insurance to employees, who retire from the College. Employees who terminate after reaching retirement eligibility in the plan are eligible receive reimbursement for medical and dental insurance. Because the actuarial cost of health benefits for retirees exceeds the average amount paid by retirees, the additional cost is paid by the College and is the basis for the OPEB obligation accounted for under GASB 75. Benefit provisions and contributions are established and can be amended by the Board. A separate report on the OPEB plan is not issued.

Active Membership: As of July 1, 2016, membership consisted of:

Active	492
Inactives currently receiving benefit payments	103
Total	595

Contributions: The College follows a pay-as-you go funding policy. This means the College pays the costs of the benefits as they become due. The costs are equal to the benefits distributed or claimed in the year. The College is not required to, and currently does not advance fund the cost of benefits that will become due and payable in the future. The plan members do not have a required contribution.

Total OPEB Liability: The College's total OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability, after considering the sharing of benefit-related costs with inactive members, was determined by an actuarial valuation performed as of June 30, 2016 and rolled forward to June 30, 2017 using the following actuarial methods and assumptions.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(11) Other Post Employment Benefits (continued)

Actuarial Valuation Date	July 1, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	N/A - No Assets
Assumptions	
Inflation	3.00%
Salary Scale	3.00%
Rate of Return	N/A - No Assets
Healthcare Cost Trend Rates	7.35% in fiscal 2018 trending to 4.50% in fiscal 2037 and onward
Mortality Tables	RP-2014 Combined Healthy Mortality Table for males and females backed off to 2006 and projected generationally using Scale MP-2017

The discount rate changed from 2.71% to 3.13% for determining the 2018 Total OPEB Liability.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.13% for determining 2018 liability and 2.71% for determining fiscal 2017 liability. Under GASB 75, the discount rate for unfunded plans must be based on a yield or index rate for a 20-year, tax exempt general obligation municipal bonds with an average S&P municipal bond 20 year high grade rate index as of the measurement date.

Changes in Total OPEB Liability:

	Fiscal Year 2018
Valuation date	July 1, 2016
Measurement date	June 30, 2017
Change in total OPEB liability (TOL)	
TOL, beginning of year	\$ 12,443,906
Service cost	667,128
Interest cost	330,599
Benefits paid	(489,330)
Changes in assumptions	9,744
TOL, end of year	<u>\$ 12,962,047</u>
Change in plan fiduciary net position (FNP)	
FNP, beginning of year	\$ -
Employer contributions	489,330
Benefits paid	(489,330)
TOL, end of year	<u>\$ -</u>

Rate Sensitivity: The following rate sensitivity analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(11) Other Post Employment Benefits (continued)

The table below presents the total OPEB liability of the College calculated using the discount rate of 3.13% as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	Discount Rate		
	1% Decrease	3.13%	1% Increase
Total OPEB liability	\$ 12,147,516	\$ 12,962,047	\$ 13,855,720

The table below presents the total OPEB liability of the College calculated using the healthcare rate of 7.35% to 4.50% as well as what the College's total OPEB liability would be if it were calculated using a healthcare rate that is one percentage point lower or one percentage point higher than the current rate.

	Healthcare Cost		
	1% Decrease	Trends Rates	1% Increase
	(a)	Assumption	(b)
Total OPEB liability	\$ 11,938,503	\$ 12,962,047	\$ 14,138,188

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the College recognized OPEB expense of \$997,727. At year end, the College is reporting a deferred outflow of resources of \$9,744 related to changes in assumptions. The deferred outflow will be amortized in future periods as shown below:

Year ended June 30,	
2019	\$ 1,233
2020	1,233
2021	1,233
2022	1,233
2023	1,233
Thereafter	3,579
Total	<u>\$ 9,744</u>

(12) Service Concession Agreement with the Palatine Park District

During fiscal year 2017 the College entered into a Service Concession Agreement ("SCA"), as defined by *GASB Statement No 60 Accounting and Financial Reporting for Service Concession Arrangements* with the Palatine Park District. The SCA is an arrangement between a transferor (the College) and an operator (the Park District) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Park District has agreed to provide a capital contribution of up to \$9,000,000 to help renovate and construct the Health and Recreation Center. The Park District will operate the aquatic center for a period of twenty years when the facility is completed. As of June 30, 2018, the Park District has been billed \$7,051,161, which has been recorded as a deferred inflow of resources. The College has a receivable for the amount outstanding, \$1,360,281, and the remainder has been received. The SCA deferred outflow will be recognized as revenue over the life of the arrangement when the asset is placed in operation.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Year Ended June 30, 2018

(13) State of Illinois Budget

On July 6, 2017, the State of Illinois General Assembly passed Public Act 100-0021, authorizing several appropriations for costs incurred through June 30, 2017. The College recognized these amounts as revenues in its fiscal year 2018 due to the fact that the appropriations did not exist at the date of these financial statements. The amounts recognized as revenue in fiscal year 2018 are:

Base Operating Grant	\$ 4,289,532
CTE Formula Grant	570,540
Illinois Veteran's Grant	63,730
Monetary Assistance Program	1,570,622
State Basic Grant	271,260
State Performance Grant	74,055
IDOT Motorcycle Program	<u>753,495</u>
Total	<u>\$ 7,593,234</u>

(14) Tax Abatements

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The College is affected by Cook County's Class 6b property tax incentive program. The purpose of the Class 6b program is to encourage industrial development throughout Cook County by offering a real estate tax incentive for the development of new industrial facilities, the rehabilitation of existing industrial structures, and the industrial reutilization of abandoned buildings. The goal of the program is to attract new industry, stimulate expansion and retention of existing industry, and increase employment opportunities.

Properties receiving a Class 6b incentive are assessed at 10% of market value for the first 10 years, 15% in the 11th year, and 20% in the 12th year. This constitutes a substantial reduction in the level of assessment and results in significant tax savings. In the absence of this incentive, industrial real estate would normally be assessed at 25% of its market value.

Municipalities within the College area have granted Class 6b incentives to businesses that, as a result, have occupied abandoned properties, constructed new buildings, or expanded existing facilities. In many instances, the program has produced more property tax revenue for the College and the other impacted taxing districts than would have been generated if the development had not occurred. The College's tax revenues are reduced due to the agreements entered into by these municipalities.

For the fiscal year ending June 30, 2018, the College's share of the abatement granted to the Class 6b properties was approximately \$1,991,000.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Exhibit 1

Required Supplementary Information
Defined Benefit Pension Plan
Schedule of the College's Proportionate Share of the Collective Net Pension Liability
Year Ended June 30, 2018

	FY 2018	FY 2017	FY 2016	FY 2015
College's proportion percentage of the collective net pension liability	0.00%	0.00%	0.00%	0.00%
College's proportion amount of the collective net pension liability	\$ -	\$ -	\$ -	\$ -
Nonemployer contributing entities' proportion share Of the net pension liability associate with the College	<u>\$ 382,165,628</u>	<u>\$ 392,587,711</u>	<u>\$ 355,304,533</u>	<u>\$ 325,155,610</u>
Total (b) + (c)	<u>\$ 382,165,628</u>	<u>\$ 392,587,711</u>	<u>\$ 355,304,533</u>	<u>\$ 325,155,610</u>
College's covered payroll	\$ 53,021,094	\$ 54,689,129	\$ 54,387,841	\$ 53,959,502
College's proportion of collective net pension liability as a percentage of its covered payroll	720.78%	717.85%	653.28%	602.59%
SURS plan net position as a percentage of total pension liability	42.04%	39.57%	42.37%	44.39%

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. The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Exhibit 2

Required Supplementary Information
Defined Benefit Pension Plan
Schedule of College Contributions
Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Federal, trust, grant, and other contribution	\$ 120,590	\$ 105,265	\$ 86,601	\$ 70,673	\$ 36,112
Contribution in relation to required contribution	<u>120,590</u>	<u>105,265</u>	<u>86,601</u>	<u>70,673</u>	<u>36,112</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College covered payroll	\$ 1,112,377	\$ 987,952	\$ 782,840	\$ 593,390	\$ 316,216
Contributions as a percentage of covered payroll	10.84%	10.65%	11.06%	11.91%	11.42%

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.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Required Supplementary Information
Schedule of College's Proportionate Share of the Collective Net OPEB Liability
State of Illinois Department of Central Management Services Community College's Health Insurance Security Fund
Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>
College's proportion of the collective net OPEB liability	3.21%	3.10%
College's proportionate share of the collective net OPEB liability	\$ 58,618,119	\$ 56,471,534
State's proportionate share of the net OPEB liability associated with the College	<u>57,878,963</u>	<u>58,876,824</u>
Total	<u>\$ 116,497,082</u>	<u>\$ 115,348,358</u>
College's covered payroll	\$ 55,773,800	\$ 56,244,600
College's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	105.10%	100.40%
Plan fiduciary net position as a percentage of the total OPEB liability	-2.87%	Not Available

* The amounts presented for each fiscal year were determined as of the prior fiscal year-end. This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for as many years as available.

Notes to Schedule: During the fiscal year 2018, the discount rate changed from 2.85% to 3.56%.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Required Supplementary Information
Schedule of the College's Contributions

State of Illinois Department of Central Management Services Community College's Health Insurance Security Fund
Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 284,429	\$ 278,869	\$ 281,223
Contributions in relation to the statutorily required contribution	<u>(284,429)</u>	<u>(278,869)</u>	<u>(281,223)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 56,885,800	\$ 55,773,800	\$ 56,244,600
Contributions as a percentage of covered payroll	0.5%	0.5%	0.5%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for as many years as available.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
Harper OPEB Plan
Last 10 Fiscal Years *

Total OPEB Liability	2018
Service cost	\$ 667,128
Interest	330,599
Assumption changes	9,744
Benefit payments	(489,330)
Net change in total OPEB liability	518,141
Total OPEB liability beginning of year	12,443,906
Total OPEB liability end of year	12,962,047
Covered payroll	\$ 47,293,376
Total OPEB Liability as a percentage of covered payroll	27.41%

* The amounts presented for each fiscal year were determined as of the prior fiscal year-end. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is compiled, information is presented for as many years as available.

Notes to Schedule: During the fiscal year 2018, the discount rate changed from 2.71% to 3.13%.

During the fiscal year 2018, there were no fiduciary assets in the Harper OPEB Plan.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Required Supplementary Information
Defined Benefit Pension Plan
Year Ended June 30, 2018

Defined Benefit Pension Plan

Changes of benefits terms. There were no benefit changes recognized in the Total Pension Liability in any of the years presented.

Changes in 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 retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years ended June 30, 2010 to June 30, 2014 was performed on February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- 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 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- 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. Main the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.
- Discount rate. In fiscal year 2018, the discount increased from 7.01% to 7.09%.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

JUNE 30, 2018

STATISTICAL SECTION

This section of the William Rainey Harper College's Comprehensive Annual Financial Report presents additional historical perspective, context, and detailed information to assist the reader in using the information in the financial statements, note disclosures, and required supplementary information to understand and assess the College's overall economic condition.

Financial Trends

Tabular information is presented to demonstrate changes in the College's financial position over time.

Revenue Capacity

These tables contain information to assist the reader in understanding and assessing the College's ability to generate its two most significant revenue sources - real estate taxes and tuition.

Debt Capacity

Data are shown to disclose the College's current level of outstanding debt and to indicate the College's ability to issue additional debt.

Demographic and Economic Information

These tables offer information about the socioeconomic environment within which the College operates. Data are provided to facilitate comparisons of financial statements information over time.

Operating Information

Non-financial information about the College's operations and resources is provided in these tables to facilitate the reader's use of the College's financial statement information to understand and assess the College economic condition.

Sources: Unless otherwise noted, the information in these tables is derived from the College's Annual Financial Reports and Fact Books for the relevant years.

TABLE 1
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512

FINANCIAL TRENDS

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net Position										
Net investment in capital assets	\$ 154,625,077	\$ 145,170,610	\$ 150,568,393	\$ 153,043,103	\$ 123,232,283	\$ 97,471,575	\$ 93,140,259	\$ 91,082,061	\$ 92,527,422	\$ 89,480,497
Restricted										
Working cash	9,680,000	9,680,000	9,680,000	9,680,000	9,680,000	9,680,000	9,680,000	9,680,000	9,680,000	9,680,000
Capital projects	-	-	-	-	22,869,459	27,295,749	35,044,672	33,521,457	21,891,434	19,588,807
Debt service	14,363,949	13,138,897	11,643,898	10,761,476	7,397,172	5,576,957	3,746,177	1,985,734	3,825,201	2,124,889
Other	-	5,252,295	7,879,491	7,704,715	2,633,724	247,096	361,896	386,457	619,032	800,050
Unrestricted	27,608,143	83,840,386	73,295,310	72,536,360	80,243,337	86,545,156	80,509,749	72,997,417	69,148,379	67,439,067
Total Net Position	<u>\$ 206,277,169</u>	<u>\$ 257,082,188</u>	<u>\$ 253,067,092</u>	<u>\$ 253,725,654</u>	<u>\$ 246,055,975</u>	<u>\$ 226,816,533</u>	<u>\$ 222,482,753</u>	<u>\$ 209,653,126</u>	<u>\$ 197,691,468</u>	<u>\$ 189,113,310</u>

Note: The College implemented GASB Statement 75 in fiscal year 2018 resulting a reduction in beginning net position of \$64,625,551

Source: College Records

TABLE 2

**WILLIAM RAINEY HARPER COLLEGE, COMMUNITY COLLEGE DISTRICT NUMBER 512
FINANCIAL TRENDS**

CHANGES IN NET POSITION - LAST TEN FISCAL YEARS

JUNE 30	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Revenues										
Student tuition and fees, net	\$ 38,866,081	\$ 40,574,390	\$ 39,848,544	\$ 39,483,125	\$ 39,867,037	\$ 40,545,395	\$ 39,452,044	\$ 39,840,758	\$ 39,031,372	\$ 42,233,106
State and local government grants and contracts	4,216,208	21,783	1,263,454	1,560,808	2,155,450	2,336,287	3,075,360	2,738,068	2,884,068	2,658,202
Federal government grants and contracts	1,393,940	1,679,208	1,801,080	1,582,891	1,215,567	1,359,453	1,427,066	430,210	591,015	536,625
Sales and services of educational departments	1,206,308	1,196,903	1,283,580	1,221,019	1,309,873	1,334,634	1,368,508	1,272,089	1,222,386	1,386,955
Auxiliary enterprises	861,406	904,074	1,001,238	1,171,863	2,027,524	7,138,149	6,816,377	7,064,163	6,901,772	6,567,458
Other	405,755	597,262	760,933	852,399	801,410	830,480	901,206	805,717	740,024	724,336
Total operating revenues	46,949,698	44,973,620	45,958,829	45,872,105	47,376,861	53,544,398	53,040,561	52,151,005	51,370,637	54,106,682
Operating Expenses										
Instruction	58,889,756	56,219,056	53,132,902	50,585,018	49,973,085	47,329,867	44,519,884	42,032,720	38,700,758	35,152,394
Academic support	13,672,996	12,724,491	12,152,224	11,921,798	10,511,574	10,771,836	10,369,066	9,552,868	9,284,123	8,325,073
Student services	20,691,908	18,474,710	16,989,833	16,548,661	15,559,087	15,135,366	14,060,045	13,177,814	11,901,123	11,154,318
Public service	7,297,440	6,909,302	6,269,631	6,162,658	5,469,648	5,069,346	5,054,440	4,993,473	4,374,060	4,633,949
Operation and maintenance of plant	17,419,499	16,095,691	15,636,782	15,777,760	15,676,728	14,037,070	14,030,277	13,840,138	13,397,608	12,964,009
Institutional support	49,283,682	44,060,356	46,769,604	47,590,075	44,434,746	41,967,543	36,231,046	34,736,018	36,929,451	34,626,918
Scholarships and grants	5,469,218	4,686,807	4,796,657	5,217,557	5,261,488	5,111,238	6,135,905	6,683,824	5,907,790	6,317,817
Auxiliary enterprises	1,173,540	1,092,702	1,050,543	1,076,849	2,578,381	9,130,579	7,925,209	8,499,626	8,377,008	7,662,942
Depreciation	9,989,926	9,848,555	8,315,736	8,059,483	6,902,086	6,571,789	6,344,443	6,308,632	6,313,204	5,866,957
Total operating expenses	183,887,965	170,111,670	165,113,912	162,939,859	156,366,823	155,124,634	144,670,315	139,825,113	135,185,125	126,704,377
Operating income (Loss)	(136,938,267)	(125,138,050)	(119,155,083)	(117,067,754)	(108,989,962)	(101,580,236)	(91,629,754)	(87,674,108)	(83,814,488)	(72,597,695)
Nonoperating revenues (expenses)										
Property taxes	77,085,753	75,696,330	75,288,071	72,815,204	71,516,695	68,875,412	68,040,263	65,869,034	62,597,133	61,651,156
State appropriations	11,309,392	-	1,992,338	6,864,994	6,551,627	6,484,562	6,469,554	6,469,554	6,775,669	6,956,362
State retirement plan contribution	36,188,946	38,799,701	30,112,638	24,868,000	23,379,200	22,946,299	15,483,931	12,203,522	10,670,637	6,794,822
State OPEB on-behalf contribution	5,178,785	-	-	-	-	-	-	-	-	-
Personal property replacement tax	853,383	1,036,684	938,634	1,025,291	953,731	942,792	922,723	1,003,035	773,458	956,076
State and local government grants and contracts	4,622,817	-	1,176,539	2,262,606	1,370,073	1,743,042	1,964,537	1,429,541	1,131,218	932,415
Federal government grants and contracts	14,906,500	13,798,743	14,052,172	14,691,986	14,579,647	13,102,539	14,666,112	17,635,533	12,823,976	6,929,749
Gifts	386,653	418,283	452,237	423,585	275,544	295,416	216,398	335,138	230,022	234,169
Investment income, net of investment expense	2,166,254	1,098,489	708,274	305,441	1,246,544	295,065	2,975,801	3,703,744	5,744,634	1,620,060
Interest expense	(2,273,955)	-	(7,166,209)	(7,795,756)	(8,185,222)	(8,391,967)	(8,059,879)	(8,360,973)	(8,556,684)	(4,742,257)
Other	334,271	354,256	334,306	294,213	189,334	496,223	904,574	348,034	202,583	247,127
Total non-operating revenues (expenses)	150,758,799	131,202,486	117,889,000	115,755,564	111,877,173	106,789,383	103,584,014	100,636,162	92,392,646	81,579,679
Change in net position before capital contributions	13,820,532	6,064,436	(1,266,083)	(1,312,190)	2,887,211	5,209,147	11,954,260	12,962,054	8,578,158	8,981,984
State capital contributions	-	-	607,521	8,981,869	16,352,231	-	-	-	-	-
Change in net position after capital contributions	\$ 13,820,532	\$ 6,064,436	\$ (658,562)	\$ 7,669,679	\$ 19,239,442	\$ 5,209,147	\$ 11,954,260	\$ 12,962,054	\$ 8,578,158	\$ 8,981,984

Source: College Records

TABLE 3
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512

REVENUE CAPACITY
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN LEVY YEARS

Levy Year	County	Residential Property	Commercial Property	Industrial Property	Farm Property	Mineral Property	Railroad Property	Detail Not Available	Total Taxable Assessed Value	Blended Direct Tax Rate
2017	Kane	\$ 52,750,710	\$ 832,150	\$ -	\$ 592,107	\$ -	\$ -	n/a	\$ 54,174,967	0.4221
	McHenry	149,707,013	4,254,372	11,673	3,657,298	-	456,108	n/a	158,086,464	0.4221
	Cook	-	-	-	-	-	-	17,691,505,431	17,691,505,431	0.4221
	Lake	1,107,666,967	111,901,377	24,828,503	8,866,077	-	1,799,286	n/a	1,255,062,210	0.4221
2016	Kane	46,425,766	1,014,090	-	626,719	-	-	n/a	48,066,575	0.4148
	McHenry	141,578,519	4,236,733	10,948	3,459,370	-	447,084	n/a	149,732,654	0.4148
	Cook	11,509,184,990	4,043,467,959	1,935,092,047	1,249,511	-	11,916,679	n/a	17,500,911,186	0.4148
	Lake	1,070,492,521	113,017,962	24,117,645	8,362,147	-	1,843,495	n/a	1,217,833,770	0.4148
2015	Kane	39,438,698	1,047,624	-	598,812	-	-	n/a	41,085,134	0.4600
	McHenry	133,190,446	3,948,075	10,268	3,074,833	-	439,421	n/a	140,663,043	0.4600
	Cook	9,540,899,139	3,771,214,456	1,805,395,207	990,659	-	11,429,786	n/a	15,129,929,247	0.4600
	Lake	1,013,957,073	111,129,310	23,090,082	8,319,897	-	1,779,197	n/a	1,158,275,559	0.4600
2014	Kane	36,211,373	1,075,030	-	566,912	-	-	n/a	37,853,315	0.4516
	McHenry	127,317,257	3,731,928	9,782	2,959,027	-	366,212	n/a	134,384,206	0.4516
	Cook	9,801,539,396	3,860,990,326	1,851,603,484	1,116,968	-	9,490,979	n/a	15,524,741,153	0.4516
	Lake	983,213,115	110,023,308	23,605,307	9,123,579	-	1,480,149	n/a	1,127,445,458	0.4516
2013	Kane	37,501,869	1,224,058	-	550,259	-	-	n/a	39,276,186	0.4421
	McHenry	133,471,425	3,885,431	10,214	3,049,120	-	351,261	n/a	140,767,451	0.4421
	Cook	9,333,612,412	3,641,881,414	2,328,670,678	795,369	-	8,924,792	n/a	15,313,884,665	0.4421
	Lake	998,183,198	114,269,659	24,803,867	9,477,641	-	1,386,316	n/a	1,148,120,681	0.4421
2012	Kane	40,130,625	1,219,085	-	621,549	-	-	n/a	41,971,259	0.3769
	McHenry	147,289,247	6,682,165	11,152	3,256,438	-	284,618	n/a	157,523,620	0.3769
	Cook	11,118,795,350	3,848,755,901	2,624,814,307	822,114	-	7,071,408	n/a	17,600,259,080	0.3769
	Lake	1,058,745,069	118,136,180	26,373,731	9,318,468	-	1,031,798	n/a	1,213,605,246	0.3769
2011	Kane	45,811,350	1,414,588	-	641,925	-	-	n/a	47,867,863	0.3335
	McHenry	164,268,613	6,942,977	12,184	3,548,175	-	251,766	n/a	175,023,715	0.3335
	Cook	12,105,430,519	4,144,556,071	2,850,276,418	823,789	-	7,269,576	n/a	19,108,356,373	0.3335
	Lake	1,145,039,931	117,267,770	27,002,755	8,084,612	-	957,880	n/a	1,298,352,948	0.3335
2010	Kane	63,666,750	1,170,563	-	624,768	-	-	n/a	65,462,081	0.2954
	McHenry	188,915,185	7,944,858	13,239	4,172,118	-	-	n/a	201,045,400	0.2954
	Cook	13,095,971,062	4,809,553,603	3,252,380,518	820,835	-	7,153,959	n/a	21,165,879,977	0.2954
	Lake	1,231,151,331	114,114,859	26,144,991	8,155,562	-	925,851	n/a	1,380,492,594	0.2954
2009	Kane	69,185,352	1,518,530	-	665,207	-	-	n/a	71,369,089	0.2596
	McHenry	190,427,837	6,385,683	12,794	4,009,039	-	189,862	n/a	201,025,215	0.2596
	Cook	14,458,725,382	5,346,480,791	3,433,194,750	945,482	-	5,425,734	n/a	23,244,772,139	0.2596
	Lake	1,319,694,130	99,558,807	27,313,503	9,027,081	-	637,036	n/a	1,456,230,557	0.2596
2008	Kane	70,473,139	1,533,888	-	669,865	-	-	n/a	72,676,892	0.2579
	McHenry	192,013,011	6,769,167	12,794	4,010,324	-	157,886	n/a	202,963,182	0.2579
	Cook	13,296,418,617	5,930,508,142	3,978,507,871	1,447,917	-	4,876,843	n/a	23,211,759,390	0.2579
	Lake	1,335,532,470	99,527,058	22,932,002	8,699,166	-	530,635	n/a	1,467,221,331	0.2579

Source: College Records

TABLE 4

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512

REVENUE CAPACITY

PROPERTY TAX RATES

LAST TEN LEVY YEARS

Fund	Levy Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Education	\$ 0.2494	\$ 0.2428	\$ 0.2548	\$ 0.2445	\$ 0.2362	\$ 0.2021	\$ 0.1778	\$ 0.1500	\$ 0.1320	\$ 0.1303
Operations and Maintenance	0.0639	0.0660	0.0932	0.0940	0.0975	0.0859	0.0751	0.0657	0.0622	0.0583
Liability, Protection and Settlement	0.0001	0.0001	0.0001	0.0001	0.0002	0.0002	0.0002	0.0090	0.0040	0.0041
Social Security	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0038
Life Safety	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Audit	0.0001	0.0001	0.0001	0.0001	0.0002	0.0002	0.0002	0.0004	0.0005	0.0005
Bond and Interest	0.1086	0.1058	0.1118	0.1129	0.1080	0.0885	0.0802	0.0703	0.0609	0.0609
Total	\$ 0.4221	\$ 0.4148	\$ 0.4600	\$ 0.4516	\$ 0.4421	\$ 0.3769	\$ 0.3335	\$ 0.2954	\$ 0.2596	\$ 0.2579

Source: College Records

TABLE 5
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512
REVENUE CAPACITY
ASSESSED VALUATIONS AND TAX EXTENSIONS
GOVERNMENTAL FUND TYPES
LAST TEN LEVY YEARS

Taxes Extended								
Levy Year	Education Purposes	Operations and Maintenance Purposes (Unrestricted)	Operations and Maintenance (Restricted) Fund	Bond & Interest Fund	Audit Fund	Liability, Protection and Settlement Fund	Total	
2017	\$ 47,790,496	\$ 12,244,875	\$ -	\$ 20,809,248	\$ 18,013	\$ 18,013	\$	80,880,645
2016	45,920,503	12,481,501	-	20,006,430	17,735	17,735		78,443,904
2015	41,960,211	15,357,235	-	18,416,477	15,454	15,454		75,764,831
2014	41,130,997	15,813,682	-	18,990,940	15,771	15,772		75,967,162
2013	39,306,458	16,232,564	-	17,966,056	38,489	38,489		73,582,056
2012	38,421,452	16,325,549	-	16,825,387	42,040	42,040		71,656,468
2011	36,686,099	15,502,072	-	16,540,058	45,179	32,196		68,805,604
2010	34,196,000	14,986,756	-	16,029,560	92,700	2,054,850		67,359,866
2009	32,960,000	15,548,095	-	15,201,166	113,300	1,004,251		64,826,812
2008	32,506,800	14,538,938	-	15,207,982	113,300	1,987,900		64,354,920

Assessed Valuation						Total Assessed Valuation
Levy Year	Cook County	Kane County	Lake County	McHenry County		
2017	\$ 17,691,505,431	\$ 54,174,967	\$ 1,255,062,210	\$ 158,086,464	\$	19,158,829,072
2016	17,500,911,186	48,066,575	1,217,833,770	149,732,654		18,916,544,185
2015	15,129,929,247	41,085,134	1,158,275,559	140,663,043		16,469,952,983
2014	15,524,741,153	37,853,315	1,127,445,458	134,384,206		16,824,424,132
2013	15,313,884,665	39,276,186	1,148,120,681	140,767,451		16,642,048,983
2012	17,600,259,080	41,971,259	1,213,605,246	155,914,924		19,011,750,509
2011	19,108,356,373	47,867,863	1,298,352,948	173,747,656		20,628,324,840
2010	21,165,879,977	65,462,081	1,380,492,594	191,657,397		22,803,492,049
2009	22,981,939,990	71,369,089	1,456,230,557	201,025,215		24,710,564,851
2008	23,211,759,390	72,676,892	1,467,221,331	202,963,182		24,954,620,795

Source: College Records

TABLE 6

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512**

REVENUE CAPACITY

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

2016 (1)				2009			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Simon Property Group	\$ 224,693,520	1	1.19%	Woodfield Retax Adm	\$ 236,538,048	1	0.95%
TUF Partners A Delawar	72,277,169	2	0.38%	AT & T	133,669,304	2	0.54%
Wal-Mart	69,532,107	3	0.37%	Motorola, Inc	130,867,922	3	0.52%
CO Prologis RE Tax	62,572,602	4	0.33%	Manulife Financial	95,590,932	4	0.38%
BRE Streets of Woodfield	53,426,854	5	0.28%	Wal-Mart Prop Tax Dept	82,197,251	5	0.38%
Manufacturers Financial	51,404,095	6	0.27%	KBS Woodfield Preserve	71,428,879	6	0.29%
BRE DDR Woodfield Village	43,279,986	7	0.23%	ZNA Real Estate Dept	64,452,084	7	0.26%
Woodfield Preserve Pro	41,996,755	8	0.22%	Prime Group Realty	60,910,466	8	0.24%
ZNA Real Estate Dept	40,762,161	9	0.22%	Marc Realty	56,174,765	9	0.22%
RMS Properties	37,067,433	10	0.20%	KF Schaumburg LLC	55,956,365	10	0.22%
Total	<u>\$ 697,012,682</u>		<u>3.69%</u>		<u>\$ 987,786,016</u>		<u>4.00%</u>

Source: Cook, Kane, Lake and McHenry County Clerk's Office

Note: (1) 2016 is the most recent information available.

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 may not be included.

TABLE 7
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512
REVENUE CAPACITY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN LEVY YEARS

Levy Year	Taxes Extended		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$	80,880,645	\$ 40,339,221	49.87%	\$ -	\$ 40,339,221	49.87%
2016		78,443,904	39,123,897	49.87%	39,156,711	78,280,608	99.79%
2015		75,764,831	37,587,308	49.61%	38,020,850	75,608,158	99.79%
2014		75,967,162	37,538,088	49.41%	38,223,973	75,762,061	99.73%
2013		73,582,056	36,617,798	49.76%	36,516,927	73,134,725	99.39%
2012		71,656,468	35,324,303	49.30%	36,151,460	71,475,763	99.75%
2011		68,805,604	34,273,429	49.81%	34,038,622	68,312,051	99.28%
2010		67,359,866	33,780,909	50.15%	33,288,184	67,069,093	99.57%
2009		64,826,812	33,541,000	51.74%	31,019,343	64,560,343	99.59%
2008		64,354,920	32,071,826	49.84%	31,071,094	63,142,920	98.12%

Source: College Records

TABLE 8

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512**

REVENUE CAPACITY

**ENROLLMENT, TUITION AND FEE RATES, CREDIT HOURS CLAIMED AND TUITION AND FEE REVENUE
LAST TEN FISCAL YEARS**

Fiscal Year	Fall Term Enrollment		Tuition and Fee Rates			Total Credit Hours Claimed	Tuition and Fee Revenue Net of Allowances
	FTE Credit Courses	Headcount Credit Courses	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		
2018	8,245	14,446	\$ 142.50	\$ 399.50	\$ 475.00	252,091.5	\$ 38,866,081
2017	8,475	14,924	135.25	392.25	467.75	260,227.0	40,574,390
2016	8,754	15,319	129.75	386.75	462.25	265,447.5	39,848,544
2015	9,089	15,830	126.25	383.25	458.75	271,027.0	39,483,125
2014	9,444	16,260	124.50	381.50	457.00	278,565.5	39,867,037
2013	9,545	14,706	122.50	379.50	455.00	286,412.5	40,545,395
2012	10,171	16,007	118.50	375.50	451.00	299,666.0	39,452,044
2011	10,547	16,060	112.50	369.50	445.00	310,515.5	39,840,758
2010	10,363	17,484	104.00	338.00	421.00	305,132.0	44,579,043
2009	9,867	16,621	104.00	336.00	413.00	287,314.0	42,233,106

Source: College Records

TABLE 9
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512

DEBT CAPACITY

RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended	General Obligation Bonds	General Obligation Alternate Revenue Bonds	General Obligation Refunding Bonds	General Obligation Limited Tax Bonds	Unamortized Premium	Total Outstanding Debt	Estimated Actual Taxable Property Value	Percentage of Actual Value	Population Estimate	Total Outstanding Debt Per Capita
2018	\$ 7,530,000	\$ -	\$ 114,840,000	\$ 4,525,000	\$ 18,693,367	\$ 145,588,367	\$ 57,476,487,216	0.25%	534,984	\$ 272.14
2017	132,095,000	-	14,485,000	6,675,000	2,432,252	155,687,252	56,749,632,555	0.27%	534,984	291.01
2016	137,520,000	-	17,110,000	4,180,000	3,116,272	161,926,272	49,409,858,949	0.33%	534,984	302.67
2015	142,785,000	-	21,750,000	6,400,000	2,126,859	173,061,859	50,473,272,396	0.34%	534,984	323.49
2014	145,525,000	-	26,100,000	3,685,000	2,451,037	177,761,037	49,926,146,949	0.36%	534,586	332.52
2013	147,280,000	-	29,910,000	5,800,000	2,919,110	185,909,110	57,035,251,527	0.33%	532,566	349.08
2012	148,995,000	-	33,540,000	3,240,000	2,636,800	188,411,800	61,884,974,520	0.30%	534,984	352.18
2011	150,310,000	500,000	36,770,000	5,340,000	3,118,413	196,038,413	68,410,476,147	0.29%	534,984	366.44
2010	153,950,000	975,000	36,770,000	2,850,000	3,612,784	198,157,784	74,920,190,484	0.26%	534,984	370.40
2009	158,635,000	1,425,000	36,770,000	4,820,000	4,188,920	205,838,920	74,863,862,385	0.27%	534,984	384.76

Source: College Records

TABLE 10

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512**

DEBT CAPACITY

**RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year Ended	General Obligation Bonds	General Obligation Alternate Revenue Bonds	General Obligation Refunding Bonds	General Obligation Limited Tax Bonds	Unamortized Premium	Total Outstanding Debt	Less: Amounts Available In Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Total Net Outstanding Debt Per Capita
2018	\$ 7,530,000	\$ -	\$ 114,840,000	\$ 4,525,000	\$ 18,693,367	\$ 145,588,367	\$ 14,363,949	\$ 131,224,418	0.23%	\$ 245.29
2017	132,095,000	-	14,485,000	6,675,000	2,432,252	155,687,252	13,138,897	142,548,355	0.25%	266.45
2016	137,520,000	-	17,110,000	4,180,000	3,116,272	161,926,272	11,643,899	150,282,373	0.30%	280.91
2015	142,785,000	-	21,750,000	6,400,000	2,126,859	173,061,859	10,761,477	162,300,382	0.32%	303.37
2014	145,525,000	-	26,100,000	3,685,000	2,451,037	177,761,037	9,775,939	167,985,098	0.34%	314.23
2013	147,280,000	-	29,910,000	5,800,000	2,919,110	185,909,110	8,474,008	177,435,102	0.31%	333.17
2012	148,995,000	-	33,540,000	3,240,000	2,636,800	188,411,800	7,888,676	180,523,124	0.29%	337.44
2011	150,310,000	500,000	36,770,000	5,340,000	3,118,413	196,038,413	7,325,735	188,712,678	0.28%	352.74
2010	153,950,000	975,000	36,770,000	2,850,000	3,612,691	198,157,691	6,678,287	191,479,404	0.26%	357.92
2009	158,635,000	1,425,000	36,770,000	4,820,000	4,188,920	205,838,920	8,046,692	197,792,228	0.26%	369.72

Source: College records

Note: Details of the College's outstanding debt can be found in the notes to the financial statements.

TABLE 11
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512
DEBT CAPACITY
DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2018

Governmental Unit	Debt Outstanding	Percentage of Debt Applicable	College Share of Direct and Overlapping Debt
Direct bonded debt:			
William Rainey Harper College	\$ 145,588,367	100.00%	\$ 145,588,367
Overlapping bonded debt:		As of October 9, 2017	
Cook County	3,213,141,750	12.22%	392,645,917
Cook County Forest Preserve District	106,265,000	12.22%	12,985,583
Metropolitan Water Reclamation District	2,641,033,181	11.73%	309,793,192
Kane County	3,830,000	0.37%	14,171
Kane County Forest Preserve District	166,465,000	0.37%	615,921
Lake County Forest Preserve District	270,760,000	4.89%	13,240,164
McHenry County Conservation District	97,885,000	1.98%	1,938,123
Village of Arlington Heights	63,770,000	100.00%	63,770,000
Village of Barrington	1,185,000	99.71%	1,181,564
Village of Barrington Hills	720,000	94.62%	681,264
Village of Buffalo Grove	15,640,000	20.76%	3,246,864
Village of Carpentersville	43,255,000	7.51%	3,248,451
City of Des Plaines	30,045,652	16.56%	4,975,560
Village of Elk Grove Village	126,455,000	67.50%	85,357,125
Village of Fox River Grove	240,000	53.38%	128,112
Village of Hanover Park	17,685,000	23.72%	4,194,882
Village of Hoffman Estates	106,930,000	83.86%	89,671,498
Village of Inverness	5,070,000	100.00%	5,070,000
Village of Lake Barrington	4,805,000	94.45%	4,538,323
Village of Mount Prospect	44,120,000	99.87%	44,062,644
Village of Northbrook	108,015,000	1.08%	1,166,562
Village of Palatine	80,290,000	100.00%	80,290,000
City of Prospect Heights	11,430,000	95.92%	10,963,656
City of Rolling Meadows	7,110,000	100.00%	7,110,000
Village of Roselle	2,185,000	14.07%	307,430
Village of Schaumburg	306,365,000	96.83%	296,653,230
Village of Wheeling	56,685,000	99.42%	56,356,227
Dundee Township	1,765,000	3.09%	54,539
Arlington Heights Park District	12,390,000	100.00%	12,390,000
Barrington Park District	16,635,000	100.00%	16,635,000
Buffalo Grove Park District	8,330,000	23.81%	1,983,373
Des Plaines Park District	3,045,000	1.76%	53,592
Elk Grove Park District	4,160,000	100.00%	4,160,000
Hanover Park Park District	1,298,870	16.27%	211,326
Hoffman Estates Park District	7,710,000	82.78%	6,382,338
Inverness Park District	235,500	100.00%	235,500
Mount Prospect Park District	13,905,000	100.00%	13,905,000
Northbrook Park District	4,095,000	1.04%	42,588
Palatine Park District	13,645,000	100.00%	13,645,000
Rolling Meadows Park District	540,000	100.00%	540,000
Salt Creek Rural Park District	667,000	100.00%	667,000
Schaumburg Park District	17,450,000	96.84%	16,898,580
Fox River Grove Public Library District	115,000	35.54%	40,871

TABLE 11
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512
DEBT CAPACITY
DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2018

Governmental Unit	Debt Outstanding	Percentage of Debt Applicable	College Share of Direct and Overlapping Debt
Gail Borden Public Library District	12,315,000	1.24%	152,706
Poplar Creek Public Library District	16,730,000	5.26%	879,998
Lake Barrington Special Service Area Number 3	1,665,000	92.09%	1,533,299
North Barrington Special Service Area 17	4,565,000	49.21%	2,246,437
South Barrington Special Service Area 1	160,000	100.00%	160,000
South Barrington Special Service Area 3	5,990,000	42.45%	2,542,755
School District Number 3	950,000	40.41%	383,895
School District Number 23	8,380,000	100.00%	8,380,000
School District Number 25	42,205,000	100.00%	42,205,000
School District Number 26	9,360,000	87.81%	8,219,016
School District Number 57	8,295,000	100.00%	8,295,000
High School District Number 155	17,175,000	1.53%	262,778
Community Consolidated School District 15	38,343,560	100.00%	38,343,560
Community Consolidated School District 21	33,950,000	100.00%	33,950,000
Community Consolidate School District 59	15,235,000	90.56%	13,796,816
Community Unit School District Number 220	39,420,000	99.27%	39,134,052
Township High School District Number 211	3,020,000	98.94%	2,987,988
Township High School District Number 214	48,870,000	96.70%	47,257,290
Total overlapping bonded debt			<u>1,832,781,760</u>
Total direct and overlapping bonded debt			<u>\$ 1,978,370,127</u>

Source: Cook, Kane, Lake and McHenry County Clerk's Office. Does not include Alternate Revenue Bonds

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the College. This schedule estimates the portion of the the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Harper District. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the College's taxable assessed value that is within the government's boundaries and dividing it by the College's total taxable assessed value.

TABLE 12

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512

DEBT CAPACITY

LEGAL DEBT MARGIN INFORMATION
LAST TEN LEVY YEARS

	2017	2016	2015	2014	2013
Assessed valuation	\$ 19,158,829,072	\$ 18,916,544,185	\$ 16,469,952,983	\$ 16,824,424,132	\$ 16,642,048,983
Legal debt limit - 2.875% of assessed valuation	550,816,336	543,850,645	473,511,148	483,702,194	478,458,908
Total debt applicable to limit	126,895,000	153,255,000	158,810,000	170,935,000	175,310,000
Legal debt margin	\$ 423,921,336	\$ 390,595,645	\$ 314,701,148	\$ 312,767,194	\$ 303,148,908
Total net debt applicable to the limit as a percentage of debt limit	23.04%	28.18%	33.54%	35.34%	36.64%
	2012	2011	2010	2009	2008
Assessed valuation	\$ 19,011,750,509	\$ 20,628,324,840	\$ 22,803,492,049	\$ 24,973,396,828	\$ 24,954,620,795
Legal debt limit - 2.875% of assessed valuation	546,587,827	593,064,339	655,600,396	717,985,159	717,445,348
Total debt applicable to limit	182,990,000	185,775,000	192,920,000	194,545,000	201,650,000
Legal debt margin	\$ 363,597,827	\$ 407,289,339	\$ 462,680,396	\$ 523,440,159	\$ 515,795,348
Total net debt applicable to the limit as a percentage of debt limit	33.48%	31.32%	29.43%	27.10%	28.11%

Source: College Records

TABLE 13

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512

DEMOGRAPHIC AND ECONOMIC INFORMATION

POPULATION AND UNEMPLOYMENT RATES
LAST TEN YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Population Estimates	534,984	534,984	534,984	534,984	534,984	534,984	534,984	534,984	534,984	534,984
Unemployment Rates:										
	3.4%	4.0%	4.4%	4.6%	5.3%	6.6%	6.8%	7.7%	7.7%	8.6%
Arlington Heights	3.6%	4.0%	4.7%	5.3%	5.5%	7.3%	7.2%	8.8%	9.3%	9.9%
Elk Grove Village	3.7%	4.0%	4.4%	4.8%	5.4%	6.7%	6.6%	8.4%	8.7%	9.8%
Hoffman Estates	3.2%	3.7%	4.2%	4.6%	5.3%	6.6%	6.4%	8.0%	8.2%	9.1%
Mount Prospect	3.4%	3.9%	4.4%	4.9%	5.2%	6.9%	6.7%	8.7%	8.6%	9.2%
Palatine	3.6%	4.0%	4.4%	5.0%	5.5%	6.7%	6.8%	8.3%	8.3%	9.6%
Schaumburg	3.2%	3.6%	4.2%	4.7%	5.4%	7.2%	8.3%	8.7%	8.8%	9.4%
Wheeling	4.3%	5.1%	5.5%	6.3%	7.1%	10.3%	9.3%	10.7%	10.3%	10.4%
Chicago PMSA	4.5%	5.0%	5.6%	5.9%	7.1%	9.8%	9.3%	10.6%	10.0%	10.5%
Illinois	4.2%	4.5%	4.5%	5.5%	6.3%	7.8%	8.4%	9.7%	9.3%	9.7%
United States										

Source: College records and Illinois Department of Employment Securities

Note: 2018 Unemployment Data as of June 2018

TABLE 14

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512
DEMOGRAPHIC AND ECONOMIC INFORMATION**

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND EIGHT YEARS AGO**

2017 (1)			2010		
Employer	Number of Employees	Rank	Employer	Number of Employees	Rank
Sears Holdings Corp.	4,320	1	Alexian Brothers Medical System	4,813	1
Northwest Community Hospital	4,000	2	Sears Roebuck & Co.	4,800	2
Alexian Bros Medical Center	3,100	3	Arlington Park Racecourse	4,500	3
AT&T Services Inc	2,500	4	Northwest Community Hospital	4,000	4
Zurich North America	2,500	4	Woodfield Mall Shopping Center	3,800	5
St. Alexius Medical Center	2,045	6	AT&T Services Inc	3,000	6
Motorola Solutions	1,600	7	Zurich American Insurance	2,687	7
Automatic Data Processing	1,500	8	School District 54	2,274	8
HSBC Finance Corp.	1,500	9	Motorola Solutions, Inc	2,225	9
Clearbrook	1,000	10	Northrup Grumman	2,000	10
1	<u>24,065</u>			<u>34,099</u>	

Sources:

College records

2017 Illinois Manufacturers Directory

2017 Illinois Services Directory

Note: (1) Most recent information available

TABLE 15
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512

OPERATING INFORMATION

EMPLOYEE HEADCOUNT
LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Faculty										
Full-time	228	233	238	238	236	233	232	217	228	228
Part-time	-	-	-	-	-	-	-	-	-	-
Administrative										
Full-time	39	43	51	51	51	47	48	45	51	52
Part-time	-	-	-	-	-	-	-	-	-	-
Professional/Technical										
Full-time	152	142	138	131	125	124	121	111	119	114
Part-time	32	39	45	47	43	41	37	21	30	25
Supervisory/Confidential										
Full-time	103	99	94	97	94	91	85	73	78	84
Part-time	2	2	2	2	3	5	4	2	4	5
Classified Staff										
Full-time	128	127	136	131	136	139	141	135	144	146
Part-time	83	89	111	126	138	165	278	61	66	65
Security										
Full-time	17	18	18	18	16	16	16	15	15	15
Part-time	15	15	17	17	17	17	16	-	-	-
Custodial/Maintenance										
Full-time	84	84	93	93	93	97	97	89	97	97
Part-time	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>3</u>	<u>4</u>	<u>4</u>
Total										
Full-time	751	746	768	759	751	747	740	685	732	736
Part-time	<u>136</u>	<u>149</u>	<u>180</u>	<u>197</u>	<u>206</u>	<u>233</u>	<u>340</u>	<u>87</u>	<u>104</u>	<u>99</u>
Grand Total	<u>887</u>	<u>895</u>	<u>948</u>	<u>956</u>	<u>957</u>	<u>980</u>	<u>1080</u>	<u>772</u>	<u>836</u>	<u>835</u>

Source: College Records

There are no part-time faculty presented since those employees are considered temporary.

In 2012 the College reviewed the workers categorized as Temporary and Short-term, and reclassified about 260 to Part-time employees based on average hours being worked.

TABLE 16

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512**

OPERATING INFORMATION

**OPERATING INDICATORS
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Degrees and Certificates Awarded										
Degrees	1,758	1,791	1,611	1,629	1,773	1,326	1,361	1,457	1,311	1,235
Certificates	<u>1,764</u>	<u>1,818</u>	<u>1,845</u>	<u>1,990</u>	<u>1,971</u>	<u>1,544</u>	<u>1,730</u>	<u>2,376</u>	<u>1,094</u>	<u>1,080</u>
Total Degrees and Certificates Awarded	<u><u>3,522</u></u>	<u><u>3,609</u></u>	<u><u>3,456</u></u>	<u><u>3,619</u></u>	<u><u>3,744</u></u>	<u><u>2,870</u></u>	<u><u>3,091</u></u>	<u><u>3,833</u></u>	<u><u>2,405</u></u>	<u><u>2,315</u></u>
Student enrollment by funding category (unrestricted reimbursable credit hours)										
Baccalaureate	179,247	183,592	184,847	187,055	191,897	193,163	197,827	208,699	209,288	194,768
Business Occupational	16,766	17,269	18,153	19,484	20,542	22,190	23,495	22,389	21,010	18,374
Technical Occupational	16,598	17,715	16,660	17,347	15,284	16,536	17,368	17,321	16,496	13,712
Health Occupational	17,180	17,607	16,546	16,007	17,646	18,916	19,844	18,046	16,657	15,587
Remedial Developmental	11,083	11,816	15,143	17,335	19,852	21,456	27,632	29,972	29,247	29,078
Adult Basic/Secondary Education	<u>3,138</u>	<u>5,729</u>	<u>6,780</u>	<u>5,046</u>	<u>4,986</u>	<u>4,942</u>	<u>5,800</u>	<u>7,966</u>	<u>8,736</u>	<u>7,616</u>
Total Credit Hours	<u><u>244,012</u></u>	<u><u>253,728</u></u>	<u><u>258,129</u></u>	<u><u>262,274</u></u>	<u><u>270,206</u></u>	<u><u>277,203</u></u>	<u><u>291,966</u></u>	<u><u>304,391</u></u>	<u><u>301,434</u></u>	<u><u>279,135</u></u>

Source: College Records

TABLE 17

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512**

OPERATING INFORMATION

**CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS**

	2017*	2016	2015	2014	2013	2012	2011	2010	2009	2008
Facilities Data										
Size of campus (acres)	188	188	188	188	188	188	188	188	188	188
Net assignable square footage										
Classrooms	186,558	251,998	222,063	182,909	176,384	176,454	176,573	157,563	157,563	157,563
Laboratories	166,351	190,257	157,023	217,760	206,094	208,274	207,511	228,813	228,813	228,813
Office	145,027	159,143	139,927	147,729	147,665	147,411	147,455	150,851	150,983	150,983
Study	37,471	37,980	35,428	33,444	34,329	34,973	34,983	34,659	34,659	34,659
Athletic/PE	55,393	61,726	56,184	59,688	59,688	59,688	59,605	58,814	58,814	58,814
Special use	10,783	10,783	9,676	12,810	12,704	12,794	13,205	13,996	13,996	13,996
Theatre/auditorium	22,541	24,591	22,541	32,890	32,890	32,890	32,890	32,890	32,890	32,890
General use	69,193	70,745	58,269	55,364	55,666	54,423	54,423	55,442	55,442	55,442
Support	332,026	332,423	329,857	41,682	44,015	44,368	44,533	43,123	43,123	43,123
Health care	1,787	2,311	2,311	2,189	2,190	2,180	2,180	1,485	1,624	1,624
Unclassified	-	4,589	118,882	2,333	-	-	-	4,632	4,632	4,632
Total net assignable square footage	1,027,130	1,146,546	1,152,161	788,798	771,625	773,455	773,358	782,268	782,539	782,539
Gross square footage	1,559,278	1,712,091	1,679,094	1,311,882	1,307,989	1,307,989	1,307,989	1,307,873	1,307,873	1,309,195

Source: College Records

* Most recent data available

Changes due to building additions, renovations and space reallocations

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Uniform Financial Statement No. 1
All Funds Summary

Year ended June 30, 2018

	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, and Settlement Fund	Total
Fund balance at July 1, 2017	\$ 33,379,320	\$ 21,077,882	\$ 79,236,629	\$ 13,138,897	\$ 8,863,765	\$ 12,618,031	\$ 15,851,076	\$ -	\$ -	\$ 184,165,600
Revenues:										
Local tax revenue	45,525,086	11,922,000	-	19,608,043	-	-	-	15,312	15,312	77,085,753
All other local revenue	853,383	-	5,935,081	-	-	-	-	-	-	6,788,464
ICCB grants	7,538,647	-	-	-	-	646,188	-	-	-	8,184,835
All other state revenue	-	-	-	-	-	4,370,348	-	-	-	4,370,348
Federal revenue	27,441	-	-	-	-	16,272,999	-	-	-	16,300,440
Student tuition and fees	44,791,911	2,047,708	525,923	-	2,886,099	15,679	-	-	-	50,267,320
On-behalf State retirement plan contribution	-	-	-	-	-	36,188,946	-	-	-	36,188,946
All other revenue	1,285,385	324,941	559,933	193,069	2,519,656	294,328	193,811	-	-	5,371,123
Total revenues	100,021,853	14,294,649	7,020,937	19,801,112	5,405,755	57,788,488	193,811	15,312	15,312	204,557,229
Expenditures:										
Instruction	36,992,448	-	-	-	454,013	16,573,020	-	-	-	54,019,481
Academic support	8,237,468	-	-	-	-	4,355,395	-	-	-	12,592,863
Student services	12,670,723	-	-	-	1,014,810	5,275,934	-	-	-	18,961,467
Public service/continuing education	114,516	-	-	-	3,806,840	3,007,312	-	-	-	6,928,668
Independent operations	-	-	-	-	894,160	209,978	-	-	-	1,104,138
Operations and maintenance of plant	-	12,641,495	-	-	9,853	3,582,518	-	-	-	16,233,866
Institutional support	25,027,766	2,107,914	50,132,916	19,134,511	401,814	11,685,536	-	15,312	15,312	108,521,081
Scholarships/grants/waivers	5,621,309	-	-	-	689	17,075,606	-	-	-	22,697,604
Total expenditures	88,664,230	14,749,409	50,132,916	19,134,511	6,582,179	61,765,299	-	15,312	15,312	241,059,168
Excess (deficiency) of revenues over expenditures	11,357,623	(454,760)	(43,111,979)	666,601	(1,176,424)	(3,976,811)	193,811	-	-	(36,501,939)
Other financing sources (uses):										
Proceeds from issuance of debt	-	-	-	103,450,000	-	-	-	-	-	103,450,000
Premium on Bond Issue	-	-	-	18,773,805	-	-	-	-	-	18,773,805
Payment to Escrow Agent	-	-	-	(121,665,354)	-	-	-	-	-	(121,665,354)
Transfers (to) from other funds	(10,369,283)	-	-	-	7,480,319	2,888,964	-	-	-	-
Fund balance at June 30, 2018	\$ 34,367,660	\$ 20,623,122	\$ 36,124,650	\$ 14,363,949	\$ 15,167,660	\$ 11,530,184	\$ 16,044,887	\$ -	\$ -	\$ 148,222,112

See accompanying independent auditor's report.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Uniform Financial Statement No. 2
Summary of Capital Assets and Debt

Year ended June 30, 2018

	Capital Asset/Debt Account Groups July 1, 2017	Increases	Decreases	Capital Asset/Debt Account Groups June 30, 2018
Capital assets:				
Land	\$ 4,326,007	\$ —	\$ —	\$ 4,326,007
Buildings and improvements	291,593,420	374,438	—	291,967,858
Equipment	21,259,334	880,612	—	22,139,946
Construction in progress	62,402,971	50,729,276	(374,438)	112,757,809
Total capital assets	379,581,732	51,984,326	(374,438)	431,191,620
Accumulated depreciation	(139,217,873)	(9,989,926)	—	(149,207,799)
Net capital assets	\$ 240,363,859	\$ 41,994,400	\$ (374,438)	\$ 281,983,821
Total debt – bonds payable	\$ 155,687,252	\$ 122,223,805	\$ (132,322,690)	\$ 145,588,367

See accompanying independent auditor's report.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Schedule 3

Page 1 of 2

Uniform Financial Statement No. 3
Operating Funds Revenues and Expenditures

Year ended June 30, 2018

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Operating revenues by source:			
Local government revenue:			
Local taxes	\$ 45,525,086	\$ 11,922,000	\$ 57,447,086
Chargeback revenue	—	—	—
CPPTRR	853,383	—	853,383
Total local government revenue	46,378,469	11,922,000	58,300,469
State government revenue:			
ICCB Credit Hour grants	7,019,860	—	7,019,860
Other	518,787	—	518,787
Total state government revenue	7,538,647	—	7,538,647
Federal government revenue:			
Department of Education	25,733	—	25,733
Other	1,708	—	1,708
Total federal government revenue	27,441	—	27,441
Student tuition and fees:			
Tuition	39,872,843	—	39,872,843
Fees	4,919,068	2,047,708	6,966,776
Total student tuition and fees	44,791,911	2,047,708	46,839,619
Other sources:			
Sales and service fees	371,227	35,856	407,083
Investment revenue	811,217	288,948	1,100,165
Other	102,941	137	103,078
Transfers	—	—	—
Total other revenue	1,285,385	324,941	1,610,326
Total revenues	100,021,853	14,294,649	114,316,502
Less – nonoperating items:*			
Tuition chargeback revenue	—	—	—
Transfers from nonoperating funds	—	—	—
Adjusted revenue	\$ 100,021,853	\$ 14,294,649	\$ 114,316,502

* Intercollege revenue that does not generate related college credit hours is subtracted to allow for statewide comparisons.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Schedule 3

Page 2 of 2

Uniform Financial Statement No. 3
Operating Funds Revenues and Expenditures

Year ended June 30, 2018

	<u>Education Fund</u>	<u>Operations and Maintenance Fund</u>	<u>Total Operating Funds</u>
Operating expenditures:			
By program:			
Instruction	\$ 36,992,448	\$ —	\$ 36,992,448
Academic support	8,237,468	—	8,237,468
Student services	12,670,723	—	12,670,723
Public service/continuing education	114,516	—	114,516
Operations and maintenance	—	12,641,495	12,641,495
Institutional support	25,027,766	2,107,914	27,135,680
Scholarships/grants/waivers	5,621,309	—	5,621,309
Transfers	10,369,283	—	10,369,283
Total operating expenditures	<u>99,033,513</u>	<u>14,749,409</u>	<u>113,782,922</u>
Less – nonoperating items:*			
Tuition chargebacks	—	—	—
Transfers to nonoperating funds	10,369,283	—	10,369,283
Adjusted operating expenditures	<u>\$ 88,664,230</u>	<u>\$ 14,749,409</u>	<u>\$ 103,413,639</u>
By object:			
Salaries	\$ 60,709,558	\$ 5,908,472	\$ 66,618,030
Employee benefits	12,040,505	1,543,979	13,584,484
Contractual services	4,350,281	2,321,872	6,672,153
General materials and supplies	3,594,713	844,949	4,439,662
Conference and meeting expense	936,080	11,152	947,232
Fixed charges	289,193	148,301	437,494
Utilities	1,080	3,304,559	3,305,639
Capital outlay	489,366	666,125	1,155,491
Other	6,253,454	—	6,253,454
Transfers	10,369,283	—	10,369,283
Total operating expenditures	<u>99,033,513</u>	<u>14,749,409</u>	<u>113,782,922</u>
Less – nonoperating items:*			
Tuition chargebacks	—	—	—
Transfers to nonoperating funds	10,369,283	—	10,369,283
Adjusted operating expenditures	<u>\$ 88,664,230</u>	<u>\$ 14,749,409</u>	<u>\$ 103,413,639</u>

*Intercollege expenses are subtracted to allow for statewide comparisons.

See accompanying independent auditor's report.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Schedule 4

Page 1 of 2

Uniform Financial Statement No. 4
Restricted Purposes Fund Revenues and Expenditures

Year ended June 30, 2018

Revenues by source:

State government:

ICCB – Adult Education	\$ 588,545
ICCB – Career and Technical Education – Program Improvement Grant	57,643
Illinois Student Assistance Commission	2,581,856
On-behalf State retirement plan contribution	36,188,946
Other	1,788,492
	<hr/>
Total state government	41,205,482
	<hr/>

Federal government:

Department of Education	14,545,560
Department of Labor	745,651
Department of Health and Human Services	331,406
Department of Veterans Affairs	528,862
Other	121,520
	<hr/>
Total federal government	16,272,999
	<hr/>

Student tuition and fees

Other	15,679
	<hr/>
Total student tuition and fees	15,679
	<hr/>

Other sources

Transfers	294,328
	2,888,964
	<hr/>
Total restricted purposes fund revenues	\$ 60,677,452
	<hr/>

Expenditures by program:

Instruction	\$ 16,573,020
Academic support	4,355,395
Student services	5,275,934
Public service/continuing education	3,007,312
Auxiliary	209,978
Operations and maintenance	3,582,518
Institutional support	11,685,536
Scholarships, student grants, and waivers	17,075,606
Transfers	—
	<hr/>
Total restricted purposes fund expenditures	\$ 61,765,299
	<hr/>

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Schedule 4

Page 2 of 2

Uniform Financial Statement No. 4
Restricted Purposes Fund Revenues and Expenditures

Year ended June 30, 2018

Expenditures by object:

Salaries	\$ 2,689,253
Employee benefits	36,641,206
Contractual services	1,596,343
General materials and supplies	550,205
Travel and meetings	163,618
Fixed charges	186,114
Utilities	10,205
Capital outlay	1,724,173
Other	18,204,182
Transfers	—
Total restricted purposes fund expenditures	<u>\$ 61,765,299</u>

See accompanying independent auditor's report.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Schedule 5

Page 1 of 2

Uniform Financial Statement No. 5
Current Funds* Expenditures by Activity

Year ended June 30, 2018

Instruction:	
Instructional programs	\$ 37,681,130
Instructional support	1,598,472
On-behalf State retirement plan contribution	14,739,879
Total instruction	<u>54,019,481</u>
Academic support:	
Library center	2,009,199
Educational media services	5
Academic administration and planning	6,300,287
On-behalf State retirement plan contribution	3,267,984
Other	1,015,388
Total academic support	<u>12,592,863</u>
Student services:	
Admissions and records	2,159,246
Counseling and career guidance	3,279,066
Student financial aid and administration	864,793
On-behalf State retirement plan contribution	5,235,518
Other	7,422,844
Total student services	<u>18,961,467</u>
Public service/continuing education:	
Community education	3,249,890
Customized training (instructional)	144,318
Community services	90,093
On-behalf State retirement plan contribution	1,115,732
Other	2,328,635
Total public service/continuing education	<u>6,928,668</u>
Auxiliary services	
Auxiliary services	894,160
On-behalf State retirement plan contribution	209,978
Total auxiliary services	<u>1,104,138</u>
Operations and maintenance of plant:	
Maintenance	1,526,565
Custodial services	2,544,040
Grounds	983,607
Campus security	1,485,896
Utilities	4,445,709
On-behalf State retirement plan contribution	3,582,518
Administration	1,665,531
Total operations and maintenance of plant	<u>16,233,866</u>

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Schedule 5

Page 2 of 2

Uniform Financial Statement No. 5
Current Funds* Expenditures by Activity

Year ended June 30, 2018

Institutional support:	
Executive management	\$ 3,330,001
Fiscal operations	1,579,329
Community relations	2,340,392
Administrative support services	3,083,854
Board of Trustees	24,893
General institutional support	8,244,306
Institutional research	490,794
Administrative data processing	12,122,748
On-behalf State retirement plan contribution	8,037,337
Other	—
Total institutional support	<u>39,253,654</u>
Scholarships, student grants, and waivers	<u>22,697,604</u>
Total current funds expenditures	<u>\$ 171,791,741</u>

* Current funds include: Education Fund, Operations and Maintenance Fund, Auxiliary Enterprises Fund, Restricted Purposes Fund, Audit Fund, and the Liability, Protection, and Settlement Fund.

See accompanying independent auditor's report.

CERTIFICATE OF CHARGEBACK REIMBURSEMENT

Fiscal Year 2018


WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512
Certificate of Chargeback Reimbursement
Fiscal Year 2018

Schedule 6

All fiscal year 2018 noncapital audited operating expenditures from the following funds:

<u>1</u>	Education Fund	\$ 87,910,350.00
<u>2</u>	Operations and Maintenance Fund	14,622,677.00
<u>3</u>	Public Building Commission Operation and Maintenance Fund	-
<u>4</u>	Bond and Interest Fund	19,134,511.00
<u>5</u>	Public Building Commission Rental Fund	-
<u>6</u>	Restricted Purposes Fund	25,576,353.00
<u>7</u>	Audit Fund	15,312.00
<u>8</u>	Liability, Protection, and Settlement Fund	15,312.00
<u>9</u>	Auxiliary Enterprises Fund (subsidy only)	<u>480,319.00</u>
<u>10</u>	Total noncapital expenditures (sum of lines 1 – 9)	147,754,834.00
<u>11</u>	Depreciation on capital outlay expenditures (equipment, building, and fixed equipment paid) from sources other than state and federal funds	<u>5,212,122.00</u>
<u>12</u>	Total cost included (line 10 plus 11)	<u>\$ 152,966,956.00</u>
<u>13</u>	Total certified semester credit hours for fiscal year 2017	<u>252,091.50</u>
<u>14</u>	Per capita cost (line 12 divided by line 13)	<u>\$ 606.79</u>
<u>15</u>	All fiscal year 2018 state and federal operating grants for noncapital expenditures DO NOT INCLUDE ICCB GRANTS	<u>20,732,242.00</u>
<u>16</u>	Fiscal year 2018 state and federal grants per semester credit hour (line 15 divided by line 13)	<u>82.24</u>
<u>17</u>	District's average ICCB grant rate (excluding equalization grants) for fiscal year 2019	<u>29.12</u>
<u>18</u>	District's student tuition and fee rate per semester credit hour for fiscal year 2018	<u>153.29</u>
<u>19</u>	Chargeback reimbursement per semester credit hour (line 14 less lines 16, 17 and 18)	<u>\$ 342.14</u>

Approved:


Chief Fiscal Officer

October 17, 2018

Date

Approved:


Chief Executive Officer

October 17, 2018

Date

INDEPENDENT AUDITOR'S REPORT ON STATE GRANT PROGRAMS FINANCIAL STATEMENTS

The Board of Trustees
William Rainey Harper College
Community College District No. 512

Report on the Financial Statements

We have audited the accompanying balance sheets of the William Rainey Harper College, Community College District No. 512 (the "College"), State Adult Education (State Basic and State Performance) and Career and Technical Education – Program Improvement Grant ("Grant Programs") as of June 30, 2018 and the related statements of revenues, expenses, and changes in net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Grant Programs' 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the guidelines of the Illinois Community College Board's *Fiscal Management Manual*. Those standards 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 auditor's 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 College'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 College'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College's State Adult Education (State Basic and State Performance) and Career and Technical Education – Program Improvement Grant Programs as of June 30, 2018, and the respective 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.

Emphasis of Matter

As stated in Note 1, the financial statements present only the College's Grant Programs and do not purport to, and do not, present fairly the financial position of the College, as of June 30, 2018, the changes in its financial position, or where applicable, its cash flows 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 Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grant Programs' financial statements. The ICCB Compliance Statement on page 104 is presented for purposes of additional analysis and is not a required part of the financial statements.

The ICCB Compliance Statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the ICCB Compliance Statement is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2018 on our consideration of Grant Programs' 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 results 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 the Grant Program's internal control over financial reporting and compliance.



Crowe LLP

Oak Brook, Illinois
October 17, 2018

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
STATE GRANT PROGRAM FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Harper College
Community College District No. 512

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 and the guidelines of the Illinois Community College Board *Fiscal Management Manual*, the financial statements of William Rainey Harper College (“College”), State Adult Education (State Basic and State Performance) and Career and Technical Education – Program Improvement Grant Programs (“Grant Programs”) which comprise the balance sheets as of June 30, 2018, the related statements of revenues, expenses, and changes in net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Grant Programs’ financial statements and have issued our report thereon dated October 17, 2018. The financial statements present only the College’s Grant Programs and do not purport to, and do not, present fairly the financial position of the College, as of June 30, 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College’s internal control over financial reporting (“internal control”) of the Grant Programs to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control of the Grant Programs. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control of the Grant Programs.

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 Grant Program’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.

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 the Grant Program's financial statements are free of 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 over financial reporting and compliance of the Grant Programs and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance of the Grant Programs. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance of the Grant Programs. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Oak Brook, Illinois
October 17, 2018

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

State Adult Education Grant Program

Balance Sheet

June 30, 2018

	State Basic	State Performance	Total
Current Assets – Accounts Receivable	<u>\$ 93,573</u>	<u>\$ 67,325</u>	<u>\$ 160,898</u>
Current Liabilities –Due to other funds	<u>\$ 93,573</u>	<u>\$ 67,325</u>	<u>\$ 160,898</u>
Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 93,573</u>	<u>\$ 67,325</u>	<u>\$ 160,898</u>

See accompanying notes to state grant programs financial statements.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

State Adult Education Grant Program
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2018

	State Basic	State Performance	Total
Operating revenue – state source	\$ 551,980	\$ 276,030	\$ 828,010
Operating expenses by program:			
Instructional and student services:			
Instruction	280,720	51,157	331,877
Guidance services	—	31,545	31,545
Assessment and testing	—	18,656	18,656
Child care services	—	36,721	36,721
Subtotal instructional and student services	280,720	138,079	418,799
Program support:			
Improvement of instructional services	—	11,735	11,735
General administration	—	22,818	22,818
Data & information services	—	12,000	12,000
Workforce coordination	—	17,343	17,343
Subtotal program support	—	63,896	63,896
Total operating expenses	280,720	201,975	482,695
Change in net position	271,260	74,055	345,315
Net position, beginning of year	(271,260)	(74,055)	(345,315)
Net position, end of year	\$ —	\$ —	\$ —

See accompanying notes to state grant programs financial statements.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

ICCB Compliance Statement for State Adult Education Grant Program

Expense Amount and Percentages for ICCB Grant Funds Only

Year ended June 30, 2018

	<u>Audited expense amount</u>	<u>Actual expense percentage</u>
State Basic:		
Instruction (45% minimum required)	\$ 280,720	100.00%
General administration (15% maximum allowed)	—	0.00%

See accompanying independent auditor's report on state grant programs financial statements.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Career and Technical Education – Program Improvement Grant Program

Balance Sheet

June 30, 2018

Current Assets – cash	\$ <u> — </u>
Current Liabilities – Accrued expenses	\$ <u> </u>
Net Position	<u> </u>
Total liabilities and net position	\$ <u> </u>

See accompanying notes to state grant programs financial statements.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Career and Technical Education – Program Improvement Grant Program

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2018

Operating revenue – state source	\$ <u>57,643</u>
Operating expenses	
Employee services	11,806
Contractual services	614
Materials and supplies	1,744
Conference & meeting expense	6,747
Instructional equipment	<u>36,732</u>
Total operating expenses	<u>57,643</u>
Change in net position	—
Net position, beginning of year	<u>—</u>
Net position, end of year	\$ <u><u>—</u></u>

See accompanying notes to state grant programs financial statements.

**WILLIAM RAINEY HARPER COLLEGE –
COMMUNITY COLLEGE DISTRICT NO. 512**

Notes to State Grant Programs Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

(a) General

The accompanying statements include only those transactions resulting from the State Adult Education (State Basic and State Performance) Grant and are not intended to present the financial position or changes in financial position of the William Rainey Harper College – Community College District No. 512 (the College). These transactions have been accounted for in a Restricted Purposes Fund.

(b) Basis of Accounting

The statements have been prepared on the accrual basis. Expenses include all accounts payable representing liabilities for goods and services actually received as of June 30, 2018. Unexpended funds are reflected as a reduction to net position and a liability due to the ICCB by October 15.

(c) Capital Assets

Capital assets are reported at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. The College's capitalization policy on renovations to buildings, infrastructure, and land improvements includes projects greater than \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 10 to 20 years for building improvements, 15 to 20 years for land improvements, and 3 to 10 years for equipment.

No items were identified in the current year.

(2) Background Information on State Grant Activity

(a) Unrestricted Grants

Base Operating Grants

General operating funds provided to colleges based upon credit enrollment with a small portion of the allocation based upon gross square footage of space at the College.

**WILLIAM RAINEY HARPER COLLEGE –
COMMUNITY COLLEGE DISTRICT NO. 512**

Notes to State Grant Programs Financial Statements

June 30, 2018

(b) *Restricted Grants/Special Initiatives*

Career and Technical Education – Program Improvement Grant

Grant funding recognizes that keeping career and technical programs current and reflective of the highest quality practices in the workplace is necessary to prepare students to be successful in their chosen careers and to provide employers with the well trained workforce they require. The grant funds are dedicated to enhancing instruction and academic support activities to strengthen and improve career and technical programs and services.

(c) *Restricted Adult Education Grants/State*

State Basic

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, and 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 child care facilities or provision.

State Performance

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

(3) State of Illinois Budget

On July 6, 2017, the State of Illinois General Assembly passed Public Act 100-0021, authorizing several appropriations for costs incurred through June 30, 2017. The College has recognized these amounts as revenues in its fiscal year 2018 due to the fact that the appropriations did not exist at the date of the fiscal year 2017 financial statements. The additional amounts recognized as revenue in fiscal year 2018 are:

State Basic Grant	\$ 271,260
State Performance Grant	<u>74,055</u>
Total	<u><u>\$ 345,315</u></u>

INDEPENDENT ACCOUNTANT'S REPORT ON THE SCHEDULE OF ENROLLMENT DATA AND
OTHER BASES UPON WHICH CLAIMS ARE FILED

The Board of Trustees
William Rainey Harper College
Community College District No. 512

We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed, of William Rainey Harper College, Community College District No. 512 (the "College") for the year ended June 30, 2018. The College's management is responsible for the Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed in accordance with the guidelines of the Illinois Community College Board's *Fiscal Management Manual*. Our responsibility is to express an opinion on the schedule based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed referred to above is presented in accordance with the guidelines of the Illinois Community College Board's *Fiscal Management Manual* in all material respects.

In accordance with Government Auditing Standards, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain

findings that are required to be reported under Government Auditing Standards and those findings, along with the views of responsible officials, are described in the attached Schedule of Findings.

The supplementary information on pages 114 – 115 has not been subjected to the examination procedures applied in the examination of the Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed, and accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid, with the "LLP" part being more compact and stylized than the "Crowe" part.

Crowe LLP

Oak Brook, Illinois
October 17, 2018

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Schedule of Findings
Year Ended June 30, 2018

Finding No. 1

Criteria:

Unrestricted and Restricted claims impacts future college funding since this information determines unrestricted and restricted grant calculations. As a result, semester credit hours are to be reported accurately on the SU and SR records to the Illinois Community College Board. The total credit hours reported on the SU and SR records were derived from the midterm class lists that include the number of students to report.

Condition:

During our testing, errors were identified in the original sample of 25 classes. Based on those errors an additional 15 classes were selected with the selections being targeted to the types of classes that had errors in the original sample. This resulted in a total population of 40 classes. Below is a summary of the errors identified from the 40 classes:

- 5 classes had errors in reporting as restricted or unrestricted within the SU and SR records.
- 2 classes had errors in the number of students reported which results in the hours being incorrect in the SU and/or SR records.

Cause:

There was no centralized review of information on the SU and SR reports before submission to the Illinois Community College Board.

Effect or Potential Effect:

Incorrect reporting of credit hours could result in improper funding in subsequent years.

Views of Responsible Officials:

The College agrees with the audit finding, and put in place additional verification and review process for the proper coding and reporting of these classes. The reporting to ICCB for fiscal year 2018 has been corrected and resubmitted.

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Schedule of Enrollment Data and Other Bases
upon Which Claims Are Filed

Year ended June 30, 2018

Total semester credit hours by term (in-district and out of district reimbursable)								
Summer		Fall		Spring		Total		
Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	
Categories:								
Baccalaureate	23,228.0	—	79,344.0	—	76,675.0	—	179,247.0	—
Business occupational	1,386.0	—	6,932.5	—	8,447.5	—	16,766.0	—
Technical occupational	1,147.5	—	6,819.5	—	8,630.5	—	16,597.5	—
Health occupational	1,983.0	—	6,948.0	—	8,249.5	—	17,180.5	—
Remedial developmental	1,251.0	—	5,317.0	—	4,515.0	—	11,083.0	—
Adult basic/secondary education	373.0	800.5	1,296.0	3,693.5	1,468.5	3,586.0	3,137.5	8,080.0
Total	29,368.5	800.5	106,657.0	3,693.5	107,986.0	3,586.0	244,011.5	8,080.0
		Attending in-district	Attending out-of-district on chargeback or cooperative/contractual agreement	Total				
Reimbursable semester credit hours (all terms)		219,626.5	2,455.0	222,081.5				
District prior year equalized assessed valuation				\$ 19,158,829,072				
Signatures	/s/ Dr. Kenneth L. Ender Chief Executive Officer (CEO)			/s/ Dr. Ronald N. Ally Chief Financial Officer (CFO)				

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Schedule of Enrollment Data and Other Bases
upon Which Claims Are Filed

Year ended June 30, 2018

Reconciliation of semester credit hours			Reconciliation of semester credit hours			
	Total unrestricted credit hours verified	Total unrestricted credit hours certified by ICCB	Difference	Total restricted credit hours verified	Total restricted credit hours certified by ICCB	Difference
Categories:						
Baccalaureate	179,247.0	179,247.0	—	—	—	—
Business occupational	16,766.0	16,766.0	—	—	—	—
Technical occupational	16,597.5	16,597.5	—	—	—	—
Health occupational	17,180.5	17,180.5	—	—	—	—
Remedial developmental	11,083.0	11,083.0	—	—	—	—
Adult basic education/adult secondary education	3,137.5	3,137.5	—	8,080.0	8,080.0	—
Total	244,011.5	244,011.5	—	8,080.0	8,080.0	—
Reconciliation of in-district/chargeback and cooperative/contractual agreement credit hours						
	Total attending	Total attending as certified to the ICCB	Difference			
Reimbursable in-district residents	219,626.5	219,626.5	—			
Reimbursable out-of-district on chargeback or contractual agreement	2,455.0	2,455.0	—			
Total	222,081.5	222,081.5	—			
	Total reimbursable	Total reimbursable certified to the ICCB	Difference			
Dual credit	15,566.0	15,566.0	—			
Dual enrollment	609.0	609.0	—			
Total	16,175.0	16,175.0	—			

See independent accountant's report on the schedule of enrollment data and other bases upon which claims are filed.

**WILLIAM RAINEY HARPER COLLEGE –
COMMUNITY COLLEGE DISTRICT NO. 512**

Residency Verification for Enrollment

June 30, 2018

RESIDENCY VERIFICATION PROCESS

Students enrolling at Harper College are classified as Resident, Non-Resident, Out-of-State or International for tuition and fee purposes. The Registrar's Office is responsible for maintaining, updating and documenting student addresses for residency and tuition calculation purposes. Proof of residency is required at the time of registration and acceptable proof of residence can include the following documents:

Driver's license
Voter's registration card
Library card
Lease agreement
Utility bill
Tax bill

Residency requirements for tuition and fee and state funding purposes are as follows:

Resident

A student, who has resided within Illinois and the Harper College District 512, thirty days immediately prior to the start of the term, is eligible to be classified as a resident student for tuition calculation purposes. These communities are considered part of the Harper College District:

Arlington Heights, Barrington, Barrington Hills, Buffalo Grove+, Carpentersville+, Deer Park+, Des Plaines+, Elk Grove Village, Fox River Grove+, Hanover Park+, Hoffman Estates+, Inverness, Lake Barrington, Mount Prospect, North Barrington, Palatine, Prospect Heights, Rolling Meadows, Roselle+, Schaumburg, South Barrington, Tower Lakes, Wheeling. +Portions of these communities are included in the district.

Residency requirements may differ for limited enrollment programs admission.

Permanent Resident

A permanent resident is defined as an individual who:

- A.) is a citizen of the United States or has established permanent residence (holds an I-551 alien registration card) AND
- B.) resides in the Harper College district for reasons other than attending Harper College.

The Admissions Office shall make the final determination of permanent residency status in relation to the selection process for limited enrollment programs.

Non-Resident

A student who has resided in Illinois, but outside the Harper district, for thirty days immediately prior to the start of the term shall be classified as a non-resident student.

**WILLIAM RAINEY HARPER COLLEGE –
COMMUNITY COLLEGE DISTRICT NO. 512**

Residency Verification for Enrollment

June 30, 2018

Out-of-State

A student who resided in Illinois for less than thirty days immediately prior to the start of the term shall be classified as an out-of-state student. Students who move outside the state or district and who obtain residence in the state or Harper district for reasons other than attending the community college shall be exempt from the thirty day requirement if they demonstrate through documentation a verifiable interest in establishing permanent residency. The Registrar's Office shall make the final determination of residency status for tuition purposes.

Chargebacks and Joint Agreements

Resident students desiring to pursue a certificate or degree program not available through Harper College may apply for chargeback tuition if they attend another public community college in Illinois which offers that program. Students approved for chargeback will pay the resident tuition of the receiving institution; the Harper College District will reimburse the college for the remainder of the non-district tuition cost. Application for chargeback tuition must be made in the Office of the Registrar 30 days prior to the beginning of the term in which the student wishes to enroll.

Business Edvantage

Non-resident students employed full-time by companies within the Harper College District may be eligible for a tuition reduction based on their employer's participation in the program. Students employed by participating companies receive a form directly from their employer, present work identification or a payroll stub to the Registrar's Office for tuition adjustment. Forms must be submitted for each term of enrollment.

Student Record Updates – Address Changes

The Registrar's Office maintains student addresses for residency purposes, telephone numbers for College use, student major area of study for advising purposes, and corrects social security number errors. Address, phone and major area of study updates will be accepted by e-mail but students will be required to provide documentation before receiving resident tuition. Social security number changes also require documentation.

**INDEPENDENT AUDITOR'S 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***

The Board of Trustees
Harper College
Community College District No. 512

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 discretely presented component unit of William Rainey Harper College (the "College") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 17, 2018. Our report includes a reference to other auditors who audited the financial statements of the William Rainey Harper College Educational Foundation (the "Foundation"), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the College'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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.

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 the College's financial statements are free of 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 over financial reporting and compliance and the results 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.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Oak Brook, Illinois
October 17, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
William Rainey Harper College
Community College District No. 512

Report on Compliance for Each Major Federal Program

We have audited William Rainey Harper College, Community College District No. 512's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2018. The College's major federal program is identified in the summary of auditor's 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College'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). Those 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 College'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 the major federal program. However, our audit does not provide a legal determination of College's compliance.

Opinion on the Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the College 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 College's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 College'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 17, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid, with the "LLP" part being more compact and stylized.

Crowe LLP

Oak Brook, Illinois
October 17, 2018

**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**
Schedule of Expenditures of Federal Awards
as of June 30, 2018

Federal grantor/pass through grantor/program title	Project/grant number	Federal CFDA number	Federal expenditures
U. S. Department of Defense Armed Forces	N/A	12.000	\$ 6,341
U.S. Department of Labor:			
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	TC237951260A17	17.282	28,559
American Apprenticeship Initiative	AP280331560A17	17.268	717,092
Total Department of Labor			<u>745,651</u>
Small Business Administration:			
Passed through Illinois Department of Commerce Small Business Development Centers	17-181112	59.037	38,793
Small Business Development Centers	18-561112	59.037	5,555
Total Small Business Administration			<u>44,348</u>
U.S. Department of Veterans' Affairs: Vocation Rehabilitation for Disabled Veterans	N/A	64.116	20,571
National Science Foundation Passed through Rochester Institute of Technology Technological Education Center for Deaf and Hard of Hearing Students	RIT31575-01	47.076	70,833
U.S. Department of Education:			
Title III Strengthening Institutions Program Grant	P031A140104	84.031A	429,059
Passed through Illinois Community College Board Adult Education – Basic Grant	F5120118	84.002	215,425
Adult Education – National Leadership Activities – EL Civics Grant	F5120118	84.002	31,035
Total Adult Education			<u>246,460</u>
Career and Technical Postsecondary Adult Education	CTE51217	84.048	446,758
Student Financial Assistance Program Cluster:			
Federal Supplemental Educational Opportunity Grant Program	P007A161317	84.007	181,819
Federal Direct Student Loans Program	P268K172465	84.268	85,130
Federal Direct Student Loans Program	P268K182465	84.268	4,943,554
Federal Work Study Program	P033A161317	84.033	5,901
Federal Work Study Program	P033A171317	84.033	173,268
Federal Pell Grant Program	P063P162465	84.063	19,229
Federal Pell Grant Program	P063P172465	84.063	13,043,066
Total Student Financial Assistance			<u>18,451,967</u>
Passed through Illinois Department of Human Services: Rehabilitation Services – ORS Third Party Agreement	46CWF00252	84.126	1,250
Rehabilitation Services – Vocational Rehabilitation	Not Available	84.126	330,156
Total Rehabilitation Services			<u>331,406</u>
Total Department of Education			<u>19,905,650</u>
Total Federal Expenditures			\$ <u><u>20,793,394</u></u>

See accompanying notes to schedule of expenditures of federal awards.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Notes to Schedule of Expenditures of Federal Awards

Year Ending June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of William Rainey Harper College (the "College") under programs of the federal government for the year ended June 30, 2018. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Basis of Accounting and Cost Principles:

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Federal Student Loan Programs:

Federally guaranteed loans issued to students of the College by financial institutions under the Federal Direct Loan Program were \$5,028,684 during the year ended June 30, 2018.

Subrecipients:

Of the federal expenditures presented in the Schedule, the College did not provide any federal awards to subrecipients.

Non-Cash Assistance:

The College had no non-cash assistance during the year.

Federal Insurance:

The College had no Federal Insurance in force during the year.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Schedule of Findings and Questioned Costs

Year Ending June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial
statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes ✓ No

Significant deficiency(ies) identified?

_____ Yes ✓ None Reported

Noncompliance material to financial statements noted?

_____ Yes ✓ No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ Yes ✓ No

Significant deficiency(ies) identified?

_____ Yes ✓ None Reported

Type of auditor's 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)

_____ Yes ✓ No

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Schedule of Findings and Questioned Costs

Year Ending June 30, 2018

Section I - Summary of Auditor's Results (Continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Department of Education
	Student Financial Assistance Program Cluster:
84.007	Federal Supplemental Educational Opportunity Grant Program
84.268	Federal Direct Student Loans Program
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program

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

Auditee qualified as low-risk auditee? ✓ Yes No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2018.

Section III - Federal Award Findings

There were no findings for the year ended June 30, 2018.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Schedule of Prior Year Findings and Questioned Costs

Year Ending June 30, 2018

There were no findings for the year ended June 30, 2017.