

William Rainey Harper College
Community College District #512
Palatine, Illinois
harpercollege.edu

**building
community
through
student
success**



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015 and 2014

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

Palatine, Illinois

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2015 and 2014

(With Independent Auditor's Report Thereon)

Prepared by:

Accounting Services

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

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September 9, 2015

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, 2015, 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 Horwath 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. Within a matter of days after the legislation passed, 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.

Throughout its history, Harper has had a record of monumental 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 2015 school year, the College enrolled approximately 25,000 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. First floor space includes a Black Box theatre for instructional use and 3-D art studios devoted to ceramics, sculpture, stagecraft, and metal work. The two buildings were part of a building phase that also included renovation plans in existing buildings. Building F was completely renovated in 1994 – 95 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. Occupancy was taken in the spring and fall of 1995. 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.

The College approved a new Campus Master Plan in 2011. The plan outlines a comprehensive ten-year program to renovate the campus to meet the needs of 21st century teaching and learning.

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.

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 2015 is 10,229. The College has 759 full-time employees, which includes 238 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 a fully accredited institution of higher education and is accredited by the Higher Learning Commission of the North Central Association of Colleges and Secondary Schools (NCA). In addition, many of the programs are accredited by their respective national associations.

College Philosophy, Mission, and Vision

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.

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

Committed to academic integrity and excellence, Harper College will be a leader in teaching and learning, transforming lives by responding to the needs of the individual and the community.

Major Initiatives

Harper College has long distinguished itself through its efforts to serve students and place emphasis on teaching and learning. Innovations in curriculum, teaching strategies, and support services for students are hallmarks of the College. 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 applied for and received a \$2 million Title III grant through the Department of Education's Strengthening Institutions Program.

The goal of this grant is to strengthen and increase the capacity of college technology and personnel to provide improved student engagement, tracking, communications, success, retention and completion.



The grant objectives are to:

1. To strengthen academic and student support services and experiences for degree seeking students.
2. To strengthen early educational experiences and support services for high-need students.
3. To strengthen and increase the capacity of academic and student support technology infrastructure and communications systems.
4. To conduct a professional development program for faculty, staff and administrators.

Capital Project Priorities

In the fall of 2008, Harper College passed a \$153.6 million capital bond referendum. In order to properly steward these funds, the Campus Master Plan was updated in 2010 to provide a comprehensive vision for the Harper College physical plant through 2020. The Master Plan was designed to achieve the following four strategic goals: a more effective and welcoming campus, space for academic programs to meet current and future needs, space for student services to meet current and future needs, and cost effectiveness. Current Master Plan projects provided for in the capital budget are renovations for Phase II of the Building D, Canning Center, the Library, and Building M.

The Operations and Maintenance (Restricted) Fund, which includes proceeds from the referendum has begun to address much needed infrastructure projects. The budget for FY 2016 includes planned infrastructure projects of \$15.5 million.

	Project Estimated Cost	FY 16 Budget Request
Building Integrity	\$ 554,200	\$ 476,280
Sustainability	198,000	50,000
Renewal	1,008,280	622,700
Program Support	212,440,089	66,031,390
Safety and Statutory	20,982,265	5,044,365
System Reliability	16,665,100	11,741,300
Contingency		1,000,000
Total Capital Projects	\$ 251,847,934	\$ 84,966,035

As the table above shows, the FY 2016 capital projects budget requests total \$85 million. This includes \$66 million in 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, while provided for in the budget, are currently on hold until further notice from the State.

- Construction of the new Canning Center - Currently in the construction document review phase, the FY 2016 budgeted project cost is \$30 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 2016 budgeted project cost is \$0.3 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.

In addition to the above two projects, Program Support also includes \$22.0 million for Phase 2 of the Building D Renovation and Additions project, which is being fully funded by the College.

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, 2015, 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

Through our experiences over the last five years, we recognize the importance of intentionally engaging students and bringing our strategic initiatives to scale as part of a concerted effort to increase college completion rates going forward. In an era of changing student profiles, shrinking revenues and greater accountability, meeting this challenge requires singular focus. Harper College must ensure that every effort made, every dollar allocated, every policy set, and every initiative implemented will make success and completion a reality for large numbers of our students. As such, our new plan will continue our focus on student success through the strategic directions of Inclusion, Engagement and Achievement. It is critical that all of our employees are involved in welcoming and giving individual attention to our students through their general experience on campus and the onboarding process. Additionally, each student will need to be engaged in the classroom as well as outside the classroom. Whether it is through a stimulating classroom simulation, student club, supplemental instruction or a pickup basketball game, we need to be intentional about helping all of our students connect with the College, both academically and socially. All of our efforts are grounded in increasing the number of students who complete credentials, or Finish. This simple yet powerful theme is critical to our community's and nation's success.

Long-Term Financial Planning

The College devotes considerable time and resources to long range strategic and operational planning as described in the planning section of this document. 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.

The earliest versions of this model were implemented in 1996, and focused primarily on the Education Fund. A review of the data from this model made it apparent the College would need to collectively begin to work on interventions on both the revenue and expenditure side or the College would rapidly use up current resources. The model helped the College and Board to see the need for a consistent and long term tuition philosophy.

The above is just one example of how the financial forecasting model provides insight for key financial decisions. Beginning with the fiscal year 2012 financial planning process, the College switched from a three-year Education Fund model to a five-year all funds forecasting model to better understand the long range impact of these decisions.

Debt Administration

The statutory debt limit based on the property tax assessed valuation totals \$483.7 million. The current indebtedness totals \$170.9 million leaving a substantial margin for additional debt, as determined by the assessed valuation and the current property taxes. Current indebtedness is due to five 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 the annual tuition and per credit hour fee increases to a maximum of the change in the annual December Consumer Price Index (CPI-U) rate plus 2%, but not to exceed either 5% of total tuition and fees or the Illinois statutory limitation.

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, 2014. This was the fifth 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 Horwath LLP was selected by the College's Board of Trustees to conduct the fiscal year 2015 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



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, 2014

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
Walt Mundt	Vice Chair	2017
Nancy Robb	Secretary	2021
James Gallo	Trustee	2017
Diane Hill	Trustee	2021
William Kelley	Trustee	2021
Pat Stack	Trustee	2019
Joseph Haynes	Student Trustee	2016

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	Senior Executive to the President and Vice President for Workforce Development and Strategic Alliances
Judith Marwick, Ed.D	Provost
Sheila Quirk-Bailey, DM	Chief of Staff and Vice President for Institutional Effectiveness and Planning

OFFICIALS ISSUING THE REPORT

Ronald Ally, Ed.D	EVP Finance and Administrative Services
Bret Bonnstetter	Controller

DEPARTMENT ISSUING THE REPORT

Sue McNeilly	Assistant Controller
Laurie Dietz	Budget/Accounting and Operational Analysis Manager

INDEPENDENT AUDITORS' 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 discretely presented component unit of William Rainey Harper College, Community College District No. 512 (the "College"), as of and for the years ended June 30, 2015 and 2014, 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 audits. We did not audit the financial statements of the William Rainey Harper College Educational 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 audits 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 audits and the report of the 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, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In June 2012 the GASB issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". Statements 68 and 71 are effective for the College's fiscal year ending June 30, 2015. These Statements replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and Statement No. 50, "Pension Disclosures." Statements 68 and 71 establish standards for measuring and recognizing liabilities, deferred outflows or resources, deferred inflows of resources and expenses as well as identifies 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 pensions are also addressed. 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 audits were 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 September xx, 2015 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.

Crowe Horwath LLP

Oak Brook, Illinois
September xx, 2015

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014
(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 years ended June 30, 2015 and 2014. 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, generally considered an upper middleclass residential area, 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 25,000 credit students and 12,000 students in continuing education (noncredit) classes.

Harper uses a conservative approach to financial and budget processes, which has been critical to the ongoing financial health of the College in light of limited state funding and unfunded mandates imposed by the state. As a result of conservative budgeting and spending, the College has realized an increase in net position in each of the past thirteen fiscal years and experiences lower interest rates when borrowing due to its Moody's Aaa bond rating.

The College consists of 24 facilities with a combined 1.6 million gross square feet. With the 2008 referendum and the resulting bond funds, the College is investing in needed infrastructure maintenance projects and capital projects to support the growth and future needs of the College.

Accreditations

In 2007, the Higher Learning Commission (HLC) of the North Central Association (NCA) again awarded the College full accreditation for all programs for the maximum ten years. Accreditation by a regional organization, such as the 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

WILLIAM RAINEY HARPER COLLEGE
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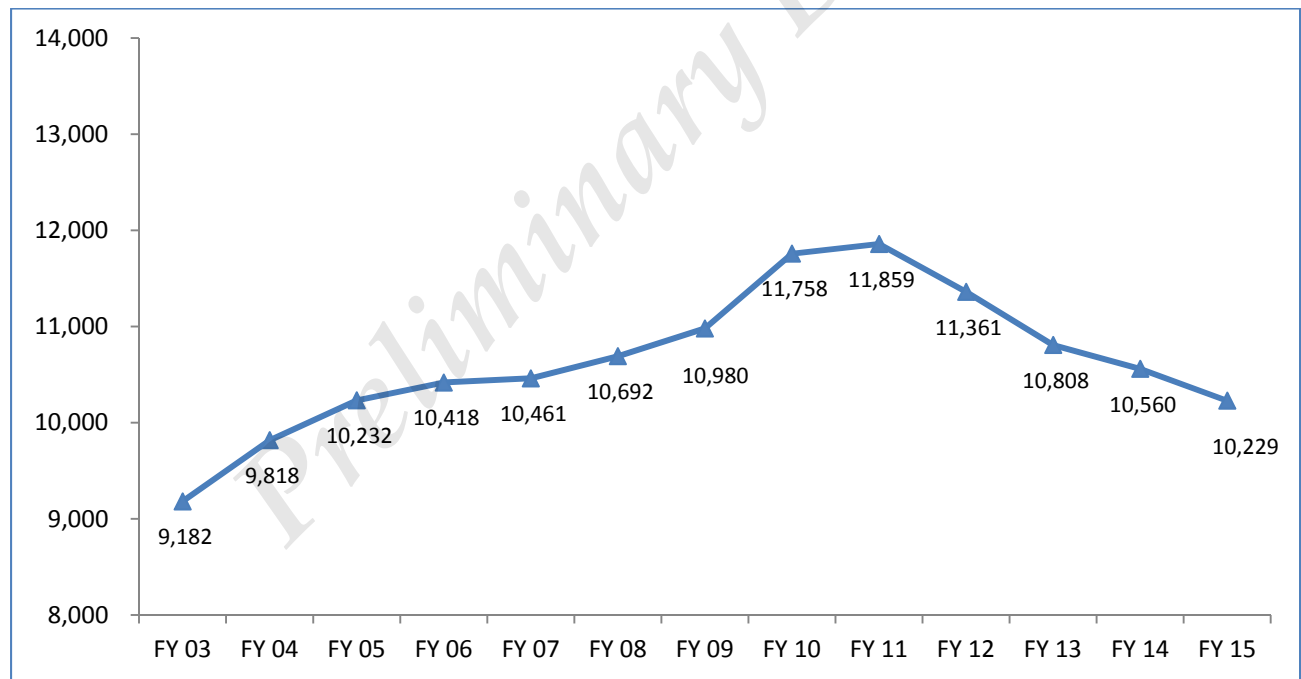
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financial aid and transfer of credits to other institutions. This accreditation status leads the way to another ten years of continuing quality service to the students of our community.

Enrollment

In 1967, Harper College opened with an enrollment of about 1,700 students. Today the College's enrollment stands at approximately 42,000 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 (formerly Northeast 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 2015 from the levels of fiscal year 2014, from 278,566 to 271,027. The total credit hours decreased by 3.1% from 316,745 in fiscal year 2014 to 306,860 in fiscal year 2015. The full time equivalents (FTEs) decreased to 10,229 for fiscal year 2015 from 10,560 in fiscal year 2014, although headcount (the actual number of students attending the College at any point in time) decreased 2.1% during the same period of time. Total credit hours are budgeted to increase 0.8% in fiscal year 2016.



The chart above reflects credit full-time equivalents from fiscal years 2003 through 2015.

In fiscal year 2015, Harper College faculty brought 150 curriculum changes to the Curriculum Committee. The changes included seven new certificates: Tax Accounting Assistant, Family Child Care I, Family Child Care II, Geographic Information Systems, Magnetic Resonance Imaging, Medical Corpsman to Practical Nurse, and Community Health Worker. Many new courses were attached to these new programs. The College also revised several certificates to become financial aid eligible.

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With these changes, the College now has 40 associate degree programs (33 career) and 107 certificates. The College continues to modify the curriculum, develop new programs and expand the educational options for its students and the community.

The number of formal transfer partnerships has increased to 158, involving 52 institutions.

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 Hospital was awarded to the College in 2010. The College was re-accredited by the Higher Learning Commission for a 10 year period in 2007.

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 still remains lower than fiscal year 2002 levels.

Fiscal years:	State Funding	State Funding as percentage of 2002
2002	\$ 8,115,240	100.00%
2003	7,552,401	93.06
2004	6,997,311	86.22
2005	6,535,708	80.54
2006	6,506,656	80.18
2007	6,651,640	81.96
2008	6,867,068	84.62
2009	6,956,282	85.72
2010	7,019,798	86.50
2011	6,469,554	79.72
2012	6,469,554	79.72
2013	6,478,413	79.83
2014	6,545,938	80.66
2015	6,864,994	84.59

State appropriations increased \$319,056 from fiscal year 2014 to fiscal year 2015. This was offset by the College having to absorb approximately \$330,000 in fiscal year 2015 for unfunded state veterans' programs. Since fiscal year 2003 the cost to the College for this now unfunded mandate totals \$2.7 million. State appropriations for fiscal year 2016 are unknown at this time.

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The percentage of the College's funding provided by the State of Illinois, as measured by the per capita costs, was 4.5% for both fiscal year 2015 and 2014. Little to no change is expected in fiscal year 2016. 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 union and administrator contracts and procedures to mitigate the impact.

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, deferred inflows of resources and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The difference between total assets, deferred outflows of resources, deferred inflows of resources and total liabilities 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.

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Assets, deferred outflows of resources, deferred inflows of resources 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, 2015, 2014, and 2013 is as follows:

Summary of Net Position
June 30, 2014, 2013, and 2012

	2015	2014	2013
Current assets	\$ 151,277,637	179,221,497	183,351,811
Noncurrent assets:			
Restricted cash and investments	141,024,296	136,747,109	156,363,584
Capital assets, net of depreciation	205,525,175	179,415,302	136,979,718
Other	475,963	1,702,862	1,483,300
Total assets	498,303,071	497,086,770	478,178,413
Deferred outflows of resources	26,945	54,954	102,163
Total assets and deferred outflows of resources	498,330,016	497,141,724	478,280,576
Current liabilities	40,637,446	42,679,791	35,108,999
Noncurrent liabilities	166,428,828	171,771,346	180,927,704
Total liabilities	207,066,274	214,451,137	216,036,703
Deferred inflows of resources	37,538,088	36,634,612	35,427,340
Total liabilities and deferred inflows of resources	244,604,362	251,085,749	251,464,043
Net position:			
Net investment in capital assets	153,043,103	123,232,283	97,471,575
Restricted, expendable	28,146,191	42,580,355	42,799,802
Unrestricted	72,536,360	80,243,337	86,545,156
Total net position	\$ 253,725,654	246,055,975	226,816,533

Net Position – Fiscal Year 2015 compared to 2014

Current assets decreased \$27.9 million. Cash and cash equivalents increased \$7.4 million, and current investments decreased \$29.4 million due to the purchase of capital assets and to holding more cash and cash equivalents. Total accounts receivables outstanding decreased by \$6.0 million. Property taxes assessed but not collected and student accounts receivable, net of an allowance for uncollectible accounts, represent 81% and 12% respectively, or 93%, of total accounts receivable.

Restricted cash and investments increased \$4.3 million in fiscal year 2015 due to holding more cash and cash equivalents given current returns.

Capital assets, net of depreciation, increased \$26.1 million as a result of additions to buildings and building improvements.

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Current liabilities decreased \$2.0 million during the year, primarily due to decreases in unearned tuition of \$2.8 million and accounts payable of \$0.5 million, offset by increases in the current portion of long-term debt of \$1.0 million and \$0.3 million of accrued payroll.

Noncurrent liabilities decreased \$5.3 million. Net long-term debt decreased \$5.7 million as existing debt was paid down, offset by an increase in other post-employment benefits of \$0.3 million.

Net Position – Fiscal Year 2014 compared to 2013

Current assets decreased \$4.1 million. Cash and cash equivalents increased \$13.7 million, and current investments decreased \$18.1 million due to holding more cash and cash equivalents. Total accounts receivables outstanding increased by \$1.4 million. Property taxes assessed but not collected and student accounts receivable, net of an allowance for uncollectible accounts, represent 71% and 19% respectively, or 90%, of total accounts receivable.

Restricted cash and investments decreased \$19.6 million in fiscal year 2014 due to holding more cash and cash equivalents given current returns.

Capital assets, net of depreciation, increased \$42.4 million as a result of construction in progress related to building renovations and additions on campus.

Current liabilities increased \$7.6 million during the year, primarily due to increases in accounts payable of \$5.4 million, current portion of long-term debt of \$1.6 million, deposits held for others of \$0.6 million, reserve for property tax refunds of \$0.4 million, and \$0.2 million of accrued payroll, offset by a decrease of \$0.7 million in unearned tuition.

Noncurrent liabilities decreased \$9.2 million. Net long-term debt decreased \$9.7 million as existing debt was paid down, offset by an increase in other post-employment benefits of \$0.6 million.

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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, 2015, 2014, and 2013 is as follows:

Changes in Net Position			
Years ended June 30, 2015, 2014, and 2013			
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues:			
Tuition and fees, net	\$ 39,483,125	39,867,037	40,545,395
Government grants and contracts	3,143,699	3,371,017	3,695,740
Auxiliary	1,171,863	2,027,524	7,138,149
Other	2,073,418	2,111,283	2,165,114
Total operating revenues	<u>45,872,105</u>	<u>47,376,861</u>	<u>53,544,398</u>
Operating expenses	<u>162,939,859</u>	<u>156,366,823</u>	<u>155,124,634</u>
Net operating loss	<u>(117,067,754)</u>	<u>(108,989,962)</u>	<u>(101,580,236)</u>
Nonoperating revenues and expenses:			
Property and other taxes	73,840,495	72,470,426	69,818,204
Government appropriations, grants, and contracts	48,687,585	45,880,547	43,394,859
Investment income	305,441	1,246,544	295,065
Interest expense	(7,795,756)	(8,185,222)	(8,391,967)
Other	717,799	464,878	791,639
Total nonoperating revenues and expenses, net	<u>115,755,564</u>	<u>111,877,173</u>	<u>105,907,800</u>
State Capital Contributions	<u>8,981,869</u>	<u>16,352,231</u>	<u>881,583</u>
Increase in net position	<u>7,669,679</u>	<u>19,239,442</u>	<u>5,209,147</u>
Net position, beginning of year	<u>246,055,975</u>	<u>226,816,533</u>	<u>221,607,386</u>
Net position, end of year	<u><u>\$ 253,725,654</u></u>	<u><u>246,055,975</u></u>	<u><u>226,816,533</u></u>

Revenues

Total revenues were \$188,860,626, \$194,463,113, and \$179,121,215 in fiscal years 2015, 2014, and 2013, respectively. The single largest revenue source of the College is property taxes. Revenues from property taxes were \$73,840,495, \$72,470,426, and \$69,818,204 in fiscal years 2015, 2014, and 2013, respectively. The second largest revenue source is gross tuition and fees. Gross tuition and fees were \$49,938,457, \$50,538,663, and \$50,940,862 in fiscal years 2015, 2014, and 2013, respectively.

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Revenues – Fiscal Year 2015 compared to 2014

Operating revenues decreased by \$1.5 million primarily due to a \$0.9 million decrease in auxiliary enterprises from the outsourcing of dining services (offset by related reduction in expenditures) and a \$0.6 million decrease in state and local government contracts.

Nonoperating revenues increased by \$3.5 million primarily due to increases in state contributions and appropriations of \$2.8 million, and property taxes of \$1.4 million, offset by decreases in investment income.

Revenues – Fiscal Year 2014 compared to 2013

Operating revenues decreased by \$6.2 million primarily due to a \$5.1 million decrease in auxiliary enterprises from the outsourcing of the bookstore and dining services (offset by related reduction in expenditures) and a \$0.7 million decrease in student tuition and fees.

Nonoperating revenues increased by \$21.2 million primarily due to increases in state contracts of \$17.5 million, property taxes of \$2.7 million, and \$0.9 million in investment income. The increase in property taxes reflects the combination of the higher Consumer Price Index and assessed value of new construction. The state contracts increased from contributions made for construction projects run by the State.

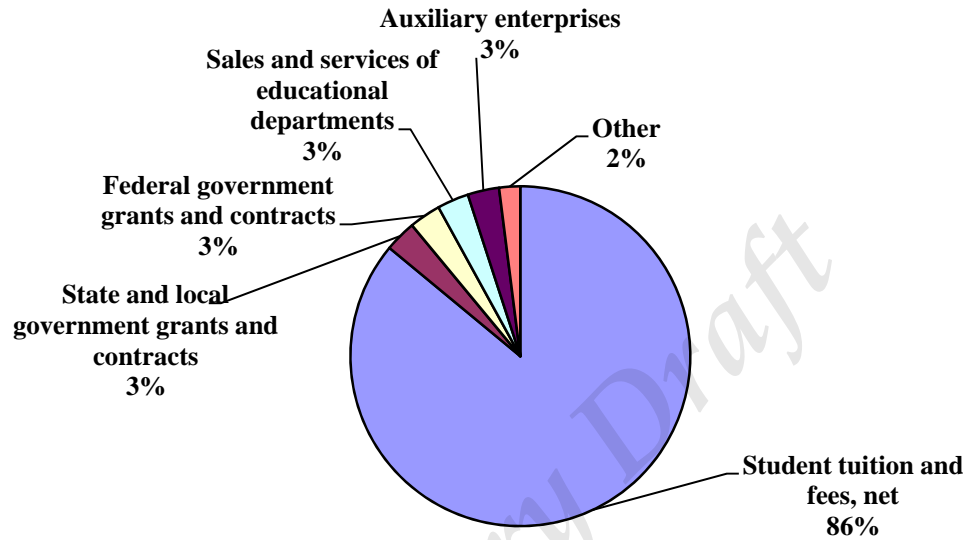
	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Student tuition and fees, net	\$ 39,483,125	39,867,037
State and local government grants	1,560,808	2,155,450
Federal government grants	1,582,891	1,215,567
Auxiliary enterprises	1,171,863	2,027,524
Sales and services of educational departments	1,221,019	1,309,873
Other	852,399	801,410
Total Operating Revenues	<u>\$ 45,872,105</u>	<u>47,376,861</u>

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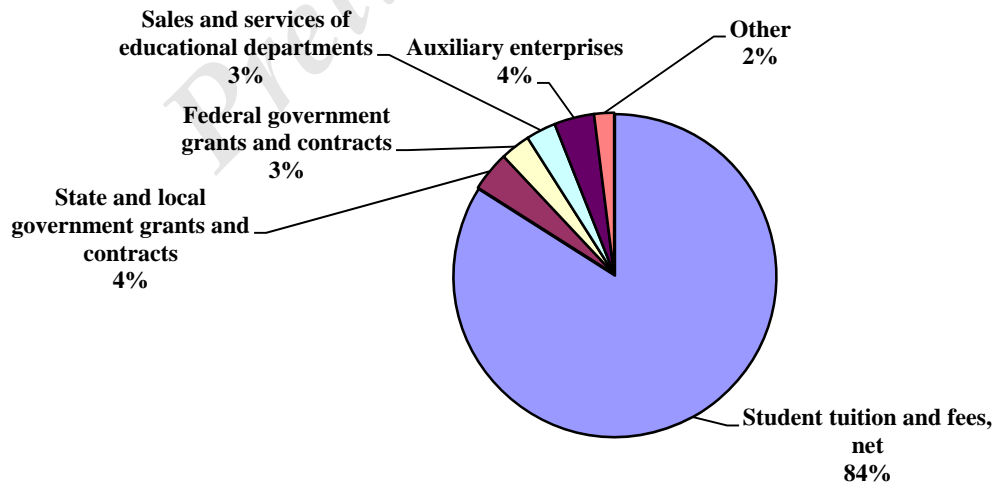
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The following are graphic illustrations of operating revenues by type:

FY 2015 Operating Revenues



FY 2014 Operating Revenues



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Expenses

Total expenses were \$181,190,947, \$175,223,671, and \$173,912,055 in fiscal years 2015, 2014, and 2013 respectively.

Expenses – Fiscal Year 2015 compared to 2014

Operating expenses increased by \$6.0 million, primarily driven by increases of \$3.8 million to salaries and benefits, \$0.5 million in contractual services, and \$3.0 million in other expenditures, offset by decreases in materials and supplies, debt services, and grants and scholarships.

Expenses – Fiscal Year 2014 compared to 2013

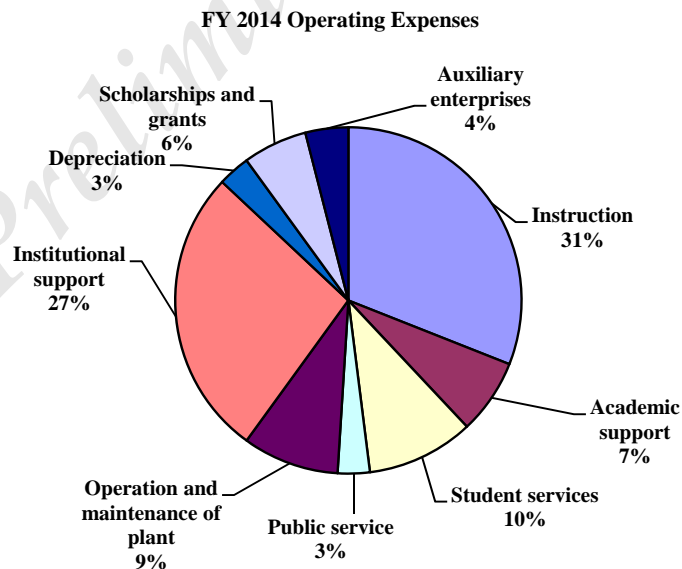
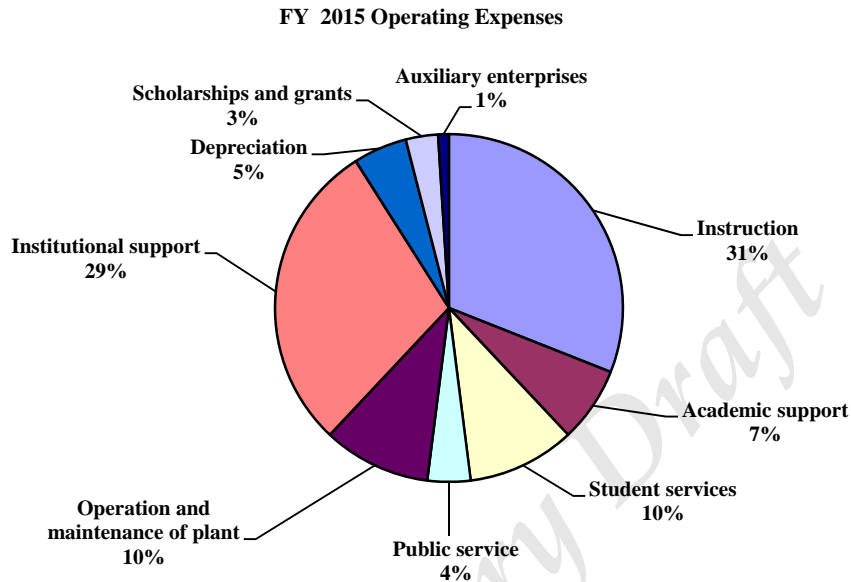
Operating expenses increased by \$1.2 million, primarily driven by increases of \$1.6 million to salaries and benefits, \$1.2 million in contractual services, and \$1.2 million in grants and scholarships, offset by decreases in materials and supplies from outsourcing auxiliary services for bookstore and dining services.

	2015	2014
Operating Expenses:		
Instruction	\$ 50,585,018	49,973,085
Academic support	11,921,798	10,511,574
Student services	16,548,661	15,559,087
Public services	6,162,658	5,469,648
Operation and maintenance	15,777,760	15,676,728
Institutional	47,590,075	44,434,746
Scholarships and grants	5,217,557	5,261,488
Auxiliary enterprises	1,076,849	2,578,381
Depreciation	8,059,483	6,902,086
Total Operating Expense	\$ <u>162,939,859</u>	<u>156,366,823</u>

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



The College continues to manage its resources and planned expenses within a framework of long range planning and budgeting. Salaries and benefits represent 61% of total expenses for fiscal years 2015 and 2014. Salary costs are determinable for at least the year for all unionized employee groups at the College,

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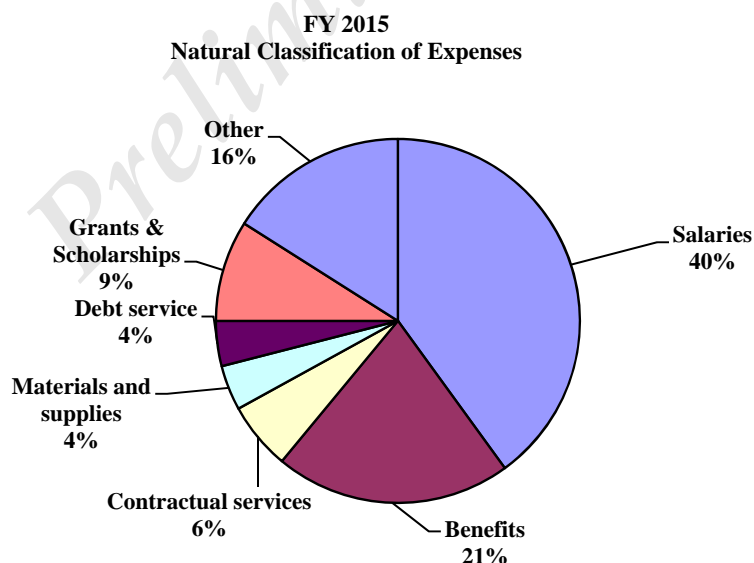
because of negotiated contracts. As in most organizations, the College faces the challenge of funding escalating health care costs. The College has programs in place to mitigate the rising costs.

Retirement payments made by the State on behalf of the College increased by about \$1.5 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.

In addition to the functional classification of expenses, it may be helpful to view expenses by their natural or object classification.

	<u>2015</u>	<u>2014</u>
Natural classification of total expenses:		
Salaries	\$ 72,936,112	71,427,268
Benefits	38,371,651	36,054,992
Contractual services	10,516,733	9,993,226
Materials and supplies	6,484,885	7,108,104
Debt service	7,254,424	7,717,749
Grants & Scholarships	16,659,878	16,992,637
Other	28,967,264	25,929,695
Total	<u>\$ 181,190,947</u>	<u>175,223,671</u>

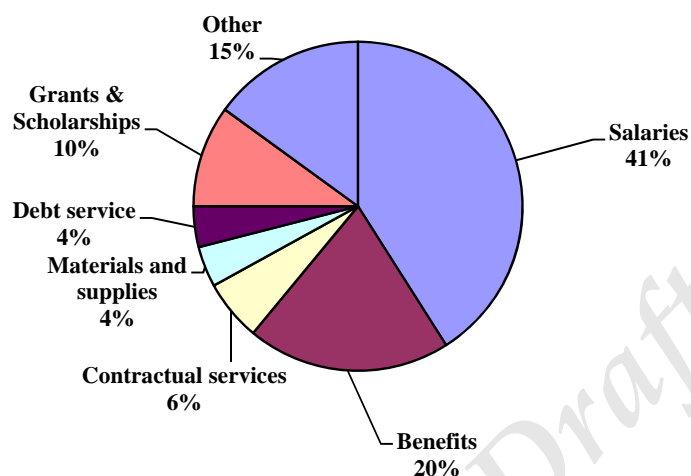
The following is a graphic illustration of expenses by their natural classification:



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**FY 2014
Natural Classification of Expenses**



There are few changes in the relative percentages by natural classification for fiscal year 2015. There was a 1% shift between grants and scholarships and other. Combined, salaries and benefits remained the same.

Capital Assets

**Net Capital Assets
June 30, 2015, 2014, and 2013**

	2015	2014	2013
Capital Assets:			
Land and Improvements	\$ 4,326,007	4,326,007	4,326,007
Buildings and Improvements	257,668,367	218,858,024	212,087,510
Equipment	19,557,631	18,142,789	16,797,215
Construction in Progress	44,988,590	51,044,428	10,060,223
Total Capital Assets	326,540,595	292,371,248	243,270,955
Less Accumulated Depreciation	121,015,420	112,955,937	106,291,237
Net Capital Assets	\$ 205,525,175	179,415,311	136,979,718

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Net Capital Assets – Fiscal Year 2015 Compared to 2014

As of June 30, 2015, the College had net capital assets of \$205.5 million, an increase of \$26.1 million from the prior year. Net capital assets increased primarily due to investments of \$38.8 million in buildings and improvements during the year offset by construction in progress and depreciation on the total capital assets.

Net Capital Assets – Fiscal Year 2014 Compared to 2013

As of June 30, 2014, the College had net capital assets of \$179.4 million, an increase of \$42.4 million from the prior year. Net capital assets increased primarily due to investments of \$47.7 million in construction in progress and building improvements during the year offset by depreciation on the total capital assets.

More detailed information on capital asset activity can be found in Note 4 to the basic financial statement.

Debt Administration

During fiscal year 2015 long term debt obligations decreased \$4.3 million due to existing debt payments of \$9.3 million offset by \$4.9 million in new bonds being issued and additional liability for post-employment benefits. More detailed information on debt obligations are provided in Note 6 to the basic financial statements.

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 \$22.8 million, primarily due to the sales and maturities of investments.

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 fiscal year 2015. 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 are being used primarily for projects identified through the updated campus master plan and capital repair and maintenance.

Budgeted capital projects include approximately \$61.7 million for the Canning Center, a one stop/student center, and \$5.3 million for renovations 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 major capital projects underway include Phase II of the Building D renovations, and preliminary design work on the Library and Building M.

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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 does not expect a change at this time.

The College does not anticipate a substantial change in property tax revenues either. 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 averaged 1.2% and, with the Congressional Budget Office's January 2015 estimate of 1.5% for 2015, revenues will be mostly flat. Further erosion of current tax revenues will come from the continued successful appeals of property assessments.

On the expense side, compensation and benefits comprise the largest portion of the College's expenses. All of the College's five unionized groups have settled contracts through at least FY 2016. The current full-time faculty contract, originally due to end in FY 2015, was extended in May, 2014 for two additional years, through FY 2017.

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 reached.

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
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Business-Type Activities

Statement 1

Statements of Net Position

June 30, 2015 and 2014

Assets	2015	2014
Current assets:		
Cash and cash equivalents (note 2)	\$ 73,131,647	65,771,693
Accounts receivable, net (note 3)	45,199,685	51,156,545
Investments (note 2)	32,016,424	61,419,201
Prepaid expenses and other assets	929,881	874,058
Total current assets	<u>151,277,637</u>	<u>179,221,497</u>
Noncurrent assets:		
Restricted cash and cash equivalents (note 2)	65,334,148	49,895,875
Restricted investments (note 2)	75,690,148	86,851,234
Other long-term investments (note 2)	10,284	1,702,862
Other accrued assets (note 3)	465,679	—
Capital assets, not being depreciated (note 4)	49,314,597	55,370,435
Capital assets, net of accumulated depreciation (note 4)	156,210,578	124,044,867
Total noncurrent assets	<u>347,025,434</u>	<u>317,865,273</u>
Total assets	<u>498,303,071</u>	<u>497,086,770</u>
Deferred Outflow of Resources		
Deferred loss on debt refunding	26,945	54,954
Total deferred outflows of resources	<u>26,945</u>	<u>54,954</u>
Liabilities		
Current liabilities:		
Accounts payable and other liabilities	10,001,720	10,521,839
Reserve for property tax refunds	2,456,745	2,548,399
Accrued payroll and compensated absences (note 5)	4,947,029	4,661,305
Deposits held for others	770,534	632,812
Unearned tuition and other revenue	11,758,603	14,535,051
Other liabilities	113,076	323,596
Worker's Compensation Claims Liability (note 10)	309,739	191,789
Current portion of long-term debt (note 6)	10,280,000	9,265,000
Total current liabilities	<u>40,637,446</u>	<u>42,679,791</u>
Noncurrent liabilities:		
Long-term debt (note 6)	162,781,859	168,496,037
Other Post Employment Benefits (note 11)	3,646,969	3,275,309
Total noncurrent liabilities	<u>166,428,828</u>	<u>171,771,346</u>
Total liabilities	<u>207,066,274</u>	<u>214,451,137</u>
Deferred Inflow of Resources		
Unavailable revenue - property taxes	37,538,088	36,634,612
Total deferred inflows of resources	<u>37,538,088</u>	<u>36,634,612</u>
Net Position		
Net investment in capital assets	153,043,103	123,232,283
Restricted:		
Working cash	9,680,000	9,680,000
Capital projects	—	22,869,459
Debt service	10,761,476	7,397,172
Other	7,704,715	2,633,724
Unrestricted	72,536,360	80,243,337
Total Net Position	<u>\$ 253,725,654</u>	<u>246,055,975</u>

See accompanying notes to financial statements.

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

Business-Type Activities

Statement 2

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Student tuition and fees, net of scholarships and allowances of \$10,455,332 in 2015 and \$10,671,626 in 2014	\$ 39,483,125	39,867,037
State and local government grants and contracts	1,560,808	2,155,450
Federal government grants and contracts	1,582,891	1,215,567
Sales and services of educational departments	1,221,019	1,309,873
Auxiliary enterprises	1,171,863	2,027,524
Other	852,399	801,410
Total operating revenues	<u>45,872,105</u>	<u>47,376,861</u>
Operating expenses:		
Educational and general:		
Instruction	50,585,018	49,973,085
Academic support	11,921,798	10,511,574
Student services	16,548,661	15,559,087
Public service	6,162,658	5,469,648
Operation and maintenance of plant	15,777,760	15,676,728
Institutional support	47,590,075	44,434,746
Scholarships and grants	5,217,557	5,261,488
Auxiliary enterprises	1,076,849	2,578,381
Depreciation	8,059,483	6,902,086
Total operating expenses	<u>162,939,859</u>	<u>156,366,823</u>
Operating loss	<u>(117,067,754)</u>	<u>(108,989,962)</u>
Nonoperating revenues (expenses):		
Property taxes	72,815,204	71,516,695
State appropriations	6,864,994	6,551,627
State retirement plan contribution (note 7)	24,868,000	23,379,200
Personal property replacement tax	1,025,291	953,731
State and local government grants and contracts	2,262,605	1,370,073
Federal government grants and contracts	14,691,986	14,579,647
Gifts	423,585	275,544
Investment income, net of investment expense	305,441	1,246,544
Interest expense	(7,795,756)	(8,185,222)
Other	294,214	189,334
Total nonoperating income	<u>115,755,564</u>	<u>111,877,173</u>
Change in net position before capital contributions	<u>(1,312,190)</u>	<u>2,887,211</u>
State capital contributions	<u>8,981,869</u>	<u>16,352,231</u>
Change in net position after capital contributions	7,669,679	19,239,442
Net Position at beginning of year	<u>246,055,975</u>	<u>226,816,533</u>
Net Position at end of year	<u>\$ 253,725,654</u>	<u>246,055,975</u>

See accompanying notes to financial statements.

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

Business-Type Activities

Statements of Cash Flows

Years ended June 30, 2015 and 2014

Statement 3

Page 1 of 2

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Student tuition and fees	\$ 35,601,920	42,527,374
Student aid	2,976,584	2,826,345
Sales and services of educational departments	1,221,019	1,309,873
Payments to suppliers	(36,282,050)	(35,986,301)
Payments to employees	(86,235,877)	(83,526,346)
Auxiliary enterprises	1,171,863	2,027,524
Other	241,044	(239,264)
Net cash used in operating activities	<u>(81,305,497)</u>	<u>(71,060,795)</u>
Cash flows from noncapital financing activities:		
Property taxes	73,362,502	70,728,440
State appropriations	18,109,468	24,273,931
Personal property replacement taxes	1,025,291	953,731
Receipts of student loan funds	10,455,332	10,671,626
Disbursements of loan funds to students	(10,455,332)	(10,671,626)
Government grants and contracts	14,691,988	14,579,647
Net cash provided by noncapital financing activities	<u>107,189,249</u>	<u>110,535,749</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(34,169,347)	(49,337,679)
Proceeds from sale of bonds	4,890,000	—
Bond issuance costs	(78,620)	—
Principal paid on bonds	(9,265,000)	(7,680,000)
Interest paid on bonds	(7,795,756)	(8,185,222)
Net cash provided by (used in) capital and related financing activities	<u>(46,418,723)</u>	<u>(65,202,901)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	508,733,724	649,404,244
Purchase of investments	(465,705,967)	(649,679,410)
Interest on investments	305,441	1,326,334
Net cash provided by (used in) investing activities	<u>43,333,198</u>	<u>1,051,168</u>
Net increase (decrease) in cash and cash equivalents	22,798,227	(24,676,779)
Cash and cash equivalents at the beginning of year	<u>115,667,568</u>	<u>140,344,347</u>
Cash and cash equivalents at the end of year	<u><u>\$ 138,465,795</u></u>	<u><u>115,667,568</u></u>

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

Business-Type Activities

Statement 3

Statements of Cash Flows

Page 2 of 2

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (117,067,754)	(108,989,962)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	8,059,483	6,902,086
On-behalf contributions to state retirement system	24,868,000	23,379,200
Changes in Net Position:		
Receivables, net:		
Student	5,084,053	108,760
Other	400,835	240,823
Inventories	—	239,264
Prepaid expenses	(56,083)	884,926
Accounts payable and other liabilities	(520,119)	5,430,441
Accrued payroll and compensated absences	285,724	239,320
Deposits held for others	137,722	626,288
Unearned tuition and other revenue	(2,776,448)	(743,780)
Other liabilities	279,090	621,839
Net cash used in operating activities	<u><u>\$ (81,305,497)</u></u>	<u><u>(71,060,795)</u></u>

See accompanying notes to financial statements.

Noncash financing activities:

State payment for construction activities	\$ 8,981,869	\$ 16,352,231
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**WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512**

Component Unit – William Rainey Harper College Educational Foundation

Statements of Financial Position

Statement 4

June 30, 2015 and 2014

Assets	2015	2014
Cash	\$ 1,042,134	763,765
Interest receivable	21,879	19,614
Pledges receivable, net	1,601,656	1,266,133
Investments	10,841,372	10,634,812
Art collection	1,805,535	1,804,385
Total assets	\$ 15,312,576	14,488,709
Liabilities		
Accounts payable	\$ 53,927	73,897
Total liabilities	53,927	73,897
Net Assets		
Unrestricted	2,413,652	2,032,700
Unrestricted, Board designated	5,000,000	5,000,000
Total Unrestricted	7,413,652	7,032,700
Temporarily restricted	4,556,893	4,298,121
Permanently restricted	3,288,104	3,083,991
Total Net Assets	15,258,649	14,414,812
Total liabilities and Net Assets	\$ 15,312,576	14,488,709

See accompanying notes to financial statements.

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

Component Unit – William Rainey Harper College Educational Foundation

Statement 5

Statements of Activities

Years Ended June 30, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support and revenue:								
Contributions	\$ 190,298	985,728	200,718	1,376,744	112,016	1,291,109	434,437	1,837,562
Contributions from William Rainey Harper College	—	—	—	—	5,000,000	—	—	5,000,000
In-kind contributions	7,736	9,800	—	17,536	111,509	—	—	111,509
Fundraising events	199,694	—	—	199,694	152,437	—	—	152,437
Contributed services	580,779	—	—	580,779	509,372	—	—	509,372
Interest and dividends	188,686	—	—	188,686	95,970	—	—	95,970
Investment Gain (Loss)	(22,536)	78,424	—	55,888	184,132	580,397	—	764,529
Net assets released from restrictions	811,785	(815,180)	3,395	—	324,302	18,048	(342,350)	—
	<u>1,956,442</u>	<u>258,772</u>	<u>204,113</u>	<u>2,419,327</u>	<u>6,489,738</u>	<u>1,889,554</u>	<u>92,087</u>	<u>8,471,379</u>
Expenses:								
Program	952,894	—	—	952,894	597,879	—	—	597,879
General and administrative	338,610	—	—	338,610	279,730	—	—	279,730
Fundraising	283,986	—	—	283,986	316,915	—	—	316,915
	<u>1,575,490</u>	<u>—</u>	<u>—</u>	<u>1,575,490</u>	<u>1,194,524</u>	<u>—</u>	<u>—</u>	<u>1,194,524</u>
Change in net assets	380,952	258,772	204,113	843,837	5,295,214	1,889,554	92,087	7,276,855
Net Assets at beginning of year	7,032,700	4,298,121	3,083,991	14,414,812	1,737,486	2,408,567	2,991,904	7,137,957
Net Assets at end of year	<u>\$ 7,413,652</u>	<u>4,556,893</u>	<u>3,288,104</u>	<u>15,258,649</u>	<u>7,032,700</u>	<u>4,298,121</u>	<u>3,083,991</u>	<u>14,414,812</u>

See accompanying notes to financial statements.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(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 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 are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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
Fiscal Year Ended June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies (Continued)

(b) 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.

(c) Cash Equivalents

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

(d) Investments

Investments are reported at fair value, based on quoted market prices. 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.

(e) 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.

(f) 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.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies (Continued)

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

Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding 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.

(h) 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.

(i) 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 30th 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 2013 and 50% of property taxes extended for calendar year 2014 are intended to finance the College's fiscal year 2015 budget, and accordingly, have been recorded as revenue for the year ended June 30, 2015. The remaining revenue related to the 2014 tax year extension has been classified as a deferred inflow and will be recorded as revenue in fiscal year 2016. The College records real property taxes at 99.25% of the 2014 extended levy, based upon collection histories. A reserve of \$2,456,745 and \$2,548,399 has been recorded for the net amount of property tax refunds at June 30, 2015 and 2014, respectively.

(j) 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.

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.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies (Continued)

(k) 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; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

(l) 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 invested in capital assets, net of related debt.

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.

(m) 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.

(n) 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.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies (Continued)

(o) *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.

(p) *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.

(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.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies (Continued)

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 received 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 based upon quoted market prices.

The Foundation's art collection consists of approximately 250 art pieces displayed throughout the campus. Prior to 2004, the Foundation did not capitalize additions to the collection when purchased or contributed and, as such, these collections were not reflected in the Foundation's statement of financial position. During 2004, the Foundation elected to retroactively capitalize the art collection in accordance with provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*. The Foundation obtained an independent appraisal of art collection to determine replacement cost.

(r) New Accounting Pronouncements

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for the College's fiscal year ended June 30, 2016. Management has not determined what impact, if any, this statement will have on its financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for those pensions and pension plans that are not administered through a trust not covered by Statements 67 and 68. This Statement is effective for the College's fiscal year ended June 30, 2016. Management has not determined what impact, if any, this statement will have on its financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement is effective for the College's fiscal year ended June 30, 2017. 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
Fiscal Year Ended June 30, 2015 and 2014

(1) **Summary of Significant Accounting Policies (Continued)**

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. Management has not determined what impact, if any, this statement will have on its financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement is effective for the College's fiscal year ended June 30, 2017. 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Demand deposits	\$ 65,873,277	\$ 60,215,262
Certificates of deposit	28,542,699	60,214,701
Government securities commons and collective trust funds	38,542,668	46,588,736
Illinois School District Liquid Asset Fund Plus (government investment pool)	26,791,481	2,335,344
The Illinois Funds (government investment pool)	7,258,371	6,528,226
State and local government municipal bonds	79,174,155	89,758,596
Total	<u>\$ 246,182,651</u>	<u>\$ 265,640,865</u>

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 deposits that exceed the amount insured by Federal Depository Insurance Corporation (FDIC) insurance protection be collateralized, at the rate of 110% of such deposits. As of June 30, 2015 and 2014, the College's bank balances were not subject to custodial credit risk as they were either insured or collateralized with investments held by the College or its agent in the College's name.

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.

WILLIAM RAINEY HARPER COLLEGE
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Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(3) Deposits and Investments (Continued)

As of June 30, 2015, the maturities for the College's fixed-income investments are as follows:

	Fair value	Investment maturities (in years)		
		Less than 1	1 to 5	6 to 10
Certificate of deposit	\$ 28,542,699	\$ 25,740,299	\$ 2,802,400	\$ —
Government securities commons and collective trust funds	38,542,668	38,542,668	—	—
Illinois School District Liquid Asset Fund Plus (government investment pool)	26,791,481	26,791,481	—	—
The Illinois Funds (government investment pool)	7,258,371	7,258,371	—	—
State and local government municipal bonds	79,174,155	36,965,908	42,208,247	—
Total	<u>\$ 180,309,374</u>	<u>\$ 135,298,727</u>	<u>\$ 45,010,647</u>	<u>\$ —</u>

As of June 30, 2014, the maturities for the College's fixed-income investments are as follows:

	Fair value	Investment maturities (in years)		
		Less than 1	1 to 5	6 to 10
Certificate of deposit	\$ 60,214,701	\$ 59,967,201	\$ 247,500	\$ —
Government securities commons and collective trust funds	46,588,736	45,633,890	954,846	—
Illinois School District Liquid Asset Fund Plus (government investment pool)	2,335,344	2,335,344	—	—
The Illinois Funds (government investment pool)	6,528,226	6,528,226	—	—
State and local government municipal bonds	89,758,596	23,420,256	66,338,340	—
Total	<u>\$ 205,425,603</u>	<u>\$ 137,884,917</u>	<u>\$ 67,540,686</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.

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Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(2) Deposits and Investments (Continued)

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, 2015 and 2014, the College had the following fixed income investments, which are rated by Standard & Poor's (S&P):

	Investments in		2014	
	Fair value	S& P Rating	Fair value	S& P Rating
Government securities commons and collective trust funds	\$ 38,542,668 *	AAA	\$ 46,588,736 *	AAA
Illinois School District Liquid Asset Fund Plus (government investment pool)	26,791,481	AAA	2,335,344	AAA
The Illinois Funds (government investment pool)	7,258,371	AAA	6,528,226	AAA
State and local government municipal bonds	79,174,155	AAA to AA-	89,758,596	AAA to AA
Total	\$ 151,766,675		\$ 145,210,902	

* 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, 2015 and 2014, the College did not have a concentration of credit risk.

(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.

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Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(3) Accounts Receivable (Continued)

Accounts receivable consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Property taxes	\$ 36,717,375	\$ 36,452,851
Student tuition and fees	10,267,070	15,224,224
Auxiliary enterprises and other operating activities	714,326	1,115,161
Contributions and gifts	33,620	48,450
Accrued interest	466,040	1,020,838
Federal, state, and private grants and contracts	<u>2,061,921</u>	<u>2,229,036</u>
	50,260,352	56,090,560
Less allowance for doubtful accounts	<u>5,060,667</u>	<u>4,934,015</u>
Net accounts receivable	<u>\$ 45,199,685</u>	<u>\$ 51,156,545</u>

(4) Capital Assets

Following are the changes in capital assets for the year ended June 30, 2015:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 4,326,007	\$ —	\$ —	\$ 4,326,007
Construction in progress	<u>51,044,428</u>	<u>32,754,505</u>	<u>(38,810,343)</u>	<u>44,988,590</u>
Total capital assets not being depreciated	<u>55,370,435</u>	<u>32,754,505</u>	<u>(38,810,343)</u>	<u>49,314,597</u>
Capital assets being depreciated:				
Buildings and building improvements	218,858,024	38,810,343	—	257,668,367
Equipment	<u>18,142,789</u>	<u>1,414,842</u>	<u>—</u>	<u>19,557,631</u>
Total capital assets being depreciated	<u>237,000,813</u>	<u>40,225,185</u>	<u>—</u>	<u>277,225,998</u>
Less accumulated depreciation:				
Buildings and building improvements	98,819,160	7,251,943	—	106,071,103
Equipment	<u>14,136,777</u>	<u>807,540</u>	<u>—</u>	<u>14,944,317</u>
Total accumulated depreciation	<u>112,955,937</u>	<u>8,059,483</u>	<u>—</u>	<u>121,015,420</u>
Total capital assets being depreciated, net	<u>124,044,876</u>	<u>32,165,702</u>	<u>—</u>	<u>156,210,578</u>
Total capital assets, net	<u>\$ 179,415,311</u>	<u>\$ 64,920,207</u>	<u>\$ (38,810,343)</u>	<u>\$ 205,525,175</u>

The College has committed an additional \$79,048,782 for the completion of the capital projects included in construction in progress above.

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Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(4) Capital Assets (Continued)

Following are the changes in capital assets for the year ended June 30, 2014:

	<u>June 30,</u> <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2014</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 4,326,007	\$ —	\$ —	\$ 4,326,007
Construction in progress	<u>10,060,223</u>	<u>47,926,935</u>	<u>(6,942,730)</u>	<u>51,044,428</u>
Total capital assets not being depreciated	<u>14,386,230</u>	<u>47,926,935</u>	<u>(6,942,730)</u>	<u>55,370,435</u>
Capital assets being depreciated:				
Buildings and building improvements	212,087,510	6,770,514	—	218,858,024
Equipment	<u>16,797,224</u>	<u>1,582,951</u>	<u>(237,386)</u>	<u>18,142,789</u>
Total capital assets being depreciated	<u>228,884,734</u>	<u>8,353,465</u>	<u>(237,386)</u>	<u>237,000,813</u>
Less accumulated depreciation:				
Buildings and building improvements	93,351,118	5,468,042	—	98,819,160
Equipment	<u>12,940,119</u>	<u>1,434,044</u>	<u>(237,386)</u>	<u>14,136,777</u>
Total accumulated depreciation	<u>106,291,237</u>	<u>6,902,086</u>	<u>(237,386)</u>	<u>112,955,937</u>
Total capital assets being depreciated, net	<u>122,593,497</u>	<u>1,451,379</u>	<u>—</u>	<u>124,044,876</u>
Total capital assets, net	<u>\$ 136,979,727</u>	<u>\$ 49,378,314</u>	<u>\$ (6,942,730)</u>	<u>\$ 179,415,311</u>

The College has committed an additional \$66,402,873 for the completion of the capital projects included in construction in progress above.

(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, 2015 and 2014, employees had earned but not taken annual leave which at salary rates in effect, aggregated \$2,110,319 and 2,053,891. It is anticipated the entire vacation accrual liability will be liquidated during the upcoming fiscal year, therefore it is considered a current liability.

<u>Fiscal Year</u>	<u>July 1</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30</u>
2015	\$2,053,891	\$2,385,460	\$2,329,032	\$2,110,319
2014	\$2,050,178	\$2,342,099	\$2,338,386	\$2,053,891

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Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(6) General Long-Term Obligations

The following is a summary of the College's bond transactions for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
\$7,830,000 G.O. Refunding Bonds, 2005A Series, due in annual installments through December 1, 2021 bearing interest at 3.875%	\$ 7,830,000	\$ —	\$ —	\$ 7,830,000	\$ —
\$37,245,000 G.O. Refunding Bonds, 2006 Series, due in annual installments through December 1, 2020 bearing interest at 4.00% – 5.00%	18,270,000	—	4,350,000	13,920,000	2,795,000
\$153,600,000 G.O. Bonds, 2009A Series due in annual installments through December 1, 2028 bearing interest at 2.00% – 5.00%	145,525,000	—	2,740,000	142,785,000	5,265,000
\$4,705,000 G.O. Limited tax bonds, Bonds 2013 Series, due in annual installments through December 1, 2015 bearing interest at 2.00% - 5.00%	3,685,000	—	2,175,000	1,510,000	1,510,000
\$4,890,000 G.O. Limited tax bonds, 2015 series, due in annual installments through December 1, 2017 bearing interest at 2.00% - 3.00%	—	4,890,000	—	4,890,000	710,000
Unamortized premium/discount	2,451,037	217,155	541,333	2,126,859	—
Subtotal	<u>177,761,037</u>	<u>5,107,155</u>	<u>9,806,333</u>	<u>173,061,859</u>	<u>10,280,000</u>
Other Post Employment Benefits	3,275,309	371,660	—	3,646,969	—
Total	<u>\$ 181,036,346</u>	<u>\$ 5,478,815</u>	<u>\$ 9,806,333</u>	<u>\$ 176,708,828</u>	<u>\$ 10,280,000</u>

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Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(6) General Long-Term Obligations (Continued)

The following is a summary of the College's bond transactions for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
\$7,830,000 G.O. Refunding Bonds, 2005A Series, due in annual installments through December 1, 2021 bearing interest at 3.875%	\$ 7,830,000	\$ —	\$ —	\$ 7,830,000	\$ —
\$37,245,000 G.O. Refunding Bonds, 2006 Series, due in annual installments through December 1, 2020 bearing interest at 4.00% – 5.00%	22,080,000	—	3,810,000	18,270,000	4,350,000
\$153,600,000 G.O. Bonds, 2009A Series due in annual installments through December 1, 2028 bearing interest at 2.00% – 5.00%	147,280,000	—	1,755,000	145,525,000	2,740,000
\$2,925,000 G.O. Limited Bonds, 2011B Series due in annual installments through December 1, 2013, bearing interest at 2.00%	1,095,000	—	1,095,000	-	-
\$4,705,000 G.O. Limited tax bonds, Bonds 2013 Series, due in annual installments through December 1, 2015 bearing interest at 2.00% - 5.00%	4,705,000	-	1,020,000	3,685,000	2,175,000
Unamortized premium/discount	2,919,109	-	468,072	2,451,037	-
Subtotal	185,909,109	-	8,148,072	177,761,037	9,265,000
Other Post Employment Benefits	2,698,595	576,714	—	3,275,309	—
Total	\$ 188,607,704	\$ 576,714	\$ 8,148,072	\$ 181,036,346	\$ 9,265,000

At June 30, 2015, 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:			
2016	\$ 10,280,000	\$ 7,608,135	\$ 17,888,135
2017	10,615,000	7,168,907	17,783,907
2018	12,125,000	6,704,426	18,829,426
2019	11,360,000	6,227,763	17,587,763
2020	11,850,000	5,708,713	17,558,713
2021-2025	53,475,000	20,812,956	74,287,956
2026-2029	61,230,000	6,089,706	67,319,706
Total	\$ 170,935,000	\$ 60,320,606	\$ 231,255,606

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Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(6) General Long-Term Obligations (Continued)

General Obligation Refunding Bonds – Series 2005A

On December 28, 2005 the College issued the Series 2005A bonds in the amount of \$7,830,000 to advance refund a portion of the College's outstanding General Obligation Bond Series 2001A dated March 1, 2001 and pay costs associated with the issuance of the Bonds. The refunding proceeds were used by the College to purchase US Government Securities, the principle and interest of which will be sufficient to pay when due upon redemption. As a result, a portion of the Series 2001A is considered to be defeased and the liability for this bond has been removed from the financial statements. The outstanding liability at year end of the defeased bonds were \$7,350,000.

Bond issue date	December 28, 2005
Current portion	\$ 0
Long-term portion	\$7,830,000
Interest rates	3.875%
Final payment date	December 1, 2021
Payment dates	June 1 and December 1

General Obligation Refunding Bonds – Series 2006

On January 5, 2006 the College issued the Series 2006 bonds in the amount of \$37,245,000 to advance refund a portion of the College's outstanding General Obligation Bond Series 2001A dated March 1, 2001 and pay costs associated with the issuance of the Bonds. The refunding proceeds were used by the College to purchase US Government Securities, the principle and interest of which will be sufficient to pay when due upon redemption. As a result, a portion of the Series 2001A is considered to be defeased and the liability for this bond has been removed from the financial statements. The outstanding liability at year end of the defeased bonds were \$20,560,000.

Bond issue date	January 5, 2006
Current portion	\$ 2,795,000
Long-term portion	\$11,125,000
Interest rates	4.00% – 5.00%
Final payment date	December 1, 2020
Payment dates	June 1 and December 1

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	\$ 5,265,000
Long-term portion	\$137,520,000
Interest rates	2.00% - 5.00%
Final payment date	December 1, 2028
Payment dates	June 1 and December 1

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Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(6) General Long-Term Obligations (Continued)

General Obligation Limited Bonds – Series 2013

On March 1, 2013 the College issued the Series 2013 bonds in the amount of \$4,705,000. 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, 2013
Current portion	\$1,510,000
Long-term portion	\$ 0
Interest rates	2.00 - 5.00%
Final payment date	December 1, 2015
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	\$ 710,000
Long-term portion	\$4,180,000
Interest rates	2.00 - 3.00%
Final payment date	December 1, 2017
Payment dates	June 1 and December 1

(7) Retirement Plans

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

Plan Description. The College contributes to 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 Section 5/15, Chapter 40 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

Benefits Provided. A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2014 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

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Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(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 2014 and 2015 respectively, was 11.91% and 11.71% 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).

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

Net Pension Liability. At June 30, 2014, SURS reported a net pension liability (NPL) of \$21,790,983,139. The net pension liability was measured as of June 30, 2013.

Employer Proportionate Share of Net Pension Liability. The amount of the proportionate share of the net pension liability to be recognized for College is \$0. The proportionate share of the State’s net pension liability associated with the College is \$325,241,498.73 or 0.0149%. This amount should not be recognized in the financial statement. The net pension liability was measured as of June 30, 2014, and the total pension used to calculate the net pension liability was determined based on the June 30, 2013 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable earnings made to SURS during fiscal year 2014.

Pension Expense. At June 30, 2014 SURS reported a collective net pension expense of \$1,650,338,263.

Employer Proportionate Share of Pension Expense. The employer proportionate share of collective pension expense should be recognized similarly to on- behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable earnings made to SURS during fiscal year 2014. As a result, College recognized an estimated on-behalf revenue and pension expense of \$24,680,000 for the fiscal year ended June 30, 2015, subsequent to the preparation of the financial statements. SURS provided the actual on-behalf amount of \$24,632,137 and the College determined that the difference was immaterial for financial statement reporting.

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.

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Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(7) Retirement Plans (Continued)

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumption	88,940,815	-
Net difference between projected and actual earnings on pension plan investments	-	1,271,105,952
Total	<u>\$ 88,940,815</u>	<u>\$ 1,271,105,952</u>

Employer Deferral of Fiscal Year 2015 Pension Expense

Employer paid \$70,673 in federal, trust or grant contributions for the fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement of June 30, 2014. However, the amount is immaterial to the financial statements and has not been recorded.

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period June 30, 2006 – 2010 and an economic study completed June 2014. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.75 to 12.00 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 RP2000 Combined Mortality Table, projected with Scale AA to 2017, sex-distinct, with rates multiplied by 0.80 for males and 0.85 for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(7) Retirement Plans (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	31%	7.65%
Private Equity	6%	8.65%
Non-U.S. Equity	21%	7.85%
Global Equity	8%	7.90%
Fixed Income	19%	2.50%
Treasury-Inflation Protected Securities	4%	2.30%
Real Estate	6%	6.20%
REITS	4%	6.20%
Opportunity Fund	1%	2.50%
Total	100%	5.00%
Inflation		2.75%
Expected Geometrical Normal Return		7.75%

Discount Rate. A single discount rate of 7.090% 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 4.290% (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 2065. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2065, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.09%, 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
6.09%	7.09%	8.09%
\$ 26,583,701,134	\$ 21,790,983,139	\$ 17,796,570,836

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

(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.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(7) Retirement Plans (Continued)

(c) Early Retirement Benefits Plan

The College provides early retirement benefits to certain full-time faculty members and administrative personnel who have elected to participate in the early retirement program as of June 30, 2015. In general, benefits are paid monthly over a five year period and are computed annually as a percentage of current base salary for full-time faculty and administrative personnel of the College.

Because the payment of early retirement benefits is contingent on the retiree providing certain agreed upon services back to the College on an annual basis, the College records the benefit payments as expenditures in the period in which they are earned and paid. The College expended \$29,677 and \$223,301 in early retirement benefits for the years ended June 30, 2015 and 2014, respectively. This program has been eliminated for all current and future retirees.

(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 coverages are adequate to cover such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

(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 \$650,000 the College has a stop loss policy.

The following is a reconciliation of changes in the liability for worker's compensation costs for this fiscal year. 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, 2012	\$	699,983
Claims incurred		108,930
Claims paid		420,820
Liability for worker's compensation claims at June 30, 2013		388,093
Claims incurred		625,066
Claims paid		821,370
Liability for worker's compensation claims at June 30, 2014		191,789
Claims incurred		316,744
Claims paid		198,794
Liability for worker's compensation claims at June 30, 2015	\$	309,739

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Fiscal Year Ended June 30, 2015 and 2014

(11) Other Post Employment Benefits

Plan Description: The College 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 to 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 45.

Annual OPEB Cost and Net OPEB Obligation: The College's annual other post employment benefit cost is calculated based on the annual required contribution (ARC). The ARC represents the normal cost each year and an amount to amortize the unfunded actuarial liability over thirty years.

The following table shows the components of the College's annual OPEB costs for 2015, the amount actually contributed to the plan, and changes in the College's net OPEB obligation.

	Year Ended June 30,		
	2015	2014	2013
Annual Required Contribution	\$ 1,489,367	\$ 1,191,168	\$ 1,770,669
Interest on Net OPEB Obligation	131,012	107,944	71,962
Adjustment to the ARC	(109,177)	(89,953)	(59,968)
Annual OPEB Cost (AOC)	1,511,202	1,209,159	1,782,663
Contributions Made	1,139,542	632,445	883,111
Increase on Net OPEB Obligation	371,660	576,714	899,552
Net OPEB Obligation Beginning of Year	3,275,309	2,698,595	1,799,043
Net OPEB Obligation End of Year	\$ 3,646,969	\$ 3,275,309	\$ 2,698,595

Funded Status and Funding Progress: As of June 30, 2015 the actuarial accrued liability for benefits was \$15,178,903. The covered payroll (annual payroll of active employees covered under the plan) was \$45,339,744 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 33.5 percent.

Actuarial Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the benefits provided at the time each valuation and the historical pattern of sharing of benefit costs between the employer and plan members. In the actuarial valuation for the fiscal year ended June 30, 2015, the projected unit credit cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 7% initially, reduced linearly to 4.0% by 2034. Rates include a 2.5% general inflation assumption. The Unfunded Accrued Actuarial Liability is being amortized as a level percentage of pay over thirty years on an open group basis.

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years were as follow:

Year Ended	Annual OPEB Cost (AOC)	Actual Contributions	Percentage of AOC Contributed	Net OPEB Obligation
2015	\$ 1,511,202	\$ 1,139,542	75.41%	\$ 3,646,969
2014	1,209,159	632,445	52.30%	3,275,309
2013	1,782,663	883,111	49.54%	2,698,595

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

Required Supplementary Information

Defined Benefit Pension Plan

Schedule of the College's Proportionate Share of the Net Pension Liability

Last Fiscal Year

Exhibit 1

	2014
College's Proportion of the Net Pension Liability	0.00%
College's Proportionate Share of the Net Pension Liability	\$ —
Nonemployer Contributing Entities' Proportionate Share of the Net Pension Liability associated with the College	325,241,499
Total	\$ 325,241,499
College's Covered Employee Payroll	\$ 67,809,619
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	479.64%
SURS Plan Net Position as a Percentage of Total Pension Liability	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.

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

Required Supplementary Information
Defined Benefit Pension Plan
Schedule of College Contributions
Last Fiscal Year

Exhibit 2

	2014	2015
Federal, Trust, Grant and Other Contribution	\$ 70,673	
Contribution in relation to Required Contribution	70,673	
Contribution Deficiency (Excess)	\$ -	
College Covered Employee Payroll	\$ 593,390	
Contributions as a Percentage of Covered Employee Payroll	11.91%	
Additional Information:		
ON-Behalf Payments for Community College Health Insurance Program	\$ 264,546	\$ 276,219

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

Notes to Required Supplementary Information
Defined Benefit Pension Plan
Year Ended June 30, 2015

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2014.

Changes in assumptions. In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every five 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 in February 2015, resulting in the adoption of new assumptions as of June 30, 2015. There are no changes of assumptions that affect measurement of the total collective pension liability since the prior measurement date.

Preliminary Draft

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

Required Supplementary Information
Other Postemployment Benefits
Schedule of Funding Progress
Year Ended June 30, 2015

Exhibit 3

Actuarial Valuation <u>Date July 1.</u>	(1) Actuarial Value of Plan <u>Assets</u>	(2) Actuarial Accrued Liability (AAL) <u>Entry-Age</u>	(3) Percent Funded <u>(1)/(2)</u>	(4) Unfunded Actuarial Accrued Liability <u>(2)-(1)</u>	(5) Annual Covered <u>Payroll</u>	(6) Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll <u>(4)/(5)</u>
2015	\$ -	\$ 15,178,903	0.00%	\$ 15,178,903	\$ 45,339,744	33.48%
2014	-	10,679,564	0.00%	10,679,564	47,261,544	22.60%
2013	-	10,679,564	0.00%	10,679,564	47,261,544	22.60%
2012	-	15,063,432	0.00%	15,063,432	44,398,517	33.93%
2011	-	15,063,432	0.00%	15,063,432	44,398,517	33.93%

Further details on Postemployment benefits can be found in Note 11 of the financial statements.

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

Required Supplementary Information
Other Postemployment Benefits
Schedule of Employer Contributions
Year Ended June 30, 2015

Exhibit 4

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent Contributed</u>
2015	\$ 1,139,542	\$ 1,489,367	76.51%
2014	632,445	1,191,168	53.09%
2013	883,111	1,770,669	49.87%
2012	883,111	1,770,669	49.87%
2011	883,111	1,779,654	49.62%

Further details on Postemployment benefits can be found in Note 11 of the financial statements.

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

JUNE 30, 2015

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net Position										
Net investment in capital assets	\$ 153,043,103	\$ 123,232,283	\$ 97,471,575	\$ 93,140,259	\$ 91,082,061	\$ 92,527,422	\$ 89,480,497	\$ 83,018,875	\$ 74,789,358	\$ 68,855,152
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	19,738,048	19,132,140	16,266,177
Debt service	10,761,476	7,397,172	5,576,957	3,746,177	1,985,734	3,825,201	2,124,889	5,768,220	4,375,513	7,013,066
Other	7,704,715	2,633,724	247,096	361,896	386,457	619,032	800,050	3,751,830	4,115,227	1,905,897
Unrestricted	72,536,360	80,243,337	86,545,156	80,509,749	72,997,417	69,148,379	67,439,067	58,174,353	53,540,005	47,469,291
Total Net Position	<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>	<u>\$ 180,131,326</u>	<u>\$ 165,632,243</u>	<u>\$ 151,189,583</u>

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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Revenues										
Student tuition and fees	\$ 39,483,125	\$ 39,867,037	\$ 40,545,395	\$ 39,452,044	\$ 39,840,758	\$ 39,031,372	\$ 42,233,106	\$ 38,714,414	\$ 35,942,870	\$ 34,124,492
State and local government grants and contracts	1,560,808	2,155,450	2,336,287	3,075,360	2,738,068	2,884,068	2,658,202	2,851,692	2,877,147	2,856,496
Federal government grants and contracts	1,582,891	1,215,567	1,359,453	1,427,066	430,210	591,015	536,625	551,350	542,055	492,104
Sales and services of educational departments	1,221,019	1,309,873	1,334,634	1,368,508	1,272,089	1,222,386	1,386,955	1,691,477	1,485,365	1,425,144
Auxiliary enterprises	1,171,863	2,027,524	7,138,149	6,816,377	7,064,163	6,901,772	6,567,458	6,475,634	5,963,042	6,772,520
Other	852,399	801,410	830,480	901,206	805,717	740,024	724,336	693,725	853,468	943,575
Total operating revenues	45,872,105	47,376,861	53,544,398	53,040,561	52,151,005	51,370,637	54,106,682	50,978,292	47,663,947	46,614,331
Operating Expenses										
Instruction	50,585,018	49,973,085	47,329,867	44,519,884	42,032,720	38,700,758	35,152,394	33,447,265	31,345,244	30,133,181
Academic support	11,921,798	10,511,574	10,771,836	10,369,066	9,552,868	9,284,123	8,325,073	7,836,727	7,404,761	6,788,388
Student services	16,548,661	15,559,087	15,135,366	14,060,045	13,177,814	11,901,123	11,154,318	10,035,212	9,397,384	9,040,353
Public service	6,162,658	5,469,648	5,069,346	5,054,440	4,993,473	4,374,060	4,633,949	5,177,118	4,712,044	5,220,868
Operation and maintenance of plant	15,777,760	15,676,728	14,037,070	14,030,277	13,840,138	13,397,608	12,964,009	12,872,119	11,707,976	11,226,093
Institutional support	47,590,075	44,434,746	41,967,543	36,231,046	34,736,018	36,929,451	34,626,918	31,237,512	30,569,927	28,718,384
Scholarships and grants	5,217,557	5,261,488	5,111,238	6,135,905	6,683,824	5,907,790	6,317,817	5,431,648	4,697,693	4,851,184
Auxiliary enterprises	1,076,849	2,578,381	9,130,579	7,925,209	8,499,626	8,377,008	7,662,942	6,946,327	7,287,344	7,769,582
Depreciation	8,059,483	6,902,086	6,571,789	6,344,443	6,308,632	6,313,204	5,866,957	5,422,728	5,434,939	4,993,890
Total operating expenses	162,939,859	156,366,823	155,124,634	144,670,315	139,825,113	135,185,125	126,704,377	118,406,656	112,557,312	108,741,923
Operating income (Loss)	(117,067,754)	(108,989,962)	(101,580,236)	(91,629,754)	(87,674,108)	(83,814,488)	(72,597,695)	(67,428,364)	(64,893,365)	(62,127,592)
Nonoperating revenues (expenses)										
Property taxes	72,815,204	71,516,695	68,875,412	68,040,263	65,869,034	62,597,133	61,651,156	59,822,789	56,837,948	53,844,718
State appropriations	6,864,994	6,551,627	6,484,562	6,469,554	6,469,554	6,775,669	6,956,362	6,867,068	6,651,640	6,506,656
State retirement plan contribution	24,868,000	23,379,200	22,946,299	15,483,931	12,203,522	10,670,637	6,794,822	5,237,590	3,958,347	2,549,949
Personal property replacement tax	1,025,291	953,731	942,792	922,723	1,003,035	773,458	956,076	1,092,946	1,022,044	936,784
State and local government grants and contracts	2,262,605	1,370,073	1,743,042	1,964,537	1,429,541	1,131,218	932,415	1,112,287	1,321,158	1,440,231
Federal government grants and contracts	14,691,986	14,579,647	13,102,539	14,666,112	17,635,533	12,823,976	6,929,749	5,985,891	5,339,498	5,608,502
Gifts	423,585	275,544	295,416	216,398	335,138	230,022	234,169	315,763	290,245	192,932
Investment income, net of investment expense	305,441	1,246,544	295,065	2,975,801	3,703,744	5,744,634	1,620,060	4,231,068	5,100,433	3,338,087
Interest expense	(7,795,756)	(8,185,222)	(8,391,967)	(8,059,879)	(8,360,973)	(8,556,684)	(4,742,257)	(2,592,544)	(2,483,699)	(3,542,810)
Other	294,214	189,334	496,223	904,574	348,034	202,583	247,127	(145,411)	282,997	333,354
Total non-operating revenues (expenses)	115,755,564	111,877,173	106,789,383	103,584,014	100,636,162	92,392,646	81,579,679	81,927,447	78,320,611	71,208,403
Change in net position before capital contributions	(1,312,190)	2,887,211	5,209,147	11,954,260	12,962,054	8,578,158	8,981,984	14,499,083	13,427,246	9,080,811
State capital contributions	8,981,869	16,352,231	-	-	-	-	-	-	-	-
Change in net position after capital contributions	\$ 7,669,679	\$ 19,239,442	\$ 5,209,147	\$ 11,954,260	\$ 12,962,054	\$ 8,578,158	\$ 8,981,984	\$ 14,499,083	\$ 13,427,246	\$ 9,080,811

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
2014	Kane	\$ 36,211,373	\$ 1,075,030	\$ -	\$ 566,912	-	\$ -	n/a	\$ 37,853,315	\$ 0.4496
	McHenry	127,317,257	3,731,928	9,782	2,959,027	-	366,212	n/a	134,384,206	0.4496
	Cook	-	-	-	-	-	-	15,524,741,153	15,524,741,153	0.4496
	Lake	983,213,115	110,023,308	23,605,307	9,123,579	-	1,480,149	n/a	1,127,445,458	0.4496
2013	Kane	37,501,869	1,224,058	-	550,259	-	-	n/a	39,276,186	0.4434
	McHenry	133,471,425	3,885,431	10,214	3,049,120	-	351,261	n/a	140,767,451	0.4434
	Cook	9,333,612,412	3,641,881,414	2,328,670,678	795,369	-	8,924,792	n/a	15,313,884,665	0.4434
	Lake	998,183,198	114,269,659	24,803,867	9,477,641	-	1,386,316	n/a	1,148,120,681	0.4434
2012	Kane	40,130,625	1,219,085	-	621,549	-	-	n/a	41,971,259	0.3744
	McHenry	147,289,247	6,682,165	11,152	3,256,438	-	284,618	n/a	157,523,620	0.3744
	Cook	11,118,795,350	3,848,755,901	2,624,814,307	822,114	-	7,071,408	n/a	17,600,259,080	0.3744
	Lake	1,058,745,069	118,136,180	26,373,731	9,318,468	-	1,031,798	n/a	1,213,605,246	0.3744
2011	Kane	45,811,350	1,414,588	-	641,925	-	-	n/a	47,867,863	0.3357
	McHenry	164,268,613	6,942,977	12,184	3,548,175	-	251,766	n/a	175,023,715	0.3357
	Cook	12,105,430,519	4,144,556,071	2,850,276,418	823,789	-	7,269,576	n/a	19,108,356,373	0.3357
	Lake	1,145,039,931	117,267,770	27,002,755	8,084,612	-	957,880	n/a	1,298,352,948	0.3357
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
2007	Kane	67,186,244	1,213,893	-	505,739	-	-	n/a	68,905,876	0.2611
	McHenry	176,159,748	6,129,867	12,441	2,765,157	-	144,539	n/a	185,211,752	0.2611
	Cook	12,179,342,544	5,902,399,654	3,881,825,040	1,427,752	-	4,250,119	n/a	21,969,245,109	0.2611
	Lake	1,274,011,480	96,663,319	21,176,595	7,890,227	-	479,538	n/a	1,400,221,159	0.2611
2006	Kane	65,748,432	1,194,192	-	497,525	-	-	n/a	67,440,149	0.2893
	McHenry	166,315,718	4,738,800	258,767	2,874,827	-	131,780	n/a	174,319,892	0.2893
	Cook	10,315,057,259	5,170,460,073	3,400,029,298	1,570,240	-	3,745,270	n/a	18,890,862,140	0.2893
	Lake	1,195,632,594	95,919,152	13,365,836	7,513,702	-	432,646	n/a	1,312,863,930	0.2893
2005	Kane	62,893,770	1,111,430	-	495,331	-	-	n/a	64,500,531	0.2810
	McHenry	156,199,628	4,270,392	246,726	2,763,888	-	65,473	n/a	163,546,107	0.2810
	Cook	10,001,050,042	5,252,357,094	3,440,809,293	1,614,505	-	3,514,849	n/a	18,699,345,783	0.2810
	Lake	1,116,483,350	91,274,475	13,298,365	5,706,758	-	433,501	n/a	1,227,196,449	0.2810

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Education	\$ 0.2434	\$ 0.2368	\$ 0.2007	\$ 0.1790	\$ 0.1500	\$ 0.1320	\$ 0.1303	\$ 0.1295	\$ 0.1437	\$ 0.1416
Operations and Maintenance	0.0937	0.0974	0.0853	0.0755	0.0657	0.0622	0.0583	0.0538	0.0601	0.0602
Liability, Protection and Settlement	0.0001	0.0001	0.0001	0.0001	0.0090	0.0040	0.0041	0.0065	0.0087	0.0034
Social Security	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0038	0.0042	0.0044	0.0045
Life Safety	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0041	0.0050	0.0031
Audit	0.0001	0.0001	0.0001	0.0001	0.0004	0.0005	0.0005	0.0004	0.0006	0.0006
Bond and Interest	0.1123	0.1090	0.0882	0.0810	0.0703	0.0609	0.0609	0.0626	0.0668	0.0676
Total	\$ 0.4496	\$ 0.4434	\$ 0.3744	\$ 0.3357	\$ 0.2954	\$ 0.2596	\$ 0.2579	\$ 0.2611	\$ 0.2893	\$ 0.2810

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

Levy Year	Taxes Extended						Total
	Education Purposes	Operations and Maintenance Purposes (Unrestricted)	Operations and Maintenance (Restricted) Fund	Bond & Interest Fund	Audit Fund	Liability, Protection and Settlement Fund	
2014	\$ 40,950,648	\$ 15,764,485	\$ -	\$ 18,894,721	\$ 16,824	\$ 16,824	\$ 75,643,502
2013	39,408,371	16,209,355	-	18,138,003	16,642	16,642	73,789,013
2012	38,156,583	16,217,023	-	16,770,847	19,011	19,011	71,182,475
2011	36,924,701	15,574,385	-	16,698,907	20,628	20,628	69,239,249
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
2007	30,591,000	12,720,798	957,900	14,790,287	97,850	2,546,160	61,703,995
2006	29,380,750	12,282,750	1,030,000	13,664,609	129,832	2,687,270	59,175,211
2005	28,531,000	12,133,400	626,908	13,616,567	128,750	1,599,590	56,636,215

Levy Year	Assessed Valuation					Total Assessed Valuation
	Cook County	Kane County	Lake County	McHenry County		
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
2007	21,969,245,109	68,905,876	1,400,221,159	185,211,752		23,623,583,896
2006	18,890,862,140	67,440,149	1,312,863,932	174,319,892		20,445,486,113
2005	18,699,345,783	64,500,531	1,227,196,449	163,546,107		20,154,588,870

Source: College Records

TABLE 6
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512

REVENUE CAPACITY

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO

2013 (1)					2003				
Taxpayer		Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxpayer		Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Simon Property Group	\$	217,085,617	1	1.30%	Hines Woodfield Corp.	\$	184,448,152	1	1.11%
AT & T		101,400,542	2	0.61%	Woodfield Retail Administration		178,031,513	2	1.07%
Crane & Norcross		62,612,845	3	0.38%	Ameritech Illinois		156,619,050	3	0.94%
Wal-Mart		59,418,104	4	0.36%	Motorola, Inc.		120,129,503	4	0.72%
Motorola, Inc		58,188,236	5	0.35%	Hamilton Partners, Inc.		70,471,445	5	0.42%
Streets of Woodfield		53,620,301	6	0.32%	CNC		60,325,266	6	0.36%
Manulife Financial		53,604,268	7	0.32%	Randhurst Urban Retail		59,352,836	7	0.36%
KBS Woodfield Preserve		41,831,388	8	0.25%	Kenneth Owens		59,074,552	8	0.35%
ZNA Real Estate Dept		40,858,494	9	0.25%	Wal-Mart Stores		54,457,921	9	0.33%
Bre DDR Woodfield Village		37,455,294	10	0.23%	Manulife Financial		53,272,287	10	0.32%
Total	\$	<u>726,075,089</u>		<u>4.37%</u>		\$	<u>996,182,525</u>		<u>5.98%</u>

Source: Cook County Clerk's Office

Note: (1) 2013 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 have been overlooked.

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
2014	\$ 75,643,502	\$ 37,538,088	49.63%	\$ -	\$ 37,538,088	49.63%
2013	73,789,013	36,617,798	49.63%	36,516,927	73,134,725	99.11%
2012	71,182,475	35,324,303	49.62%	36,151,460	71,475,763	100.41%
2011	69,239,249	34,273,429	49.50%	34,038,622	68,312,051	98.66%
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%
2007	61,703,995	30,650,078	49.67%	30,529,055	61,179,133	99.15%
2006	59,175,211	29,226,710	49.39%	29,944,352	59,171,062	99.99%
2005	56,636,215	28,176,518	49.75%	28,063,278	56,239,796	99.30%

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		
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
2008	9,635	16,454	101.00	324.00	402.00	278,741.5	38,714,414
2007	9,385	16,171	95.00	302.00	376.00	274,984.5	35,942,870
2006	9,309	16,259	89.00	289.00	358.00	274,489.0	34,124,492

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
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
2008	10,995,000	1,855,000	40,275,000	3,260,000	1,107,466	57,492,466	70,870,751,688	0.08%	534,984	107.47
2007	16,630,000	2,265,000	42,630,000	5,190,000	1,598,077	68,313,077	61,336,458,339	0.11%	534,984	127.69
2006	21,945,000	2,655,000	45,075,000	3,680,000	2,312,741	75,667,741	60,463,766,622	0.13%	534,984	141.44

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
2015	\$ 142,785,000	\$ -	\$ 21,750,000	\$ 6,400,000	\$ 2,126,859	\$ 173,061,859	\$ 10,761,477	\$ 162,300,382	0.32%	\$ 303.60
2014	145,525,000	-	26,100,000	3,685,000	2,451,037	177,761,037	9,775,939	167,985,098	0.34%	314.13
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
2008	10,995,000	1,855,000	40,275,000	3,260,000	1,107,466	57,492,466	9,308,221	48,184,245	0.07%	90.07
2007	16,630,000	2,265,000	42,630,000	5,190,000	1,598,077	68,313,077	7,915,514	60,397,563	0.10%	112.90
2006	21,945,000	2,655,000	45,075,000	3,680,000	2,312,741	75,667,741	7,013,066	68,654,675	0.11%	128.33

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, 2015

Governmental Unit	Debt Outstanding	Percentage of Debt Applicable	College Share of Direct and Overlapping Debt
Direct bonded debt:			
William Rainey Harper College	\$ 173,061,477	100.00%	\$ 173,061,477
Overlapping bonded debt:		As of December 19, 2014	
Cook County	3,491,085,000	12.16%	424,341,595
Cook County Forest Preserve District	118,610,000	12.16%	14,417,053
Metropolitan Water Reclamation District	2,394,996,000	12.40%	296,997,608
Kane County	-	0.00%	-
Kane County Forest Preserve District	183,285,866	0.36%	659,908
Lake County Forest Preserve District	274,450,000	5.28%	14,489,362
McHenry County Conservation District	119,395,000	2.17%	2,590,207
Arlington Heights Park District	15,190,000	100.00%	15,190,000
Barrington Park District	19,825,000	100.00%	19,825,000
Buffalo Grove Park District	9,430,000	22.70%	2,140,264
Des Plaines Park District	4,980,000	1.65%	82,105
Dundee Township	5,230,000	3.68%	192,464
Dundee Township Park District	1,845,000	3.02%	55,810
Elk Grove Park District	8,650,000	100.00%	8,650,000
Hanover Park Park District	475,000	35.81%	170,097
Hoffman Estates Park District	10,130,000	84.35%	8,545,161
Mount Prospect Park District	4,297,000	100.00%	4,297,000
Northbrook Park District	8,265,000	0.97%	80,258
Palatine Park District	9,895,000	100.00%	9,895,000
Prospect Heights Park District	548,280	100.00%	548,280
Rolling Meadows Park District	2,115,000	100.00%	2,115,000
Salt Creek Rural Park District	659,000	100.00%	659,000
Schaumburg Park District	9,585,000	95.74%	9,176,825
Wheeling Park District	900,000	92.61%	833,520
Fox River Grove Public Library District	265,000	39.58%	104,879
Gail Borden Public Library District	16,550,000	1.30%	214,561
Poplar Creek Public Library District	19,390,000	4.06%	786,769
Village of Arlington Heights	42,540,000	100.00%	42,540,000
Village of Barrington	2,635,000	100.00%	2,635,000
Village of Barrington Hills	1,370,000	97.54%	1,336,333
Village of Buffalo Grove	11,340,000	23.24%	2,635,000
Village of Carpentersville	43,575,000	7.09%	3,090,514
City of Des Plaines	40,611,164	16.62%	6,748,448
Village of Elk Grove Village	82,400,000	100.00%	82,400,000
Village of Fox River Grove	465,000	58.07%	270,026
Village of Hanover Park	19,615,000	51.03%	10,009,218
Village of Hoffman Estates	99,830,000	83.91%	83,764,162
Village of Inverness	6,455,000	100.00%	6,455,000
Village of Lake Barrington	4,755,000	88.24%	4,195,812
Village of Mount Prospect	48,075,000	100.00%	48,075,000
Village of Northbrook	70,080,000	1.01%	711,306

TABLE 11
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512

DEBT CAPACITY

DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2015

Governmental Unit	Debt Outstanding	Percentage of Debt Applicable	College Share of Direct and Overlapping Debt
Village of Palatine	87,630,000	100.00%	87,630,000
City of Prospect Heights	13,365,000	94.97%	12,692,698
City of Rolling Meadows	21,500,000	100.00%	21,500,000
Village of Schaumburg	283,205,000	97.20%	275,261,447
Village of South Barrington	5,100,000	95.08%	4,849,179
Village of Wheeling	44,635,000	99.39%	44,360,567
Lake Barrington Special Service Area Number 3	2,425,000	100.00%	2,425,000
North Barrington Special Service Area 17	5,390,000	100.00%	5,390,000
Prospect Heights Special Service Area 6	2,240,000	100.00%	2,240,000
South Barrington Special Service Area 1	230,000	100.00%	230,000
South Barrington Special Service Area 3	6,210,000	100.00%	6,210,000
Tower Lake Special Service Area Number 2	145,000	100.00%	145,000
School District Number 3	2,600,000	45.73%	1,188,937
School District Number 23	9,940,000	100.00%	9,940,000
School District Number 26	10,610,000	87.64%	9,298,299
School District Number 57	7,045,000	100.00%	7,045,000
High School District Number 155	12,035,000	1.73%	208,266
Community Consolidated School District 15	20,635,633	100.00%	20,635,633
Community Consolidated School District 21	40,805,000	100.00%	40,805,000
Community Consolidate School District 59	14,520,000	100.00%	14,520,000
Community Unit School District Number 220	61,000,000	95.16%	58,047,600
Township High School District Number 211	11,380,000	98.71%	11,233,288
Township High School District Number 214	42,800,000	99.72%	42,680,908
Total overlapping bonded debt			<u>1,810,460,367</u>
Total direct and overlapping bonded debt			<u><u>\$ 1,983,521,844</u></u>

Source: Cook 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 City. This schedule estimates the portion of the the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Anywhere. 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 City's taxable assessed value that is within the government's boundaries and dividing it by the City'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

	2014	2013	2012	2011	2010
Assessed valuation	\$ 16,824,424,132	\$ 16,642,048,983	\$ 19,011,750,509	\$ 20,628,324,840	\$ 22,803,492,049
Legal debt limit - 2.875% of assessed valuation	483,702,194	478,458,908	546,587,827	593,064,339	655,600,396
Total debt applicable to limit	170,935,000	175,310,000	182,990,000	185,775,000	192,920,000
Legal debt margin	\$ 312,767,194	\$ 303,148,908	\$ 363,597,827	\$ 407,289,339	\$ 462,680,396
Total net debt applicable to the limit as a percentage of debt limit	35.34%	36.64%	33.48%	31.32%	29.43%
	2009	2008	2007	2006	2005
Assessed valuation	\$ 24,973,396,828	\$ 24,954,620,795	\$ 23,623,583,896	\$ 20,445,486,113	\$ 20,154,588,870
Legal debt limit - 2.875% of assessed valuation	717,985,159	717,445,348	679,178,037	587,807,726	579,444,430
Total debt applicable to limit	194,545,000	201,650,000	56,385,000	66,715,000	73,355,000
Legal debt margin	\$ 523,440,159	\$ 515,795,348	\$ 622,793,037	\$ 521,092,726	\$ 506,089,430
Total net debt applicable to the limit as a percentage of debt limit	27.10%	28.11%	8.30%	11.35%	12.66%

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**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Population Estimates	534,984	534,586	532,566	534,984	534,984	534,984	534,984	534,984	534,984	534,984
Unemployment Rates:										
Arlington Heights	4.6%	5.3%	6.6%	6.8%	7.7%	7.7%	8.6%	4.7%	3.4%	3.3%
Elk Grove Village	5.3%	5.5%	7.3%	7.2%	8.8%	9.3%	9.9%	5.0%	3.7%	3.5%
Hoffman Estates	4.8%	5.4%	6.7%	6.6%	8.4%	8.7%	9.8%	5.2%	3.5%	3.2%
Mount Prospect	4.6%	5.3%	6.6%	6.4%	8.0%	8.2%	9.1%	4.6%	3.2%	3.2%
Palatine	4.9%	5.2%	6.9%	6.7%	8.7%	8.6%	9.2%	5.0%	3.4%	3.4%
Schaumburg	5.0%	5.5%	6.7%	6.8%	8.3%	8.3%	9.6%	5.3%	3.5%	3.4%
Wheeling	4.7%	5.4%	7.2%	8.3%	8.7%	8.8%	9.4%	4.8%	3.5%	3.2%
Chicago PMSA	6.3%	7.1%	10.3%	9.3%	10.7%	10.3%	10.4%	6.3%	4.6%	4.3%
Illinois	5.9%	7.1%	9.8%	9.3%	10.6%	10.0%	10.5%	6.2%	4.6%	4.6%
United States	5.5%	6.3%	7.8%	8.4%	9.7%	9.3%	9.7%	5.2%	4.3%	4.6%

Source: College records and Illinois Department of Employment Securities

Note: 2015 Unemployment Data as of June 2015

TABLE 14

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

2014 (1)			2004		
Employer	Number of Employees	Rank	Employer	Number of Employees	Rank
Sears Roebuck and Company	6,200	1	Sears Roebuck and Company	6,000	1
Northwest Community Hospital	4,000	2	Motorola, Inc.	5,310	2
Alexian Bros Medical Center	3,100	3	Alexian Brothers Medical System	4,322	3
AT&T Services Inc	2,500	4	United Airlines, Inc.	3,732	4
Zurich North America	2,500	4	Northwest Community Hospital	3,300	5
St. Alexius Medical Center	2,045	6	SBC Illinois	2,700	6
Automatic Data Processing	1,500	7	Siemens	2,656	7
Clearbrook	1,000	8	Allstate Insurance Co.	2,350	8
Motorola Solutions, Inc	970	9	Northrop Grumman	2,265	8
CVS Caremark	850	10	UOP, LLC	2,000	10
Total	<u>24,665</u>			<u>34,635</u>	

Source: College records
American Community Survey

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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Faculty										
Full-time	238	236	233	232	217	228	228	226	226	226
Part-time	-	-	-	-	-	-	-	-	-	-
Administrative										
Full-time	51	51	47	48	45	51	52	54	50	48
Part-time	-	-	-	-	-	-	-	-	-	-
Professional/Technical										
Full-time	131	125	124	121	111	119	114	111	113	109
Part-time	47	43	41	37	21	30	25	25	24	25
Supervisory/Confidential										
Full-time	97	94	91	85	73	78	84	80	79	75
Part-time	2	3	5	4	2	4	5	6	7	8
Classified Staff										
Full-time	131	136	139	141	135	144	146	148	148	152
Part-time	126	138	165	278	61	66	65	67	63	67
Security										
Full-time	18	16	16	16	15	15	15	15	15	15
Part-time	17	17	17	16	-	-	-	-	-	-
Custodial/Maintenance										
Full-time	93	93	97	97	89	97	97	97	95	95
Part-time	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Total										
Full-time	759	751	747	740	685	732	736	731	726	720
Part-time	<u>197</u>	<u>206</u>	<u>233</u>	<u>340</u>	<u>87</u>	<u>104</u>	<u>99</u>	<u>102</u>	<u>98</u>	<u>104</u>
Grand Total	<u>956</u>	<u>957</u>	<u>980</u>	<u>1080</u>	<u>772</u>	<u>836</u>	<u>835</u>	<u>833</u>	<u>824</u>	<u>824</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Degrees and Certificates Awarded										
Degrees	1,629	1,773	1,326	1,361	1,457	1,311	1,235	1,231	1,297	1,203
Certificates	<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>	<u>1,099</u>	<u>1,105</u>	<u>958</u>
Total Degrees and Certificates Awarded	<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>	<u><u>2,330</u></u>	<u><u>2,402</u></u>	<u><u>2,161</u></u>
Student enrollment by funding category (unrestricted reimbursable credit hours)										
Baccalaureate	187,055	191,897	193,163	197,827	208,699	209,288	194,768	189,074	183,312	181,746
Business Occupational	19,484	20,542	22,190	23,495	22,389	21,010	18,374	18,361	19,186	21,418
Technical Occupational	17,347	15,284	16,536	17,368	17,321	16,496	13,712	13,151	14,354	14,176
Health Occupational	16,007	17,646	18,916	19,844	18,046	16,657	15,587	13,488	12,723	11,725
Remedial Developmental	17,335	19,852	21,456	27,632	29,972	29,247	29,078	29,668	29,777	30,826
Adult Basic/Secondary Education	<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>	<u>5,512</u>	<u>8,204</u>	<u>7,239</u>
Total Credit Hours	<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>	<u><u>269,254</u></u>	<u><u>267,556</u></u>	<u><u>267,130</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**

	2014*	2013	2012	2011	2010	2009	2008	2007	2006	2005
Facilities Data										
Size of campus (acres)	188	188	188	188	188	188	188	188	188	188
Net assignable square footage										
Classrooms	182,909	176,384	176,454	176,573	157,563	157,563	157,563	157,563	161,078	160,540
Laboratories	217,760	206,094	208,274	207,511	228,813	228,813	228,813	228,813	228,397	230,519
Office	147,729	147,665	147,411	147,455	150,851	150,983	150,983	150,896	149,247	148,838
Study	33,444	34,329	34,973	34,983	34,659	34,659	34,659	34,659	34,659	34,543
Athletic/PE	59,688	59,688	59,688	59,605	58,814	58,814	58,814	58,814	58,814	59,702
Special use	12,810	12,704	12,794	13,205	13,996	13,996	13,996	13,996	13,996	13,205
Theatre/auditorium	32,890	32,890	32,890	32,890	32,890	32,890	32,890	32,890	32,890	32,890
General use	55,364	55,666	54,423	54,423	55,442	55,442	55,442	55,442	54,874	54,285
Support	41,682	44,015	44,368	44,533	43,123	43,123	43,123	43,123	43,872	43,763
Health care	2,189	2,190	2,180	2,180	1,485	1,624	1,624	1,471	1,471	1,471
Unclassified	2,333	-	-	-	4,632	4,632	4,632	4,632	4,632	4,632
Total net assignable square footage	788,798	771,625	773,455	773,358	782,268	782,539	782,539	782,299	783,930	784,388
Gross square footage	1,311,882	1,307,989	1,307,989	1,307,989	1,307,873	1,307,873	1,309,195	1,307,989	1,307,786	1,307,786

Source: College Records

* Most recent data available

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

Uniform Financial Statement No. 1
All Funds Summary

Year ended June 30, 2015

	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, 2014	\$ 35,154,363	17,745,977	144,393,889	9,775,939	8,482,346	14,207,517	15,705,626	84,780	1,176,459	246,726,896
Revenues:										
Local tax revenue	38,913,193	15,740,451	—	18,026,833	—	—	—	17,038	(1,401)	72,696,114
All other local revenue	1,144,380	—	5,107,155	—	—	—	—	—	—	6,251,535
ICCB grants	7,359,309	—	—	—	—	402,135	—	—	—	7,761,444
All other state revenue	—	—	—	—	—	2,926,963	—	—	—	2,926,963
Federal revenue	23,291	—	—	—	—	16,251,586	—	—	—	16,274,877
Student tuition and fees	44,017,412	2,186,010	569,139	—	3,115,865	50,031	—	—	—	49,938,457
All other revenue	619,583	174,122	190,258	22,331	2,837,055	414,446	27,717	164	1,787	4,287,463
Total revenues	92,077,168	18,100,583	5,866,552	18,049,164	5,952,920	20,045,161	27,717	17,202	386	160,136,853
Expenditures:										
Instruction	36,630,390	—	—	—	357,401	1,916,902	—	—	—	38,904,693
Academic support	8,750,975	—	—	—	—	860,366	—	—	—	9,611,341
Student services	11,905,105	—	—	—	1,042,970	254,412	—	—	—	13,202,487
Public service/continuing education	114,961	—	—	—	3,758,059	1,299,196	—	—	—	5,172,216
Independent operations	—	—	—	—	868,670	10,000	—	—	—	878,670
Operations and maintenance of plant	—	13,639,415	—	—	9,764	—	—	—	—	13,649,179
Institutional support	24,858,870	2,441,990	31,122,911	17,063,626	129,965	3,397,062	—	94,900	346,483	79,455,807
Scholarships/grants/waivers	5,924,387	—	—	—	131,666	15,946,346	—	—	—	22,002,399
Total expenditures	88,184,688	16,081,405	31,122,911	17,063,626	6,298,495	23,684,284	—	94,900	346,483	182,876,792
Excess (deficiency) of revenues over expenditures	3,892,480	2,019,178	(25,256,359)	985,538	(345,575)	(3,639,123)	27,717	(77,698)	(346,097)	(22,739,939)
Other financing sources (uses):										
Transfers (to) from other funds	(4,003,198)	(1,400,000)	2,800,000	—	558,825	2,044,373	—	—	—	—
Fund balance at June 30, 2015	\$ 35,043,645	18,365,155	121,937,530	10,761,477	8,695,596	12,612,767	15,733,343	7,082	830,362	223,986,957

See accompanying independent auditors' 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, 2015

	Capital Asset/Debt Account Groups June 30, 2014	Increases	Decreases	Capital Asset/Debt Account Groups June 30, 2015
Capital assets:				
Land	\$ 4,326,007	—	—	4,326,007
Buildings and improvements	218,858,024	38,810,343	—	257,668,367
Equipment	18,142,789	1,414,842	—	19,557,631
Construction in progress	51,044,428	32,754,505	(38,810,343)	44,988,590
Total capital assets	292,371,248	72,979,690	(38,810,343)	326,540,595
Accumulated depreciation	(112,955,937)	(8,059,483)	—	(121,015,420)
Net capital assets	\$ 179,415,311	64,920,207	(38,810,343)	205,525,175
Total debt – bonds payable	\$ 175,310,000	4,890,000	(9,265,000)	170,935,000

See accompanying independent auditors' 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, 2015

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Operating revenues by source:			
Local government revenue:			
Local taxes	\$ 38,913,193	15,740,451	54,653,644
Chargeback revenue	119,089	—	119,089
CPPTRR	1,025,291	—	1,025,291
Total local government revenue	40,057,573	15,740,451	55,798,024
State government revenue:			
ICCB Credit Hour grants	6,864,994	—	6,864,994
Other	494,315	—	494,315
Total state government revenue	7,359,309	—	7,359,309
Federal government revenue:			
Department of Education	23,291	—	23,291
Other	—	—	—
Total federal government revenue	23,291	—	23,291
Student tuition and fees:			
Tuition	38,803,985	—	38,803,985
Fees	5,213,427	2,186,010	7,399,437
Total student tuition and fees	44,017,412	2,186,010	46,203,422
Other sources:			
Sales and service fees	496,594	134,715	631,309
Investment revenue	(10,947)	38,921	27,974
Other	133,936	486	134,422
Transfers	—	—	—
Total other revenue	619,583	174,122	793,705
Total revenues	92,077,168	18,100,583	110,177,751
Less – nonoperating items:*			
Tuition chargeback revenue	119,089	—	119,089
Transfers from nonoperating funds	—	—	—
Adjusted revenue	\$ 91,958,079	18,100,583	110,058,662

* 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, 2015

	<u>Education Fund</u>	<u>Operations and Maintenance Fund</u>	<u>Total Operating Funds</u>
Operating expenditures:			
By program:			
Instruction	\$ 36,630,390	—	36,630,390
Academic support	8,750,975	—	8,750,975
Student services	11,905,105	—	11,905,105
Public service/continuing education	114,961	—	114,961
Operations and maintenance	—	13,639,415	13,639,415
Institutional support	24,858,870	2,441,990	27,300,860
Scholarships/grants/waivers	5,924,387	—	5,924,387
Transfers	4,003,198	1,400,000	5,403,198
Total operating expenditures	92,187,886	17,481,405	109,669,291
Less – nonoperating items:*			
Tuition chargebacks	69,960	—	69,960
Transfers to nonoperating funds	4,003,198	1,400,000	5,403,198
Adjusted operating expenditures	\$ 88,114,728	16,081,405	104,196,133
By object:			
Salaries	\$ 60,429,793	6,402,550	66,832,343
Employee benefits	10,195,419	1,544,904	11,740,323
Contractual services	4,360,353	2,652,630	7,012,983
General materials and supplies	4,195,021	1,049,180	5,244,201
Conference and meeting expense	1,107,981	31,676	1,139,657
Fixed charges	457,279	293,336	750,615
Utilities	6,382	3,129,881	3,136,263
Capital outlay	611,368	977,073	1,588,441
Other	6,821,092	175	6,821,267
Transfers	4,003,198	1,400,000	5,403,198
Total operating expenditures	92,187,886	17,481,405	109,669,291
Less – nonoperating items:*			
Tuition chargebacks	69,960	—	69,960
Transfers to nonoperating funds	4,003,198	1,400,000	5,403,198
Adjusted operating expenditures	\$ 88,114,728	16,081,405	104,196,133

*Intercollege expenses are subtracted to allow for statewide comparisons.

See accompanying independent auditors' 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, 2015

Revenues by source:

Total local government – proceeds from bond issuance	\$ —
State government:	
ICCB – Adult Education	365,809
ICCB – Career and Technical Education – Program Improvement Grant	36,326
Illinois Student Assistance Commission	1,560,808
Other	1,366,155
Total state government	<u>3,329,098</u>
Federal government:	
Department of Education	14,062,885
Department of Labor	1,033,077
Department of Health and Human Services	538,822
Department of Veterans Affairs	520,714
Other	96,088
Total federal government	<u>16,251,586</u>
Other sources	464,477
Transfers	<u>2,062,674</u>
Total restricted purposes fund revenues	<u>\$ 22,107,835</u>

Expenditures by program:

Instruction	\$ 1,916,902
Academic support	860,366
Student services	254,412
Public service/continuing education	1,299,196
Auxiliary	10,000
Operations and maintenance	—
Institutional support	3,397,062
Scholarships, student grants, and waivers	15,946,346
Transfers	<u>18,301</u>
Total restricted purposes fund expenditures	<u>\$ 23,702,585</u>

**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, 2015

Expenditures by object:

Salaries	\$ 2,419,539
Employee benefits	548,279
Contractual services	1,823,408
General materials and supplies	679,240
Travel and meetings	228,322
Fixed charges	142,353
Utilities	12,446
Capital outlay	1,836,864
Other	15,993,833
Transfers	18,301
	<hr/>
Total restricted purposes fund expenditures	\$ <u><u>23,702,585</u></u>

See accompanying independent auditors' 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, 2015

Instruction:	
Instructional programs	\$ 36,861,810
Instructional support	2,042,883
Total instruction	<u>38,904,693</u>
Academic support:	
Library center	2,153,138
Educational media services	586,459
Academic computing support	—
Academic administration and planning	5,953,307
Other	918,436
Total academic support	<u>9,611,340</u>
Student services:	
Admissions and records	2,588,609
Counseling and career guidance	1,914,496
Student financial aid and administration	793,060
Other	7,906,322
Total student services	<u>13,202,487</u>
Public service/continuing education:	
Community education	2,473,783
Customized training (instructional)	448,573
Community services	110,272
Other	2,139,588
Total public service/continuing education	<u>5,172,216</u>
Auxiliary services	<u>878,670</u>
Operations and maintenance of plant:	
Maintenance	1,519,576
Custodial services	2,998,333
Grounds	1,208,408
Campus security	1,323,388
Utilities	4,674,933
Administration	1,924,541
Total operations and maintenance of plant	<u>13,649,179</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, 2015

Institutional support:	
Executive management	\$ 3,335,964
Fiscal operations	1,668,401
Community relations	2,547,760
Administrative support services	3,014,856
Board of Trustees	37,025
General institutional support	6,857,198
Institutional research	527,059
Administrative data processing	13,281,007
Other	—
Total institutional support	<u>31,269,270</u>
Scholarships, student grants, and waivers	<u>22,002,400</u>
Total current funds expenditures	<u>\$ 134,690,255</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 auditors' report.

CERTIFICATE OF CHARGEBACK REIMBURSEMENT

Fiscal Year 2016

All data needed to complete the form was not available before the audit was published and an addendum page will be distributed when the form is available

Preliminary Draft

INDEPENDENT AUDITORS' 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 sheet of the William Rainey Harper College, Community College District No. 512 (the "College"), State Adult Education Grant Program (State Basic, Public Assistance, and State Performance), and Career and Technical Education – Program Improvement Grant Program ("Grant Programs"), as of June 30, 2015 and the related statements of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the Grant Programs' 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 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 College's State Adult Education Grant Program (State Basic, Public Assistance, and State Performance), and Career and Technical Education – Program Improvement Grant Program as of June 30, 2015, and the revenues, expenditures, and changes in fund balances 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, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Grant Programs' basic financial statements. The ICCB Compliance Statement on page xxx is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the ICCB Compliance Statement is fairly stated, in all material respects, in relation to the basic 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 September xx, 2015 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 Horwath LLP

Oak Brook, Illinois
September xx, 2015

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
STATE GRANT PROGRAMS 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 Grant Program (State Basic, Public Assistance, and State Performance), and Career and Technical Education – Program Improvement Grant Program ("Grant Programs") which comprise the balance sheet as of June 30, 2015, the related statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the Grant Programs' basic financial statements and have issued our report thereon dated September xx, 2015. 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, 2015, and the changes in its financial position 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 Horwath LLP

Oak Brook, Illinois
September xx, 2015

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

State Adult Education Grant Program

Balance Sheet

June 30, 2015

	State Basic	Public Assistance	State Performance	Total
Assets – Accounts Receivable	\$ 14,903	3,180	12,402	\$ 30,485
Liabilities – Accrued expenses	\$ —	\$ —	\$ 50	\$ 50
Liabilities –Due to other funds	14,903	3,180	12,352	30,435
Total liabilities	14,903	3,180	12,402	30,485
Fund balance	—	—	—	—
Total liabilities and fund balance	\$ 14,903	\$ 3,180	\$ 12,402	\$ 30,485

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, Expenditures, and Changes in Fund Balance

Year ended June 30, 2015

	<u>State Basic</u>	<u>Public Assistance</u>	<u>State Performance</u>	<u>Total</u>
Revenue – state source	\$ 178,831	38,158	148,820	\$ 365,809
Expenditures by program:				
Instructional and student services:				
Instruction	178,576	33,712	61,631	273,919
Guidance services	—	—	—	—
Assessment and testing	—	—	5,477	5,477
Child care services	—	—	11,061	11,061
Subtotal instructional and student services	178,576	33,712	78,169	290,457
Program support:				
Improvement of instructional services	—	—	15,093	15,093
General administration	255	4,446	55,558	60,259
Subtotal program support	255	4,446	70,651	75,352
Total expenditures	178,831	38,158	148,820	365,809
Excess of revenue over expenditures	—	—	—	—
Fund balance, beginning of year	—	—	—	—
Fund balance, 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

Expenditure Amount and Percentages for ICCB Grant Funds Only

Year ended June 30, 2015

	<u>Audited expenditure amount</u>	<u>Actual expenditure percentage</u>
State Basic:		
Instruction (45% minimum required)	\$ 178,576	99.86%
General administration (15% maximum allowed)	255	0.14%
State Public Assistance:		
Instruction (45% minimum required)	33,712	88.35%
General administration (15% maximum allowed)	4,446	11.65%

See accompanying independent auditors' 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, 2015

Assets – cash	\$ <u>500</u>
Liabilities – Accrued expenses	\$ 500
Fund balance	<u>—</u>
Total liabilities and fund balance	\$ <u>500</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, Expenditures, and Changes in Fund Balance

Year ended June 30, 2015

Revenue – state source	\$ 36,326
Expenditures:	
Employee Services	8,635
Contractual services	6,835
Materials and supplies	11,856
Conference & Meeting Expense	240
Instructional equipment	8,760
Total expenditures	36,326
Excess of revenue over expenditures	—
Fund balance, beginning of year	—
Fund balance, end of year	\$ —

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, 2015

(1) Summary of Significant Accounting Policies

(a) General

The accompanying statements include only those transactions resulting from the State Adult Education (State Basic, Public Assistance, and State Performance) Grant, and Career and Technical Education – Program Improvement Grant Programs (the Grant Programs) 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 modified accrual basis. Expenditures include all accounts payable representing liabilities for goods and services actually received as of June 30, 2015. Funds obligated for goods prior to June 30 and for which the goods are received prior to August 31 are recorded as encumbrances. Unexpended funds are reflected as a reduction to fund balance and a liability due to the ICCB by October 15.

(c) Capital Assets

Capital asset purchases, if any, are recorded as capital outlay of the program from which the expenditures are made. Such expenditures have been capitalized at cost in the College's financial statements.

(2) Payments of Prior Year's Encumbrances

Payments of prior year's encumbrances for goods received prior to August 31, 2015 are reflected as expenditures during the current fiscal year.

(3) 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.

(b) Restricted Grants/Special Initiatives

Workforce Development Grants

Business and Industry Services – Provides funding for a business/industry center at every college to provide a variety of employment training and business services outside of the classroom.

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

Notes to State Grant Programs Financial Statements

June 30, 2015

(3) Background Information on State Grant Activity

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.

Public Assistance

Grant awarded to Adult Education and Family Literacy providers to pay for instruction, fees, books, and materials incurred in the program for students who are identified as recipients of public assistance.

State Performance

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

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

Residency Verification for Enrollment

June 30, 2015

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, 2015

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 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, 2015. The Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed is the responsibility of the College's management. 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, in accordance with the guidelines of the Illinois Community College Board's *Fiscal Management Manual*, and accordingly, included examining, on a test basis, evidence supporting the Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed, in all material respects, is fairly presented in accordance with the provisions of the aforementioned guidelines.

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.

Crowe Horwath LLP

Oak Brook, Illinois
September xx, 2015

**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, 2015

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	26,174.5	—	83,456.5	—	77,423.5	—	187,054.5	—
Business occupational	1,836.5	—	8,790.5	—	8,857.0	228.0	19,484.0	228.0
Technical occupational	1,171.0	—	7,685.0	—	8,491.0	—	17,347.0	—
Health occupational	1,902.0	—	6,764.5	—	7,340.5	—	16,007.0	—
Remedial developmental	1,929.0	—	9,007.0	—	6,399.0	—	17,335.0	—
Adult basic/secondary education	2,358.5	—	1,282.0	4,290.5	1,406.0	4,234.5	5,046.5	8,525.0
Total	35,371.5	—	116,985.5	4,290.5	109,917.0	4,462.5	262,274.0	8,753.0
			Attending out-of-district on chargeback or cooperative/contractual agreement					
		Attending in-district		Total				
Reimbursable semester credit hours (all terms)		240,173.5	2,292.5	242,466.0				
District prior year equalized assessed valuation				\$ 16,824,424,132				
Signatures	/s/ Dr. Kenneth Ender			/s/ Dr. Ronald N. Ally				
	Chief Executive Officer (CEO)			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, 2015

	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	187,054.5	187,054.5	—	—	—	—
Business occupational	19,484.0	19,484.0	—	228.0	228.0	—
Technical occupational	17,347.0	17,347.0	—	—	—	—
Health occupational	16,007.0	16,007.0	—	—	—	—
Remedial developmental	17,335.0	17,335.0	—	—	—	—
Adult basic education/adult secondary education	5,046.5	5,046.5	—	4,234.5	4,234.5	—
Total	262,274.0	262,274.0	—	4,462.5	4,462.5	—
	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	240,173.5	240,173.5	—			
Reimbursable out-of-district on chargeback or contractual agreement	2,292.5	2,292.5	—			
Total	242,466.0	242,466.0	—			
	Total reimbursable	Total reimbursable certified to the ICCB	Difference			
Dual credit	10,246.5	10,246.5	—			
Dual enrollment	626.5	626.5	—			
Total	10,873.0	10,873.0	—			

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

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

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 William Rainey Harper College (the "College") and the discretely presented component unit of the College as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September xx, 2015. 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.

Crowe Horwath LLP

Oak Brook, Illinois
September xx, 2015

INDEPENDENT AUDITORS' 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 OMB CIRCULAR A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 of its major federal program for the year ended June 30, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated September xx, 2015, 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe Horwath LLP

Oak Brook, Illinois
September xx, 2015

Preliminary Draft

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal grantor/pass through grantor/program title	Project/grant number	Federal CFDA number	Federal expenditures
U.S. Armed Forces:			
Armed Forces Program	N/A	12.000	\$ 2,430
U.S. Department of Labor:			
Trade Adjustment Assistance Community College and Career Training (TAACCT)	TC-23795-12-60-A-17	17.282	691,753
Trade Adjustment Assistance Community College and Career Training (TAACCT)	TC-24997-13-60-A-17	17.282	284,025
Total Trade Adjustment Assistance Community College and Career Training			<u>975,778</u>
Passed through Illinois Department of Commerce			
WIA Workforce Initiatives 01	14-633090	17.258	57,300
Total Department of Labor			<u>1,033,078</u>
Small Business Administration			
Small Business Development Centers	14-561112	59.037	52,642
Small Business Development Centers	15-181112	59.037	41,017
Total Small Business Administration			<u>93,659</u>
U.S. Department of Veterans' Affairs:			
Vocation Rehabilitation for Disabled Veterans	N/A	64.116	24,212
U.S. Department of Education:			
Title III Strengthening Institutions Program Grant	P031A140104	84.031A	171,392
Passed through Illinois Community College Board			
Adult Education – Basic Grant	51201	84.002A	159,053
Adult Education – National Leadership Activities – EL Civics Grant	51201	84.002A	33,005
Adult Education – ICAPS	AEL ICAPS 51215	84.002A	8,222
Total Adult Education			<u>200,280</u>
Career and Technical Postsecondary Adult Education	CTE 51215	84.048	415,182
Career and Technical ICAPS	CTE ICAPS 51215	84.048	7,681
Career and Technical ICAPS	15 POS 512	84.048	5,000
Total Career and Technical Education			<u>427,863</u>
Curriculum Alignment Grant - Bridging the Gap	15 BTG 512	84.3670	5,204
Passed through Illinois Community College Board			<u>633,347</u>
Student Financial Assistance Program Cluster:			
Federal Supplemental Educational Opportunity Grant Program	P007A131317	84.007	—
Federal Supplemental Educational Opportunity Grant Program	P007A141317	84.007	166,164
Federal Direct Student Loans Program	P268K142465	84.268	206,868
Federal Direct Student Loans Program	P268K152465	84.268	6,688,823
Federal Work Study Program	P033A131317	84.033	—
Federal Work Study Program	P033A141317	84.033	160,078
Federal Pell Grant Program	P063P132465	84.063	69,314
Federal Pell Grant Program	P063P142465	84.063	12,862,589
Total Student Financial Assistance			<u>20,153,836</u>
Passed through Illinois Department of Human Services:			
Rehabilitation Services – ORS Third Party Agreement	46CTD00252	84.126	208,029
Rehabilitation Services – Vocational Rehabilitation		84.126	330,792
Total Rehabilitation Services			<u>538,821</u>
Total Department of Education			<u>21,497,396</u>
Total Federal Expenditures			<u>\$ 22,650,775</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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the College. The College reporting entity is defined in Note 1 to the College's financial statements.

Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the College's financial statements.

Federal Student Loan Programs:

Federally guaranteed loans issued to students of the College by financial institutions under the Federal Direct Loan Program were \$6,895,691 during the year ended June 30, 2015.

Subrecipients:

The College had no subrecipients during the year.

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, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes ✓ No

Significant deficiencies identified not
considered to be material weaknesses?

_____ 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 deficiencies identified not
considered to be material weaknesses?

_____ 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 Section .510(a) of
OMB Circular A-133?

_____ Yes ✓ No

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Schedule of Findings and Questioned Costs

Year Ending June 30, 2015

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ✓ Yes No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2015.

Section III - Federal Award Findings

There were no findings for the year ended June 30, 2015.

Section IV –Prior Year Findings and Questioned Costs

There were no findings for the year ended June 30, 2014.