

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, 2016 and 2015

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

Palatine, Illinois

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2016 and 2015

(With Independent Auditor's Report Thereon)

Prepared by:

Accounting Services

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

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Kenneth L. Ender, Ph.D.
President

1200 West Algonquin Road
Palatine, Illinois 60067-7398

847.925.6390
847.925.6034 fax
kender@harpercollege.edu

September 21, 2016

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, 2016, 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.

Although in recent years Harper has seen some decline in enrollment, it has had a history 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 2016 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.

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

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 2016 is 9,961. The College has 746 full-time employees, which includes 236 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 and Mission

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.

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 a four year Strategic Plan focused on student completion and success. Through our Strategic Plan, we will work diligently to identify meta-majors that help students select a program of study, and then work with students to develop an educational plan that helps them achieve their goals. We will also explore ways to assign a student advocate to every credential-seeking student. These advocates would help students navigate through issues that may arise as they attend Harper. This work will also include the development of predictive analytic models that serve to guide students should they veer off their educational plan. These predictive data will also inform the College as to how student support services, classroom experiences and other factors contribute to student success. The Promise Program was launched in FY 2016 offering every eligible public high school student in Harper's district up to two years of

tuition if they maintain solid grades, have good attendance, do not repeat classes, graduate on time, and provide service to their community. To date, we have raised \$8.1 million of the \$10 million required to sustain the program; the final funding for this program will be raised in FY 2017.

We will continue to make significant progress with our Campus Master Plan. The second phase of the Building D project opened in August. We hope to restart the Canning Center project once the State funding has been released. In addition, major renovations to Building F (Library and Student Support Services) as well as Building M (Recreation and Wellness) will begin in FY 2017. Building M presents a unique opportunity in re-envisioning a structure and the programming it will house in collaboration with several key partners. Partnerships with the Palatine Park District, Northwest Community Healthcare and Centers Management will provide increased opportunities for on-campus practicums and internships as well as dozens of new student jobs.

Each year, the College conducts at least one major research project. In FY 2017, we will conduct an Environmental Scan which allows the College to systematically survey and interpret relevant data to identify external opportunities and threats. In addition, we will conduct the Personal Assessment of the College Environment (PACE Survey). The purpose of this survey is to obtain the perceptions of personnel concerning the college climate and to provide data to assist Harper in promoting more open and constructive communication among faculty, staff, and administrators. To ensure objectivity, both research projects will be conducted by third-party firms.

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. About every five years the Master Plan is updated, and the current plan is scheduled to be updated in FY 2017. 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 the completion of Phase II of Building D, Canning Center, Building F, and Building M. These projects, along with planned infrastructure projects, will exhaust the remaining referendum funds over the next few years.

The capital projects budget is provided for in the Operations and Maintenance (Restricted) Fund. The budget for FY 2017 includes planned infrastructure projects of \$14.6 million.

	Project Estimated Cost	FY17 Budget Request
Building Integrity	\$ 955,300	\$ 812,850
Sustainability	198,000	50,000
Renewal	555,400	138,800
Program Support	223,383,550	59,450,175
Safety and Statutory	5,681,950	4,264,325
System Reliability	18,354,950	11,239,125
Contingency	-	1,000,000
Total Capital Projects	\$ 249,129,150	\$ 76,955,275

As the table above shows, \$59 million is estimated for projects that support academic programs. Two of those projects, which are described below, are part of the State's Resource Allocation Management Program (RAMP). These projects, while provided for in the budget, are currently on hold until further notice from the State.

- Construction of the new Canning Center – Prior to the State hold, the construction documents were completed and the project had been ready for bidding. The FY 2017 budgeted project cost is \$19.3 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 2017 budgeted project cost is \$1.8 million. The total estimated project cost is \$5.3 million, which includes a state contribution of \$3.9 million.

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

Financial Information

Internal Control

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

Each year, including the fiscal year ended June 30, 2016, the College receives various reports from an independent certified public accountant reporting, among other things, whether instances of material weakness in the internal controls or material violation of applicable laws or regulations were noted during the audit. These reports are included in the Federal Financial Compliance section of this comprehensive annual financial report.

Budgeting Controls

The College maintains budgetary controls through an encumbrance accounting system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the College's Board of Trustees.

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

Prospects for the Future

The College will continue to operationalize a new four-year Strategic Plan that was approved in FY 2016. This plan builds on student success as a key theme by focusing on the Student Experience, Curriculum and Instruction, Achieving Educational Goals through Academic Planning and Pathways, all supported by Aligning of Employee

Skills with our strategic directions and ascertaining if initiatives can be scaled through diligent Stewardship. A new streamlined strategic planning implementation process has been developed to mitigate procedural requirements while still maintaining proper control and reporting. The new goal teams have identified the Institutional Effectiveness Measures they will attempt to improve through strategies that will be piloted in FY 2017.

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

Long-Term Financial Planning

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

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

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

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

Debt Administration

The statutory debt limit based on the property tax assessed valuation totals \$473.5 million. The current indebtedness totals \$158.8 million leaving a substantial margin for additional debt, as determined by the assessed valuation and the current property taxes. Current indebtedness is due to four outstanding series of bonds with varying maturity dates, with the last payment due in 2028.

Financial Guidelines

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

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

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

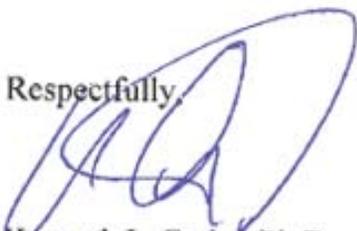
It is the Board's policy to maintain the fund balance in the combined Tax Capped Funds between 40% and 60% of budgeted annual expenditures.

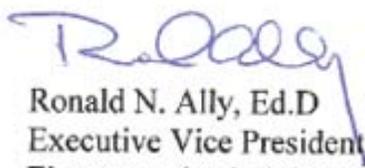
Other Information

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Harper College for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the sixth 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 2016 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, 2015

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
Eric DeBold	Student Trustee	2017

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
Michelé Smith	Assistant Provost Special Assistant to the President for Diversity and Inclusion

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 AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and 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, 2016 and 2015, 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, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

The Introductory Section, Statistical Section, and Uniform Financial Statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2016 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
Crowe Horwath LLP

Oak Brook, Illinois
September 21, 2016

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015
(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, 2016 and 2015. 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.

The College consists of 24 facilities with a combined 1.7 million gross square feet. With the 2008 referendum and the resulting bond funds, the College 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 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.

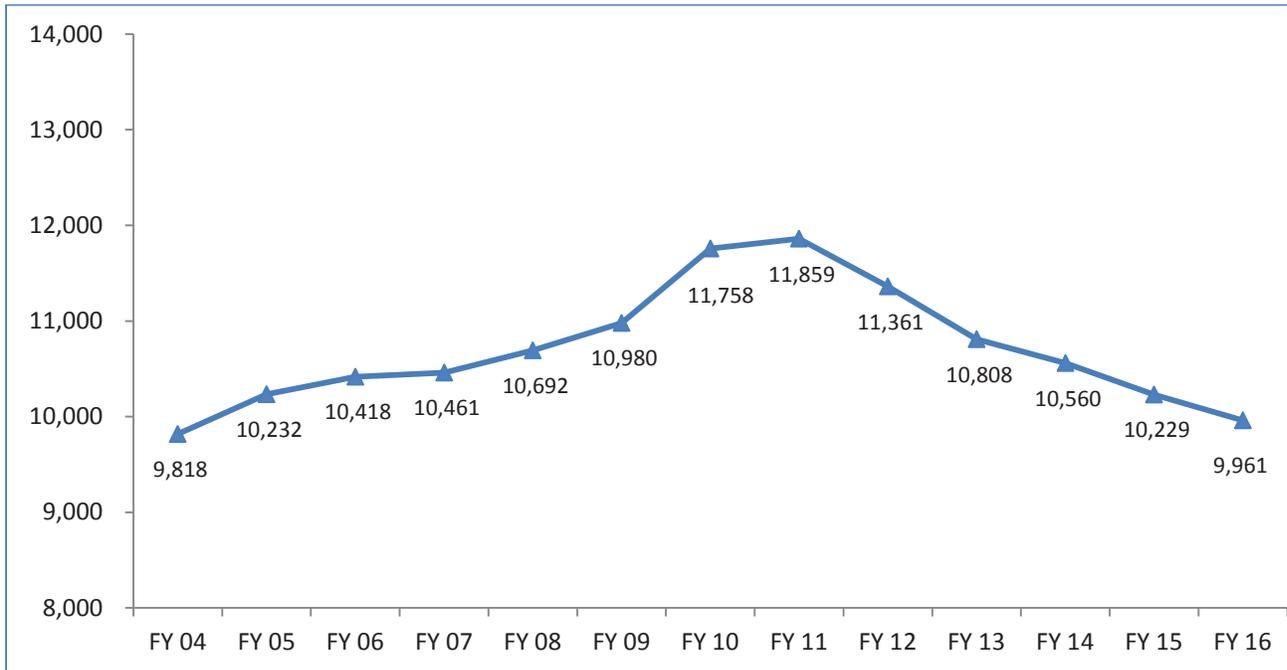
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Enrollment

In 1967, Harper College opened with an enrollment of about 1,700 students. Today the College's enrollment stands at approximately 40,000 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 2016 from the levels of fiscal year 2015, from 271,027 to 265,447. The total credit hours decreased by 2.6% from 306,860 in fiscal year 2015 to 298,842 in fiscal year 2016. The full time equivalents (FTEs) decreased to 9,961 for fiscal year 2016 from 10,560 in fiscal year 2015, although headcount (the actual number of students attending the College at any point in time) increased 1.5% during the same period of time. Total credit hours are budgeted to increase 0.1% in fiscal year 2017.



The chart above reflects credit full-time equivalents from fiscal years 2004 through 2016.

In fiscal year 2016, Harper College faculty brought 299 curriculum changes to the Curriculum Committee. The changes included two new Associate in Applied Science degree programs (Physical Therapist Assistant and Surgical Technology), four new certificates (Administrative Assistant, Insurance, Massage Therapy, Office Assistant) and many new courses including those attached to the new programs. Additionally, 76 withdrawals were processed. The College also revised three of its transfer degree programs: Associate in Science and Associate in Engineering Science degrees reduced hours and changed its program requirements, and the Associate in Arts degree changed its program requirements.

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With all of these changes, the College now has 39 associate degree programs (32 career) and 102 certificates. The College continues to review its curriculum, develop new programs and expand the education options for its students and the community.

The number of formal transfer partnerships has increased to 179, involving 53 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 continues to decline from fiscal year 2002 levels.

Fiscal years:	State Funding	Appropriations 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
2016	1,992,338	24.55

State appropriations received for fiscal year 2016 were only 29% of fiscal year 2015's funding, a decrease of \$4.9 million. This was due to the State not passing a budget for fiscal year 2016, relying instead on stop-gap measures to partially fund education, human services, and government operations. This practice has continued into fiscal year 2017 with the State passing a six-month spending bill, appropriating the College \$3.0 million to cover the first half of the fiscal year.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

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In addition the College absorbed approximately \$271,000 in fiscal year 2016 for unfunded state veterans' programs. Since fiscal year 2003 the cost to the College for this now unfunded mandate totals \$3.0 million.

The percentage of the College's funding provided by the State of Illinois, as measured by the per capita costs, was 4.5% for fiscal year 2015. It is expected to be lower for fiscal year 2016, depending on the final state apportionment for 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, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The difference between the total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources represents the College's "equity" and provides a measure of the financial health of the College. The change in net position is an indicator of whether the financial condition has improved or worsened during the year.

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(Unaudited)

Assets and liabilities are measured using current values, with the exception of capital assets. Capital assets are stated as historical cost, lowered by depreciation. A summary of net position at June 30, 2016, 2015, and 2014 is as follows:

Summary of Net Position
June 30, 2016, 2015, and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 151,269,049	\$ 151,277,637	\$ 179,221,497
Noncurrent assets:			
Restricted cash and investments	110,719,654	141,024,296	136,747,109
Capital assets, net of depreciation	222,713,979	205,525,175	179,415,302
Other	<u>793,126</u>	<u>475,963</u>	<u>1,702,862</u>
Total assets	<u>485,495,808</u>	<u>498,303,071</u>	<u>497,086,770</u>
Deferred outflow of resources	<u>324,985</u>	<u>26,945</u>	<u>54,954</u>
Total assets and deferred outflow of resources	<u>485,820,793</u>	<u>498,330,016</u>	<u>497,141,724</u>
Current liabilities	39,712,045	40,637,446	42,679,791
Noncurrent liabilities	<u>155,454,347</u>	<u>166,428,828</u>	<u>171,771,346</u>
Total liabilities	<u>195,166,392</u>	<u>207,066,274</u>	<u>214,451,137</u>
Deferred inflow of resources	<u>37,587,308</u>	<u>37,538,088</u>	<u>36,634,612</u>
Total liabilities and deferred inflow of resources	<u>232,753,700</u>	<u>244,604,362</u>	<u>251,085,749</u>
Net position:			
Net investment in capital assets	150,568,393	153,043,103	123,232,283
Restricted, expendable	29,203,389	28,146,191	42,580,355
Unrestricted	<u>73,295,310</u>	<u>72,536,360</u>	<u>80,243,337</u>
Total net position	<u>\$ 253,067,092</u>	<u>\$ 253,725,654</u>	<u>\$ 246,055,975</u>

Net Position – Fiscal Year 2016 compared to 2015

Current assets were relatively unchanged. Cash and cash equivalents decreased \$34.7 million, offset by an increase of \$34.0 million in current investments. Total accounts receivables outstanding decreased by \$0.8 million. Property taxes assessed but not collected and student accounts receivable, net of an allowance for uncollectible accounts, represent 78% and 13% respectively, or 91%, of total accounts receivable.

Restricted cash and investments decreased \$30.3 million due to spending on capital projects.

Capital assets, net of depreciation, increased \$17.2 million as a result of additions to buildings and building improvements.

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Current liabilities decreased \$0.9 million during the year, primarily due to decreases in accounts payable of \$1.7 million and \$0.4 million in reserves for property tax refunds, offset by increases in accrued payroll of 0.8 million and unearned tuition of \$0.4 million.

Noncurrent liabilities decreased \$11.0 million. Net long-term debt decreased \$11.2 million as existing debt was paid down, offset by an increase in other post-employment benefits of \$0.2 million.

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.

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.

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Management's Discussion and Analysis
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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, 2016, 2015, and 2014 is as follows:

Changes in Net Position			
Years ended June 30, 2016, 2015, and 2014			
	2016	2015	2014
Operating revenues:			
Tuition and fees, net	\$ 39,848,544	\$ 39,483,125	\$ 39,867,037
Government grants and contracts	3,064,534	3,143,699	3,371,017
Auxiliary	1,001,238	1,171,863	2,027,524
Other	2,044,513	2,073,418	2,111,283
Total operating revenues	45,958,829	45,872,105	47,376,861
Operating expenses	165,113,912	162,939,859	156,366,823
Operating loss	(119,155,083)	(117,067,754)	(108,989,962)
Nonoperating revenues and expenses:			
Property and other taxes	76,226,705	73,840,495	72,470,426
Government appropriations, grants, and contracts	47,333,687	48,687,585	45,880,427
Investment income	708,274	305,441	1,246,544
Interest expense	(7,166,209)	(7,795,756)	(8,185,222)
Other	786,543	717,799	464,878
Total nonoperating revenues and expenses, net	117,889,000	115,755,564	111,877,053
State Capital Contributions	607,521	8,981,869	16,352,351
Change in net position	(658,562)	7,669,679	19,239,442
Net position, beginning of year	253,725,654	246,055,975	226,816,533
Net position, end of year	\$ 253,067,092	\$ 253,725,654	\$ 246,055,975

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015
(Unaudited)

Revenues

Total revenues were \$181,407,749, \$188,860,626, and \$194,463,113 in fiscal years 2016, 2015, and 2014, respectively. The single largest revenue source of the College is property taxes. Revenues from property taxes were \$76,226,705, \$73,840,495, and \$72,470,426 in fiscal years 2016, 2015, and 2014, respectively. The second largest revenue source is gross tuition and fees. Gross tuition and fees were \$49,634,734, \$49,938,457, and \$50,538,663 in fiscal years 2016, 2015, and 2014, respectively.

Revenues – Fiscal Year 2016 compared to 2015

Operating revenues increased by \$0.1 million primarily due to a \$0.4 million increase in student tuition and fees, offset by decreases in auxiliary enterprises and other revenues.

Nonoperating revenues increased by \$1.5 million primarily due to increases of \$5.2 million in state retirement plan contributions and \$2.5 million in property taxes, offset by decreases in government appropriations.

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.

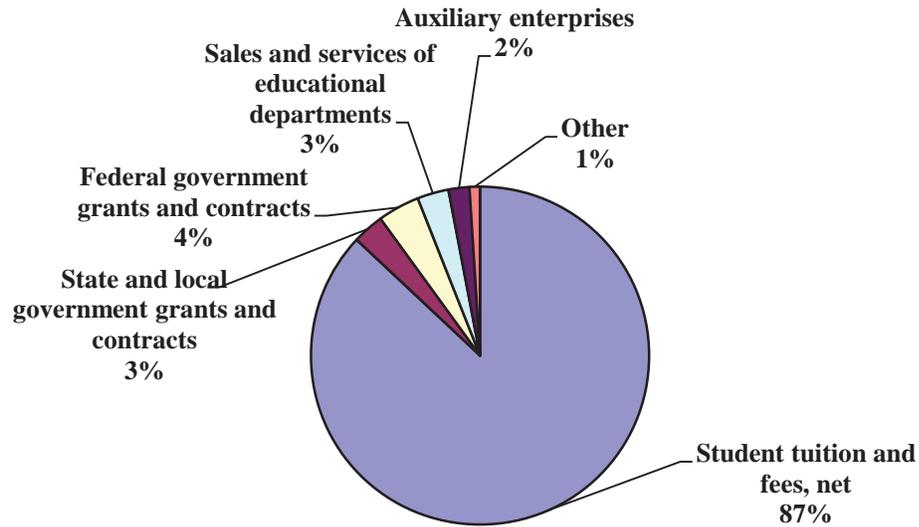
	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Student tuition and fees, net	\$ 39,848,544	\$ 39,483,125
State and local government grants	1,263,454	1,560,808
Federal government grants	1,801,080	1,582,891
Auxiliary enterprises	1,001,238	1,171,863
Sales and services of educational departments	1,283,580	1,221,019
Other	760,933	852,399
Total Operating Revenues	<u>\$ 45,958,829</u>	<u>\$ 45,872,105</u>

WILLIAM RAINEY HARPER COLLEGE
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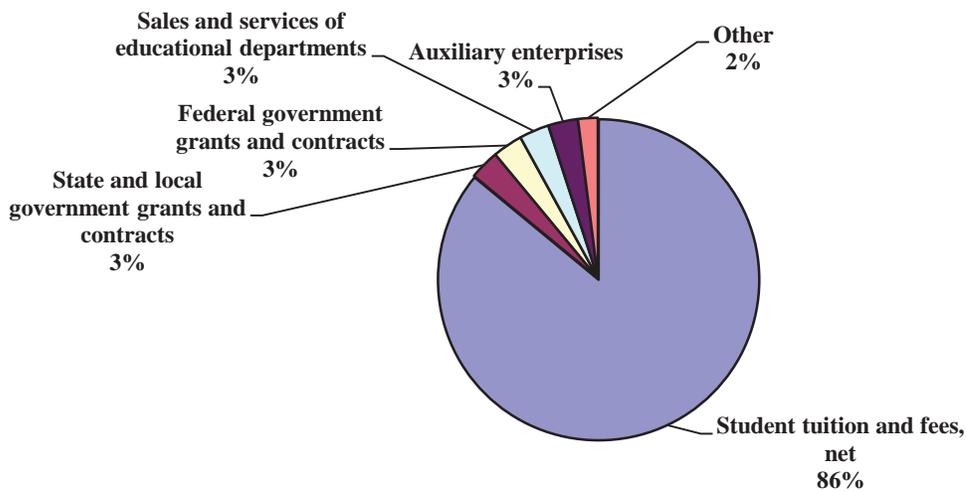
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The following are graphic illustrations of operating revenues by type:

FY 2016 Operating Revenues



FY 2015 Operating Revenues



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Expenses

Total expenses were \$182,066,311, \$181,190,947, and \$175,223,671 in fiscal years 2016, 2015, and 2014 respectively.

Expenses – Fiscal Year 2016 compared to 2015

Operating expenses increased by \$2.2 million, primarily driven by increases of \$6.4 million in salaries and benefits, of which \$5.2 million is attributable to state retirement plan contributions, offset by decreases of \$1.0 million in materials and supplies, \$0.9 million in grants and scholarships, \$0.6 million decreases in contractual services, and \$1.7 million in other expenditures.

Expenses – Fiscal Year 2015 compared to 2014

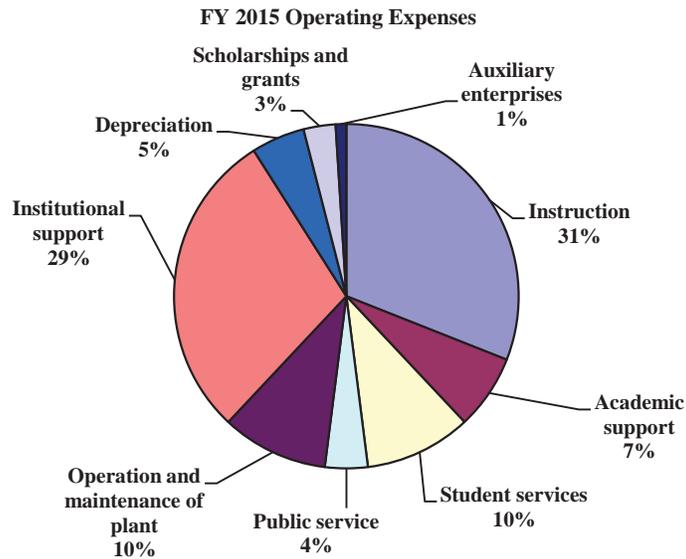
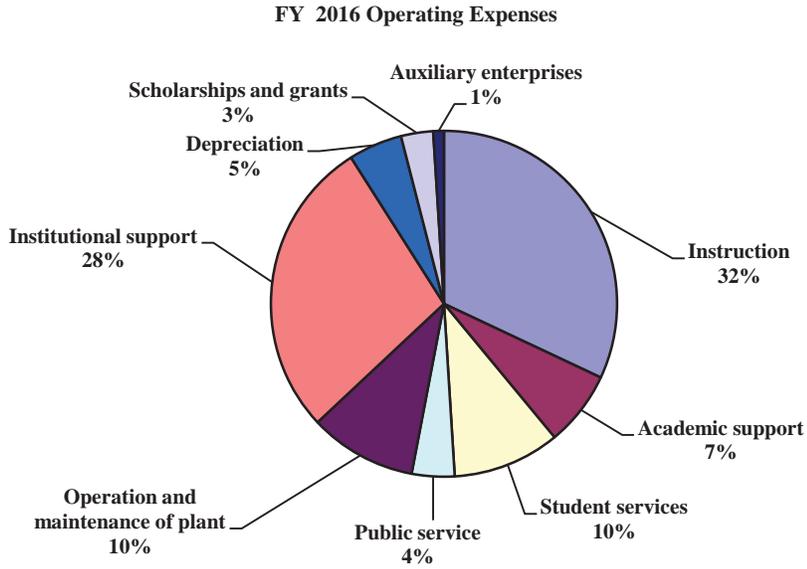
Operating expenses increased by \$6.6 million, primarily driven by increases of \$3.8 million to salaries and benefits, \$0.5 million in contractual services, and \$3.0 million in other expenditures, offset by decreases in materials and supplies, debt services, and grants and scholarships.

	2016	2015
Operating Expenses:		
Instruction	\$ 53,132,902	\$ 50,585,018
Academic support	12,152,224	11,921,798
Student services	16,989,833	16,548,661
Public services	6,269,631	6,162,658
Operation and maintenance	15,636,782	15,777,760
Institutional	46,769,604	47,590,075
Scholarships and grants	4,796,657	5,217,557
Auxiliary enterprises	1,050,543	1,076,849
Depreciation	8,315,736	8,059,483
Total Operating Expense	\$ 165,113,912	\$ 162,939,859

WILLIAM RAINEY HARPER COLLEGE
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The following are graphic illustrations of operating expenses by type and function:



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The College continues to manage its resources and planned expenses within a framework of long range planning and budgeting. Salaries and benefits represent 65% and 61% of total expenses for fiscal years 2016 and 2015, respectively. Salary costs are determinable for at least the year for all unionized employee groups at the College, because of negotiated contracts. As in most organizations, the College faces the challenge of funding escalating health care costs. The College has programs in place to mitigate the rising costs.

Retirement payments made by the State on behalf of the College increased by about \$5.2 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.

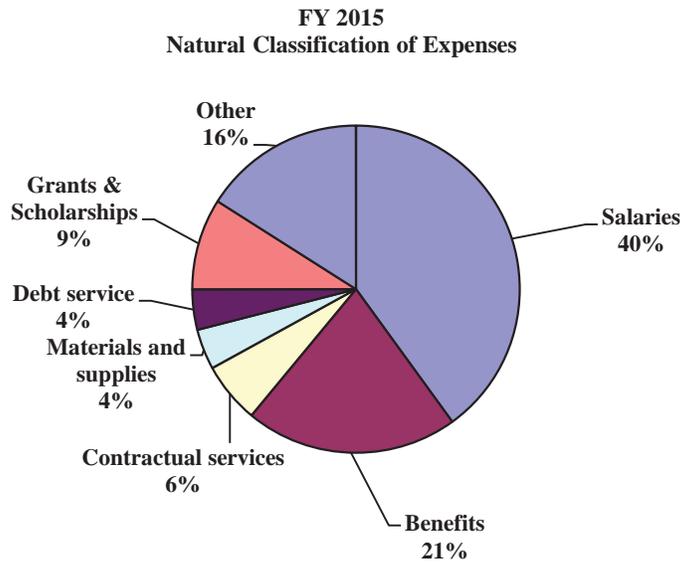
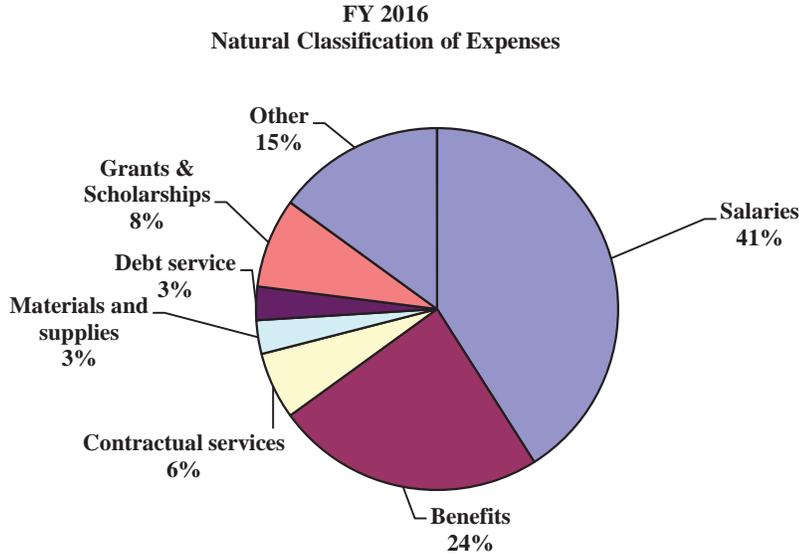
In addition to the functional classification of expenses, it may be helpful to view expenses by their natural or object classification.

	<u>2016</u>	<u>2015</u>
Natural classification of total expenses:		
Salaries	\$ 73,585,561	\$ 72,936,112
Benefits	44,101,948	38,371,651
Contractual services	9,947,300	10,516,733
Materials and supplies	5,515,244	6,484,885
Debt service	6,110,716	7,254,424
Grants & Scholarships	15,112,608	16,659,878
Other	27,692,934	28,967,264
Total	<u>\$ 182,066,311</u>	<u>\$ 181,190,947</u>

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



There are few changes in the relative percentages by natural classification for fiscal year 2016. There was a 3% change in benefits and a 1% shift in several other categories.

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Capital Assets

**Net Capital Assets
June 30, 2016, 2015, and 2014**

	2016	2015	2014
Capital Assets:			
Land and Improvements	\$ 4,326,007	\$ 4,326,007	\$ 4,326,007
Buildings and Improvements	263,865,892	257,668,367	218,858,024
Equipment	20,693,589	19,557,631	18,142,789
Construction in Progress	63,197,809	44,988,590	51,044,428
Total Capital Assets	352,083,297	326,540,595	292,371,248
Less Accumulated Depreciation	129,369,318	121,015,420	112,955,937
Net Capital Assets	\$ 222,713,979	\$ 205,525,175	\$ 179,415,311

Net Capital Assets – Fiscal Year 2016 Compared to 2015

As of June 30, 2016, the College had net capital assets of \$222.7 million, an increase of \$17.2 million from the prior year. Net capital assets increased primarily due to investments of \$24.4 million in construction in progress and buildings and improvements during the year offset by depreciation on total capital assets.

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.

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

Debt Administration

During fiscal year 2016 long term debt obligations decreased \$12.1 million due to existing debt payments of \$32.2 million offset by \$20.1 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.

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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 decreased by \$49.0 million, primarily due to the purchase 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 the spring of 2016, although with a negative outlook due to the State's fiscal challenges. 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 the \$61.7 million Canning Center project, a one stop/student center, and a \$5.3 million renovation of the hospitality program facility. These projects are 75% funded by the State, with the College committing the necessary 25% to match the State funds. These projects are currently on hold due to the State budget impasse.

Other major capital projects underway include the renovations of Building F and Building M.

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

The College does not anticipate a substantial change in property tax revenues 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 0.8% and, with the Congressional Budget Office's January 2016 estimate of 1.3% for 2016, revenues will be mostly flat. Further erosion of current tax revenues will come from the continued successful appeals of property assessments.

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On the expense side, compensation and benefits comprise the largest portion of the College's expenses. Three of the College's five unionized groups have settled contracts through at least FY 2017. The current full-time faculty and police contracts will end in 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
COMMUNITY COLLEGE DISTRICT NO. 512**

Business-Type Activities
Statements of Net Position
June 30, 2016 and 2015

Statement 1

Assets	2016	2015
Current assets:		
Cash and cash equivalents (note 2)	\$ 38,420,800	\$ 73,131,647
Accounts receivable, net (note 3)	46,009,856	45,199,685
Investments (note 2)	66,049,721	32,016,424
Prepaid expenses and other assets	788,671	929,881
Total current assets	151,269,048	151,277,637
Noncurrent assets:		
Restricted cash and cash equivalents (note 2)	51,066,186	65,334,148
Restricted investments (note 2)	59,653,468	75,690,148
Other long-term investments (note 2)	512,500	10,284
Other accrued assets (note 3)	280,626	465,679
Capital assets, not being depreciated (note 4)	67,523,816	49,314,597
Capital assets, net of accumulated depreciation (note 4)	155,190,163	156,210,578
Total noncurrent assets	334,226,759	347,025,434
Total assets	485,495,807	498,303,071
Deferred Outflow of Resources		
Deferred loss on debt refunding (note 6)	324,985	26,945
Total deferred outflows of resources	324,985	26,945
Liabilities		
Current liabilities:		
Accounts payable and other liabilities	8,290,640	10,001,720
Reserve for property tax refunds	2,081,843	2,456,745
Accrued payroll and compensated absences (note 5)	5,725,925	4,947,029
Deposits held for others	563,094	770,534
Unearned tuition and other revenue	12,216,491	11,758,603
Other liabilities	150,124	113,076
Worker's Compensation Claims Liability (note 10)	388,928	309,739
Current portion of long-term debt (note 6)	10,295,000	10,280,000
Total current liabilities	39,712,045	40,637,446
Noncurrent liabilities:		
Long-term debt (note 6)	151,631,272	162,781,859
Other Post Employment Benefits (note 11)	3,823,075	3,646,969
Total noncurrent liabilities	155,454,347	166,428,828
Total liabilities	195,166,392	207,066,274
Deferred Inflow of Resources		
Deferred revenue - property taxes	37,587,308	37,538,088
Total deferred inflows of resources	37,587,308	37,538,088
Net Position		
Net investment in capital assets	150,568,393	153,043,103
Restricted:		
Working cash	9,680,000	9,680,000
Debt service	11,643,898	10,761,476
Other	7,879,491	7,704,715
Unrestricted	73,295,310	72,536,360
Total Net Position	\$ 253,067,092	\$ 253,725,654

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, 2016 and 2015

	2016	2015
Operating revenues:		
Student tuition and fees, net of scholarships and allowances of \$9,786,190 in 2016 and \$10,455,332 in 2015	\$ 39,848,544	\$ 39,483,125
State and local government grants and contracts	1,263,454	1,560,808
Federal government grants and contracts	1,801,080	1,582,891
Sales and services of educational departments	1,283,580	1,221,019
Auxiliary enterprises	1,001,238	1,171,863
Other	760,933	852,399
Total operating revenues	45,958,829	45,872,105
Operating expenses:		
Educational and general:		
Instruction	53,132,902	50,585,018
Academic support	12,152,224	11,921,798
Student services	16,989,833	16,548,661
Public service	6,269,631	6,162,658
Operation and maintenance of plant	15,636,782	15,777,760
Institutional support	46,769,604	47,590,075
Scholarships and grants	4,796,657	5,217,557
Auxiliary enterprises	1,050,543	1,076,849
Depreciation	8,315,736	8,059,483
Total operating expenses	165,113,912	162,939,859
Operating loss	(119,155,083)	(117,067,754)
Nonoperating revenues (expenses):		
Property taxes	75,288,071	72,815,204
State appropriations	1,992,338	6,864,994
State retirement plan contribution (note 7)	30,112,638	24,868,000
Personal property replacement tax	938,634	1,025,291
State and local government grants and contracts	1,176,539	2,262,606
Federal government grants and contracts	14,052,172	14,691,986
Gifts	452,237	423,585
Investment income, net of investment expense	708,274	305,441
Interest expense	(7,166,209)	(7,795,756)
Other	334,306	294,213
Total nonoperating income	117,889,000	115,755,564
Change in net position before capital contributions	(1,266,083)	(1,312,190)
State capital contributions	607,521	8,981,869
Change in Net Position after capital contributions	(658,562)	7,669,679
Net Position at beginning of year	253,725,654	246,055,975
Net Position at end of year	\$ 253,067,092	\$ 253,725,654

See accompanying notes to financial statements.

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

Business-Type Activities

Statement 3

Statements of Cash Flows

Page 1 of 2

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Student tuition and fees	\$ 37,756,914	\$ 35,601,920
Student aid	2,218,291	2,976,584
Sales and services of educational departments	1,283,580	1,221,019
Payments to suppliers	(36,792,364)	(36,282,050)
Payments to employees	(88,098,471)	(86,235,877)
Auxiliary enterprises	1,001,238	1,171,863
Other	610,282	241,044
	<u>(82,020,530)</u>	<u>(81,305,497)</u>
Cash flows from noncapital financing activities:		
Property taxes	75,906,894	73,362,502
State appropriations	3,776,398	18,109,468
Personal property replacement taxes	870,241	1,025,291
Receipts of student loan funds	9,786,190	10,455,332
Disbursements of loan funds to students	(9,786,190)	(10,455,332)
Government grants and contracts	14,052,172	14,691,986
	<u>94,605,705</u>	<u>107,189,247</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(29,960,557)	(34,169,347)
Proceeds from sale of bonds	445,700	4,890,000
Bond issuance costs	(541,881)	(78,620)
Principal paid on bonds	(10,977,985)	(9,265,000)
Interest paid on bonds	(7,202,732)	(7,795,756)
	<u>(48,237,455)</u>	<u>(46,418,723)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	658,875,280	508,733,724
Purchase of investments	(672,910,081)	(465,705,967)
Interest on investments	708,274	305,441
	<u>(13,326,527)</u>	<u>43,333,198</u>
Net cash provided by (used in) investing activities	<u>(13,326,527)</u>	<u>43,333,198</u>
Net increase (decrease) in cash and cash equivalents	<u>(48,978,807)</u>	<u>22,798,225</u>
Cash and cash equivalents at the beginning of year	<u>138,465,793</u>	<u>115,667,568</u>
Cash and cash equivalents at the end of year	<u>\$ 89,486,986</u>	<u>\$ 138,465,793</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, 2016 and 2015

	2016	2015
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (119,155,083)	\$ (117,067,754)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	8,315,736	8,059,483
On-behalf contributions to state retirement system	30,112,638	24,868,000
Changes in Net Position:		
Receivables, net:		
Student	(939,628)	5,084,053
Other	192,030	400,835
Prepaid expenses	141,209	(56,083)
Accounts payable and other liabilities	(1,711,080)	(520,119)
Accrued payroll and compensated absences	778,896	285,724
Deposits held for others	(207,440)	137,722
Unearned tuition and other revenue	457,888	(2,776,448)
Other liabilities	(5,696)	279,090
Net cash used in operating activities	\$ (82,020,530)	\$ (81,305,497)

See accompanying notes to financial statements.

Noncash activities:

During the year, the College issued refunding bonds of \$20,100,000 with the proceeds and the premium amounts being paid directly to the escrow agent in the amount of \$21,753,383.

**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, 2016 and 2015

Assets	2016	2015
Cash	\$ 1,676,060	\$ 1,042,134
Interest receivable	20,801	21,879
Prepaid expenses	2,750	—
Pledges receivable, net	2,437,278	1,601,656
Investments	11,346,229	10,841,372
Art collection	1,807,385	1,805,535
Total assets	\$ 17,290,503	\$ 15,312,576
Liabilities		
Accounts payable	\$ 35,448	\$ 53,927
Deferred Revenue	10,000	—
Total liabilities	45,448	53,927
Net Assets		
Unrestricted	2,501,089	2,356,434
Unrestricted, Board designated	5,162,049	5,057,218
Total Unrestricted	7,663,138	7,413,652
Temporarily restricted	6,126,798	4,556,893
Permanently restricted	3,455,119	3,288,104
Total Net Assets	17,245,055	15,258,649
Total liabilities and Net Assets	\$ 17,290,503	\$ 15,312,576

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, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support and revenue:								
Contributions	\$ 120,645	\$ 2,112,505	\$ 155,796	\$ 2,388,946	\$ 190,298	\$ 985,728	\$ 200,718	\$ 1,376,744
In-kind contributions	163,906	—	—	163,906	24,136	9,800	—	33,936
Fundraising events	186,958	31,069	—	218,027	199,694	—	—	199,694
Contributed services	605,853	—	—	605,853	564,379	—	—	564,379
Interest and dividends	1,715	—	—	1,715	1,142	—	—	1,142
Investment Gain (Loss)	151,052	(41,377)	—	109,675	165,008	78,424	—	243,432
Net assets released from restrictions	521,073	(532,292)	11,219	—	811,785	(815,180)	3,395	—
	<u>1,751,202</u>	<u>1,569,905</u>	<u>167,015</u>	<u>3,488,122</u>	<u>1,956,442</u>	<u>258,772</u>	<u>204,113</u>	<u>2,419,327</u>
Expenses:								
Program	878,180	—	—	878,180	952,894	—	—	952,894
General and administrative	313,800	—	—	313,800	338,610	—	—	338,610
Fundraising	309,736	—	—	309,736	283,986	—	—	283,986
	<u>1,501,716</u>	<u>—</u>	<u>—</u>	<u>1,501,716</u>	<u>1,575,490</u>	<u>—</u>	<u>—</u>	<u>1,575,490</u>
Change in net assets	249,486	1,569,905	167,015	1,986,406	380,952	258,772	204,113	843,837
Net Assets at beginning of year	7,413,652	4,556,893	3,288,104	15,258,649	7,032,700	4,298,121	3,083,991	14,414,812
Net Assets at end of year	<u>\$ 7,663,138</u>	<u>\$ 6,126,798</u>	<u>\$ 3,455,119</u>	<u>\$ 17,245,055</u>	<u>\$ 7,413,652</u>	<u>\$ 4,556,893</u>	<u>\$ 3,288,104</u>	<u>\$ 15,258,649</u>

See accompanying notes to financial statements.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(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 is ASC 958 *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

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

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

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies (Continued)

(a) Financial Statement Presentation and Basis of Accounting

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

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

(b) Cash Equivalents

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

(c) Investments

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

(d) Noncurrent Cash and Investments

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

(e) Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 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
Years Ended June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies (Continued)

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

Bond premiums and discounts are recorded and amortized over the life of the bonds using the 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 include 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 2014 and 50% of property taxes extended for calendar year 2015 are intended to finance the College's fiscal year 2016 budget, and accordingly, have been recorded as revenue for the year ended June 30, 2016. The remaining revenue related to the 2015 tax year extension has been classified as a deferred inflow and will be recorded as revenue in fiscal year 2017. The College records real property taxes at 99.25% of the 2015 extended levy, based upon collection histories. A reserve of \$2,081,843 and \$2,456,745 has been recorded for the net amount of property tax refunds at June 30, 2016 and 2015, 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.

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies (Continued)

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

(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 net investment in capital assets.

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

Unrestricted Net Position – Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose.

(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
Years Ended June 30, 2016 and 2015

(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.

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

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO.512

Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies (Continued)

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 using the market approach.

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

(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 was adopted for the College's fiscal year ended June 30, 2016.

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 was adopted for the College's fiscal year ended June 30, 2016 with no material impact on the College.

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.

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

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(1) Summary of Significant Accounting Policies (Continued)

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 June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. This Statement was adopted for the College's fiscal year ended June 30, 2016.

In June 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.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employees through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pension through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. 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.

In December 2015, the GASB issued Statement 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments

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(1) Summary of Significant Accounting Policies (Continued)

at amortized cost for financial reporting purposes. This Statement was adopted for the College's fiscal year ended June 30, 2016.

In December 2015, the GASB issued Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. 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.

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement 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 March 2016, the GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. 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.

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Years Ended June 30, 2016 and 2015

(2) Deposits and Investments

Cash and investments consisted of the following as of June 30, 2016 and 2015:

	2016	2015
Demand deposits	\$ 32,024,486	\$ 65,873,277
Certificates of deposit	60,729,601	28,542,699
Government securities commons and collective trust funds	33,802,119	38,542,668
Illinois School District Liquid Asset Fund Plus (government investment pool)	17,776,567	26,791,481
The Illinois Funds (government investment pool)	6,396,314	7,258,371
State and local government municipal bonds	64,973,588	79,174,155
Total	\$ 215,702,675	\$ 246,182,651

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the College’s deposits may not be returned. The College’s investment policy requires that time deposits in excess of Federal Depository Insurance Corporation (FDIC) insurable limits at a single financial institution be secured by collateral or private insurance. As of June 30, 2015 and 2016 there was no custodial credit risk for the time deposits as they were either insured or collateralized with investments held by the College or its agent in the College’s name. The College also has bank demand deposits where collateral is updated daily based on the prior days ending balance. As of June 30, 2015 the demand deposits were fully insured or collateralized, as of June 30, 2016 the demand deposits were under collateralized by \$858,138 until the next day when the collateral was adjusted per the normal daily update.

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

As of June 30, 2016, the maturities for the College’s fixed-income investments are as follows:

	Reported value	Investment maturities (in years)		
		Less than 1	1 to 5	6 to 10
Certificate of deposit	\$ 60,729,601	\$ 57,688,301	\$ 3,041,300	\$ -
Government securities commons and collective trust funds	33,802,119	33,802,119	-	-
Illinois School District Liquid Asset Fund Plus (government investment pool)	17,776,567	17,776,567	-	-
The Illinois Funds (government investment pool)	6,396,314	6,396,314	-	-
State and local government municipal bonds	64,973,588	43,439,374	21,534,214	-
Total	\$ 183,678,189	\$ 159,102,675	\$ 24,575,514	\$ -

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(2) Deposits and Investments (Continued)

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

	<u>Reported value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
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	<u>79,174,155</u>	<u>36,965,908</u>	<u>42,208,247</u>	<u>-</u>
Total	<u><u>\$ 180,309,374</u></u>	<u><u>\$ 135,298,727</u></u>	<u><u>\$ 45,010,647</u></u>	<u><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.

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

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

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

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(2) Deposits and Investments (Continued)

As of June 30, 2016 and 2015, the College had the following fixed income investments, which are rated by Standard & Poor's (S&P):

	2016		2015	
	Reported value	S& P Rating	Reported value	S& P Rating
Government securities commons and collective trust funds	\$ 33,802,119 *	AAA	\$ 38,542,668 *	AAA
Illinois School District Liquid Asset Fund Plus (government investment pool)	17,776,567	AAA	26,791,481	AAA
The Illinois Funds (government investment pool)	6,396,314	AAA	7,258,371	AAA
State and local government municipal bonds	<u>64,973,588</u>	AAA to AA	<u>79,174,155</u>	AAA to AA-
Total	<u>\$ 122,948,588</u>		<u>\$ 151,766,675</u>	

* Fitch rating not S&P

Concentration of Credit Risk – Investments – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in any one single issuer. The College's investment policy does not limit the amount the College may invest in any one issuer. The College is considered to have a concentration of credit risk if its investment in any one single issue is greater than 5% of the total fixed income investments. At June 30, 2016 and 2015, the College did not have a concentration of credit risk.

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

The College has the following recurring fair value measurements as of June 30, 2016:

- Local government Municipal Bonds of \$64,973,588 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Treasury Notes of \$7,156,012 and a U.S Treasury Strip of \$1,597,888 are valued using quoted market prices (Level 1 inputs).

The College has the following recurring fair value measurements as of June 30, 2015:

- Federal Home Loan Mortgage Corporation Note of \$915,624 is valued using a matrix pricing model (Level 2 inputs);
- Local government Municipal Bonds of \$79,174,155 are valued using a matrix pricing model (Level 2 inputs).

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Years Ended June 30, 2016 and 2015

(3) Accounts Receivable

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

Accounts receivable consisted of the following at June 30, 2016 and 2015:

	2016	2015
Property taxes	\$ 35,772,870	\$ 36,717,375
Student tuition and fees	11,459,675	10,267,070
Auxiliary enterprises and other operating activities	522,296	714,326
Contributions and gifts	21,792	33,620
Accrued interest	898,806	931,719
Federal, state, and private grants and contracts	2,928,685	2,061,921
	51,604,124	50,726,031
Less allowance for doubtful accounts	5,313,642	5,060,667
Net accounts receivable	\$ 46,290,482	\$ 45,665,364

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(4) Capital Assets

Following are the changes in capital assets for the year ended June 30, 2016:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 4,326,007	\$ -	\$ -	\$ 4,326,007
Construction in progress	44,988,590	24,406,744	(6,197,525)	63,197,809
Total capital assets not being depreciated	<u>49,314,597</u>	<u>24,406,744</u>	<u>(6,197,525)</u>	<u>67,523,816</u>
Capital assets being depreciated:				
Buildings and building improvements	257,668,367	6,197,525	-	263,865,892
Equipment	19,557,631	1,369,960	(234,002)	20,693,589
Total capital assets being depreciated	<u>277,225,998</u>	<u>7,567,485</u>	<u>(234,002)</u>	<u>284,559,481</u>
Less accumulated depreciation:				
Buildings and building improvements	106,071,103	7,342,416	-	113,413,519
Equipment	14,944,317	1,011,482	-	15,955,799
Total accumulated depreciation	<u>121,015,420</u>	<u>8,353,898</u>	<u>-</u>	<u>129,369,318</u>
Total capital assets being depreciated, net	<u>156,210,578</u>	<u>(786,413)</u>	<u>(234,002)</u>	<u>155,190,163</u>
Total capital assets, net	<u>\$ 205,525,175</u>	<u>\$ 23,620,331</u>	<u>\$ (6,431,527)</u>	<u>\$ 222,713,979</u>

The College has committed an additional \$115,698,348 for the completion of the capital projects included in construction in progress above. \$6,507,038 of interest expense was incurred related to the bonds funding these projects. \$948,470 of interest was capitalized during the year.

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(4) Capital Assets (Continued)

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. \$6,625,850 of interest expense was incurred related to the bonds funding these projects. \$329,239 of interest was capitalized during the year.

(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, 2016 and 2015, employees had earned but not taken annual leave which at salary rates in effect, aggregated \$2,180,484 and \$2,110,319. It is anticipated the entire vacation accrual liability will be liquidated during the upcoming fiscal year, therefore it is considered a current liability.

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(5) Accrued Vacation (Continued)

<u>Fiscal Year</u>	<u>July 1</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30</u>
2016	\$2,110,319	\$2,524,533	\$2,454,368	\$2,180,484
2015	\$2,053,891	\$2,385,460	\$2,329,032	\$2,110,319

(6) General Long-Term Obligations

The following is a summary of the College's bond transactions for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</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%	13,920,000	-	13,920,000	-	-
\$153,600,000 G.O. Bonds, 2009A Series due in annual installments through December 1, 2028 bearing interest at 2.00% - 5.00%	142,785,000	-	5,265,000	137,520,000	5,425,000
\$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%	1,510,000	-	1,510,000	-	-
\$4,890,000 G.O. Limited tax bonds, 2015 series, due in annual installments through December 2, 2017 bearing interest at 2.00% - 3.00%	4,890,000	-	710,000	4,180,000	2,245,000
\$20,110,000 G.O. Refunding Bonds, 2015B Series, due in annual installments through December 1, 2020 bearing interest at 4.00% - 5.00%	-	20,110,000	3,000,000	17,110,000	2,625,000
Unamortized premium/discount	2,126,859	2,117,628	1,128,215	3,116,272	-
Subtotal	<u>173,061,859</u>	<u>22,227,628</u>	<u>33,363,215</u>	<u>161,926,272</u>	<u>10,295,000</u>
Other Post Employment Benefits	3,646,969	176,106	-	3,823,075	-
Total	<u>\$ 176,708,828</u>	<u>\$ 22,403,734</u>	<u>\$ 33,363,215</u>	<u>\$ 165,749,347</u>	<u>\$ 10,295,000</u>

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(6) General Long-Term Obligations (Continued)

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, 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
Years Ended June 30, 2016 and 2015

(6) General Long-Term Obligations (Continued)

At June 30, 2016, 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:			
2017	\$ 10,295,000	\$ 7,166,294	\$ 17,461,294
2018	11,760,000	6,732,063	18,492,063
2019	10,980,000	6,274,025	17,254,025
2020	11,450,000	5,753,138	17,203,138
2021	13,615,000	5,146,200	18,761,200
2022-2026	52,055,000	18,239,377	70,294,377
2027-2029	48,655,000	3,533,632	52,188,632
Total	<u>\$ 158,810,000</u>	<u>\$ 52,844,729</u>	<u>\$ 211,654,729</u>

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 principal 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.

On October 22, 2015, \$20,110,000 in general obligation refunding bonds were issued to advance refund \$7,830,000 of 2005A and \$13,920,000 of 2006 outstanding bonds. The net proceeds (after the reoffering premium of \$2,117,628 and paying the costs of issuing the bonds) were used to purchase US Government Securities. Those securities were deposited in an irrevocable trust to provide for all future debt service payments on the bonds. As a result the 2005A and 2006 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 5 years by approximately \$1.7 million.

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 principal 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.

On October 22, 2015, \$20,110,000 in general obligation refunding bonds were issued to advance refund \$7,830,000 of 2005A and \$13,920,000 of 2006 outstanding bonds. The net proceeds (after the reoffering premium of \$2,117,628 and paying the costs of issuing the bonds) were used to purchase US Government Securities. Those securities were deposited in an irrevocable trust to provide for all future debt service payments on the bonds. As a result the 2005A and 2006 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 5 years by approximately \$1.7 million.

WILLIAM RAINEY HARPER COLLEGE
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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

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

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	\$ 5,425,000
Long-term portion	\$132,095,000
Interest rates	2.00% - 5.00%
Final payment date	December 1, 2028
Payment dates	June 1 and December 1

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	\$ 0
Long-term portion	\$ 0
Interest rates	2.00 - 5.00%
Final payment date	December 1, 2015
Payment dates	June 1 and December 1

Debt Certificates – Series 2014

On December 9, 2014 the College issued the Debt Certificates – Series 2014 in the amount of \$5,005,000. The proceeds derived from the issuance of these certificates will be used by the College to finance capital projects. The certificates were paid off in full on March 12, 2015 and are not included in the Long-Term Obligations Table because they were a short-term loan.

Issue date	December 9, 2014
Current portion	\$ 0
Long-term portion	\$ 0
Interest rates	Less than 1%
Final payment date	March 12, 2015

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(6) General Long-Term Obligations (Continued)

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	\$2,245,000
Long-term portion	\$1,935,000
Interest rates	2.00 - 5.00%
Final payment date	December 1, 2017
Payment dates	June 1 and December 1

General Obligation Refunding Bonds – Series 2015B

On October 22, 2015 the College issued the Series 2015B bonds in the amount of \$20,110,000 to advance refund a portion of the College's outstanding General Obligation Bond Series 2005A dated December 28, 2005 and General Obligation Refunding Bond Series 2006 dated January 6, 2006 and pay costs associated with the issuance of the Bonds. The economic gain on the transaction was \$1,837,963.

Bond issue date	October 22, 2015
Current portion	\$2,625,000
Long-term portion	\$14,485,000
Interest rates	4.00 – 5.00%
Final payment date	December 1, 2020
Payment dates	June 1 and December 1

(7) Retirement Plans

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

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

WILLIAM RAINEY HARPER COLLEGE
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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(7) Retirement Plans (Continued)

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

Contributions. The State 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 2015 and 2016 respectively, was 11.71% and 12.69% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period). There were no such liabilities for the College at year end.

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

Net Pension Liability. At June 30, 2015, SURS reported a net pension liability (NPL) of \$23,756,361,087. The net pension liability was based on an actuarial valuation as of June 30, 2014. At June 30, 2014, SURS reported a net pension liability (NPL) of \$21,790,983,139. The net pension liability was based on an actuarial valuation 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 WM. RAINEY HARPER COLLEGE is \$0. The proportionate share of the State's net pension liability associated with the College is \$355,304,533 or 1.4956% at June 30, 2016. The proportionate share of the State's net pension liability associated with the College is \$325,155,610 or 0.0149% at June 30, 2015. This amount is not recognized in the College's financial statements. The net pension liability and total pension liability as of June 30, 2015 was determined based on the June 30, 2014 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2015. The net pension liability and total pension liability as of June 30, 2014 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 employee contributions made to SURS during fiscal year 2014.

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(7) Retirement Plans (Continued)

Pension Expense. At June 30, 2015 SURS reported a collective net pension expense of \$1,994,587,170. At June 30, 2014 SURS reported a collective net pension expense of \$1,650,338,263.

Employer Proportionate Share of Pension Expense. The employer's proportionate share of collective pension expense is recognized as an on-behalf payment as both revenue and expenditure in the College's financial statements. The basis of allocation used in the proportionate share of collective pension expense as of June 30, 2016 is the actual reported pensionable contributions made to SURS during fiscal year 2015. As a result, the College recognized on-behalf revenue and pension expense of \$29,831,415 for the fiscal year ended June 30, 2016. The basis of allocation used in the proportionate share of collective pension expense as of June 30, 2015 is the actual reported pensionable contributions made to SURS during fiscal year 2014. As a result, the College recognized on-behalf revenue and pension expense of \$24,680,000 for the fiscal year ended June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources for fiscal year 2016 are as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows <u>of Resources</u>
Difference between expected and actual experience	\$ 27,312,043	\$ -
Changes in assumption	609,393,909	-
Net difference between projected and actual earnings on pension plan investments	-	<u>359,488,822</u>
Total	<u>\$ 636,705,952</u>	<u>\$359,488,822</u>

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

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

Employer Deferral of Fiscal Year 2016 Pension Expense.

The College paid \$86,601 in federal, trust or grant contributions for the fiscal year ended June 30, 2016. These contributions were made subsequent to the pension liability date of June 30, 2015 and are recognized as Deferred Outflows of Resources as of June 30, 2016. However, the amount is immaterial to the financial statements and has not been recorded.

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(7) Retirement Plans (Continued)

Employer Deferral of Fiscal Year 2015 Pension Expense.

The College 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 date 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, 2010 – 2014. The actuarial assumptions used in the June 30, 2013 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 and June 30, 2013 actuarial valuations were 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, 2015, these best estimates are summarized in the following table:

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(7) Retirement Plans (Continued)

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

Discount Rate. A single discount rate of 7.120%, which is an increase of 0.030% from the prior year 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 3.80% and 4.290% at June 30, 2015 and 2014, respectively (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2072 as of June 30, 2015 and 2065 as of June 30, 2014. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072 at June 30, 2015 and 2065 at June 30, 2014, and the municipal bond rate was applied to all benefit payments after that date.

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

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>6.12%</u>	<u>7.12%</u>	<u>8.12%</u>
\$28,929,333,917	\$23,756,361,087	\$19,470,982,362

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(7) Retirement Plans (Continued)

The following presents the plan's net pension liability at June 30, 2014, 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 6.09%	Current Single Discount Rate Assumption 7.09%	1% Increase 8.09%
\$26,583,701,134	\$21,790,983,139	\$17,796,570,836

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

(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.

(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, 2009. 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 \$0.00 and \$29,677 in early retirement benefits for the years ended June 30, 2016 and 2015, 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 coverage is adequate to cover such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(10) Worker's Compensation Claims Liability

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

The following is a reconciliation of changes in the liability for worker's compensation costs for 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, 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
Claims incurred		446,569
Claims paid		367,380
Liability for worker's compensation claims at June 30, 2016	\$	388,928

(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. This is a single-employer defined benefit OPEB plan. Employees who terminate after reaching retirement eligibility in the plan are eligible receive reimbursement for medical and dental insurance. Because the actuarial cost of health benefits for retirees exceeds the average amount paid by retirees, the additional cost is paid by the College and is the basis for the OPEB obligation accounted for under GASB 45. Benefit provisions and contributions are established and can be amended by the Board. A separate report on the OPEB plan is not issued.

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

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 2016, the amount actually contributed to the plan, and changes in the College's net OPEB obligation.

WILLIAM RAINEY HARPER COLLEGE
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Notes to Financial Statements
Years Ended June 30, 2016 and 2015

(11) Other Post Employment Benefits (Continued)

	Year Ended June 30,		
	2016	2015	2014
Annual Required Contribution	\$ 1,489,367	\$ 1,489,367	\$ 1,191,168
Interest on Net OPEB Obligation	145,879	131,012	107,944
Adjustment to the ARC	(121,566)	(109,177)	(89,953)
Annual OPEB Cost (AOC)	1,513,680	1,511,202	1,209,159
Contributions Made	1,337,574	1,139,542	632,445
Increase on Net OPEB Obligation	176,106	371,660	576,714
Net OPEB Obligation Beginning of Year	3,646,969	3,275,309	2,698,595
Net OPEB Obligation End of Year	\$ 3,823,075	\$ 3,646,969	\$ 3,275,309

Funded Status and Funding Progress: As of June 30, 2016 the plan was unfunded. The actuarial accrued liability for benefits was \$15,178,903. The covered payroll (annual payroll of active employees covered under the plan) was \$47,153,334 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 32.2 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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, 2016, the entry age normal cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6.85% initially, reduced linearly to 4% by 2034. Rates include a 2.5% general inflation, a 1.5% investment return on general assets, and a 4% salary increase assumption. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over thirty years on an open group basis.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for 2016 and the preceding three years were as follow:

Year Ended	Annual OPEB Cost (AOC)	Actual Contributions	Percentage of AOC Contributed	Net OPEB Obligation
2016	\$ 1,513,680	\$ 1,337,574	88.37%	\$ 3,823,075
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

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Required Supplementary Information
Defined Benefits Pension Plan
Schedule of the College's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2016

Exhibit 1

	<u>FY 2015</u>	<u>FY 2016</u>
College's Proportion Percentage of the Collective Net Pension Liability	0%	0%
College's Proportion Amount of the Collective Net Pension Liability	\$0	\$0
Nonemployer Contributing Entities' Proportion Share Of the Net Pension Liability associate with the College	<u>\$325,155,610</u>	<u>\$355,304,533</u>
Total (b) + (c)	<u>\$325,155,610</u>	<u>\$355,304,533</u>
College's Covered Employee Payroll	\$67,809,619	\$69,543,345
College's Proportion of Collective Net Pension Liability as a percentage of its covered employee payroll	0%	0%
SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%	42.37%

Note: The System implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The schedule is intended to show information for 10 years. The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

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Required Supplementary Information
Defined Benefit Pension Plan
Schedule of College Contribution
Year Ended June 30, 2016

Exhibit 2

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Federal, Trust, Grant and Other Contribution	\$36,111.90	\$70,672.72	\$86,600.81
Contribution in Relation to Required Contribution	\$36,111.90	\$70,672.72	\$86,600.81
Contribution Deficiency (Excess)	\$0	\$0	\$0
College Covered Employee Payroll	\$316,216	\$593,390	\$782,840
Contributions as a Percentage of Covered Employee Payroll	11.42%	11.91%	11.06%
Additional Information:			
On-Behalf Payments for Community College Health Insurance Program	\$264,545.71	\$276,218.64	\$281,223.10

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.

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Notes to Required Supplementary Information
Defined Benefit Pension Plan
Year Ended June 30, 2016

Changes of benefits terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2015.

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 on February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- Early retirement rates. Change to a slight increase to the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Main the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

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Required Supplementary Information
Other Postemployment Benefits
Schedule of Funding Progress
Year Ended June 30, 2016

Exhibit 3

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Percent Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2012	7/1/2011	\$0	\$15,063,432	0.00%	\$15,063,432	\$44,398,517	33.9%
2013	7/1/2011	\$0	\$15,063,432	0.00%	\$15,063,432	\$44,398,517	33.9%
2014	7/1/2013	\$0	\$10,679,564	0.00%	\$10,679,564	\$47,261,544	22.6%
2015	7/1/2014	\$0	\$15,178,903	0.00%	\$15,178,903	\$45,339,744	33.5%
2016	7/1/2014	\$0	\$15,178,903	0.00%	\$15,178,903	\$47,153,334	32.2%

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

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JUNE 30, 2016

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net Position										
Net investment in capital assets	\$ 150,568,393	\$ 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
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
Debt service	11,643,898	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
Other	7,879,491	7,704,715	2,633,724	247,096	361,896	386,457	619,032	800,050	3,751,830	4,115,227
Unrestricted	73,295,310	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
Total Net Position	\$ 253,067,092	\$ 253,725,654	\$ 246,055,975	\$ 226,816,533	\$ 222,482,753	\$ 209,653,126	\$ 197,691,468	\$ 189,113,310	\$ 180,131,326	\$ 165,632,243

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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenues										
Student tuition and fees, net	\$ 39,848,544	\$ 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
State and local government grants and contracts	1,263,454	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
Federal government grants and contracts	1,801,080	1,582,891	1,215,567	1,359,453	1,427,066	430,210	591,015	536,625	551,350	542,055
Sales and services of educational departments	1,283,580	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
Auxiliary enterprises	1,001,238	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
Other	760,933	852,399	801,410	830,480	901,206	805,717	740,024	724,336	693,725	853,468
Total operating revenues	45,958,829	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
Operating Expenses										
Instruction	53,132,902	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
Academic support	12,152,224	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
Student services	16,989,833	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
Public service	6,269,631	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
Operation and maintenance of plant	15,636,782	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
Institutional support	46,769,604	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
Scholarships and grants	4,796,657	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
Auxiliary enterprises	1,050,543	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
Depreciation	8,315,736	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
Total operating expenses	165,113,912	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
Operating income (Loss)	(119,155,083)	(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)
Nonoperating revenues (expenses)										
Property taxes	75,288,071	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
State appropriations	1,992,338	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
State retirement plan contribution	30,112,638	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
Personal property replacement tax	938,634	1,025,291	953,731	942,792	922,723	1,003,035	773,458	956,076	1,092,946	1,022,044
State and local government grants and contracts	1,176,539	2,262,606	1,370,073	1,743,042	1,964,537	1,429,541	1,131,218	932,415	1,112,287	1,321,158
Federal government grants and contracts	14,052,172	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
Gifts	452,237	423,585	275,544	295,416	216,398	335,138	230,022	234,169	315,763	290,245
Investment income, net of investment expense	708,274	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
Interest expense	(7,166,209)	(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)
Other	334,306	294,213	189,334	496,223	904,574	348,034	202,583	247,127	(145,411)	282,997
Total non-operating revenues (expenses)	117,889,000	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
Change in net position before capital contributions	(1,266,083)	(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
State capital contributions	607,521	8,981,869	16,352,231	-	-	-	-	-	-	-
Change in net position after capital contributions	\$ (658,562)	\$ 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

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
2015	Kane	\$ 39,438,698	\$ 1,047,624	\$ -	\$ 598,812	-	\$ -	n/a	\$ 41,085,134	0.4600
	McHenry	133,190,446	3,948,075	10,268	3,074,833	-	439,421	n/a	140,663,043	0.4600
	Cook	-	-	-	-	-	-	15,129,929,247	15,129,929,247	0.4600
2014	Lake	1,013,957,073	111,129,310	23,090,082	8,319,897	-	1,779,197	n/a	1,158,275,559	0.4600
	Kane	36,211,373	1,075,030	-	566,912	-	-	n/a	37,853,315	0.4516
	McHenry	127,317,257	3,731,928	9,782	2,959,027	-	366,212	n/a	134,384,206	0.4516
2013	Cook	9,801,539,396	3,860,990,326	1,851,603,484	1,116,968	-	9,490,979	n/a	15,524,741,153	0.4516
	Lake	983,213,115	110,023,308	23,605,307	9,123,579	-	1,480,149	n/a	1,127,445,458	0.4516
	Kane	37,501,869	1,224,058	-	550,259	-	-	n/a	39,276,186	0.4421
2012	McHenry	133,471,425	3,885,431	10,214	3,049,120	-	351,261	n/a	140,767,451	0.4421
	Cook	9,333,612,412	3,641,881,414	2,328,670,678	795,369	-	8,924,792	n/a	15,313,884,665	0.4421
	Lake	998,183,198	114,269,659	24,803,867	9,477,641	-	1,386,316	n/a	1,148,120,681	0.4421
2011	Kane	40,130,625	1,219,085	-	621,549	-	-	n/a	41,971,259	0.3769
	McHenry	147,289,247	6,682,165	11,152	3,256,438	-	284,618	n/a	157,523,620	0.3769
	Cook	11,118,795,350	3,848,755,901	2,624,814,307	822,114	-	7,071,408	n/a	17,600,259,080	0.3769
2010	Lake	1,058,745,069	118,136,180	26,373,731	9,318,468	-	1,031,798	n/a	1,213,605,246	0.3769
	Kane	45,811,350	1,414,588	-	641,925	-	-	n/a	47,867,863	0.3335
	McHenry	164,268,613	6,942,977	12,184	3,548,175	-	251,766	n/a	175,023,715	0.3335
2009	Cook	12,105,430,519	4,144,556,071	2,850,276,418	823,789	-	7,269,576	n/a	19,108,356,373	0.3335
	Lake	1,145,039,931	117,267,770	27,002,755	8,084,612	-	957,880	n/a	1,298,352,948	0.3335
	Kane	63,666,750	1,170,563	-	624,768	-	-	n/a	65,462,081	0.2954
2008	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
2007	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
2006	Lake	1,319,694,130	99,558,807	27,313,503	9,027,081	-	637,036	n/a	1,456,230,557	0.2596
	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
2005	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
	Kane	67,186,244	1,213,893	-	505,739	-	-	n/a	68,905,876	0.2611
2004	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
2003	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

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Education	\$ 0.2548	\$ 0.2445	\$ 0.2362	\$ 0.2021	\$ 0.1778	\$ 0.1500	\$ 0.1320	\$ 0.1303	\$ 0.1295	\$ 0.1437
Operations and Maintenance	0.0932	0.0940	0.0975	0.0859	0.0751	0.0657	0.0622	0.0583	0.0538	0.0601
Liability, Protection and Settlement	0.0001	0.0001	0.0002	0.0002	0.0002	0.0090	0.0040	0.0041	0.0065	0.0087
Social Security	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0038	0.0042	0.0044
Life Safety	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0041	0.0050
Audit	0.0001	0.0001	0.0002	0.0002	0.0002	0.0004	0.0005	0.0005	0.0004	0.0006
Bond and Interest	0.1118	0.1129	0.1080	0.0885	0.0802	0.0703	0.0609	0.0609	0.0626	0.0668
Total	\$ 0.4600	\$ 0.4516	\$ 0.4421	\$ 0.3769	\$ 0.3335	\$ 0.2954	\$ 0.2596	\$ 0.2579	\$ 0.2611	\$ 0.2893

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	
2015	\$ 41,960,211	\$ 15,357,235	\$ -	\$ 18,416,477	\$ 15,454	\$ 15,454	\$ 75,764,831
2014	41,130,997	15,813,682	-	18,990,940	15,771	15,772	75,967,162
2013	39,306,458	16,232,564	-	17,966,056	38,489	38,489	73,582,056
2012	38,421,452	16,325,549	-	16,825,387	42,040	42,040	71,656,468
2011	36,686,099	15,502,072	-	16,540,058	45,179	32,196	68,805,604
2010	34,196,000	14,986,756	-	16,029,560	92,700	2,054,850	67,359,866
2009	32,960,000	15,548,095	-	15,201,166	113,300	1,004,251	64,826,812
2008	32,506,800	14,538,938	-	15,207,982	113,300	1,987,900	64,354,920
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

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

Source: College Records

TABLE 6
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512
REVENUE CAPACITY
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND SEVEN YEARS AGO

2014 (1)				2007			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Simon Property Group	\$ 222,239,372	1	1.32%	Woodfield Tetax Adm	\$ 224,409,254	1	0.95%
AT & T	100,210,728	2	0.59%	Motorola, Inc	158,022,310	2	0.67%
Wal-Mart	54,882,436	3	0.33%	AT&T Lease Admin	157,814,020	3	0.67%
Streets of Woodfield	54,827,476	4	0.33%	Manulife Financial	95,094,613	4	0.40%
Manulife Financial	54,245,226	5	0.32%	Wal-Mart Prop Tax Dept	94,214,937	5	0.40%
Crane & Norcross	52,491,986	6	0.31%	Real Estate Dept ZNA	82,670,808	6	0.34%
Motorola, Inc	45,756,677	7	0.27%	Marc Realty	70,962,665	7	0.30%
ZNA Real Estate Dept	41,828,501	8	0.25%	Prime Group Realty	67,565,342	8	0.29%
KBS Woodfield Preserve	41,567,060	9	0.25%	Woodfield Holding Pt	65,318,729	9	0.28%
Bre DDR Woodfield Village	<u>38,344,507</u>	10	<u>0.23%</u>	Allstate Insurance Company	<u>61,164,426</u>	10	<u>0.26%</u>
Total	<u>\$ 706,393,969</u>		<u>4.20%</u>		<u>\$ 1,077,237,104</u>		<u>4.56%</u>

Source: Cook County Clerk's Office

Note: (1) 2014 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
2015	\$ 75,764,831	\$ 37,587,308	49.61%	\$ -	\$ 37,587,308	49.61%
2014	75,967,162	37,538,088	49.41%	38,223,973	75,762,061	99.73%
2013	73,582,056	36,617,798	49.76%	36,516,927	73,134,725	99.39%
2012	71,656,468	35,324,303	49.30%	36,151,460	71,475,763	99.75%
2011	68,805,604	34,273,429	49.81%	34,038,622	68,312,051	99.28%
2010	67,359,866	33,780,909	50.15%	33,288,184	67,069,093	99.57%
2009	64,826,812	33,541,000	51.74%	31,019,343	64,560,343	99.59%
2008	64,354,920	32,071,826	49.84%	31,071,094	63,142,920	98.12%
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%

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		
2016	8,754	15,319	\$ 129.75	\$ 386.75	\$ 462.25	265,447.5	\$ 39,848,544
2015	9,089	15,830	126.25	383.25	458.75	271,027.0	39,483,125
2014	9,444	16,260	124.50	381.50	457.00	278,565.5	39,867,037
2013	9,545	14,706	122.50	379.50	455.00	286,412.5	40,545,395
2012	10,171	16,007	118.50	375.50	451.00	299,666.0	39,452,044
2011	10,547	16,060	112.50	369.50	445.00	310,515.5	39,840,758
2010	10,363	17,484	104.00	338.00	421.00	305,132.0	44,579,043
2009	9,867	16,621	104.00	336.00	413.00	287,314.0	42,233,106
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

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
2016	\$ 137,520,000	\$ -	\$ 17,110,000	\$ 4,180,000	\$ 3,116,272	\$ 161,926,272	\$ 49,409,858,949	0.33%	534,984	\$ 302.67
2015	142,785,000	-	21,750,000	6,400,000	2,126,859	173,061,859	50,473,272,396	0.34%	534,984	323.49
2014	145,525,000	-	26,100,000	3,685,000	2,451,037	177,761,037	49,926,146,949	0.36%	534,586	332.52
2013	147,280,000	-	29,910,000	5,800,000	2,919,110	185,909,110	57,035,251,527	0.33%	532,566	349.08
2012	148,995,000	-	33,540,000	3,240,000	2,636,800	188,411,800	61,884,974,520	0.30%	534,984	352.18
2011	150,310,000	500,000	36,770,000	5,340,000	3,118,413	196,038,413	68,410,476,147	0.29%	534,984	366.44
2010	153,950,000	975,000	36,770,000	2,850,000	3,612,784	198,157,784	74,920,190,484	0.26%	534,984	370.40
2009	158,635,000	1,425,000	36,770,000	4,820,000	4,188,920	205,838,920	74,863,862,385	0.27%	534,984	384.76
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

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
2016	\$ 137,520,000	\$ -	\$ 17,110,000	\$ 4,180,000	\$ 3,116,272	\$ 161,926,272	\$ 11,643,899	\$ 150,282,373	0.30%	280.91
2015	142,785,000	-	21,750,000	6,400,000	2,126,859	173,061,859	10,761,477	162,300,382	0.32%	303.37
2014	145,525,000	-	26,100,000	3,685,000	2,451,037	177,761,037	9,775,939	167,985,098	0.34%	314.23
2013	147,280,000	-	29,910,000	5,800,000	2,919,110	185,909,110	8,474,008	177,435,102	0.31%	333.17
2012	148,995,000	-	33,540,000	3,240,000	2,636,800	188,411,800	7,888,676	180,523,124	0.29%	337.44
2011	150,310,000	500,000	36,770,000	5,340,000	3,118,413	196,038,413	7,325,735	188,712,678	0.28%	352.74
2010	153,950,000	975,000	36,770,000	2,850,000	3,612,691	198,157,691	6,678,287	191,479,404	0.26%	357.92
2009	158,635,000	1,425,000	36,770,000	4,820,000	4,188,920	205,838,920	8,046,692	197,792,228	0.26%	369.72
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

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, 2016

Governmental Unit	Debt Outstanding	Percentage of Debt Applicable	College Share of Direct and Overlapping Debt
Direct bonded debt:			
William Rainey Harper College	\$ 161,926,272	100.00%	\$ 161,926,272
Overlapping bonded debt:		As of August 3, 2015	
Cook County	3,491,226,750	12.10%	422,486,652
Cook County Forest Preserve District	118,610,000	12.10%	14,353,448
Metropolitan Water Reclamation District	2,492,374,007	12.34%	307,547,089
Kane County Forest Preserve District	162,325,866	0.33%	533,470
Lake County Forest Preserve District	274,450,000	4.98%	13,667,610
McHenry County Conservation District	111,220,000	1.94%	2,157,668
Arlington Heights Park District	15,190,000	100.00%	15,190,000
Barrington Park District	20,225,000	97.83%	19,786,118
Buffalo Grove Park District	7,995,000	23.02%	1,840,449
Des Plaines Park District	4,980,000	1.67%	83,166
Dundee Township	5,230,000	3.68%	192,464
Dundee Township Park District	1,845,000	2.82%	52,029
Elk Grove Park District	10,650,000	99.96%	10,645,740
Hanover Park Park District	475,000	36.27%	172,283
Hoffman Estates Park District	10,130,000	92.12%	9,331,756
Mount Prospect Park District	4,297,000	100.00%	4,297,000
Northbrook Park District	8,265,000	97.00%	8,017,050
Palatine Park District	10,255,000	100.00%	10,255,000
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	17,705,000	95.67%	16,938,374
Wheeling Park District	900,000	92.46%	832,140
Fox River Grove Public Library District	265,000	35.64%	94,446
Gail Borden Public Library District	16,550,000	1.33%	220,115
Poplar Creek Public Library District	18,615,000	4.27%	794,861
Village of Arlington Heights	42,540,000	100.00%	42,540,000
Village of Barrington	2,635,000	97.88%	2,579,138
Village of Barrington Hills	1,160,000	93.98%	1,090,168
Village of Buffalo Grove	10,550,000	19.89%	2,098,395
Village of Carpentersville	22,155,000	6.76%	1,497,678
City of Des Plaines	40,611,164	16.71%	6,786,125
Village of Elk Grove Village	79,370,000	94.03%	74,631,611
Village of Fox River Grove	465,000	65.20%	303,180
Village of Hanover Park	19,615,000	51.27%	10,056,611
Village of Hoffman Estates	105,955,000	91.63%	97,086,567
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	85,475,000	1.01%	863,298
Village of Palatine	87,630,000	100.00%	87,630,000

TABLE 11
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512

DEBT CAPACITY

DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2016

Governmental Unit	Debt Outstanding	Percentage of Debt Applicable	College Share of Direct and Overlapping Debt
City of Prospect Heights	13,365,000	95.15%	12,716,798
City of Rolling Meadows	20,010,000	99.57%	19,923,957
Village of Schaumburg	282,040,000	97.17%	274,058,268
Village of South Barrington	4,600,000	94.60%	4,351,600
Village of Wheeling	44,635,000	99.40%	44,367,190
Lake Barrington Special Service Area Number 3	2,425,000	26.52%	643,110
North Barrington Special Service Area 17	5,390,000	27.75%	1,495,864
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
School District Number 3	2,505,000	40.46%	1,013,523
School District Number 23	9,940,000	98.19%	9,760,086
School District Number 25	9,050,000	100.00%	9,050,000
School District Number 26	10,610,000	87.60%	9,294,360
School District Number 57	7,045,000	100.00%	7,045,000
High School District Number 155	21,610,000	1.51%	326,311
Community Consolidated School District 15	20,635,633	100.00%	20,635,633
Community Consolidated School District 21	40,805,000	97.70%	39,866,485
Community Consolidate School District 59	20,685,000	99.95%	20,674,658
Community Unit School District Number 220	61,000,000	99.62%	60,768,200
Township High School District Number 211	11,380,000	98.71%	11,233,198
Township High School District Number 214	42,800,000	99.71%	42,675,880
Total overlapping bonded debt			<u>1,844,491,632</u>
Total direct and overlapping bonded debt			<u>\$ 2,006,417,904</u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the 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

	2015	2014	2013	2012	2011
Assessed valuation	\$ 16,469,952,983	\$ 16,824,424,132	\$ 16,642,048,983	\$ 19,011,750,509	\$ 20,628,324,840
Legal debt limit - 2.875% of assessed valuation	473,511,148	483,702,194	478,458,908	546,587,827	593,064,339
Total debt applicable to limit	158,810,000	170,935,000	175,310,000	182,990,000	185,775,000
Legal debt margin	\$ 314,701,148	\$ 312,767,194	\$ 303,148,908	\$ 363,597,827	\$ 407,289,339
Total net debt applicable to the limit as a percentage of debt limit	33.54%	35.34%	36.64%	33.48%	31.32%
	2010	2009	2008	2007	2006
Assessed valuation	\$ 22,803,492,049	\$ 24,973,396,828	\$ 24,954,620,795	\$ 23,623,583,896	\$ 20,445,486,113
Legal debt limit - 2.875% of assessed valuation	655,600,396	717,985,159	717,445,348	679,178,037	587,807,726
Total debt applicable to limit	192,920,000	194,545,000	201,650,000	56,385,000	66,715,000
Legal debt margin	\$ 462,680,396	\$ 523,440,159	\$ 515,795,348	\$ 622,793,037	\$ 521,092,726
Total net debt applicable to the limit as a percentage of debt limit	29.43%	27.10%	28.11%	8.30%	11.35%

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Population Estimates	534,984	534,984	534,586	532,566	534,984	534,984	534,984	534,984	534,984	534,984
Unemployment Rates:										
Arlington Heights	4.4%	4.6%	5.3%	6.6%	6.8%	7.7%	7.7%	8.6%	4.7%	3.4%
Elk Grove Village	4.7%	5.3%	5.5%	7.3%	7.2%	8.8%	9.3%	9.9%	5.0%	3.7%
Hoffman Estates	4.4%	4.8%	5.4%	6.7%	6.6%	8.4%	8.7%	9.8%	5.2%	3.5%
Mount Prospect	4.2%	4.6%	5.3%	6.6%	6.4%	8.0%	8.2%	9.1%	4.6%	3.2%
Palatine	4.4%	4.9%	5.2%	6.9%	6.7%	8.7%	8.6%	9.2%	5.0%	3.4%
Schaumburg	4.4%	5.0%	5.5%	6.7%	6.8%	8.3%	8.3%	9.6%	5.3%	3.5%
Wheeling	4.2%	4.7%	5.4%	7.2%	8.3%	8.7%	8.8%	9.4%	4.8%	3.5%
Chicago PMSA	5.5%	6.3%	7.1%	10.3%	9.3%	10.7%	10.3%	10.4%	6.3%	4.6%
Illinois	5.6%	5.9%	7.1%	9.8%	9.3%	10.6%	10.0%	10.5%	6.2%	4.6%
United States	4.5%	5.5%	6.3%	7.8%	8.4%	9.7%	9.3%	9.7%	5.2%	4.3%

Source: College records and Illinois Department of Employment Securities

Note: 2016 Unemployment Data as of May 2016

TABLE 14
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512
DEMOGRAPHIC AND ECONOMIC INFORMATION
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

2015 (1)			2008		
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	Arlington Park Racecourse	4,500	2
Alexian Bros Medical Center	3,100	3	Alexian Brothers Medical System	4,322	3
AT&T Services Inc	2,500	4	Motorola Network and Enterprise	4,000	4
Zurich North America	2,500	4	Northwest Community Healthcare	4,000	4
St. Alexius Medical Center	2,045	6	Woodfield Mall Shopping Center	3,800	6
Automatic Data Processing	1,500	7	AT&T Midwest	2,700	7
Clearbrook	1,000	8	Alexian Brothers Medical Center	2,500	8
Motorola Solutions, Inc	970	9	School District 54	2,274	9
CVS Caremark	850	10	Northrup Grumman	2,200	10
Total	<u>24,665</u>			<u>36,296</u>	

Sources:
College records
2015 Illinois Manufacturing Directory
2015 Illinois Services Directory
Illionois Department of Commerce and Economic Opportunity

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Faculty										
Full-time	238	238	236	233	232	217	228	228	226	226
Part-time	-	-	-	-	-	-	-	-	-	-
Administrative										
Full-time	51	51	51	47	48	45	51	52	54	50
Part-time	-	-	-	-	-	-	-	-	-	-
Professional/Technical										
Full-time	138	131	125	124	121	111	119	114	111	113
Part-time	45	47	43	41	37	21	30	25	25	24
Supervisory/Confidential										
Full-time	94	97	94	91	85	73	78	84	80	79
Part-time	2	2	3	5	4	2	4	5	6	7
Classified Staff										
Full-time	136	131	136	139	141	135	144	146	148	148
Part-time	111	126	138	165	278	61	66	65	67	63
Security										
Full-time	18	18	16	16	16	15	15	15	15	15
Part-time	17	17	17	17	16	-	-	-	-	-
Custodial/Maintenance										
Full-time	93	93	93	97	97	89	97	97	97	95
Part-time	<u>5</u>	<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>
Total										
Full-time	768	759	751	747	740	685	732	736	731	726
Part-time	<u>180</u>	<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>
Grand Total	<u>948</u>	<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>

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Degrees and Certificates Awarded										
Degrees	1,611	1,629	1,773	1,326	1,361	1,457	1,311	1,235	1,231	1,297
Certificates	1,845	1,990	1,971	1,544	1,730	2,376	1,094	1,080	1,099	1,105
Total Degrees and Certificates Awarded	<u>3,456</u>	<u>3,619</u>	<u>3,744</u>	<u>2,870</u>	<u>3,091</u>	<u>3,833</u>	<u>2,405</u>	<u>2,315</u>	<u>2,330</u>	<u>2,402</u>
Student enrollment by funding category (unrestricted reimbursable credit hours)										
Baccalaureate	184,847	187,055	191,897	193,163	197,827	208,699	209,288	194,768	189,074	183,312
Business Occupational	18,153	19,484	20,542	22,190	23,495	22,389	21,010	18,374	18,361	19,186
Technical Occupational	16,660	17,347	15,284	16,536	17,368	17,321	16,496	13,712	13,151	14,354
Health Occupational	16,546	16,007	17,646	18,916	19,844	18,046	16,657	15,587	13,488	12,723
Remedial Developmental	15,143	17,335	19,852	21,456	27,632	29,972	29,247	29,078	29,668	29,777
Adult Basic/Secondary Education	<u>6,780</u>	<u>5,046</u>	<u>4,986</u>	<u>4,942</u>	<u>5,800</u>	<u>7,966</u>	<u>8,736</u>	<u>7,616</u>	<u>5,512</u>	<u>8,204</u>
Total Credit Hours	<u>258,129</u>	<u>262,274</u>	<u>270,206</u>	<u>277,203</u>	<u>291,966</u>	<u>304,391</u>	<u>301,434</u>	<u>279,135</u>	<u>269,254</u>	<u>267,556</u>

Source: College Records

TABLE 17
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NUMBER 512
OPERATING INFORMATION
CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS

	2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
Facilities Data										
Size of campus (acres)	188	188	188	188	188	188	188	188	188	188
Net assignable square footage										
Classrooms	222,063	182,909	176,384	176,454	176,573	157,563	157,563	157,563	157,563	161,078
Laboratories	157,023	217,760	206,094	208,274	207,511	228,813	228,813	228,813	228,813	228,397
Office	139,927	147,729	147,665	147,411	147,455	150,851	150,983	150,983	150,896	149,247
Study	35,428	33,444	34,329	34,973	34,983	34,659	34,659	34,659	34,659	34,659
Athletic/PE	56,184	59,688	59,688	59,688	59,605	58,814	58,814	58,814	58,814	58,814
Special use	9,676	12,810	12,704	12,794	13,205	13,996	13,996	13,996	13,996	13,996
Theatre/auditorium	22,541	32,890	32,890	32,890	32,890	32,890	32,890	32,890	32,890	32,890
General use	58,269	55,364	55,666	54,423	54,423	55,442	55,442	55,442	55,442	54,874
Support	329,857	41,682	44,015	44,368	44,533	43,123	43,123	43,123	43,123	43,872
Health care	2,311	2,189	2,190	2,180	2,180	1,485	1,624	1,624	1,471	1,471
Unclassified	118,882	2,333	-	-	-	4,632	4,632	4,632	4,632	4,632
Total net assignable square footage	1,152,161	788,798	771,625	773,455	773,358	782,268	782,539	782,539	782,299	783,930
Gross square footage	1,679,094	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

Source: College Records

* Most recent data available

Changes due to building additions, renovations and space reallocations

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

Uniform Financial Statement No. 1
All Funds Summary

Year ended June 30, 2016

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Bond and Interest Fund	Auxiliary Enterprises Fund	Restricted Purposes Fund	Working Cash Fund	Audit Fund	Liability, Protection, and Settlement Fund	Total
Fund balance at July 1, 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
Revenues:										
Local tax revenue	41,132,920	15,461,112	—	18,550,875	—	—	0	14,277	14,277	75,173,461
All other local revenue	1,053,245	—	—	22,227,628	—	—	0	—	—	23,280,873
ICCB grants	1,992,338	—	—	—	—	317,609	—	—	—	2,309,947
All other state revenue	—	—	—	—	—	2,122,384	0	—	—	2,122,384
Federal revenue	28,601	—	—	—	—	15,824,651	—	—	—	15,853,252
Student tuition and fees	43,670,236	2,132,283	552,086	—	3,263,240	16,889	—	—	—	49,634,734
All other revenue	678,948	248,447	501,479	32,442	2,740,386	324,433	27,149	124	1,737	4,555,145
Total revenues	88,556,288	17,841,842	1,053,565	40,810,945	6,003,626	18,605,966	27,149	14,401	16,014	172,929,796
Expenditures:										
Instruction	36,976,552	—	—	—	349,163	1,904,589	—	—	—	39,230,304
Academic support	8,802,775	—	—	—	—	490,432	—	—	—	9,293,207
Student services	11,699,404	—	—	—	1,058,704	242,698	—	—	—	13,000,806
Public service/continuing education	116,764	—	—	—	3,739,767	1,212,274	—	—	—	5,068,805
Independent operations	—	—	—	—	815,022	—	—	—	—	815,022
Operations and maintenance of plant	—	13,046,165	—	—	73,653	—	—	—	—	13,119,818
Institutional support	25,179,303	2,224,124	29,897,417	39,928,523	111,219	2,859,269	—	21,483	466,336	100,687,674
Scholarships/grants/waivers	5,795,360	—	—	—	76,103	14,815,340	—	—	—	20,686,803
Total expenditures	88,570,158	15,270,289	29,897,417	39,928,523	6,223,631	21,524,602	—	21,483	466,336	201,902,439
Excess (deficiency) of revenues over expenditures	(13,870)	2,571,553	(28,843,852)	882,422	(220,005)	(2,918,636)	27,149	(7,082)	(450,322)	(28,972,643)
Other financing sources (uses):										
Transfers (to) from other funds	(2,501,542)	—	—	—	543,446	1,958,096	—	—	—	—
Fund balance at June 30, 2016	\$ 32,528,233	\$ 20,936,708	\$ 93,093,678	\$ 11,643,899	\$ 9,019,037	\$ 11,652,227	\$ 15,760,492	\$ —	\$ 380,040	\$ 195,014,314

See accompanying independent auditor's report.

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

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

Year ended June 30, 2016

	Capital Asset/Debt Account Groups June 30, 2015	Increases	Decreases	Capital Asset/Debt Account Groups June 30, 2016
Capital assets:				
Land	\$ 4,326,007	\$ —	\$ —	\$ 4,326,007
Buildings and improvements	257,668,367	6,197,525	—	263,865,892
Equipment	19,557,631	1,369,960	(234,002)	20,693,589
Construction in progress	<u>44,988,590</u>	<u>24,406,744</u>	<u>(6,197,525)</u>	<u>63,197,809</u>
Total capital assets	326,540,595	31,974,229	(6,431,527)	352,083,297
Accumulated depreciation	<u>(121,015,420)</u>	<u>(8,513,736)</u>	<u>159,838</u>	<u>(129,369,318)</u>
Net capital assets	\$ <u>205,525,175</u>	\$ <u>23,460,493</u>	\$ <u>(6,271,689)</u>	\$ <u>222,713,979</u>
Total debt – bonds payable	\$ <u>170,935,000</u>	\$ <u>20,110,000</u>	\$ <u>(32,235,000)</u>	\$ <u>158,810,000</u>

See accompanying independent auditor's report.

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

Schedule 3
Page 1 of 2

Uniform Financial Statement No. 3
Operating Funds Revenues and Expenditures

Year ended June 30, 2016

	<u>Education Fund</u>	<u>Operations and Maintenance Fund</u>	<u>Total Operating Funds</u>
Operating revenues by source:			
Local government revenue:			
Local taxes	\$ 41,132,920	\$ 15,461,112	\$ 56,594,032
Chargeback revenue	114,611	—	114,611
CPPTRR	938,634	—	938,634
Total local government revenue	<u>42,186,165</u>	<u>15,461,112</u>	<u>57,647,277</u>
State government revenue:			
ICCB Credit Hour grants	1,992,338	—	1,992,338
Other	—	—	—
Total state government revenue	<u>1,992,338</u>	<u>—</u>	<u>1,992,338</u>
Federal government revenue:			
Department of Education	28,601	—	28,601
Other	—	—	—
Total federal government revenue	<u>28,601</u>	<u>—</u>	<u>28,601</u>
Student tuition and fees:			
Tuition	38,626,192	—	38,626,192
Fees	5,044,044	2,132,283	7,176,327
Total student tuition and fees	<u>43,670,236</u>	<u>2,132,283</u>	<u>45,802,519</u>
Other sources:			
Sales and service fees	458,534	—	458,534
Investment revenue	137,234	40,208	177,442
Other	83,180	208,239	291,419
Transfers	—	—	—
Total other revenue	<u>678,948</u>	<u>248,447</u>	<u>927,395</u>
Total revenues	<u>88,556,288</u>	<u>17,841,842</u>	<u>106,398,130</u>
Less – nonoperating items:*			
Tuition chargeback revenue	114,611	—	114,611
Transfers from nonoperating funds	—	—	—
Adjusted revenue	<u>\$ 88,441,677</u>	<u>\$ 17,841,842</u>	<u>\$ 106,283,519</u>

* 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, 2016

	<u>Education Fund</u>	<u>Operations and Maintenance Fund</u>	<u>Total Operating Funds</u>
Operating expenditures:			
By program:			
Instruction	\$ 36,976,552	\$ —	\$ 36,976,552
Academic support	8,802,775	—	8,802,775
Student services	11,699,404	—	11,699,404
Public service/continuing education	116,764	—	116,764
Operations and maintenance	—	13,046,165	13,046,165
Institutional support	25,179,303	2,224,124	27,403,427
Scholarships/grants/waivers	5,795,360	—	5,795,360
Transfers	2,501,542	—	2,501,542
	<u>91,071,700</u>	<u>15,270,289</u>	<u>106,341,989</u>
Total operating expenditures			
Less – nonoperating items:*			
Tuition chargebacks	126,309	—	126,309
Transfers to nonoperating funds	2,501,542	—	2,501,542
	<u>88,443,849</u>	<u>15,270,289</u>	<u>103,714,138</u>
Adjusted operating expenditures			
By object:			
Salaries	\$ 61,111,392	\$ 6,396,651	\$ 67,508,043
Employee benefits	10,944,803	1,562,681	12,507,484
Contractual services	4,402,220	2,298,578	6,700,798
General materials and supplies	3,786,017	847,046	4,633,063
Conference and meeting expense	815,063	7,831	822,894
Fixed charges	355,345	269,323	624,668
Utilities	6,270	3,015,144	3,021,414
Capital outlay	561,942	873,035	1,434,977
Other	6,587,106	—	6,587,106
Transfers	2,501,542	—	2,501,542
	<u>91,071,700</u>	<u>15,270,289</u>	<u>106,341,989</u>
Total operating expenditures			
Less – nonoperating items:*			
Tuition chargebacks	126,309	—	126,309
Transfers to nonoperating funds	2,501,542	—	2,501,542
	<u>88,443,849</u>	<u>15,270,289</u>	<u>103,714,138</u>
Adjusted operating expenditures			

*Intercollege expenses are subtracted to allow for statewide comparisons.

See accompanying independent auditor's report.

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

Schedule 4
Page 1 of 2

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

Year ended June 30, 2016

Revenues by source:	
Total local government – proceeds from bond issuance	\$ <u> —</u>
State government:	
ICCB – Adult Education	317,609
ICCB – Career and Technical Education – Program Improvement Grant	—
Illinois Student Assistance Commission	1,263,454
Other	<u>858,930</u>
Total state government	<u>2,439,993</u>
Federal government:	
Department of Education	13,324,240
Department of Labor	1,283,309
Department of Health and Human Services	613,304
Department of Veterans Affairs	492,065
Other	<u>111,733</u>
Total federal government	<u>15,824,651</u>
Other sources	341,322
Transfers	<u>1,958,096</u>
Total restricted purposes fund revenues	<u>\$ 20,564,062</u>
Expenditures by program:	
Instruction	\$ 1,904,589
Academic support	490,432
Student services	242,698
Public service/continuing education	1,212,274
Auxiliary	—
Operations and maintenance	—
Institutional support	2,859,269
Scholarships, student grants, and waivers	14,815,340
Transfers	<u> —</u>
Total restricted purposes fund expenditures	<u>\$ 21,524,602</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, 2016

Expenditures by object:	
Salaries	\$ 2,446,745
Employee benefits	344,143
Contractual services	1,798,716
General materials and supplies	320,290
Travel and meetings	126,571
Fixed charges	112,964
Utilities	11,595
Capital outlay	1,632,664
Other	14,730,914
Transfers	—
	<hr/>
Total restricted purposes fund expenditures	\$ <u><u>21,524,602</u></u>

See accompanying independent auditor's report.

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

Schedule 5

Page 1 of 2

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

Year ended June 30, 2016

Instruction:	
Instructional programs	\$ 36,979,834
Instructional support	2,250,470
Total instruction	39,230,304
Academic support:	
Library center	2,132,549
Educational media services	455,955
Academic administration and planning	5,895,737
Other	808,966
Total academic support	9,293,207
Student services:	
Admissions and records	2,192,190
Counseling and career guidance	1,925,605
Student financial aid and administration	791,388
Other	8,091,623
Total student services	13,000,806
Public service/continuing education:	
Community education	2,387,255
Customized training (instructional)	312,073
Community services	97,867
Other	2,271,610
Total public service/continuing education	5,068,805
Auxiliary services	815,022
Operations and maintenance of plant:	
Maintenance	1,459,628
Custodial services	2,902,156
Grounds	817,164
Campus security	1,602,830
Utilities	4,384,675
Administration	1,953,365
Total operations and maintenance of plant	13,119,818

**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, 2016

Institutional support:	
Executive management	\$ 3,396,089
Fiscal operations	1,603,225
Community relations	2,494,222
Administrative support services	2,911,543
Board of Trustees	34,457
General institutional support	6,749,921
Institutional research	548,451
Administrative data processing	13,123,826
Other	—
Total institutional support	<u>30,861,734</u>
Scholarships, student grants, and waivers	<u>20,686,803</u>
Total current funds expenditures	<u>\$ 132,076,499</u>

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

See accompanying independent auditor's report.

CERTIFICATE OF CHARGEBACK REIMBURSEMENT

Fiscal Year 2016

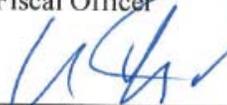
WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512
Certificate of Chargeback Reimbursement
Fiscal Year 2016

Schedule 6

All fiscal year 2017 noncapital audited operating expenditures from the following funds:

Bond and Interest Fund	17,682,154
Public Building Commission Rental Fund	—
Restricted Purposes Fund	19,891,938
Audit Fund	21,483
Liability, Protection, and Settlement Fund	466,336
Auxiliary Enterprises Fund (subsidy only)	<u>543,446</u>
Total noncapital expenditures (sum of lines 1 – 9)	141,010,827
Depreciation on capital outlay expenditures (equipment, building, and fixed equipment paid) from sources other than state and federal funds	<u>4,824,416</u>
Total cost included (line 10 plus 11)	<u>\$ 145,835,243</u>
Total certified semester credit hours for fiscal year 2016	<u>265,447.5</u>
Per capita cost (line 12 divided by line 13)	<u>\$ 549.39</u>
All fiscal year 2015 state and federal operating grants for noncapital expenditures DO NOT INCLUDE ICCB GRANTS	*
Fiscal year 2015 state and federal grants per semester credit hour (line 15 divided by line 13)	*
District’s average ICCB grant rate (excluding equalization grants) for fiscal year 2017	*
District’s student tuition and fee rate per semester credit hour for fiscal year 2016	<u>140.08</u>
Chargeback reimbursement per semester credit hour (line 14 less lines 16, 17 and 18)	<u>*\$</u>

* Not completed per Illinois Community College Board guidance.

Approved:	 _____ Chief Fiscal Officer	<u>September 21, 2016</u> Date
Approved:	 _____ Chief Executive Officer	<u>September 21, 2016</u> Date

INDEPENDENT AUDITOR'S REPORT ON STATE GRANT PROGRAMS FINANCIAL
STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying balance sheets of the William Rainey Harper College, Community College District No. 512 (the "College"), State Adult Education (State Basic and State Performance) Grant Programs ("Grant Programs") as of June 30, 2016 and the related statements of revenues, expenses, and changes in net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Grant Programs' financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the guidelines of the Illinois Community College Board's *Fiscal Management Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College's State Adult Education (State Basic and State Performance) Grant Programs as of June 30, 2016, and the respective revenues, expenses, and changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 1, the financial statements present only the College's Grant Programs and do not purport to, and do not, present fairly the financial position of the College, as of June 30, 2016, 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 financial statements that collectively comprise the Grant Programs' financial statements. The ICCB Compliance Statement on page 102 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2016 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
Crowe Horwath LLP

Oak Brook, Illinois
September 21, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the guidelines of the Illinois Community College Board *Fiscal Management Manual*, the financial statements of William Rainey Harper College (“College”), State Adult Education (State Basic and State Performance) Grant Programs (“Grant Programs”) which comprise the balance sheets as of June 30, 2016, the related statements of revenues, expenses, and changes in net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Grant Programs’ financial statements and have issued our report thereon dated September 21, 2016. 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, 2016, 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
Crowe Horwath LLP

Oak Brook, Illinois
September 21, 2016

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

State Adult Education Grant Program

Balance Sheet

June 30, 2016

	State Basic	State Performance	Total
Assets – Accounts Receivable	<u>\$ 216,206</u>	<u>\$ 101,403</u>	<u>\$ 317,609</u>
Liabilities –Due to other funds	<u>\$ 216,206</u>	<u>\$ 101,403</u>	<u>\$ 317,609</u>
Net Position	<u> -</u>	<u> -</u>	<u> -</u>
Total liabilities and net position	<u><u>\$ 216,206</u></u>	<u><u>\$ 101,403</u></u>	<u><u>\$ 317,609</u></u>

See accompanying notes to state grant programs financial statements.

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

State Adult Education Grant Program

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2016

	State Basic	State Performance	Total
Revenue – state source	\$ 216,206	\$ 101,403	\$ 317,609
Expenses by program:			
Instructional and student services:			
Instruction	214,991	14,801	229,792
Guidance services	—	—	—
Assessment and testing	—	—	—
Child care services	—	13,580	13,580
Subtotal instructional and student services	214,991	28,381	243,372
Program support:			
Improvement of instructional services	—	5,120	5,120
General administration	1,215	55,995	57,210
Data & information services	—	11,907	11,907
Subtotal program support	1,215	73,022	74,237
Total expenses	216,206	101,403	317,609
Excess of revenue over expenses	—	—	—
Net Position, beginning of year	—	—	—
Net Position, end of year	\$ —	\$ —	\$ —

See accompanying notes to state grant programs financial statements.

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

ICCB Compliance Statement for State Adult Education Grant Program

Expense Amount and Percentages for ICCB Grant Funds Only

Year ended June 30, 2016

	<u>Audited expense amount</u>	<u>Actual expense percentage</u>
State Basic:		
Instruction (45% minimum required)	\$ 214,991	99.44%
General administration (15% maximum allowed)	1,215	0.56%

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

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

Notes to State Grant Programs Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

(a) General

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

(b) Basis of Accounting

The statements have been prepared on the accrual basis. Expenses include all accounts payable representing liabilities for goods and services actually received as of June 30, 2016. Unexpended funds are reflected as a reduction to net position and a liability due to the ICCB by October 15.

(c) Capital Assets

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

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

(2) Background Information on State Grant Activity

(a) Unrestricted Grants

Base Operating Grants

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

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

Notes to State Grant Programs Financial Statements

June 30, 2016

(b) *Restricted Adult Education Grants/State*

State Basic

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

State Performance

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

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

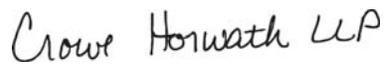
We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed, of William Rainey Harper College, Community College District No. 512 (the "College") for the year ended June 30, 2016. The Schedule of Enrollment Data and Other Bases Upon Which Claims Were Filed 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.

The supplementary information on pages 108 – 109 has not been subjected to the examination procedures applied in the examination of the Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed, and accordingly, we express no opinion on them.

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


Crowe Horwath LLP

Oak Brook, Illinois
September 21, 2016

**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, 2016

	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	25,080.0	—	80,205.0	—	79,561.5		184,846.5	—
Business occupational	1,528.0	195.0	7,828.0	487.0	8,797.5	387.0	18,153.5	1,069.0
Technical occupational	1,251.0	—	7,345.5	—	8,063.0		16,659.5	—
Health occupational	2,030.5	—	6,963.5	—	7,552.0		16,546.0	—
Remedial developmental	1,643.0	—	7,931.0	—	5,569.0		15,143.0	—
Adult basic/secondary education	2,409.5	—	2,344.0	2,957.5	2,027.0	3,292.0	6,780.5	6,249.5
Total	<u>33,942.0</u>	<u>195.0</u>	<u>112,617.0</u>	<u>3,444.5</u>	<u>111,570.0</u>	<u>3,679.0</u>	<u>258,129.0</u>	<u>7,318.5</u>
			Attending out-of-district on chargeback or cooperative/ contractual agreement					
		Attending in-district		Total				
Reimbursable semester credit hours (all terms)		234,074.5	2,699.0	236,773.5				
District prior year equalized assessed valuation				\$ 16,469,952,983				
Signatures	<u>/s/ Dr. Kenneth Ender</u> Chief Executive Officer (CEO)		<u>/s/ Dr. Ronald N. Ally</u> 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, 2016

	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	184,846.5	184,846.5	—	—	—	—
Business occupational	18,153.5	18,153.5	—	1,069.0	1,069.0	—
Technical occupational	16,659.5	16,659.5	—	—	—	—
Health occupational	16,546.0	16,546.0	—	—	—	—
Remedial developmental	15,143.0	15,143.0	—	—	—	—
Adult basic education/adult secondary education	6,780.5	6,780.5	—	6,249.5	6,249.5	—
Total	<u>258,129.0</u>	<u>258,129.0</u>	<u>—</u>	<u>7,318.5</u>	<u>7,318.5</u>	<u>—</u>
	Reconciliation of in-district/chargeback and cooperative/contractual agreement credit hours					
		Total attending as certified to the ICCB	Difference			
Reimbursable in-district residents	234,074.5	234,074.5	—			
Reimbursable out-of-district on chargeback or contractual agreement	2,699.0	2,699.0	—			
Total	<u>236,773.5</u>	<u>236,773.5</u>	<u>—</u>			
		Total reimbursable certified to the ICCB	Difference			
Dual credit	13,223.5	13,223.5	—			
Dual enrollment	458.0	458.0	—			
Total	<u>13,681.5</u>	<u>13,681.5</u>	<u>—</u>			

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

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

Residency Verification for Enrollment

June 30, 2016

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, 2016

Out-of-State

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

Chargebacks and Joint Agreements

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

Business Edvantage

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

Student Record Updates – Address Changes

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of William Rainey Harper College (the “College”) as of and for the year ended June 30, 2016, 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 21, 2016. 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.

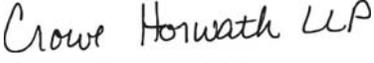
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 21, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited William Rainey Harper College, Community College District No. 512’s (the “College”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College’s major federal program for the year ended June 30, 2016. The College’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated September 21, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe Horwath LLP
Crowe Horwath LLP

Oak Brook, Illinois
September 21, 2016

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

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	\$ 9,453
U.S. Department of Labor:			
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	TC-23795-12-60-A-17	17.282	626,093
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	TC-24997-13-60-A-17	17.282	360,236
Total Trade Adjustment Assistance Community College and Career Training			<u>986,329</u>
American Apprenticeship Initiative	AP-28033-15-60-A-17	17.268	53,280
Passed through Illinois Department of Commerce			
WIA Workforce Initiatives 01	14-633090	17.258	243,700
Total Department of Labor			<u>1,283,309</u>
Small Business Administration			
Small Business Development Centers	16-561112	59.037	38,520
Small Business Development Centers	15-181112	59.037	48,983
Total Small Business Administration			<u>87,503</u>
U.S. Department of Veterans' Affairs:			
Vocation Rehabilitation for Disabled Veterans	N/A	64.116	10,665
National Endowment for the Humanities:			
American Library Association Latino American History	LA105976	45.164	3,000
National Science Foundation			
Passed through Rochester Institute of Technology			
Technological Education Center for Deaf and Hard of Hearing Students	RIT31575-01	47.076	11,777
U.S. Department of Education:			
Title III Strengthening Institutions Program Grant	P031A140104	84.031A	297,443
Passed through Illinois Community College Board			
Adult Education – Basic Grant	V002A150013	84.002A	169,624
Adult Education – National Leadership Activities – EL Civics Grant	V002A150013	84.002A	33,341
Adult Education – ICAPS	V002A150013	84.002A	4,999
Total Adult Education			<u>207,964</u>
Career and Technical Postsecondary Adult Education	V048A150013	84.048	401,552
Career and Technical ICAPS	V048A150013	84.048	5,000
Total Career and Technical Education			<u>406,552</u>
Student Financial Assistance Program Cluster:			
Federal Supplemental Educational Opportunity Grant Program	P007A151317	84.007	174,988
Federal Direct Student Loans Program	P268K152465	84.268	165,216
Federal Direct Student Loans Program	P268K162465	84.268	5,511,967
Federal Work Study Program	P033A141317	84.033	7,079
Federal Work Study Program	P033A151317	84.033	163,371
Federal Pell Grant Program	P063P142465	84.063	41,621
Federal Pell Grant Program	P063P152465	84.063	12,025,222
Total Student Financial Assistance			<u>18,089,464</u>
Passed through Illinois Department of Human Services:			
Rehabilitation Services – ORS Third Party Agreement	46CTD00252	84.126	207,710
Rehabilitation Services – Vocational Rehabilitation		84.126	405,594
Total Rehabilitation Services			<u>613,304</u>
Total Department of Education			<u>19,614,727</u>
Total Federal Expenditures			<u>\$ 21,020,434</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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of William Rainey Harper College (the "College") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Basis of Accounting and Cost Principles:

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

Federal Student Loan Programs:

Federally guaranteed loans issued to students of the College by financial institutions under the Federal Direct Loan Program were \$5,677,183 during the year ended June 30, 2016.

Subrecipients:

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

Non-Cash Assistance:

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

Federal Insurance:

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

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Schedule of Findings and Questioned Costs

Year Ending June 30, 2016

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 2 CFR 200.516(a)

_____ Yes No

WILLIAM RAINEY HARPER COLLEGE
COMMUNITY COLLEGE DISTRICT NO. 512

Schedule of Findings and Questioned Costs

Year Ending June 30, 2016

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

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

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

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

Auditee qualified as low-risk auditee? ✓ Yes No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2016.

Section III - Federal Award Findings

There were no findings for the year ended June 30, 2016.

Section IV –Prior Year Findings and Questioned Costs

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