

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

Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2012 and 2011

Prepared by:

Business Services

Rob Widmer
Vice President of Business Services

Sue Gilpin
Controller

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October 12, 2012

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

The Comprehensive Annual Financial Report (CAFR) of Heartland Community College District No. 540, Normal, Illinois, (the College) as of and for the fiscal year ended June 30, 2012 is hereby submitted. The CAFR provides a snapshot of the College's financial performance and major initiatives, as well as an overview of trends in the local economy. Above all, the report represents the College's commitment to inform members of the community about the College's finances.

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

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

PROFILE OF THE COLLEGE

Heartland Community College is a comprehensive community college operating in accordance with the provisions of the Illinois Public Community College Act and is recognized by the Illinois Community College Board (ICCB). The College is accredited by the Higher Learning Commission of the North Central Association. The College District extends roughly from Lincoln, Illinois on the south, along Interstate 55, and north to Pontiac, Illinois. Of the more than 208,000 district residents, about two-thirds reside in incorporated areas. Bloomington-Normal is the largest population center of this region. The District includes most of McLean County and parts of DeWitt, Ford, Livingston, Logan and Tazewell counties. The main campus is located in Normal, Illinois (McLean County) with centers in both Lincoln and Pontiac.

VISION, MISSION, FOUNDATIONAL COMMITMENTS, AND OUR ENDURING GOALS

Heartland Community College is committed to student success. The College represents a vital and progressive center for learning as manifest in its vision as an adaptable and collaborative community resource, promoting life-long learning and exceptional community progress.

Mission

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

Foundational Commitments and Enduring Goals

During fiscal year 2012, College staff revised the vision, mission and values statements. Upon their completion, foundational commitments and enduring goals, more permanent and long-term in nature, were also defined and established.

The eight foundational commitments that will support our priorities, goals and operations are: Valuing People; Collaborating Effectively; Serving as a Community Resource; Creating Access to Opportunities; Supporting Student Success; Leading Quality Innovation; Modeling Stewardship and Sustainability; and Exemplifying Teaching and Learning Excellence. For each of these, the following enduring goals were defined.

Valuing People

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

Collaborating Effectively

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

Serving as a Community Resource

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

Creating Access to Opportunities

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

Supporting Student Success

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

Leading Quality Innovation

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

Modeling Stewardship and Sustainability

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

Exemplifying Teaching and Learning Excellence

- The College will recruit, hire, professionally develop, and retain high quality faculty, instructors, and learning support staff.
- The College will design, deliver, and assess high quality curriculum and instruction for our diverse programs, supporting relevant career pathways for learners.
- The College will design, develop, and maintain exemplary physical and technological infrastructure to create an optimal teaching and learning environment.

- The College will effectively assess students' experiences, creating actionable intelligence applied at key momentum points to improve student learning.

FINANCIAL INFORMATION

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The financial position of the College is strong in spite of the current weakened economy. This is attributed to historically steadily growing enrollments, sound financial planning, a long-term strategic financial plan, budget performance, and a healthy property tax base. Over the last ten years, the College's net assets have increased from \$25.1 million in fiscal year 2003 to \$54.7 million in fiscal year 2012 for an annual average increase of almost \$3.0 million.

District Economy

The Heartland Community College district is an important business and agricultural region in central Illinois, supported by a major automobile manufacturer and related automotive suppliers, two major insurance companies, farm implement and agricultural products dealers, and financial and health care institutions. Some of the largest employers in the district are State Farm Insurance Companies (corporate and regional headquarters), Mitsubishi Motor Manufacturing, Illinois State University, COUNTRY Financial, Advocate BroMenn Medical Center, OSF-St. Joseph Medical Center, McLean County, Anderson Financial Network, Inc., and the two local school districts.

The District has several higher education institutions. Bloomington-Normal is the location of two major universities, Illinois State University in Normal (with an on-campus enrollment of more than 21,000 students) and Illinois Wesleyan University in Bloomington (with an enrollment of almost 2,100 students). Lincoln, in the southern part of the district, has two colleges: Lincoln College, a private two-year college that offers instruction in Lincoln and Normal to about 1,700 students, and Lincoln Christian University, a private four-year institution of about 300 students. Several cooperative arrangements and educational alliances have been established with some of these institutions, as well as with some of our peer Illinois community colleges.

In past years, unemployment in McLean County has traditionally been relatively low. From 2007 through 2011, unemployment ranged between 4.0% and 7.7% annually. During 2012, as in most other U.S. communities, the County's unemployment continued to increase slightly, but it is still one of the lowest in the State. Unemployment, however, has been a supporting factor in the College's steady enrollment increases.

McLean County retail sales in 2011 increased to \$2.59 billion which was an increase of almost 4.5% over 2010. Median family income for the Bloomington-Normal communities is \$80,200, which is one of the highest in the State of Illinois. The population of McLean County has increased by more than 38,000 since 1991 when the College opened. The 2010 population of the County was 168,611. Population in the County is projected to continue to grow, reaching 187,086 by the year 2020. The current population of the entire district is 208,539. These economic growth indicators bode well for a young and growing college.

Tax Base

The Heartland Community College District 2011 tax levy base of \$4,161,237,754 increased by 1.05% over the 2010 tax base. Equalized assessed valuation (EAV) has grown rapidly since the College's founding in 1990, with growth of almost 37% over the past ten years. With steady residential and commercial growth, the District's tax base has continued to grow. The value of farmland and the varieties of construction growth have also been key factors in the District's economic growth.

The tax base is diverse, with the ten largest taxpayers making up only 6.7% of EAV. For the first time in many years, however, the EAV is projected to decrease between 1% and 2% per annum for the next two to three years. Local property taxes will continue to be a significant source of revenue for the College. During fiscal year 2012, local property taxes accounted for 34.6% of total revenues.

Net Assets and Liquidity

Net assets increased from \$51.3 million at the end of fiscal year 2011 to \$54.7 million at the end of 2012. Net assets were 103.3% of total fiscal year 2012 operating expenses. Liquidity is strong, with \$20.6 million of cash and short-term investments at year end.

College Enrollment

Enrollment increased slightly during fiscal year 2012. For the fall semester of fiscal year 2013 (Fall 2012) however, student headcount (at tenth day) decreased, for the very first time, by 4.2% to 5,324 students from our highest number of 5,558 students in the previous Fall of 2011. Credit hours and the full-time equivalent count for Fall 2012 both declined by 6.4%. Credit hours for Fall 2012 were 50,504 as compared to 53,944 in Fall 2011. From Fall 2010 to Fall 2011, student headcount increased by 2.6% and credit hours increased by 3.5%. The five-year increase (since Fall 2008) in student headcount is 10.3% and in credit hours is 18.3%.

The fiscal year 2013 budget was predicated on an overall 7% decrease in credit hours from fiscal year 2012. We believe this year's decline is being driven by economic factors and uncertainty among District residents. Most of our peer institutions have seen similar declines in enrollment this year and in previous years. Credit hour growth is projected for fiscal year 2014 and beyond due to local and national economic and population factors, as well as to the College's new "Guided Path to Success" initiative.

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

Tuition increases of \$15 per hour and \$5 per hour were made in the summer of 2011 and 2012, respectively, to counter the declines in State funding levels. The College's current per credit hour in-district tuition and fees rate of \$136.00 is one of the highest among other Illinois community colleges.

The College's continuing education program continued to realize enrollment increases during fiscal year 2012. For the first time, sales and service fees from continuing education programs exceeded \$3,000,000. Adult, community, and corporate education programs and offerings are projected to continue growing in fiscal year 2013, as evidenced by the summer and fall 2012 activity.

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

State of Illinois

The State of Illinois continues to struggle with the current economy. Many jobs have been lost and the State's unemployment continues to outpace the Nation's rate. The economic forecast predicts that employment will not return to pre-recession levels until sometime between the end of fiscal year 2013 and 2017. This has caused a decline in the State's tax revenue stream for fiscal years 2010 through 2012. In addition, the State's expenditures continue to outpace revenues. Accordingly, the future of State funding for the College continues to be a concern. As State funding continues to decline and pension reform proposals continue to be debated, the College has developed strategies for absorbing any shortcomings, late payments, and pension cost shifts from the State.

Federal Government

Federal grant activity is expected to remain stable as it did during 2012. Federal grants accounted for 22% of the College's total revenues during fiscal year 2012 as compared to 23% in 2011.

The College is a founding member of the Illinois Green Economy Network (IGEN), a partnership of all 39 Illinois community college districts and 48 campuses working with businesses and local communities to grow Illinois' green economy, providing new employment opportunities and healthy communities for all. IGEN was launched in 2008 as a president-led consortium of all Illinois community colleges dedicated to the training and education of a green workforce and deployment of energy conservation and green technology. Federal funding from IGEN provided funds during fiscal year 2012 for the College to purchase and install a wind turbine for campus energy needs and instructional purposes. Increased federal funding is projected for green economy initiatives and for job training and workforce development. As one of its strategic priorities, the College is continuing to increase the number of federal grant applications being submitted.

DEBT ADMINISTRATION

The College had general bonded debt of \$87,015,000 as of June 30, 2012 and \$82,280,000 as of June 30, 2011. The increase from 2011 to 2012 is the result of three factors: (1) issuance of \$3.3 million in general obligation debt certificates; (2) issuance of \$4.5 million in general obligation bonds; and (3) principal payments totaling \$3,065,000 during fiscal year 2012. The new debt certificates were issued to purchase and install the wind turbine. The general obligation bonds will fund instructional and administrative technology purchases.

The Standard & Poor's rating on the September 2011 debt certificate issue was AA/Stable and the rating on its general obligation bonds was affirmed as AA+/Stable. It reflected the College's: "(1) participation in the diverse Bloomington-Normal economy; (2) good wealth and income levels; (3) good financial operations with strong reserves; and (4) a moderate overall debt burden." The Moody's rating on the debt certificates was Aa3. The Standard & Poor's rating on the June 2012 \$4.5 million bond issue was AA+.

According to State of Illinois statute, the College is subject to a limit on bonded debt equal to 2.875% of assessed valuation. The 2011 assessed valuation of \$4,161,237,754 results in a legal debt limit of \$119,635,585. Other useful indicators of debt position are the ratios of general obligation debt to assessed valuation and debt per capita. For fiscal years 2008-2012, these indicators compare as follows:

Fiscal Year	General Obligation Debt	Debt/EAV	General Obligation Debt Per Capita
2012	\$87,015,000	2.1%	\$417.25
2011	\$82,280,000	2.0%	\$394.55
2010	\$83,040,000	2.1%	\$408.71
2009	\$80,560,000	2.0%	\$396.50
2008	\$77,820,000	2.1%	\$383.01

PROSPECTS FOR THE FUTURE

The College's financial outlook for the future is stable reflecting its strong financial operations, combined with growing populations within the District. The outlook is supported by the diverse Bloomington-Normal metropolitan area economy. There are certainly challenges facing the institution, including continued uncertain levels of future State funding, the State's pending pension reform, management of enrollment projections and physical facilities growth under these circumstances.

During fiscal year 2012, the College completed installation of a wind turbine on its main campus. The turbine is projected to provide as much as 50% of its electric needs. It will also serve an educational purpose for our students enrolled in alternative energy and various technology programs. A total of \$3.3 million in debt certificates were issued, in addition to \$1.5 million in federal and state grants, to purchase and install the turbine.

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

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

AWARDS AND ACKNOWLEDGEMENTS

Independent Audit

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

Awards for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Heartland Community College for its CAFR for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

Heartland Community College has received the Certificate of Achievement annually since 1998. Staff believes the current report for the fiscal year ended June 30, 2012 continues to meet the stringent program requirements for the Certificate of Achievement for Excellence in Financial Reporting. The report is being submitted to GFOA to determine its eligibility for another certificate.

Acknowledgments

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

Respectfully submitted,

/s/ Robert D. Widmer

Robert D. Widmer
Vice President of Business Services

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

PRINCIPAL OFFICIALS

Board of Trustees

	<u>Position</u>	<u>Term Expires</u>
Gregg Chadwick	Chair	2017
John A. Copes	Vice-Chair	2015
Harry L. Dunham	Secretary	2013
Larry Littell	Trustee	2013
Steve Graham	Trustee	2013
Terry Baggett	Trustee	2015
Jim Drew	Trustee	2017
Mihir Patel	Student Trustee	2013

Officers of the College

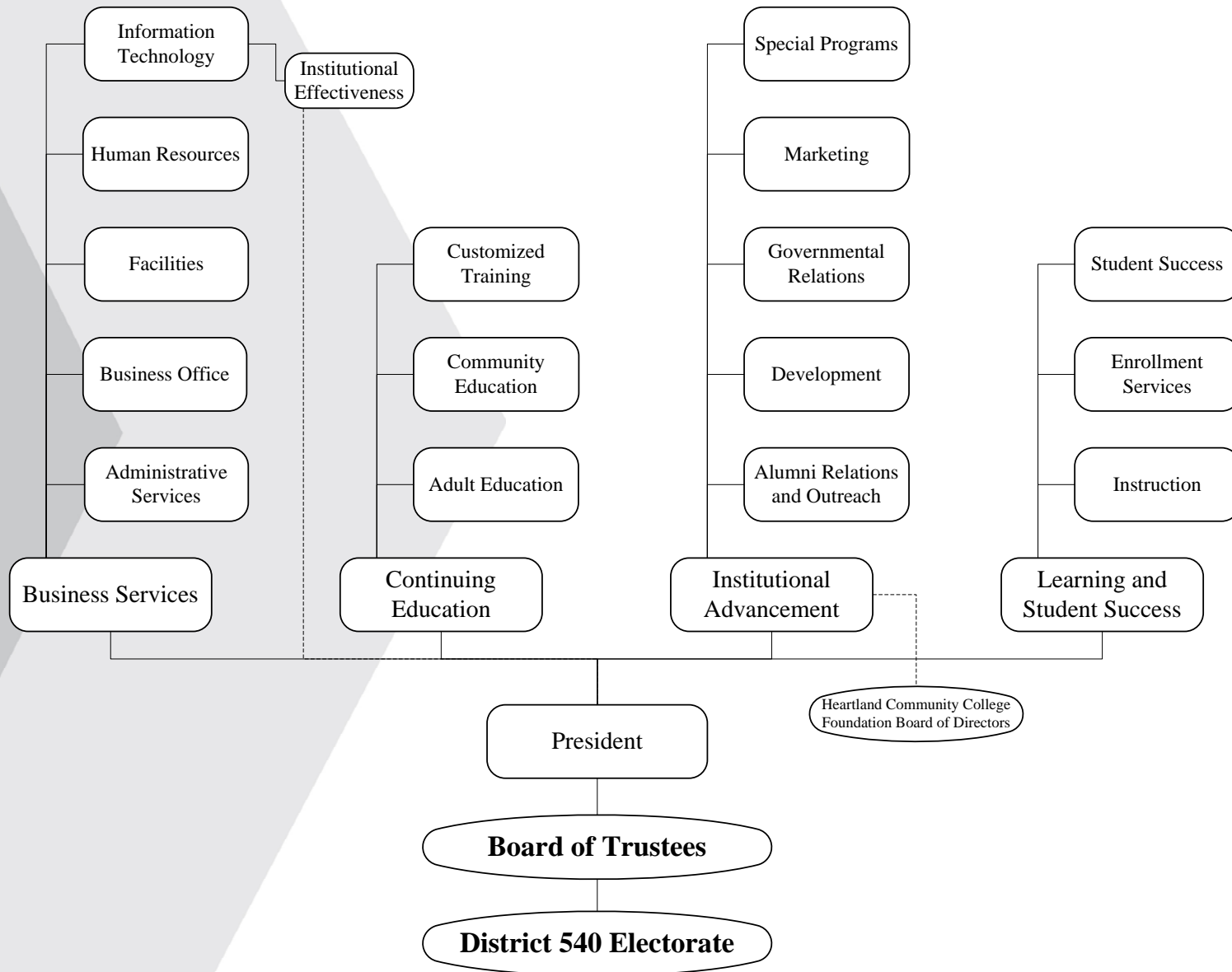
Allen Goben	President
Helen Katz	Vice President of Institutional Advancement
Rick Pearce	Vice President for Learning and Student Success
Mary Beth Trakinat	Vice President of Continuing Education
Robert D. Widmer	Vice President of Business Services and Treasurer

Officials Issuing Report

Robert D. Widmer	Vice President, Business Services and Treasurer
Sue A. Gilpin	Controller
Sharon M. McDonald	Associate Director for Accounting Services
Shelley Marquis	Associate Director for Payroll Services

Department Issuing Report

Business Services Division



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Heartland Community
College - District #540, Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

Financial Section



Independent Auditor's Report

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

We have audited the accompanying basic financial statements of Heartland Community College District #540 (District) as of and for the years ended June 30, 2012 and 2011 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, thereof, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 12, 2012, for the year ended June 30, 2012, and dated October 13, 2011, for the year ended June 30, 2011, on our consideration of the District'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 those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental financial information (pages 79 – 85) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. The supplemental financial information and the schedule of expenditures of federal awards 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, supplemental financial information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

McGladrey LLP

Springfield, Illinois
October 12, 2012

Management's Discussion and Analysis

This section of Heartland Community College's (District or College) Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal years ended June 30, 2012, and June 30, 2011. Since this discussion and analysis is designed to focus on current activities, resulting changes and currently known facts, please read it in conjunction with the transmittal letter, the College's basic financial statements and the notes to the basic financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

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

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. Net assets, the difference between the College's assets and liabilities, are one way to measure the College's financial health or position. All assets and liabilities associated with the operation of the College are included in the Statement of Net Assets.

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

Financial Highlights

Total assets exceeded total liabilities (net assets) by \$54,711,732 as of June 30, 2012. Of this amount, \$46,469,388 is invested in capital assets (net of related debt), \$3,900,000 is restricted for working cash, \$0.4 million is restricted for capital projects, \$24,000 is restricted for other specific purposes, and \$3,933,290 is unrestricted and available to meet current and future obligations of the College.

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees (net of scholarship allowances), (2) auxiliary enterprise revenues, and (3) other educational sales and service fees. Total operating revenues for the year ended June 30, 2012 were \$14,882,177. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as (1) property taxes, (2) State grants and contracts, (3) Federal and local grants and contracts, (4) investment income, and (5) the State Universities Retirement System contribution provided by the State of Illinois. Total net non-operating revenues for the year ended June 30, 2012 were \$41,532,651.

Operating expenses are those expenses for the purpose of providing educational and operational activities of the College. All expenses not meeting this definition, such as interest expense, are reported as non-operating expenses. The College's operating expenses are funded primarily through non-operating revenue. Total operating expenses for the year ended June 30, 2012 were \$52,961,994.

The difference between total operating revenues of \$14,882,177 and total operating expenses of \$52,961,994 produced an operating loss of (\$38,079,817) for the year ended June 30, 2012. Net non-operating revenue of \$41,532,651 offset this loss and resulted in an overall increase in net assets of \$3,452,834. Following are comparative analyses of net assets and operating results for fiscal years 2012, 2011, and 2010.

**Heartland Community College
Community College District #540**

Management's Discussion and Analysis

Financial Analysis of the College as a Whole

	Net Assets as of June 30, (in thousands)						
	<u>2012</u>	<u>2011</u>	Increase (Decrease) <u>2012-2011</u>	Percent <u>Change</u>	<u>2010</u>	Increase (Decrease) <u>2011-2010</u>	Percent <u>Change</u>
Current assets	\$ 43,210	\$ 40,743	\$ 2,467	6.1 %	\$47,865	\$ (7,122)	(14.9)%
Non-current assets							
Long-term investments	743	245	498	0.0 %	0	245	0.0 %
Debt issuance costs (net)	263	300	(37)	(12.3)%	328	(28)	(8.5)%
Capital assets, net of depreciation	129,234	123,485	5,749	4.7 %	113,795	9,690	8.5 %
Total assets	<u>\$ 173,450</u>	<u>\$ 164,773</u>	<u>\$ 8,677</u>	<u>5.3 %</u>	<u>\$161,988</u>	<u>\$ 2,785</u>	<u>1.7 %</u>
Current liabilities	\$ 34,289	\$ 33,628	\$ 661	2.0 %	\$31,745	\$ 1,883	5.9 %
Non-current liabilities	84,449	79,886	4,563	5.7 %	81,229	(1,343)	(1.7)%
Total liabilities	<u>\$ 118,738</u>	<u>\$ 113,514</u>	<u>\$ 5,224</u>	<u>4.6 %</u>	<u>\$112,974</u>	<u>\$ 540</u>	<u>0.5 %</u>
Net assets							
Invested in capital assets, net of debt	\$ 46,469	\$ 40,938	\$ 5,531	13.5 %	\$37,582	\$ 3,356	8.9 %
Restricted	4,310	5,979	(1,669)	(27.9)%	6,570	(591)	(10.7)%
Unrestricted	3,933	4,342	(409)	(9.4)%	4,862	(520)	(9.0)%
Total net assets	<u>54,712</u>	<u>51,259</u>	<u>3,453</u>	<u>6.7 %</u>	<u>49,014</u>	<u>2,245</u>	<u>4.6 %</u>
Total liabilities and net assets	<u>\$ 173,450</u>	<u>\$ 164,773</u>	<u>\$ 8,677</u>	<u>5.3 %</u>	<u>\$161,988</u>	<u>\$ 2,785</u>	<u>1.7 %</u>

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

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

Fiscal Year 2012 Compared to 2011

The College's net assets at June 30, 2012 were \$54,711,732 and at June 30, 2011 were \$51,258,898, an increase of \$3,452,834 or 6.7%. The College had a current ratio of 1.26 at June 30, 2012, as compared to 1.21 at June 30, 2011. The current ratio is total current assets divided by total current liabilities. This means that for every dollar of current liabilities the College had \$1.26 in current assets. This ratio is one indicator of the College's ability to pay its debts as they become due.

**Heartland Community College
Community College District #540**

Management's Discussion and Analysis

Current assets have increased by \$2,466,489 (or 6.1%) due to increases in each of the four types of accounts receivables. Accounts receivables have increased from \$19.3 million in 2011 to \$21.5 million in 2012. The largest increases are in student, government and other receivables which have increased by \$486,615, \$576,617 and \$885,506, respectively. Student receivables have increased due to a \$5 per credit hour tuition and fees increase, modest enrollment increases, and continued increases in delinquent student accounts, as a result of the economy. Government and other receivables increases are due primarily to the State of Illinois and the federal government, for various grants. A \$512,500 Illinois Clean Energy grant, for our wind turbine, was receivable at year end, as was more than \$340,000 from the Illinois Green Economy Network for specific green initiatives. Credit hour grants totaling \$609,352 from the Illinois Community College Board were also receivable at year end. Monthly grant payments from the State were delayed throughout most of 2012. Through September, 2012, almost all of the balances due from the State have now been received.

Non-current assets have increased by more than \$6.2 million (or 5.0%) due to the corresponding increase in capital assets. This increase is largely the result of the purchase and installation of a commercial grade wind turbine at the main campus.

Current liabilities have increased by \$661,427 (or 2.0%) due to the combined effects of various factors. These factors were: (1) an increase of more than \$350,000 in deferred property tax revenue due to the 1.0% increase in property tax values (from the 2010 to the 2011 tax levy year) and the overall total levy increase; (2) an increase of \$135,000 in the current portion of bonds payable; (3) an increase of \$126,970 in accrued bond interest payable; and (4) an increase of \$226,581 in other deferred revenues.

Total non-current liabilities increased by \$4,563,093 (or 5.7%) from 2011 balances as a result of the issuance of \$4.5 million in general obligation bonds and \$3.3 million in debt certificates, net of principal payments of \$3,065,000 during 2012.

Fiscal Year 2011 Compared to 2010

The College's net assets at June 30, 2011 were \$51,258,898 and at June 30, 2010 were \$49,013,810, an increase of \$2,245,088 or 4.6%. The College had a current ratio of 1.21 at June 30, 2011, as compared to 1.51 at June 30, 2010. The current ratio is total current assets divided by total current liabilities. This means that for every dollar of current liabilities the College had \$1.21 in current assets. This ratio is one indicator of the College's ability to pay its debts as they become due.

Current assets have decreased by \$7,121,796 (or 14.9%) due to the combined effects of various factors. The primary factor for the decrease in current assets was the reduction of \$9,387,538 in cash and short-term investments reflecting the use of these assets during fiscal year 2011 to pay construction in progress capital asset expenditures and to purchase land. In addition, there were also increases of more than: (1) \$500,000 in property taxes receivable due to a 1.7% increase in property tax values and the overall tax levy increase; (2) \$500,000 in student tuition receivable due to a \$16 per credit hour tuition and fees increase, modest enrollment increases, and increases in delinquent student accounts, as a result of the economy; and (3) \$1,170,000 in government and other receivables due primarily, from the State of Illinois and the federal government, for grants.

Current liabilities have increased by \$1,882,776 (or 5.9%) due to the combined effects of various factors. Two primary factors were: (1) an increase of more than \$850,000 in deferred property tax revenue due to the 1.7% increase in property tax values (from the 2009 to the 2010 tax levy year) and the overall total levy increase; and (2) an increase of more than \$1 million in deferred student tuition due to increased enrollments and a 13.9% higher tuition rate. The current portion of bonds payable increased by \$605,000 and accounts payable decreased by more than \$650,000.

**Heartland Community College
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Management's Discussion and Analysis

The shift towards more capital assets and less current assets reflects continued capital spending from the cash and investment portfolio during fiscal year 2011. Capital assets, net of depreciation, increased by \$9.7 million or 8.5% over 2010 balances. This increase is the result of completion of the Fitness and Recreation Center building, construction in progress on the campus development construction project and a purchase of 96 acres of land. Total non-current liabilities decreased by \$1,343,237 (or 1.7%) from 2010 balances as a result of scheduled bond principal payments made during the year.

Changes in net assets
For the Years ended June 30
(in thousands)

	<u>2012</u>	<u>2011</u>	Increase (Decrease) <u>2012-2011</u>	Percent Change	<u>2010</u>	Increase (Decrease) <u>2011-2010</u>	Percent Change
Operating revenues							
Net tuition and fees	\$11,575	\$ 9,405	\$2,170	23.1 %	\$ 7,849	\$ 1,556	19.8 %
Other	3,307	2,004	1,303	65.0 %	1,933	71	3.7 %
Total operating revenues	<u>14,882</u>	<u>11,409</u>	<u>3,473</u>	<u>30.4 %</u>	<u>8,546</u>	<u>1,627</u>	<u>19.0 %</u>
Less operating expenses	<u>52,962</u>	<u>46,366</u>	<u>6,596</u>	<u>14.2 %</u>	<u>38,808</u>	<u>7,558</u>	<u>19.5 %</u>
Operating (loss)	<u>(38,080)</u>	<u>(34,957)</u>	<u>(3,123)</u>	<u>8.9 %</u>	<u>(24,496)</u>	<u>(5,931)</u>	<u>24.2 %</u>
Non-operating revenues (expenses)							
Property taxes	19,503	18,587	916	4.9 %	17,807	780	4.4 %
SURS contribution by State	4,862	3,477	1,385	39.8 %	2,896	581	20.1 %
State grants and contracts	4,933	4,173	760	18.2 %	4,187	(14)	(0.3)%
Federal grants and contracts	12,459	11,283	1,176	10.4 %	7,378	3,905	52.9 %
Investment income	201	40	161	402.5 %	113	(73)	(64.6)%
Interest expense	(388)	(329)	(59)	(17.9)%	(388)	59	15.2 %
Amortization of debt issuance costs	(37)	(29)	(8)	(27.6)%	(50)	21	42.0 %
Total net non-operating revenue	<u>41,533</u>	<u>37,202</u>	<u>4,331</u>	<u>11.6 %</u>	<u>28,024</u>	<u>5,259</u>	<u>18.8 %</u>
Change in net assets	3,453	2,245	1,208	53.8 %	2,917	(672)	(23.0)%
Net assets, beginning of year	<u>51,259</u>	<u>49,014</u>	<u>2,245</u>	<u>4.6 %</u>	<u>46,097</u>	<u>2,917</u>	<u>6.3 %</u>
Net assets, end of year	<u>\$ 54,712</u>	<u>\$ 51,259</u>	<u>\$ 3,453</u>	<u>6.7 %</u>	<u>\$ 49,014</u>	<u>\$ 2,245</u>	<u>4.6 %</u>
Total revenues	<u>\$56,840</u>	<u>\$48,969</u>	<u>\$ 7,871</u>	<u>16.1 %</u>	<u>\$ 42,163</u>	<u>\$ 6,806</u>	<u>16.1 %</u>
Total expenses	<u>\$53,387</u>	<u>\$46,724</u>	<u>\$ 6,663</u>	<u>14.3 %</u>	<u>\$ 39,246</u>	<u>\$ 7,478</u>	<u>19.1 %</u>

**Heartland Community College
Community College District #540**

Management's Discussion and Analysis

Fiscal Year 2012 Revenues Compared to 2011

For fiscal year 2012, total revenues were \$56,840,037, an increase of more than \$7.8 million (or 16.1%) over 2011. Total operating revenues increased by 30.4%. Student tuition and fees, net of scholarship allowances, increased by \$2,169,865 (or 23.1%) due to an increase of 13.9% in the tuition and fees rate, combined with modest enrollment increases in credit hours and headcounts during fiscal year 2012. Other operating and auxiliary revenues increased by \$1.3 million (or 65.0%) due to program and enrollment growth in continuing education programs.

Total net non-operating revenues increased by 11.6% over 2011. Property tax revenue increased by \$915,355 (or 4.9%) due to a combination of factors. The District's tax base increased in assessed valuation by 1.7% (from the 2009 levy year to the 2010 levy year.) In addition, the bond and interest fund levy increased by \$507,151 or 8.2% over the 2009 levy and the liability, protection and settlement fund levy increased by \$171,000 and 8.1%. Federal grants and contracts increased by \$1,176,386 (or 10.4%) due to steady growth in the College's fourth year of participation in the federal student loan program and to an increased number of new federal grants, particularly those related to green economy and energy initiatives. During 2012, \$4,344,032 was awarded in federal student and parent loans as compared to \$4,170,978 in 2011, an increase of more than \$173,000 (or 4.1%). Economic conditions have continued to drive increases in the federal loan program. Interest expense increased by \$59,134 (or 17.9%) due to the bond interest payment schedules. Investment income increased by \$161,000 (or more than 400%) due to increased balances in cash and short-term investments and to slightly improved interest rates during fiscal year 2012. The \$1,384,566 (or 39.8%) increase in the SURS contribution non-operating revenue and operating expense is due to increased pension funding by the State of Illinois. Amortization of debt issuance costs increased by 27.6%.

For fiscal year 2012, total expenses were \$53,387,203 an increase of 14.3% over 2011. Net assets increased by \$3,452,834 (or 6.7%) which was 53.8% more than the net asset increase in 2011.

Fiscal Year 2011 Revenues Compared to 2010

For fiscal year 2011, total revenues were \$48,968,763, an increase of more than \$6.8 million (or 16.1%) over 2010. Total operating revenues increased by 16.6%. Student tuition and fees, net of scholarship allowances, increased by \$1,556,330 (or 19.8%) due to an increase of 13.9% in the tuition and fees rate, combined with modest enrollment increases in credit hours and headcounts during fiscal year 2011. Other operating and auxiliary revenues increased by \$71,000 (or 3.7%) due to program and enrollment growth in continuing education programs.

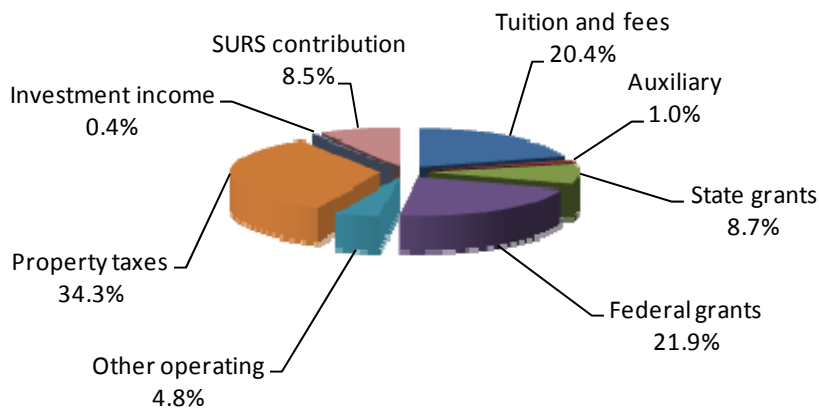
Total net non-operating revenues increased by 16.5% over 2010. Property tax revenue increased by \$779,846 (or 4.4%) due to a combination of factors. The District's tax base increased in assessed valuation by 2.9% (from the 2008 levy year to the 2009 levy year.) In addition, the bond and interest fund levy increased by \$350,542 or 6.0% over the 2008 levy and the liability, protection and settlement fund levy increased by \$178,000 and 9.3%. Federal grants and contracts increased by \$3,904,867 (or 52.9%) due to steady growth in the College's third year of participation in the federal student loan program and to an increased number of new federal grants, particularly those related to green economy and energy initiatives. During 2011, \$4,170,978 was awarded in federal student and parent loans as compared to \$1,741,307 in 2010, an increase of more than \$2.4 million (or 139.5%). Economic conditions have driven much of the increase in the federal loan program. Interest expense decreased by only \$59,000 (or 15.2%) due to the interest payments schedule. Investment income decreased by \$73,000 (or 64.6%) due to declining balances in cash and short-term investments and to significantly reduced interest rates during most of fiscal year 2011. The \$581,395 (or 20.1%) increase in the SURS contribution non-operating revenue and operating expense is due to increased pension funding by the State of Illinois. Amortization of debt issuance costs decreased by 42%.

**Heartland Community College
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Management's Discussion and Analysis

For fiscal year 2011, total expenses were \$46,723,675, an increase of 19.1% over 2010. Net assets increased by \$2,245,088 (or 4.6%) which was 23.0% less than the net asset increase in 2010.

Following is a graphic illustration of revenues by source for fiscal year 2012:

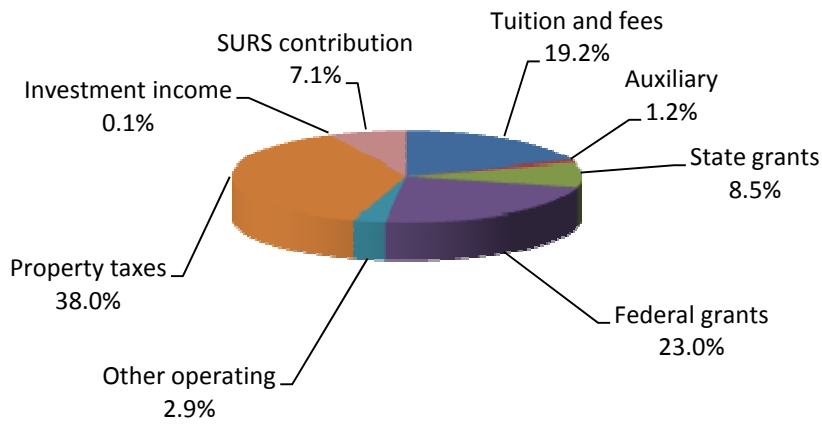


The pie chart above shows all revenue from both operating and nonoperating. The chart shows that local property taxes accounted for the largest percentage of the College's revenue at 34.3%. The next highest was federal grants at 21.9%. Tuition and fees accounted for 20.4% of the College's revenue and State grants accounted for 8.7% during fiscal year 2012. The SURS contribution reflected 8.5% of total revenues. Other operating revenue accounted for 4.8% of revenues. Auxiliary and investment income were negligible contributing only 1.0% and 0.4% of total revenue, respectively.

**Heartland Community College
Community College District #540**

Management's Discussion and Analysis

For purposes of comparison, following is a graphic illustration of revenues by source for fiscal year 2011:



**Heartland Community College
Community College District #540**

Management's Discussion and Analysis

Operating Expenses by Program
For the Years Ended June 30,
(in thousands)

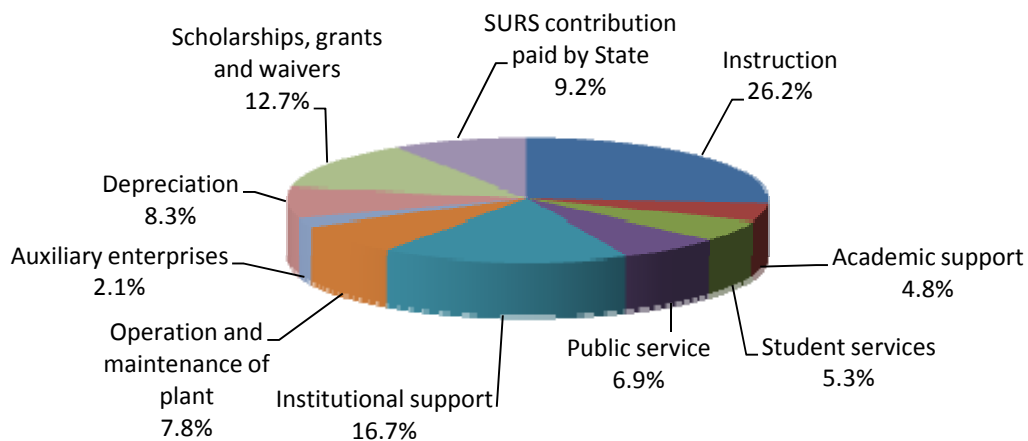
Program	2012	2011	Increase		2010	Increase	
			(Decrease) 2012-2011	Percent Change		(Decrease) 2011-2010	Percent Change
Instruction	\$ 13,865	\$ 12,556	\$ 1,309	10.4 %	\$ 11,189	\$ 1,367	12.2 %
Academic support	2,531	1,756	775	44.1 %	1,828	(72)	(3.9)%
Student services	2,827	2,509	318	12.7 %	2,304	205	8.9 %
Public service	3,657	2,820	837	29.7 %	2,284	536	23.5 %
Institutional support	8,834	7,885	949	12.0 %	7,334	551	7.5 %
Operation and maintenance of plant	4,125	3,725	400	10.7 %	3,163	562	17.8 %
Auxiliary enterprises	1,119	1,763	(644)	(36.5)%	1,641	122	7.4 %
Depreciation	4,431	3,625	806	22.2 %	2,458	1,167	47.5 %
Scholarships, grants and waivers	6,711	6,250	461	7.4 %	3,711	2,539	68.4 %
SURS contribution paid by State	4,862	3,477	1,385	39.8 %	2,896	581	20.1 %
Total	\$ 52,962	\$ 46,366	\$ 6,596	14.2 %	\$ 38,808	\$ 7,558	19.5 %

**Heartland Community College
Community College District #540**

Management's Discussion and Analysis

The pie chart following shows the operating expenses by program for fiscal year 2012 as a percentage of total expenses. Direct services to students accounted for 58% of total expenses. Direct services to students include: Instruction at 26.2%, Academic support at 4.8%, Student services at 5.3%, Public service at 6.9%, Scholarships, grants and waivers at 12.7%, and Auxiliary enterprises at 2.1%. Indirect services to students accounted for 42% of total expenses. Indirect services to students include: Operations and maintenance of plant at 7.8%, Institutional support at 16.7%, Depreciation at 8.3% and the SURS contribution at 9.2%.

Operating Expenses by Program
Fiscal Year 2012

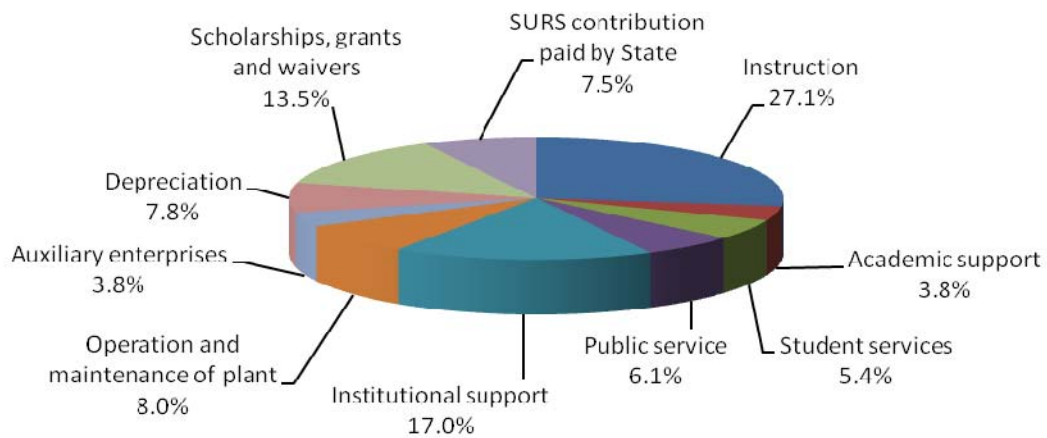


**Heartland Community College
Community College District #540**

Management's Discussion and Analysis

For purposes of comparison, following is a pie chart of the operating expenses by program for fiscal year 2011 as a percentage of total expenses:

Operating Expenses by Program
Fiscal Year 2011



**Heartland Community College
Community College District #540**

Management's Discussion and Analysis

Capital Assets

As of June 30, 2012, the College investment in capital assets totaled \$153.1 million. Capital assets net of accumulated depreciation of \$23.9 million totaled \$129.2 million. The 4.7% increase in net capital assets as of June 30, 2012 is primarily due to the purchase and installation of the commercial grade wind turbine at the main campus. Additional information regarding capital assets can be found in Note 4 to the financial statements. Following is an analysis of capital assets.

Capital Assets For the Years Ended June 30, (in thousands)							
	2012	2011	Increase (Decrease) 2012-2011	Percent Change	2010	Increase (Decrease) 2011-2010	Percent Change
Capital Assets not being depreciated							
Land	\$ 4,369	\$ 4,369	\$ -	0.0 %	\$ 2,225	\$ 2,144	96.4 %
Construction-in-Progress	85	281	(196)	(69.8)%	18,311	(18,030)	(98.5)%
Capital Assets being depreciated							
Buildings	121,097	116,663	4,434	3.8 %	94,829	21,834	23.0 %
Infrastructure	14,841	14,268	573	4.0 %	8,144	6,124	75.2 %
Furniture and equipment	12,758	7,604	5,154	67.8 %	6,366	1,238	19.4 %
Total	<u>153,150</u>	<u>143,185</u>	<u>9,965</u>	<u>7.0 %</u>	<u>129,875</u>	<u>13,310</u>	<u>10.2 %</u>
Less Accumulated Depreciation	<u>(23,915)</u>	<u>(19,700)</u>	<u>(4,215)</u>	<u>(21.4)%</u>	<u>(16,080)</u>	<u>(3,620)</u>	<u>(22.5)%</u>
Net Capital Assets	<u>\$ 129,235</u>	<u>\$ 123,485</u>	<u>\$ 5,750</u>	<u>4.7 %</u>	<u>\$ 113,795</u>	<u>\$ 9,690</u>	<u>8.5 %</u>

Debt Administration

In September 2011, the College issued \$3.3 million in limited tax debt certificates. Funds from these debt certificates were used to purchase and install the wind turbine. In March 2012, the College issued \$4.5 million in limited tax debt certificates. These certificates were paid in full and retired in June 2012 when the College issued \$4.5 million in non-taxable general obligation bonds. Funds from these bonds will be used to fund technology, selected other equipment needs, and energy efficiency improvement programs.

**Heartland Community College
Community College District #540**

Management's Discussion and Analysis

The College paid \$3,065,000 in bond principal and \$82,991 in principal on capital leases during fiscal year 2012. Compensated absences for employee vacations increased by a net amount of \$106,773 or 11.0%. Additional information regarding long-term liabilities can be found in Note 5 to the financial statements. Following is an analysis of long-term liabilities.

Long-Term Debt For the Years Ended June 30, (in thousands)							
	2012	2011	Increase (Decrease) 2012-2011	Percent Change	2010	Increase (Decrease) 2011-2010	Percent Change
Long-term debt							
General obligation bonds	\$ 87,015	\$ 82,280	\$ 4,735	5.8 %	\$ 83,040	\$ (760)	(0.9)%
Compensated absences	1,081	974	107	11.0 %	896	78	8.7 %
Capital lease obligations	184	267	(83)	(31.1)%	258	9	3.5 %
Total	<u>\$ 88,280</u>	<u>\$ 83,521</u>	<u>\$ 4,759</u>	<u>5.7 %</u>	<u>\$ 84,194</u>	<u>\$ (673)</u>	<u>(0.8)%</u>

Contacting the College's Financial Management

This financial report is designed to provide the College's Board of Trustees, State Officials, Legislature, taxpayers, students, and other interested parties with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert D. Widmer, Vice President, Business Services and Treasurer. College budgets and audited financial reports are also available on the College website at www.heartland.edu.

Other

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

Heartland Community College
Community College District #540

Statements of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 14,449,283	\$ 12,590,795
Short-term investments	6,144,072	7,870,079
Accounts receivable:		
Property taxes	11,505,259	11,333,731
Student tuition and fees, net of allowance of \$367,000 for 2012 and 2011	6,487,991	6,001,376
Government	1,541,038	964,421
Other receivables	1,927,324	1,041,818
Accrued interest receivable	5,532	8,891
Prepaid items	852,371	670,922
Debt issuance costs, net	23,430	23,431
Other current assets	273,153	237,500
Total current assets	43,209,453	40,742,964
Non-current assets		
Long-term investments	743,128	245,000
Debt issuance costs, net	262,836	299,693
Capital assets, not being depreciated	4,453,510	4,649,828
Capital assets, net of depreciation	124,780,958	118,835,046
Total non-current assets	130,240,432	124,029,567
Total assets	173,449,885	164,772,531
Liabilities		
Current Liabilities		
Accounts payable	1,173,584	1,255,734
Accrued liabilities	1,386,793	1,304,605
Accrued interest payable	450,098	323,128
Deposit for bonds	194,688	141,257
Deferred revenue:		
Property taxes	19,838,409	19,484,682
Student tuition and fees	6,734,503	7,029,512
Other	680,074	453,493
Accrued compensated absences	540,447	487,061
Bonds payable	3,200,000	3,065,000
Capital lease obligations	90,294	82,991
Total current liabilities	34,288,890	33,627,463
Non-current liabilities		
Accrued compensated absences	540,448	487,061
Bonds and debt certificates	83,815,000	79,215,000
Capital lease obligations	93,815	184,109
Total non-current liabilities	84,449,263	79,886,170
Total liabilities	118,738,153	113,513,633
Net Assets		
Invested in capital assets, net of related debt	46,469,388	40,937,774
Restricted for:		
Capital projects	384,545	537,080
Working cash	3,900,000	3,900,000
Specific purposes	24,509	1,542,279
Unrestricted	3,933,290	4,341,765
Total net assets	\$ 54,711,732	\$ 51,258,898

See Notes to Basic Financial Statements.

**Heartland Community College
Community College District #540**

**Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011**

	2012	2011
Revenues:		
Operating revenues		
Student tuition and fees, net of scholarship allowances		
2012 \$6,296,198; 2011 \$5,826,473	\$ 11,575,275	\$ 9,405,410
Auxiliary enterprises revenue	584,994	578,892
Other operating revenues	2,721,908	1,424,609
Total operating revenues	14,882,177	11,408,911
Expenses:		
Operating expenses		
Institutional support	8,833,998	7,884,575
Instruction	13,865,346	12,556,027
Scholarships, student grants and waivers	6,710,771	6,249,924
Operations and maintenance	4,124,979	3,725,177
Student services	2,826,803	2,508,947
Academic support	2,531,533	1,755,930
Public services	3,657,252	2,820,304
Depreciation	4,430,553	3,625,303
SURS contribution paid by state	4,861,925	3,477,359
Auxiliary enterprises	1,118,834	1,762,563
Total operating expenses	52,961,994	46,366,109
Operating loss	(38,079,817)	(34,957,198)
Non-operating revenues (expenses):		
Property taxes	19,502,637	18,587,282
State grants and contracts	4,932,733	4,172,813
Federal grants and contracts	12,459,068	11,282,682
Interest expense	(388,353)	(329,219)
Investment income	201,497	39,716
Amortization of debt issuance costs	(36,856)	(28,347)
SURS contribution provided by state	4,861,925	3,477,359
Total non-operating revenues, net	41,532,651	37,202,286
Change in net assets	3,452,834	2,245,088
Net assets, beginning of year	51,258,898	49,013,810
Net assets, end of year	\$ 54,711,732	\$ 51,258,898

See Notes to Basic Financial Statements.

**Heartland Community College
Community College District #540**

**Statements of Cash Flows
Years Ended June 30, 2012 and 2011**

	2012	2011
Cash Flows from Operating Activities		
Tuition and fees	\$ 17,062,849	\$ 15,731,700
Payments to suppliers	(28,666,825)	(26,501,735)
Payments to employees	(21,328,749)	(19,228,703)
Auxiliary enterprise charges	584,994	578,892
Other	2,062,983	922,816
Net cash (used in) operating activities	(30,284,748)	(28,497,030)
Cash Flows from Noncapital Financing Activities		
Property taxes	19,684,836	18,933,322
State, federal and local grants and contracts	16,815,184	14,811,198
Proceeds from debt certificates	4,500,000	1,700,000
Principal payments on debt certificates	(4,500,000)	-
Net cash provided by noncapital financing activities	36,500,020	35,444,520
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(6,748,499)	(9,807,140)
Proceeds from debt certificates	3,300,000	-
Proceeds from bonds	4,500,000	-
Principal payments on bonds payable	(3,065,000)	(2,460,000)
Interest payments on long-term debt	(3,693,029)	(3,788,101)
Principal payments on capital leases	(82,991)	(69,692)
Net cash (used in) capital and related financing activities	(5,789,519)	(16,124,933)
Cash Flows from Investing Activities		
Interest received	204,856	34,905
Proceeds from maturities of investments	17,031,806	20,974,374
Purchases of investments	(15,803,927)	(16,660,670)
Net cash provided by investing activities	1,432,735	4,348,609
Net increase (decrease) in cash and cash equivalents	1,858,488	(4,828,834)
Cash and cash equivalents at beginning of year	12,590,795	17,419,629
Cash and cash equivalents at end of year	\$ 14,449,283	\$ 12,590,795
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Proceeds from capital leases	\$ -	\$ 78,222

(Continued)

**Heartland Community College
Community College District #540**

**Statements of Cash Flows (Continued)
Years Ended June 30, 2012 and 2011**

	2012	2011
Reconciliation of Operating Loss to Net Cash (Used In) Operating Activities		
Operating loss	\$ (38,079,817)	\$ (34,957,198)
Adjustments to reconcile operating loss to net cash (used in) operating activities		
Depreciation	4,430,553	3,625,303
SURS contribution paid by state	4,861,925	3,477,359
Decrease (increase) in assets:		
Receivables	(1,372,121)	(1,027,725)
Prepaid items	(181,449)	169,742
Other	(35,653)	(237,500)
Increase (decrease) in liabilities:		
Accounts payable	(82,150)	(660,324)
Accrued liabilities	82,188	(12,198)
Deferred tuition and fees	(295,009)	1,001,376
Deferred other revenue	226,581	24,373
Deposits	53,431	21,307
Accrued compensated absences	106,773	78,455
Net cash (used in) operating activities	\$ (30,284,748)	\$ (28,497,030)

See Notes to Basic Financial Statements.

Notes to Basic Financial Statements

Note 1. Organization and Significant Accounting Policies

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

Organization:

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

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

Significant Accounting Policies:

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

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

Based upon the application of these criteria, the District has no known component units and is not considered a component unit of another government unit.

The District is affiliated with the Heartland Community College Foundation (Foundation). The Foundation assists the District and its students in the form of scholarships and grants from the Foundation’s fundraising efforts. Total student scholarships awarded for the years ended June 30, 2012 and 2011, were \$133,710 and \$126,624, respectively. Under presently applicable GASB standards, the Foundation is not a component unit of the District, as the economic resources that the District is entitled to or has the ability to access from the Foundation are insignificant to the District as a whole.

Notes to Basic Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

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

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

Investments: Investment securities are stated at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, except money market investments with maturities of one year or less and certificates of deposit which are stated at cost, which approximates fair value. Fair values for investment securities are based on quoted market prices. Income is recognized on the accrual basis of accounting. Changes in the carrying value of investments, resulting in unrealized gains or losses are reported as a component of investment income in the statements of revenues, expenses and changes in net assets. The types of investments allowed are regulated by Illinois state laws and include municipal bonds, U.S. Government or Illinois obligations, insured deposits or other investments of state or national banks, Federal National Mortgage Association obligations, Illinois Funds, and agreements collateralized by securities or mortgages in an amount at least equal to the market value of the funds deposited.

Property taxes: The District's property taxes are levied each calendar year on all taxable real property located in the District. Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the units their respective shares of the collections. Taxes levied in 2011 become due and payable in two installments (June and September 2012). In accordance with Board resolution, property taxes extended for the 2011 tax year and collected in 2012 are recorded as revenue in fiscal year 2013. Uncollected taxes are sold by the County Collector in order that those taxes can be distributed to respective taxing bodies. Final distribution on the current year levy is made by the County Collector's office at a date after the tax sale, usually no later than during the first quarter of the following year.

Notes to Basic Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	10 - 20
Buildings and infrastructure	40 - 60
Furniture and equipment	3 - 10

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

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

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

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

On-behalf payments for fringe benefits and salaries: The District recognizes as revenues and expenses contributions made by the State of Illinois to the State Universities Retirement System on behalf of the District's employees. In fiscal years 2012 and 2011, the State made contributions of \$4,861,925 and \$3,477,359, respectively.

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

Notes to Basic Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

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

Net assets: The District's net assets are classified as follows:

- Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of accumulated depreciation and outstanding debt incurred to acquire, construct, or improve those assets. Net assets, net of related debt, excludes unspent debt proceeds. As of June 30, 2012 and 2011, the District has \$4,398,376 and \$0, respectively, of unspent bond proceeds.
- Restricted net assets: This includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources when they are needed.
- Unrestricted: This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the governing board to meet current expenses for any purpose.

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

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

Federal financial assistance programs: The College participates in federally funded Pell Grants, Academic Competitiveness Grant, SEOG Grants, Federal Work-Study, Federal Direct Loans, Student Support Services and other educational programs. Federal programs are subject to an audit in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

Accounting pronouncements: The District is first applying all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following: all Financial Accounting Standards Board guidance issued on or before November 30, 1989, unless the guidance conflicts with or contradicts GASB Pronouncements. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989.

Reclassification: Certain amounts in the 2011 basic financial statements have been reclassified to conform with the 2012 presentation. Such reclassifications have no effect on previously reported net assets or changes in net assets.

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 2. Deposits and Investments

	2012	2011
Deposits:		
At June 30, 2012 and 2011, the District's deposits had the following balances:		
Cash and cash equivalents	\$ 14,449,283	\$ 12,590,795
Investments and certificates of deposit	6,887,200	8,115,079
	<u>21,336,483</u>	<u>20,705,874</u>
Less: Illinois Funds	(2,342,176)	(1,808,083)
Federal Home Loan Bank Notes reported as investments	-	(980,969)
Illinois School District Liquid Asset Fund (ISDLAF)	(8,272,073)	(7,130,543)
	<u>(8,272,073)</u>	<u>(7,130,543)</u>
Carrying amount of deposits	<u>\$ 10,722,234</u>	<u>\$ 10,786,279</u>

Investments:

At June 30, 2012, the District's investment balances were as follows:

	Fair Market Value	Less Than 1 Year	More Than 1 Year	Rating
ISDLAF	<u>\$ 12,272,073</u>	<u>\$ 12,272,073</u>	<u>\$ -</u>	AAAm Standard & Poor's

At June 30, 2011, the District's investment balances were as follows:

	Fair Market Value	Less Than 1 Year	More Than 1 Year	Rating
ISDLAF	\$ 12,330,543	\$ 12,330,543	\$ -	AAAm Standard & Poor's
Federal Home Loan Bank Notes	<u>980,969</u>	<u>980,969</u>	<u>-</u>	Aaa Moody's
Total Investments	<u>\$ 13,311,512</u>	<u>\$ 13,311,512</u>	<u>\$ -</u>	

Notes to Basic Financial Statements

Note 2. Deposits and Investments (Continued)

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

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

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

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

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

The State Treasurer maintains the Illinois Funds at cost (2a7 like pool) through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The fair value of the District's investment in the funds is the same as the value of the pool shares. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. All funds deposited in the pool are classified as investments even though some could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provision of the Illinois Public Investment Act, 30 ILCS 235. The Illinois Funds is rated AAAM by Standard & Poors.

The ISDLAF is an investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. The ISDLAF is not registered with the SEC as an investment company. Investments in the ISDLAF are valued at share price, which is the price the investment could be sold for.

Note 3. Property Taxes

Property taxes are recorded as deferred revenue in the year of the levy and are recognized as revenue in the following year for which they are budgeted. Accordingly, at June 30, 2012 and 2011, the District had \$19,838,409 and \$19,484,682, respectively, of deferred property tax revenue.

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 4. Capital Assets

The following tables present the changes in the various capital asset categories for fiscal years 2012 and 2011.

Capital Assets - Fiscal Year 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 4,368,661	\$ -	\$ -	\$ 4,368,661
Construction-in-progress	281,167	4,111,529	(4,307,847)	84,849
Total capital assets not being depreciated	4,649,828	4,111,529	(4,307,847)	4,453,510
Capital assets being depreciated				
Furniture and equipment	7,604,087	5,369,680	(215,846)	12,757,921
Buildings	116,663,486	4,433,289	-	121,096,775
Infrastructure	14,267,947	573,498	-	14,841,445
Total capital assets being depreciated	138,535,520	10,376,467	(215,846)	148,696,141
Less accumulated depreciation for				
Furniture and equipment	5,325,433	764,426	(215,846)	5,874,013
Buildings	9,884,297	2,940,573	-	12,824,870
Infrastructure	4,490,744	725,556	-	5,216,300
Total accumulated depreciation	19,700,474	4,430,555	(215,846)	23,915,183
Net capital assets being depreciated	118,835,046	5,945,912	-	124,780,958
Net capital assets	\$ 123,484,874	\$ 10,057,441	\$ (4,307,847)	\$ 129,234,468

As of June 2012, the College completed the College Development Plan, which included the purchase and installation of a wind turbine, remodels of the math lab and student commons building, and the completion of the Phase II construction project. The total cost of the entire project was approximately \$79,000,000 and was included in construction-in-progress during the prior two years. In 2012, the District's total interest incurred for revenue bonds equaled \$3.9 million of which \$3.4 million was capitalized within construction-in-progress related to this project.

During 2012, the College also began a construction-in-progress project for a National Guard Readiness Center. The total estimated cost of the College's share of the entire project is \$495,000 and is projected to be completed by June 2014. The estimated cost of completion of the contract at June 30, 2012 is \$492,662.

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

Capital Assets - Fiscal Year 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated				
Land	\$ 2,225,290	\$ 2,143,371	\$ -	\$ 4,368,661
Construction-in-progress	18,311,046	10,388,411	(28,418,290)	281,167
Total capital assets not being depreciated	20,536,336	12,531,782	(28,418,290)	4,649,828
Capital assets being depreciated				
Furniture and equipment	6,366,137	1,243,326	(5,376)	7,604,087
Buildings	94,829,224	21,834,262	-	116,663,486
Infrastructure	8,143,954	6,123,993	-	14,267,947
Total capital assets being depreciated	109,339,315	29,201,581	(5,376)	138,535,520
Less accumulated depreciation for				
Furniture and equipment	4,678,797	652,012	(5,376)	5,325,433
Buildings	9,466,877	417,420	-	9,884,297
Infrastructure	1,934,873	2,555,871	-	4,490,744
Total accumulated depreciation	16,080,547	3,625,303	(5,376)	19,700,474
Net capital assets being depreciated	93,258,768	25,576,278	-	118,835,046
Net capital assets	\$ 113,795,104	\$ 38,108,060	\$ (28,418,290)	\$ 123,484,874

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 5. Short-Term Debt

In March 2012, the District issued \$4,500,000 of General Obligation Debt Certificates, Series 2012, dated March 15, 2012. The proceeds were used to fund instructional and administrative technology projects. These certificates were paid in full in June 2012.

Note 6. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Balance Due Within One Year
General obligation bonds and debt certificates	\$ 82,280,000	\$ 12,300,000	\$ (7,565,000)	\$ 87,015,000	\$ 3,200,000
Capital lease obligations	267,100	-	(82,991)	184,109	90,294
Compensated absences	974,122	593,834	(487,061)	1,080,895	540,447
	<u>\$ 83,521,222</u>	<u>\$ 12,893,834</u>	<u>\$ (8,135,052)</u>	<u>\$ 88,280,004</u>	<u>\$ 3,830,741</u>

Long-term liability activity for the year ended June 30, 2011, is as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Balance Due Within One Year
General obligation bonds and debt certificates	\$ 83,040,000	\$ 1,700,000	\$ (2,460,000)	\$ 82,280,000	\$ 3,065,000
Capital lease obligations	258,570	78,222	(69,692)	267,100	82,991
Compensated absences	895,667	647,447	(568,992)	974,122	487,061
	<u>\$ 84,194,237</u>	<u>\$ 2,425,669</u>	<u>\$ (3,098,684)</u>	<u>\$ 83,521,222</u>	<u>\$ 3,635,052</u>

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

Accrued compensated absences (earned vacation leave) at June 30, 2012 and 2011 is \$1,080,895 and \$974,122, respectively, and is expected to be paid out ratably or taken over the next two years.

In June 2012, the District issued \$4,500,000 in General Obligation Community College Bonds, Series 2012, dated June 1, 2012. The Series 2012 bonds are due December 1, 2015, and have interest rates of 1%. The proceeds were used to finance new instructional and institutional technology, various facility improvement measures designed to enhance the operational efficiency of college buildings, including the acquisition, installation and related training for technology infrastructure, equipment, software and services.

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ -	\$ -
2014	1,600,000	140,000	1,740,000
2015	2,100,000	37,000	2,137,000
2016	800,000	8,000	808,000
	<u>\$ 4,500,000</u>	<u>\$ 185,000</u>	<u>\$ 4,685,000</u>

In September 2011, the District issued \$3,300,000 in General Obligation Debt Certificates, Series 2011, dated September 1, 2011. The Series 2011 certificates are due December 1, 2026, and have interest rates of 2%. The proceeds were used to fund the construction of a wind turbine.

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 100,000	\$ 187,562	\$ 287,562
2014	190,000	103,850	293,850
2015	195,000	100,000	295,000
2016	200,000	96,050	296,050
2017	205,000	92,000	297,000
2018-2022	1,110,000	363,825	1,473,825
2023-2027	1,300,000	134,000	1,434,000
	<u>\$ 3,300,000</u>	<u>\$ 1,077,287</u>	<u>\$ 4,377,287</u>

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

In October 2010, the District issued \$1,700,000 in General Obligation Debt Certificates, Series 2010, dated October 28, 2010. The Series 2010 certificates are due December 1, 2013, and have interest rates of 2.4%. The proceeds were used to fund the purchase of real property adjacent to the campus.

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 40,375	\$ 40,375
2014	1,700,000	20,187	1,720,187
	<u>\$ 1,700,000</u>	<u>\$ 60,562</u>	<u>\$ 1,760,562</u>

On November 1, 2009, the District issued taxable and tax exempt General Obligation Community College Bonds, Series 2009A, in the amount of \$1,500,000 and Series 2009B, in the amount of \$3,000,000. The Series 2009A bonds are due on December 1, 2011 with an interest rate of 1.5%. The Series 2009B bonds are due December 1, 2013 and have interest rates ranging between 2.0% and 2.5%. Proceeds of the Bonds were used to retire the District's outstanding \$4,500,000 General Obligation Debt Certificates, dated August 3, 2009, which were issued to fund instructional and administrative technology projects. As of June 30, 2012, the tax exempt general obligation bonds have been fully retired.

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 2,000,000	\$ 27,500	\$ 2,027,500
2014	300,000	3,750	303,750
	<u>\$ 2,300,000</u>	<u>\$ 31,250</u>	<u>\$ 2,331,250</u>

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

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

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 3,431,650	\$ 3,431,650
2014	155,000	3,427,775	3,582,775
2015	1,915,000	3,376,025	5,291,025
2016	2,380,000	3,268,650	5,648,650
2017	2,870,000	3,137,400	6,007,400
2018-2022	23,010,000	12,768,000	35,778,000
2023-2027	42,475,000	4,838,675	47,313,675
	<u>\$ 72,805,000</u>	<u>\$ 34,248,175</u>	<u>\$ 107,053,175</u>

The District has outstanding general obligation bonds with an original issue of \$11,500,000 dated June 1, 2002. Proceeds of the bonds were used to finance capital improvements and to fund and pay claims against the District, including the refunding of the District's outstanding General Obligation Debt Certificates, Series 2002, dated March 19, 2002, and General Obligation Bonds, Series 1995, dated July 1, 1995. Principal on the bonds is due serially January 1, 2005 through January 1, 2014, with interest rates ranging from 4.60% to 5.25%. Interest payments are due semiannually beginning January 1, 2004.

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,100,000	\$ 112,170	\$ 1,212,170
2014	1,310,000	61,570	1,371,570
	<u>\$ 2,410,000</u>	<u>\$ 173,740</u>	<u>\$ 2,583,740</u>

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

The District is leasing equipment under several capital leases which expire through fiscal year 2015. The total equipment acquired under these leases was \$393,824 and the accumulated depreciation was \$192,584. Monthly payments began in June 2009 with the final payment due in August 2014. The interest rates on the leases range from 6.78% to 13.63%.

The annual requirements on these capital leases as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 90,294	\$ 12,462	\$ 102,756
2014	91,381	4,447	95,828
2015	2,434	37	2,471
	<u>\$ 184,109</u>	<u>\$ 16,946</u>	<u>\$ 201,055</u>

At June 30, 2012, the annual requirements to retire the District's long-term debt were as follows:

Fiscal Year	General Obligation Bonds and Debt Certificates	Capital Lease Obligations	Total Principal	Total Interest	Total Principal and Interest
2013	\$ 3,200,000	\$ 90,294	\$ 3,290,294	\$ 3,624,157	\$ 6,914,451
2014	5,255,000	91,381	5,346,381	3,517,729	8,864,110
2015	4,210,000	2,434	4,212,434	3,376,062	7,588,496
2016	3,380,000	-	3,380,000	3,268,650	6,648,650
2017	3,075,000	-	3,075,000	3,137,400	6,212,400
2018-2022	24,120,000	-	24,120,000	13,131,825	37,251,825
2023-2027	43,775,000	-	43,775,000	4,972,675	48,747,675
	<u>\$ 87,015,000</u>	<u>\$ 184,109</u>	<u>\$ 87,199,109</u>	<u>\$ 35,028,498</u>	<u>\$ 122,227,607</u>

At June 30, 2012, the legal debt limit was approximately \$119,635,600 based on a statutory limit of 2.875% of assessed valuation of \$4,161,237,754. At June 30, 2011, the legal debt limit was \$118,395,900 based on a statutory limit of 2.875% of assessed valuation of \$4,118,116,444.

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

The advance refunding in fiscal year 2008 resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$40,100. This difference was reported in 2008 as a gain on bond refunding. The balance remaining outstanding on these advanced refunded bonds at June 30, 2012 and 2011 was \$894,511 and \$4,474,277, respectively.

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 7. Operating Leases

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

Year Ending June 30,	Facility	Equipment	Total
2013	\$ 64,223	\$ 34,355	\$ 98,578
2014	-	16,740	16,740
2015	-	3,800	3,800
	<u>\$ 64,223</u>	<u>\$ 54,895</u>	<u>\$ 119,118</u>

Lease expense amounted to \$160,012 and \$161,161 for the years ended June 30, 2012 and 2011, respectively.

Note 8. Retirement Commitments – State University Retirement System

Plan Description

The District contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org or by calling 1-800-275-7877.

Funding Policy

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate (for FY 2012) is 24.21% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ended June 30, 2012, 2011, 2010 and 2009, were \$4,861,925, \$3,477,359, \$2,895,964 and \$1,814,969, respectively, equal to the required contributions for each year.

Notes to Basic Financial Statements

Note 9. Recent Accounting Pronouncements

The following pending pronouncements as of June 30, 2012 were not yet effective for the District:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*-an amendment of GASB Statements No. 14 and No. 34, will be effective for the District beginning with its year ending June 30, 2013. This Statement improves financial reporting for a governmental financial reporting entity to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the District beginning with its year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows Resources, and Net Position*, will be effective for the District beginning with its year ending June 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, will be effective for the District beginning with its year ended June 30, 2014. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans and requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the District beginning with its year ended June 30, 2015. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Management does not believe that these pronouncements will have a significant impact on its basic financial statements.

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 10. Risk Management

The District accounts for and finances its uninsured risks of loss related to medical care and outpatient prescription drug costs. A third party administrator provides administrative services for this self insurance plan. Under this program, the fund provides coverage of the District's employee medical insurance up to \$65,000 in eligible claims per covered member per year. The aggregate stop loss coverage limit (for all covered members) equals the average number of employees during the stop loss coverage period multiplied by the aggregate stop loss limit claim value of \$8,745.95. In no event will the aggregate stop loss coverage limit be less than \$3,070,672.

The reserve for health care costs reported in the fund at June 30, 2012 and 2011, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liability includes all known claims and an amount for claims that have been incurred but not reported (IBNR).

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

	2012	2011	2010
Reserve for health care costs at July 1	\$ 744,668	\$ 493,414	\$ 307,795
Claims incurred during the period	2,962,824	2,986,427	2,316,942
Changes in the IBNR estimate	(18,661)	(7,500)	86,164
Payments on claims	(3,257,991)	(2,727,673)	(2,217,487)
Reserve for health care costs at June 30	<u>\$ 430,840</u>	<u>\$ 744,668</u>	<u>\$ 493,414</u>

The reserve for health care costs is recorded with the accounts payable and accrued liabilities categories on the statements of net assets as of June 30, 2012 and 2011, respectively.

**Heartland Community College
Community College District #540**

Notes to Basic Financial Statements

Note 11. Restricted and Designated Net Assets

At June 30, 2012 and 2011, net assets were restricted for the following purposes:

	2012	2011
Capital projects	\$ 384,545	\$ 537,080
Working cash	\$ 3,900,000	\$ 3,900,000
Restricted for:		
Purpose restricted	\$ -	\$ 1,533,742
Audit	9,819	9,691
Liability, protection and settlement	14,690	(1,154)
Total other restricted expendable net assets	\$ 24,509	\$ 1,542,279

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

At June 30, 2012 and 2011, the District had \$3,933,290 and \$4,341,765, respectively, of unrestricted net assets. Of these balances, the District has \$667,197 and \$487,336 at June 30, 2012 and 2011, respectively, designated for payment of self insurance premiums. The remaining unrestricted resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

Note 12. Contingencies

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

Note 13. Subsequent Event

In September 2012, the District issued \$990,000 in General Obligation Debt Certificates, Series 2012A, dated September 5, 2012. The certificates are due annually through December 1, 2022, and have interest rates ranging from 1.1% to 2.45%. The proceeds will be used to will be used to fund an energy conservation performance contract.

**Statistical Section
(Unaudited)**

Heartland Community College
Community College District #540
Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	37 and 38
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	39 - 45
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the ability to issue additional debt in the future.	46 - 50
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	51 - 53
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	54 - 60

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The College implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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

FINANCIAL TRENDS

**NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS**

(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net Assets:										
Invested in capital assets, net of related debt	\$46,469,388	\$40,937,774	\$37,581,516	\$27,452,287	\$32,007,788	\$33,413,824	\$20,061,050	\$13,103,784	\$13,133,659	\$19,697,883
Restricted for:										
Debt Service	-	-	-	-	-	-	-	-	403,134	43,205
Working Cash	3,900,000	3,900,000	3,900,000	3,900,000	-	-	-	-	-	-
Capital Projects	384,545	537,080	72,427	1,874,660	189,405	2,224,417	1,826,438	1,899,790	1,742,224	1,446,183
Specific Purposes	24,509	1,542,279	2,597,613	8,395,101	4,679,466	4,404,032	12,382,102	9,605,356	9,135,089	40,687
Unrestricted	3,933,290	4,341,765	4,862,254	4,474,335	5,692,700	571,398	2,472,550	1,919,868	1,037,398	3,907,926
Total Net Assets	<u>\$54,711,732</u>	<u>\$51,258,898</u>	<u>\$49,013,810</u>	<u>\$46,096,383</u>	<u>\$42,569,359</u>	<u>\$40,613,671</u>	<u>\$36,742,140</u>	<u>\$26,528,798</u>	<u>\$25,451,504</u>	<u>\$25,135,884</u>

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

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

FINANCIAL TRENDS

**CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS**

(Unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES										
Operating Revenues										
Student tuition and fees, net of scholarship	\$ 11,575,275	\$ 9,405,410	\$ 7,849,080	\$ 6,793,175	\$ 5,757,064	\$ 5,033,308	\$ 4,035,122	\$ 4,270,757	\$ 4,183,487	\$ 3,806,507
Auxiliary enterprises revenue	584,994	578,892	619,166	477,929	913,262	382,941	389,816	363,522	365,132	356,241
Other operating revenues	2,721,908	1,424,609	1,314,230	1,274,313	1,688,035	1,499,100	1,164,309	1,103,904	794,681	830,145
Total Operating Revenues	\$ 14,882,177	\$ 11,408,911	\$ 9,782,476	\$ 8,545,417	\$ 8,358,361	\$ 6,915,349	\$ 5,589,247	\$ 5,738,183	\$ 5,343,300	\$ 4,992,893
EXPENSES										
Operating Expenses										
Instruction	\$ 13,865,346	\$ 12,556,027	\$ 11,188,713	\$ 6,091,926	\$ 9,669,362	\$ 9,203,568	\$ 7,914,671	\$ 7,982,525	\$ 7,756,944	\$ 7,826,861
Academic support	2,531,533	1,755,930	1,827,783	10,437,426	1,790,851	1,359,979	1,155,085	1,155,506	988,467	958,143
Public services	3,657,252	2,820,304	2,283,646	2,602,753	1,763,109	1,492,929	1,589,043	1,494,245	919,868	984,725
Student services	2,826,803	2,508,947	2,304,352	2,823,286	2,112,189	1,904,431	1,602,529	1,600,770	1,379,463	1,286,897
Institutional support	8,833,998	7,884,575	7,334,067	2,270,247	6,687,070	8,614,770	6,432,083	4,672,640	4,702,945	3,792,675
Scholarships, student grants and waivers	6,710,771	6,249,924	3,711,205	1,716,290	2,003,966	1,995,506	1,715,888	2,015,471	2,305,563	2,490,466
Operations and maintenance	4,124,979	3,725,177	3,162,645	1,943,093	2,898,289	2,826,933	2,472,018	2,555,040	2,434,639	2,441,296
Auxiliary enterprises	1,118,834	1,762,563	1,641,309	1,986,178	1,283,096	712,380	411,218	435,275	410,822	377,730
Depreciation	4,430,553	3,625,303	2,457,929	1,814,969	1,812,825	1,309,995	1,216,898	1,295,489	1,315,878	1,518,888
SURS contribution paid by state	4,861,925	3,477,359	2,895,964	1,356,181	1,309,964	950,630	642,404	907,023	5,700,158	-
Total operating expenses	\$ 52,961,994	\$ 46,366,109	\$ 38,807,613	\$ 33,042,349	\$ 31,330,721	\$ 30,371,121	\$ 25,151,837	\$ 24,113,984	\$ 27,914,747	\$ 21,677,681
Operating loss	\$ (38,079,817)	\$ (34,957,198)	\$ (29,025,137)	\$ (24,496,932)	\$ (22,972,360)	\$ (23,455,772)	\$ (19,562,590)	\$ (18,375,801)	\$ (22,571,447)	\$ (16,684,788)
NON-OPERATING REVENUES (EXPENSES)										
Property taxes	\$ 19,502,637	\$ 18,587,282	\$ 17,807,436	\$ 16,744,021	\$ 14,563,671	\$ 13,401,204	\$ 12,584,524	\$ 11,223,800	\$ 10,343,635	\$ 8,998,063
State grants and contracts	4,932,733	4,172,813	4,186,981	4,545,743	4,627,970	4,506,707	4,419,129	3,978,199	4,057,601	5,360,252
Federal grants and contracts	12,459,068	11,282,682	7,377,813	4,917,827	3,461,924	3,482,085	3,381,524	3,842,984	3,344,638	3,150,008
Local grants and contracts	-	-	(388,331)	-	-	-	-	20,000	500	-
Interest expense	(388,353)	(329,219)	113,198	(1,697,059)	(3,217,685)	(1,458,870)	(916,507)	(913,063)	(737,267)	(851,427)
Investment income	201,497	39,716	(50,497)	1,705,568	3,466,130	1,708,638	784,041	394,152	177,802	227,273
Amortization of debt issuance costs	(36,856)	(28,347)	-	(47,213)	(23,431)	-	-	-	-	-
Gain on bond refunding	-	-	-	40,100	41,352	-	-	-	-	-
SURS contribution provided by state	4,861,925	3,477,359	2,895,964	1,814,969	1,309,964	950,630	642,404	907,023	5,700,158	-
Total non-operating revenues, net	\$41,532,651	\$37,202,286	\$31,942,564	\$28,023,956	\$24,229,895	\$22,590,394	\$20,895,115	\$19,453,095	\$22,887,067	\$16,884,169
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ 698,153	\$ 4,736,909	\$ 8,880,816	\$ -	\$ -	\$ -
Change in net assets	\$ 3,452,834	\$ 2,245,088	\$ 2,917,427	\$ 3,527,024	\$ 1,955,688	\$ 3,871,531	\$ 10,213,341	\$ 1,077,294	\$ 315,620	\$ 199,381
Beginning of year	\$ 51,258,898	\$ 49,013,810	\$ 46,096,383	\$ 42,569,359	\$ 40,613,671	\$ 36,742,140	\$ 26,528,798	\$ 24,451,504	\$ 25,135,884	\$ 24,936,503
End of Year	\$ 54,711,732	\$ 51,258,898	\$ 49,013,810	\$ 46,096,383	\$ 42,569,359	\$ 40,613,671	\$ 36,742,139	\$ 25,528,798	\$ 25,451,504	\$ 25,135,884

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

HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540

REVENUE CAPACITY

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

(Unaudited)

Tax Levy Year	Assessed Value	Estimated Actual Value
2011	\$4,161,237,754	\$12,483,713,262
2010	4,118,116,444	12,354,349,332
2009	4,048,351,290	12,145,053,870
2008	3,934,177,396	11,802,532,188
2007	3,764,474,185	11,293,422,555
2006	3,580,079,454	10,740,238,362
2005	3,406,317,505	10,218,952,515
2004	3,251,533,663	9,754,600,989
2003	3,176,987,362	9,530,962,086
2002	3,046,572,731	9,139,718,193

Source: College Records

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

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

REVENUE CAPACITY

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN LEVY YEARS**

(Unaudited)

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Levy Year	Residential Property	Commercial Property	Industrial Property	Farm Property	Railroad Property	Other Property	Total Taxable Assessed Value	Total Direct Tax Rate
2011	\$2,620,093,718	\$1,060,939,966	\$40,604,960	\$385,515,518	\$16,757,294	\$37,326,298	\$4,161,237,754	0.47673
2010	2,607,206,669	1,067,531,559	41,660,214	366,976,710	15,701,968	19,039,324	4,118,116,444	0.47315
2009	2,582,151,424	1,053,616,203	43,482,610	341,410,855	13,673,024	14,017,174	4,048,351,290	0.45988
2008	2,505,052,129	1,046,680,547	43,546,041	327,029,856	11,700,513	138,310	3,934,147,396	0.45331
2007	2,412,182,985	995,472,661	43,619,701	302,525,068	10,535,460	138,310	3,764,474,185	0.44423
2006	2,286,033,435	943,368,468	43,319,871	297,019,383	10,199,987	138,310	3,580,079,454	0.40655
2005	2,137,679,528	902,984,157	37,691,791	318,042,121	9,784,274	135,634	3,406,317,505	0.39291
2004	2,005,940,296	873,817,267	37,259,386	324,411,717	9,966,687	138,310	3,251,533,663	0.38752
2003	1,947,162,176	841,715,040	35,411,514	344,160,945	8,403,667	134,020	3,176,987,362	0.35260
2002	1,860,925,449	804,251,206	34,360,797	338,813,287	8,088,996	132,996	3,046,572,731	0.33850

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

Notes:

- (1) McLean County actual EAV by Property Type was available from Levy Year 2003-2011.
Prior years were estimated by allocating total EAV by percentage of property types based on Levy Year 2003.
- (2) Livingston County actual EAV by Property Type was available from Levy Years 2001-2011.
Prior years were estimated by allocating total EAV by percentage of property types based on Levy Year 2001.
- (3) Ford County actual EAV by Property Type was determined to be all Farm Property for all years by Ford County Clerk's Office.
- (4) Logan County actual EAV by Property Type was available for Levy Years 2003-2011.
All other years were estimated by allocating total EAV by percentage of property types based on Levy Year 2003.
- (5) Tazewell County actual EAV by Property Type was available for all Levy Years.
- (6) DeWitt County actual EAV by Property Type was available for all Levy Years.

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

REVENUE CAPACITY

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING
GOVERNMENTS WITHIN MCLEAN COUNTY
LAST TEN LEVY YEARS**

(Unaudited)

<u>Taxing Bodies</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
McLean County	0.91571	0.91673	0.90687	0.89659	0.90098
Town of Normal	0.77488	0.78259	0.78476	0.74289	0.74897
Normal Library	0.41484	0.39507	0.36452	0.35069	0.33915
Normal Township	0.16501	0.15807	0.15138	0.14934	0.14858
Normal Road and Bridge	0.08965	0.08589	0.08115	0.08115	0.08086
Normal School District #5	4.73499	4.76383	4.69289	4.58932	4.53253
Bloomington/Normal Water District	0.16390	0.16391	0.16476	0.16036	0.15871
Bloomington/Normal Airport Authority	0.15486	0.09855	0.08546	0.11008	0.10781
City of Bloomington	1.05955	1.06013	1.07616	0.99541	1.00665
City of Bloomington Township	0.14328	0.17309	0.18217	0.18683	0.2208
Bloomington School District #87	4.65741	4.65682	4.61222	4.58085	4.51459
Bloomington Library	0.25073	0.25087	0.26108	0.26108	0.26601
Bloomington Cemetery	0.00000	0.00000	0.00000	0.00000	0.00000
Total overlapping rate	<u>13.52481</u>	<u>13.50555</u>	<u>13.36342</u>	<u>13.10459</u>	<u>13.02564</u>
Heartland Community College	<u>0.47673</u>	<u>0.47315</u>	<u>0.45988</u>	<u>0.45331</u>	<u>0.44423</u>
TOTAL RATE	<u><u>14.00154</u></u>	<u><u>13.97870</u></u>	<u><u>13.82330</u></u>	<u><u>13.55790</u></u>	<u><u>13.46987</u></u>

Source: McLean County Clerk's Office

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

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

REVENUE CAPACITY

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING
GOVERNMENTS WITHIN MCLEAN COUNTY - CONTINUED
LAST TEN LEVY YEARS**

(Unaudited)

<u>Taxing Bodies</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
McLean County	0.91927	0.93885	0.93874	0.93680	0.93064
Town of Normal	0.75819	0.79281	0.82629	0.83990	0.72823
Normal Library	0.32919	0.33345	0.34060	0.34760	0.34112
Normal Township	0.11826	0.12249	0.12592	0.12390	0.12649
Normal Road and Bridge	0.07591	0.07863	0.08085	0.07960	0.08126
Normal School District #5	4.44755	4.47579	4.50786	4.43030	4.34413
Bloomington/Normal Water District	0.15303	0.14835	0.15014	0.14310	0.10767
Bloomington/Normal Airport Authority	0.11621	0.05202	0.10680	0.10920	0.08324
City of Bloomington	0.99730	0.99901	1.00710	1.01060	1.01732
City of Bloomington Township	0.22972	0.23686	0.18862	0.15620	0.13441
Bloomington School District #87	4.48221	4.48075	4.47014	4.43450	4.43752
Bloomington Library	0.27099	0.27284	0.27359	0.27330	0.27621
Bloomington Cemetery	0.00000	0.00000	0.00000	0.02190	0.02269
Total overlapping rate	12.89783	12.93185	13.01665	12.90690	12.63093
Heartland Community College	0.40655	0.39291	0.38752	0.35260	0.33850
TOTAL RATE	<u><u>13.30438</u></u>	<u><u>13.3248</u></u>	<u><u>13.40417</u></u>	<u><u>13.25950</u></u>	<u><u>12.96943</u></u>

Source: McLean County Clerk's Office

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

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

REVENUE CAPACITY

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

(Dollars in Thousands)

(Unaudited)

<u>Taxpayer Name</u>	<u>Type of Business/Service</u>	<u>2011 Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of District 540 Assessed Valuation</u>	<u>2002 Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of District 540 Assessed Valuation</u>
State Farm Insurance Company	Insurance	\$172,291	1	4.14%	\$153,496	1	5.04%
High Trail Wind Farm	Energy	44,338	2	1.07%			
Country Insurance & F.S.	Insurance	13,504	6	0.32%	9,345	4	0.31%
Wal-Mart Stores, Inc.	Retail	13,694	5	0.33%	5,534	7	0.18%
Eastland Mall LLC %CBL & Associates Mgt. Inc.	Retail Mall	17,667	3	0.42%			
IMI College Development LLC	Retail	4,781	10	0.11%	8,897	5	0.29%
Illinois Agriculture Association	AG Insurance	9,567	8	0.23%	9,793	3	0.32%
Mitsubishi Motors Manufacturing	Auto Manufacturing	9,184	9	0.22%	13,897	2	0.46%
Nextera Energy Resources	Clean Energy Services	13,459	7	0.32%			
Snyder Corporation	Apartments/Hotel	15,589	4	0.37%			
Brickyard Aps by Snyder	Housing				4,974	10	0.16%
Amresco	Retail				4,750	9	0.15%
Land Tr By-1	Office Building				5,375	8	0.18%
Parkway Shopping Center	Retail				5,798	6	0.19%
TOTAL		<u>\$314,074</u>		<u>7.53%</u>	<u>\$221,859</u>		<u>7.27%</u>

Source: County Assessor's office

Notes:

- (1) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked.
- (2) The 2011 assessed valuation is the most current available.

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

REVENUE CAPACITY

**PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Levy Years**

(Unaudited)

Tax Levy Year	Fiscal Year	Assessed Valuation	Direct Tax Rate	Taxes Extended	Total Collected Through June 30, 2011	Collected During Year Ended June 30, 2012	Total Collected Through June 30, 2012	Percentage of Taxes Extended Collected Through June 30, 2012
2011	2013	\$ 4,161,237,754	0.47673	\$ 19,838,409	\$ -	\$ 8,333,150	\$ 8,333,150	42.01%
2010	2012	4,118,116,444	0.47315	19,484,688	8,150,950	11,351,687	19,502,637	100.09%
2009	2011	4,048,351,290	0.45988	18,617,490	18,587,282	-	18,587,282	99.84%
2008	2010	3,934,177,396	0.45331	17,833,705	17,807,437	-	17,807,437	99.85%
2007	2009	3,764,474,185	0.44423	16,726,407	16,744,020	-	16,744,020	100.11%
2006	2008	3,580,079,454	0.40655	14,562,903	14,563,671	-	14,563,671	100.01%
2005	2007	3,406,317,505	0.39291	13,353,583	13,401,204	-	13,401,204	100.36%
2004	2006	3,251,533,663	0.38752	12,607,168	12,584,524	-	12,584,524	99.82%
2003	2005	3,176,987,362	0.35260	11,200,711	11,223,804	-	11,223,804	100.21%
2002	2004	3,046,572,731	0.33850	10,318,433	10,343,635	-	10,343,635	100.24%

Source: Heartland Community College Comprehensive Annual Financial Reports

Notes:

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

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

REVENUE CAPACITY

**ENROLLMENT, TUITION AND FEE RATES, CREDIT HOURS, AND TUITION AND FEE REVENUES GENERATED
LAST TEN FISCAL YEARS**

(Unaudited)

<u>Fiscal Year</u>	<u>Fall Headcount Credit Courses</u>	<u>Tuition and Fee Rates</u>			<u>ICCB S3</u>	<u>Tuition and Fee Revenue</u>
		<u>In District Tuition and Fees per Semester Hour</u>	<u>Out of District Tuition and Fees per Semester Hour</u>	<u>Out of State Tuition and Fees per Semester Hour</u>	<u>Total Semester Credit Hours Generated</u>	<u>All Funds</u>
2012	5,610	\$131	\$254	\$377	111,560	\$17,844,502
2011	5,459	108	216	324	108,514	15,231,883
2010	5,266	95	183	271	105,787	12,430,415
2009	5,062	87	167	247	95,110	10,393,191
2008	4,827	77	154	231	88,111	8,442,661
2007	4,764	70	140	210	85,855	7,529,795
2006	4,736	63	126	189	82,810	6,482,511
2005	4,647	60	120	180	83,606	6,171,608
2004	4,672	55	110	165	81,909	5,939,144
2003	4,566	50	100	150	82,169	5,135,265

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

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

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

DEBT CAPACITY

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

(Unaudited)

Fiscal Year	General Obligation Bonds (1)	General Obligation Debt Certificates	Capital Lease Obligations	Total Outstanding Debt	District #540 Estimated Actual Taxable Property Value	Percentage of Total Outstanding Debt to Estimated Actual Taxable Property Value	Population	Total Outstanding Debt Per Capita	Percentage of Total Debt To Personal Income
2012	\$82,015,000	\$5,000,000	\$184,109	\$87,199,109	\$12,483,713,262	0.70%	208,539	\$418.14	1.24%
2011	80,580,000	1,700,000	267,100	82,547,100	12,354,349,332	0.67%	208,539	395.84	1.23%
2010	83,040,000	-	258,570	83,298,570	12,145,053,870	0.69%	203,178	409.98	1.29%
2009	80,560,000	-	300,650	80,860,650	11,802,532,188	0.69%	203,178	397.98	1.31%
2008	77,820,000	-	4,089	77,824,089	11,293,422,555	0.69%	203,178	383.03	1.31%
2007	20,115,000	59,000,000	15,397	79,130,397	10,740,238,362	0.74%	199,593	396.46	1.39%
2006	22,165,000	-	21,193	22,186,193	10,218,952,515	0.22%	199,593	111.16	0.41%
2005	20,745,000	-	80,818	20,825,818	9,754,600,989	0.21%	199,593	104.34	0.40%
2004	15,425,000	6,000,000	162,210	21,587,210	9,530,962,086	0.23%	195,733	110.29	0.43%
2003	15,975,000	-	209,040	16,184,040	9,139,718,193	0.18%	195,733	82.68	0.32%

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

Notes:

- (1) Balances include current and non-current portions of bond principal outstanding.
- (2) Details of the College's outstanding debt can be found in Note 6 in the notes to the financial statements.
- (3) Population is US Census data.

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

DEBT CAPACITY

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

(Unaudited)

Fiscal Year	General Obligation Bonds (1)	General Obligation Debt Certificates	Net General Bonded Debt	District #540 Estimated Actual Taxable Property Value	Percentage of Net General Bonded Debt to Estimated Actual Taxable Property Value	Population	Net General Bonded Debt Per Capita
2012	\$82,015,000	\$5,000,000	\$87,015,000	\$12,483,713,262	0.70%	208,539	\$417.26
2011	80,580,000	1,700,000	82,280,000	12,354,349,332	0.67%	208,539	394.55
2010	83,040,000	-	83,040,000	12,145,053,870	0.68%	203,178	408.71
2009	80,560,000	-	80,560,000	11,802,532,188	0.68%	203,178	396.50
2008	77,820,000	-	77,820,000	11,293,422,555	0.69%	203,178	383.01
2007	20,115,000	59,000,000	79,115,000	10,740,238,362	0.74%	199,593	396.38
2006	22,165,000	-	22,165,000	10,218,952,515	0.22%	199,593	111.05
2005	20,745,000	-	20,745,000	9,754,600,989	0.21%	199,593	103.94
2004	15,425,000	6,000,000	21,425,000	9,530,962,086	0.22%	195,733	109.46
2003	15,975,000	-	15,975,000	9,139,718,193	0.17%	195,733	81.62

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

Notes:

- (1) Balances include current and non-current portions of bond principal outstanding.
- (2) Details of the College's outstanding debt can be found in Note 6 in the notes to the financial statements.

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

DEBT CAPACITY

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

(Unaudited)

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Debt Limit Rate</u>	<u>Debt Limit (Assessed Value X Debt Limit Rate)</u>	<u>Net Debt Applicable to Debt Limit (1)</u>	<u>Legal Debt Margin</u>	<u>Net Debt Applicable to Debt Limit as a Percentage of Debt Limit</u>
2012	\$4,161,237,754	2.875%	\$119,635,585	\$87,015,000	\$32,620,585	72.73%
2011	4,118,116,444	2.875%	118,395,848	82,280,000	36,115,848	69.50%
2010	4,048,351,290	2.875%	116,390,100	83,040,000	33,350,100	71.35%
2009	3,934,177,396	2.875%	113,107,600	80,560,000	32,547,600	71.22%
2008	3,764,474,185	2.875%	108,228,633	77,820,000	30,408,633	71.90%
2007	3,580,079,454	2.875%	102,927,284	79,115,000	23,812,284	76.86%
2006	3,406,317,505	2.875%	97,931,628	22,165,000	75,766,628	22.63%
2005	3,251,533,663	2.875%	93,481,593	20,745,000	72,736,593	22.19%
2004	3,176,987,362	2.875%	91,338,387	21,425,000	69,913,387	23.46%
2003	3,046,572,731	2.875%	87,588,966	15,975,000	71,613,966	18.24%
2002	2,895,442,448	2.875%	83,243,970	16,450,000	66,793,970	19.76%

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

Notes:

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

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

**LISTING OF DIRECT AND OVERLAPPING BONDED DEBT
LAST TEN FISCAL YEARS**

(Unaudited)

	Fiscal Year 2012			Fiscal Year 2011			Fiscal Year 2010			Fiscal Year 2009			Fiscal Year 2008		
	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt
Normal School District	\$183,650,000	99.96%	\$183,576,540	\$193,137,884	99.96%	\$193,060,629	\$175,290,000	99.96%	\$175,219,884	\$175,290,000	99.96%	\$175,219,884	\$89,210,000	100.00%	\$89,210,000
Ford County	580,000	0.10%	580	-	-	-	1,060,000	0.06%	636	1,060,000	0.06%	636	-	-	-
City of Bloomington	77,145,000	100.00%	77,145,000	73,055,000	100.00%	73,055,000	77,330,000	100.00%	77,330,000	79,430,000	100.00%	79,430,000	58,968,544	100.00%	58,968,544
McLean County Public Building Commission	12,563,993	95.19%	11,959,665	-	-	-	18,709,513	95.24%	17,818,940	18,709,513	95.24%	15,304,382	20,693,284	100.00%	23,278,284
B/N Airport Authority	15,460,000	100%	15,460,000	-	-	-	23,710,000	100.00%	23,710,000	14,770,000	100.00%	14,770,000	6,775,000	100.00%	6,775,000
Prairie Central School District #8	5,630,008	70.17%	3,950,577	4,994,576	70.12%	3,502,197	9,559,215	70.12%	6,702,922	9,559,215	70.12%	6,702,922	10,733,110	56.80%	6,096,406
Town of Normal	78,940,000	100.00%	78,940,000	-	-	-	89,590,000	100.00%	89,590,000	89,590,000	100.00%	89,590,000	64,500,000	100.00%	64,500,000
Village of Carlock	75,000	100.00%	75,000	85,000	100.00%	85,000	100,000	100.00%	100,000	100,000	100.00%	100,000	-	-	-
Town of Normal Special Service Area #1	5,150,000	100.00%	5,150,000	80,000,000	100.00%	80,000,000	5,510,000	100.00%	5,510,000	5,510,000	100.00%	5,510,000	5,510,000	100.00%	5,510,000
Olympia School District #16	13,205,000	99.97%	13,201,039	13,905,802	99.97%	13,901,630	13,990,000	99.97%	13,985,803	13,990,000	99.97%	13,985,803	15,070,000	100.00%	15,070,000
Bloomington School District #87	41,580,000	100.00%	41,580,000	43,195,000	100.00%	43,195,000	45,965,000	100.00%	45,965,000	45,965,000	100.00%	45,965,000	28,570,000	100.00%	28,570,000
Tri-Valley School District #3	5,215,000	99.88%	5,208,742	5,523,460	99.88%	5,516,832	3,060,000	99.88%	3,056,328	3,060,000	99.88%	3,056,328	3,440,000	100.00%	3,440,000
Heyworth School District #4	7,810,000	100.00%	7,810,000	8,005,000	100.00%	8,005,000	9,730,000	100.00%	9,730,000	9,730,000	100.00%	9,730,000	5,865,000	100.00%	5,865,000
Ridgeview School District #19	3,395,000	82.08%	2,786,616	3,500,691	82.08%	2,873,367	5,515,000	82.08%	4,526,712	5,515,000	82.08%	4,526,712	4,340,000	100.00%	4,340,000
Village of Heyworth	45,000	100.00%	45,000	60,000	100.00%	60,000	9,075,000	100.00%	9,075,000	90,000	100.00%	90,000	780,000	100.00%	780,000
Gridley School District #10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chenoa School District #9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
El Paso-Gridley School Unit #11	4,850,000	25.10%	1,217,350	1,460,618	25.10%	366,615	7,500,000	25.10%	1,882,500	7,500,000	25.10%	1,882,500	8,715,000	26.27%	2,289,431
Lexington School District #7	4,470,000	100.00%	4,470,000	4,735,000	100.00%	4,735,000	2,490,000	100.00%	2,490,000	2,490,000	100.00%	2,490,000	795,000	100.00%	795,000
City of Chenoa	17,400	100.00%	17,400	26,100	100.00%	26,100	103,500	100.00%	103,500	43,500	100.00%	43,500	162,200	100.00%	162,200
Randolph Fire Protection District	-	-	-	-	-	-	510,000	100.00%	510,000	-	100.00%	-	280,000	98.84%	276,752
Village of Stanford	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Village of Towanda	-	-	-	-	-	-	-	-	-	-	-	-	385,000	100.00%	385,000
Village of Gridley	-	-	-	-	-	-	1,090,000	100.00%	1,090,000	-	100.00%	-	-	-	-
Village of McLean	-	-	-	-	-	-	780,000	100.00%	780,000	-	100.00%	-	-	-	-
City of Lincoln	345,000	100.00%	345,000	500,000	100.00%	500,000	610,000	100.00%	610,000	330,000	100.00%	330,000	-	-	-
City of Fairbury	500,000	100.00%	500,000	-	-	-	170,000	100.00%	170,000	-	-	-	-	-	-
City of Atlanta	70,000	100.00%	70,000	80,000	100.00%	80,000	450,000	100.00%	450,000	100,000	100.00%	100,000	-	-	-
Randolph Township Road & Bridge	-	-	-	-	-	-	-	-	-	-	-	-	85,000	100.00%	85,000
Town of Randolph Road District	-	-	-	-	-	-	230,000	100.00%	230,000	-	100.00%	-	-	-	-
Lincoln Rural Fire Protection District	1,005,000	97.96%	984,498	-	-	-	1,215,000	97.96%	1,190,214	1,215,000	97.96%	1,190,214	-	-	-
Lincoln Park District	575,000	100.00%	575,000	-	-	-	545,000	100.00%	545,000	545,000	100.00%	545,000	-	-	-
Chester-East Lincoln SD #61	88,000	99.93%	87,938	134,900	99.93%	134,806	110,000	99.93%	109,923	110,000	99.93%	109,923	-	-	-
Eureka CUSD #140	365,000	0.04%	146	287	0.04%	0	1,655,000	0.04%	662	1,655,000	0.04%	662	-	-	-
Illini Central CUSD #189	3,595,000	0.04%	1,438	1,352	0.04%	1	4,000,000	0.04%	1,600	4,000,000	0.04%	1,600	-	-	-
Lincoln CHSD #404	3,745,000	90.11%	3,374,620	3,599,885	90.11%	3,243,856	4,455,000	90.11%	4,014,401	4,455,000	90.11%	4,014,401	-	-	-
Lincoln SD #27	1,490,000	100.00%	1,490,000	1,855,000	100.00%	1,855,000	5,370,000	100.00%	5,370,000	2,540,000	100.00%	2,540,000	-	-	-
Pontiac CCSD #429	595,000	99.01%	589,110	821,783	99.01%	813,647	1,245,000	99.01%	1,232,675	1,245,000	99.01%	1,232,675	-	-	-
Pontiac THSD #90	1,390,000	90.57%	1,258,923	1,467,234	90.57%	1,328,874	2,050,000	90.57%	1,856,685	2,050,000	90.57%	1,856,685	-	-	-
Rooks Creek CCSD #425	50,000	100.00%	50,000	75,000	100.00%	75,000	120,000	100.00%	120,000	120,000	100.00%	120,000	-	-	-
West Lincoln-Broadwell SD #92	1,450,000	94.58%	1,371,410	1,423,487	94.58%	1,346,334	1,600,000	94.58%	1,513,280	1,600,000	94.58%	1,513,280	-	-	-
Downs Fire Protection District	-	-	-	-	-	-	2,795,000	92.66%	2,589,847	-	92.66%	-	2,800,000	100.00%	2,800,000
Tazewell County	-	-	-	-	-	-	6,655,000	3.89%	258,880	-	-	-	-	-	-
Village of Cooksville	340,000	100.00%	340,000	340,000	100.00%	340,000	-	-	-	-	-	-	-	-	-
Octavia Park District	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$475,384,401		\$463,631,592	\$441,983,059		\$438,099,888	\$533,942,228		\$509,440,392	\$502,367,228		\$481,952,107	\$327,677,138		\$319,196,617
Heartland Community College #540	87,015,000	100.00%	\$87,015,000	82,280,000	100.00%		83,040,000	100.00%		80,560,000	100.00%	80,560,000	77,820,000	100.00%	77,820,000
Total	\$562,399,401		\$550,646,592	\$524,263,059		\$438,099,888	\$616,982,228		\$509,440,392	\$582,927,228		\$562,512,107	\$405,497,138		\$397,016,617

Source: First Midstate

HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540

LISTING OF DIRECT AND OVERLAPPING BONDED DEBT (CONTINUED)
LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year 2007			Fiscal Year 2006			Fiscal Year 2005			Fiscal Year 2004			Fiscal Year 2003		
Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt
\$192,110,000	100.00%	\$192,110,000	\$197,090,000	100.00%	\$197,090,000	\$138,745,000	100.00%	\$138,745,000	\$141,780,000	100.00%	\$141,780,000	\$144,290,000	100.00%	\$144,290,000
76,902,552	100.00%	76,902,552	79,844,956	100.00%	79,844,956	71,651,869	100.00%	71,651,869	31,061,355	100.00%	31,061,355			
23,278,284	100.00%	23,278,284	16,135,000	100.00%	16,135,000	18,670,000	100.00%	18,670,000	20,980,000	100.00%	20,980,000	22,879,597	100.00%	22,879,597
8,320,000	100.00%	8,320,000	8,975,000	100.00%	8,975,000	9,630,000	100.00%	9,630,000	10,135,000	100.00%	10,135,000	20,500,000	100.00%	20,500,000
11,795,486	56.80%	6,699,836	12,743,585	56.80%	7,238,356	13,558,238	56.80%	7,701,079	11,035,821	56.80%	6,268,346	13,940,000	100.00%	13,940,000
39,900,000	100.00%	39,900,000	40,000,000	100.00%	40,000,000	20,000,000	100.00%	20,000,000	10,000,000	100.00%	10,000,000	11,535,484	56.80%	6,552,155
3,035,000	100.00%	3,035,000	4,835,000	100.00%	4,835,000	6,490,000	100.00%	6,490,000	8,005,000	100.00%	8,005,000			
29,670,000	100.00%	29,670,000	30,195,000	100.00%	30,195,000	24,025,000	100.00%	24,025,000	6,995,000	100.00%	6,995,000	9,375,000	100.00%	9,375,000
3,790,000	100.00%	3,790,000	4,110,000	100.00%	4,110,000	4,395,000	100.00%	4,395,000	4,860,000	100.00%	4,860,000	8,725,000	100.00%	8,725,000
6,095,000	100.00%	6,095,000	6,300,000	100.00%	6,300,000	6,665,000	100.00%	6,665,000	6,300,000	100.00%	6,300,000	5,260,000	100.00%	5,260,000
4,610,000	100.00%	4,610,000	1,675,000	100.00%	1,675,000	2,030,000	100.00%	2,030,000	2,350,000	100.00%	2,350,000	3,185,000	100.00%	3,185,000
1,000,000	100.00%	1,000,000	1,205,000	100.00%	1,205,000	1,385,000	100.00%	1,385,000	1,390,000	100.00%	1,390,000	1,565,000	100.00%	1,565,000
									1,360,000	95.90%	1,304,240	1,520,000	100.00%	1,520,000
									1,170,000	77.47%	906,399	1,485,000	95.90%	1,424,115
9,325,000	26.27%	2,449,678	9,845,000	26.27%	2,586,282	9,295,000	26.27%	2,441,797				1,365,000	77.47%	1,057,466
600,000	100.00%	600,000	890,000	100.00%	890,000	540,000	100.00%	540,000	290,000	100.00%	290,000			
69,600	100.00%	69,600	78,300	100.00%	78,300	322,000	100.00%	322,000	362,000	100.00%	362,000	435,000	100.00%	435,000
305,000	98.84%	301,462	330,000	98.84%	326,172	355,000	98.84%	350,882	370,000	98.84%	365,708	310,000	100.00%	310,000
			20,000	100.00%	20,000	40,000	100.00%	40,000	80,000	100.00%	80,000	160,000	98.84%	158,144
400,000	100.00%	400,000	20,000	100.00%	20,000	40,000	100.00%	40,000	55,000	100.00%	55,000	115,000	100.00%	115,000
												70,000	100.00%	70,000
105,000	100.00%	105,000	120,000	100.00%	120,000				20,000	100.00%	20,000	35,000	100.00%	35,000
												20,000	100.00%	20,000
80,000	100.00%	80,000	120,000	100.00%	120,000	120,000	100.00%	120,000						
\$411,390,922		\$399,416,412	\$414,511,841		\$401,744,066	\$327,957,107		\$315,242,627	\$258,599,176		\$253,508,048	\$246,770,081		\$241,416,477
20,550,000	100.00%	20,550,000	20,870,000	100.00%	20,870,000	20,745,000	100.00%	20,745,000	21,425,000	100.00%	21,425,000	15,975,000	100.00%	15,975,000
\$431,940,922		\$419,966,412	\$435,381,841		\$422,614,066	\$348,702,107		\$335,987,627	\$280,024,176		\$274,933,048	\$262,745,081		\$257,391,477

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

**PERSONAL INCOME PER CAPITA
LAST TEN FISCAL YEARS**

(Unaudited)

<u>Year</u>	<u>District #540 Counties Served</u>	<u>Size of District (2)</u>	<u>District #540 Population (2)</u>	<u>McLean Co. Population</u>	<u>McLean Co. Personal Income</u>	<u>McLean Co. Per Capita Personal Income</u>	<u>McLean Co. Unemployment Rate</u>
2012	Dewitt, Ford, Livingston, Logan, McLean, Tazwell	1,863 square miles	208,539	170,556 (3)	\$7,005,103,041 (4)	\$41,072	7.20%
2011	Dewitt, Ford, Livingston, Logan, McLean, Tazwell	1,863 square miles	208,539	169,572 (3)	6,720,619,229 (4)	39,633	7.70%
2010	Dewitt, Ford, Livingston, Logan, McLean, Tazwell	1,863 square miles	203,178	168,854 (3)	6,447,688,572 (4)	38,185	6.40%
2009	Dewitt, Ford, Livingston, Logan, McLean, Tazwell	1,863 square miles	203,178	167,066 (3)	6,185,841,885 (4)	37,026	6.70%
2008	Dewitt, Ford, Livingston, Logan, McLean, Tazwell	1,863 square miles	203,178	165,298	5,934,629,038 (4)	35,265	5.50%
2007	Dewitt, Ford, Livingston, Logan, McLean, Tazwell	1,863 square miles	199,593	165,148	5,693,618,180 (4)	34,476	3.90%
2006	Dewitt, Ford, Livingston, Logan, McLean, Tazwell	1,863 square miles	199,593	162,069	5,462,395,000	33,704	3.90%
2005	Dewitt, Ford, Livingston, Logan, McLean, Tazwell	1,863 square miles	199,593	158,978	5,231,160,000	32,905	4.00%
2004	Dewitt, Ford, Livingston, Logan, McLean, Tazwell	1,863 square miles	195,733	157,782	5,073,783,000	32,157	4.30%
2003	Dewitt, Ford, Livingston, Logan, McLean, Tazwell	1,863 square miles	195,733	156,655	5,040,209,000	32,174	4.00%

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

Notes:

- (1) Approximately 100% of Heartland Community College District #540 Metropolitan areas lie in McLean County. All other counties in District #540 are considered Non-Metropolitan.
- (2) Square miles and population data was used with the most recent ICCB Summary Profiles available.
- (3) McLean County population growth for FY 2009 - 2010 was based upon the projected increase in population by 2015 by the Department of Commerce and Economic Opportunity, Northern Illinois Planning Commission
McLean County population for FY 2011 was based upon the US Census Bureau's 2010 report.
McLean County population for FY 2012 was based upon the US Department of Commerce 2012.
- (4) McLean County Income was estimated for FY 2007 - 2011 and was based upon the increase in personal income in FY 2006 by the US Census Data.

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

**PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS**

(Unaudited)

Employer	2012			2011			2010			2009			2008		
	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population
Anderson Financial Network, Inc. (AFNI)	778	10	0.37%	900	8	0.43%	750	9	0.37%	883	8	0.43%	1,012	7	0.50%
Advocate Bro Menn Medical Center	1,157	6	0.55%	1,522	5	0.73%	2,006	5	0.99%	1,591	5	0.78%	1,537	6	0.76%
City of Bloomington				743	10	0.36%							645	10	0.32%
Country Insurance & Fin. Services	2,049	3	0.98%	2,084	3	1.00%	2,174	3	1.07%	2,178	3	1.07%	2,204	3	1.08%
County of McLean															
District 87 Schools (Bloomington)							699	10	0.34%	680	10	0.33%			
GTE															
Illinois State University	3,275	2	1.57%	3,259	2	1.56%	3,542	2	1.74%	3,205	2	1.58%	3,152	2	1.55%
McLean County	806	9	0.39%	806	9	0.39%	806	8	0.40%	820	9	0.40%	870	9	0.43%
Mitsubishi Motor Manufacturing	1,270	5	0.61%	1,278	6	0.61%	1,303	6	0.64%	1,418	6	0.70%	1,725	5	0.85%
OSF St. Joseph Medical Center	832	8	0.40%	1,140	7	0.55%	1,096	7	0.54%	1,122	7	0.55%	997	8	0.49%
State Farm Insurance Companies	14,528	1	6.97%	14,450	1	6.93%	15,359	1	7.56%	15,509	1	7.63%	15,297	1	7.53%
The Eureka Company															
Unit 5 Schools (Normal)	1,754	4	0.84%	1,826	4	0.88%	2,037	4	1.00%	1,692	4	0.83%	1,754	4	0.86%
Wal-Mart, Inc.															
Growmark	932	7	0.45%												
Total	27,381		13.13%	28,008		13.44%	29,772		14.65%	29,098		14.32%	29,193		14.37%

Employer	2007			2006			2005			2004			2003		
	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population
Anderson Financial Network, Inc. (AFNI)	1,217	7	0.61%	1,217	7	0.61%	1,047	7	0.52%	1,045	7	0.53%	1,045	7	0.53%
BroMenn Healthcare	1,514	6	0.76%	2,142	4	1.07%	1,950	5	0.98%	1,900	4	0.97%	1,851	5	0.95%
City of Bloomington				830	10	0.42%				859	10	0.44%			
Country Insurance & Fin. Services	2,158	3	1.08%	2,200	3	1.10%	2,289	3	1.15%	1,366	6	0.70%	2,183	4	1.12%
County of McLean	870	9	0.44%	859	9	0.43%	892	9	0.45%	909	9	0.46%	909	9	0.46%
District 87 Schools (Bloomington)	675	10	0.34%				879	10	0.44%						
GTE															
Illinois State University	3,121	2	1.56%	3,267	2	1.64%	3,211	2	1.61%	3,372	3	1.72%	3,264	3	1.67%
McLean County Service (FS)															
Mitsubishi Motor Manufacturing	1,800	4	0.90%	1,898	5	0.95%	1,979	4	0.99%	3,397	2	1.74%	3,291	2	1.68%
OSF St. Joseph Medical Center	956	8	0.48%	951	8	0.48%	974	8	0.49%	959	8	0.49%	1,000	8	0.51%
State Farm Insurance Companies	14,653	1	7.34%	14,315	1	7.17%	14,132	1	7.08%	15,846	1	8.10%	15,029	1	7.68%
The Eureka Company															
Unit 5 Schools (Normal)	1,785	5	0.89%	1,666	6	0.83%	1,487	6	0.75%	1,638	5	0.84%	1,638	6	0.84%
Wal-Mart, Inc.													800	10	0.41%
Total	28,749		14.40%	29,345		14.70%	28,840		14.46%	31,291		15.46%	31,010		15.84%

Sources: Heartland Community College Comprehensive Annual Financial Reports, and McLean County Economic Development Council.

Notes:

- (1) Approximately 100% of Heartland Community College District #540 Metropolitan areas lie in McLean County. All other counties in District #540 are considered Non-Metropolitan.

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

**PROPERTY VALUES, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

(Dollars in Thousands)

(Unaudited)

<u>Fiscal Year</u>	<u>District #540 Property Value</u>	<u>McLean Co. Construction</u>	<u>McLean Co. Bank Deposits</u>
2012	\$12,483,713	\$62,499	\$12,441,000
2011	12,354,349	62,284	12,415,000
2010	12,145,054	67,808	12,796,000
2009	11,802,532	53,865	12,147,000
2008	11,293,423	72,767	12,026,000
2007	10,740,238	97,578	11,449,000
2006	10,218,952	99,671	9,549,000
2005	9,754,601	150,034	7,994,000
2004	9,530,962	298,100	6,528,000
2003	9,139,718	287,200	4,208,909

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

Notes: Approximately 100% of Heartland Community College District #540 Metropolitan areas lie in McLean County.

All other counties in District #540 are considered Non-Metropolitan.

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

OPERATING INFORMATION

**NUMBER OF EMPLOYEES
LAST TEN FISCAL YEARS**

(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Faculty					
Full Time	95	94	89	85	80
Part Time	<u>232</u>	<u>213</u>	<u>200</u>	<u>189</u>	<u>171</u>
Total Faculty	<u><u>327</u></u>	<u><u>307</u></u>	<u><u>289</u></u>	<u><u>274</u></u>	<u><u>251</u></u>
Staff					
Administrative	66	57	50	49	43
Classified	67	62	56	58	51
Professional/Technical	<u>100</u>	<u>98</u>	<u>85</u>	<u>89</u>	<u>74</u>
Total Staff	<u><u>233</u></u>	<u><u>217</u></u>	<u><u>191</u></u>	<u><u>196</u></u>	<u><u>168</u></u>
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Faculty					
Full Time	75	75	69	64	64
Part Time	<u>180</u>	<u>199</u>	<u>196</u>	<u>197</u>	<u>209</u>
Total Faculty	<u><u>255</u></u>	<u><u>274</u></u>	<u><u>265</u></u>	<u><u>261</u></u>	<u><u>273</u></u>
Staff					
Administrative	42	35	32	33	31
Classified	49	48	49	50	50
Professional/Technical	<u>66</u>	<u>66</u>	<u>61</u>	<u>61</u>	<u>61</u>
Total Staff	<u><u>157</u></u>	<u><u>149</u></u>	<u><u>142</u></u>	<u><u>144</u></u>	<u><u>142</u></u>

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

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

OPERATING INFORMATION

**STUDENT CREDIT HOURS BY ENROLLMENT CATEGORIES
LAST TEN FISCAL YEARS**

(Unaudited)

Funding Category	2012	2011	2010	2009	2008
Baccalaureate	80,036	77,170	74,823	68,423	64,090
Business Occupational	3,404	3,571	3,950	3,615	3,970
Technical Occupational	4,362	5,144	5,171	4,959	4,319
Health Occupational	5,614	6,053	5,355	4,483	3,617
Remedial Developmental	12,138	11,770	11,985	10,039	9,609
Adult Basic Education/ Adult Secondary Education	6,006	4,806	4,503	3,591	2,507
TOTAL	111,560	108,514	105,787	95,110	88,112

Funding Category	2007	2006	2005	2004	2003
Baccalaureate	63,198	60,854	60,071	58,498	57,174
Business Occupational	3,561	3,032	2,971	3,273	3,173
Technical Occupational	3,669	4,150	5,270	5,888	6,680
Health Occupational	3,894	3,517	3,339	2,741	2,260
Remedial Developmental	9,179	8,755	9,084	9,896	10,992
Adult Basic Education/ Adult Secondary Education	2,354	2,502	2,871	1,613	1,890
TOTAL	85,855	82,810	83,606	81,909	82,169

Source: College records

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

OPERATING INFORMATION

**STUDENT ENROLLMENT DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

(Unaudited)

Fiscal Year	Fall Enrollment Headcount	Full-Time Equivalent	Gender		Full-Time	Part-Time	Average Class Size	Number of Classrooms and Labs
			Male	Female				
2012	5,610	3,632	2,616	2,994	2,591	3,019	18.42	179
2011	5,459	3,508	2,545	2,914	2,599	2,860	17.30	179
2010	5,266	3,395	2,451	2,815	2,524	2,742	18.09	179
2009	5,062	3,156	2,298	2,764	2,273	2,710	18.36	179
2008	4,827	3,006	2,186	2,641	2,137	2,690	17.89	170
2007	4,764	2,813	2,092	2,672	2,001	2,774	17.47	136
2006	4,736	2,814	2,080	2,656	1,955	2,712	18.20	136
2005	4,647	2,780	2,066	2,581	1,971	2,676	17.70	136
2004	4,672	2,780	2,028	2,644	1,960	2,821	14.60	136
2003	4,566	2,675	2,008	2,558	1,811	2,755	19.70	136

Fiscal Year	Continuing	First Time	Readmit	Transfer	In-District Residency	Median Age	Degrees Earned
2012	2,568	1,062	868	709	4,346	21	723
2011	2,514	1,019	870	668	4,192	21	718
2010	2,805	1,129	1,082	250	4,240	22	673
2009	343	2,919	170	1,551	4,834	21	655
2008	521	2,728	121	1,455	4,667	22	646
2007	731	2,519	38	1,487	4,681	22	783
2006	871	2,325	32	1,439	4,583	22	775
2005	1,036	2,214	29	1,368	4,413	22	699
2004	1,336	1,924	27	1,368	4,649	22	604
2003	1,918	1,476	23	1,149	4,392	23	582

Source: College Records and ICCB S3 Summary Report

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

OPERATING INFORMATION

**CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS**

(Unaudited)

<u>Net Capital Assets:</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$4,368,661	\$4,368,661	\$2,225,290	\$2,225,290	\$2,225,290
Furniture and equipment	6,880,156	2,278,654	1,687,340	1,315,471	1,323,346
Buildings	106,121,515	106,546,605	85,362,347	50,745,044	44,518,586
Infrastructure	11,779,288	9,777,203	6,209,081	2,593,895	2,806,254
Other Assets (Tower Leases)	219,158	232,584	0	0	0
Construction in progress	84,849	281,167	18,311,046	28,285,153	7,835,443
Total Net Capital Assets	<u>\$129,453,627</u>	<u>\$123,484,874</u>	<u>\$113,795,104</u>	<u>\$85,164,853</u>	<u>\$58,708,919</u>
<u>Other Information:</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Capital contributions	\$0	\$0	\$0	\$0	\$698,153
Depreciation expense	4,430,553	3,620,387	2,457,929	1,986,177	1,812,824
Amortization expense (Tower Leases)	13,426	4,916	0	0	0
<u>Net Capital Assets:</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Land	\$2,225,290	\$2,225,290	\$2,225,290	\$2,225,290	\$2,225,290
Furniture and equipment	1,089,975	614,641	757,315	967,537	1,160,247
Buildings	26,417,207	27,245,482	28,142,565	28,624,112	29,418,192
Infrastructure	2,459,877	2,644,530	2,804,432	2,903,930	3,078,194
Other Assets (Tower Leases)	0	0	0	0	0
Construction in progress	18,585,501	9,517,300	0	0	0
Total Net Capital Assets	<u>\$50,777,850</u>	<u>\$42,247,243</u>	<u>\$33,929,602</u>	<u>\$34,720,869</u>	<u>\$35,881,923</u>
<u>Other Information:</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Capital contributions	\$4,736,909	\$8,880,816	\$0	\$0	\$0
Depreciation expense	1,309,995	1,211,947	1,290,616	1,315,878	1,518,888
Amortization expense (Tower Leases)	0	0	0	0	0

Source: College Records

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

OPERATING INFORMATION

**CAPITAL ASSET STATISTICS - SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

(Unaudited)

CAPITAL ASSET TYPE:	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Land - Acres	<u>142</u>	<u>142</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>
Furniture and Equipment - No. of Units										
Education	116	123	113	110	97	90	90	88	89	82
Operations & Maintenance	14	12	12	14	14	14	15	13	8	8
Operations & Maintenance Restricted	68	85	85	85	85	83	83	83	83	83
Restricted Purposes	193	185	153	131	129	91	36	31	26	22
Liability, Protection & Settlement	<u>7</u>	<u>6</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total Furniture and Equipment Units	<u>398</u>	<u>411</u>	<u>368</u>	<u>345</u>	<u>330</u>	<u>283</u>	<u>228</u>	<u>218</u>	<u>209</u>	<u>198</u>
Buildings - Square Feet										
Instructional Commons Building	97,666	97,666	97,666	97,666	97,666	97,666	97,666	97,666	97,666	97,666
Instructional Commons North Building	44,350	44,350	44,350	0	0	0	0	0	0	0
Astroth Continuing Education Center	40,751	40,751	40,751	0	0	0	0	0	0	0
Child Development Lab	20,100	20,100	20,100	20,100	0	0	0	0	0	0
Fitness and Recreation Center	46,784	46,784	0	0	0	0	0	0	0	0
Receiving and Storage Building	7,556	7,556	7,556	7,556	0	0	0	0	0	0
Physical Plant Building	14,436	14,436	14,436	14,436	14,436	14,436	14,436	14,436	14,436	14,436
Community Commons Building	49,191	49,191	49,191	49,191	49,191	49,191	49,191	49,191	49,191	49,191
Student Commons Building	102,182	102,182	102,182	79,932	79,932	79,932	79,932	79,932	79,932	79,932
Workforce Development Center	<u>101,425</u>	<u>101,425</u>	<u>101,425</u>	<u>101,425</u>	<u>101,425</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Building Square Footage	<u>524,441</u>	<u>524,441</u>	<u>477,657</u>	<u>370,306</u>	<u>342,650</u>	<u>241,225</u>	<u>241,225</u>	<u>241,225</u>	<u>241,225</u>	<u>241,225</u>
Infrastructure - No. of Improvements										
Education	0	0	0	0	0	0	0	0	0	0
Operations & Maintenance	8	6	4	3	3	2	2	1	1	1
Operations & Maintenance Restricted	11	11	10	9	9	8	8	8	6	5
Auxiliary	1	1	0	0	0	0	0	0	0	0
Restricted Purposes	<u>4</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Infrastructure Improvements	<u>24</u>	<u>20</u>	<u>15</u>	<u>12</u>	<u>12</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>7</u>	<u>6</u>
Construction in Progress - No. of Buildings/Projects										
Buildings/Projects	<u>2</u>	<u>4</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Construction in Progress Buildings/Projects	<u>2</u>	<u>4</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets Disposed - No. of Units	<u>28</u>	<u>3</u>	<u>2</u>	<u>22</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>

Source: College records

Heartland Community College
Community College District #540

ASSESSED VALUATIONS AND TAXES EXTENDED AND COLLECTED
Levy Years 2004 through 2011
(Unaudited)

	<u>2011 Levy</u>	<u>2010 Levy</u>	<u>2009 Levy</u>	<u>2008 Levy</u>	<u>2007 Levy</u>	<u>2006 Levy</u>	<u>2005 Levy</u>	<u>2004 Levy</u>
Assessed Values as Equalized								
DeWitt County	\$ 9,257,216	\$ 8,821,882	\$ 8,855,821	\$ 8,329,686	\$ 7,858,785	\$ 7,580,231	\$ 7,812,229	\$ 8,028,529
Ford County	179,260	171,980	165,330	103,980	98,840	100,160	113,130	121,530
Livingston County	304,891,479	298,191,608	293,226,900	282,111,917	274,909,954	266,104,899	252,427,830	243,688,731
Logan County	310,343,406	311,309,611	303,802,499	300,251,023	290,588,199	283,541,893	272,619,205	265,137,294
McLean County	3,447,174,824	3,411,002,045	3,359,472,510	3,263,561,003	3,117,253,117	2,952,989,453	2,803,013,163	2,664,626,139
Tazewell County	89,391,569	88,619,318	82,828,230	79,819,787	73,765,290	69,762,818	70,331,948	69,931,440
Total	<u>\$ 4,161,237,754</u>	<u>\$ 4,118,116,444</u>	<u>\$ 4,048,351,290</u>	<u>\$ 3,934,177,396</u>	<u>\$ 3,764,474,185</u>	<u>\$ 3,580,079,454</u>	<u>\$ 3,406,317,505</u>	<u>\$ 3,251,533,663</u>
Tax rates (per \$100 of assessed valuations)								
Education Fund	0.17500	0.17500	0.17500	0.17500	0.17500	0.17500	0.17500	0.17500
Operations and Maintenance Fund	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000
Audit Fund	0.00327	0.00300	0.00291	0.00261	0.00259	0.00266	0.00331	0.00266
Liability, Protection and Settlement Fund	0.05901	0.05513	0.05184	0.04883	0.04638	0.04529	0.04795	0.05182
Bond and Interest Fund	0.15971	0.16256	0.15284	0.14836	0.14260	0.10254	0.08296	0.07994
Operations and Maintenance Fund (Restricted) Fund	0.00264	0.00096	0.00099	0.00191	0.00093	-	0.00631	0.00443
Equity Tax	0.02710	0.02650	0.02630	0.02660	0.02673	0.03106	0.02738	0.02367
Total	<u>0.47673</u>	<u>0.47315</u>	<u>0.45988</u>	<u>0.45331</u>	<u>0.44423</u>	<u>0.40655</u>	<u>0.39291</u>	<u>0.38752</u>
Taxes extended								
Education Fund	\$ 7,282,166	\$ 7,206,704	\$ 7,084,615	\$ 6,884,810	\$ 6,587,830	\$ 6,265,139	\$ 5,961,056	\$ 5,690,184
Operations and Maintenance Fund	2,080,619	2,059,058	2,024,176	1,967,089	1,882,237	1,790,040	1,703,159	1,625,767
Audit Fund	135,909	123,554	117,670	102,543	97,660	95,278	112,741	86,420
Liability, Protection and Settlement Fund	2,456,000	2,270,000	2,099,000	1,921,000	1,746,441	1,621,441	1,633,517	1,684,921
Bond and Interest Fund	6,646,020	6,694,465	6,187,314	5,836,772	5,368,360	3,670,440	2,825,630	2,598,659
Operations and Maintenance (Restricted) Fund	110,000	39,600	40,000	75,000	35,000	-	214,806	144,100
Equity tax	1,127,695	1,091,301	1,064,716	1,046,491	1,008,879	1,120,565	902,674	777,117
Total	<u>\$ 19,838,409</u>	<u>\$ 19,484,682</u>	<u>\$ 18,617,491</u>	<u>\$ 17,833,705</u>	<u>\$ 16,726,407</u>	<u>\$ 14,562,903</u>	<u>\$ 13,353,583</u>	<u>\$ 12,607,168</u>

**Heartland Community College
Community College District #540**

**SUMMARY OF TAXES RECEIVABLE AND TAX COLLECTIONS
Year Ended June 30, 2012
(Unaudited)**

	2011 Levy	2010 Levy
Assessed valuations	\$ 4,161,237,754	\$ 4,118,116,444
Combined rate per \$100	0.47673	0.47315
Taxes extended	\$ 19,838,409	\$ 19,484,688
Total collected to June 30, 2011	\$ -	\$ 8,150,950
Collected during year ended June 30, 2012	8,333,150	11,351,687
Total collected to June 30, 2012	\$ 8,333,150	\$ 19,502,637
Balance at June 30, 2012	\$ 11,505,259	\$ -
Percent collected through June 30, 2012	42.01%	100.09%
Balance by Funds:		
Education	\$ 4,893,624	
Operations and Maintenance	1,204,755	
Operations and Maintenance (restricted)	63,580	
Bond and Interest	3,844,118	
Audit	78,628	
Liability, Protection and Settlement	1,420,554	
Total	\$ 11,505,259	

**Certification of Chargeback Reimbursement
For Fiscal Year 2013**

(Unaudited)

CERTIFICATION OF CHARGEBACK REIMBURSEMENT FOR FISCAL YEAR 2013
(UNAUDITED)

ALL FISCAL YEAR 2012 NONCAPITAL AUDITED OPERATING EXPENDITURES FROM THE FOLLOWING FUNDS:

1.	Education Fund	\$28,599,642
2.	Operations and Maintenance Fund	\$ 2,956,810
3.	Public Building Commission Operation and Maintenance Fund	\$ _____
4.	Bond and Interest Fund	\$ 943,330
5.	Public Building Commission Rental Fund	\$ _____
6.	Restricted Purposes Fund	\$19,581,100
7.	Audit Fund	\$ 122,615
8.	Liability, Protection, and Settlement Fund	\$ 2,249,735
9.	Auxiliary Enterprises Fund (Subsidy Only)	\$ <u>139,900</u>
10.	TOTAL NONCAPITAL EXPENDITURES	\$54,593,132
11.	Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	 \$1,476,851
12.	TOTAL COSTS INCLUDED	\$56,069,983
13.	Total certified semester credit hours for FY 2012	111,560
14.	PER CAPITA COST	\$502.60
15.	All FY 2012 state and federal operating grants for noncapital expenditures, except ICCB grants	 \$12,238,610
16.	FY 2012 state and federal grants per semester credit hour	 \$ 109.70
17.	District's average ICCB grant rate for FY 2013	\$ 17.88
18.	District's student tuition and fee rate per semester credit hour for FY 2013	 \$ 136.00
19.	Chargeback reimbursement per semester credit hour	\$ 239.02

/S/ Robert D. Widmer
Approved: _____
Chief Fiscal Officer - Robert D. Widmer

October 4, 2012
Date

/S/ Allen Goben
Approved: _____
President - Allen Goben

October 4, 2012
Date

**Illinois Community College Board
State Grants**

Financial and Compliance Section



Independent Auditor's Report on the Workforce Development Components Grant, Career and Technical Education – Program Improvement Grant, and Adult Education and Family Literacy Grant

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

We have audited the balance sheets of the Workforce Development Components Grant, Career and Technical Education – Program Improvement Grant, and Adult Education and Family Literacy Grant (collectively referred to as "Programs") of Heartland Community College District #540 (District), as of June 30, 2012 and the related statements of revenue, expenditures, and changes in fund balance for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits of the grants contained in the guidelines of the Illinois Community College Board's *Fiscal Management Manual*. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

The Programs' financial statements present only the grant programs referred to above and are not intended to present the financial position or results of operations of Heartland Community College District #540.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Workforce Development Components Grant, Career and Technical Education – Program Improvement Grant and Adult Education and Family Literacy Grant of Heartland Community College District #540 as of June 30, 2012, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the Programs' financial statements taken as a whole for each of the grant programs referred to in the first paragraph. The supplementary ICCB compliance schedules for the Workforce Development Components Grant and the Adult Education and Family Literacy Grant (as detailed in the table of contents) for the year ended June 30, 2012, are presented for purposes of additional analysis and are not a required part of the Programs' financial statements. The supplemental information 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 schedules

referred to above are fairly stated in all material respects in relation to the financial statements as a whole.

We have also issued a report dated October 12, 2012, on our consideration of the Programs' compliance with certain provisions of laws, regulations and grant policy guidelines of the Illinois Community College Board's *Fiscal Management Manual*.

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

McGladrey LLP

Springfield, Illinois
October 12, 2012



**Independent Auditor's Report on Compliance Based on an
Audit of Financial Statements Performed in Accordance with
Auditing Standards Generally Accepted in the United States of America**

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

We have audited the accompanying financial statements as of and for the year ended June 30, 2012 of the Workforce Development Components Grant, Career and Technical Education – Program Improvement Grant, and Adult Education and Family Literacy Grant of Heartland Community College District #540 (District), and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Fiscal Management Manual (Manual) issued by the Illinois Community College Board. Those standards and the Manual require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Grants occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the Workforce Development Components Grant, Career and Technical Education – Program Improvement Grant, and Adult Education and Family Literacy Grant for the year ended June 30, 2012.

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

McGladrey LLP

Springfield, Illinois
October 12, 2012

Heartland Community College
Community College District #540

Workforce Development Components Grant
Balance Sheet
June 30, 2012

Assets

Cash

\$ -

Fund Balance

Fund balance

\$ -

See Note to ICCB Grant Programs Financial Statements.

**Heartland Community College
Community College District #540**

**Workforce Development Components Grant Program
Statement of Revenue, Expenditures and Changes in Fund Balance
Year Ended June 30, 2012**

<hr/>	
Revenue	
State sources	\$ 50,933
 Expenditures	
Salaries and benefits	<u>50,933</u>
 Excess of revenue over expenditures	-
 Fund balance, July 1, 2011	<u>-</u>
 Fund balance, June 30, 2012	<u><u>\$ -</u></u>
 Original allocation	<u><u>\$ 50,933</u></u>
 Minimum expenditure requirement (at least two-thirds of the original allocation)	<u><u>\$ 33,955</u></u>

See Note to ICCB Grant Programs Financial Statements.

Heartland Community College
Community College District #540

Workforce Development Components Grant Program
Supplemental ICCB Compliance Schedule
Year Ended June 30, 2012

	General	Operation of Workforce Development Office	Total
Expenditures:			
Personnel (salaries and benefits)	\$ -	\$ 50,933	\$ 50,933
Totals	\$ -	\$ 50,933	\$ 50,933

See Note to ICCB Grant Programs Financial Statements.

Heartland Community College
Community College District #540

Career and Technical Education - Program Improvement Grant
Balance Sheet
June 30, 2012

Assets

Cash

\$ -

Fund Balance

Fund balance

\$ -

See Note to ICCB Grant Programs Financial Statements.

**Heartland Community College
Community College District #540**

**Career and Technical Education - Program Improvement Grant
Statement of Revenue, Expenditures and Changes in Fund Balance
Year Ended June 30, 2012**

Revenue	
State sources	\$ 9,442
Expenditures	
Travel and professional development	1,407
Materials and supplies	<u>8,035</u>
Excess of revenue over expenditures	-
Fund balance, July 1, 2011	<u>-</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>

See Note to ICCB Grant Programs Financial Statements.

Heartland Community College
Community College District #540

Adult Education and Family Literacy Grant
Balance Sheet
June 30, 2012

	State Basic	Public Assistance	Performance	Total
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Fund Balance				
Fund balance	\$ -	\$ -	\$ -	\$ -

See Note to ICCB Grant Programs Financial Statements.

**Heartland Community College
Community College District #540**

**Adult Education and Family Literacy Grant
Statement of Revenue, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2012**

	State Basic	Public Assistance	Performance	Total
Revenue				
State sources	\$ 79,700	\$ 9,781	\$ 57,510	\$ 146,991
Expenditures by program				
Instruction	46,588	5,072	20,475	72,135
Social work services	2,500	-	-	2,500
Guidance services	2,200	-	-	2,200
Assistive and adaptive equipment	-	-	-	-
Assessment and testing	5,096	1,778	-	6,874
Student transportation services	-	-	1,100	1,100
Literacy services	2,500	-	-	2,500
Child care services	-	-	14,770	14,770
Subtotal instructional and student services	58,884	6,850	36,345	102,079
Improvement of instructional services	2,059	179	4,020	6,258
General administration	5,467	102	3,949	9,518
Operations and maintenance of plant operations	-	-	-	-
Workforce coordination	-	-	-	-
Data and information services	13,290	2,650	13,196	29,136
Indirect costs	-	-	-	-
Subtotal program support	20,816	2,931	21,165	44,912
Total expenditures	79,700	9,781	57,510	146,991
Excess of revenue over expenditures	-	-	-	-
Fund balance, July 1, 2011	-	-	-	-
Fund balance, June 30, 2012	\$ -	\$ -	\$ -	\$ -

See Note to ICCB Grant Programs Financial Statements.

**Heartland Community College
Community College District #540**

**Adult Education and Family Literacy Grant
Supplemental ICCB Compliance Schedule
Expenditure Amounts and Percentages for ICCB Grant Funds Only
Year Ended June 30, 2012**

	Audited Expenditure Amount	Actual Expenditure Percentage
<u>State Basic</u>		
Instruction (45% Minimum Required)	\$ 46,588	58%
General Administration (9% Maximum Allowed)	5,467	7%
<u>State Public Assistance</u>		
Instruction (45% Minimum Required)	5,072	52%
General Administration (9% Maximum Allowed)	102	1%
<u>State Performance</u>		
General Administration (9% Maximum Allowed)	3,949	7%

Note to ICCB Grant Programs Financial Statements

Note 1. Summary of Significant Accounting Policies

General: The accompanying statements include only those transactions resulting from the ICCB Workforce Development Components Grant, Career and Technical Education-Program Improvement Grant, and Adult Education and Family Literacy Grant programs. These transactions have been accounted for in a Restricted Purpose Fund.

Basis of accounting: The financial statements have been prepared on the modified accrual basis. Expenditures include all accounts payable representing liabilities for goods and services actually received as of June 30, 2012. Funds obligated for goods prior to June 30 for which the goods are received prior to August 31 (if any) are recorded as fund balances reserved for encumbrances. Unexpended funds are reflected as a reduction to fund balance and a liability due to the ICCB by October 15.

Capital assets: Capital asset purchases are recorded as capital outlay expenditures and not capitalized.

Background Information on State Grant Activity

Unrestricted Grants

Base Operating Grants: General operating funds provided to colleges based upon credit enrollment.

Equalization Grants: Grants provided to institutions with less than the statewide average local tax dollars available per full-time equivalent student.

Restricted Grants

Workforce Development Component Grants: This grant provides funding for a business/industry center at every college to provide a variety of employment training and business services outside of the classroom.

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

Restricted Adult Education Grants/State

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

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

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

**Schedule of Enrollment Data and Other Bases
Upon Which Claims Are Filed**



**Independent Accountant's Report on the Schedule of Enrollment
Data and Other Bases Upon Which Claims are Filed**

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

We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed (Schedule) of Heartland Community College District #540 (District) for the year ended June 30, 2012. The District's management is responsible for the Schedule. Our responsibility is to express an opinion on this schedule based on our examination.

Our examination was conducted in accordance with guidelines of the Illinois Community College Board's *Fiscal Management Manual* and attestation standards established by the American Institute of Certified Public Accountants, and, accordingly, included examining, on a test basis, evidence supporting the District's Schedule and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed is presented in conformity with the provisions of the aforementioned guidelines.

This report is intended solely for the information and use of the District's 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.

McGladrey LLP

Springfield, Illinois
October 12, 2012

**Heartland Community College
Community College District #540**

**Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed
Year Ended June 30, 2012**

(Notes 1 and 2)	Total Reimbursable Semester Credit Hours by Term						(Note 3)	
	Summer		Fall		Spring		Total	
Categories	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Baccalaureate	9,024.5	75.0	36,987.5	50.0	33,829.0	70.0	79,841.0	195.0
Business Occupational	299.0	-	1,738.0	-	1,366.5	-	3,403.5	-
Technical Occupational	208.0	-	1,938.5	-	2,149.5	66.0	4,296.0	66.0
Health Occupational	761.0	80.0	2,304.0	-	2,389.0	80.0	5,454.0	160.0
Remedial Developmental	805.0	-	6,328.0	-	5,005.0	-	12,138.0	-
Adult Basic Education/ Adult Secondary Education	672.0	-	1,064.0	999.0	1,810.0	1,461.0	3,546.0	2,460.0
Total credit hours certified	11,769.5	155.0	50,360.0	1,049.0	46,549.0	1,677.0	108,678.5	2,881.0

Note 1: Unrestricted credit hours are supported with 50% or more of unrestricted sources of funding and are reimbursable if they meet all eligibility requirements.

Note 2: Restricted credit hours are supported with more than 50% of restricted sources of funding.

Note 3: Total of unrestricted and restricted should equal the S - 3 record totals.

	Attending In-District	Attending Out-of-District on Chargeback or Contractual Agreement	Total
Semester credit hours (all terms)	82,986.5	448.0	83,434.5
Reimbursable Semester Credit Hours (All Terms)	<u>Dual Credit</u> 1,789.0	<u>Dual Enrollment</u> 318.0	

District equalized assessed valuation - Prior Year \$ 4,118,116,444

See Note to Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed.

**Heartland Community College
Community College District #540**

**Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed (Continued)
Year Ended June 30, 2012**

Reconciliation of Total Semester Credit Hours

Categories	Total	Total	Difference	Total	Total	Difference
	Unrestricted Credit Hours	Unrestricted Credit Hours Certified to the ICCB		Restricted Credit Hours	Restricted Credit Hours Certified to the ICCB	
Baccalaureate	79,841.0	79,841.0	-	195.0	195.0	-
Business Occupational	3,403.5	3,403.5	-	-	-	-
Technical Occupational	4,296.0	4,296.0	-	66.0	66.0	-
Health Occupational	5,454.0	5,454.0	-	160.0	160.0	-
Remedial Developmental	12,138.0	12,138.0	-	-	-	-
Adult Basic Education/ Adult Secondary Education	3,546.0 -	3,546.0 -	- -	2,460.0 -	2,460.0 -	- -
	<u>108,678.5</u>	<u>108,678.5</u>	<u>-</u>	<u>2,881.0</u>	<u>2,881.0</u>	<u>-</u>

Reconciliation of In-District/Chargeback Reimbursable Credit Hours

	Total	Total	Difference
	Attending	Attending as Certified to the ICCB	
Reimbursable in-district residents	82,986.5	82,986.5	-
Reimbursable out-of-district on chargeback or contractual agreement	448.0	448.0	-
	<u>83,434.5</u>	<u>83,434.5</u>	<u>-</u>

See Note to Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed.

**Heartland Community College
Community College District # 540**

**Note to Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed
Year Ended June, 30 2012**

Note 1. Residency Verification Process

PROCEDURES FOR VERIFYING AND CLASSIFYING RESIDENCY

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

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

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

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

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

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

Uniform Financial Statement Section

Heartland Community College
Community College District #540

UNIFORM FINANCIAL STATEMENT NO. 1
ALL FUNDS SUMMARY
Year Ended June 30, 2012

	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 July 1, 2011	\$ 2,450,829	\$ 1,824,979	\$ 336,416	\$ 687,651	\$ 3	\$ 1,761,821	\$ 3,900,000	\$ 9,691	\$ 1	\$ 10,971,391
Revenues:										
Local Tax Revenue	8,305,646	2,833,367	39,649	6,700,637	-	-	-	123,666	2,272,096	20,275,061
All Other Local Revenue	-	-	3,300,000	-	-	4,536,224	-	-	-	7,836,224
ICCB Grants	2,121,564	35,004	-	-	-	208,446	-	-	-	2,365,014
All Other State Revenue	-	-	-	-	-	1,759,069	-	-	-	1,759,069
Federal Revenue	12,472	8,089	-	-	23,047	12,405,015	-	-	-	12,448,623
Student Tuition and Fees	15,287,343	700,000	-	-	1,127,667	244,695	-	-	-	17,359,705
All Other Revenue	3,178,767	949	83,724	3,759	647,833	100,901	8,526	57	907	4,025,423
Total Revenue	<u>28,905,792</u>	<u>3,577,409</u>	<u>3,423,373</u>	<u>6,704,396</u>	<u>1,798,547</u>	<u>19,254,350</u>	<u>8,526</u>	<u>123,723</u>	<u>2,273,003</u>	<u>66,069,119</u>
Expenditures										
Instruction	13,257,895	-	-	-	-	526,282	-	-	12,392	13,796,569
Academic Support	1,294,273	-	-	-	-	287,458	-	-	1,553	1,583,284
Student Services	2,696,052	-	-	-	-	131,606	-	-	9,572	2,837,230
Public Service/Continuing Education	3,200,194	-	-	-	-	450,603	-	-	1,627	3,652,424
Auxiliary Services	37,268	-	-	-	1,445,895	76,939	-	-	-	1,560,102
Operations and Maintenance	-	3,028,989	3,774,503	-	-	2,845,181	-	-	1,166,307	10,814,980
Institutional Support	6,517,207	140,163	-	943,330	112,173	6,758,818	-	122,615	1,071,378	15,665,684
Scholarships, Grants, Waivers	1,668,037	-	-	-	369,096	11,318,553	-	-	-	13,355,686
Total Expenditures	<u>28,670,926</u>	<u>3,169,152</u>	<u>3,774,503</u>	<u>943,330</u>	<u>1,927,164</u>	<u>22,395,440</u>	<u>-</u>	<u>122,615</u>	<u>2,262,829</u>	<u>63,265,959</u>
Net transfers	<u>(132,100)</u>	<u>(304,451)</u>	<u>305,177</u>	<u>(5,697,400)</u>	<u>139,900</u>	<u>5,697,400</u>	<u>(8,526)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2012	<u>\$ 2,553,595</u>	<u>\$ 1,928,785</u>	<u>\$ 290,463</u>	<u>\$ 751,317</u>	<u>\$ 11,286</u>	<u>\$ 4,318,131</u>	<u>\$ 3,900,000</u>	<u>\$ 10,799</u>	<u>\$ 10,175</u>	<u>\$ 13,774,551</u>

Heartland Community College
Community College District #540

UNIFORM FINANCIAL STATEMENT NO. 2
SUMMARY OF FIXED ASSETS AND DEBT
Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance July 1, 2012
Fixed Assets				
Land and site improvements	\$ 4,368,661	\$ -	\$ -	\$ 4,368,661
Buildings	116,663,485	4,433,289	-	121,096,774
Furniture and equipment	7,604,087	5,369,680	215,848	12,757,919
Infrastructure	14,267,947	573,498	-	14,841,445
Construction in progress	281,168	4,111,529	4,307,847	84,850
	143,185,348	14,487,996	4,523,695	153,149,649
Accumulated Depreciation	(19,700,474)	(4,430,553)	(215,846)	(23,915,181)
Net Fixed Assets	\$ 123,484,874	\$ 10,057,443	\$ 4,307,849	\$ 129,234,468
Fixed Debt				
General obligation bonds	\$ 80,580,000	\$ 4,500,000	\$ 3,065,000	\$ 82,015,000
General obligation debt certificates	1,700,000	3,300,000	-	5,000,000
Capital lease obligations	267,100	-	82,991	184,109
Total Fixed Liabilities	\$ 82,547,100	\$ 7,800,000	\$ 3,147,991	\$ 87,199,109

**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 3
OPERATING FUND REVENUES AND EXPENDITURES
Year Ended June 30, 2012**

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
OPERATING REVENUES BY SOURCE			
Local Government Revenue:			
Local Taxes	\$ 8,305,646	\$ 2,060,941	\$ 10,366,587
Corporate Personal Property Replacement Tax	-	772,426	772,426
TOTAL LOCAL GOVERNMENT	8,305,646	2,833,367	11,139,013
State Government:			
ICCB Base Operating Grant	1,898,065	35,004	1,933,069
ICCB Equalization Grant	50,000	-	50,000
ICCB Career & Technical Education	173,499	-	173,499
TOTAL STATE GOVERNMENT	2,121,564	35,004	2,156,568
Federal Government:			
Dept. of Education	12,472	-	12,472
Base Operating Grant ARRA Funds	-	8,089.00	8,089
TOTAL STATE GOVERNMENT	12,472	8,089	20,561
Student Tuition and Fees			
Tuition	14,369,396	700,000	15,069,396
Fees	917,947	-	917,947
TOTAL STUDENT TUITION AND FEES	15,287,343	700,000	15,987,343
Other Sources			
Sales and Service Fees	3,003,378	-	3,003,378
Facilities Revenue	78,219	-	78,219
Investment Revenue	3,085	949	4,034
Other	94,085	-	94,085
TOTAL OTHER SOURCES	3,178,767	949	3,179,716
TOTAL REVENUE	\$ 28,905,792	\$ 3,577,409	\$ 32,483,201

**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 3
OPERATING FUND REVENUES AND EXPENDITURES - CONTINUED
Year Ended June 30, 2012**

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Expenditures by Program			
Instruction	\$ 13,257,895	\$ -	\$ 13,257,895
Academic Support	1,294,273	-	1,294,273
Student Services	2,696,052	-	2,696,052
Public Service/Continuing Education	3,200,194	-	3,200,194
Auxiliary Services	37,268	-	37,268
Operations and Maintenance	-	3,028,989	3,028,989
Institutional Support	6,517,207	140,163	6,657,370
Scholarships, Grants, Waivers	1,668,037	-	1,668,037
TOTAL EXPENDITURES BY PROGRAM	28,670,926	3,169,152	31,840,078
Less Non-Operating Items			
Transfers to Nonoperating Funds	132,100	304,451	436,551
ADJUSTED EXPENDITURES	\$ 28,803,026	\$ 3,473,603	\$ 32,276,629
Expenditures by Object			
Salaries	\$ 18,728,958	\$ 544,096	\$ 19,273,054
Employee Benefits	2,658,741	99,565	2,758,306
Contractual Services	2,468,478	730,187	3,198,665
General Materials and Supplies	1,759,063	213,610	1,972,673
Library Materials**	76,900	-	76,900
Conference and Meeting Expenses	577,291	18,206	595,497
Fixed Charges	258,133	159,032	417,165
Utilities	-	1,192,114	1,192,114
Capital Outlay	5,780	212,342	218,122
Other	2,214,482	-	2,214,482
Scholarships, Grants, Waivers**	1,668,037	-	1,668,037
TOTAL EXPENDITURES BY OBJECT	28,670,926	3,169,152	31,840,078
Less Non-Operating Items			
Transfers	132,100	304,451	436,551
ADJUSTED EXPENDITURES	\$ 28,803,026	\$ 3,473,603	\$ 32,276,629

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

**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 4
RESTRICTED PURPOSES FUND REVENUES AND EXPENDITURES
Year Ended June 30, 2012**

REVENUE BY SOURCE:

TOTAL LOCAL GOVERNMENT	\$	4,536,224
State Government		
ICCB - Workforce Development-Business/Industry Grants		50,933
ICCB - Program Improvement Grant		9,442
ICCB - Adult Education		146,991
ICCB - Special Initiatives Grant		1,080
Illinois Student Assistance Commission		759,524
Other		999,545
TOTAL STATE GOVERNMENT		<u>1,967,515</u>
Federal Government		
Dept. of Education		11,254,477
Dept. of Labor		42,146
Dept. of Health & Human Services		11,725
Other		1,096,667
TOTAL FEDERAL GOVERNMENT		<u>12,405,015</u>
Other Sources		
Tuition and Fees		244,695
Other		100,901
TOTAL OTHER SOURCES		<u>345,596</u>
TOTAL RESTRICTED PURPOSES FUND REVENUES	\$	<u><u>19,254,350</u></u>

EXPENDITURES BY PROGRAM

Instruction	\$	526,282
Academic Support		287,458
Student Services		131,606
Public Service/Continuing Education		450,603
Auxiliary Services		76,939
Operations and Maintenance		2,845,181
Institutional Support		6,758,818
Scholarships, Grants and Waivers		11,318,553
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES BY PROGRAM	\$	<u><u>22,395,440</u></u>

EXPENDITURES BY OBJECT

Salaries	\$	784,393
Employee Benefits		106,501
Contractual Services		826,696
Student Financial Aid		11,318,553
General Materials and Supplies		912,852
Travel & Conference//Meeting Expenses		94,670
Fixed Charges		5,477,323
Utilities		4,287
Capital Outlay		2,814,340
Other		55,825
Scholarships, Grants and Waivers*		11,318,553
TOTAL RESTRICTED PURPOSES FUND EXPENDITURES BY OBJECT	\$	<u><u>22,395,440</u></u>

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

**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 5
CURRENT FUNDS* EXPENDITURES BY ACTIVITY
Year Ended June 30, 2012**

INSTRUCTION

Instructional Programs	\$ 13,796,569
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ACADEMIC SUPPORT

Library Center	482,668
Educational Media Services	225,985
Academic Administration and Planning	419,572
Other	<u>455,059</u>

Total Academic Support	1,583,284
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STUDENT SERVICES

Admissions and Records	467,670
Counseling and Career Services	1,177,345
Financial Aid Administration	411,711
Other	<u>780,504</u>

Total Student Services Support	2,837,230
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PUBLIC SERVICE/CONTINUING EDUCATION

Community Education	2,910,595
Customized Training (Instructional)	317,402
Community Services	174,968
Other	<u>249,459</u>

Total Public Service/Continuing Education	3,652,424
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AUXILIARY SERVICES

1,560,102

(Continued)

**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 5
CURRENT FUNDS* EXPENDITURES BY ACTIVITY (CONTINUED)
Year Ended June 30, 2012**

OPERATIONS AND MAINTENANCE OF PLANT

Maintenance	\$ 985,904
Custodial Services	761,497
Grounds	68,644
Campus Security	705,245
Transportation	61,229
Utilities	1,057,714
Administration	361,193
Other	<u>3,039,051</u>
 Total Operations and Maintenance of Plant	 7,040,477

INSTITUTIONAL SUPPORT

Executive Management	1,239,422
Fiscal Operations	643,623
Community Relations	1,047,170
Administrative Support Services	704,038
Board of Trustees	17,966
General Institutional	2,273,210
Institutional Research	155,940
Administrative Data Processing	3,161,377
Other	<u>5,479,608</u>
 Total Institutional Support	 14,722,354

SCHOLARSHIPS, STUDENTS GRANTS, & WAIVERS 13,355,686

TOTAL CURRENT FUNDS EXPENDITURES \$ 58,548,126

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

Federal Financial and Compliance Section



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of Heartland Community College District #540 (District) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. 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.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

This report is intended solely for the information and use of the Board of Trustees, management, the Illinois Community College Board, the U.S. Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey LLP

Springfield, Illinois
October 12, 2012



Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the Heartland Community College District #540's (District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, the Illinois Community College Board, the U.S. Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Springfield, Illinois
October 12, 2012

**Heartland Community College
Community College District #540**

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Aid Cluster (Direct)			
Federal Pell Grant Program	(m) 84.063	N/A	\$ 6,052,478
Federal Supplemental Educational Opportunity Grants	(m) 84.007	N/A	90,424
Federal Work-Study Program	(m) 84.033	N/A	84,679
Federal Direct Student Loans	(m) 84.268	N/A	4,344,033
Federal Academic Competiveness Grants	(m) 84.375	N/A	588
Student Financial Aid subtotal			<u>10,572,202</u>
TRIO - Student Support Services (Direct)	84.042	N/A	213,792
Heartland Equity & Inclusion Paraprofessional			
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities - Heartland Equity & Inclusion Paraprofessional Preservice Program Improvement Project	84.325N	N/A	148,429
Pass-through Southwestern Illinois Community College			
Fund for the Improvement of Postsecondary Education IGEN 600K Grant	84.116Z	P116Z100257	32,165
Pass-through Illinois Community College Board			
Adult Education - Basic Grants to States			
Federal Adult Education-Basic	84.002	54001	77,517
EL/Civics Program	84.002	54001	6,907
			<u>84,424</u>
Career and Technical Education - Basic Grants to State - V.E. Perkins Title II Postsecondary/Adult	84.048	CTE54012	186,848
Career and Technical Education - Basic Grants to State - V.E. Perkins Innovation Strand III	84.048	CTEL11540	1,617
Career and Technical Education - Basic Grants to State - V.E. Perkins Local Programs of Study Implementation Grant	84.048	CTEL12POS1540	15,000
Total U.S. Department of Education			<u>11,254,477</u>
U.S. Department of State			
Pass-through Kirkwood Community College			
Academic Exchange Programs - Undergraduate Programs			
Community College Summit Initiative Program	19.009	34-00-09-94570-67011	33,443
	19.009	34-00-09-94662-67011	17,740
	19.009	34-00-09-94680-67011	65,131
	19.009	34-00-09-94006-62600	1,195
			<u>117,509</u>

(m) denotes major program

(Continued)

**Heartland Community College
Community College District #540**

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Labor			
Pass-through College of Lake County Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	TC-22517-11-60-A-17	\$ 42,146
Total U.S. Department of Labor			<u>42,146</u>
U.S. Department of Health and Human Services			
Pass-through Mid-Central Community Action Community Services Block Grant	93.569	CSBG	1,279
Pass-through Illinois Department of Human Services Child Care and Development Block Grant	93.575	01001490B 80408490W	5,339 <u>5,107</u> <u>10,446</u>
Total U.S. Department of Health and Human Services			<u>11,725</u>
U.S. Department of Agriculture			
Pass-through State Board of Education Child and Adult Care Food Program	10.558	1376002057	23,047
Pass-through Illinois Buffer Partnership/National Fish and Wildlife Foundation Tress Forever	10.683	2011 IBP Cost	<u>1,925</u>
Total U.S. Department of Agriculture			<u>24,972</u>
National Aeronautics and Space Administration			
Pass-through Museum Science & Industry - Education NRA/Competitive Program for Science Museums and Planetariums (Mission To Mars)	43.008	NNX10AD93G	46,528
Pass-through Challenger Center For Space Science NASA K-12 Cooperative Agreements Notice (CAN)	00.001	NNX10AD34A	<u>6,418</u>
Total National Aeronautics and Space Administration			<u>52,946</u>
U.S. Department of Energy			
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance Illinois Community College Sustainability Network	81.117	N/A	22,014
Pass-through Illinois Department of Commerce and Economic Opportunity State Energy Program Community Renewable Energy Program (Wind Turbine) ARRA	(m) 81.041	09-462013	924,725
Pass-through Midwest Renewable Energy Association Renewable Energy Research and Development Recovery Act: A Partnership Model to Build Solar Training Capacity in the Midwest ARRA	81.087	EE0002089-IL	465
Total U.S. Department of Energy			<u>947,204</u>
Total Expenditures of Federal Awards			<u>\$ 12,450,979</u>

(m) denotes major program

See Notes to Schedule of Expenditures of Federal Awards

**Heartland Community College
Community College District #540**

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Heartland Community College, Community College District #540 (District) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Non-Cash Assistance

The District did not receive any non-cash assistance through federal award programs during the year ended June 30, 2012.

Note 3. Loans Outstanding

The federal award programs of the District had no outstanding loan balances nor were there any loan guarantees as of June 30, 2012.

Note 4. Insurance

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

**Heartland Community College
Community College District #540**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	<u> X </u> None Reported	

Type of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes	<u> X </u> No	

Identification of major programs:	
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033, 84.268, 84.375 81.041	Student Financial Aid Cluster State Energy Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
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**Heartland Community College
Community College District #540**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

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

A. Internal Control

None

B. Compliance Findings

None

III. Findings and Questioned Costs for Federal Awards

A. Internal Controls

None

B. Compliance Findings

No findings noted

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

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

A. Internal Control

None

B. Compliance Findings

None

II. Findings and Questioned Costs for Federal Awards

A. Significant Deficiencies in Internal Control

See Finding 11-01 below

B. Compliance Findings

Finding 11-01

Finding:

The District disbursed funds in excess of the amount eligible based on student's enrollment status.

Corrective Action Taken:

The Federal Pell Grant over-awarded to the student in question was reduced to the correct amount based on actual spring 2011 completed hours. A query was also developed to find all financial aid recipients who were enrolled in second eight week classes for fall 2010 and/or spring 2011. Financial aid awards were checked and it revealed that all students were disbursed the correct amount of financial aid for the hours enrolled. The District has implemented a procedure to ensure that students who are enrolled in non-standard (not 16-week) and later-starting sessions are only disbursed the appropriate aid after the census dates for the enrolled sessions have passed. This process was implemented immediately and will continue for each semester.