


# HIGHLAND COMMUNITY COLLEGE

BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

HIGHLAND COMMUNITY COLLEGE
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2024

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BASIC FINANCIAL STATEMENTS
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# INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Highland Community College

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Highland Community College (the College), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Highland Community College Foundation (the Foundation) discretely presented component unit as of June 30, 2024, and the respective changes in financial position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditor.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained *in Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*; and the Kansas Municipal Audit and Accounting Guide (KMAAG). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and KMAAG.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules listed under supplementary information in the accompanying table of contents, including the schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

BT & Co., P.A.

February 27, 2025
Topeka, Kansas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### Introduction

This section of Highland Community College's (HCC) Basic Financial Statements and Supplementary Information presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2024, and is designed to focus on current activities. Therefore, please read this MD&A in conjunction with the accompanying financial statements and footnotes. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles. HCC has adopted GASB statements 34 and 35 on *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The standards established by the GASB principles were used for preparation of public college financial statements that focus on aggregate operations, versus the previous standards that focus on the activity of an individual fund. The report consists of three basic financial statements that provide information on the College as a whole: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Comparative data from prior year will also be discussed.

### Background

HCC serves over all or parts of nine counties in Kansas with authority to levy taxes on one: Doniphan County. HCC's revenue sources for the general fund are received from the State of Kansas, students, the taxpayers of Doniphan County, and other sources.

The Kansas Board of Regents is responsible for the coordination of all 19 Kansas community colleges and for the governance and coordination of the public universities and technical schools and colleges in Kansas. A locally elected Board of Trustees, made up of six residents of Doniphan County, govern HCC.

The State of Kansas, through oversight by the Kansas Board of Regents, provides the College with an operating grant, which was historically based upon the College's full-time equivalency enrollment of Kansas residents. Other funds provided through the Kansas Board of Regents include Capital Outlay funds for technical credit courses, Technology Grant funds for student technology upgrades in the College, and Tuition Waivers for Kansas High School students participating in Postsecondary Technical Education Courses.

HCC continues to receive postsecondary aid and capital outlay funds for the technical credit courses. The revenues and the tuition and fees generated by the technical courses are received into a separate Postsecondary Technical Education fund to support the operations of the technical center in Atchison, and to provide technical course offerings at the College's other locations. The State's funding mechanism for Technical Education is also through an operating grant, which is quite similar to the operating grant provided to community colleges. The operating grant for Technical Education has also changed into a block grant format.

### Economic Outlook

Funding of higher education will remain limited from traditional state and federal sources. With decreasing enrollment, HCC will continue to increase its marketing efforts with additional admission employees and updating marketing tactics to attract potential students. HCC will evaluate adding higher demand programs that could help turn around the trend of decreasing enrollment. HCC increased tuition and fees in FY 2024 and plans another increase in FY25.

The HCC Board of Trustees voted to increase the mill levy in August 2024. The increase will greatly assist with the funding that is needed to continue providing a quality education to its students. HCC Administration will continue to monitor the mill levy and other sources of revenue for assistance with funding.

Higher prices due to inflation have negatively impacted the College. Costs for utilities, insurance, and most expense items have increased significantly which impacts expense management. The College continues to monitor expenses by reviewing departmental budgets and will limit spending as necessary.

**Using This Annual Report**

The financial statements focus on the College as a whole. The College's financial statements are designed to emulate corporate presentation models whereby the College activities are consolidated into one total. The focus of the Statement of Net Position is designed to be similar to bottom line results for the College. This financial statement combines and consolidates current financial resources (short-term unrestricted resources) with capital assets and long-term liabilities. The Statement of Revenues, Expenses, and Changes in Net Position focuses on operating revenue, operating expenses by function, and non-operating revenue/expenses which are supported mainly by tuition and fees, property taxes, state, federal, and other revenues. This approach is intended to summarize and simplify the user's analysis of cost related to college service to students and the public.

The remainder of the MD&A highlights the structure and contents of the primary government's financial statements. For detailed information pertaining to the Foundation (the College's discretely presented component unit), refer to the separately issued Foundation financial statements for the year ended June 30, 2024.

**Comparative Analysis of Net Position – Fiscal Years 2024 and 2023**

| | Net Position as of June 30 | | Increase | Percent |
|---|---|---|---|---|
| | 2024 | 2023 | (Decrease) | Change |
| ASSETS | | | | |
| Current assets | $ 1,901,522 | $ 1,673,214 | $ 228,308 | 13.6% |
| Capital and amortized assets | 15,708,305 | 16,316,902 | (608,597) | -3.7% |
| Other assets | 378,391 | 463,086 | (84,695) | -18.3% |
| Total assets | 17,988,218 | 18,453,202 | (464,984) | -2.5% |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows - OPEB | 253,677 | 218,597 | 35,080 | 16% |
| Deferred outflows - pensions | 11,664 | 8,661 | 3,003 | 34.7% |
| Total deferred outflows of resources | 265,341 | 227,258 | 38,083 | 17% |
| LIABILITIES | | | | |
| Current liabilities | 2,432,189 | 1,946,431 | 485,758 | 25.0% |
| Non-current liabilities | 4,201,231 | 4,397,443 | (196,212) | -4.5% |
| Total liabilities | 6,633,420 | 6,343,874 | 289,546 | 4.6% |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred outflows - OPEB | 285,099 | 27,594 | 257,505 | 933% |
| Deferred outflows - pensions | 10,456 | 267,460 | (257,004) | -96% |
| Total deferred outflows of resources | 295,555 | 295,054 | 501 | 0% |
| NET POSITION | | | | |
| Net investment in capital assets | 11,638,416 | 12,065,359 | (426,943) | -3.5% |
| Restricted | 2,660 | 2,660 | - | 0.0% |
| Unrestricted | (316,492) | (26,487) | (290,005) | 1094.9% |
| Total net position | $ 11,324,584 | $ 12,041,532 | $ (716,948) | -6.0% |

This schedule is prepared from the college's Statement of Net Position which is presented on an accrual basis of accounting and the economic resources measurement focus whereby assets are capitalized and depreciated.

The College's total net position as of June 30, 2024, decreased from $12,041,532 to $11,324,584 or 6.0%.

In fiscal year 2024, the College's total assets decreased from $18,453,202 to $17,988,218, a decrease of 2.5%.

- Current assets increased from $1,673,214 to $1,901,522. The increase in current assets of $228,308 is primarily a result of an increase in Cash and cash equivalents compared with FY23.
    - Cash and cash equivalents increased $207,169 from $1,262,770 to $1,469,939.
    - Grants and Accounts receivable increased $21,139 from $338,504 in FY23 to $359,643 in FY24.
    - Prepaid and Inventories stayed the same.
- Noncurrent assets (Capital and Other assets) decreased $693,292 from $16,779,988 to $16,086,696.
    - Fixed asset purchases during FY23 were $678,679. The purchases were primarily for a parking lot re-pavement, pole barn at our Western Center, and welding equipment for our Tech Center.
    - Accumulated depreciation and amortization increased $1,411,925 in FY24.
    - Assets held for resale were $414,142 in FY23 compared with $318,384 in FY24. These are houses that are built by the Construction program. There is one completed house and one house that is in the construction phase. One house was sold in FY24 and the other should be completed and sold in FY25.
    - Textbook inventory decreased $3,952 from $8,934 to $4,982.

Total liabilities increased $289,546 from $6,343,874 to 6,633,420.

- Current liabilities increased $485,758 from $1,946,431 to $2,432,189.
    - Accounts payable and accrued liabilities increased $134,920 from $762,583 to $897,503.
    - Unearned revenue increased $105,008 from $465,522 to $570,530.
    - Accrued compensated absences decreased $100,736 from $271,221 to $170,485.
    - Loans payable, current portion increased $9,304 from $271,429 to $280,733.
- Noncurrent liabilities decreased $196,212 from $4,397,443 to $4,201,231.
    - Net pension liability increased $4,823 from $33,298 to $38,121.
    - OPEB liability increased $51,143 from $522,357 to $573,500.
    - Loans payable, long-term portion decreased $272,681 from $3,564,113 to 3,291,432 due to loan payments and no additional financing.
    - Right of use leased assets liability decreased $101,089 for the lease of the copy machines for five years.

**Fiscal Years 2024 and 2023 Financial Highlights**

As of June 30, 2024 the College's net position decreased from $12,041,532 to $11,324,584 or a decrease of $716,948 or 6.0%.

| | Year Ended June 30 | | Increase | Percent |
|---|---|---|---|---|
| | 2024 | 2023 | (Decrease) | Change |
| Operating revenues | $ 15,113,752 | $ 13,391,705 | $ 1,722,047 | 12.9% |
| Nonoperating revenues | 8,891,390 | 8,308,981 | 582,409 | 7.0% |
| Total revenues | 24,005,142 | 21,700,686 | 2,304,456 | 10.6% |
| Operating expenses | 24,626,984 | 24,574,511 | 52,473 | 0.2% |
| Nonoperating expenses | 95,106 | 164,589 | (69,483) | -42.2% |
| Total expenses | 24,722,090 | 24,739,100 | (17,010) | -0.1% |
| Decrease in net position | (716,948) | (3,038,414) | 2,321,466 | -76.4% |
| Net position, beginning of year | 12,041,532 | 15,079,946 | (3,038,414) | -20.1% |
| Net position, end of year | $ 11,324,584 | $ 12,041,532 | $ (716,948) | -6.0% |

- Total revenues increased $2,304,456 from $21,700,686 to $24,005,142 or 10.6%. This is primarily a result of an increase in tuition and fees, along with growth in our auxiliary enterprises.
- Total expenses decreased $17,010 from $24,739,100 to $24,722,090 or 0.1%.

**Fiscal Years 2024 and 2023 Comparative Statement of Cash Flows**

The Statement of Cash Flows presents information on the College's sources and uses of cash. Operating activities primarily reflect receipt of tuition and fees, grants, and auxiliary enterprises. It also reflects payments to suppliers, employees and employee benefits, and payments for scholarships. Non-capital financing activities are mainly those monies received from the state operating grant, post-secondary grant aid, and from the local tax base. Cash from capital and related financing activities is cash activity from capital asset purchases and long-term debt principal payments.

Cash and cash equivalents increased by 17.1% in fiscal year 2024. The four categories as defined by GASB are shown below:

| | June 30 | | Increase | Percent |
|---|---|---|---|---|
| | 2024 | 2023 | (Decrease) | Change |
| Operating activities | $ (7,818,737) | $ (9,265,718) | $ 1,446,981 | -15.6% |
| Non-capital financing activities | 8,839,084 | 8,279,018 | 560,066 | 6.8% |
| Capital financing activities | (946,227) | (957,762) | 11,535 | -1.2% |
| Investing activities | 148,064 | (205,382) | 353,446 | -172.1% |
| Net increase (decrease) | 222,184 | (2,149,844) | 2,372,028 | -110.3% |
| Cash and cash equivalents, beginning of year | 1,302,780 | 3,452,624 | (2,149,844) | -62.3% |
| Cash and cash equivalents, end of year | $ 1,524,964 | $ 1,302,780 | $ 222,184 | 17.1% |

**Fiscal Years 2024 and 2023 Comparative Debt Service Summary**

The College's outstanding debt increased $34,603 from FY23 to FY24. The small increase was due to the new notes payable – financed purchase less principal payments on outstanding debt over the fiscal year.

| | June 30 | | Increase | Percent |
|---|---|---|---|---|
| | 2024 | 2023 | (Decrease) | Change |
| Outstanding debt service: | | | | |
| 2019 Series COP's | $ 3,165,000 | $ 3,340,000 | $ (175,000) | -5.2% |
| Spring Hill Apartment loan | 78,630 | 103,314 | (24,684) | -23.9% |
| Winery incubator loan | 49,143 | 64,287 | (15,144) | -23.6% |
| Winery remodel loan | 279,392 | 327,941 | (48,549) | -14.8% |
| Right of use lease liability | 232,155 | 328,324 | (96,169) | - |
| Subscription liability | 265,569 | 87,677 | 177,892 | - |
| Notes payable - financed purchases | 261,027 | - | 261,027 | - |
| Compensated absences | 170,485 | 271,221 | (100,736) | -37.1% |
| Net pension liability | 38,121 | 33,298 | 4,823 | 14.5% |
| Total OPEB liability | 573,500 | 522,357 | 51,143 | 9.8% |
| Total outstanding debt service | $ 5,113,022 | $ 5,078,419 | $ 34,603 | 0.7% |

**Fiscal Years 2024 and 2023 Capital Asset Purchase Summary**

The College increased its capital assets purchases $187,331 from $494,348 in FY 2023 to $678,679 in FY 2024. Below is a summary of the major capital purchases and changes.

| | June 30 | | Increase | Percent |
|---|---|---|---|---|
| | 2024 | 2023 | (Decrease) | Change |
| Capital asset purchases: | | | | |
| Dorm remodel | $ - | $ 35,612 | $ (35,612) | -100.0% |
| Tech Center parking lot re-pavement | 188,735 | - | 188,735 | 0.0% |
| Laundry Facility - CIP | - | 273,992 | (273,992) | 0.0% |
| Vehicles | 15,000 | - | 15,000 | 100.0% |
| Pole barn | 41,915 | - | 41,915 | 100.0% |
| Flooring | 57,791 | - | 57,791 | 100.0% |
| Computers and equipment | 375,238 | 148,024 | 227,214 | 153.5% |
| Leasehold improvements | - | 36,720 | (36,720) | -100.0% |
| Total capital asset purchases | $ 678,679 | $ 494,348 | $ 184,331 | 37.3% |

**Factors Bearing on the College's Future**

At the time these financial statements were prepared and audited, the College had experienced a decrease in enrollment. In addition, higher inflation has increased expenses at the college. It is unclear when this inflation will level off or start decreasing. The higher inflationary costs make expense management more difficult. HCC will continue to review funding sources and work towards the goal of increased financial performance as it continues to serve its students and the community.

**Request for Information**

This financial report is designed to provide a general overview of Highland Community College's finances to all those interested in HCC's accountability for the revenue it receives. Questions, concerns, or additional information regarding this report or any information contained herein should be directed to the Vice President of Finance and Operations, 606 W. Main, Highland, Kansas 66035.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2024

| | Primary Institution |
|---|---|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | $ 1,469,939 |
| Receivables: | |
| Grants | 178,886 |
| Accounts, net of allowances of $ 168,565 | 180,757 |
| Prepaid items | 2,028 |
| Inventories | 69,912 |
| Total current assets | 1,901,522 |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | 55,025 |
| Assets held for resale | 318,384 |
| Textbooks, net of accumulated depreciation of $ 40,455 | 4,982 |
| Capital assets: | |
| Land | 644,342 |
| Buildings and improvements | 28,760,458 |
| Furniture and equipment | 2,365,203 |
| Vehicles | 496,292 |
| Less accumulated depreciation | (17,062,640) |
| Amortized assets: | |
| Right-to-use leased equipment | 487,514 |
| Right-to-use subscription assets | 410,954 |
| Less accumulated amortization | (393,818) |
| Total noncurrent assets | 16,086,696 |
| Total assets | 17,988,218 |
| Deferred outflows of resources: | |
| Deferred outflows - OPEB | 253,677 |
| Deferred outflows - pensions | 11,664 |
| Total deferred outflows of resources | $ 265,341 |

(Continued)

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF NET POSITION
(Continued)
June 30, 2024

| | Primary Institution |
|---|---|
| Liabilities: | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | $ 897,503 |
| Deposits held in custody for others | 52,365 |
| Unearned revenue | 570,530 |
| Accrued compensated absences | 170,485 |
| Notes payable - financed purchases | 261,027 |
| Loans payable, current portion | 280,733 |
| Lease obligation payable, current portion | 101,089 |
| Subscription liability, current portion | 98,457 |
| Total current liabilities | 2,432,189 |
| Noncurrent liabilities: | |
| Net pension liability | 38,121 |
| Total OPEB liability | 573,500 |
| Loans payable | 3,291,432 |
| Lease obligation payable | 131,066 |
| Subscription liability | 167,112 |
| Total noncurrent liabilities | 4,201,231 |
| Total liabilities | 6,633,420 |
| Deferred inflows of resources: | |
| Deferred inflows - OPEB | 285,099 |
| Deferred inflows - pensions | 10,456 |
| Total deferred inflows of resources | 295,555 |
| Net position: | |
| Net investment in capital assets | 11,638,416 |
| Restricted for: | |
| Nonexpendable: | |
| Endowments | 2,660 |
| Unrestricted | (316,492) |
| Total net position | $ 11,324,584 |

See accompanying notes to basic financial statements.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2024

| | Primary Institution |
|---|---|
| Operating revenues: | |
| Student tuition and fees (net of scholarship allowances of $ 2,814,351) | $ 5,049,963 |
| Federal grants and contracts | 2,308,828 |
| State and local grants and contracts | 3,109,218 |
| Auxiliary enterprises | 3,057,415 |
| On-behalf payments | 1,218,264 |
| Gifts and contributions | 15,955 |
| Other operating revenues | 354,109 |
| Total operating revenues | 15,113,752 |
| Operating expenses: | |
| Education and general: | |
| Instruction | 5,259,973 |
| Institutional support | 4,229,540 |
| Financial aid | 2,572,054 |
| Academic support | 2,278,021 |
| Athletics | 2,075,266 |
| Student services | 2,052,500 |
| Operations and maintenance | 1,616,229 |
| Depreciation and amortization | 1,531,251 |
| Community service | 233,391 |
| Research | 66,255 |
| Auxiliary enterprises | 1,482,448 |
| Auxiliary depreciation | 11,792 |
| On-behalf payments | 1,218,264 |
| Total operating expenses | 24,626,984 |
| Operating loss | (9,513,232) |
| Nonoperating revenues (expenses): | |
| State and local appropriations | 3,958,591 |
| Property taxes | 2,273,178 |
| Pell grants | 2,403,150 |
| Investment income | 52,306 |
| Interest on indebtedness | (95,106) |
| Other nonoperating revenues | 204,165 |
| Net nonoperating revenues | 8,796,284 |
| Decrease in net position | (716,948) |
| Net position - beginning of year | 12,041,532 |
| Net position - end of year | $ 11,324,584 |

See accompanying notes to basic financial statements.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2024

| | Primary Institution |
|---|---|
| Cash flows from operating activities: | |
| Tuition and fees | $ 6,612,561 |
| Grants and contracts | 5,367,908 |
| Auxiliary enterprise charges | 3,057,415 |
| Gifts and contributions | 15,955 |
| Other receipts | 354,109 |
| Payments to suppliers | (7,170,453) |
| Payments to employees | (10,259,406) |
| Payments for employee benefits | (1,796,181) |
| Payments for scholarships and financial aid | (4,000,645) |
| Net cash from operating activities | (7,818,737) |
| Cash flows from noncapital financing activities: | |
| State appropriations | 3,958,591 |
| Property taxes | 2,273,178 |
| Pell grant | 2,403,150 |
| William D. Ford direct lending receipts | 1,437,139 |
| William D. Ford direct lending disbursements | (1,437,139) |
| Other | 204,165 |
| Net cash from noncapital financing activities | 8,839,084 |
| Cash flows from capital and related financing activities: | |
| Purchases of capital assets | (678,679) |
| Cash receipt from sale of capital assets | 33,416 |
| Purchases of textbooks | (7,840) |
| Proceeds from issuance of finance purchase | 520,000 |
| Principal paid on finance purchase payable | (258,973) |
| Principal paid on lease obligation payable | (96,169) |
| Principal paid on subscription liability | (99,499) |
| Principal paid on long-term debt | (263,377) |
| Interest paid on long-term debt | (95,106) |
| Net cash from capital and related financing activities | (946,227) |
| Cash flows from investing activities: | |
| Additions to assets held for resale, net | (86,275) |
| Cash receipt from sale of assets held for resale | 182,033 |
| Interest on investments | 52,306 |
| Net cash from investing activities | 148,064 |
| Net increase in cash and cash equivalents | 222,184 |
| Cash and cash equivalents, beginning of year | 1,302,780 |
| Cash and cash equivalents, end of year | $ 1,524,964 |
| Reconciliation of cash and cash equivalents to statement of net position: | |
| Unrestricted cash and cash equivalents | $ 1,469,939 |
| Restricted cash and cash equivalents | 55,025 |
| Total cash and cash equivalents, end of the year | $ 1,524,964 |

(Continued)

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
(Continued)
Year Ended June 30, 2024

| | Primary Institution |
|---|---|
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | $ (9,513,232) |
| Adjustments to reconcile operating loss to net cash from operating activities: | |
| Depreciation and amortization | 1,543,043 |
| Changes in assets and liabilities: | |
| Grants receivable | (155,146) |
| Accounts receivable, net | 134,007 |
| Deferred outflows - OPEB | (3,003) |
| Deferred outflows - pensions | (35,080) |
| Accounts payable and accrued liabilities | 134,920 |
| Deposits held in custody for others | 15,015 |
| Unearned revenue | 105,008 |
| Accrued compensated absences | (100,736) |
| Net pension liability | 4,823 |
| Total OPEB liability | 51,143 |
| Deferred inflows - OPEB | 17,639 |
| Deferred inflows - pensions | (17,138) |
| Net cash from operating activities | $ (7,818,737) |
| Noncash investing, capital, and financing activities: | |
| Right-to-use subscription assets acquired through subscription liabilities | $ 277,391 |

See accompanying notes to basic financial statements.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
COMPONENT UNIT
June 30, 2024

| | Foundation |
|---|---|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | $ 144,588 |
| Note receivable | 78,712 |
| Total current assets | 223,300 |
| Noncurrent assets: | |
| Restricted investments | 5,754,027 |
| Other investments | 2,197 |
| Capital assets: | |
| Land | 662,920 |
| Total noncurrent assets | 6,419,144 |
| Total assets | 6,642,444 |
| Liabilities: | |
| Payables - other | 34,563 |
| Net assets: | |
| Without donor restrictions | 301,513 |
| With donor restrictions | 6,306,368 |
| Total net assets | $ 6,607,881 |

See accompanying notes to basic financial statements.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF ACTIVITIES
COMPONENT UNIT
Year Ended June 30, 2024

| | Foundation | | |
|---|---|---|---|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
| Operating revenues: | | | |
| Gifts and contributions | $ 6,142 | $ 262,404 | $ 268,546 |
| Net investment income | - | 620,959 | 620,959 |
| Net assets released from restriction | 493,604 | (493,604) | - |
| Total operating revenues | 499,746 | 389,759 | 889,505 |
| Operating expenses: | | | |
| Program services | 328,429 | - | 328,429 |
| Support services | 200,374 | - | 200,374 |
| Total operating expenses | 528,803 | - | 528,803 |
| Increase (decrease) in net assets from operations | (29,057) | 389,759 | 360,702 |
| Other revenues (expenses), net | - | 125,441 | 125,441 |
| Change in net assets | (29,057) | 515,200 | 486,143 |
| Net assets, beginning of year | 330,570 | 5,791,168 | 6,121,738 |
| Net assets, end of year | $ 301,513 | $ 6,306,368 | $ 6,607,881 |

See accompanying notes to basic financial statements.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
COMPONENT UNIT
Year Ended June 30, 2024

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ | 486,143 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Changes in operating assets and liabilities: | | |
| Note receivable | | 32,668 |
| Payables - other | | 12,363 |
| Net cash from operating activities | | 531,174 |
| Cash flows from investing activities: | | |
| Increase in investments | | (450,599) |
| Net increase in cash and cash equivalents | | 80,575 |
| Cash and cash equivalents, beginning of year | | 64,013 |
| Cash and cash equivalents, end of year | $ | 144,588 |

See accompanying notes to basic financial statements.

## 1 - Summary of Significant Accounting Policies

### Organization

Highland Community College (the College) was established in 1858 to provide a) college transfer and general education programs which parallel those courses usually offered during the first two years of a four-year program in the professions or liberal arts; b) occupational, vocational, and technical education programming which is designed to equip an individual with a marketable skill in two years or less; and c) continuing education programs which offer educational opportunities for personal growth, economic improvement, cultural development, and enrichment of personal and family living. For financial reporting purposes, the College is considered a special purpose government engaged only in business-type activities.

The Board of Trustees (the Board), a six-member group constituting an on-going entity, has governance responsibilities over all activities related to the College. In addition to revenues from student tuition and fees and from auxiliary enterprises of the College, the College receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have policy making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

### Financial Reporting Entity

Entities that are legally separate tax-exempt organizations are required to be reported in the College's financial statements if the resources of the affiliated organization benefit the College, the College is entitled to or can otherwise access the resources, and the resources are considered significant to the College.

*Discretely Presented Component Unit.* Highland Community College Foundation (the Foundation) is a legally separate tax-exempt component unit of the College. The Foundation was created to assist in the receipt, management, and distribution of economic resources to build and maintain academic and support programs for the College.

The Foundation is a nonprofit organization that reports under standards of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Complete financial statements for the Foundation can be obtained at the Foundation's administrative office at 606 W. Main, Highland, KS 66035.

*Blended Component Unit*. In January 2017, the College organized Highland Vineyards and Winery, LLC (the Company) under the laws of the State of Kansas for the purpose of operating a winery incubator program at the College. The College owns 100% of the outstanding capital stock of the Company. Although the Company is a legally separate organization, the College is financially accountable for the component unit. In addition, the Company's governing body is substantially the same as the governing body of the College. The financial statements of the Company have been included within the College's reporting entity. Separately issued financial statements for the Company are not available.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenses and the related assets, liabilities, deferred inflows and deferred outflows are recognized in the accounts and reported in the financial statements. Measurement focus refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America. With this measurement focus, all assets, all liabilities, and all deferred inflows and deferred outflows are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the College meets the cash flow needs of its activities. All significant intra-agency transactions have been eliminated.

The College distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with ongoing operations. The principal operating revenues of the College are student tuition and fees and sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Operating expenses include the costs of providing education and auxiliary services, administrative expenses, depreciation on capital assets and amortization on right-to-use assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted reserves are available to satisfy an expense.

Nonoperating transactions include property taxes, state and local appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from state and local appropriations and other contributions is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

Pell grant receipts are classified as nonoperating revenues and any amounts applied to student receivable accounts are recorded as scholarship discounts or allowances per guidance provided in GASB No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Cash and Cash Equivalents

Besides cash on hand and demand deposits in banks, the College considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Unearned Revenues

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of which reside in the State of Kansas. Accounts receivable are recorded net of estimated uncollectible amounts. Receivables from Federal and State governments are related to reimbursements pursuant to the College's grants and contracts with these governments. Unearned revenues include amounts received from tuition and fees and certain auxiliary enterprise activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Inventories

Inventories are recorded at the lower of cost or realized value, with cost determined using the first-in, first-out (FIFO) method.

Investments

The Foundation's investments are recorded at fair value based on quoted market prices. Unrealized gains and losses related to changes in fair value are reported in the Foundation's statement of activities.

Deferred Outflows of Resources/Deferred Inflows of Resources

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, *deferred outflows and deferred inflows of resources*, represent the consumption or acquisition of net position that applies to a future period and, therefore, will *not* be recognized as an outflow or inflow of resources (expense/expenditure or revenue) until then. The College has deferred outflows and deferred inflows for pensions and other post-employment benefits (OPEB) that qualify for reporting in this category. See Notes 7 and 8 for more information on these deferred outflows and deferred inflows.

Textbooks

Textbooks are assets that are being rented to the students of the College. Textbooks are depreciated using the sum-of-the-years digits method over their estimated useful life of three years. Depreciation expense is recorded in auxiliary enterprises.

Assets Held for Resale

Assets held for resale are houses built by the Technical Center Division of the College (the Technical Center) students and sold to the public once the housing project is complete. Assets held for resale are

recorded at cost which approximates fair value. The proceeds of the sales are used to fund future housing projects. The College had $ 318,384 in assets held for resale at June 30, 2024.

Capital Assets

Capital assets include land, buildings and improvements, furniture and equipment, and vehicles. Capital assets are defined by the College as assets with an initial individual cost of more than $ 5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major additions and improvements are capitalized. When assets are sold, the gain or loss on the sale is recorded as non-operating gains or losses.

The College's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets. Land and construction in progress are not depreciated. The estimated useful lives are:

| | |
|---|---|
| Buildings | 39 - 40 years |
| Building improvements | 5 - 20 years |
| Furniture and equipment | 3 - 50 years |
| Vehicles | 5 - 15 years |

The Foundation values donated capital assets at the estimated fair value of the asset at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Leases

The College is a lessee for a noncancellable lease of equipment. The College recognizes a lease obligation payable and intangible right-to-use lease asset (lease asset) in the statement of net position.

At the commencement of a lease, the College initially measures the lease obligation payable at the present value of the payments expected to be made during the lease term. Subsequently, the lease obligation payable is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease obligation payable, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the College determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The College uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the College generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease obligation payable are composed of fixed payments and purchase option price that the College is reasonable certain to exercise.

The College monitors changes in circumstances that would require a remeasurement of its leases and will remeasure lease assets and obligations payable if certain changes occur that are expected to significantly affect the amount of the lease obligations payable.

Lease assets are reported with amortized assets and lease obligations payable are reported with current and non-current liabilities on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITAs)

The College has entered into various SBITAs. The College recognizes a subscription liability and an intangible right-to-use subscription asset in the statement of net position.

At the commencement of a subscription, the College initially measures the subscription liability at the present value of subscription payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made before the subscription commencement date, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the subscription term.

Key estimates and judgments related to SBITAs include how the College determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The College uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the College generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and certain variable payments and other payments that are reasonably certain of being required.

The College monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liabilities.

Subscription assets are reported with amortized assets and subscription liabilities are reported with noncurrent liabilities on the statement of net position.

Compensated Absences

The College provides paid vacation to classified personnel based on length of service on a calendar year basis. The College provides paid vacation to administrative personnel at a standard rate, regardless of years of service. A maximum of 22 days may be carried over to the following year for vacation leave. Employees are paid for accumulated vacation upon termination of employment.

The provision for and accumulation of sick leave is based upon employment classification. Only retiring professional employees are compensated for unused sick leave. The maximum amount of accrued sick leave for which a retiring employee may be compensated is 25 percent of their accrued sick leave balance but not to exceed twenty work days.

Pensions

The employer contributions for community colleges are funded by the State of Kansas on behalf of these employers for active employees. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68. The State is treated as a nonemployer contributing entity in the Kansas Public Employees Retirement System (KPERS). Since these employers do not contribute directly to KPERS for active employees, there is no net pension liability or deferred inflows or outflows to report in their financial statements for active employees. See Note 7 for disclosures regarding the State's portion of the College's total proportionate share of the collective net pension liability that is associated with the College. The College recognizes pension expense associated with the College as well as revenue in an amount equal to the State's total proportionate share of the collective pension expense associated with the College.

The College does make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, known as "working after retirement" employees. The resulting proportional share of the "working after retirement" contributions and resulting net pension liability, deferred inflows of resources and deferred outflows of resources are attributable to the College. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position is classified as follows:

Net investment in capital assets – This represents the total investment in capital assets, net of accumulated depreciation and related debt.

Restricted net position – nonexpendable – This includes resources that are for endowment purposes. The corpus of the endowment is restricted by external third parties and cannot be expended.

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

Property Taxes

The lien date for property taxes is January 1. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 of the

year levied, with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. Billing and collection is done by Doniphan County. Assessed values are established by the Doniphan County appraiser's office.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates include allowances for doubtful accounts, estimated useful lives and salvage value of property, right-to-use leased assets and lease obligations payable, right-to-use subscription assets and subscription liabilities, net pension and total OPEB liability, and deferred outflows and inflows related to pension and OPEB amounts.

Income Taxes

The College, as a political subdivision of the State of Kansas, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

The Foundation is organized as a Kansas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as described in Section 501(c)(3). The Foundation has been classified as other than a private foundation by the Internal Revenue Service.

Pending Governmental Accounting Standards Board Statement

The Governmental Accounting Standards Board (GASB) has issued the following statement not yet implemented by the College.

GASB Statement No. 101, *Compensated Absences* - updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for the fiscal year ended June 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures* – The statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. That objective is achieved by assessing whether a concentration or constraint makes the primary government reporting units vulnerable to the risk of substantial impact. This Statement will become effective for the College in the fiscal year ended June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement will become effective for the College in the fiscal year ended June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34 and additional disclosures for capital assets held for sale. The requirements of this statement will become effective for the College in the fiscal year ended June 30, 2026.

## 2 - Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the current funds - unrestricted and plant funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

If the College is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The College did hold a revenue neutral hearing for this year's budget.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended June 30, 2024.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the cash basis of accounting, modified by the recording of encumbrances. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the College for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by using internal spending limits established by the Board.

3 - Cash and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the College. The statute requires banks eligible to hold the College's funds have a main or branch bank in the county in which the College is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest rate risk.

*Credit risk.* Kansas statutes limit the College's investment of idle funds to time deposits, open accounts, and certificates of deposit; repurchase agreements; U.S. government securities; notes; no-fund warrants; and the Kansas Municipal Investment Pool. All College deposits and investments are in cash and certificates of deposit at banks within the State of Kansas. The College has no investment policy that would further limit its investment choices. The Foundation is not required to follow Kansas Statutes and thus may invest in any instrument allowed by the Foundation's investment policies.

*Custodial credit risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes also require that the College's deposits in financial institutions be entirely covered by federal depository insurance or by collateral held under joint custody receipts issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. At June 30, 2024, the College's deposits were not exposed to custodial credit risk.

*Concentration of credit risk.* The College's deposit policy does not place any limitations on the percentage of the College's total deposits that may be with any one issuer. State statutes place no limit on the amount the College may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

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

As of June 30, 2024, the Foundation's investments, other than private equities were valued with quoted prices on the active market (Level 1 input), and private equities of $ 2,197 were valued using unobservable inputs (Level 3 input).

Investments held by the Foundation consisted of the following at June 30, 2024:

| | Cost | Fair Value | Unrealized Gain (Loss) |
|---|---|---|---|
| Cash and sweep balance | $ 12,472 | $ 12,472 | $ - |
| Money market funds | 269,257 | 269,257 | - |
| Fixed income | 612,735 | 611,532 | (1,203) |
| Public equities | 892,853 | 1,197,308 | 304,455 |
| Bond funds | 280,260 | 262,142 | (18,118) |
| Equity funds | 1,931,917 | 2,187,605 | 255,688 |
| Exchange traded funds | 935,395 | 1,095,347 | 159,952 |
| Other assets | 78,117 | 73,639 | (4,478) |
| Options (Short) | (2,860) | (1,968) | 892 |
| REIT/Alternative | 60,000 | 46,693 | (13,307) |
| Private equities | 25,000 | 2,197 | (22,803) |
| | $ 5,095,146 | $ 5,756,224 | $ 661,078 |

Investment income of the Foundation consisted of the following for the year ended June 30, 2024:

| | |
|---|---|
| Interest and dividends | $ 180,200 |
| Partnership distribution | 2,837 |
| Realized gains (losses) | (4,632) |
| Unrealized gains | 442,554 |
| | $ 620,959 |

## 4 - Capital Assets

Summaries of changes in capital assets follow:

| | Balance July 1, 2023 | Additions | Retirements | Balance June 30, 2024 |
|---|---|---|---|---|
| Highland Community College: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 644,342 | $ - | $ - | $ 644,342 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 28,624,759 | 288,441 | (152,742) | 28,760,458 |
| Furniture and equipment | 1,989,965 | 375,238 | - | 2,365,203 |
| Vehicles | 481,292 | 15,000 | - | 496,292 |
| Total capital assets being depreciated | 31,096,016 | 678,679 | (152,742) | 31,621,953 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (13,950,213) | (1,122,859) | 119,326 | (14,953,746) |
| Furniture and equipment | (1,482,144) | (180,925) | - | (1,663,069) |
| Vehicles | (419,458) | (26,367) | - | (445,825) |
| Total accumulated depreciation | (15,851,815) | (1,330,151) | 119,326 | (17,062,640) |
| Total capital assets being depreciated, net | 15,244,201 | (651,472) | (33,416) | 14,559,313 |
| Total capital assets, net | $ 15,888,543 | $ (651,472) | $ (33,416) | $ 15,203,655 |
| Amortized assets: | | | | |
| Right-to-use leased equipment | $ 487,514 | $ - | $ - | 487,514 |
| Right-to-use subscription asset | 133,563 | 277,391 | - | 410,954 |
| Total amortized assets | 621,077 | 277,391 | - | 898,468 |
| Less accumulated amortization for: | | | | |
| Right-to-use leased equipment | (170,625) | (97,500) | - | (268,125) |
| Right-to-use subscription asset | (22,093) | (103,600) | - | (125,693) |
| Total accumulated amortization | (192,718) | (201,100) | - | (393,818) |
| Net amortized assets | $ 428,359 | $ 76,291 | $ - | $ 504,650 |

| | Balance July 1, 2023 | Additions | Retirements | Balance June 30, 2024 |
|---|---|---|---|---|
| Foundation: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 662,920 | $ - | $ - | $ 662,920 |

## 5 - Agreement with Atchison Public Schools

The facilities and properties used by the Technical Center are owned by the Atchison Unified School District No. 409 (the District). As a result, the College entered into an agreement in 2008 with the District for use of the facilities and properties. The initial terms are for a ten-year period. At the expiration of the agreement, the parties may, at their option, extend the terms for an additional ten-year period. Under the agreement, in lieu of paying rent to the District, the College is responsible for paying insurance, maintenance, and utility costs of the facility and property during the term. Any construction or improvements to the facility remain the property of the District. The agreement has been extended through the year 2029.

6 - Long-Term Debt

2019 Series Certificates of Participation (COP) – Direct Borrowing

In fiscal year 2020, the College issued 2019 Series COPs with Security Bank in the amount of $ 3,835,000 to fund the new Diesel Technology Center in Atchison, Kansas and to pay off the loan and capital lease at Kansas State Bank. The COPs are due in annual installments ranging from $ 180,000 - $ 340,000 and bear interest at a variable rate ranging from 1.65% - 2.65%. The COPs are collateralized by a security interest in the diesel building. Final maturity of the COPs is February 2036. The total amount due from the College to Security Bank of Kansas City is $ 3,165,000 as of June 30, 2024.

Future payments required under the COPs are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 180,000 | $ 72,500 | $ 252,500 |
| 2026 | 185,000 | 69,260 | 254,260 |
| 2027 | 190,000 | 65,745 | 255,745 |
| 2028 | 210,000 | 62,135 | 272,135 |
| 2029 | 215,000 | 57,935 | 272,935 |
| 2030-2034 | 1,515,000 | 200,178 | 1,715,178 |
| 2035-2036 | 670,000 | 26,600 | 696,600 |
| | $ 3,165,000 | $ 554,353 | $ 3,719,353 |

Spring Hill Apartments Loan – Direct Borrowing

On May 29, 2020, the College entered into a loan agreement with the Foundation to purchase Spring Hill Apartments in the amount of $ 195,000. The loan is due in quarterly installments of $ 9,179 beginning October 2020 through July 2026 and bears interest at 4.00%. The total amount due from the College to the Foundation is $ 78,630 as of June 30, 2024.

Future payments required under the Spring Hill Apartments loan are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 34,079 | $ 2,638 | $ 36,717 |
| 2026 | 35,463 | 1,255 | 36,718 |
| 2027 | 9,088 | 91 | 9,179 |
| | $ 78,630 | $ 3,984 | $ 82,614 |

Winery Incubator Loan Payable – Direct Borrowing

In November 2016, the College entered into a loan agreement for $ 145,000 with the Bank of the Flint Hills for the purchase of a winery. The loan is due in annual installments of $ 17,545 and bears interest at 3.625%. The final maturity of the note is November 1, 2026. The loan is collateralized by a security interest in equipment. The total amount due from the College to Bank of Flint Hills for this loan is $ 49,143 as of June 30, 2024.

Future payments required under the winery incubator loan are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 15,767 | $ 1,778 | $ 17,545 |
| 2026 | 16,339 | 1,206 | 17,545 |
| 2027 | 17,037 | 580 | 17,617 |
| | $ 49,143 | $ 3,564 | $ 52,707 |

Winery Remodel Loan Payable – Direct Borrowing

On June 21, 2019, the College entered into a loan agreement with the Bank of the Flint Hills for remodeling the winery purchased in 2016. The loan is due in annual installments of $ 64,946 and bears interest at 5.000%. The final maturity of the note is June 21, 2029. The loan is collateralized by a security agreement dated October 11, 2018. The total amount due from the College to Bank of Flint Hills for this loan is $ 279,392 as of June 30, 2024.

Future payments required under the winery remodel loan are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 50,887 | $ 14,059 | $ 64,946 |
| 2026 | 53,431 | 11,515 | 64,946 |
| 2027 | 56,103 | 8,843 | 64,946 |
| 2028 | 58,908 | 6,038 | 64,946 |
| 2029 | 60,063 | 3,093 | 63,156 |
| | $ 279,392 | $ 43,548 | $ 322,940 |

Lease Obligation Payable

In September 2021, the College entered into a 60-month lease as lessee for the use of copiers. An initial obligation payable was recorded in the amount of $ 487,514. Monthly payments of $ 9,200 are made at an interest rate of 5.00%. The value of the right of use asset at June 30, 2024 was $ 487,514 with accumulated amortization of $ 268,125. Remaining lease term is 2.25 years.

The future minimum lease payments for subscription liability of the College are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 101,089 | $ 9,311 | $ 110,400 |
| 2026 | 106,261 | 4,139 | 110,400 |
| 2027 | 24,805 | 2,795 | 27,600 |
| | $ 232,155 | $ 16,245 | $ 248,400 |

Subscription Liability

The College entered into a 36-month subscription for the use of Canvas software. The initial subscription liability was recorded at $129,779. As of June 30, 2024, the value of the subscription liability is $ 45,520. The College is required to make annual fixed payments of $ 42,389. The subscription has an interest rate of 2.656%. The value of the right-to-use asset as of June 30, 2024 is $ 129,779 with accumulated amortization of $ 64,890.

The College entered into a 60-month subscription for the use of Element 451 software. The initial subscription liability was recorded at $190,172. As of June 30, 2024, the value of the subscription liability is $ 150,560. The College is required to make annual fixed payments of $ 40,000. The subscription has an interest rate of 2.450%. The value of the right-to-use asset as of June 30, 2024 is $ 190,172 with accumulated amortization of $ 41,210.

The College entered into a 60-month subscription for the use of KanREN internet circuit. The initial subscription liability was recorded at $ 85,707. As of June 30, 2024, the value of the subscription liability is $ 69,489. The College is required to make monthly fixed payments of $ 1,530. The subscription has an interest rate of 2.736%. The value of the right-to-use asset as of June 30, 2024 is $ 85,707 with accumulated amortization of $ 17,136.

The future minimum lease payments for subscription liability of the College are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 98,457 | $ 6,647 | $ 105,104 |
| 2026 | 54,296 | 4,064 | 58,360 |
| 2027 | 55,694 | 2,666 | 58,360 |
| 2028 | 57,122 | 1,235 | 58,357 |
| | $ 265,569 | $ 14,612 | $ 280,181 |

The College has entered into various SBITAs where the subscription liability has been paid off before year end with unamortized assets remaining. The details of these arrangements are as follows:

The College entered into a 36-month subscription for the use of AssetBots software. An initial subscription liability was recorded in the amount of $ 2,943. The value of the right-to-use asset as of June 30, 2024 is $ 2,943 with accumulated amortization of $ 1,148.

The College entered into a 24-month subscription for the use of Zoom accounts. An initial subscription liability was recorded in the amount of $ 841. The value of the right-to-use asset as of June 30, 2024 is $ 841 with accumulated amortization of $ 805.

The College entered into a 36-month subscription for the use of Pulseway server monitoring. An initial subscription liability was recorded in the amount of $ 1,512. The value of the right-to-use asset as of June 30, 2024 is $ 1,512 with accumulated amortization of $ 504.

Notes Payable – Financed Purchase

The College entered into a notes payable – financed purchase agreement for the acquisition of certain equipment in the amount of $ 520,000. The value of the equipment was $ 526,742 with $ 32,146 of accumulated amortization as of June 30, 2024.

The future payments required on the outstanding notes payable – financed purchase at June 30, 2024 is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 261,027 | $ 11,971 | $ 272,998 |

Changes in Long-Term Debt

Current fiscal year transactions are summarized as follows:

| | Balance, July 1, 2023 | Additions | Reductions | Balance, June 30, 2024 | Due Within One Year |
|---|---|---|---|---|---|
| Direct borrowing: | | | | | |
| 2019 Series COPs | $ 3,340,000 | $ - | $ 175,000 | $ 3,165,000 | $ 180,000 |
| Spring Hill Apartments loan | 103,314 | - | 24,684 | 78,630 | 34,079 |
| Winery incubator loan | 64,287 | - | 15,144 | 49,143 | 15,767 |
| Winery remodel loan | 327,941 | - | 48,549 | 279,392 | 50,887 |
| Lease obligation payable | 328,324 | - | 96,169 | 232,155 | 101,089 |
| Subscription liability | 87,677 | 277,391 | 99,499 | 265,569 | 98,457 |
| Notes payable - financed purchases | - | 520,000 | 258,973 | 261,027 | 261,027 |
| Compensated absences | 271,221 | - | 100,736 | 170,485 | 170,485 |
| Net pension liability | 33,298 | 4,823 | - | 38,121 | - |
| Total OPEB liability | 522,357 | 51,143 | - | 573,500 | - |
| | $ 5,078,419 | $ 853,357 | $ 818,754 | $ 5,113,022 | $ 911,791 |

7 - Defined Benefit Pension Plan

General Information about the Pension Plan

*Description of Pension Plan*. The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS financial statements are included in its Annual Comprehensive Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Benefits Provided*. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Legislature. Members (except Police and Firemen) with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service or whenever a member's combined age and years of credited service equal 85 "points."

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. Their monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015 was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009. KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

With the exception of contributions made by the College directly to KPERS for KPERS retirees filling KPERS covered positions under K.S.A. 74-4937 (known as "working after retirement" employees), employer contributions for the College's active employees are funded by the State of Kansas on behalf of the employer. Therefore, the College is considered to be a special funding situation as defined by GASB 68, *Accounting and Financial Reporting for Pensions*. State law provides that the contribution rates paid by the State on behalf of the College be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. The statutory contribution rate was 12.57% for the fiscal year ended June 30, 2024.

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. To facilitate the separate actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The individual employer allocation percentages for the pension amounts were based on the ratio of the employer and nonemployer contributions for the individual employer in relation to the total of all employer and nonemployer contributions of the group.

The State of Kansas contributed $ 1,218,264 directly to KPERS on behalf of the College for the year ended June 30, 2024. The payments made by the State of Kansas on behalf of the College have been recorded as both revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Net Pension Liability

The College makes contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937. During the year ended June 30, 2024, there were contributions of $ 3,900 made to KPERS for these employees. The College reported a liability for its proportionate share of the net pension liability related to these employees of $ 38,121 at June 30, 2024.

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

At June 30, 2024, the College reported a liability for its proportionate share of the KPERS collective net pension liability that reflected a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the collective net pension liability, the related state support, and the total portion of the collective net pension liability that was associated with the College were as follows:

| | | |
|---|---|---|
| College's proportionate share of the collective net pension liability | $ | 38,121 |
| State's proportionate share of the collective net pension liability associated with the College | | 11,300,783 |
| Total | $ | 11,338,904 |

The collective net pension liability was measured by KPERS as of June 30, 2023, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The College's proportion of the collective net pension liability was first based on the ratio of the total actual contributions made for the College (including on-behalf contributions from the State and contributions paid by the College) to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup with KPERS for the fiscal year ended June 30, 2023. The resulting proportion was then allocated to the College based on the ratio of the College's actual contributions paid directly to KPERS for "working after retirement" employees relative to the total employer and nonemployer contributions of the College for the fiscal year ended June 30, 2023. As of the measurement date of June 30, 2023, the College's "working after retirement" contributions were 0.000548% of total employer and non-employer contribution of the State/School subgroup with KPERS.

At June 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 1,381 | $ - |
| Net difference between projected and actual earnings on pension plan investments | 2,595 | - |
| Changes in proportionate share | 3,476 | 10,456 |
| Changes in assumptions | 4,212 | - |
| Total | $ 11,664 | $ 10,456 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2025 | $ (5,717) |
| 2026 | 1,316 |
| 2027 | 4,367 |
| 2028 | 1,207 |
| 2029 | 35 |
| | $ 1,208 |

*Actuarial assumptions*. The total pension liability for KPERS in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Price inflation | 2.75 percent |
| Salary increases, including price inflation | 3.50 - 12.00 percent, including inflation |
| Long-term rate of return, net of investment expense, including price inflation | 7.00 percent compounded annually |

Mortality rates were based on the RP-2014 Mortality Tables with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated based on Scale MP-2016.

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the three-year period of January 1, 2016 through December 31, 2018. The experience study report is dated January 7, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of the most recent experience study, dated January 7, 2020 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U.S. Equities | 23.50% | 5.20% |
| Non-U.S. Equities | 23.50% | 6.40% |
| Alternatives | 8.00% | 9.50% |
| Real Estate | 11.00% | 4.45% |
| Yield Driven | 8.00% | 4.70% |
| Real Return | 11.00% | 3.25% |
| Fixed Income | 11.00% | 1.55% |
| Short-Term Investments | 4.00% | 0.25% |
| Total | 100.00% | |

*Discount rate.* The discount rate used by KPERS to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State/School subgroup of employers does not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the KPERS Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap increase over prior year contribution rate is 1.2 percent of total payroll.

*Sensitivity of the College's proportionate share of the collective net pension liability to changes in the discount rate.* The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| College's proportionate share of the net pension liability allocated to the College | $ 54,832 | $ 38,121 | $ 24,159 |

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

8 - Other Postemployment Healthcare Benefits

*Description.* The College offers postemployment health and dental insurance to retired employees. The benefits are provided through fully insured contracts that collectively operate as a single-employer defined benefit postemployment healthcare plan administered by the College. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The health and dental insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to retirees and their dependents until the individuals become eligible for Medicare at age 65. A retiring employee who waives continuing participation in the College's health insurance program at the time of retirement is not eligible to participate at a later date. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone financial report.

*Funding Policy.* The College provides health and dental insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees.

The College requires participating retirees to contribute 100 percent of the blended premium cost of active employees to maintain coverage.

The College appropriates funds annually for the costs associated with this retirement benefit and provides funding for expenditures on a pay-as-you-go basis through the College's general operating fund.

*Employees covered by benefit terms*. At June 30, 2024, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries current receiving benefit payments | 4 |
| Active plan members | 167 |
| | 171 |

Total OPEB Liability

The College's total OPEB liability of $ 573,500 was measured as of June 30, 2024 and was determined by an actuarial valuation as of October 1, 2023.

*Actuarial assumptions and other inputs*. The total OPEB liability in the October 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

| | |
|---|---|
| Discount rate | 4.0 percent beginning of year<br>4.1 percent end of year |
| Salary increases | 2.0 percent per year |

| | |
|---|---|
| Healthcare cost trend rates | Actual trend applied to 2023 renewals, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent after 11 years. |
| Retirees' share of benefit-related costs | Retirees are responsible for the full premium rates up to 100% of the premium. |
| Actuarial cost method | Entry Age Normal – Level Percent-of-Pay |

The discount rate was based on the average of the S&P Municipal Bond 20-Year High Grade Rate Index and Fidelity GO AA-20 Year published yields.

Mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted for mortality table with Scale MP-2021 Full Generational Improvement.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial valuation performed as of October 1, 2023 using the participant census as of October 1, 2023.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|---|
| Balance at June 30, 2023 | $ 522,357 |
| Changes for the year: | |
| Service cost | 33,566 |
| Interest | 21,857 |
| Differences between expected and actual experience | (43,412) |
| Changes in assumptions or other inputs | 58,132 |
| Benefit payments | (19,000) |
| Net changes | 51,143 |
| Balance at June 30, 2024 | $ 573,500 |

*Sensitivity of the total OPEB liability to changes in the discount rate*. The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| | 1% Decrease (3.1%) | Discount Rate (4.1%) | 1% Increase (5.1%) |
|---|---|---|---|
| Total OPEB liability | $ 627,129 | $ 573,500 | $ 524,783 |

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates*. The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower to one percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Healthcare Cost Trend | 1% Increase |
|---|---|---|---|
| Total OPEB liability | $ 506,579 | $ 573,500 | $ 653,298 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the College recognized OPEB expense of $ 52,702. At June 30, 2024, the College reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 68,438 | $ 211,831 |
| Changes in assumptions | 185,239 | 73,268 |
| Total | $ 253,677 | $ 285,099 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | |
|---|---|
| 2025 | $ (2,721) |
| 2026 | (2,721) |
| 2027 | (2,721) |
| 2028 | (2,721) |
| 2029 | (2,721) |
| Thereafter | (17,817) |
| | $ (31,422) |

9 - Other Postemployment Benefit Plan

Plan Description

The College participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Contributions

Employer contributions are established and may be amended by state statute. Members are not required to contribute. There were no employer contributions paid for benefits during the fiscal year ended June 30, 2024.

Special Funding Situation

The employer contributions for the College, as defined in K.S.A. 74-4931 (2) and (3), are made by the State of Kansas on behalf of the College. Therefore, the College is considered to be in a special funding situation. Accordingly, the State is required to recognize the total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense for the OPEB plan attributable to the College. The College records revenue and OPEB expense in an amount equal to the expense recognized by the State on behalf of the College.

Benefits

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66⅔ percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of $ 100 and a maximum of $ 5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65$^{th}$ birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered Employees

The College has the following employees covered by the Plan as of December 31, 2022:

| | |
|---|---|
| Active employees | 177 |
| Total | 177 |

Total OPEB Liability

At June 30, 2024, the total OPEB liability recognized by the State of Kansas that was attributable to the College was $ 90,646.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to the measurement date of June 30, 2023, using the following actuarial assumptions:

| | |
|---|---|
| Price inflation | 2.75 percent |
| Wage inflation | 2.75 percent |
| Salary increases, including wage increases | 3.5 percent |
| Discount rate (based on 20-year municipal bond rate with an Average rating of AA/Aa or higher, obtained from the Bond Buyer General Obligation 20-Bond Municipal index) | 3.65 percent |

Mortality rates used for the death benefits were based on the RP-2014 Healthy Annuitant Mortality Table for Males and Females, adjusted for generational mortality improvement using MP-2021. Mortality rates used for the disability benefits are included in long-term disability claim termination rates.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2016 through December 31, 2018.

10 - Transactions with the Foundation

The Foundation uses College employees to perform Foundation operations. The Foundation reimburses the College for a portion of the executive director's salary and all of the bookkeeper's salary. All payroll and

withholding activities for these employees are performed by the College. The amounts paid to the College for salaries and benefits during the year ended June 30, 2024 were approximately $ 134,400.

For the year ended June 30, 2024, the College received total contributions of approximately $ 768,500 from the Foundation for project improvements on campus.

11 - Net Assets with Donor Restrictions - Foundation

The Foundation holds net assets with donor restrictions for the following purposes at June 30, 2024:

| | | |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Donor-restricted contributions | $ | 2,941,820 |
| Subject to restriction in perpetuity: | | |
| Donor-restricted contributions | | 2,701,628 |
| Net investment in property and equipment | | 662,920 |
| Total net assets with donor restrictions | $ | 6,306,368 |

Investment earnings on net assets with donor restrictions are considered to be available either for net assets with donor restrictions or without donor restrictions. During the year ended June 30, 2024, $ 493,604 of net assets with donor restrictions were released from restriction for the purpose of scholarships or property expenses. This includes money paid out of net assets with donor restrictions for scholarships awarded to students through the College, as well as investment expenses incurred as a result of the activity in the investment accounts that the Foundation holds.

The Foundation has adopted investment and spending policies approved by the Foundation's Board of Trustees for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

12 - Commitments and Contingencies

The College is a party to various claims arising in the ordinary course of business. While the results of litigation and claims cannot be predicted with certainty, based on advice of counsel and considering insurance coverage, management believes that the final outcome of such matters will not have a material effect on the College's financial position.

The College participates in a number of federal and state assisted grant programs that are subject to financial and compliance audits by the grantor agencies or their designees. Accordingly, the College's compliance with applicable grant requirements and any disallowed costs resulting from such audits, if any, could become a liability of the College. It is management's opinion that any such disallowed costs will not have a material effect on the financial statements of the College at June 30, 2024.

13 - Risks and Uncertainties

The College 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. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

14 - Tax Abatements

Doniphan County considers certain properties to be subject to economic development exemptions or neighborhood revitalization rebates for the purpose of attracting and improving businesses within its jurisdiction. For the year ended June 30, 2024, abated property taxes that impacted the College totaled approximately $ 231,351.

15 - Excess of Expenditures Over Appropriations

Expenditures for the College exceeded the available budget in the Adult Education fund and the Auxiliary Enterprise fund. This was the result of miscellaneous revenues received and spent over the amount budgeted.

16 - Subsequent Events

The College has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements are available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HIGHLAND COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE COLLEGE'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
Last Seven Fiscal Years

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| Total OPEB liability: | | | | | | | |
| Service cost | $ 33,566 | $ 31,392 | $ 47,056 | $ 49,101 | $ 30,295 | $ 42,345 | $ 42,505 |
| Interest | 21,857 | 18,690 | 11,951 | 13,738 | 10,919 | 16,673 | 16,356 |
| Change in benefit terms | - | - | - | - | - | (122,857) | - |
| Differences between expected and actual experience | (43,412) | (4,629) | (140,793) | 93,322 | (26,413) | (62,180) | - |
| Changes in assumptions or other inputs | 58,132 | 35,565 | (9,370) | (73,948) | 142,803 | 9,285 | (22,003) |
| Benefit payments | (19,000) | (13,000) | (10,000) | (12,000) | (12,000) | (13,000) | (12,000) |
| Net change in total OPEB liability | 51,143 | 68,018 | (101,156) | 70,213 | 145,604 | (129,734) | 24,858 |
| Total OPEB liability, beginning | 522,357 | 454,339 | 555,495 | 485,282 | 339,678 | 469,412 | 444,554 |
| Total OPEB liability, ending | $ 573,500 | $ 522,357 | $ 454,339 | $ 555,495 | $ 485,282 | $ 339,678 | $ 469,412 |
| Covered-employee payroll | $ 8,325,385 | $ 8,217,306 | $ 8,217,306 | $ 7,603,732 | $ 7,603,732 | $ 6,504,894 | $ 6,504,894 |
| Total OPEB liability as a percentage of covered-employee payroll | 6.9% | 6.4% | 5.5% | 7.3% | 6.4% | 5.2% | 7.2% |

Notes to Schedule: GASB 75 requires the presentation of ten years of data. Data was not available prior to 2018.
Additional years' data will be displayed as it becomes available.

HIGHLAND COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Nine Fiscal Years*

| | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Measurement date | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 |
| College's proportion of the collective net pension liability | 0.000548% | 0.000466% | 0.000466% | 0.000467% |
| College's proportionate share of the collective net pension liability | $ 38,121 | $ 33,298 | $ 26,254 | $ 34,894 |
| State's proportionate share of the collective net pension liability associated with the College | 11,300,783 | 12,265,521 | 9,360,230 | 12,835,360 |
| Total | $ 11,338,904 | $ 12,298,819 | $ 9,386,484 | $ 12,870,254 |
| College's covered payroll | $ 10,226,779 | $ 9,120,927 | $ 10,249,621 | $ 9,767,435 |
| College's proportionate share of the collective net pension liability as a percentage of its covered payroll | 0.373% | 0.365% | 0.256% | 0.357% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.70% | 69.75% | 76.40% | 66.30% |

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Measurement date | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| College's proportion of the collective net pension liability | 0.001172% | 0.001734% | 0.002190% | 0.000396% | 0.00178% |
| College's proportionate share of the collective net pension liability | $ 75,802 | $ 113,117 | $ 147,145 | $ 26,606 | $ 122,961 |
| State's proportionate share of the collective net pension liability associated with the College | 11,118,356 | 11,178,191 | 11,868,238 | 11,994,816 | 11,635,049 |
| Total | $ 11,194,158 | $ 11,291,308 | $ 12,015,383 | $ 12,021,422 | $ 11,758,010 |
| College's covered payroll | $ 8,243,640 | $ 8,348,098 | $ 8,175,664 | $ 7,890,410 | $ 7,802,088 |
| College's proportionate share of the collective net pension liability as a percentage of its covered payroll | 0.920% | 1.355% | 1.800% | 0.337% | 1.576% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.88% | 68.88% | 67.12% | 65.10% | 64.95% |

*GASB 68 requires presentation of ten years. As of June 30, 2024, only nine years of information are available.

HIGHLAND COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Nine Fiscal Years*

| | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Contractually required contribution | $ 3,900 | $ 3,265 | $ 3,285 | $ 3,329 |
| Contributions in relation to the contractually required contribution | (3,900) | (3,265) | (3,285) | (3,329) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| College's covered payroll | $ 10,226,779 | $ 9,120,927 | $ 10,249,621 | $ 9,767,435 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 7,544 | $ 9,929 | $ 10,858 | $ 13,815 | $ 1,850 |
| Contributions in relation to the contractually required contribution | (7,544) | (9,929) | (10,858) | (13,815) | (1,850) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| College's covered payroll | $ 8,243,640 | $ 8,348,098 | $ 8,175,664 | $ 7,890,410 | $ 7,802,088 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

SUPPLEMENTARY INFORMATION

HIGHLAND COMMUNITY COLLEGE
ALL CURRENT FUNDS - UNRESTRICTED
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2024

GENERAL FUND

| | Original and Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| Cash receipts: | | | |
| Student sources: | | | |
| Tuition and fees | $ 3,687,326 | $ 4,641,852 | $ 954,526 |
| Federal sources: | | | |
| Federal grants | 3,591,453 | 4,009,036 | 417,583 |
| State sources: | | | |
| State operating grant | 3,994,093 | 3,958,591 | (35,502) |
| Local sources: | | | |
| Current year ad valorem tax | 2,139,581 | 2,269,584 | 130,003 |
| Other sources: | | | |
| Gifts | - | 140,771 | 140,771 |
| Total cash receipts | $ 13,412,453 | 15,019,834 | $ 1,607,381 |
| Expenditures subject to budget: | | | |
| Instruction | $ 4,081,432 | 3,031,273 | $ (1,050,159) |
| Research | 77,710 | 78,459 | 749 |
| Public service | 212,438 | 230,558 | 18,120 |
| Academic support | 2,506,391 | 540,480 | (1,965,911) |
| Student services | 2,906,869 | 3,353,785 | 446,916 |
| Institutional support | 4,076,486 | 1,956,429 | (2,120,057) |
| Operation and maintenance | 3,924,807 | 4,441,782 | 516,975 |
| Total expenditures subject to budget | $ 17,786,133 | 13,632,766 | $ (4,153,367) |
| Receipts over expenditures subject to budget | | $ 1,387,068 | |

(Continued)

HIGHLAND COMMUNITY COLLEGE
ALL CURRENT FUNDS - UNRESTRICTED
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2024

POSTSECONDARY TECHNICAL EDUCATION FUND

| | Original and Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| Cash receipts: | | | |
| Student sources: | | | |
| Tuition | $ 2,250,666 | $ 2,750,168 | $ 499,502 |
| Fees | 390,249 | 485,324 | 95,075 |
| State sources: | | | |
| State operating grant | 1,549,554 | 1,549,554 | - |
| Total cash receipts | $ 4,190,469 | 4,785,046 | $ 594,577 |
| Expenditures subject to budget: | | | |
| Instruction | $ 2,778,869 | 2,669,831 | $ (109,038) |
| Academic support | 106,976 | 148,623 | 41,647 |
| Student services | 594,762 | 532,924 | (61,838) |
| Institutional support | 196,638 | 192,735 | (3,903) |
| Operations and maintenance | 543,651 | 500,319 | (43,332) |
| Total expenditures subject to budget | $ 4,220,896 | 4,044,432 | $ (176,464) |
| Receipts over expenditures subject to budget | | $ 740,614 | |

(Continued)

HIGHLAND COMMUNITY COLLEGE
ALL CURRENT FUNDS - UNRESTRICTED
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2024

ADULT EDUCATION FUND

| | Original and Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| Cash receipts: | | | |
| Federal grants | $ 107,555 | $ 123,408 | $ 15,853 |
| State grants | 51,364 | 58,390 | 7,026 |
| Total cash receipts | $ 158,919 | 181,798 | $ 22,879 |
| Expenditures subject to budget: | | | |
| Instruction | $ 175,627 | 199,864 | $ 24,237 |
| Receipts under expenditures subject to budget | | $ (18,066) | |

(Continued)

HIGHLAND COMMUNITY COLLEGE
ALL CURRENT FUNDS - UNRESTRICTED
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2024

AUXILIARY ENTERPRISE FUND

| | Original and Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| Cash receipts: | | | |
| Sales | $ 3,181,090 | $ 2,976,694 | $ (204,396) |
| Expenditures subject to budget: | | | |
| General operating expense | $ 1,504,560 | 1,597,751 | $ 93,191 |
| Receipts over expenditures subject to budget | | $ 1,378,943 | |

HIGHLAND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing Number | Expenditures |
|---|---|---|
| U.S. Department of Treasury: | | |
| Passed through Kansas Department of Commerce: | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | $ 170,493 |
| U.S. Department of Education: | | |
| TRIO Cluster - Student Support Services | 84.042 | 257,643 |
| Student Financial Assistance Cluster: | | |
| Federal Supplemental Educational Opportunity Grant Program | 84.007 | 48,604 |
| Federal Work Study Program | 84.033 | 116,304 |
| Federal Pell Grant Program | 84.063 | 2,396,903 |
| Federal Direct Student Loans | 84.268 | 1,440,955 |
| Student Financial Assistance Cluster subtotal | | 4,002,766 |
| Passed through Kansas Board of Regents: | | |
| Adult Education | 84.002 | 123,408 |
| Carl Perkins Program Improvement | 84.048 | 87,397 |
| | | 210,805 |
| Total U.S. Department of Education | | 4,471,214 |
| Total federal award expenditures | | $ 4,641,707 |

See accompanying notes to schedule of expenditures of federal awards.

HIGHLAND COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Highland Community College (the College) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3 - Guaranteed Student Loans

Guaranteed student loans, including subsidized and unsubsidized direct student loans, are presented on the basis of the amount of loans awarded and are made by the Secretary of Education rather than by the College. Due to this program being a transaction between the student and the loan origination center, these loans are not recorded in the College's financial statements. Due to the College's responsibility for determining eligibility and administering the loans, they have been included in the schedule of expenditures of federal awards.

HIGHLAND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

**Section I – Summary of Auditors' Results**

**Financial Statements**

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified: | No |
| Significant deficiencies identified that are not considered to be material weaknesses: | None reported |
| Noncompliance material to the financial statements: | None |

**Federal Awards**

| | |
|---|---|
| Internal control over major programs: | |
| Material weaknesses identified: | No |
| Significant deficiencies identified that are not considered to be material weaknesses: | None reported |
| Type of auditors' report issued on compliance for major programs | Unmodified |
| Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a): | No |
| Identification of major programs: | |

| Assistance Listing Number | Name of Federal Program or Cluster |
|---|---|
| 84.063/84.033/84.007/84.268 | Student Financial Assistance Cluster |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 750,000 |
| Auditee qualified as a low-risk auditee: | Yes |

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None.

BT & Co. P.A.
Certified Public Accountants

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

The Board of Trustees
Highland Community College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Highland Community College (the College) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 27, 2025. Our report includes a reference to other auditors who audited the financial statements of Highland Community College Foundation (the Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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



February 27, 2025
Topeka, Kansas

BT & Co. P.A.
Certified Public Accountants

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

The Board of Trustees
Highland Community College

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Highland Community College's (the College) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2024. The College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

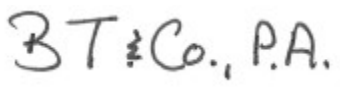
**Report on Internal Control Over Compliance**

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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



February 27, 2025
Topeka, Kansas