



Hutchinson Community College

**Financial Statements
With
Independent Auditor's Report**

June 30, 2020



Certified Public Accountants

Hutchinson Community College

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hutchinson Community College
Hutchinson, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Hutchinson Community College (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the College, as of June 30, 2020, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other post-employment benefits and pension information on pages 3-11 and 41-47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. Individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

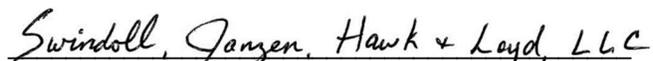
The individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the College updated its accounting policy for estimating the allowance for doubtful accounts to more accurately reflect student accounts receivable at year-end. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.


Swindoll, Janzen, Hawk, & Loyd, LLC
Hutchinson, Kansas

March 2, 2021

Management's Discussion and Analysis

Introduction:

Hutchinson Community College is proud to present its financial statements for the fiscal year 2020. The following discussion and analysis of the financial performance and activity of Hutchinson Community College (The College) is to provide an introduction to and an understanding of the basic financial statements of the College for the year ended June 30, 2020, with selected comparative information for the years ended June 30, 2018 and June 30, 2019. This discussion focuses on the current activities, resulting changes, and currently known facts. This discussion should be read in conjunction with the College's basic financial statements and the footnotes to those financial statements. The College is solely responsible for the completeness and accuracy of this information.

Using the Annual Report:

The College's financial statements are prepared in accordance with the standards outlined in GASB statements 34 and 35. The method is intended to summarize and simplify the user's analysis of the costs of various College services. The annual financial report will include the basic financial statements and required supplementary information for both the College and its component units. Further information on the component units are available upon request from the Hutchinson Community College Endowment Association and Start Up Hutch.

Basic financial statements are comprised of two parts:

1. Basic Financial Statements – These include Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. These statements present the results of a single measurement focus and basis of accounting.
 - a. The Statement of Net Position is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term expendable resources) with capital assets.
 - b. The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of College activities which are supported mainly by property taxes, state revenues and tuition.
 - c. The Statement of Cash Flows provides information about the cash receipts and cash disbursements of the College during the fiscal period.
2. The Notes to the Basic Financial Statements are an integral and essential portion of the financial statements.

Required Supplementary Information:

Management Discussion and Analysis (MD&A), Other Post-Employment Benefits, and Pension Schedules - This is information required by standards to be presented but is not part of the basic financial statements.

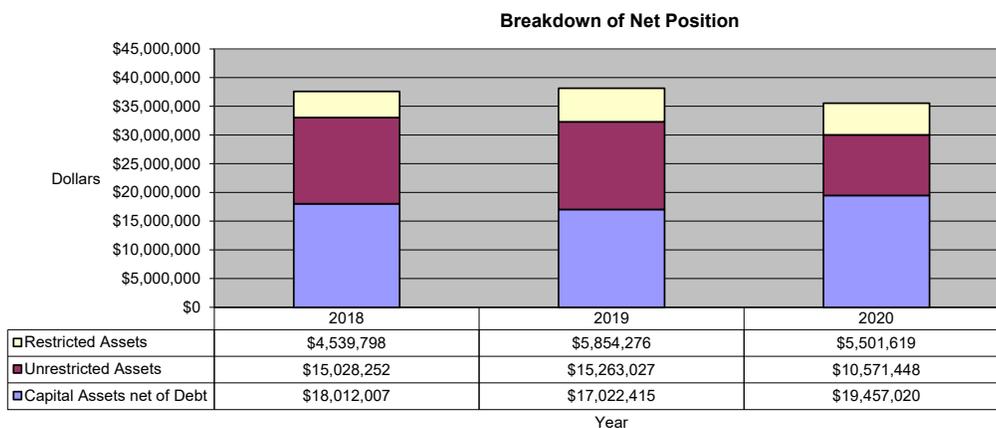
Highlights to the Financial Statements:

Statement of Net Position

Comparison Net Position – Fiscal Year 2018, 2019, and 2020

The Statement of Net Position presents the assets, deferred outflow of resources (deferred outflows), liabilities, deferred inflow of resources (deferred inflows) and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflows, Liabilities (current and noncurrent), Deferred Inflows, and Net Position (Assets and Deferred Outflows minus Liabilities and Deferred Inflows). The difference between current and noncurrent assets is as follows: current assets are those assets that are expected to be used or consumed within one year. Noncurrent assets are those assets that are expected to provide value for greater than one year.

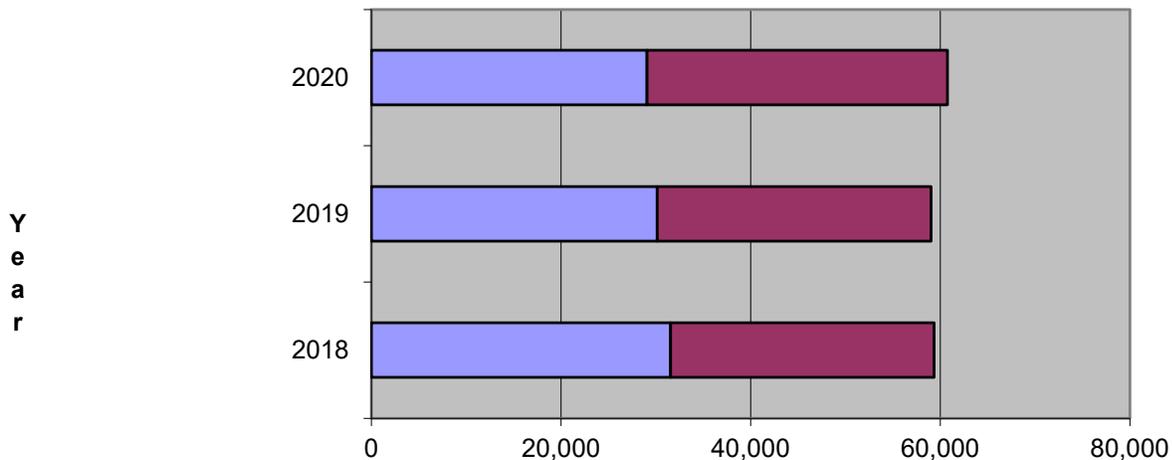
Net assets decreased from \$37,580,057 in 2018 to \$38,139,718 in 2019 and \$35,530,087 for 2020. This is a decrease of \$2,609,631 over the previous year.



Hutchinson Community College
 Management's Discussion and Analysis
 Fiscal year ended June 30, 2020

Total breakdown of assets between current and noncurrent classification for 2018 through 2020 is as follows:

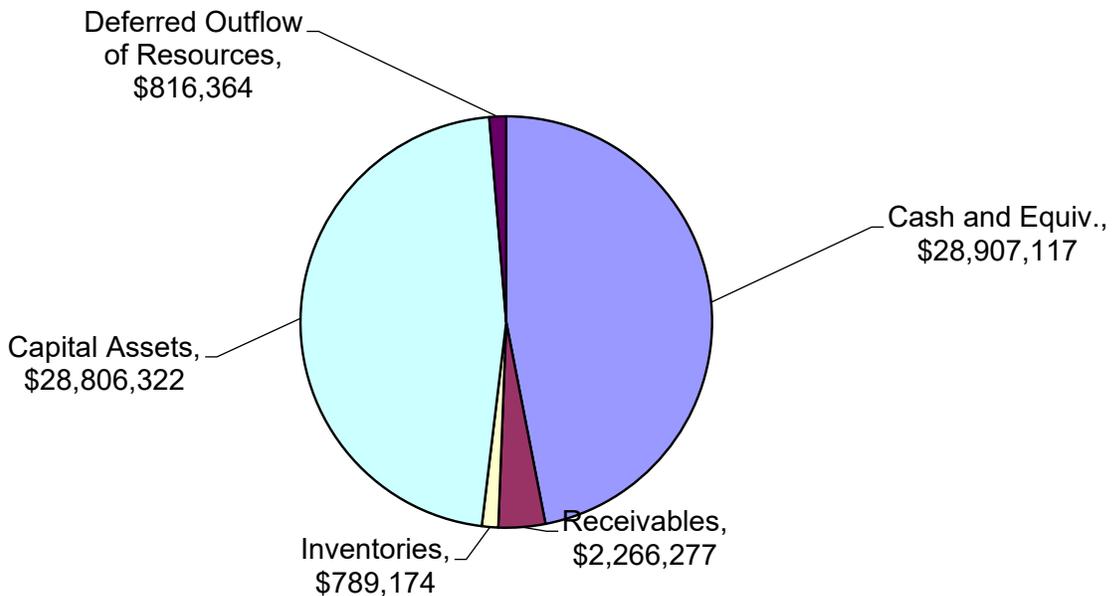
Total Assets 2018-2020



	2018	2019	2020
■ NonCurrent Assets	\$31,563	\$30,145	\$29,065
■ Current Assets	\$27,790	\$28,881	\$31,703

Dollars (000)

Total Assets and Deferred Outflows by Category 2020



Hutchinson Community College
 Management's Discussion and Analysis
 Fiscal year ended June 30, 2020

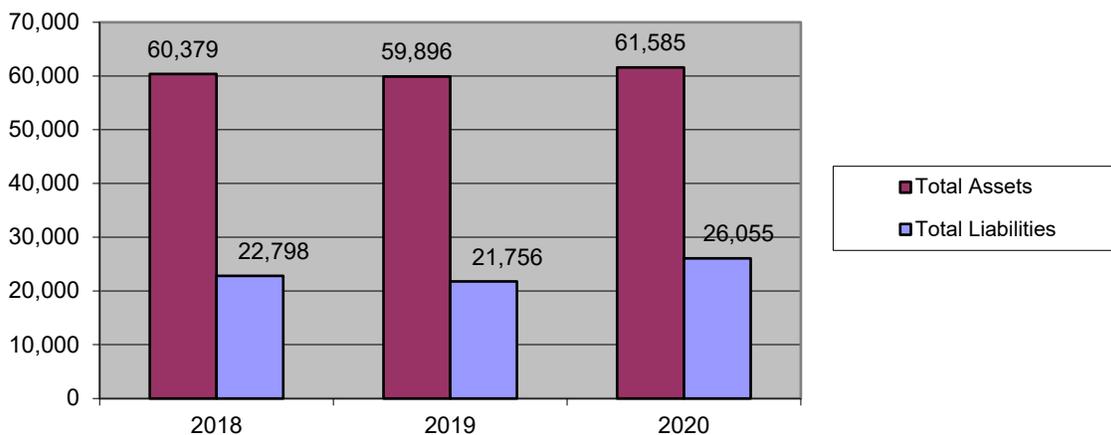
Of the \$61,585,254 in total assets and deferred outflows, approximately 47% are in cash and cash equivalents and capital assets represent another 47% of total assets.

Comparison of Liabilities

	2018	% Total 2018	2019	% Total 2019	2020	% Total 2020
Current Liabilities	\$ 6,457,960	28.38%	\$ 6,420,242	30.47%	\$ 6,824,230	26.90%
Noncurrent Liabilities	16,298,407	71.62%	14,649,986	69.53%	18,543,539	73.10%
Total Liabilities	\$ 22,756,367	100.00%	\$ 21,070,228	100.00%	\$ 25,367,769	100.00%

Noncurrent liabilities in 2020 include, but are not limited to, revenue bonds for improvements to the College's Student Union, certificates of participation related to student housing, lease payments which are a result of the College entering into an Energy Conservation Measures lease with Honeywell, Inc., and payments due to the City of Hutchinson for the renovation of the Hutchinson Sports Arena, a facility which the College occupies for use in its athletic programs. Current liabilities consist primarily of accounts payable and accrued liabilities, deposits held in custody for others, and the current portion due for the certificates of participation, the revenue bonds, and the City of Hutchinson obligation.

**Comparison of Assets, Deferred Outflows, Liabilities and Deferred Inflows
 2018-2020 (in 000)**



Total liabilities and deferred inflows increased from \$22,798,448 in 2018 and \$21,756,004 in 2019 to \$26,055,167 for 2020. This is an increase of \$4,299,163 from the previous year. Assets and deferred outflows decreased slightly from \$60,378,505 in 2018 to \$59,895,722 in 2019 and increased to \$61,585,254 in 2020. The asset to liability ratio (total assets/total liabilities) was 2.65 in 2018, 2.76 in 2019 and 2.37 in 2020.

Results of Operations Fiscal Year 2020

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the legislature to the institution without the legislature directly receiving commensurate goods and services for those revenues.

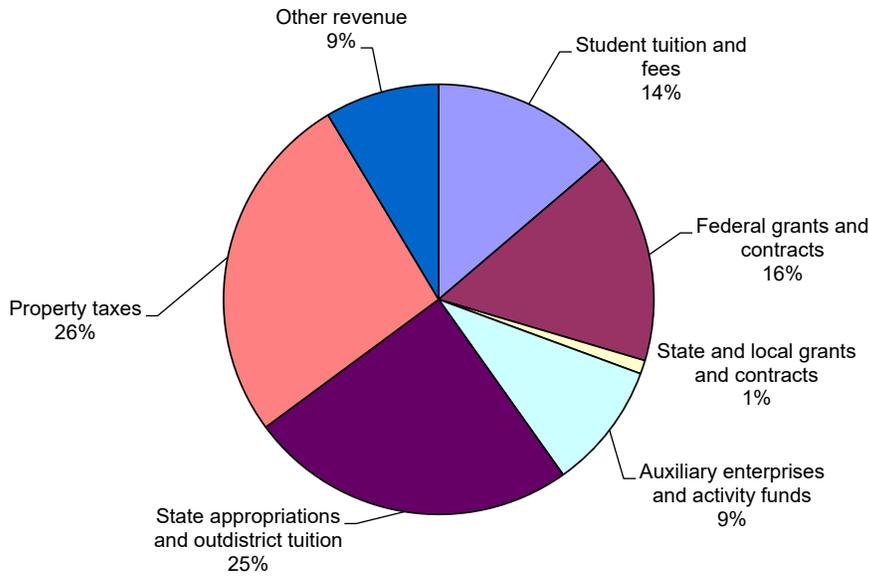
Revenue

The College receives revenue from a number of sources. In broad terms, they are: the State of Kansas, the Federal Government, students--in the form of tuition and fees, local taxpayers--by way of property taxes, business style auxiliary enterprises, and private gifts and grants. These sources are relatively stable from year to year as a percentage of the total.

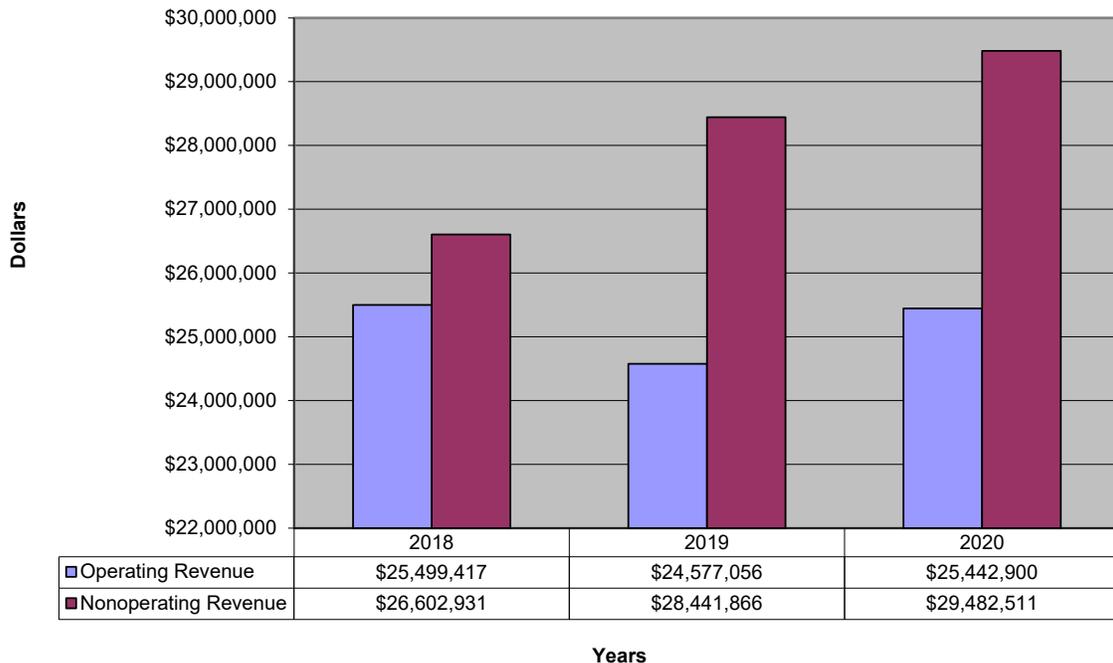
Source	2018	% Total 2018	2019	% Total 2019	2020	% Total 2020
Student tuition and fees	\$ 7,435,596	14.27%	\$ 6,762,650	12.76%	\$ 7,549,536	13.75%
Federal grants and contracts	8,450,859	16.22%	7,780,085	14.67%	8,708,511	15.86%
State and local grants and contracts	275,661	0.53%	560,744	1.06%	560,014	1.02%
Auxiliary enterprises and activity funds	5,893,072	11.31%	6,075,104	11.46%	5,253,226	9.56%
State appropriations and outdistrict tuition	11,625,563	22.31%	12,213,741	23.04%	13,558,270	24.68%
Property taxes	13,915,377	26.71%	14,602,585	27.54%	14,571,852	26.53%
Other revenue	4,506,220	8.65%	5,024,013	9.48%	4,724,002	8.60%
Total revenue	<u>\$ 52,102,348</u>	100.00%	<u>\$ 53,018,922</u>	100.00%	<u>\$ 54,925,411</u>	100.00%

Hutchinson Community College
 Management's Discussion and Analysis
 Fiscal year ended June 30, 2020

Percentage of Revenue by Source 2020



Total Revenue Breakdown 2018-2020



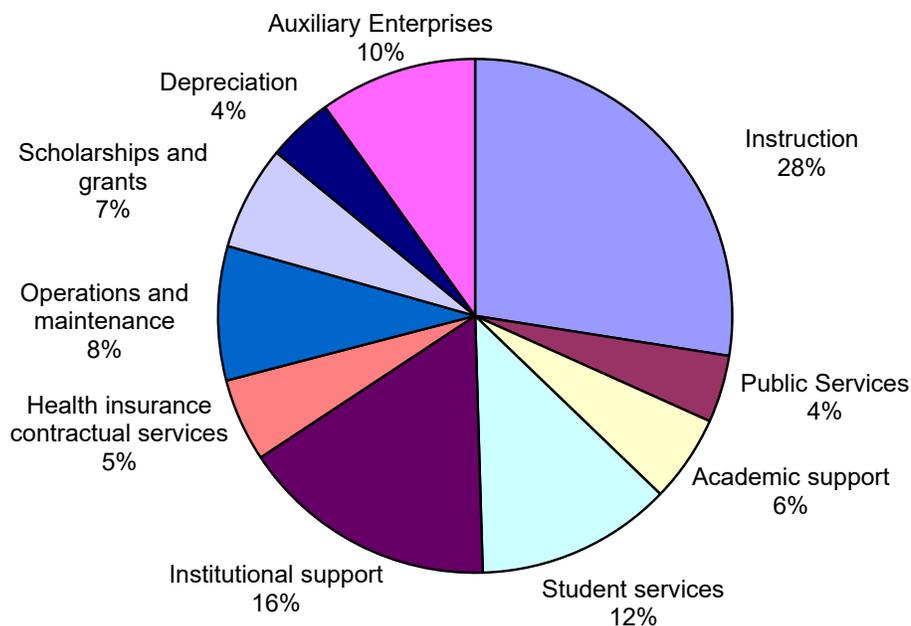
Hutchinson Community College
 Management's Discussion and Analysis
 Fiscal year ended June 30, 2020

Expenses

Detail of the 2018 through 2020 education, general, and auxiliary enterprise operating and non-operating expenditures:

	2018	% Total 2018	2019	% Total 2019	2020	% Total 2020
Operating Expenses						
Instruction	\$ 15,043,815	29.46%	\$ 15,120,294	28.82%	\$ 14,864,117	27.26%
Public Services	2,006,381	3.93%	2,356,167	4.49%	2,283,833	4.19%
Academic support	3,169,670	6.21%	3,020,145	5.76%	2,962,556	5.43%
Student services	5,503,754	10.78%	5,649,851	10.77%	6,663,652	12.22%
Institutional support	7,507,694	14.70%	8,326,930	15.87%	8,745,752	16.04%
Health insurance contractual services	2,749,102	5.38%	2,507,562	4.78%	2,830,994	5.19%
Operations and maintenance	4,058,928	7.95%	3,972,552	7.57%	4,561,879	8.37%
Scholarships and grants	3,785,522	7.41%	3,925,424	7.48%	3,554,566	6.52%
Depreciation	2,194,295	4.30%	2,322,459	4.43%	2,236,161	4.10%
Auxiliary Enterprises	4,622,571	9.05%	4,854,423	9.25%	5,355,365	9.82%
Subtotal	50,641,732	99.17%	52,055,807	99.23%	54,058,875	99.13%
Nonoperating Expenses						
Interest on Capital asset-related debt	425,848	0.83%	403,454	0.77%	392,377	0.72%
Loss on Disposal of Capital Assets		0.00%	-	0.00%	-	0.00%
Debt issuance costs			-		83,790	0.15%
Subtotal	425,848	0.83%	403,454	0.77%	476,167	0.87%
Total Expenses	\$ 51,067,580	100.00%	\$ 52,459,261	100.00%	\$ 54,535,042	100.00%

2020 Percentage of Operating Expenses By Category



Statement of Cash Flows

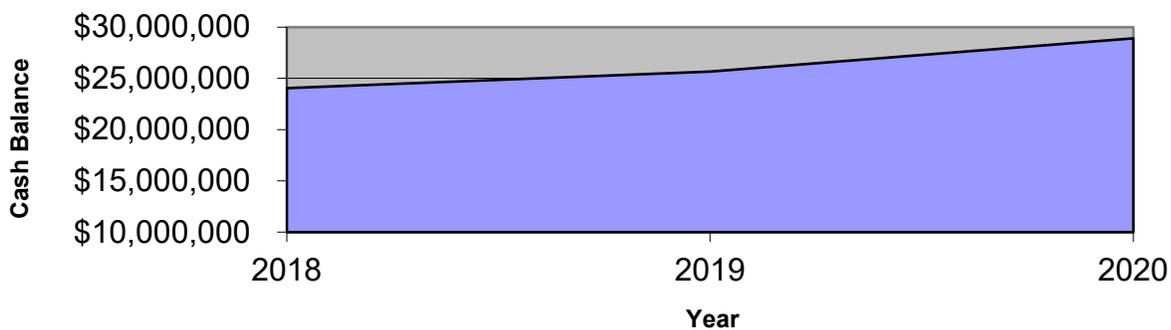
The final statement presented by the College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year.

The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used in the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section includes the cash received and spent from state and local appropriations and private gifts. The third section reflects the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities and shows the interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Summary Statement of Cash Flows information

	2018	2019	2020
Net Cash Provided (used) by:			
Operating Activities	\$ (19,836,398)	\$ (22,025,599)	\$ (22,701,423)
Noncapital financing activities	23,518,431	24,851,713	25,558,946
Capital and related financing activities	(1,625,015)	(1,459,478)	165,402
Investing activities	<u>131,252</u>	<u>248,854</u>	<u>221,007</u>
Net Change in Cash	2,188,270	1,615,490	3,243,932
Cash Beginning of year	<u>21,859,425</u>	<u>24,047,695</u>	<u>25,663,185</u>
Cash end of year	<u>\$ 24,047,695</u>	<u>\$ 25,663,185</u>	<u>\$ 28,907,117</u>

End of Year Cash 2018-2020



Summary of Overall Performance

Despite the challenges of the COVID-19 Pandemic, the College completed another solid performance for the fiscal year ended June 30, 2020. Its financial condition continues to be strong. Cash balances increased by more than \$3.2 million from fiscal year 2019. Combined operating and non-operating revenue for 2020 increased by approximately \$1.9 million from the same measures in 2019. The 3.85% increase in operating expenditures for 2020 was higher than usual due to adjustments to the College's bad debt expense, changes in the College's lease activities, and to student aid grants which were issued to students to ease financial hardships during the COVID-19 Pandemic. Auxiliary enterprises stayed the course when students were sent home in March, 2020 and all academic instruction moved online during the state wide stay at home order due to the Pandemic. Even with the temporary closing of our campus, this fiscal year's performance demonstrates once again the agility and resiliency of Hutchinson Community College.

Capital Assets and Long Term Debt Activities:

In October, 2019, the College began a major renovation of the Parker Student Union. The \$5.5 million project was financed primarily with Student Union and Dormitory System Revenue Bonds that were issued in September, 2019. The Union project included renovating 12,000 square feet on the main floor for student dining services and adding 4,500 square feet for a new commercial kitchen. The College was awarded a grant of \$350,000 from the Sunderland Foundation to help pay for the kitchen equipment. In the Union basement, the College renovated another 12,000 square feet for an Esports room, three meeting rooms, and a new student recreation area.

Another project for fiscal year 2020 was the renovation of the Jack Mull Athletic Building. The College provided the initial funding for the \$650,000 project, which included the renovation of the coaches' offices and the locker room and shower areas. The College's Athletic Department will reimburse the College for the project over the next 10 years with fund raising revenue.

The future is positive for Hutchinson Community College. The College will continue its student centered, service oriented approach to community college education while working to increase its credit enrollment. The market driven business and industry noncredit offerings continue to grow and expand as the College serves the needs of that segment of the market. Hutchinson Community College is truly striving to be the premier, two-year educational institution in Kansas and continues to expand its tradition of excellence through learning and collaboration.

Julie A. Blanton
Vice President of Finance and Operations

BASIC FINANCIAL STATEMENTS

Hutchinson Community College
Statements of Net Position
June 30, 2020

	Hutchinson Community College	Component Unit HCC Endowment	Component Unit Start Up Hutch
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 28,907,117	\$ 528,979	\$ 123,248
Investments	-	9,071,231	51,385
Receivables - federal and state grants and contracts	1,107,237	-	-
Receivables - students (net of allowance of \$246,089)	758,819	-	-
Receivables - other	141,145	7,300	-
Inventories	789,174	-	-
Total current assets	<u>31,703,492</u>	<u>9,607,510</u>	<u>174,633</u>
Noncurrent Assets			
Investments	-	8,138,368	-
Receivables - students (net of allowance of \$1,912,704)	259,076	-	-
Receivables - other	-	56,432	-
Capital assets, net of accumulated depreciation	28,806,322	-	-
Beneficial interest in trusts	-	1,751,261	-
Other	-	-	273,109
Total noncurrent assets	<u>29,065,398</u>	<u>9,946,061</u>	<u>273,109</u>
TOTAL ASSETS	<u>60,768,890</u>	<u>19,553,571</u>	<u>447,742</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	419,370	-	-
Deferred outflows related to pensions	241,943	-	-
Deferred outflows related to other postemployment benefits	155,051	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>816,364</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 61,585,254</u>	<u>\$ 19,553,571</u>	<u>\$ 447,742</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	\$ 1,132,113	\$ 52,066	\$ 6,663
Medical claims payable	105,466	-	-
Deposits held in custody for others	3,284,419	-	-
Unearned revenue	62,178	-	-
Accrued interest payable	128,735	-	-
Compensated absences payable	502,849	-	-
Early retirement benefits payable	142,380	-	-
Capital lease obligations	458,811	-	-
Revenue bond	280,000	-	-
Certificates of Participation	227,279	-	-
Sports Arena payable	500,000	-	-
Total current liabilities	<u>6,824,230</u>	<u>52,066</u>	<u>6,663</u>
Noncurrent Liabilities			
Compensated absences payable	119,006	-	-
Early retirement benefits payable	87,357	-	-
Capital lease obligations	4,058,847	-	-
Revenue bond	4,720,000	-	-
Certificates of Participation	5,023,734	-	-
Sports Arena payable	2,750,000	-	-
Other postemployment benefits liability	1,114,475	-	-
Net pension liabilities	670,120	-	-
Other liabilities	-	-	507
Total noncurrent liabilities	<u>18,543,539</u>	<u>-</u>	<u>507</u>
TOTAL LIABILITIES	<u>25,367,769</u>	<u>52,066</u>	<u>7,170</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	106,159	-	-
Deferred inflows related to other postemployment benefits	581,239	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>687,398</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	19,457,020	-	-
Restricted for:			
Nonexpendable - endowments	-	10,238,493	-
Expendable:			
Endowment activity	-	9,263,012	-
Capital outlay	3,313,065	-	-
Restricted funds	555,365	-	-
Health insurance	1,633,189	-	-
Unrestricted	10,571,448	-	440,572
Total net position	<u>35,530,087</u>	<u>19,501,505</u>	<u>440,572</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 61,585,254</u>	<u>\$ 19,553,571</u>	<u>\$ 447,742</u>

The accompanying notes are an integral part of these financial statements.

Hutchinson Community College
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

	Hutchinson Community College	Component Unit HCC Endowment	Component Unit Start Up Hutch
OPERATING REVENUES			
Student tuition and fees	\$ 10,885,821	\$ -	\$ -
Less allowances for institutional scholarships	(153,572)	-	-
Less allowances for federal grants	<u>(3,182,713)</u>	-	-
Net student source revenue	7,549,536	-	-
Federal sources	8,708,511	-	-
State sources	442,345	-	-
County sources	20,000	-	110,000
Local sources	97,669	-	15,000
Auxiliary enterprises:			
Residential life (net of scholarship allowances of \$0 for 2020)	1,419,656	-	-
Campus store (net of sales discounts of \$190,485 for 2020)	1,238,152	-	-
Union	1,200,487	-	-
Other auxiliary enterprises	1,394,931	-	-
Private gifts and grants	18,875	-	90,000
Health insurance charges for services	2,902,084	-	-
Other operating revenues	<u>450,654</u>	<u>186,765</u>	<u>11,676</u>
Total operating revenues	<u>25,442,900</u>	<u>186,765</u>	<u>226,676</u>
OPERATING EXPENSES			
Educational and General:			
Instruction	14,864,117	-	-
Public service	2,283,833	-	-
Academic support	2,962,556	-	-
Student services	6,663,652	-	-
Institutional support	5,337,570	1,440,956	132,962
KPERs contribution paid directly by the State of Kansas	3,408,182	-	-
Health insurance contractual services	2,830,994	-	-
Operations and maintenance of plant	4,561,879	-	-
Depreciation and amortization	2,236,161	-	-
Scholarships and grants	3,554,566	-	-
Auxiliary Enterprises:			
Residential life	769,141	-	-
Campus store	1,114,690	-	-
Union	905,910	-	-
Other auxiliary enterprises	<u>2,565,624</u>	-	-
Total operating expenses	<u>54,058,875</u>	<u>1,440,956</u>	<u>132,962</u>
Operating income (loss)	<u>(28,615,975)</u>	<u>(1,254,191)</u>	<u>93,714</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	10,150,088	-	-
State contribution directly to the KPERs retirement system	3,408,182	-	-
Local sources	14,571,852	-	-
Private grants and gifts	837,006	1,427,176	-
Investment income	221,007	506,287	35,756
Debt issue costs	(83,790)	-	-
Interest on capital asset-related debt	<u>(392,377)</u>	-	-
Net nonoperating revenues (expenses)	<u>28,711,968</u>	<u>1,933,463</u>	<u>35,756</u>
Income(loss) before other revenues	95,993	679,272	129,470
Capital grants and gifts	<u>294,376</u>	-	-
Net increase (decrease) in net position	<u>390,369</u>	<u>679,272</u>	<u>129,470</u>
NET POSITION			
Net position - beginning of year as originally stated	38,139,718	18,822,233	311,102
Prior period adjustment	<u>(3,000,000)</u>	-	-
Net position - beginning of year - restated	<u>35,139,718</u>	<u>18,822,233</u>	<u>311,102</u>
Net position - end of year	<u>\$ 35,530,087</u>	<u>\$ 19,501,505</u>	<u>\$ 440,572</u>

The accompanying notes are an integral part of these financial statements.

Hutchinson Community College
Statement of Cash Flows
For the Year Ended June 30, 2020

	2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 6,592,757
Federal and state sources	14,245,937
Sales and services of auxiliary enterprises	5,253,226
Private gifts and grants	18,875
Health insurance charges for services	2,902,084
Other operating receipts	440,106
Payments to employees for salaries and benefits	(26,535,773)
Payments to suppliers	(20,815,769)
Loans issued to students	(4,802,866)
Net change in cash flows from operating activities	(22,701,423)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations received	10,150,088
County and local appropriations received	14,571,852
Private gifts and grants received	837,006
Net change in cash flows from noncapital financing activities	25,558,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(4,379,419)
Proceeds from debt issuance	4,916,210
Principal paid on debt and capital lease obligations	(295,941)
Interest paid on debt and capital lease obligations	(369,824)
Capital gifts and grants received	294,376
Net change in cash flows from capital and related financing activities	165,402
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	221,007
Net change in cash flows from investing activities	221,007
Net change in cash and cash equivalents	3,243,932
Cash and cash equivalents - beginning of year	25,663,185
Cash and cash equivalents - end of year	\$ 28,907,117
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CHANGE IN CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (28,615,975)
Depreciation and amortization expense	2,236,161
Changes in operating assets and liabilities:	
Receivables, net	584,556
Inventories	77,136
Accounts payable	(405,065)
Unearned revenue	8,326
Amortization of deferred charge on refunding	(23,298)
Compensated absences payable	57,889
Early retirement benefits	(50,835)
Other postemployment benefits	66,963
Net pension liabilities	11,639
Deferred inflows and outflows related to net pension and other post employment benefits	30,715
Deposits held in custody for others	(87,817)
Employee benefits paid directly by State of Kansas	3,408,182
Net change in cash flows from operating activities	\$ (22,701,423)

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies

Hutchinson Community College (the College) is a public, two-year post-secondary educational institution, organized under the laws of the State of Kansas, and is governed by an elected Board of Trustees. It was established in 1928 to meet the diverse educational needs and interests of the citizens of Reno, Harvey, McPherson, Rice Counties, and adjacent areas, as well as residents from other localities who choose to attend.

The accounting and reporting policies of the College relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(a) Reporting Entity

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. It is governed by a Board of Trustees elected by the voters of Reno County, Kansas. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the College (the primary government) and its discretely presented component units. The component units discussed below are included in the College's reporting entity because of the significance of their financial relationship with the College. The financial data of the College's component units are discretely presented in a separate column to emphasize that it is a legally separate entity.

Hutchinson Community College Endowment Association (Endowment) is a legally separate, tax-exempt component unit of the College. The Endowment acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Endowment, the majority of resources, or income thereon, that the Endowment holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Endowment can only be used by, or for the benefit of, the College, the Endowment is considered a component unit of the College and is discretely presented in the College's financial statements. For financial reporting purposes only, the Endowment's statements of financial position and activities are included in the College's financial statements as required by generally accepted accounting principles for public colleges and universities.

For financial reporting purposes, the Endowment follows the provisions of the Financial Accounting Standards Board (FASB) which establish the financial reporting standards for all nonprofit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Endowment's financial information. Complete financial statements for the Endowment can be obtained from the Endowment's business office.

Start Up Hutch is a legally separate, tax-exempt component unit of the College. Start Up Hutch acts primarily as a not-for-profit organization that houses loans for small business entrepreneurship venture activities. They also provide consulting, planning, and patent services. The College has access to the Start Up Hutch's resources for educational services to provide to its students. The College processes the Start Up Hutch's daily operating expenditures. The activity on the books for Start Up Hutch is for loan servicing activities. The Start Up Hutch directly services certain loans and acts as the third party servicer for loans provided through the Kansas Center for Entrepreneurs.

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (Cont.)

(a) Reporting Entity (Cont.)

Because of the financial benefit that Start Up Hutch provides the College through its educational resources, and the financial burden that is generated through the College's processing of the Start Up Hutch's operational expenses, the Start Up Hutch is considered a component unit of the College and is discretely presented in the College's financial statements. For financial reporting purposes only, the Start Up Hutch's statements of financial position and activities are included in the College's financial statements as required by generally accepted accounting principles for public colleges and universities.

For financial reporting purposes, Start Up Hutch follows the provisions of the Financial Accounting Standards Board (FASB) which establish the financial reporting standards for all nonprofit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to Start Up Hutch's financial information. Complete financial statements for Start Up Hutch can be obtained from the College's business office.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the College are included on the statement of net position. Revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of related cash flows. All significant interfund transactions have been eliminated.

Nonexchange transactions, in which the College receives value without directly giving equal value in return, include property taxes; federal, state, and local grants; state appropriations, and other contributions. Property taxes are recognized in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The College does not present budgetary comparison information in the basic financial statements or as required supplemental information. This is because the College reports as a business-type activity and does not have the reporting requirements related to major funds. The College does present budgetary comparison information in the supplementary information to these financial statements.

(c) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Cash and Cash Equivalents and Investments

Kansas Statute (KSA) 12-1675 authorizes the College to invest monies in time deposits, certificates of deposits, repurchase agreements consisting of obligations insured by the U.S. government or any agency thereof, U.S. Treasury bills or notes with maturities not exceeding two years, and the Kansas Municipal Investment Pool. Investments are reported at fair value based on quoted market prices.

Cash resources of the individual funds (except for any proceeds of revenue bonds, which are separately invested) are combined to form a pool of cash and temporary investments that are managed by the College. Investments of the pooled accounts consist primarily of certificates of deposits. Interest income earned is allocated to various funds based upon statutory guidelines.

For purposes of the statement of cash flows, the College considers all investments with original maturities of one year or less to be cash equivalents.

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (Cont.)

(c) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (Cont.)

Receivables

Receivables consist of tuition and fees charged to students, amounts due from federal, state, and local governments in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts, and other receivables. Receivables are recorded net of estimated uncollectible amounts.

Inventories

Inventories of the campus store are stated at the lower of cost or net realizable value, cost being determined principally on the basis of average cost. Campus store inventories consist of books, clothing, and supplies. Inventories have been adjusted for obsolete merchandise. Inventories are recorded as an expense when consumed rather than when purchased.

Inventory of educational activities are valued at the estimated sales price less selling costs which is in accordance with established industry practices. Inventory of educational activities relates to crops, livestock, and ag diesel mechanics.

Capital Assets

Capital assets, which include property, plant, and equipment, are recorded at cost at the date of acquisition, or their estimated fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than three years. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed on assets having a value of more than \$5,000 using the straight-line method over the estimated useful lives of the assets. Depreciation is not allocated to the various functions of the College but is reported separately on these financial statements. The amortization expense of equipment under capital leases is included in depreciation expense.

Estimated useful lives used for calculating depreciation are as follows:

- Land improvements – 10 to 15 years
- Buildings – 15 to 40 years
- Furniture – 10 years
- Equipment – 5 to 7 years

Unearned Revenue

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

Federal Financial Assistance Programs

Federal programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (Cont.)

(c) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (Cont.)

Compensated Absences Payable

Employee vacation and sick leave pay is accrued at year end for financial statement purposes. The liability is recorded in the statement of net position and a related expense is recorded in the statement of revenues, expenses, and changes in net position.

The amount for vacation payable is based on leave earned, but not taken. Employees are allowed to carry over a limited number of vacation days from year to year.

Unused sick leave is accumulated up to a specified maximum number of days. Upon separation from the College, the compensation is based upon a pre-determined daily dollar amount multiplied by the number of accumulated sick days.

Medical Claims Payable

The medical claims payable relates to the College's self-insured health care program and includes reported, as well as estimated incurred but not reported, medical claims. These are expected to be fully paid within one year of the financial statement date.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and certificates of participation payable with maturities greater than one year, related premiums and discounts, Sports Arena payable, and capital lease obligations with contractual maturities greater than one year; and (2) estimated amounts for the early retirement benefits payable, compensated absences payable, other post-employment benefits payable and net pension liabilities not anticipated to be paid within the next fiscal year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS's 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College has two items that qualify for reporting in this category. The first is the deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or original debt. The second is deferred outflows related to other post employment benefits and pensions as actuarially determined and explained in Note 7, 8 and 9, respectively.

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (Cont.)

(c) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (Cont.)

Deferred Outflows/Inflows of Resources (Cont.)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has one item that qualifies for reporting in this category. It is the deferred inflows relating to other postemployment benefits and pensions as actuarially determined and explained in Note 7, 8 and 9, respectively.

Net Position

The College's net positions are classified as follows:

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

Restricted net position – nonexpendable – Restricted nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net position – expendable – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Net Position Flow Assumption

Sometimes the College will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the College's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Classification of Revenues

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

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants and contracts.

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (Cont.)

(c) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (Cont.)

Classification of Revenues (Cont.)

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources such as state and county appropriations and investment income.

Property Tax Information

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the January of the current fiscal year, such procedure being in conformity with governing Kansas statutes. Current year property taxes receivable are recognized net of an allowance for delinquent taxes. A sixty-day period is used for revenue recognition.

The County Appraiser is responsible for assessment of all taxable property within Reno County. The County Clerk computes the annual tax and issues the tax bills to all taxpayers. Property taxes are collected by the County Treasurer, who remits to the College its respective share of the tax collections. Property taxes become a lien against all property on November 1st. Taxpayers have the option of paying in full, or in two installments. The installment dates are December 20 and May 10.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net position. Scholarship allowances are the differences 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 student's behalf. Certain governmental grants, such as PELL, Supplemental Educational Opportunity Grants (SEOG), 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 allowance.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

(a) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

**Hutchinson Community College
Notes to Financial Statements
June 30, 2020**

2. Stewardship, Compliance, and Accountability (Cont.)

(a) Budgetary Information (Cont.)

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
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.

The College's legal level of budget control is at the fund level. Kansas 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 this year.

Kansas 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 regulatory basis of accounting. Regulatory receipts are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments for future payment and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end. Encumbered appropriations are not re-appropriated in the ensuing year's budget but are carried forward until liquidated or canceled. Accordingly, the data presented in the budgetary comparison schedules differs from the data presented in the financial statements prepared in accordance with GAAP. The reconciliations are presented on the face of the budgetary comparison schedules.

A legal operating budget is not required for current restricted funds, capital project funds, trust funds, and some special revenue funds. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

(b) Cash-Basis Law (KSA 10-1113)

Kansas municipalities are subject to the cash-basis law as stated in KSA 10-1113. Some sub-funds of the Restricted Funds have a negative unencumbered cash balance at June 30, 2020, which is allowable under KSA 12-1663. This fund will be reimbursed from federal grants, state grants, and other contracts for expenditures already incurred by the College in the following fiscal year. This combined receivable has been recognized for GAAP purposes on these financial statements.

3. Cash and Cash Equivalents and Investments

As of June 30, 2020, the College had cash and cash equivalents as listed below:

Deposits in financial banking institutions	\$ 18,907,117
Certificates of deposit	<u>10,000,000</u>
 Total cash and cash equivalents	 <u>\$ 28,907,117</u>

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

3. Cash and Cash Equivalents and Investments (Cont.)

The College did not have any activity in investment-type assets.

The College's policies relating to deposits and investments are governed by various Kansas Statutes (KSA). Those statutes specify the type of deposits and investments as well as the securing of those deposits and investments.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with KSA 12-1675, the College manages its exposure to interest rate fluctuations by limiting all time investments to maturities of less than two years.

Credit risk – State law limits the amount of credit risk by restricting governments to specific investment types as listed in KSA 12-1675. The College's practice is to place idle funds in certificates of deposits, United States obligations, and the Kansas Municipal Investment Pool (KMIP). The KMIP was rated AAAf/S1+ by Standard & Poor's as of March, 2020. The KMIP is permitted to invest in fully collateralized certificates of deposit, certain obligations of the United States, certain repurchase/reverse repurchase agreements, and other types of investments. The fair value of the investments in the pool are the same as the value of the pool shares. The KMIP is managed by the Pool Investment Board of which four members are appointed by the Governor of the State of Kansas.

Custodial credit risk – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. KSA 9-1402 and 9-1405 requires that governments obtain security for all deposits. The College manages its custodial credit risk by requiring the financial institutions to grant a security interest in securities held by third-party custodial banks. Monies in the KMIP are not required to have pledged securities. As of June 30, 2020, the College was not exposed to custodial credit risk with its deposits or investments.

Concentration of credit risk – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College manages this risk by placing funds with financial institutions only after contacting all eligible institutions in the taxing area and by the fact that the monies in the KMIP are diverse according to the policies of the investment pool.

Component unit – Investments of the Hutchinson Community College Endowment Association consist of mutual funds, treasury obligations, certificates of deposit, and other investments. These investments are managed by the Finance Committee of the Endowment Association. These types of investments are not regulated by Kansas statutes. These investments are subject to all normal market risks.

At June 30, 2020, the College had invested in funds in the State's Municipal Investment Pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

4. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	(Decreases) Adjustments	Ending Balance
Non-depreciable capital assets:				
Land	\$ 195,688	\$ -	\$ -	\$ 195,688
Books and films	1,088,964	-	-	1,088,964
Construction in progress	-	2,782,961	-	2,782,961
Total non-depreciable capital assets	1,284,652	2,782,961	-	4,067,613
Depreciable capital assets:				
Improvements	2,911,443	-	-	2,911,443
Buildings	50,947,563	796,682	-	51,744,245
Equipment	18,510,363	799,775	(133,868)	19,176,270
Total depreciable capital assets	72,369,369	1,596,457	(133,868)	73,831,958
Less accumulated depreciation:				
Improvements	(2,297,897)	(143,029)	-	(2,440,926)
Buildings	(28,373,168)	(1,741,394)	-	(30,114,562)
Equipment	(16,336,318)	(330,718)	129,275	(16,537,761)
Total accumulated depreciation	(47,007,383)	(2,215,141)	129,275	(49,093,249)
Total capital assets, net	\$ 26,646,638	\$ 2,164,277	\$ (4,593)	\$ 28,806,322

Depreciation expense for the year ended June 30, 2020 is \$2,215,141.

5. Long-Term Liabilities

The following is a summary of long-term liability transactions for the year ended June 30, 2020:

	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Current Portion
Certificates of Participation	\$ 5,430,000	\$ -	\$ (220,000)	\$ 5,210,000	\$ 225,000
Premium on Certificates	43,292	-	(2,279)	41,013	2,279
Sports Arena payable	3,750,000	-	(500,000)	3,250,000	500,000
Capital lease obligations	4,593,599	5,091,484	(5,167,425)	4,517,658	458,811
Revenue Bond	-	5,000,000	-	5,000,000	280,000
Compensated absences	563,966	72,218	(14,329)	621,855	502,849
Early retirement benefits	280,572	101,174	(152,009)	229,737	142,380
Other post employment benefits	1,047,512	-	66,963	1,114,475	-
Net pension liability	658,481	-	11,639	670,120	-
Total long-term liabilities	\$ 16,367,422	\$ 10,264,876	\$ (5,977,440)	\$ 20,654,858	\$ 2,111,319

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

5. Long-Term Liabilities (Cont.)

The Certificates of Participation and the Sports Arena payable will be liquidated by the General Fund and the Postsecondary Technical Education Fund. The capital lease obligations are liquidated through the Central Administrative Funds and the General Fund. The revenue bond will be paid out of the Capital Project - Series 2019 Cafeteria Project Fund. The compensated absences, early retirement benefits, other post employment benefits, and the pension benefits are generally liquidated by the General Fund and the Postsecondary Technical Education Fund.

(a) Certificates of Participation

The College issued Certificates of Participation Series 2012. The original issue amount was \$6,650,000, due in annual principal installments ranging from \$210,000 to \$375,000 through year 2038. Interest rates vary from 2.00% to 4.00%.

The annual debt service requirements for the certificates of participation are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2021	\$ 225,000	\$ 167,978	\$ 392,978
6/30/2022	235,000	161,077	396,077
6/30/2023	240,000	154,672	394,672
6/30/2024	245,000	148,853	393,853
6/30/2025	250,000	142,475	392,475
6/30/26 - 6/30/30	1,380,000	601,350	1,981,350
6/30/31 - 6/30/35	1,610,000	361,269	1,971,269
6/30/36 - 6/30/40	1,025,000	58,700	1,083,700
Total	<u>\$ 5,210,000</u>	<u>\$ 1,796,374</u>	<u>\$ 7,006,374</u>

(b) Sports Arena Payable

The College entered into an Interlocal Agreement with the City of Hutchinson to help finance the cost of construction and funding improvements to the Hutchinson Sports Arena. The original agreement amount was \$4,500,000, due in annual installments ranging from \$250,000 to \$500,000 through year 2027. Interest rate is 0%. The College has elected to not impute interest based on guidance in the GASB Comprehensive Implementation Guide.

The annual debt service requirements for the sports arena payable are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2021	\$ 500,000	\$ -	\$ 500,000
6/30/2022	500,000	-	500,000
6/30/2023	500,000	-	500,000
6/30/2024	500,000	-	500,000
6/30/2025	500,000	-	500,000
6/30/26 - 6/30/29	750,000	-	750,000
Total	<u>\$ 3,250,000</u>	<u>\$ -</u>	<u>\$ 3,250,000</u>

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

5. Long-Term Liabilities (Cont.)

(c) Capital Lease Obligations

The College has entered into various lease agreements for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been reported at the present value of their future minimum lease payments as of the inception date. The equipment totaled \$215,204 and is included in the capital assets of the College. The amortization of this equipment has been included in the College's depreciation expense.

The College has a lease agreement with the Educational Facilities Authority of Reno County for Gowans Stadium. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been reported at the present value of the future minimum lease payments as of the inception date. The construction and equipment totaled \$1,196,200 and is included in the capital assets of the College. The amortization of this equipment has been included in the College's depreciation expense.

The College also has a lease agreement with Honeywell, Inc. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been reported at the present value of the future minimum lease payments as of the inception date. The construction and future equipment totaled \$7,180,000 and is included as an asset in the capital assets of the College. The amortization of this equipment has been included in the College's depreciation expense.

The annual debt service requirements for capital leases are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2021	\$ 458,811	\$ 142,031	\$ 600,842
6/30/2022	470,561	127,101	597,662
6/30/2023	492,710	111,619	604,329
6/30/2024	508,373	95,288	603,661
6/30/2025	532,203	78,529	610,732
6/30/26 - 6/30/28	<u>2,055,000</u>	<u>134,375</u>	<u>2,189,375</u>
Total	<u>\$ 4,517,658</u>	<u>\$ 688,943</u>	<u>\$ 5,206,601</u>

(d) Student Union and Dormitory System Revenue Bond

The College issued Student Union and Dormitory System Revenue Bonds. The original issue amount was \$5,000,000, due in annual principal installments ranging from \$280,000 to \$395,000 through year 2035. Interest rate is 2.56%.

The annual debt service requirements for the certificates of participation are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2021	\$ 280,000	117,184	\$ 397,184
6/30/2022	285,000	109,824	394,824
6/30/2023	290,000	102,272	392,272
6/30/2024	300,000	94,528	394,528
6/30/2025	305,000	86,592	391,592
6/30/26 - 6/30/30	1,660,000	305,984	1,965,984
6/30/31 - 6/30/35	<u>1,880,000</u>	<u>74,048</u>	<u>1,954,048</u>
Total	<u>\$ 5,000,000</u>	<u>\$ 890,432</u>	<u>\$ 5,890,432</u>

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

5. Long-Term Liabilities (Cont.)

(e) Early Retirement Benefit Plan

At the discretion of the Board of Trustees, the College offers a voluntary early retirement plan to eligible employees. Employees must have completed at least 15 years of full-time and continuous service with the College and must be eligible to receive unreduced KPERs retirement benefits. Benefits apply for a maximum of 38 months, or until the employee is eligible for full social security benefits, whichever occurs first. This benefit program is unfunded and current costs are paid by the General Fund and the Postsecondary Technical Education Fund. For the year ended June 30, 2020, the College paid \$140,053 in benefits. The liability for the early retirement benefit plan includes the expected cash outflows discounted at a range of 1.625% to 2.125%. At year end, there were 16 retirees receiving benefits.

(f) Revenue Bond Covenants

The College is required to maintain certain covenants related to the revenue bond. Specifics of these covenants are as follows:

- a. The 2019 Revenue Bond covenants request the number of users served by the Student Union and Dormitory System (System). The number of users totaled 6,903.
- b. The 2019 Revenue Bond covenants request information on insurance coverage for the System. Insurance is as follows:

<u>Character</u>	<u>Amount</u>	<u>Expiration Date</u>	<u>Annual Premium</u>
Building & Personal Property	\$ 23,758,240	7/1/2020	\$ 12,535

In addition to the above listing of insurance, the System is included in the College's general liability insurance coverage of \$1,000,000 (single occurrence) and the College's business income insurance coverage.

- c. The 2004 Revenue Bond covenants request specific financial information as follows:

	<u>Student Union</u>	<u>Student Housing</u>	<u>Project Fund</u>
Cash	\$ 2,869,421	\$ 5,119,277	\$ 2,070,587
Capital assets, net	-	358,529	-
Total assets	<u>\$ 2,869,421</u>	<u>\$ 5,477,806</u>	<u>\$ 2,070,587</u>
Accounts payable	<u>\$ 8,056</u>	<u>\$ 1,366</u>	<u>\$ 209,986</u>
Net Position:			
Invested in capital assets, net of related debt	-	358,529	-
Unrestricted	<u>2,861,365</u>	<u>5,117,911</u>	<u>1,860,601</u>
Total net position	<u>2,861,365</u>	<u>5,476,440</u>	<u>1,860,601</u>
Total liabilities and net position	<u>\$ 2,869,421</u>	<u>\$ 5,477,806</u>	<u>\$ 2,070,587</u>

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

5. Long-Term Liabilities (Cont.)

(f) Revenue Bond Covenants (Cont.)

	Student Union	Student Housing	Total
Gross revenue	\$ 1,200,487	\$ 1,419,656	\$ 2,620,143
Gross expenditures	(905,910)	(769,141)	(1,675,051)
Adjustment			
Capital Purchases	38,061	123,321	161,382
Transfers in (out)	(275,000)	(400,000)	(675,000)
Net revenues	\$ 57,638	\$ 373,836	\$ 431,474

d. The 2019 Revenue Bond covenants request information regarding the calculation of the Debt Service Ratio as follows:

Net Revenues	\$	431,474
Debt Service Requirements for Fiscal Year June 30, 2020		64,000
Ratio of Net Revenues to Debt Service Requirements		674%

The College is to maintain a Debt Service Ratio of 125% per the 2019 Revenue Bond covenant. Per above, the College is in compliance with this requirement for the year ended June 30, 2020.

e. The College is in compliance with the arbitrage rebate covenants per the 2019 Revenue Bond covenants.

6. Operating Lease

The College leases 200 E. Third Ave., Hutchinson, KS for the purpose of operating Sidney's Hairdressing College. The operating lease term is through December 31, 2021. Expenses for the year ending June 30, 2020, were \$13,500.

The future minimum lease payments for operating leases are as follows:

Year Ending	Total
6/30/2021	\$ 13,500
Total	\$ 13,500

7. Other Postemployment Benefits Payable (OPEB)

Plan Description

Through its group program the College sponsors Medical / Rx and Dental insurance to qualifying retirees and their dependents. Coverage is provided through a self-funded arrangement with stop-loss coverage. Two Medical plans are available. Qualifying retirees are those employees who are eligible for immediate retirement benefits under the Kansas Public Employees Retirement System and retire prior to Social Security Normal Retirement Age. Retirees may continue coverage with the College by paying the carrier premium rate. Coverage is available until Social Security Normal Retirement Age for retirees and their spouses. Retirees receive a benefit since they aren't charged the full age-based cost. Re-enrollment is not allowed once a participant discontinues enrollment in the College's insurance program.

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

7. Other Postemployment Benefits Payable (OPEB) (Cont.)

Plan Description (Cont.)

Effective January 1, 2015 the group insurance of the College is delivered through a self-insured program with stop-loss coverage. Eligible employees may continue coverage upon retirement through the group program. Two medical plan options are available.

Coverage is available until Social Security Normal Retirement Age (“SSNRA”). Spouses may continue coverage upon retiree death or retiree attainment of SSNRA, until the spouse reaches SSNRA. All benefits renew annually each January 1. The College has the following employees covered by the Plan:

Retirees and beneficiaries receiving benefits	9
Active plan members	<u>391</u>
Total	<u><u>400</u></u>

Funding Policy

The College provides health insurance benefits to retirees and their dependents in accordance with Kansas law (KSA 12-5040). The benefits are paid from the general operating assets of the College on a pay-as-you-go basis. The contribution requirements of Plan members and the College are established and may be amended by the Board of Trustees.

Employer Contributions

An employer may make contributions through an irrevocable transfer of assets to a qualifying trust, direct payment of benefits or a combination of these. Without a trust and self-funded, the contribution equals retiree claims plus admin costs, less any retiree contribution premiums. Without a trust and not self-funded, the contribution equals age-adjusted premium costs, less any retiree contribution premiums.

Annual OPEB Cost and Net OPEB Obligation

The College’s annual OPEB cost (expense) consists of the service cost plus interest on total OPEB liability and changes in assumptions and inputs. The service cost is the portion of the Actuarial Present Value of OPEB benefits that is allocated to the current year by the Actuarial Cost method. The following table presents the components of the College’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College’s total OPEB obligation to the Plan.

	<u>June 30, 2020</u>
Total OPEB liability - beginning of year	<u>\$ 1,047,512</u>
Service cost	82,656
Interest cost	33,455
Changes in benefit terms	-
Differences between actual and expected experience	(92,815)
Changes in assumptions and inputs	73,667
Employer contributions (benefit payments)	<u>30,000</u>
Net changes	<u>66,963</u>
Net OPEB liability - end of year	<u><u>\$ 1,114,475</u></u>

The College saw no benefit changes to the disability's percentage of replacement income due to the changes from FY19 to FY20.

**Hutchinson Community College
Notes to Financial Statements
June 30, 2020**

7. Other Postemployment Benefits Payable (OPEB) (Cont.)

Annual OPEB Cost and Net OPEB Obligation (Cont.)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.00% in 2019 to 2.60% in 2020 in accordance with GASB 75.

Changes from the beginning to the end of year measurement for FY 2019-20 are noted below:

- The assumed mortality was changed to the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2018 Full Generational Improvement to the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2019 Full Generational Improvement.
- Adjusted the trend on retiree premium contributions and age-based costs considering January 1, 2020 renewals.
- The salary scale assumption was changed from 2.0% to 1.5%.

Total OPEB Liability

The College's total OPEB liability of \$1,114,475 reported as of June 30, 2020 was measured as of June 30, 2020 (the measurement date), and was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions:

Salary increases; including wage increases	1.50%
Discount rate	2.60%

Valuation Procedures and Discount Rate

GASB 75 standards require a single discount rate be determined. To the extent Plan (i.e. Trust) assets are projected to be sufficient to make projected benefit payments, the discount rate will equal the expected return on such assets. To the extent a Plan is not projected to be sufficient to make future benefit payments, the yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher should be factored in. Plan assets do not apply to the College's program.

In order to determine the municipal bond rate the actuaries took the average of the published yields from the S&P Municipal Bond 20 year High Grade and the Fidelity GO AA-20 Years indexes. The selected average rates are 3.0% and 2.6% as of the beginning and end of year measurement dates, respectively. These were used as the discount rates to determine present value costs.

Mortality rates used for the death benefits were based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2019 Full Generational Improvement.

The financial information for fiscal year 2019-20 is based upon a GASB 75 actuarial valuation performed as of January 1, 2017 using the participant census as of January 1, 2017.

The measurement date as selected by the College under GASB 75 Standards is June 30th. The results of the valuation were projected to the beginning of year and end of year measurement dates using standard actuarial techniques.

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

7. Other Postemployment Benefits Payable (OPEB) (Cont.)

Valuation Procedures and Discount Rate (Cont.)

In the January 1, 2019, actuarial valuation, the Entry Age Normal - Level Percent of pay Actuarial Cost method was applied. The actuarial assumptions included a 3.00% investment rate of return, which is a blended rate of the expected long-term investment returns on Plan assets and on the College's pooled funds and investments. The valuation assumed annual healthcare cost trend rate of 5.75% in the first year and then 5.50% in year two, decreasing by 0.25% until year seven when it reaches an ultimate rate of 4.50%. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results.

Sensitivity of Net OPEB Liability to changes in Healthcare Cost Trend Rate

	<u>1% Decrease</u>	<u>Current Trend Assumption</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 966,690	\$ 1,114,475	\$ 1,292,965
Increase / (Decrease) from Baseline	(147,785)	-	178,490

Sensitivity of Net OPEB Liability to changes in the Discount Rate

	<u>1% Decrease</u> <u>1.60%</u>	<u>Current Single Discount</u> <u>Rate Assumption 2.60%</u>	<u>1% Increase</u> <u>3.60%</u>
Net OPEB Liability	\$ 1,223,527	\$ 1,114,475	\$ 1,015,096
Increase / (Decrease) from Baseline	109,052	-	(99,379)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Category</u>	<u>Deferred</u> <u>outflows of</u> <u>resources</u>	<u>Deferred</u> <u>inflows of</u> <u>resources</u>
Differences between actual and expected experience	\$ -	\$ 235,630
Changes in assumptions	155,051	345,609
Benefit payments subsequent to the measurement date (1)	-	-
Total	<u>\$ 155,051</u>	<u>\$ 581,239</u>

(1) Expected Employer Contributions between Measurement date and the Reporting date - Does not apply.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an expense/(income) item in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2021	\$ (35,643)
2022	(35,643)
2023	(35,643)
2024	(35,643)
2025	(35,643)
Thereafter	<u>(247,973)</u>
	<u>\$ (426,188)</u>

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

8. Other Postemployment Benefit Plan - KPERS Death and Disabilities

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. Employer contributions paid for benefits as they came due during the fiscal year ended June 30, 2020, totaled \$36,660.

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% (prior to January 1, 2006, 66 2/3%) 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% 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 65th 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.

**Hutchinson Community College
Notes to Financial Statements
June 30, 2020**

8. Other Postemployment Benefit Plan - KPERS Death and Disabilities (Cont.)

Covered Employees

The College has the following employees covered by the Plan as of June 30, 2019:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	419
Total	419

Total OPEB Liability

At June 30, 2020, the total OPEB liability recognized by the State of Kansas that was attributable to the College was \$196,262.

Actuarial Assumptions

The financial information for fiscal year 2019-20 is based upon actuarial valuation performed as of December 31, 2018 rolled forward to June 30, 2019, using the participant census as of July 1, 2018.

The measurement date as selected by the College under GASB 75 Standards is June 30th. The results of the valuation were projected to the end of year measurement date using standard actuarial techniques.

Price inflation	2.75%
Salary increases, including wage increases	3.50-10.00%
Discount rate (based on the 20 year municipal bond rate with an average rating of AA/Aa or better, obtained from the index.)	3.50%

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-2018. Mortality rates used for the disability benefits were based on the RP-2014 Disabled Life Table with generational mortality improvement using MP-2019.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2015.

Revenue and OPEB Expense Recorded by the College

For the year ended June 30, 2020, the College recognized revenue and OPEB expense in an equal amount of (\$36,660).

9. Defined Benefit Pension Plan

Plan Description

The College participates in the Kansas Public Employees Retirement System (KPERS or System), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law and administered by KPERS, a body corporate and an instrumentality of the State of Kansas. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available, stand-alone comprehensive annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737, or at the KPERS website at www.kpers.org.

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

9. Defined Benefit Pension Plan (Cont.)

Plan Description (Cont.)

KPERS provides pension benefits to the following statewide pension groups under one plan, as provided by KSA 74, article 49:

- Public employees, which include:
 - State/School Employees
 - Local Employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the pension plan. The State of Kansas and Kansas schools are required to participate, while participation by local political subdivisions is optional, but irrevocable once elected.

The employer contributions for non-public school district schools, as defined in KSA 74-4931 (2) and (3), are funded by the State of Kansas on behalf of these employers. Therefore, these employers, are vocational-technical schools and community junior colleges, 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 System. Since these employers do not contribute directly to the System for active employees, there is no net pension liability or deferred inflows or outflows to report in the financial statements for active employees. The notes to the College's financial statements must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the non-public school district employer. In addition, each non-public school district employer must recognize the pension expense associated with their employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with their employer.

A number of these employers make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per KSA 74-4937, "working after retirement" employees. The resulting proportional share of these agencies "working after retirement" contributions and resulting net pension liability are attributable to the employer.

Benefits Provided

Benefits are established by statute and may only be changed by the Legislature. Members 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. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by KSA 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. His or her 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.

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

9. Defined Benefit Pension Plan (Cont.)

Benefits Provided (Cont.)

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

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund established by KSA 74-4922. Member contribution rates are established by State law, and are paid by the employee according to the provisions of Section 414(h) of the Internal revenue code. State law provides that the employer contribution rates for each of the three state wide pension groups to be determined based on the results of each annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by KSA 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.20% of total payroll for the fiscal year ended June 30, 2019.

The State is required to contributed 100% of the College's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. However, they do make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per KSA 74-4937, "working after retirement" employees. The resulting proportional share of the "working after retirement" contributions and resulting new pension liability are attributable to the employer.

KSA 74-4919 and KSA 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, and 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 of 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members.

The College's contractually required contributions rate for the actuarial report date year ended June 30, 2019, was 14.59% of the annual college payroll of which .01% of payroll was required from the College and 99.99% of payroll was required from the State. The College's contributions to the pension plan were \$66,702 for the year ended June 30, 2019 (actuarial report date).

Legislature in the 2015 session authorized issuance of \$1.0 billion in net bond proceeds to improve the funding of the State/School group. The bonds were issued in August 2015 and deposited in the trust fund on August 20, 2015.

**Hutchinson Community College
Notes to Financial Statements
June 30, 2020**

9. Defined Benefit Pension Plan (Cont.)

Employer Allocations

Although KPERS administers one cost sharing, multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Fireman
- Judges

To facilitate the separate (sub) 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.

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

At June 30, 2020, (report year ended June 30, 2019) the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the net pension liability	\$ 670,120
State's proportionate share of the net pension liability associated with the College	<u>3,103,927</u>
	<u>\$ 3,774,047</u>

The net pension liability was measured as of December 31, 2018, which was rolled forward to June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the that date. The College's proportion of the net pension liability was based on the ratio of its contributions to the total of the employer and non-employer contributions of the group for the fiscal year ended June 30, 2019. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. At June 30, 2019, the combined College and State's proportion was 2.10%, which was an increase of .05% from its proportion measured as of the year ended June 30, 2018.

For the actuarial report as of June 30, 2019, there were changes in assumptions and benefits as described in the notes to the required supplemental information.

There were no changes between the measurement date of December 31, 2018, rolled forward to June 30, 2019, and the College's reporting date of June 30, 2020.

**Hutchinson Community College
Notes to Financial Statements
June 30, 2020**

9. Defined Benefit Pension Plan (Cont.)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont.)

For the year ended June 30, 2020, the College recognized pension expense of \$3,444,842 and revenue of \$3,444,842 for support provided by the state. For the portion related to the "working after retirement" the College recognized pension expense of \$58,850, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. At the measurement date of June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions for the College from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,822	\$ 17,331
Changes of assumptions	17,997	246
Net difference between projected and actual earnings on pension plan investments	11,137	-
Changes in proportion and differences between College contributions and proportionate share of contributions	<u>206,987</u>	<u>88,582</u>
Total	<u>\$ 241,943</u>	<u>\$ 106,159</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses by the College as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2021	\$ 70,182
2022	49,786
2023	13,027
2024	2,307
2025	482
Thereafter	<u>-</u>
	<u>\$ 135,784</u>

Actuarial Assumptions

The total pension liability recognized by the State and the portion recognized by the College, were determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

- Price Inflation
2.75 percent
- Wage inflation
3.50 percent
- Salary increases, including wage increases
3.5 to 12.0 percent, including inflation
- Long-term rate of return, net of investment expense, and including price inflation
7.75 percent

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

9. Defined Benefit Pension Plan (Cont.)

Actuarial Assumptions (Cont.)

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 using Scale MP-2016.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

The long-term expected rate of return of 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 allocation as of the most recent experience study, dated November 18, 2016, as provided by KPERs' investment consultant, are summarized in the following table:

<u>Asset class</u>	<u>Long-term target allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	47.00%	6.85%
Fixed Income	13.00%	1.25%
Yield Driven	8.00%	6.55%
Real Return	11.00%	1.71%
Real Estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-term Investments	<u>2.00%</u>	-0.25%
Total	<u>100.00%</u>	

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below.

In KPERs, the State/School and Local groups do not necessarily contribute the full actuarially determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2017 was 1.2 percent.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for Fiscal Year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of \$1 billion in pension obligation bonds. Legislation in the 2016 session (SB 161) provided for the delay of up to \$100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

**Hutchinson Community College
Notes to Financial Statements
June 30, 2020**

9. Defined Benefit Pension Plan (Cont.)

Actuarial Assumptions (Cont.)

In addition, 2017 S Sub. For Sub. HB 2052 delayed \$64.1 million in Fiscal Year State/School contributions, to be repaid over 20 years in level dollar installments. The first year payment of \$6.4 million was paid in full at the beginning of of Fiscal Year 2018, and appropriations for Fiscal Year 2018 were made at the statutory contribution rate of 12.01 percent for the State/School group.. Additional legislation in the 2017 Session (S Sub for HB 2002) provided for a reduction of \$194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20 year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as long-term receivables by the Pension Plan. The 2018 Legislature passed House Sub for Sen Bill 109, that provided additional funds for the school group of \$56 million in Fiscal Year 2018 and \$138 million in Fiscal Year 2019.

Sensitivity of the State's proportionate share of the net pension liability to changes in the discount rate.

The table below presents the net pension liability of the Pension Plan as of June 30, 2019, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

1% Decrease (6.75%)	Discount rate (7.75%)	1% Increase (8.75%)
\$917,227	\$670,120	\$462,754

10. Risk Management

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 have not exceeded commercial insurance coverage in any of the past three years.

The College has established a self-insured health care program for eligible College employees and covered dependents. The activity is reported in an internal service fund on these financial statements. The College limits its exposure through specific and aggregate stop-loss coverage. All claims handling procedures are performed by a third-party claims administrator. Reported unpaid claims, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator's estimate. These claims are expected to be fully paid within one year of the financial statement date.

Changes in claims liabilities during the past year is summarized below:

Unpaid claims, June 30, 2019	\$ 440,026
Claims incurred (including incurred but not reported)	2,095,709
Claim payments	(2,430,269)
Unpaid claims, June 30, 2020	\$ 105,466

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

11. Related Party Transactions Between the College and its Component Unit

The Hutchinson Community College Endowment Association paid \$816,592 in student scholarships during the current fiscal year.

The College provides administrative support, office space, and other services to the Hutchinson Community College Endowment Association. The Endowment Association does not reimburse the College for expenses incurred.

12. Contingent Liabilities

The College receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims would not have a material effect on the financial statements.

The College is a defendant in various pending litigation and administrative proceedings. Management anticipates that any potential claims, if any, against the College would be covered by insurance and would not materially affect the College's financial position.

13. Segment Information

The College issued revenue bonds to finance activities of its auxiliary enterprise funds. Investors in those bonds rely on the revenue generated by the individual activities for repayment. Descriptive information for the College's segment is listed below.

Student Union and Dormitory System Revenue Bonds Series 2019

The revenues pledged to this Series 2019 bonds consist of net revenues generated from the Dormitory system and the Union system of the College. The condensed financial information for this segment is as follows:

Condensed Statement of Net Assets

Assets:

Current assets	\$ 7,988,698
Capital asset, net	<u>358,529</u>
Total assets	<u>\$ 8,347,227</u>

Liabilities:

Current liabilities	<u>\$ 9,422</u>
---------------------	-----------------

Net Position:

Invested in capital assets, net of related debt	358,529
Unrestricted	<u>7,979,276</u>
Total net position	<u>8,337,805</u>
Total liabilities and net position	<u>\$ 8,347,227</u>

Hutchinson Community College
Notes to Financial Statements
June 30, 2020

13. Segment Information (Cont.)

<u>Condensed Statement of Revenues, Expenses and Changes in Net Assets</u>	
Operating Revenue	\$ 2,620,143
Depreciation and amortization expense	(358,530)
Other operating expense	<u>(2,350,051)</u>
Operating income	(88,438)
 Beginning net position	 <u>8,426,242</u>
 Ending net position	 <u>\$ 8,337,805</u>
 <u>Condensed Statement of Cash Flows</u>	
Net change in cash for:	
Operating activities	\$ 267,469
 Beginning cash and cash equivalents	 <u>7,721,229</u>
 Ending cash and cash equivalents	 <u>\$ 7,988,698</u>

14. Prior Period Adjustment

The College re-evaluated their student accounts receivable for collectibility. This resulted in a prior period adjustment and total effect on beginning net position of (\$3,000,000).

15. COVID-19 Pandemic

In recent months, the coronavirus (COVID-19) outbreak in the United States has resulted in the temporary closure of schools and operating hours for our offices. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the College as of the date of this report, management believes that a material impact on the College's financial position and results of future operations is reasonably possible. The College was awarded \$114,081 under the Strengthening Institutions portion of the CARES Act, \$1,152,268 under the Student Aid portion of the CARES Act, and \$1,152,267 under the Institutional Portion of the CARES Act. The College spent \$107,504 of the Strengthening Institutions portion of the CARES Act, received \$939,800 and spent \$1,127,685 of the Student Aid portion of the CARES Act, and spent \$421,052 of the Institutional Portion of the CARES Act. The College received \$545,832 of SPARK monies and as of June 30, 2020, \$42,533 was spent.

16. Subsequent Events

In July of 2020, the College issued refunding certificates of participation in the amount of \$3,405,000. The issue is refunding the Series 2012 Certificate of Participation.

Management has evaluated the effects on the financial statements of subsequent events occurring through the date of this report, which is the date at which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Hutchinson Community College

Schedule of Changes in the Net OPEB Liability - Healthcare
For the Year Ended June 30, 2020

	Last 10 Fiscal Years*									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total OPEB Liability - Beginning of year	\$ 1,047,512	\$ 1,501,478	\$ 1,306,130	For 2011 to 2017, this data is not yet available.						
Service Cost	82,656	106,096	95,133	For 2011 to 2017, this data is not yet available.						
Interest Cost	33,455	52,604	46,521	For 2011 to 2017, this data is not yet available.						
Changes in Benefit Terms	-	-	-	For 2011 to 2017, this data is not yet available.						
Differences between actual and expected experience	(92,815)	(177,219)	-	For 2011 to 2017, this data is not yet available.						
Changes in assumptions and inputs	73,667	(408,447)	119,694	For 2011 to 2017, this data is not yet available.						
Employer contributions	<u>(30,000)</u>	<u>(27,000)</u>	<u>(66,000)</u>	For 2011 to 2017, this data is not yet available.						
Net Changes	<u>66,963</u>	<u>(453,966)</u>	<u>195,348</u>	For 2011 to 2017, this data is not yet available.						
Total OPEB Liability - End of year	\$ <u>1,114,475</u>	\$ <u>1,047,512</u>	\$ <u>1,501,478</u>	For 2011 to 2017, this data is not yet available.						

Note: For June 30, 2018, GASB 75 was implemented. The information for years 2011-2017 is not available under the measurement requirements of GASB 75.

Hutchinson Community College

**Schedule of the College's Proportionate Share of the Net OPEB Liability - Healthcare
For the Year Ended June 30, 2020**

	Last 10 Fiscal Years*									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total OPEB Liability	\$ 1,114,475	\$ 1,047,512	\$ 1,501,478	For 2011 to 2017, this data is not yet available.						
Fiduciary net position	-	-	-	For 2011 to 2017, this data is not yet available.						
Net OPEB liability	<u>\$ 1,114,475</u>	<u>\$ 1,047,512</u>	<u>\$ 1,501,478</u>	For 2011 to 2017, this data is not yet available.						
Fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	For 2011 to 2017, this data is not yet available.						
Covered-employee payroll	\$ 17,718,513	\$ 17,718,513	\$ 16,380,554	For 2011 to 2017, this data is not yet available.						
Net OPEB liability as a percentage of covered-employee payroll	6.30%	5.90%	9.20%	For 2011 to 2017, this data is not yet available.						

Note: For June 30, 2018, GASB 75 was implemented. The information for years 2011-2017 is not available under the measurement requirements of GASB 75.

Hutchinson Community College

Schedule of the College's Proportionate Share of the Net OPEB Liability - KPERS Death and Disability
For the Year Ended June 30, 2020

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability	\$ 196,262	\$ 232,922	\$ 236,547	For 2011 to 2017, this data is not yet available.						
Fiduciary net position	-	-	-	For 2011 to 2017, this data is not yet available.						
Net OPEB liability	<u>\$ 196,262</u>	<u>\$ 232,922</u>	<u>\$ 236,547</u>	For 2011 to 2017, this data is not yet available.						
Nonemployer contributing entities' total proportionate share of collective net OPEB liability	\$ 196,262	\$ 232,922	\$ 236,547	For 2011 to 2017, this data is not yet available.						
Employer's proportionate share of the collective net OPEB liability	-	-	-	For 2011 to 2017, this data is not yet available.						
Covered-employee payroll	\$ 22,321,396	\$ 21,688,860	\$ 20,900,301							
Nonemployer's proportionate share of collective net OPEB liability as a percentage of covered-employee payroll	0.88%	1.07%	1.13%							
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	For 2011 to 2017, this data is not yet available.						

Note: For June 30, 2018, GASB 75 was implemented. The information for years 2011-2017 is not available under the measurement requirements of GASB 75.

* The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.

Hutchinson Community College

**Schedule of the College's OPEB Contributions - KPERs Death & Disability
For the Year Ended June 30, 2020**

Kansas Public Employees Retirement System

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required OPEB contributions	\$ 193,861	\$ 15,750	\$ 17,715	For 2011 to 2017, this data is not yet available.						
OPEB contributions in relation to statutorily required contributions**	193,861	15,750	17,715	For 2011 to 2017, this data is not yet available.						
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
College's covered-employee payroll	\$ 22,321,396	\$ 21,688,860	\$ 20,900,301	For 2011 to 2017, this data is not yet available.						
OPEB contributions as a percentage of covered payroll	0.87%	0.07%	0.08%	For 2011 to 2017, this data is not yet available.						

* The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.

** Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from statutorily required contributions.

Hutchinson Community College

Schedule of the College's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2020

Kansas Public Employees Retirement System

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
College's proportion share of the net pension liability (asset)	0.008%	0.007%	0.009%	0.004%	0.002%	0.000%	0.00%	For 2011 to 2013, this data is not yet available.		
College's proportionate share of the net pension liability (asset)	\$ 670,120	\$ 658,481	\$ 824,216	\$ 393,733	\$ 391,006	\$ -	0.00%	For 2011 to 2013, this data is not yet available.		
State's proportionate share of the net pension liability (asset)	0.350%	0.354%	0.357%	0.352%	0.125%	0.348%	\$ 0			
State's proportionate share of the net pension liability (asset)	\$ 31,182,658	\$ 31,533,420	\$ 32,588,272	\$ 32,468,359	\$ 32,053,273	\$ 28,836,666	\$ 32,815,043	For 2011 to 2013, this data is not yet available.		
Total collective net pension liability (asset)	\$ 31,852,778	\$ 32,191,901	\$ 33,412,488	\$ 32,862,092	\$ 32,444,279	\$ 28,836,666	\$ 32,815,043			
College's covered-employee payroll	\$ 23,905,910	\$ 22,117,866	\$ 22,028,170	\$ 21,157,899	\$ 20,515,939	\$ 20,209,665	\$ 19,614,418			
Total collective net pension liability (asset) as a percentage of its covered-employee payroll	133.242%	145.547%	151.681%	155.318%	158.142%	142.688%	167.30%	For 2011 to 2013, this data is not yet available.		
Plan fiduciary net position as a percentage of the total pension liability	69.878%	68.876%	67.119%	65.097%	64.946%	66.602%	59.94%	For 2011 to 2013, this data is not yet available.		

* The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.

Hutchinson Community College

**Schedule of College Contributions
For the Year Ended June 30, 2020**

Kansas Public Employees Retirement System

Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 66,702	\$ 57,805	\$ 60,813	\$ 27,378	\$ 24,530	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(66,702)</u>	<u>(57,805)</u>	<u>(60,813)</u>	<u>(27,378)</u>	<u>(24,530)</u>	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
College's covered-employee payroll	\$ 23,905,910	\$ 22,117,866	\$ 22,028,170	\$ 21,157,899	\$ 20,515,939	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	0.28%	0.26%	0.28%	0.13%	0.12%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Historically, the College has not been responsible for contributions due to being a special funding situation. The State of Kansas has paid all contributions. Due to changes in the statutes, the College is now responsible for "working after retirement" employees contributions.

49 * The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.

Hutchinson Community College

Notes to Required Supplementary Information For the Year Ended June 30, 2020

Other Postemployment Benefits - Healthcare

Changes in benefit terms:

There are no changes in benefits.

Changes in assumptions:

Changes of assumptions and other inputs reflect a change in the discount rate from 3.0% in 2019 to 2.6% in 2020.

Changes from the beginning to the end of year measurement for FY 2019-20 are noted below:

- The assumed mortality was changed to the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2018 Full Generational Improvement to the Society of Actuaries Pub-2010 Public Retirement Plans Headcount Weighted General Mortality Tables using Scale MP-209 Full Generational Improvement.
- Update trend on claims, contribution premiums, admin fees and stop-loss premiums considering January 1, 2020 renewal.
- The salary scale assumption was changed from 2.0% to 1.5%.

Other Postemployment Benefits - KPERS Death and Disabilities

Changes in benefit terms:

There are no changes in benefits.

Changes in assumptions:

- Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.50% in 2019.
- 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-2018. Mortality rates used for the disability benefits were based on the RP-2014 Disabled Life Table with generational mortality improvement using MP-2018.

Defined Benefit Pension Plan

Changes in benefit terms:

There are no changes in benefits.

Changes in assumptions:

Changes from the beginning to the end of year measurement for the valuation report dated June 30, 2019, are noted below:

- Price inflation lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 percent to 3.5 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

SUPPLEMENTARY INFORMATION

Hutchinson Community College

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
Budget and Actual - Budgetary Basis
General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 7,207,888	\$ 7,207,888	\$ 6,831,546	\$ (376,342)
Federal sources	100,000	100,000	-	(100,000)
State sources	5,269,986	5,269,986	5,268,658	(1,328)
Local sources	15,132,133	15,132,133	14,552,600	(579,533)
Other sources	1,485,392	1,485,392	941,611	(543,781)
Total Cash Receipts	<u>\$29,195,399</u>	<u>\$29,195,399</u>	<u>27,594,415</u>	<u>\$ (1,600,984)</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Instruction	\$ 7,461,233	\$ 7,461,233	6,105,577	\$ (1,355,656)
Public service	526,801	526,801	28,609	(498,192)
Academic support	2,446,225	2,446,225	1,542,987	(903,238)
Student services	6,413,225	6,413,225	5,172,969	(1,240,256)
Institutional support	4,062,253	4,062,253	3,216,798	(845,455)
Operation and maintenance	3,805,304	3,805,304	2,926,744	(878,560)
Scholarships	459,951	459,951	316,497	(143,454)
Transfer to Postsecondary Technical Education Fund	5,500,000	5,500,000	5,500,000	-
Nonmandatory transfers out	181,000	181,000	881,000	700,000
Total Expenditures and Transfers Subject to Budget	<u>\$30,855,992</u>	<u>\$30,855,992</u>	<u>25,691,181</u>	<u>\$ (5,164,811)</u>
Receipts Over (Under) Expenditures			1,903,234	
Unencumbered Cash, July 1			<u>9,946,927</u>	
Unencumbered Cash, June 30			<u>\$11,850,161</u>	
Unencumbered Cash, June 30			\$11,850,161	
Receivables			<u>2,260</u>	
GAAP fund balance (internal books)			<u>\$11,852,421</u>	

Hutchinson Community College

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
Budget and Actual - Budgetary Basis
Postsecondary Technical Education Fund
Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 4,451,962	\$ 4,451,962	\$ 3,698,518	\$ (753,444)
Federal sources	513,730	513,730	315,418	(198,312)
State sources	5,847,070	5,847,070	4,872,209	(974,861)
Other sources	1,419,723	1,419,723	58,639	(1,361,084)
Transfer from General Fund	5,500,000	5,500,000	5,500,000	-
 Total Cash Receipts	 <u>\$ 17,732,485</u>	 <u>\$ 17,732,485</u>	 <u>14,444,784</u>	 <u>\$ (3,287,701)</u>
 <u>Expenditures Subject to Budget</u>				
Instruction	\$ 9,064,081	\$ 9,064,081	8,039,335	\$ (1,024,746)
Public service	527,049	527,049	332,444	(194,605)
Academic support	1,762,102	1,762,102	1,265,643	(496,459)
Student services	1,542,773	1,542,773	942,436	(600,337)
Institutional support	2,243,876	2,243,876	1,892,671	(351,205)
Operation and maintenance	2,010,170	2,010,170	1,654,451	(355,719)
Scholarships	50,800	50,800	-	(50,800)
 Total Expenditures Subject to Budget	 <u>\$ 17,200,851</u>	 <u>\$ 17,200,851</u>	 <u>14,126,980</u>	 <u>\$ (3,073,871)</u>
 Receipts Over (Under) Expenditures			 317,804	
 Unencumbered Cash, July 1			 532,590	
 Unencumbered Cash, June 30			 <u>\$ 850,394</u>	
 Detail of unencumbered cash balance:				
Vocational Education Fund			\$ 340,993	
Perkins Grant Fund			509,401	
			 <u>\$ 850,394</u>	
 Unencumbered Cash, June 30			 \$ 850,394	
Receivables			-	
Unearned revenue			(1,300)	
 GAAP fund balance (internal books)			 <u>\$ 849,094</u>	

Hutchinson Community College

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
 Budget and Actual - Budgetary Basis
 Adult Education Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 3,781	\$ 3,781	\$ -	\$ (3,781)
Federal sources	153,797	153,797	109,207	(44,590)
State sources	146,405	146,405	69,504	(76,901)
Local sources	108,023	108,023	19,250	(88,773)
Private gifts and grants	5,963	5,963	-	(5,963)
Other sources	170,543	170,543	165,001	(5,542)
Total Cash Receipts	<u>\$ 588,512</u>	<u>\$ 588,512</u>	<u>362,962</u>	<u>\$ (225,550)</u>
<u>Expenditures Subject to Budget</u>				
Instruction	\$ 430,611	\$ 430,611	203,978	\$ (226,633)
Academic support	141,621	141,621	151,406	9,785
Total Expenditures Subject to Budget	<u>\$ 572,232</u>	<u>\$ 572,232</u>	<u>355,384</u>	<u>\$ (216,848)</u>
Receipts Over (Under) Expenditures			7,578	
Unencumbered Cash, July 1			<u>9,145</u>	
Unencumbered Cash, June 30			<u>\$ 16,723</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ 16,723</u> <u>-</u>	
GAAP fund balance (internal books)			<u>\$ 16,723</u>	

Hutchinson Community College

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
 Budget and Actual - Budgetary Basis
 Adult Supplementary Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 633,833	\$ 633,833	\$ 315,017	\$ (318,816)
State sources	31,303	31,303	-	(31,303)
Private gifts and grants	4,007	4,007	18,875	14,868
Other sources	<u>908,010</u>	<u>908,010</u>	<u>109,840</u>	<u>(798,170)</u>
Total Cash Receipts	<u>\$ 1,577,153</u>	<u>\$ 1,577,153</u>	<u>443,732</u>	<u>\$ (1,133,421)</u>
<u>Expenditures Subject to Budget</u>				
Instruction	<u>\$ 1,010,495</u>	<u>\$ 1,010,495</u>	<u>333,867</u>	<u>\$ (676,628)</u>
Receipts Over (Under) Expenditures			109,865	
Unencumbered Cash, July 1			<u>237,593</u>	
Unencumbered Cash, June 30			<u>\$ 347,458</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ 347,458</u> <u>30,332</u>	
GAAP fund balance (internal books)			<u>\$ 377,790</u>	

Hutchinson Community College

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
 Budget and Actual - Budgetary Basis
 Motorcycle Driver Safety Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 118,955	\$ 118,955	\$ 28,095	\$ (90,860)
State sources	62,609	62,609	21,138	(41,471)
Other sources	-	-	493	493
Total Cash Receipts	<u>\$ 181,564</u>	<u>\$ 181,564</u>	<u>49,726</u>	<u>\$ (131,838)</u>
<u>Expenditures Subject to Budget</u>				
Instruction	\$ 248,991	\$ 248,991	32,803	\$ (216,188)
Academic support	5,885	5,885	-	(5,885)
Total Expenditures Subject to Budget	<u>\$ 254,876</u>	<u>\$ 254,876</u>	<u>32,803</u>	<u>\$ (222,073)</u>
Receipts Over (Under) Expenditures			16,923	
Unencumbered Cash, July 1			<u>154,164</u>	
Unencumbered Cash, June 30			<u>\$ 171,087</u>	
Unencumbered Cash, June 30 Receivables			\$ 171,087	-
GAAP fund balance (internal books)			<u>\$ 171,087</u>	

Hutchinson Community College

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
 Budget and Actual - Budgetary Basis
 Auxiliary Enterprise Funds - Combined
 Year Ended June 30, 2020

	Budgeted Amounts		Actual			Total Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final	Student Service Enterprises	Academic Enterprises	Central Administration		
	Cash Receipts						
Student sources	\$ 966,127	\$ 966,127	\$ 835,577	\$ -	\$ -	\$ 835,577	\$ (130,550)
Federal sources	37,808	37,808	-	4,059	-	4,059	(33,749)
Private gifts and grants	536,641	536,641	118,062	-	-	118,062	(418,579)
Sales	9,772,707	9,772,707	3,969,637	227,709	578,919	4,776,265	(4,996,442)
Other	1,324,960	1,324,960	98,707	163,704	(2,984)	259,427	(1,065,533)
Total Cash Receipts	\$ 12,638,243	\$ 12,638,243	5,021,983	395,472	575,935	5,993,390	\$ (6,644,853)
Expenditures and Transfers Subject to Budget							
Salaries and benefits	\$ 850,782	\$ 850,782	182,758	203,613	55,066	441,437	\$ (409,345)
General operating	2,566,837	2,566,837	731,748	90,404	1,415,900	2,238,052	(328,785)
Supplies	781,686	781,686	146,123	43,660	107,525	297,308	(484,378)
Scholarships	1,169,296	1,169,296	1,010,200	15,960	-	1,026,160	(143,136)
Cost of sales	3,268,366	3,268,366	1,755,266	92,324	-	1,847,590	(1,420,775)
Capital expenses	2,332,782	2,332,782	176,625	13,500	9,455	199,580	(2,133,202)
Mandatory transfers out (in)	-	-	400,000	-	-	400,000	400,000
Nonmandatory transfers out (in)	1,019,000	1,019,000	318,565	(24,930)	(253,500)	40,135	(978,865)
Total Expenditures and Transfers Subject to Budget	\$ 11,988,749	\$ 11,988,749	4,721,285	434,531	1,334,446	6,490,262	\$ (5,498,486)
Receipts Over (Under) Expenditures			300,698	(39,059)	(758,511)	(496,872)	
Unencumbered Cash, July 1			11,382,870	(135,245)	155,400	11,403,025	
Unencumbered Cash, June 30			<u>\$ 11,683,568</u>	<u>\$ (174,304)</u>	<u>\$ (603,111)</u>	<u>\$ 10,906,153</u>	*
Unencumbered Cash, June 30			\$ 11,683,568	\$ (174,304)	\$ (603,111)	\$ 10,906,153	
Receivables			18,593	64,371	123,413	206,377	
Inventory			601,080	188,095	-	789,175	
GAAP fund balance (internal books)			<u>\$ 12,303,241</u>	<u>\$ 78,162</u>	<u>\$ (479,698)</u>	<u>\$ 11,901,705</u>	

* Exempt from Cash-Basis Law (KSA 10-1116).

Hutchinson Community College

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
Budget and Actual - Budgetary Basis
Student Service Enterprise Funds
Year Ended June 30, 2020

	Budgeted Amounts		Actual					Variance With Final Budget Over (Under)
	Original	Final	Athletics	Campus Store	Student Union	Student Housing	Total Budgetary Basis	
Cash Receipts								
Student sources	\$ 966,127	\$ 966,127	\$ 683,983	\$ -	\$ 75,797	\$ 75,797	\$ 835,577	\$ (130,550)
Private gifts and grants	536,641	536,641	118,062	-	-	-	118,062	(418,579)
Sales	7,454,607	7,454,607	65,858	1,508,944	1,077,862	1,316,973	3,969,637	(3,484,970)
Other	584,954	584,954	2,339	22,655	46,827	26,886	98,707	(486,247)
Total Cash Receipts	\$ 9,542,329	\$ 9,542,329	870,242	1,531,599	1,200,486	1,419,656	5,021,983	\$ (4,520,346)
Expenditures and Transfers Subject to Budget								
Salaries and benefits	\$ 331,036	\$ 331,036	17,042	165,716	-	-	182,758	\$ (148,278)
General operating	1,367,062	1,367,062	-	56,974	115,226	559,548	731,748	(635,314)
Supplies	451,547	451,547	-	10,121	49,730	86,272	146,123	(305,424)
Scholarships	1,148,648	1,148,648	1,010,200	-	-	-	1,010,200	(138,448)
Cost of sales	3,025,889	3,025,889	-	1,052,374	702,892	-	1,755,266	(1,270,623)
Capital expenses	1,092,351	1,092,351	-	15,243	38,061	123,321	176,625	(915,726)
Mandatory transfers out (in)	-	-	-	-	-	400,000	400,000	400,000
Nonmandatory transfers out (in)	1,300,000	1,300,000	(75,000)	118,565	275,000	-	318,565	(981,435)
Total Expenditures and Transfers Subject to Budget	\$ 8,716,533	\$ 8,716,533	952,242	1,418,993	1,180,909	1,169,141	4,721,285	\$ (3,995,248)
Receipts Over (Under) Expenditures			(82,000)	112,606	19,577	250,515	300,698	
Unencumbered Cash, July 1			82,777	3,590,909	2,841,788	4,867,396	11,382,870	
Unencumbered Cash, June 30			\$ 777	\$ 3,703,515	\$ 2,861,365	\$ 5,117,911	\$ 11,683,568	*
Unencumbered Cash, June 30			\$ 777	\$ 3,703,515	\$ 2,861,365	\$ 5,117,911	\$ 11,683,568	
Receivables			-	18,593	-	-	18,593	
Inventory			-	601,080	-	-	601,080	
GAAP fund balance (internal books)			\$ 777	\$ 4,323,188	\$ 2,861,365	\$ 5,117,911	\$ 12,303,241	

* Exempt from Cash-Basis Law (KSA 10-1116).

Hutchinson Community College

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
Budget and Actual - Budgetary Basis
Academic Enterprise Funds
Year Ended June 30, 2020

	Budgeted Amounts		Actual										Variance	
	Original	Final	Child Care	Ag Mechanics	Crops	Bldg Construct	Livestock	RCIC	OSHA	Mine Safety	South Campus Motor	Wildland Fire Science	Total Budgetary Basis	With Final Budget Over (Under)
Cash Receipts														
Federal sources	\$ 37,808	\$ 37,808	\$ 4,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,059	\$ (33,749)
Private gifts and grants	-	-	3,500	-	-	-	-	-	-	-	-	-	3,500	3,500
Sales	580,322	580,322	72,896	43,639	19,778	-	46,113	-	-	-	45,283	-	227,709	(352,613)
Other	722,565	722,565	-	-	2,443	-	8,331	11,360	25,764	115,806	-	-	163,704	(558,861)
Total Cash Receipts	\$ 1,340,695	\$ 1,340,695	80,455	43,639	22,221	-	54,444	11,360	25,764	115,806	45,283	-	398,972	\$ (941,723)
Expenditures and Transfers Subject to Budget														
Salaries and benefits	\$ 417,321	\$ 417,321	92,848	-	1,854	-	8,241	-	12,774	87,896	-	-	203,613	\$ (213,708)
General operating	279,513	279,513	10,810	-	1,845	-	38,055	-	2,450	26,526	4,427	6,291	90,404	(189,109)
Supplies	120,885	120,885	70	4,997	-	-	-	-	4,078	10,544	23,971	-	43,660	(77,225)
Scholarships	20,648	20,648	-	-	-	-	15,960	-	-	-	-	-	15,960	(4,688)
Cost of sales	242,477	242,477	-	36,165	15,252	-	24,684	2,993	-	5,003	8,227	-	92,324	(150,153)
Capital expenses	80,777	80,777	-	-	7,915	-	3,205	1,385	-	995	-	-	13,500	(67,277)
Nonmandatory transfers out (in)	(27,500)	(27,500)	(27,500)	-	-	-	-	-	-	2,570	-	-	(24,930)	2,570
Total Expenditures and Transfers Subject to Budget	\$ 1,134,121	\$ 1,134,121	76,228	41,162	26,866	-	90,145	4,378	19,302	133,534	36,625	6,291	434,531	\$ (699,590)
Receipts Over (Under) Expenditures			4,227	2,477	(4,645)	-	(35,701)	6,982	6,462	(17,728)	8,658	(6,291)	(35,559)	
Unencumbered Cash, July 1			(166,975)	(156,456)	7,335	914	(102,734)	(31,861)	18,242	159,586	85,496	51,208	(135,245)	
Unencumbered Cash, June 30			<u>\$ (162,748)</u>	<u>\$ (153,979)</u>	<u>\$ 2,690</u>	<u>\$ 914</u>	<u>\$ (138,435)</u>	<u>\$ (24,879)</u>	<u>\$ 24,704</u>	<u>\$ 141,858</u>	<u>\$ 94,154</u>	<u>\$ 44,917</u>	<u>\$ (170,804)</u>	*
Unencumbered Cash, June 30			\$ (162,748)	\$ (153,979)	\$ 2,690	\$ 914	\$ (138,435)	\$ (24,879)	\$ 24,704	\$ 141,858	\$ 94,154	\$ 44,917	\$ (170,804)	
Receivables			60	42,088	-	-	-	369	9,152	12,702	-	-	64,371	
Inventory			-	28,525	4,170	-	155,400	-	-	-	-	-	188,095	
GAAP fund balance (internal books)			<u>\$ (162,688)</u>	<u>\$ (83,366)</u>	<u>\$ 6,860</u>	<u>\$ 914</u>	<u>\$ 16,965</u>	<u>\$ (24,510)</u>	<u>\$ 33,856</u>	<u>\$ 154,560</u>	<u>\$ 94,154</u>	<u>\$ 44,917</u>	<u>\$ 81,662</u>	

Hutchinson Community College

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
 Budget and Actual - Budgetary Basis
 Central Administrative Service Funds
 Year Ended June 30, 2020

	Budgeted Amounts		Actual						Total Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final	Postage	Motor Pool	Telephone	Copier	Parking	Tuition Advance		
Cash Receipts										
Sales	\$ 1,737,778	\$ 1,737,778	\$ 72,935	\$ 114,791	\$ 193,538	\$ 112,939	\$ 18,683	\$ 66,033	\$ 578,919	\$ (1,158,859)
Other	17,441	17,441	-	263	(6,525)	(645)	-	3,923	(2,984)	(20,425)
Total Cash Receipts	\$ 1,755,219	\$ 1,755,219	72,935	115,054	187,013	112,294	18,683	69,956	575,935	\$ (1,179,284)
Expenditures and Transfers Subject to Budget										
Salaries and benefits	\$ 102,425	\$ 102,425	-	55,066	-	-	-	-	55,066	\$ (47,359)
General operating	920,262	920,262	100,856	149,622	198,842	130,203	14,918	821,459	1,415,900	495,638
Supplies	209,254	209,254	-	91,417	-	16,108	-	-	107,525	(101,729)
Capital expenses	1,159,654	1,159,654	-	8,503	-	-	952	-	9,455	(1,150,199)
Nonmandatory transfers out (in)	(253,500)	(253,500)	(36,500)	(100,000)	(40,000)	(37,000)	(40,000)	-	(253,500)	-
Total Expenditures and Transfers Subject to Budget	\$ 2,138,095	\$ 2,138,095	64,356	204,608	158,842	109,311	(24,130)	821,459	1,334,446	\$ (803,649)
Receipts Over (Under) Expenditures			8,579	(89,554)	28,171	2,983	42,813	(751,503)	(758,511)	
Unencumbered Cash, July 1			106,021	430,547	582,666	125,479	272,554	(1,361,867)	155,400	
Unencumbered Cash, June 30			\$ 114,600	\$ 340,993	\$ 610,837	\$ 128,462	\$ 315,367	\$(2,113,370)	\$ (603,111)	*
Unencumbered Cash, June 30			\$ 114,600	\$ 340,993	\$ 610,837	\$ 128,462	\$ 315,367	\$(2,113,370)	\$ (603,111)	
Receivables			-	185	-	43	-	123,185	123,413	
GAAP fund balance (internal books)			\$ 114,600	\$ 341,178	\$ 610,837	\$ 128,505	\$ 315,367	\$(1,990,185)	\$ (479,698)	

* Exempt from Cash-Basis Law (KSA 10-1116).

Hutchinson Community College

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
Budget and Actual - Budgetary Basis
Capital Outlay Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Local sources	\$ 25,000	\$ 25,000	\$ 2	\$ (24,998)
Other sources	581,399	581,399	86,000	(495,399)
Transfers (in)	5,500,000	5,500,000	500,000	(5,000,000)
Total Cash Receipts	<u>\$ 6,106,399</u>	<u>\$ 6,106,399</u>	586,002	<u>\$ (5,520,397)</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Institutional support	\$ -	\$ -	49,639	\$ 49,639
Capital expense	7,206,973	7,206,973	888,401	(6,318,572)
Total Expenditures and Transfers Subject to Budget	<u>\$ 7,206,973</u>	<u>\$ 7,206,973</u>	938,040	<u>\$ (6,268,933)</u>
Receipts Over (Under) Expenditures			(352,038)	
Unencumbered Cash, July 1			<u>3,665,103</u>	
Unencumbered Cash, June 30			<u>\$ 3,313,065</u>	
Unencumbered Cash, June 30 Receivables			\$ 3,313,065	-
GAAP fund balance (internal books)			<u>\$ 3,313,065</u>	

Hutchinson Community College

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
 Budget and Actual - Budgetary Basis
 Revenue Bond Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Private gifts	\$ 5,500,000	\$ 5,500,000	-	\$ (5,500,000)
Transfers (in)	600,000	600,000	-	(600,000)
Total Cash Receipts	<u>\$ 6,100,000</u>	<u>\$ 6,100,000</u>	-	<u>\$ (6,100,000)</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Principal	\$ 300,000	\$ 300,000	-	\$ (300,000)
Interest and fees	200,000	200,000	-	(200,000)
Transfer to project fund	-	-	350,000	350,000
Payments to reserves	500,000	500,000	-	(500,000)
Total Expenditures and Transfers Subject to Budget	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	350,000	<u>\$ (650,000)</u>
Receipts Over (Under) Expenditures			(350,000)	
Unencumbered Cash, July 1			350,000	
Unencumbered Cash, June 30			<u>\$ -</u>	
Unencumbered Cash, June 30			\$ -	
Receivables			-	
GAAP fund balance (internal books)			<u>\$ -</u>	

SINGLE AUDIT SECTION

Hutchinson Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Identifying Number	Disbursements/ Expenditures
<u>Department of Education</u>			
Direct Programs:			
Student Financial Aid (SFA) Cluster			
Supplemental Education Opportunity Grant	84.007	P007A181519	\$ 171,279
Federal Work Study Program	84.033	P033A181519	106,544
PELL Grant	84.063	P063P180142	6,400,643
Federal Direct Student Loan	84.268	P268K190142	4,803,749
Total Student Financial Aid (SFA) Cluster			<u>11,482,215</u>
Cares Act Cluster (COVID-19)			
Higher Education Emergency Relief Fund Student Aid Portion	84.425E	P425E205064	1,127,685
Higher Education Emergency Relief Fund Institutional Portion	84.425F	P425F204025	421,052
Higher Education Emergency Relief Fund Strengthening Institutions	84.425M	P425M200764	107,504
Total Cares Act Cluster			<u>1,656,241</u>
COVID-19 Coronavirus Relief Fund	21.019	SLT0028, SLT0238	42,533
Passed Through Kansas Board of Regents:			
Adult Education State Grant	84.002		109,207
Vocational Education - Basic	84.048		315,461
TOTAL DEPARTMENT OF EDUCATION			<u>13,605,657</u>
<u>Department of Labor</u>			
Direct Programs:			
Mine Health and Safety 18-19	17.600	MS-35385-20-55-R-20	130,042
Safe Mine Safety Grant	17.600	BS-02001-19-60-20	29,552
Apprenticeships USA Grants	17.285	AP-33025-19-75-A-11	33,017
TOTAL DEPARTMENT OF LABOR			<u>192,611</u>
<u>Department of Agriculture</u>			
Passed Through State Department of Education:			
Child and Adult Care Food Program	10.558		4,059
Rural Business Development	10.351		77,441
Passed Through Fort Hays State University:			
Capacity Building Grants for Non Land Grant Colleges	10.326		83,579
TOTAL DEPARTMENT OF AGRICULTURE			<u>165,079</u>
<u>Corporation for National and Community Service</u>			
Retired Senior Volunteer Program 18-19	94.002	16SRWKS008	58,686
Retired Senior Volunteer Program 19-20	94.002	19SRWKS001	18,592
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>77,278</u>
<u>Department of the Treasury</u>			
Volunteer Income Tax Assistance	21.009	19VITA0007	18,399

-Continued-

Hutchinson Community College
Schedule of Expenditures of Federal Awards (Cont.)
For the Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Disbursements/ Expenditures</u>
<u>Department of Commerce</u>			
Passed Through Kansas Manufacturing Extension Partnership			
Mid-America Manufacturing Technology Center	11.611	70NANB17H009	\$ 176,675
Mid-America Manufacturing Technology Center	11.611	70NANB17H009	<u>56,947</u>
TOTAL DEPARTMENT OF COMMERCE			<u>233,622</u>
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			<u>\$ 14,292,646</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Hutchinson Community College of Hutchinson, Kansas, under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 - Summary of Significant Account Policies

(1) 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.

(2) The College has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

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

Board of Trustees
Hutchinson Community College
Hutchinson, Kansas

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 aggregate discretely presented component unit of Hutchinson Community College, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Hutchinson Community College's basic financial statements, and have issued our report thereon dated March 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hutchinson Community 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 Hutchinson Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Hutchinson Community College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hutchinson Community 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*.

Hutchinson Community College's Response to Findings

Hutchinson Community College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hutchinson Community College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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Hutchinson, KS 67504
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McPherson Office
123 S. Main
McPherson, KS 67460
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Newton Office
3179 North Main Ste. A
North Newton, KS 67117
316.282.9905

Wichita Office
220 W. Douglas, Ste. 300
Wichita, KS 67202
316.265.5600

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Swindoll, Janzen, Hawk & Loyd, LLC
Swindoll, Janzen, Hawk, & Loyd, LLC
Hutchinson, Kansas

March 2, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Hutchinson Community College
Hutchinson, Kansas

Report on Compliance for Each Major Federal Program

We have audited Hutchinson Community College's compliance with the types of compliance requirements described 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, 2020. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

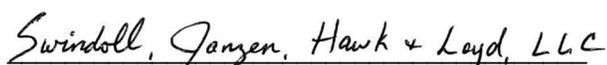
Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types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

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

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

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.


Swindoll, Janzen, Hawk, and Loyd, LLC
Hutchinson, Kansas

March 2, 2021

Hutchinson Community College

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

Section 1 – Summary of Auditor’s Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor’s opinion issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | Yes |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|-----------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | No |
| 4. Identification of major programs: | <u>CFDA No.</u> |
| Student Financial Aid Programs: | |
| Federal Supplemental Educational Opportunity Grant Program | 84.007 |
| Federal Work-Study Program | 84.033 |
| Federal PELL Grant Program | 84.063 |
| Federal Direct Student Loan Program | 84.268 |
| Education Stabilization Fund – CARES Act | |
| Higher Education Emergency Relief Fund Student Aid Portion | 84.425E |
| Higher Education Emergency Relief Fund Institutional Portion | 84.425F |
| Higher Education Emergency Relief Fund Strengthening Institutions Portion | 84.425M |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

Section 2 – Findings – Financial Statement Audit

2020-001 Student Accounts Receivable Prior Period Adjustment

Condition: The College re-evaluated their student accounts receivable for collectability. This resulted in a prior period adjustment and total effect on net position of (\$3,000,000).

Criteria: Internal controls should be in place to ensure accuracy over student accounts receivable allowance account.

Cause: This was caused in part, by human error, and in part by ineffective procedures in place to evaluate the allowance account balance.

Section 2 – Findings – Financial Statement Audit (Cont.)

2020-001 Student Accounts Receivable Prior Period Adjustment (Cont.)

Effect: The balances in the June 30, 2019, financial statements were restated.

Recommendation: We recommend that processes and procedures be developed to continually evaluate the collectability of student accounts receivable balances and adjust management's estimate accordingly.

Views of Responsible Official and Planned Corrective Actions: Management has already implemented the above recommendations. They have developed reports that are ran at the end of each semester in conjunction with turning over accounts to the State set-off program.

Section 3 – Findings and Questioned Costs – Major Federal Award Programs

Student Financial Aid Programs

Federal Supplemental Education Opportunity Grant, CFDA No. 84.007. Federal Work-Study Program CFDA No. 84.033. Federal Pell Grant Program CFDA No. 84.063. Federal Direct Student Loan Program CFDA No. 84.268

There were no reportable findings for the year ended June 30, 2020.

Cares Act Cluster

Higher Education Emergency Relief Fund Strengthening Institutions, CFDA No. 84.425M. Higher Education Emergency Relief Fund Student Aid Portion, CFDA No. 84.425E. Higher Education Emergency Relief Fund Institutional Portion, CFDA No. 84.425F.

There were no reportable findings for the year ended June 30, 2020.