BT&Co. P.A.

Certified Public Accountants

HIGHLAND COMMUNITY COLLEGE

BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

HIGHLAND COMMUNITY COLLEGE

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Highland Community College:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Highland Community College (the College), as of and for the year ended June 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Highland Community College Foundation (the Foundation), the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the applicable provisions of 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. The financial statements of the Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Supplementary and Other Information

The schedules listed under supplementary information in the accompanying table of contents 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BT&Co., P.A.

February 27, 2020
Topeka, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Introduction

This section of HCC's Basic Financial Statements and Supplementary Information presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2019 and is designed to focus on current activities. Therefore, please read this MD&A in conjunction with the accompanying financial statements and footnotes. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles. HCC has adopted GASB statements 34 and 35 on *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The standards established by the GASB principles were used for preparation of public college financial statements that focus on aggregate operations, versus the previous standards that focus on the activity of an individual fund. The report consists of three basic financial statements that provide information on the College as a whole: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Comparative data from prior year will also be discussed.

Background

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

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

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

Fiscal year 2011 was the last year for funding for Kansas Community Colleges under Senate Bill 345. The new operating grant funding system went into effect for fiscal year 2012. However, because of the condition of the state budget, community college funding has essentially changed to a block grant. With state aid frozen for the foreseeable future, HCC has become more reliant on student tuition and fee generation. The strategy has been to implement slight increases in tuition paired with a managed enrollment growth to offset any of the College's increases in expenses.

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

Economic Outlook

The College's enrollments respond inversely to economic cycles – people tend to work more when the economy is good and continue their education more when work is less available. The economy has improved in the last two years and the College has had a slight enrollment decrease in both FY18 and FY19. The College anticipates that FY20 enrollment will be slightly lower than FY19.

Funding of higher education will remain limited from traditional state and federal sources. Pressure will continue to increase tuition and fees to offset reduced state funding. Private fundraising efforts of the College's Foundation will grow in importance to assist students by removing financial barriers and to supplement funding for various College initiatives and operations.

Public demands for institutional accountability and effectiveness will continue to increase. The College will need to embrace innovation and continuous quality improvement efforts in academic and administrative support programs and services. Information gathering and reporting will continue to be a major requirement of the College to monitor continuous improvement and cost-effectiveness. Accrediting agency expectations will require more documented evidence of performance. Accountability measures will focus on student learning, outcomes, program completion, and cost-effectiveness.

Using This Annual Report

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

The remainder of the MD&A highlights the structure and contents of the primary government's financial statements. For detailed information pertaining to the Foundation (the College's discretely presented component unit), refer to the separately issued Foundation financial statements for the year ended June 30, 2019.

Comparative Analysis of Net Position – Fiscal Years 2019 and 2018

	Net Position as of June 30		Increase	Percent
	2019	2018	(Decrease)	Change
ASSETS				
Current assets	$ 2,399,961	$ 2,227,460	$ 172,501	7.7%
Capital assets	16,388,834	13,895,525	2,493,309	17.9%
Other assets	407,138	458,644	(51,506)	-11.2%
Total assets	19,195,933	16,581,629	2,614,304	15.8%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	13,084	(13,084)	-100%
Deferred outflows- pensions	96,616	143,170	(46,554)	-33%
Deferred outflows- pensions	8,666	-	8,666	0.0%
Total deferred outflows of resources	105,282	156,254	(50,972)	-33%
LIABILITIES				
Current liabilities	1,722,518	1,461,613	260,905	17.9%
Non-current liabilities	2,954,015	1,465,596	1,488,419	101.6%
Total liabilities	4,676,533	2,927,209	1,749,324	59.8%
DEFERRED INFLOWS OF RESOURCES				
Deferred outflows - pensions/OPEB	157,956	100,740	57,216	56.8%
NET POSITION				
Net investment in capital assets, net of related debt	13,590,361	12,676,567	913,794	7.2%
Restricted	2,660	3,101	(441)	-14.2%
Unrestricted	873,705	1,030,266	(156,561)	-15.2%
Total net position	$ 14,466,726	$ 13,709,934	$ 756,792	5.5%

This schedule is prepared from the college's Statement of Net Position (pages 11-12) which is presented on an accrual basis of accounting and the economic resources measurement focus whereby assets are capitalized and depreciated.

The College's total net position at June 30, 2019, increased from $13,709,934 to $14,466,726 which is an increase of 5.5%.

In fiscal year 2019, the College's total assets increased from $16,581,629 to $19,195,933, an increase of 15.8%.

- Current assets increased from $2,227,460 to $2,399,961. The increase in current assets of approximately $173,000 is primarily a result of an increase in cash and cash equivalents compared with FY18.
    - Cash and cash equivalents increased approximately $332,000.
    - Grants receivable decreased approximately $138,000
    - Student accounts receivable decreased approximately $78,000
    - Prepaid and Inventories increased approximately $56,000
- Noncurrent assets (Capital and Other assets) increased approximately $2,442,000.
    - Accumulated depreciation in FY19 increased approximately $906,000
    - Assets held for resale decreased approximately $57,000. The Building Trade Home that was built in the year was smaller and less expensive than the previous year.
    - Restricted investments were flat.
    - Textbooks increased approximately $6,000
    - Other significant capital asset transactions during FY19 include increases in buildings and improvements, furniture and equipment, and vehicles, for an increase of approximately $3,398,987. The College built a new track and football field and put new roofs on several buildings.

Total liabilities increased from $2,927,209 to $4,676,533 or 59.8%.

- Current liabilities increased approximately $261,000, primarily due to an increase of approximately $401,000 in accounts payable and accrued liabilities.
- Noncurrent liabilities increased approximately $1,488,000 primarily as a result of increases in overall long-term leases and debt, due primarily to the football field project and winery incubator loan.
    - Accrued compensated absences increased approximately $3,000.
    - Net OPEB obligation decreased approximately $130,000.
    - Loans payable increased approximately $1,951,000.
    - Certificates of participation decreased $385,000.
    - The net pension liability decreased approximately $34,000.
    - A football field and track project loan and a winery remodel loan were new in the year and accounted for a $2,029,044 loan increase.

Fiscal Years 2019 and 2018 Financial Highlights

At June 30, 2019 the College's net position increased from $13,709,934 to $14,466,726 or an increase of $756,792.

	Year Ended June 30		Increase	Percent
	2019	2018	(Decrease)	Change
Operating revenues	$ 14,620,400	$ 14,367,829	$ 252,571	0.2%
Nonoperating revenues	9,229,052	9,124,806	104,246	1.1%
Total revenues	23,849,452	23,492,635	356,817	1.5%
Operating expenses	22,949,664	22,991,941	(42,277)	-0.2%
Nonoperating expenses	142,996	253,012	(110,016)	-43.5%
Total expenses	23,092,660	23,244,953	(152,293)	0.6%
Increase in net position	756,792	247,682	509,110	205.5%
Net position, beginning of year	13,709,934	13,261,722	448,212	3.4%
Cumulative effect of change in accounting principle	-	200,530	(200,530)	-100.0%
Net position, end of year	$ 14,466,726	$ 13,709,934	$ 756,792	5.5%

Total revenues increased by $368,817 or 1.5%.

Operating revenues increased $252,571 or were relatively flat due to decreased enrollment offset by a tuition price increase and flat federal grants and contracts funding. Non-operating revenues increased $104,626, an increase of 1.1% primarily due State and Local appropriation and property taxes increase.

Operating expenses decreased slightly by $42,277 or .2%. This slight decrease is a result of expense control.

In general, the ending net position for fiscal year 2019 increased $756,792. Details of revenues and operating expenses are covered in more detail in the subsequent financial statement sections.

Fiscal Years 2019 and 2018 Comparative Statement of Cash Flows

The Statement of Cash Flows presents information on the College's sources and uses of cash. Operating activities primarily reflect receipt of tuition and fees, grants, and auxiliary enterprises. It also reflects payments to suppliers, employees and employee benefits, and payments for scholarships. Non-capital financing activities are mainly those monies received from the state operating grant, post-secondary grant aid, and from the local tax base. Cash used in capital and related financing are the purchases of capital assets, purchases of textbooks, the principal paid on the deferred maintenance agreements and 2010 Certificate of Participation and related interest paid.

Cash and cash equivalents increased by 37.2% in fiscal year 2019. The four categories as defined by GASB are shown below:

	June 30		Increase	Percent
	2019	2018	(Decrease)	Change
Operating activities	$ (6,616,946)	$ (7,573,571)	$ 956,625	-12.6%
Non-capital financing activities	9,159,060	8897711	261,349	2.9%
Capital financing activities	(2,303,271)	(1,352,131)	(951,140)	70.3%
Investing activities	93,107	5,861	87,246	1488.6%
Net increase (decrease)	331,950	(22,130)	354,080	-1600.0%
Cash and cash equivalents, beginning of year	892,713	914,843	(22,130)	-2.4%
Cash and cash equivalents, end of year	$ 1,224,663	$ 892,713	$ 331,950	37.2%

Fiscal Years 2019 and 2018 Comparative Debt Service Summary

During fiscal year 2019, the College increased its debt with two new major projects which were the Football Field and Track and the Winery Incubator Remodel Projects. All payments were made when due and the College added two additional loans and paid the final payment on the 2010 Certificate of Participation payable.

	June 30		Increase	Percent
	2019	2018	(Decrease)	Change
Outstanding debt service:				
2018 loan payable	$ 649,451	$ 714,331	$ (64,880)	-100.0%
Winery incubator loan	119,978	$ 132,711	(12,733)	0.0%
2010 certificates of participation	-	385,000	(385,000)	-100.0%
Winery remodel loan	499,696	-	499,696	0.0%
Football field track loan	1,529,348	-	1,529,348	0.0%
Compensated absences	247,231	244,403	2,828	1.2%
Net pension liability	113,117	147,145	(34,028)	-23.1%
Net OPEB obligation	339,678	469,412	(129,734)	-27.6%
Total outstanding debt service	$ 3,498,499	$ 2,093,002	$ 1,405,497	67.2%

Factors Bearing on the College's Future

At the time these financial statements were prepared and audited, the College was unaware of any adverse existing circumstances that could significantly affect its financial health in the future.

Request for Information

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

HIGHLAND COMMUNITY COLLEGE

STATEMENT OF NET POSITION

June 30, 2019

	Primary Institution
Assets:	
Current assets:	
Cash and cash equivalents	$ 1,222,003
Receivables:	
Grants	34,094
Accounts, net of allowances of $ 501,525	1,052,464
Prepaid items	50,120
Inventories	41,280
Total current assets	2,399,961
Noncurrent assets:	
Restricted cash and cash equivalents	2,660
Assets held for resale	160,912
Textbooks, net of accumulated depreciation of $ 928,918	243,566
Capital assets:	
Land	620,320
Construction in progress	229,472
Buildings and improvements	26,102,923
Furniture and equipment	3,983,971
Vehicles	586,781
Less accumulated depreciation	(15,134,633)
Total noncurrent assets	16,795,972
Total assets	19,195,933
Deferred outflows of resources:	
Deferred outflows - pensions	96,616
Deferred outflows - OPEB	8,666
Total deferred outflows of resources	$ 105,282

(Continued)

HIGHLAND COMMUNITY COLLEGE

STATEMENT OF NET POSITION
(Continued)

June 30, 2019

		Primary Institution
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$	945,674
Deposits held in custody for others		15,150
Unearned revenue		217,210
Accrued compensated absences, current portion		247,231
Loans payable, current portion		297,253
Total current liabilities		1,722,518
Noncurrent liabilities:		
Net pension liability		113,117
Total OPEB liability		339,678
Loans payable		2,501,220
Total noncurrent liabilities		2,954,015
Total liabilities		4,676,533
Deferred inflows of resources:		
Deferred inflows - pensions		80,906
Deferred inflows - OPEB		77,050
Total deferred inflows of resources		157,956
Net position:		
Net investment in capital assets, net of related debt		13,590,361
Restricted for:		
Nonexpendable:		
Endowments		2,660
Unrestricted		873,705
Total net position	$	14,466,726

See accompanying notes to financial statements.

HIGHLAND COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2019

	Primary Institution
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $ 2,712,724)	$ 2,681,920
Federal grants and contracts	4,023,831
State and local grants and contracts	2,136,479
Auxiliary enterprises	3,682,074
On-behalf payments	1,155,624
Gifts and contributions	11,873
Other operating revenues	928,599
Total operating revenues	14,620,400
Operating expenses:	
Education and general:	
Instruction	5,969,870
Athletics	1,945,930
Academic support	1,837,585
Community service	241,379
Research	68,314
Student services	1,654,206
Institutional support	3,973,956
Operations and maintenance	1,479,506
Depreciation and amortization	918,762
Financial aid	1,912,822
Auxiliary enterprises	1,416,265
Auxiliary depreciation	375,445
On-behalf payments	1,155,624
Total operating expenses	22,949,664
Operating loss	$ (8,329,264)

(Continued)

HIGHLAND COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Continued)

Year Ended June 30, 2019

	Primary Institution
Nonoperating revenues (expenses):	
State and local appropriations	$ 3,930,240
Property taxes	2,031,892
Pell grants	3,230,645
Investment income	36,275
Interest on indebtedness	(109,279)
Other nonoperating expenses	(33,717)
Net nonoperating revenues	9,086,056
Increase in net position	756,792
Net position - beginning of year	13,709,934
Net position - end of year	$ 14,466,726

See accompanying notes to financial statements.

HIGHLAND COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

	Primary Institution
Cash flows from operating activities:	
Tuition and fees	$ 2,510,337
Grants and contracts	6,242,748
Auxiliary enterprise charges	3,682,074
Gifts and contributions	11,873
Other receipts	1,178,560
Payments to suppliers	(8,246,327)
Payments to employees	(9,059,709)
Payments for employee benefits	(1,591,234)
Payments for scholarships	(1,345,268)
Net cash from operating activities	(6,616,946)
Cash flows from noncapital financing activities:	
State appropriations	3,930,240
Property taxes	2,031,892
Pell grant	3,230,645
William D. Ford direct lending receipts	3,152,937
William D. Ford direct lending disbursements	(3,152,937)
PLUS loans receipts	27,301
PLUS loans disbursements	(27,301)
Other	(33,717)
Net cash from noncapital financing activities	9,159,060
Cash flows from capital and related financing activities:	
Purchases of capital assets	(3,398,986)
Purchases of textbooks	(381,212)
Proceeds from issuance of long-term debt	2,099,696
Principal paid on long-term debt	(533,266)
Interest paid on long-term debt	(89,503)
Net cash from capital and related financing activities	(2,303,271)
Cash flows from investing activities:	
Purchase (sale) of assets held for resale, net	56,832
Interest on investments	36,275
Net cash from investing activities	93,107
Net increase in cash and cash equivalents	331,950
Cash and cash equivalents, beginning of year	892,713
Cash and cash equivalents, end of year	$ 1,224,663

(Continued)

HIGHLAND COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
(Continued)

Year Ended June 30, 2019

	Primary Institution
Reconciliation of cash and cash equivalents to statement of net position:	
Unrestricted cash and cash equivalents	$ 1,222,003
Restricted cash and cash equivalents	2,660
Total cash and cash equivalents, end of the year	$ 1,224,663
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (8,329,264)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	1,294,207
Changes in assets and liabilities:	
Grants receivable	137,877
Accounts receivable, net	78,378
Prepaids	(46,116)
Inventories	(10,251)
Deferred outflows - pensions	46,554
Deferred outflows - OPEB	(8,666)
Accounts payable and accrued liabilities	361,083
Deposits held in custody for others	(2,100)
Unearned revenue	(55,439)
Accrued compensated absences	2,828
Net pension liability	(34,028)
Total OPEB liability	(129,734)
Deferred inflows - pensions	675
Deferred inflows - OPEB	77,050
Net cash from operating activities	$ (6,616,946)

See accompanying notes to financial statements.

HIGHLAND COMMUNITY COLLEGE

STATEMENT OF FINANCIAL POSITION
COMPONENT UNIT

June 30, 2019

	Foundation
Assets:	
Current assets:	
Cash and cash equivalents	$ 82,269
Noncurrent assets:	
Restricted investments	3,385,672
Other investments	40,546
Capital assets:	
Land	662,920
Furniture and equipment	2,191
Less accumulated depreciation	(2,191)
Total noncurrent assets	4,089,138
Total assets	4,171,407
Liabilities:	
Payables - Other	40,928
Net assets:	
With donor restrictions	4,172,865
Without donor restrictions	(42,386)
Total net assets	$ 4,130,479

See accompanying notes to financial statements.

HIGHLAND COMMUNITY COLLEGE

STATEMENT OF ACTIVITIES
COMPONENT UNIT

Year Ended June 30, 2019

	Foundation		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenues:			
Gifts and contributions	$ 202,454	$ 190,122	$ 392,576
Net investment income	-	224,486	224,486
Net assets released from restriction	393,030	(393,030)	-
Total operating revenues	595,484	21,578	617,062
Operating expenses:			
Program services	287,868	-	287,868
Support services	126,401	-	126,401
Total operating expenses	414,269	-	414,269
Increase in net assets from operations	181,215	21,578	202,793
Other revenues (expenses), net	-	99,353	99,353
Change in net assets	181,215	120,931	302,146
Net assets, beginning of year	(223,601)	4,051,934	3,828,333
Net assets, end of year	$ (42,386)	$ 4,172,865	$ 4,130,479

See accompanying notes to financial statements.

HIGHLAND COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
COMPONENT UNIT

Year Ended June 30, 2019

Cash flows from operating activities:		
Change in net assets	$	181,215
Adjustment to reconcile change in net assets to net cash from operating activities:		
Changes in operating assets and liabilities:		
Payables - Other		40,928
Net cash from operating activities		222,143
Cash flows from investing activities:		
Increase in investments		(409,251)
Net decrease in cash and cash equivalents		(187,108)
Cash and cash equivalents, beginning of year		148,446
Cash and cash equivalents, end of year	$	(38,662)

See accompanying notes to financial statements.

1 - Summary of Significant Accounting Policies

Organization

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

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

Financial Reporting Entity

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

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

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

1 - Summary of Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The College distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with ongoing operations. The principal operating revenues of the College are student tuition and fees and sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Operating expenses include the costs of providing education and auxiliary services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

When both restricted and unrestricted resources are available, it is the College's policy to use restricted resources first.

Statement of Cash Flows

For the purposes of the statement of cash flows, the College considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

1 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Unearned Revenues

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

Inventories

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

Investments

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

Deferred Outflows of Resources/Deferred Inflows of Resources

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

1 - Summary of Significant Accounting Policies (Continued)

Textbooks

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

Assets Held for Resale

Assets held for resale are houses built by the Technical Center Division of the College (the Technical Center) students and sold to the public once the housing project is complete. Assets held for resale are recorded at cost which approximates fair value. The proceeds of the sales are used to fund future housing projects. The College had $ 160,912 in assets held for resale at June 30, 2019.

Capital Assets

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

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

The College's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets. The estimated useful lives are:

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

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

Compensated Absences

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

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

Pensions

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

1 - Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

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

Net Position

Net position is classified as follows:

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

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

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

1 - Summary of Significant Accounting Policies (Continued)

Property Taxes

The lien date for property taxes is January 1. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 of the year levied, with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. Billing and collection is done by Doniphan County. Assessed values are established by the Doniphan County appraiser's office.

Estimates

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

Income Taxes

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

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

Pending Governmental Accounting Standards Board Statements

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

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. Statement 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

2 - Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended June 30, 2019.

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

2 - Budgetary Information (Continued)

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

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

3 - Cash and Investments

Credit risk. Kansas statutes authorize the College to invest in time deposits, open accounts, certificates of deposit, repurchase agreements, U.S. Treasury bills or notes, or the State Treasurer's Municipal Investment Pool. All College deposits and investments are in cash and certificates of deposit at banks within Kansas. The Foundation is not required to follow Kansas Statutes and thus may invest in any instrument allowed by the Foundation's investment policies.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the College's deposits may not be returned to it. Statutes also require that collateral pledged must have a fair market value equal to 100% of the deposits, less insured amounts, and must be assigned for the benefit of the College. At June 30, 2019, the College's deposits were not exposed to custodial credit risk.

Concentration of credit risk. The College's deposit policy does not place any limitations on the percentage of the College's total deposits that may be with any one issuer. Kansas statutes indirectly prohibit such a limitation, as local banks must be given preference on each investment of idle funds.

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

3 - Cash and Investments (Continued)

As of June 30, 2019, the Foundation's investments, other than private equities were valued with quoted prices on the active market (Level 1 input), and private equities of $ 40,546 were valued using unobservable inputs (Level 3 input).

Investments held by the Foundation consisted of the following at June 30, 2019:

	Cost	Fair Value	Unrealized Gain (Loss)
Cash and sweep balance	$ 276,908	$ 276,908	$ -
Fixed income	350,346	361,268	10,922
REIT/alternative	140,000	116,877	(23,123)
Equities	646,557	792,176	145,619
Options	877	436	(441)
Other assets	55,420	56,226	806
Options (short)	(58,375)	(97,100)	(38,725)
Equity funds	1,447,146	1,660,054	212,908
Exchange traded funds	148,046	218,827	70,781
Private equities	25,000	40,546	15,546
	$ 3,031,925	$ 3,426,218	$ 394,293

Investment income of the Foundation consisted of the following for the year ended June 30, 2019:

Interest and dividends	$ 53,924
Partnership distribution	13,006
Realized gain	76,930
Unrealized gain	80,626
	$ 224,486

4 - Capital Assets

Summaries of changes in capital assets follow:

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Highland Community College:					
Capital assets not being depreciated:					
Land	$ 620,320	$ -	$ -	$ -	$ 620,320
Construction in progress	105,236	229,472	-	(105,236)	229,472
Total capital assets not being depreciated	725,556	229,472	-	(105,236)	849,792
Capital assets being depreciated:					
Buildings and improvements	23,265,760	2,837,163	-	-	26,102,923
Furniture and equipment	3,580,883	403,088	-	-	3,983,971
Vehicles	552,281	34,500	-	-	586,781
Total capital assets being depreciated	27,398,924	3,274,751	-	-	30,673,675
Less accumulated depreciation for:					
Buildings and improvements	(10,898,345)	(697,328)	-	-	(11,595,673)
Furniture and equipment	(2,850,567)	(177,939)	-	-	(3,028,506)
Vehicles	(480,043)	(30,411)	-	-	(510,454)
Total accumulated depreciation	(14,228,955)	(905,678)	-	-	(15,134,633)
Total capital assets being depreciated, net	13,169,969	2,369,073	-	-	15,539,042
Total capital assets, net	$ 13,895,525	$ 2,598,545	$ -	$ (105,236)	$ 16,388,834

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Foundation:					
Capital assets not being depreciated:					
Land	$ 662,920	$ -	$ -	$ -	$ 662,920
Capital assets being depreciated:					
Furniture and equipment	2,191	-	-	-	2,191
Total capital assets being depreciated	2,191	-	-	-	2,191
Less accumulated depreciation	(2,191)	-	-	-	(2,191)
Total capital assets being depreciated, net	-	-	-	-	-
Total capital assets, net	$ 662,920	$ -	$ -	$ -	$ 662,920

5 - Operating Leases

The College has an operating lease for office equipment. Future payments required under the operating lease agreement are $ 123,600 for the each of the next four years.

Operating lease expense related to lease agreements, including those that expired during the year, was $ 159,551 for the year ended June 30, 2019.

The facilities and properties used by the Technical Center are owned by the Atchison Unified School District No. 409 (the District). As a result, the College entered into a lease agreement in 2008 with the District for use of the facilities and properties. The initial lease terms are for a ten-year period. At the expiration of the lease, the parties may, at their option, extend the lease terms for an additional ten-year period. Under the lease agreement, in lieu of paying rent to the District, the College is responsible for paying insurance, maintenance, and utility costs of the facility and property during the lease term. Any construction or improvements to the facility remain the property of the District. The lease is in process of being extended at June 30, 2019.

6 - Long-Term Debt

During the year ended June 30, 2011, the College issued 2010 Series Refunding and Improvement Certificates of Participation in the amount of $ 3,055,000. The final installment of $ 385,000 due for 2010 Series certificates of participation was paid during 2019.

Loan Payable - Bank

In fiscal year 2018, the College took out a loan from Kansas State Bank to construct and remodel property and facilities in Baileyville, Kansas and pay off the capital lease to the Foundation. The loan is due in semi-annual installments of $ 44,310 and bears interest at 3.4%. The building in Baileyville is collateral for the loan. Final maturity of the note is July 2027. The total amount due from the College to Kansas State Bank is $ 649,451 at June 30, 2019.

The cost of and accumulated depreciation on the Baileyville building are as follows at June 30:

Cost	$	785,530
Accumulated depreciation		107,430

6 - Long-Term Debt (Continued)

Loan Payable - Bank (Continued)

Future payments required under the loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 67,105	$ 21,516	$ 88,621
2021	69,406	19,215	88,621
2022	71,786	16,835	88,621
2023	74,247	14,374	88,621
2024	76,793	11,828	88,621
2025 - 2028	290,114	20,060	310,174
	$ 649,451	$ 103,828	$ 753,279

Winery Incubator Loan Payable

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

6 - Long-Term Debt (Continued)

Winery Incubator Loan Payable (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2020	$ 13,196	$ 4,349	$ 17,545
2021	13,674	3,871	17,545
2022	14,170	3,375	17,545
2023	14,684	2,861	17,545
2024	15,216	2,329	17,545
2025 - 2027	49,038	3,597	52,635
	$ 119,978	$ 20,382	$ 140,360

Winery Remodel Loan Payable

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

6 - Long-Term Debt (Continued)

Winery Remodel Loan Payable (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2020	$ 38,072	$ 26,874	$ 64,946
2021	41,865	23,081	64,946
2022	43,958	20,988	64,946
2023	46,156	18,790	64,946
2024	48,464	16,482	64,946
2025 - 2029	281,181	43,548	324,729
	$ 499,696	$ 149,763	$ 649,459

Football Field Project Loan Payable

On May 12, 2018, the College entered into a Government Obligation Contract with Kansas State Bank to finance a Football Field Project including New Turf and an 8-Lane Track. The loan is due in semi-annual installments of $ 118,844 beginning February 2019 through August 2026 and bears interest at 3.960%. The original loan balance of $ 1,600,000 is collateralized by a first lien on all equipment included in the Project.

6 - Long-Term Debt (Continued)

Football Field Project Loan Payable (Continued)

Future payments required under the football field project loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 178,880	$ 58,809	$ 237,689
2021	186,034	51,655	237,689
2022	193,473	44,215	237,688
2023	201,211	36,478	237,689
2024	209,258	28,431	237,689
2025 - 2027	560,492	33,728	594,220
	$ 1,529,348	$ 253,316	$ 1,782,664

Changes in Long-Term Debt

Current fiscal year transactions are summarized as follows:

	Balance, July 1, 2018	Additions	Reductions	Balance, June 30, 2019	Due Within One Year
Certificates of participation Series 2010	$ 385,000	$ -	$ 385,000	$ -	$ -
Winery incubator loan	132,711	-	12,733	119,978	13,196
Winery remodel loan	-	499,696	-	499,696	38,072
Bank loan	714,331	-	64,880	649,451	67,105
Football field project loan	-	1,600,000	70,652	1,529,348	178,880
Compensated absences	244,403	251,437	248,609	247,231	247,231
Net pension liability	147,145	-	34,028	113,117	-
Total OPEB liability	469,412	-	129,734	339,678	-
	$ 2,093,002	$ 2,351,133	$ 945,636	$ 3,498,499	$ 544,484

7 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits Provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Kansas Legislature. Member employees 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 an employee'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, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee'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. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

7 - Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

The 2012 Legislature made changes affecting new hires, current member employees 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.

Funding Policy

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

With the exception of contributions made by the College directly to KPERS for KPERS retirees filling KPERS covered positions under K.S.A. 74-4937 (known as "working after retirement" employees), employer contributions for the College's active employees are funded by the State of Kansas on behalf of the employer. Therefore, the College is considered to be a special funding situation as defined by GASB 68, *Accounting and Financial Reporting for Pensions*. State law provides that the contribution rates paid by the State on behalf of the College be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. The statutory contribution rate was 13.21% for the fiscal year ended June 30, 2019.

7 - Defined Benefit Pension Plan (Continued)

Funding Policy (Continued)

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

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

The State of Kansas contributed $ 1,155,624 directly to KPERS on behalf of the College for the year ended June 30, 2019. The payments made by the State of Kansas on behalf of the College have been recorded as both revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Net Pension Liability

The College makes contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937. During the year ended June 30, 2018, there were contributions of $ 10,858 made to KPERS for these employees. The College reported a liability for its proportionate share of the net pension liability related to these employees of $ 113,117 at June 30, 2019.

7 - Defined Benefit Pension Plan (Continued)

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

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

College's proportionate share of the collective net pension liability	$	113,117
State's proportionate share of the collective net pension liability associated with the College		11,178,191
Total	$	11,291,308

The collective net pension liability was measured by KPERS as of June 30, 2018, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The College's proportion of the collective net pension liability was first based on the ratio of the total actual contributions made for the College (including on-behalf contributions from the State and contributions paid by the College) to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup with KPERS for the fiscal year ended June 30, 2018. The resulting proportion was then allocated to the College based on the ratio of the College's actual contributions paid directly to KPERS for "working after retirement" employees relative to the total employer and nonemployer contributions of the College for the fiscal year ended June 30, 2018. As of the measurement date of June 30, 2018, the College's "working after retirement" contributions were .171% of total contributions made for the College (including on-behalf contributions made by the State). The total local allocation percentage for the College as of the measurement date of June 30, 2018 was .001734%.

7 - Defined Benefit Pension Plan (Continued)

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

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 4,910
Net difference between projected and actual earnings on pension plan investments	1,940	-
Changes in proportionate share	90,418	75,898
Changes in assumptions	4,258	98
Total	$ 96,616	$ 80,906

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

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2020	$ 13,911
2021	(3,912)
2022	3,969
2023	3,120
2024	(1,378)
	$ 15,710

7 - Defined Benefit Pension Plan (Continued)

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

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75 percent
Salary increases, including price inflation	3.50 -12.00 percent, including inflation
Wage inflation	3.00 percent
Long-term rate of return, net of investment expense, including price inflation	7.75 percent compounded annually

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted for the three-year period ending December 31, 2015.

7 - Defined Benefit Pension Plan (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of the most recent experience study, dated November 18, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	2.00%	-0.25%
Total	100.00%	

Discount rate. The discount rate used by KPERS to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State/School subgroup of employers does not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS' employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7 - Defined Benefit Pension Plan (Continued)

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

Sensitivity of the College's proportionate share of the collective net pension liability to changes in the discount rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability allocated to the College	$ 152,339	$ 113,117	$ 79,942

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

8 - Other Postemployment Healthcare Benefits

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

8 - Other Postemployment Healthcare Benefits (Continued)

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

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

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

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active plan members	145
	148

Total OPEB Liability

The College's total OPEB liability of $ 339,678 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018.

8 - Other Postemployment Healthcare Benefits (Continued)

Total OPEB Liability (Continued)

Actuarial assumptions and other inputs. The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount rate	3.30 percent beginning of year 3.00 percent end of year
Salary increases	2.0 percent per year
Healthcare cost trend rates	Actual trend applied to 2018 renewals, decreasing 0.25 percent per year to an ultimate rate of 5.0 percent after 7 years.
Retirees' share of benefit-related costs	Retirees are responsible for the full premium rates up to 100% of the premium.
Actuarial cost method	Entry Age Normal – Level Percent-of-Pay

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

Mortality rates were based on the Society of Actuaries Adjusted RPH 2014 total dataset for mortality table with Scale MP-2018 Full Generational Improvement.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial valuation performed as of July 1, 2017 using the participant census as of July 1, 2017.

8 - Other Postemployment Healthcare Benefits (Continued)

Changes in the OPEB Liability

	OPEB Liability
Balance at June 30, 2018	$ 469,412
Changes for the year:	
Service cost	42,345
Interest	16,673
Changes of benefit terms	(122,857)
Differences between expected and actual experience	(62,180)
Changes in assumptions or other inputs	9,285
Benefit payments	(13,000)
Net changes	(129,734)
Balance at June 30, 2019	$ 339,678

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0 percent) or 1-percentage-point higher (4.0 percent) than the current discount rate:

	1% Decrease (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
OPEB liability	$ 374,624	$ 339,678	$ 308,180

8 - Other Postemployment Healthcare Benefits (Continued)

Changes in the Total OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower to 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
OPEB Liability	$ 289,876	$ 339,678	$ 400,820

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

For the year ended June 30, 2019, the College recognized OPEB income of $ 68,859. At June 30, 2019, the College reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,666	$ 19,015
Changes in assumptions	-	58,035
Total	$ 8,666	$ 77,050

8 - Other Postemployment Healthcare Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year Ended June 30,	
2020	$ (5,020)
2021	(5,020)
2022	(5,020)
2023	(5,020)
2024	(5,020)
Thereafter	(43,284)
	$ (68,384)

9 - Other Postemployment Benefit Plan

Plan Description

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

9 - Other Postemployment Benefit Plan (Continued)

Contributions

Employer contributions are established and may be amended by state statute. Members are not required to contribute. There were no employer contributions paid for benefits during the fiscal year ended June 30, 2019.

Special Funding Situation

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

Benefits

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of \$ 100 and a maximum of \$ 5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 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.

9 - Other Postemployment Benefit Plan (Continued)

Benefits (Continued)

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

Covered Employees

The College has the following employees covered by the Plan as of December 31, 2017:

Inactive employees or beneficiaries currently receiving benefits	1
Active employees	175
Total	176

Total OPEB Liability

At June 30, 2019, the total OPEB liability recognized by the State of Kansas that was attributable to the College was $ 105,703.

9 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to the measurement date of June 30, 2018, using the following actuarial assumptions:

Price inflation	2.75 percent
Wage inflation	2.75 percent
Salary increases, including wage increases	3.50 percent
Discount rate (based on 20-year municipal bond rate with an Average rating of AA/Aa or better, obtained from the Bond Buyer General Obligation 20-Bond Municipal index)	3.87 percent

Mortality rates used for the death benefits were based on the RP-2014 Healthy Annuitant Mortality Table for Males and Females, adjusted for generational mortality improvement using MP-2018. Mortality rates used for the disability benefits are included in long-term disabilities claim termination rates.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted for the period July 1, 2013 through June 30, 2015.

Revenue and OPEB Expense Recorded by the College

For the year ended June 30, 2019, the College recognized revenue and OPEB expense in an equal amount of $ 19,292.

10 - Transactions with the Foundation

The Foundation uses College employees to perform Foundation operations. The Foundation reimburses the College for a portion of the executive director’s salary and all of the bookkeeper’s salary. All payroll and withholding activities for these employees are performed by the College. The amounts paid to the College for salaries and benefits during the year ended June 30, 2019 were approximately $ 73,000.

11 - Net Assets with Donor Restrictions - Foundation

The Foundation holds net assets with donor restrictions for the following purposes at June 30, 2019:

Subject to expenditure for specified purpose:		
Donor-restricted contributions	$	1,683,346
Subject to restriction in perpetuity:		
Donor-restricted contributions		1,826,599
Net investment in property and equipment		662,920
Total net assets with donor restrictions	$	4,172,865

Investment earnings on net assets with donor restrictions are considered to be available either for net assets with donor restrictions or without donor restrictions. During the year ended June 30, 2019, $ 287,868 of net assets with donor restrictions were released from restriction for the purpose of scholarships or property expenses. Additional money paid out of net assets with donor restrictions consisted of scholarships awarded to students through the College, as well as investment expenses incurred as a result of the activity in the investment accounts that the Foundation holds.

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

12 - Commitments and Contingencies

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

12 - Commitments and Contingencies (Continued)

The College participates in a number of federal and state assisted grant programs that are subject to financial and compliance audits by the grantor agencies or their designees. Accordingly, the College's compliance with applicable grant requirements and any disallowed costs resulting from such audits, if any, could become a liability of the College. It is management's opinion that any such disallowed costs will not have a material effect on the financial statements of the College at June 30, 2019.

13 - 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 from these risks have not exceeded commercial insurance coverage for the past two years.

14 - Tax Abatements

Doniphan County considers certain properties to be subject to economic development exemptions or neighborhood revitalization rebates for the purpose of attracting and improving businesses within its jurisdiction. For the year ended June 30, 2019, abated property taxes that impacted the College totaled approximately $ 156,000.

15 - Budget Violation

The Adult Education fund expenditures exceeded the budget by $ 81,172.

16 - Subsequent Event

On October 23, 2019, the Board of Trustees of the College approved the sale of approximately $ 3,850,000 of Certificates of Participation Series 2019 to refinance certain existing loan agreements and to acquire, construct and equip other improvements.

REQUIRED SUPPLEMENTARY INFORMATION

HIGHLAND COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE COLLEGE'S
TOTAL OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	2019	2018
Total OPEB liability:		
Service cost	$ 42,345	$ 42,505
Interest	16,673	16,356
Change in benefit terms	(122,857)	-
Differences between expected and actual experience	(62,180)	-
Changes in assumptions or other inputs	9,285	(22,003)
Benefit payments	(13,000)	(12,000)
Net change in total OPEB liability	(129,734)	24,858
Total OPEB liability, beginning	469,412	444,554
Total OPEB liability, ending	$ 339,678	$ 469,412
Covered payroll	$ 6,504,894	$ 6,504,894
Total OPEB liability as a percentage of covered payroll	5.2%	7.2%

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

HIGHLAND COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last Five Fiscal Years*

	2019	2018	2017	2016	2015
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
College's proportion of the collective net pension liability	0.001734%	0.002190%	0.000396%	0.00178%	0.00000%
College's proportionate share of the collective net pension liability	$ 113,117	$ 147,145	$ 26,606	$ 122,961	$ -
State's proportionate share of the collective net pension liability associated with the College	11,178,191	11,868,238	11,994,816	11,635,049	11,052,676
Total	$ 11,291,308	$ 12,015,383	$ 12,021,422	$ 11,758,010	$ 11,052,676
College's covered payroll	$ 8,348,098	$ 8,175,664	$ 7,890,410	$ 7,802,088	$ 7,738,851
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	1.355%	1.800%	0.337%	1.576%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%	66.60%

*GASB 68 requires presentation of ten years. As of June 30, 2019, only five years of information are available.

HIGHLAND COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Last Five Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contribution	$ 9,929	$ 10,858	$ 13,815	$ 1,850	$ -
Contributions in relation to the contractually required contribution	(9,929)	(10,858)	(13,815)	(1,850)	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 8,348,098	$ 8,175,664	$ 7,890,410	$ 7,802,088	$ -
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

*GASB 68 requires presentation of ten years. As of June 30, 2019, only five years of information are available.

Note: Contractually required contributions for the College consist of "working after retirement" contributions for KPERS retirees who are filling KPERS covered positions as College employees under K.S.A. 74-4937.

Changes in benefit terms for KPERS. Effective January 1, 2014, KPERS 1 members' employee contribution rate increased to 5.0% and then on January 1, 2015, increased to 6.0% with an increase in benefit multiplier to 1.85% for future years of service. For KPERS 2 members retiring after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85% multiplier for all years of service.

HIGHLAND COMMUNITY COLLEGE

ALL CURRENT FUNDS - UNRESTRICTED

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2019

GENERAL FUND

	Original and Final Budget	Actual	Variance Over (Under)
Cash receipts:			
Student sources:			
Tuition and fees	$ 4,073,755	$ 4,216,942	$ 143,187
Federal sources:			
Federal grants	5,221,758	6,383,582	1,161,824
State sources:			
State operating grant	2,121,418	1,647,268	(474,150)
State grants and contracts	2,086,793	3,930,240	1,843,447
Local sources:			
Current year ad valorem tax	1,822,268	2,031,892	209,624
Other sources:			
Gifts	281,360	11,873	(269,487)
Other income	934,800	825,246	(109,554)
Total cash receipts	$ 16,542,152	19,047,043	$ 2,504,891
Expenditures subject to budget:			
Instruction	$ 3,760,734	3,448,983	$ (311,751)
Research	61,988	80,631	18,643
Public service	275,202	241,379	(33,823)
Academic support	1,989,775	729,014	(1,260,761)
Student services	3,183,434	1,070,633	(2,112,801)
Institutional support	4,666,688	5,845,817	1,179,129
Operation and maintenance	901,870	1,834,836	932,966
Scholarships	1,789,738	-	(1,789,738)
Total expenditures subject to budget	$ 16,629,429	13,251,293	$ (3,378,136)
Receipts over expenditures subject to budget		$ 5,795,750	

(Continued)

HIGHLAND COMMUNITY COLLEGE

ALL CURRENT FUNDS - UNRESTRICTED

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2019

POSTSECONDARY TECHNICAL EDUCATION FUND

	Original and Final Budget	Actual	Variance Over (Under)
Cash receipts:			
Student sources:			
Tuition	$ 600,000	$ 1,402,348	$ 802,348
Fees	100,000	263,650	163,650
State sources:			
State operating grant	1,808,822	1,808,822	-
Total cash receipts	$ 2,508,822	3,474,820	$ 965,998
Expenditures subject to budget:			
Instruction	$ 2,353,753	2,462,418	$ 108,665
Academic support	133,432	119,512	(13,920)
Student services	427,254	422,327	(4,927)
Institutional support	645,174	378,972	(266,202)
Operations and maintenance	189,693	328,269	138,576
Total expenditures subject to budget	$ 3,749,306	3,711,498	$ (37,808)
Receipts under expenditures subject to budget		$ (236,678)	

(Continued)

HIGHLAND COMMUNITY COLLEGE

ALL CURRENT FUNDS - UNRESTRICTED

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2019

ADULT EDUCATION FUND

	Original and Final Budget	Actual	Variance Over (Under)
Cash receipts:			
Federal grants	$ 55,000	$ 105,614	$ 50,614
State grants	45,000	49,699	4,699
Total cash receipts	$ 100,000	155,313	$ 55,313
Expenditures subject to budget:			
Instruction	$ 100,000	180,674	$ 80,674
Operation and maintenance	-	498	498
Total expenditures subject to budget	$ 100,000	181,172	$ 81,172
Receipts under expenditures subject to budget		$ (25,859)	

(Continued)

HIGHLAND COMMUNITY COLLEGE

ALL CURRENT FUNDS - UNRESTRICTED

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2019

AUXILIARY ENTERPRISE FUND

	Original and Final Budget	Actual	Variance Over (Under)
Cash receipts:			
Sales	$ 3,500,000	$ 3,542,861	$ 42,861
Expenditures subject to budget:			
General operating expense	$ 3,000,000	1,876,730	$ (1,123,270)
Receipts over expenditures subject to budget		$ 1,666,131	