

# Highland Community College District #519

Freeport, Illinois

Financial Report

Year Ended June 30, 2024



**WIPFLI**

# Highland Community College District #519

Year Ended June 30, 2024

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# Highland Community College District #519

Year Ended June 30, 2024

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## **Independent Auditor's Report**

Board of Trustees  
Highland Community College District #519  
Freeport, Illinois

### ***Report on the Audit of the Financial Statements***

#### ***Opinions***

We have audited the accompanying financial statements of the Highland Community College District #519 (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Highland Community College District #519 as of June 30, 2024, and respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Highland Community College Foundation, which represent 100% of the assets and revenues of the discretely presented component unit as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Highland Community College Foundation, is based solely on the report of the other auditors.

#### ***Basis for Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. The financial statements of Highland Community College Foundation were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Highland Community College District #519 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinions.

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

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



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Highland Community College District #519's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Highland Community College District #519's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Highland Community College District #519's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis, schedule of share of net pension liability, schedule of pension contributions, schedule of share of net OPEB liability, and schedule of OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the schedules listed in the other financial information section in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Highland Community College District #519's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Wipfli LLP

Sterling, Illinois  
November 5, 2024

# Highland Community College District #519

## Management Discussion and Analysis

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### Introduction

This section of Highland Community College District 519's (the District) financial report presents management discussion and analysis of the financial position and results of activities of the District as of June 30, 2024. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of the District's management.

### Using the Financial Statements

The financial report for the fiscal year ended June 30, 2024 consists of financial statements prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Three basic financial statements comprise the financial report: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements present financial information in a form similar to that used by corporations. The accrual basis of accounting is used, whereby revenues and assets are recognized when a service is provided and expenses and liabilities are recognized when others provide a service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets and liabilities. Over time, increases or decreases in net position is one indicator of the improvement or decline of the District's financial condition when considered with non-financial facts such as enrollment levels and the condition of facilities. Assets and liabilities are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation.

The Statement of Revenues, Expenses, and Changes in Net Position/Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Annual state appropriations, while primarily budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles. The utilization of capital assets is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life. Depreciation expense is classified as an operating expense.

The Statement of Cash Flows presents information related to cash inflows and outflows. GASB principles include four major sources of cash flows: cash flows from operating activities, cash flows from non-capital financing activities, cash flows from capital financing activities, and cash flows from investing activities.

The financial report for the fiscal year ended June 30, 2024 reflects the District's adoption of certain GASB statement's relating to component units. Under these statements, if a private foundation provides financial support to a public college or university at a level that meets specified criteria, the foundation is considered a "component unit" of the college for purposes of financial reporting and the college is required to include the foundation's financial activities in the college's financial statements.

# Highland Community College District #519

## Management Discussion and Analysis

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### Using the Financial Statements (Continued)

The Highland Community College Foundation is administered and operated exclusively for the benefit of the District. However, the Foundation is not a subsidiary or affiliate of the District and is not directly or indirectly controlled by the District. The resources of the Foundation are disbursed at the discretion of the Foundation's independent board of directors in accordance with donor directions and Foundation policy. A significant amount of assets held by the Foundation are endowments, the principal of which may not be spent.

Although the Foundation is independent of the District in all respects, management has concluded that the Foundation is a "component unit" of the District. Therefore, the Foundation's financial statements are included in the District's financial statements in a separate column. See the Notes to the Financial Statements for further discussion.

### Condensed Financial Information

Net position is summarized in the table below.

#### Condensed Statement of Net Position June 30,

	<u>2024</u>	<u>2023</u>
<b>Assets:</b>		
Current Assets	\$43,210,215	\$43,251,316
Non-current Assets:		
Capital assets	<u>23,065,148</u>	<u>21,989,462</u>
Total assets	<u>\$66,275,363</u>	<u>\$65,240,778</u>
Total deferred outflows of resources	<u>\$ 827,890</u>	<u>\$ 853,932</u>
<b>Liabilities:</b>		
Current Liabilities,	\$ 5,933,891	\$ 6,136,406
Non-current Liabilities	<u>11,912,742</u>	<u>13,459,516</u>
Total liabilities	<u>\$17,846,633</u>	<u>\$19,595,922</u>
Total deferred inflows of resources	<u>\$11,840,751</u>	<u>\$12,839,812</u>
<b>Net Position:</b>		
Net investment in capital assets	\$18,495,923	\$17,085,459
Restricted, expendable:		
Capital projects	3,558,323	3,082,808
Debt service	814,603	1,243,778
Working cash	10,339,999	10,339,998
Other	2,960,903	2,635,379
Unrestricted	<u>1,246,118</u>	<u>(728,446)</u>
Total net position	<u>\$37,415,869</u>	<u>\$33,658,976</u>

# Highland Community College District #519

## Management Discussion and Analysis

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### Condensed Financial Information (Continued)

Current assets consist primarily of cash, investments, and property taxes receivable. Total current assets and deferred outflows cover current liabilities and deferred inflows 2.5 times, an indicator of good liquidity.

The District's largest asset group is its capital assets. This includes land and land improvements, buildings, vehicles, equipment, and technology. Capital projects completed in fiscal year 2024 include the Building F pavement replacement and hallway accessibility project, biology lab renovation and parking lot and loop road lighting update. Projects begun in fiscal year 2024, but not yet completed prior to the fiscal year end include the Welcome Center, Building H Chiller, Building M renovations, and CNC/Manufacturing Lab.

The District's current liabilities are primarily made up of accounts payable, accrued expenses, and unearned tuition revenue.

Non-current liabilities include bonds and contracts payable issued by the District. They also include the other postemployment benefits payable.

The District's net position consists of capital assets net of related debt, restricted net position, and unrestricted net position. Expendable restricted net position represents assets that have restrictions determined by an outside party. This includes restrictions related to State and Federal grants and debt repayment.

Unrestricted net position represents assets that have not been restricted by an outside party. This includes funds that the Board of Trustees and management have designated for specific uses as well as amounts that are contractually committed for goods and services.

Revenues, expenses, and changes in net position are summarized in the table below.

### Condensed Statement of Revenues, Expenses, and Changes in Net Position for Fiscal Year Ending June 30,

	<u>2024</u>	<u>2023</u>
Total operating revenues	\$ 6,102,115	\$ 5,882,049
Total operating expenses	<u>28,893,782</u>	<u>26,931,483</u>
Operating loss	(22,791,667)	(21,049,434)
Nonoperating revenues (expenses)	<u>26,548,560</u>	<u>23,381,502</u>
Capital contributions	0	388,125
Change in net position	3,756,893	2,720,193
Net position, beginning of year	<u>33,658,976</u>	<u>30,938,783</u>
Net position, end of year	<u>\$37,415,869</u>	<u>\$33,658,976</u>

# Highland Community College District #519

## Management Discussion and Analysis

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### Condensed Financial Information (Continued)

Sources of operating revenues for the District include: tuition and fees, \$4,686,631, auxiliary enterprises revenue, \$672,751, and other revenues, \$742,733. Nonoperating revenues and operating expenses include a State Universities Retirement System of Illinois (SURS) contribution provided by the State in the amount of \$4,480,523 and CIP of (\$1,267,325).

SURS is a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of participants.

The District's sources of non-operating revenue include state appropriations, \$2,672,784, property and replacement taxes, \$13,327,187, and federal grants and contracts, \$4,889,015. The increase in net position for fiscal year 2024 is \$3,756,893.

The District reports expenditures on a functional basis. The table below summarizes operating expenses.

### Condensed Statement of Operating Expenses and Non-Operating Expenses For the Year Ended June 30,

	<u>2024</u>	<u>2023</u>
Instruction	\$ 9,740,085	\$ 9,263,350
Academic support	1,034,747	1,145,232
Student services	3,098,684	2,499,122
Public services	1,264,508	1,761,241
Auxiliary enterprises	1,675,166	1,545,203
Operations and maintenance of plant	3,424,674	2,720,175
Institutional support	4,863,433	4,800,892
Scholarships, grants, waivers	1,990,283	1,590,489
Depreciation	<u>1,802,202</u>	<u>1,605,779</u>
Total operating expenses	<u>\$28,893,782</u>	<u>\$26,931,483</u>
Interest expense and other	<u>\$182,526</u>	<u>\$294,500</u>

The main factor contributing to the change in the District's operating revenues in fiscal year is the increase in student tuition and fees.

Changes in operating expenses from 2023 to 2024 in all categories include changes in salaries and employee benefits due to changes in rates and in personnel. Student Services and Public Services changes reflect changes in grant funding. Operating expenses, excluding depreciation, increased by about 7% from 2023 to 2024.

# Highland Community College District #519

## Management Discussion and Analysis

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### Management's Analysis of the District's Overall Financial Position and Results of Operations

Using GASB Statement No. 35, the Statement of Revenues, Expenses, and Changes in Net Position reflects an overall increase in the District's net position totaling \$3,756,893. Using the prior method of reporting, which reflects the day-to-day operations of the District, the Combined Balance Sheet for All Fund Types and Account Groups reflects an overall decrease in the District's fund balance/net position totaling \$746,400. The variance in results of \$4,503,293 is due primarily to the way in which debt and capital assets are accounted for under each method. The prior method used self-balancing funds to account for debt and capital assets, resulting in a zero effect on the increase in net position of the District. The GASB 35 method accounts for debt and capital assets more like a corporation. Capital assets are included as a long-term asset, with depreciation as an expense. Debt is included as a current and non-current liability, with interest as an expense.

GASB Statement No. 35 affects the District's reporting model, but not the day-to-day operations or the budgeting process of the District. In considering the District's financial position at June 30, 2024, of key importance is the fund balance in the Operating Funds, which increased by \$396,431 from June 30, 2023 to June 30, 2024. This increase results in a fund balance amount of \$7,629,181, which is approximately 48% of the 2024 expenditures and is within the District's recommended guidelines. Fund balances in the other fund types are limited in use according to the source of revenue. These restricted types of funds will be used for capital expenditures, debt repayment, and grant programs.

### Capital Assets/Long Term Debt

During the year ended June 30, 2024, the District invested \$3,048,453 in capital assets. This includes \$801,216 for buildings and improvements, and \$999,803 expended for equipment, technology, and vehicles. Capital projects were funded by a combination of restricted real estate tax revenue, operating funds, foundation gifts and bond proceeds.

Series 2019 General Obligation Bonds were issued in November, 2019. \$1,930,000 bonds were issued for the purpose of paying presently outstanding and unpaid claims against the District. Serial retirement of principal occurs on January 1, with interest payable on January 1 and July 1 of each year at rates of 4% - 5%, commencing July 1, 2020 and maturing on January 1, 2025.

Series 2020 General Obligation Bonds were issued in February, 2020. \$4,950,000 bonds were issued for the purpose of paying presently outstanding and unpaid claims against the District. Serial retirement of principal occurs on January 1, with interest payable on January 1 and July 1 of each year at rates of 5%, commencing January 1, 2021 and maturing on January 1, 2025.

Series 2023 General Obligation Bonds were issued in February 2023. \$7,150,000 bonds were issued for the purpose of paying presently outstanding and unpaid claims against the District. Serial retirement of principal occurs on January 1, with interest payable on January 1 and July 1 of each year at rates of 5%, commencing January 1, 2025 and maturing on January 1, 2029.

Additional information on the District's capital assets (Note 2) and debt activity (Note 9) can be found in the accompanying Notes to the Financial Statements.

# Highland Community College District #519

## Management Discussion and Analysis

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### Factors or Conditions Impacting Future Periods

Financial and budget planning is directly related to and supportive of the District's strategic plan and operational needs. The District's financial outlook is influenced by factors such as: the State and local economy, actual and projected enrollment, the level of support available from the Highland Community College Foundation, program growth and development, new initiatives, and technology needs.

The District's main sources of Operating Funds Revenue are: property tax revenue, student tuition and fees, and State Operating grants. Management is aware of conditions that may impact each of those sources of revenue in fiscal year 2024.

Local tax revenue in the Operating Funds increased by 2% for fiscal year 2024. The District experienced a 13% increase in equalized assessed valuation (EAV) from tax year 2022 to 2023. Corporate Personal Property Replacement Tax returned to a level more consistent with historical trends in 2024. For fiscal year 2025, the District has estimated a 6% increase in EAV due to the economic conditions of the District. Each percentage point in EAV is the equivalent of about \$35,000 in property tax revenue in the Operating funds.

Management anticipates an increase in tuition revenue in fiscal year 2025 based on estimated enrollment for the 2024-2025 academic year. State of Illinois appropriations for the District for fiscal year 2025 are about 1.1% higher than fiscal year 2024. Overall, Operating funds revenue is expected to increase by about \$895,000, 5.4%, from fiscal year 2024 actual levels to fiscal year 2025.

For fiscal year 2025, the Operating funds budgeted expenditures exceed the budgeted revenues by \$541,000 due to strategic investments in new positions that will impact enrollment and retention. The District is budgeted to maintain an Operating funds ending fund balance that exceeds recommended guidelines of a minimum of 5% to 20% of expenditures. The majority of the Operating funds budget for fiscal year 2025 continues to comprise instruction, academic support, and student services, reflecting the District's commitment to providing quality education and learning opportunities to the people of Northwestern Illinois.

The District's strategic plans and goals were identified through a comprehensive, inclusive process that resulted in the 2023-2027 Strategic Plan. Themes identified in the plan include an exceptional student experience, academic innovation and quality, exceptional employee experience, and creating a bold future. The fiscal year 2025 budget directly supports and is linked to the Strategic Plan.

Short and long-range strategies associated with the areas of focus and goals will have budget implications for the upcoming fiscal year and for future fiscal years.

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the VP/CFO of Administrative Services, 2998 W. Pearl City Road, Freeport, IL 61032.



# **Basic Financial Statements**

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# Highland Community College District #519

## Statements of Net Position/Net Assets

	Primary Government	Component Unit Highland Community College Foundation
<i>As of June 30, 2024</i>		
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 27,933,222	\$ 31,863,349
Beneficial interest in perpetual trust	-	496,734
Receivables:		
Property taxes	11,184,866	-
Student tuition receivables, net of allowance	1,827,177	-
Other	1,982,631	1,463,531
Prepaid expenses	125,906	11,836
Inventory	156,413	-
Total current assets	43,210,215	33,835,450
Noncurrent assets:		
Non-depreciable capital assets	517,335	-
Depreciable capital assets	47,887,506	380,005
Accumulated depreciation and amortization	(25,339,693)	(78,628)
Total noncurrent assets	23,065,148	301,377
Total assets	66,275,363	34,136,827
Deferred outflow of resources		
SURS pension contribution	112,906	-
Other postemployment benefits - CIP	714,984	-
Total deferred outflow of resources	827,890	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 777,448	\$ 940,922
Accrued salaries	514,702	-
Other accrued expenses	9,581	9,457
Unearned tuition revenue	2,347,972	-
Accrued compensated absences, current	182,389	-
Subscription liability, current	372,158	-
Bonds payable, including unamortized premium	1,658,147	-
Contracts payable, current	71,494	-
Total current liabilities	5,933,891	950,379

# Highland Community College District #519

## Statements of Net Position/Net Assets (Continued)

	Primary Government	Component Unit Highland Community College Foundation
<i>As of June 30, 2024</i>		
<b>Noncurrent liabilities:</b>		
Accrued compensated absences	60,796	-
Subscription liability	898,292	-
Bonds payable, including unamortized premium	7,226,952	-
Net OPEB liability	3,726,702	-
<b>Total noncurrent liabilities</b>	<b>11,912,742</b>	<b>-</b>
<b>Total liabilities</b>	<b>17,846,633</b>	<b>950,379</b>
<b>Deferred inflow of resources</b>		
Deferred property taxes	6,577,468	-
Other postemployment benefits - CIP	5,263,283	-
<b>Total deferred inflow of resources</b>	<b>11,840,751</b>	<b>-</b>
<b>Net position</b>		
Net investment in capital assets	18,495,923	-
Restricted - expendable:		
Capital projects	3,558,323	-
Debt service	814,603	-
Working cash	10,339,999	-
Other	2,927,404	-
Without donor restrictions net assets	-	4,899,824
Without donor restrictions - Board designated	-	11,071,391
With donor restrictions net assets	-	17,215,233
Unrestricted	1,279,617	-
<b>Total net position</b>	<b>\$ 37,415,869</b>	<b>\$ 33,186,448</b>

See Accompanying Notes to the Financial Statements.

# Highland Community College District #519

## Statements of Revenues, Expenses, and Changes in Net Position/Net Assets

	Primary Government	Component Unit Highland Community College Foundation
<i>Year Ended June 30, 2024</i>		
Operating revenues:		
Student tuition and fees, net of scholarship discounts and allowances of \$1,336,023	\$ 4,686,631	\$ -
Auxiliary enterprises revenue	672,751	-
Other operating revenues	742,733	2,110,710
Total operating revenues	6,102,115	2,110,710
Operating expenses:		
Instruction	9,740,085	-
Academic support	1,034,747	-
Student services	3,098,684	-
Public service	1,264,508	-
Auxiliary services	1,675,166	-
Operations and maintenance	3,424,674	-
Institutional support	4,863,433	518,374
Scholarships, student grants, and waivers	1,990,283	1,674,983
Depreciation and amortization expense	1,802,202	-
Total operating expenses	28,893,782	2,193,357
Operating (loss)	(22,791,667)	(82,647)
Non-operating revenues (expenses)		
Property and replacement taxes	13,327,187	-
State sources	2,672,784	-
On-behalf payments	3,213,198	-
Federal grants and contracts	4,889,015	-
Investment income	1,400,573	3,633,033
Other revenue	1,398,893	-
Gain (loss) on disposal of assets	(170,564)	-
Interest expense and other	(182,526)	-
Total non-operating revenues (expenses)	26,548,560	3,633,033
Change in net position	3,756,893	3,550,386
Net position, beginning of year	33,658,976	29,636,062
Net position, end of year	\$ 37,415,869	\$ 33,186,448

See Accompanying Notes to the Financial Statements.

# Highland Community College District #519

## Statements of Cash Flows

<i>Year Ended June 30, 2024</i>	<b>Primary Government</b>
<b>Cash flows from operating activities:</b>	
Tuition and fees	\$ 6,094,517
Payments to suppliers	(10,669,962)
Payments to employees	(12,686,416)
Payments to students for scholarships	(3,209,210)
Auxiliary enterprise changes	698,817
Other	419,326
<b>Net cash used in operating activities</b>	<b>(19,352,928)</b>
<b>Cash flows from non-capital financing activities:</b>	
Proceeds from local taxes	13,060,784
Proceeds from grants	8,616,116
<b>Net cash provided by non-capital financing activities</b>	<b>21,676,900</b>
<b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets	(3,048,452)
Principal paid on long-term debt	(2,109,036)
Proceeds from issuance of long-term debt	455,669
Interest paid on bonds payable and other long-term obligations	(611,532)
<b>Net cash used in capital and related financing activities</b>	<b>(5,313,351)</b>
<b>Cash flows from investing activities:</b>	
Interest received	1,400,573
Proceeds from maturities of investment securities	1,259,767
<b>Net cash provided by investing activities</b>	<b>2,660,340</b>
Net increase (decrease) in cash and cash equivalents	(329,039)
Cash and cash equivalents, beginning of year	2,928,178
Cash and cash equivalents, end of year	\$ 2,599,139

# Highland Community College District #519

## Statements of Cash Flows (Continued)

<i>Year Ended June 30, 2024</i>	<b>Primary Government</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss)	\$ (22,791,667)
Adjustment to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation and amortization	1,802,202
State on-behalf payments for fringe benefits	3,213,198
Change in assets and liabilities:	
Inventories	40,657
Prepaid expenses	(903)
Receivables	(359,325)
Deferred outflows of resources	26,042
Accounts payable	(17,725)
Accrued liabilities	(6,265)
Accrued compensated absences	28,909
OPEB liability	192,589
Deferred inflows of resources	(1,616,216)
Unearned tuition and fees	135,576
<b>Total</b>	<b>\$ (19,352,928)</b>

See Accompanying Notes to the Financial Statements.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

The Board of Trustees (Board), a seven member group, is the level of government which has the governing responsibilities over all activities related to public post and secondary school education within the jurisdiction of the Highland Community College District #519 (the "District"). The District receives funding from local, state and federal sources and must comply with the requirements established by these funding source entities. However, the District is not included in any other governmental "reporting entity" as to result in the District being considered a component unit of the entity since Board members are elected by the public and have decision making authority, the power to designate management, and the responsibility to significantly influence operations and primary accountability for fiscal matters.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its discretely presented component unit, the Highland Community College Foundation (Foundation).

The Foundation is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the District in support of its programs. The board members of the Foundation are self-perpetuating and consist of graduates and friends of the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District.

The Foundation is a not-for-profit organization that reports their financial results under Financial Accounting Standard Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Standards relating to accounting for contributions received and contributions made and financial reporting for not-for-profit-organizations. 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 District's financial reporting entity for these differences.

Although the District is the exclusive beneficiary of the Foundation, the Foundation is independent of the District in all respects. The Foundation is not a subsidiary or affiliate of the District and is not directly or indirectly controlled by the District. The District does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The directors of the Foundation are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the District. Under state law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of state-appropriated funds allocated to the District. Third parties dealing with the District, the Illinois State Board of Higher Education and the State of Illinois (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Financial statements for the Highland Community College Foundation can be obtained by calling the Foundation at 815-235-6121.

In addition, the District is not aware of any entity which would be financially accountable for the District, which would result in the being considered a component of the entity.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

The financial statements present a comprehensive look at the government and capitalization of assets and recording of depreciation. The financial statements use the full accrual basis of accounting rather than the modified accrual basis. The financial statements show the recording of accumulated depreciation and depreciation expense on general fixed assets, the elimination of internal revenue and expense charges, the removal of capital related items and debt principal payments from expenses, the recording of tuition revenue net of scholarships and allowances, the recording of property tax revenues on an accrual basis rather than a modified accrual basis, and the recording of summer school revenue between fiscal years rather than in one fiscal year.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities as well as those prescribed by the Illinois Community College Board (ICCB). The District reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

### **Budgets**

Budgeted amounts are obtained from the Board of Trustees approved operating budget of the District. The budget is used as the fiscal guideline in the implementation of Board policies and support of educational purposes of the District during the fiscal year. The budget amounts are the final adopted budget, including all amendments. The restricted fund budget is different than the operating budget. The restricted fund budget includes figures for grants received during the fiscal year. Therefore, these budgets are not approved by the Board at the beginning of the year and can change throughout the year.

Unexpended budgeted amounts lapse at the end of the budget year. Spending control is established by the amount of expenditures budgeted for each object and purpose, but management control is exercised at budgetary line item levels.



# Highland Community College District #519

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Investments

Investments consist of certificates of deposit and money market mutual funds. Investments are stated at cost or amortized cost, which approximates fair value. The District may invest funds under Section 3-47 of the Public Community College Act and Sections 235/1 through 235/7 of the Investment of the Public Funds Act.

The District funds may be invested in the types of securities listed below:

- a. Bonds, notes, certificates of indebtedness, treasury bills and other securities issued by the United States.
- b. Interest-bearing savings accounts, certificates of deposit, or time deposits with a bank or any other investment constituting direct obligations of any bank as defined by the Illinois Banking Act.
- c. Short-term obligations of U.S. corporations with assets exceeding \$500 million and meeting certain other requirements.
- d. Money market mutual funds registered under the Investment Company Act of 1940 provided the portfolio, both principal and interest, is guaranteed by the full faith and credit of the United States of America.
- e. Short-term discount obligations issued by the Federal National Mortgage Association.
- f. Shares or other securities issued by savings and loan associations.
- g. Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered in the United States with its principal office located in Illinois if insured by applicable law.
- h. Certificates or securities issued by the Public Treasurers' Investment Pool.
- i. Funds managed, operated and administered by a bank, subsidiary of a bank, or a subsidiary of a bank holding company.
- j. Illinois School District Liquid Asset Fund.
- k. Repurchase agreements in which the instrument and the transaction must meet certain requirements.
- l. Mutual funds that invest primarily in corporate investment grade or global government short-term bonds which are approved by the local board of trustees.

The Foundation invests in various money markets, U.S. obligations, equities, and mutual funds, which are shown on the financial statements at fair value.

#### Inventory

Inventories of books, clothing and supplies are carried at cost, based on the first-in, first-out method.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in fund equity during the reporting period. Material estimates that are particularly susceptible to significant change in the near term relate to depreciation on capital assets, allowance for doubtful accounts, and the fair value of investments. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash consists of NOW accounts and savings accounts.

For purposes of the statement of cash flows, cash equivalents can include money market accounts and any highly liquid debt instruments purchased with a maturity of less than three months. There were no cash equivalents included in cash as of June 30, 2024.

#### **Classification of Revenues**

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, and (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as (1) local property taxes, (2) state appropriations (3) most federal, state, and local grants and contracts and federal appropriations, and (4) gifts and contributions.

#### **Property Taxes**

Property taxes are levied each calendar year on all taxable real property located within the District. Property taxes are recorded on an accrual basis of accounting. Pursuant to the Board of Trustee resolution, property tax levies passed in November 2022 and 2023 were allocated fifty percent for each of the two years after the levy year.

The personal property replacement tax is recorded on the accrual basis based on the amounts held by the State.

The Counties in which the District resides are responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year which begins in January and are payable in two installments approximately in July and September. Payments made after the September installment date are assessed interest at the rate of 1% for farmland and 1-1/2% for all others.

# Highland Community College District #519

## Notes to Financial Statements

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Property Taxes (Continued)

Following are the tax rates for the last three years, and the statutory maximum tax rates. The 2023 rate is for tax levy payable in calendar year 2024, per \$100 of assessed valuation.

	Statutory Maximum Rate	2021 Rate	2022 Rate	2023 Rate
Education Fund*	\$ 0.1750	\$ 0.2800	\$ 0.2800	\$ 0.2801
Operations and Maintenance Fund	0.0750	0.0750	0.0750	0.0750
Average Additional	0.2100	0.0000	0.0000	0.0000
Liability Insurance	None	0.0554	0.0577	0.0510
Audit Fund	0.0050	0.0026	0.0032	0.0031
Protection, Health & Safety	0.0500	0.0461	0.0467	0.0496
Social Security/Medicare Fund**	None	0.0061	0.0075	0.0066
Prior Year Adjustment	None	0.0000	0.0000	0.0000
Bond and Interest Fund	None	0.0913	0.0862	0.0776
<b>Totals</b>		<b>\$ 0.5565</b>	<b>\$ 0.5563</b>	<b>\$ 0.5430</b>

\* The District is able to exceed the statutory maximum rate due to a local referendum.

\*\*The Social Security/Medicare tax levy and related expenditures are recorded in the Liability, Protection, and Settlement Fund.

#### Tuition and Fees

Student tuition and fees include all such items assessed against students for educational and service purposes. Tuition and fee revenues collected during the fiscal year which relate to the period after June 30, 2024, have been recognized as unearned revenues.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only two items that qualify for reporting in this category. One is the other postemployment benefits relating to the CIP. The SURS pension contribution is the other expense deferred until the following year.

# Highland Community College District #519

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. One is unavailable revenue, which comes from property taxes recorded on the modified accrual basis of accounting. The other is the other postemployment benefits relating to the CIP. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **Net Position**

The District's net position is classified as follows:

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

Restricted – expendable – This includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties (debt services is restricted by bond documents). When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources when they are needed.

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

#### **Out-of-District Tuition**

The amount of cost to be charged for out-of-district students during the year ended June 30, 2024, has been computed using the guidelines provided in the 2016 edition of the Fiscal Management Manual prepared by the Illinois Community College Board.

#### **Compensated Absences**

The District records a liability for employees' vacation leave earned, but not taken. Employees are allowed to carry over a limited number of vacation days from year to year.

At June 30, 2024, the District recorded a vacation liability of \$194,055. The District considers 75% this liability current and due within one year.

The District implemented a sick pay payout upon retirement program that allows sick days over 180 to be paid out at \$20 a day upon retirement. At June 30, 2024, the District recorded a sick pay liability of \$49,130. The District considers 75% this liability current and due within one year.