Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Universities Retirement System (SURS) and additions/deductions to/from SURS fiduciary net position has been determined on the same basis as they are reported by SURS. 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.

For financial reporting purposes, the State of Illinois (State) and its public universities and community colleges are under a special funding situation. This situation exists when a nonemployer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (Highland Community College) and the non-employer entity (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. Highland Community College recognizes its proportionate share of the State's pension expense relative to Highland Community College's employees as non-operating revenue and pension expense, with the expense further allocated to the related function by employees.

Other Post-Employment ("OPEB") Obligations

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and to OPEB expense, information about the plan net position of the College Insurance Plan ("CIP") and additions to/deductions from CIP's plan net position has been determined on the same basis as they are reported by CIP. For this purpose, OPEB payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment are reported at fair value.

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a OPEB plan that is used to provide OPEB to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to OPEB or (2) the non-employer is the only entity with a legal obligation to make contributions directly to an OPEB plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

Note 1: Summary of Significant Accounting Policies (Continued)

Subscription Based Information Technology Arrangements

The District is a party to multiple noncancelable subscription based information technology arrangements (SBITAs). If the contract provides the District the right to use the present service capacity and the right to direct the use of the identified asset, it is considered to be or contain a SBITA. Subscription-based assets and liabilities are recognized at the agreement commencement date based on the present value of the future payments over the expected contract term. The SBITA asset is also adjusted for any prepayments made and capitalizable initial implementation costs as incurred.

The SBITA liability is initially and subsequently recognized based on the present value of its future payments. Variable payments are included in the present value when the underlying rate or index is fixed and predictable for the life of the lease. Variable costs that depend on an unpredictable index are accounted for as expenses as they are incurred. Increases (decreases) to variable payments due to subsequent changes in an index or rate are recorded as an adjustment to expense in the period in which they are incurred.

The discount rate used is the implicit rate in the SBITA contract, if it is readily determinable, or the District's incremental borrowing rate.

For all underlying classes of assets, the District does not recognize SBITA assets and liabilities for short-term agreements that have a contract term of 12 months or less at contract commencement. Contracts containing termination clauses in which either party may terminate without cause and the notice period is less than 12 months are deemed short-term agreements with costs included in expense.

Note 2: Capital Assets

Capital asset balances and activity for the year ended June 30, 2024, were as follows:

	Balance 7/1/2023	Increases	Decreases	Transfers/ Adjustments	Balance 06/30/2024
Capital assets, not being depreciated:					
Land	$ 110,000	$ -	$ -	$ -	$ 110,000
Construction in progress	533,650	407,335	-	(533,650)	407,335
Total capital assets, not being depreciated	643,650	407,335	-	(533,650)	517,335
Capital assets, being depreciated:					
Land improvements	3,840,157	384,430	-	-	4,224,587
Buildings	32,861,733	801,216	(87,428)	533,650	34,109,171
Vehicles	463,116	302,750	-	-	765,866
Equipment & technology	6,279,727	697,053	(98,412)	-	6,878,368
Total capital assets, being depreciated	43,444,733	2,185,449	(185,840)	533,650	45,977,992
Accumulated depreciation:					
Land improvements	3,513,005	100,581	-	-	3,613,586
Buildings	14,637,139	647,220	(5,678)	-	15,278,681
Vehicles	327,807	52,325	-	-	380,132
Equipment & technology	4,780,414	608,046	(9,597)	-	5,378,863
Total accumulated depreciation	23,258,365	1,408,172	(15,275)	-	24,651,262
Total capital assets, being depreciated, net	20,186,368	777,277	(170,565)	533,650	21,326,730
Subscription Assets:					
Subscription assets	1,453,845	455,669	-	-	1,909,514
Accumulated amortization:					
Subscription assets	(294,401)	(394,030)	-	-	(688,431)
Total subscription assets, being amortized, net	1,159,444	61,639	-	-	1,221,083
Capital assets, net	$21,989,462	$ 1,246,251	$ (170,565)	$ -	$ 23,065,148

Note 2: Capital Assets (Continued)

Capital assets include property, plant equipment, and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the District as assets with an initial unit cost of $2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated on the straight-line basis based on the following:

Assets	Years
Buildings	50 years
Land improvements	10 years
Equipment	8 years
Computer technology	4 years

Note 3: Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Federal Family Education Loan programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and the Uniform Guidance Compliance Supplement.

Note 4: On-Behalf Payments for Fringe Benefits and Salaries

The District recognizes as revenues and expenses contributions made by the State of Illinois (State) to the State Universities Retirement Systems (SURS) on behalf of the District's employees. In fiscal year 2024, the State made contributions of $4,480,523 (see Note 5 and Note 6) relating to the pension plans. In fiscal year 2024, the State made negative contributions of $(1,267,325) (see Note 7) relating to the OPEB plan.

Note 5: Defined Benefit Pension Plans

General Information about the Pension Plan

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

Note 5: Defined Benefit Pension Plans (Continued)

Benefits provided - A traditional benefit plan was established in 1941. Public Act 90-0448 (effective January 1, 1998) established an alternative defined benefit program known as the portable benefit package. Tier 1 of the traditional and portable plan refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who began participation on or after January 1, 2011, and who do not have other eligible reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2023, can be found in the Financial Section of SURS ACFR.

Contributions - The State is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2023 and fiscal year 2024, respectively, was 12.83% and 12.32% of employee payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary, except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State's General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of “affected annuitants” or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period), and Section 15-155(j-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

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

Net Pension Liability

The net pension liability (NPL) was measured as of June 30, 2023. At June 30, 2023 SURS defined benefit plan reported a NPL of $29,444,538,098.

Note 5: Defined Benefit Pension Plans (Continued)

Employer Proportionate Share of Net Pension Liability

The amount of the proportionate share of the net pension liability to be recognized for the District is . The proportionate share of the State's NPL associated with the District at June 30, 2023 is $68,069,294 or 0.2312%. The District's proportionate share changed by (0.0126)% from 0.2438% since the last measurement date of June 30, 2022.This amounts is not recognized in the District's financial statements. The NPL and total pension liability as of June 30, 2023 was determined based on the June 30, 2022 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2022.

Defined Benefit Pension Expense

For the year ending June 30, 2023, SURS defined benefit plan reported a collective net pension expense of $1,884,388,521.

Employer Proportionate Share of Defined Benefit Pension Expense

The employer proportionate share of collective pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2022. As a result, the District recognized revenue and defined benefit pension expense of $4,356,292 from this special funding situation during the year ended June 30, 2024.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Defined Benefit Pensions

Deferred outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods. Conversely, deferred inflows of resources are the acquisition of net position by SURS that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 62,591,844	$ 12,277,871
Changes in assumption	70,957,694	420,880,693
Net difference between projected and actual earnings on pension plan investments	187,992,691	-
Totals	$ 321,542,229	$ 433,158,564

Note 5: Defined Benefit Pension Plans (Continued)

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

	Net Deferred Outflows (Inflows) of Resources
2024	$ (428,264,966)
2025	(171,164,633)
2026	465,174,033
2027	22,639,231
Total	$ (111,616,335)

District's Deferral of Fiscal Year 2024 Contributions

The District paid $112,906 in federal, trust or grant contributions to SURS defined benefit pension plan during the year ended June 30, 2024. These contributions were made subsequent to the pension liability measurement date of June 30, 2023, and are recognized as deferred outflows of resources as of June 30, 2024.

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period June 30, 2017 through June 30, 2020. The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.00% to 12.75%, including inflation
Investment rate of return	6.50%

Mortality rates were based on the Pub-2010 employee and retiree gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

Note 5: Defined Benefit Pension Plans (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 were adopted by the plan's trustees after considering input from the plan's investment consultants and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

Defined Benefit Plan	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	36.0 %	7.97 %
Stabilized Growth		
Core Real Assets	8.0 %	4.68 %
Public Credit Fixed Income	6.5 %	4.52 %
Private Credit	2.5 %	7.36 %
Non-Traditional Growth		
Private Equity	11.0 %	11.32 %
Non-Core Real Assets	4.0 %	8.67 %
Inflation Sensitive		
U.S. TIPS	5.0 %	2.09 %
Principal Protection		
Core Fixed Income	10.0 %	1.13 %
Crisis Risk Offset		
Systematic Trend Following	10.0 %	3.18 %
Alternative Risk Premia	3.0 %	3.27 %
Long Duration	2.0 %	3.02 %
Long Volatility/Tail Risk	2.0 %	(1.14)%
Total	100 %	5.98 %
Inflation		2.60 %
Expected Arithmetic Return		**8.58 %**

Note 5: Defined Benefit Pension Plans (Continued)

Discount Rate. A single discount rate of 6.37% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 3.86% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2023). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2074. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2074, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.37% as well as what the State's NPL net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1- percentage-point higher:

1% Decrease 5.37%	Current Single Discount Rate Assumption 6.37%	1% Increase 7.37%
$ 35,695,434,682	$ 29,444,538,098	$ 24,236,489,318

Additional information regarding the SURS basic financial statements, including the plan's net position can be found in the SURS Annual Comprehensive Financial Report by accessing the website at www.SURS.org.

Note 6: Defined Contribution Pension Plan

General Information about the Pension Plan

Plan Description. The District contributes to the Retirement Savings Plan (RSP) administered by the State Universities Retirement System (SURS), a cost-sharing multiple-employer defined contribution pension plan with a special funding situation whereby the State of Illinois (State) makes substantially all required contributions on behalf of the participating employers. SURS was established July 21, 1941, and provides retirement annuities and other benefits for staff members and employees of state universities and community colleges, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org. The RSP and its benefit terms were established and may be amended by the State's General Assembly.

Note 6: Defined Contribution Pension Plan (Continued)

Benefits Provided. A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 enacted effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2023, can be found in SURS Annual Comprehensive Financial Report - Notes to the Financial Statements.

Contributions. All employees who have elected to participate in the RSP are required to contribute 8.0% of their annual covered earnings. Section 15-158.2(h) of the Illinois Pension Code provides for an employer contribution to the RSP of 7.6% of employee earnings. The State is primarily responsible for contributing to the RSP on behalf of the individual employers. Employers are required to make the 7.6% contribution for employee earnings paid from "trust, federal, and other funds" as described in Section 15-155(b) of the Illinois Pension Code. The contribution requirements of plan members and employers were established and may be amended by the State's General Assembly.

Forfeitures. Employees are not vested in employer contributions to the RSP until they have attained five years of service credit. Should an employee leave SURS-covered employment with less than five years of service credit, the portion of the employee's RSP account designated as employer contributions is forfeited. Employees who later return to SURS-covered employment will have these forfeited employer contributions reinstated to their account, so long as the employee's own contributions remain in the account. Forfeited employer contributions are managed by SURS and are used both to reinstate previously forfeited contributions and to fund a portion of the State's contributions on behalf of the individual employers. The vesting and forfeiture provisions of the RSP were established and may be amended by the State's General Assembly.

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense

For the year ended June 30, 2023, the State's contributions to the RSP on behalf of individual employers totaled $90,330,044. Of this amount, $81,991,471 was funded via an appropriation from the State and $8,338,573 was funded from previously forfeited contributions.

Employer Proportionate Share of Defined Contribution Pension Expense

The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2023. The District's share of pensionable contributions was 0.1375%. As a result, the District recognized revenue and defined contribution pension expense of $124,231 from this special funding situation during the year ended June 30, 2024, of which $11,468 constituted forfeitures.

Note 7: Other Post-Employment Benefits

Plan Administration - The Community College Health Insurance Security Fund (CCHISF) (also known as The College

Note 7: Other Post-Employment Benefits (Continued)

Insurance Program, "CIP") is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. CIP is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees and their dependents of Illinois community college districts throughout the State of Illinois, excluding the City Colleges of Chicago. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to CIP were transferred to the Department of Central Management Services (Department) as of July 1, 2013. The Department administers the plan with the cooperation of the State Universities Retirement System and the boards of trustees of the various community college districts.

Plan membership - All members receiving benefits from the State Universities Retirement System (SURS) who have been full-time employees of a community college district or an association of a community college who have paid the required active member CIP contributions prior to retirement are eligible to participate in CIP. Survivors of an annuitant or benefit recipient eligible for CIP coverage are also eligible for coverage under CIP.

Benefit Provisions - A summary of other post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the CCHISF's financial statements of the Department may be obtained by accessing the website at www.auditor.illinois.gov/Audit-Reports/CMS-CCHISF.asp.

Benefits Provided - CIP health coverage includes provisions for medical, prescription drugs, vision, dental and behavioral health benefits. Eligibility to participate in the CIP is defined in the State Employees Group Insurance Act of 1971 (ACT) (5 ILCS 375/3). The Act (5 ILCS 375/6.9) also establishes health benefits for community college benefit recipients and dependent beneficiaries.

Contributions - The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.10) requires every active contributor of the State Universities Retirement System (SURS), who is a full-time employee of a community college district or an association of community college boards, to make contributions to the plan at the rate of 0.5% of the salary. The same section of statute requires every community college district or association of community college boards that is an employer under the SURS, to contribute to the plan an amount equal to 0.5% of the salary paid to its full-time employees who participate in the plan. The State Pension Funds Continuing Appropriate Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund in an amount certified by the SURS Board of Trustees. The State Employees Group Insurance Act of 1071 (5 ILCS 375/6.9) requires the Director of the Department to determine the rates and premiums for annuitants and dependent beneficiaries and establish the cost-sharing parameter, as well as funding. At the option of the board of trustees, the college districts may pay all or part of the balance of the cost of coverage for retirees from their district. Administrative costs are paid by the CCHISF.

Note 7: Other Post-Employment Benefits (Continued)

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

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2023. CIP reported a net OPEB liability at June 30, 2023 of $706,333,410.

Employer Proportionate Share of Net OPEB Liability

The amount of the proportionate share of the net OPEB liability to be recognized for the District in fiscal year 2024 is $3,726,702 or 0.5276%. This amount is recognized in the financial statement. The change in the District's proportionate net OPEB liability was an increase of 0.0114%. The proportionate share of the State's net OPEB liability associated with the District is $3,726,702. The total proportionate share of the net OPEB liability associated with the District is $7,453,404. The net OPEB liability and total OPEB liability as of June 30, 2023 was determined based on the June 30, 2022 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net OPEB liability is the actual reported OPEB contributions made to CIP during fiscal year 2023.

OPEB Expense

At June 30, 2023, CIP reported a collective net OPEB expense (income) of $(258,363,775).

Employer Proportionate Share of OPEB Expense

The employer proportionate share of collective OPEB expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective OPEB expense is the actual reported OPEB contributions made to CIP during fiscal year 2023. As a result, the District recognized on-behalf revenue and expense of $(1,351,899) for the fiscal year ended June 30, 2024. Additionally, the District recognized OPEB expense (income) of $(1,335,905) for the fiscal year ended June 30, 2024.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

Note 7: Other Post-Employment Benefits (Continued)

The District's Deferred Outflows and Deferred Inflows of Resources by Sources:

Fiscal year ended June 30, 2023 (measurement date)	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 56,080	$ 1,121,949
Changes in assumption	0	3,643,184
Net difference between projected and actual earnings on OPEB plan investments	0	797
Changes in proportion and differences between employer contributions and share of contributions	574,330	497,353
Total deferred amounts to be recognized in pension expense in future periods	630,410	5,263,283
OPEB contributions made subsequent to the measurement date	84,574	0
Totals	$ 714,984	$ 5,263,283

The District reported $84,574 as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the reporting year ended June 30, 2024.

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

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2025	$ (772,146)
2026	(772,146)
2027	(772,146)
2028	(772,146)
2029	(772,146)
2030	(772,143)
Total	$ (4,632,873)

Note 7: Other Post-Employment Benefits (Continued)

Assumptions and Other Inputs

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement date, unless otherwise specified.

Inflation	2.25%
Salary increases	Depends on age and service and ranges from 12.75% at less than 1 year of service to 3.50% at 34 or more years of service for employees under 50 and ranges from 12.00%- at less than 1 year of service to 3.00% at 34 or more years of service for employees over 50. Salary increase includes a 3.00% wage inflation assumption.
Investment rate of return	0%, net of OPEB plan investment expense, including inflation, for all plan years.
Healthcare cost trend rates	Trend used fiscal year end 2024 based on actual premium increases. For non-medicare costs, trend rates start at 8.00% for plan year 2025 and decrease gradually to an ultimate trend of 4.25% in 2040. For MAPD costs, trend rates are 0% in 2024 to 2028, 19.42% in 2029 to 2033 and 6.08% in 2034, declining gradually to an ultimate rate of 4.25% in 2040.
Asset Valuation Method	Market value

Mortality rates for retirement and beneficiary annuitants were based on the Pub-2010 Healthy Retiree Mortality Table and PubT-2010 Healthy Retiree Mortality Table. For disabled annuitants mortality rates were based on the Pub-2010 Disabled Retiree Mortality Table. Mortality rates for pre-retirement were based on the Pub-2010 Employee Mortality Table and PubT-2010 Employee Mortality Table. Tables were adjusted for SURS experience. All tables reflect future mortality improvements using Projection Scale MP-2020.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period June 30, 2017 to June 30, 2020.

Discount Rate. Projected benefit payments were discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since CIP is financed on a pay-as-you-go basis, a discount rate consistent with fixed-income municipal bonds with the 20 years to maturity that include only federally tax-exempt municipal bonds reported in Fidelity's "20-year Municipal GO AA Index" has been selected. The discount rates are 3.86% as of June 30, 2023 and 3.69%as of June 30, 2022.

The increase in the single discount rate from 3.69% to 3.86% caused the total OPEB liability to decrease by approximately $10.2 million from 2022 to 2023.

Note 7: Other Post-Employment Benefits (Continued)

Sensitivity of Net OPEB Liability to Changes in the Single Discount Rate

The following presents the plan’s net OPEB liability, calculated using a Single Discount Rate of 3.86% at June 30, 2023, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher or lower than the current rate:

Sensitivity of Net OPEB Liability as of June 30, 2023 to the Single Discount Rate Assumption

	1% Decrease (2.86%)	Current Single Discount Rate Assumption (3.86%)	1% Increase (4.86%)
Net OPEB liability	$ 4,065,867	$ 3,726,702	$ 3,434,646

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the plan’s net OPEB liability, calculated using the healthcare cost trend rates of well as what the plan’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower.

Sensitivity of Net OPEB Liability as of June 30, 2023 to the Healthcare Cost Trend Rate Assumption

	1% Decrease (a)	Healthcare Cost Trend Rates Assumption	1% Increase (b)
Net OPEB liability	$ 3,347,474	$ 3,726,702	$ 4,183,996

(a) Current healthcare trend rates Pre-Medicare per capita costs: 9.14% in 2024, 8.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2040. Post-Medicare per capita costs: 0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.

(b) One percentage point decrease in current healthcare trend rates Pre-Medicare per capita costs: 8.14% in 2024, 7.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2040. Post-Medicare per capita costs: 0.00% from 2024 to 2028, 18.42% from 2029 to 2033, 5.08% in 2034 decreasing ratably to an ultimate rate of 3.25% in 2040.

(c) One percentage point increase in current healthcare trend rates Pre-Medicare per capita costs: 10.14% in 2024, 9.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2040. Post-Medicare per capita costs: 0.00% from 2024 to 2028, 20.42% from 2029 to 2033, 7.08% in 2034 decreasing ratably to an ultimate rate of 5.25% in 2040.

Note 8: Deposits and Investments

Cash and investments as of June 30, 2024 consist of the following:

	Carry Amount
Cash and cash equivalents	$ 2,599,139
Investments	25,334,083
Total	$ 27,933,222

Deposits

Concentration of credit risk and Foreign Currency Risk:

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At year end, the District's carrying amount of deposits was $2,599,139 and the bank balance was $3,372,064. As of June 30, 2024, the College's entire bank balance of $3,372,064 was insured and collateralized with securities in the District's name.

The District has no foreign currency risk for deposits at year end.

Investments

	Carrying Amount	Fair Value
Marketable savings and money market	$ 2,066,730	$ 2,066,730
Marketable certificates of deposits	9,765,485	9,765,485
US Treasury securities	7,251,479	7,251,479
Local government investment pool	6,250,389	6,250,389
Total investments	$ 25,334,083	$ 25,334,083

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. There was no increase in the fair value of investments during 2024.

The District's investments during the year did not vary significantly from those at year-end in amounts or level of risk.

Note 8: Deposits and Investments (Continued)

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Marketable savings and money market	$ 2,066,730	$ 2,066,730	$ -	$ -	$ -
Marketable certificates of deposits	9,765,485	6,531,407	2,515,028	-	-
US Treasury securities	7,251,479	7,251,479	-	-	-
Local government investment pool	6,250,389	1,626,816	3,634,410	-	-
Totals	$ 25,334,083	$ 17,476,432	$ 6,149,438	$ -	$ -

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for the external investment pool investment type:

		Investment Ratings by Standard & Poor's		
	Total	AAAm	AA	Unrated
Marketable savings and money market	$ 2,066,730	$ 2,066,730	$ -	$ -
Marketable certificates of deposits	9,765,485	-	-	9,765,485
US Treasury securities	6,250,389	-	6,250,389	-
Local government investment pool	7,251,479	7,251,479	-	-
Totals	$ 25,334,083	$ 9,318,209	$ 6,250,389	$ 9,765,485

Concentration of Credit Risk
The District has no investments in any one issuer that represent 5% or more of the total District's investments.

Custodial Credit Risk
The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of June 30, 2024 there are no investments with custodial credit risk.

Note 8: Deposits and Investments (Continued)

<u>Foreign Currency Risk</u>

The District has no foreign currency risk for investments at year end.

At various times during the year, the bank balances exceeded FDIC insurance and collateral pledged by the financial institutions.

The Illinois School District Liquid Asset Fund is an investment pool acting on behalf of School Districts, Community Colleges, and Educational Service Regions.

The State Treasurer maintains the Illinois Funds Money Market (local government investment pool) at cost and fair value through daily adjustments in the interest earnings. The fair value of the District's investment in the fund is the same as the value of the pool shares. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants.

The Pools maintain a Standard and Poor's AAA rating. The District's investments in the funds are not required to be categorized because they are not securities. The relationship between the District and the investment agent is a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

All funds deposited in the Pools could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Illinois Public Investment Act, 30 ILCS 235.

<u>Fair Value Measurement</u>

Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy, as described under current accounting standards, are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets.

Level 2: Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets of liabilities in inactive markets; or
- inputs other than quotes prices that are observable for the asset or liability

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 8: Deposits and Investments (Continued)

The following table presents the District's approximate fair value hierarchy for the assets measured at fair value on a recurring basis as of June 30, 2024:

		Fair Value Measurements at Reporting Date Using		
	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:				
Certificate of deposit	$ 9,765,485	$ -	$ 9,765,485	$ -
U.S. Treasury securities	6,250,389	-	6,250,389	-
Total investments	$ 16,015,874	$ -	$ 16,015,874	$ -

Note 9: Debt

The following is a summary of the District's long-term and short-term debt transactions for the year ended June 30, 2024:

	Balance 7/1/2023	Increases	Decreases	Balance 6/30/2024	Current Portion	Long-term Portion
Long-term debt:						
General obligation bonds and certificates	$ 10,060,000	$ -	$ 1,710,000	$ 8,350,000	$ 1,470,000	$ 6,880,000
Bond premiums and deferred funding (discounts)	837,615	-	302,516	535,099	188,147	346,952
Contracts payable	102,961	-	31,467	71,494	71,494	-
Compensated absences	214,276	28,909	-	243,185	182,389	60,796
Subscription liability	1,182,350	455,669	367,569	1,270,450	372,158	898,292
Net OPEB liability	3,534,113	192,589	-	3,726,702	-	3,726,702
Totals	$ 15,931,315	$ 677,167	$ 2,411,552	$ 14,196,930	$ 2,284,188	$ 11,912,742

Note 9: Debt (Continued)

Details on the debt as of June 30, 2024 are as follows:

1. 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.

During the year ending June 30:	Principal	Interest	Total
2025	$ 945,000	$ 18,900	$ 963,900
Totals	$ 945,000	$ 18,900	$ 963,900

2. 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.

During the year ending June 30:	Principal	Interest	Total
2025	$ 255,000	$ 6,375	$ 261,375
Totals	$ 255,000	$ 6,375	$ 261,375

3. 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 February 21, 2023 and maturing on January 1, 2029.

During the year ending June 30:	Principal	Interest	Total
2025	$ 270,000	$ 350,750	$ 620,750
2026	1,575,000	304,625	1,879,625
2027	1,690,000	223,000	1,913,000
2028	1,815,000	135,375	1,950,375
2029	1,800,000	45,000	1,845,000
Totals	$ 7,150,000	$ 1,058,750	$ 8,208,750

Note 9: Debt (Continued)

4. The District entered into a contract payable in July, 2019 at an interest rate of 4.30%, to acquire buses. Monthly payments of interest and principal began in August 2019. Total payments are $236,017 (principal of $204,820 and interest of $31,197).

During the year ending June 30:	Principal	Interest	Total
2025	$ 71,494	$ 503	$ 71,997
Totals	$ 71,494	$ 503	$ 71,997

5. Ellucian subscription agreement dated December 2022 in the original principal amount of $1,070,371, due in annual installments in various amounts including imputed interest at 2.40%. The annual debt service requirement is as follows:

During the year ending June 30:	Principal	Interest	Total
2025	$ 168,867	$ 17,639	$ 186,506
2026	178,515	13,586	192,101
2027	188,562	9,302	197,864
2028	199,023	4,777	203,800
Totals	$ 734,967	$ 45,304	$ 780,271

6. Courseleaf subscription agreement dated August 2022 in the original principal amount of $170,726, due in annual installments in various amounts including imputed interest at 2.40%. The annual debt service requirement is as follows:

During the year ending June 30:	Principal	Interest	Total
2025	$ 55,904	$ 3,075	$ 58,979
2026	35,679	1,733	37,412
2027	36,535	877	37,412
Totals	$ 128,118	$ 5,685	$ 133,803

7. Nextiva subscription agreement dated January 2022 in the original principal amount of $179,759, due in annual installments in various amounts including imputed interest at 2.40%. The annual debt service requirement is as follows:

During the year ending June 30:	Principal	Interest	Total
2025	$ 52,156	$ 523	$ 52,679
Totals	$ 52,156	$ 523	$ 52,679

Note 9: Debt (Continued)

8. WebFocus subscription agreement dated March 2024 in the original principal amount of $65,404, due in annual installments in various amounts including imputed interest at 2.40%. The annual debt service requirement is as follows:

During the year ending June 30:	Principal	Interest	Total
2025	$ 20,514	$ 1,090	$ 21,604
2026	24,895	597	25,492
Totals	$ 45,409	$ 1,687	$ 47,096

9. TouchNet subscription agreement dated June 2024 in the original principal amount of $410,760, due in annual installments in various amounts including imputed interest at 2.40%. The annual debt service requirement is as follows:

During the year ending June 30:	Principal	Interest	Total
2025	$ 74,717	$ 7,435	$ 82,152
2026	76,510	5,642	82,152
2027	78,346	3,806	82,152
2028	80,227	1,925	82,152
Totals	$ 309,800	$ 18,808	$ 328,608

The annual requirements to amortize all debt outstanding as of June 30, 2024, including interest, are as follows:

During the year ending June 30:	General Obligation Bonds	Compensated Absences	Contracts Payable	Subscription Liability	Total Principal	Interest	Total Principal and Interest
2025	$ 1,470,000	$ 182,389	$ 71,494	$ 372,158	$ 2,096,041	$ 406,290	$ 2,502,331
2026	1,575,000	60,796	-	315,599	1,951,395	326,183	2,277,578
2027	1,690,000	-	-	303,443	1,993,443	236,985	2,230,428
2028	1,815,000	-	-	279,250	2,094,250	142,077	2,236,327
2029	1,800,000	-	-	-	1,800,000	45,000	1,845,000
Totals	$ 8,350,000	$ 243,185	$ 71,494	$ 1,270,450	$ 9,935,129	$ 1,156,535	$11,091,664

The general obligation bonded debt of the College is limited to 2.875% of assessed valuation. The legal debt limit at June 30, 2024, is $69,598,359. General obligation debt, contracts payable, and subscription liability at June 30, 2024 total $10,227,0434 resulting in a legal debt margin of $59,371,316.

Note 10: Joint Venture

HCC-YMCA Building

In an agreement made effective July 21, 1977, the Board of Trustees of the District and the Young Men's Christian Association of Freeport, Illinois, agreed to jointly construct and operate a multi-purpose recreational facility to be located on the District's campus.

In exchange for sharing the cost, the YMCA has a 50 year facility agreement upon the terms and conditions set forth in the agreement. The District is entitled to the fair and equitable use of the facilities, the details of which are also set forth in the agreement.

The YMCA reimburses the District for its portion of operational costs for the physical education building. This reimbursement is based upon a set formula in which the YMCA reimburses the District for 65% of the operational costs. The total reimbursement amount for fiscal year 2024 totals $258,635. As of June 30, 2024, the YMCA had paid $234,500. The YMCA has a balance due to the District in the amount of $24,135, which is included in the District's accounts receivable at year end.

As part of the agreement with the District, both the District and the YMCA contribute $1,250 per month to a joint fund used to share the cost of repair and maintenance to the Sports Complex building and to the loop road and parking lot.

The funds are maintained in an interest bearing account and the interest earned is credited to the joint account. These amounts are accounted for as custodial funds. The allowable expenses from these funds must be approved by the District's Board of Trustees and the YMCA's Board of Directors. As of June 30, 2024, the following amounts were available for the District's share of these expenditures:

		Carry Amount
Road and lot	$	103,485
Building maintenance		(18,275)
Accumulated interest		102,250
Total	$	187,460

Note 11: Related Party Transactions

The College has the following related party transactions for fiscal year ended June 30, 2024:

Related Party	Location	Nature	Revenue (Expense)	Asset (Liability)
Highland Community College Foundation	Freeport, IL	Scholarships	$314,030	
Highland Community College Foundation	Freeport, IL	Contributed nonfinancial assets	($378,745)	
Highland Community College Foundation	Freeport, IL	Institutional support	$1,226,996	