

# Highland Community College District #519

## Notes to Financial Statements

---

### Note 15: Component Unit

The Highland Community College Foundation (Foundation) is a private, not-for-profit organization that reports its financial results under the *Financial Accounting Standards Board (FASB) Accounting Standards Codification* (Codification) which is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The financial statements of the Foundation have been reformatted to comply with the classification and display requirements in GASB Statement 35 on the Statement of Net Position/Net Assets and the Statement of Revenues, Expenses, and Changes in Net Position/Net Assets. However, no modifications have been made to the Foundation's financial information in the District's financial reporting entity for revenue recognition or footnote disclosure differences.

Following is condensed financial information of Highland Community College Foundation (the Foundation), a discretely presented component unit of the District.

#### Summary of Significant Accounting Policies

**Basis of Accounting:** The Foundation follows the accrual basis of accounting, recognizing revenue when earned and recording expenses when the liability is incurred.

Contributions and other revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction.

**Fund Accounting:** In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

Revenues are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Without donor restricted funds are assets that are not restricted by donor-imposed stipulations. They are presently available for use by the Foundation at the discretion of the Board of Directors. With donor restricted funds are imposed by a donor stipulation that permits the donor organization to use up or expend the donated assets as specified and is satisfied either by the passage of time or by actions of the organization or that requires resources be maintained in perpetuity but permits the organization to use up or expend part or all of the income derived from the donated assets.

**Financial Presentation:** Net assets and revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

#### Without Donor Restrictions

Undesignated – Net assets that are not subject to donor-imposed restrictions or Board imposed stipulations.

Designated – Net assets subject to stipulations imposed by the Board of Directors and determined to be unavailable for general use.

#### With Donor Restrictions

Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# Highland Community College District #519

## Notes to Financial Statements

---

### Note 15: Component Unit (Continued)

**Cash and Cash Equivalents:** The Foundation defines cash accounts which are not subject to withdrawal restrictions or penalties as cash and cash accounts with an original maturity of three months or less as cash equivalents. The Organization maintains its cash and cash equivalents at financial institutions, which at times, may exceed federally insured limits. At June 30, 2024, the bank balances of the deposits exceeded FDIC limits by approximately \$701,800. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Contributions Receivable:** Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions pursuant to financial standards. Promises to give expected to be collected in future years are recorded as donations and a receivable at the present value of expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of discounts is included in donations revenue.

**Investments:** As of June 30, 2024, investments of the Foundation's various funds are maintained in a State Bank Trust and Investment Account, Union Savings Bank, Citizens State Bank and the Commonfund, an investment management fund for educational institutions. Investments in securities with readily determinable fair values are measured at the fair value in the statement of financial position. Alternative investments are measured at the net asset value per share as a practical expedient in the statement of financial position. Separate management accounts have been established for the various funds. Investment earnings of each fund has been segregated and recorded in the appropriate fund. Gains and losses on investments and other assets or liabilities are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the income was recognized. The realized and unrealized gain or loss on investments is reflected on the statement of activities within net investment return. Investment return is reported net of external and direct internal expenses.

**Beneficial Interest in Assets Held by Community Foundation:** The Foundation established a scholarship fund that is perpetual in nature under the Community Foundation of Northern Illinois (CFNIL) and is named as beneficiary. The Foundation granted variance power to the CFNIL, which allows the CFNIL to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CFNIL's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CFNIL for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

**Contribution Revenue:** Contributions, including contributions receivable, are considered conditional or unconditional, depending on the nature and existence of any donor conditions. A contribution receivable contains a donor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when pledged or received. There were no conditional contributions as of June 30, 2024.

# Highland Community College District #519

## Notes to Financial Statements

### Note 15: Component Unit (Continued)

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

**Donated Services and Materials:** For donated services to be recognized in the financial statements, the services must either (a) create or enhance a non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills that would be purchased if not donated. The Foundation also receives donated services generally in the form of contributed time by volunteers. However, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

**Functional Allocation of Expenses:** Included on the statement of activities is expenses by function with natural classification detail. Expenses that can be identified with a specific program are recorded directly according to their natural expense classification. Other expenses that are common to several functions and cannot be directly identified (salaries and employee benefits) are allocated based on time and effort.

#### Statement of Functional Expenses

	Program Services	Management & General	Fundraising	Cost of Direct Benefit To Donors	Total
Scholarships	\$314,030	\$0	\$10,457	0	\$324,487
College grant	1,350,496	0	0	0	1,350,496
Salaries	75,500	117,090	125,490	0	318,080
Employee benefits	16,683	20,475	23,508	0	60,666
Alumni	0	0	1,029	0	0
Annual events	0	7,251	0	0	7,251
Auto expense	0	1,082	1,041	0	2,123
Bad debt expense	0	(3,744)	0	0	(3,744)
Board/staff travel/training	0	2,852	0	0	2,852
Depreciation	0	544	0	0	544
Dues and subscriptions	0	659	0	0	659
Equipment	0	23,103	0	0	23,103
Insurance	0	7,057	309	0	7,366
Meals and entertainment	0	656	890	22,304	23,850
Marketing	0	11,359	9,704	0	21,063
Miscellaneous	0	1,541	2,341	0	3,882
Office supplies	0	2,395	2,680	0	5,075
Other contractual services	0	306	4,716	0	5,022
Professional fees	0	28,310	4,200	0	32,510
Real estate taxes	0	288	0	0	288
Rent	0	6,755	0	0	6,755
<b>Total functional expenses</b>	<b>\$1,756,709</b>	<b>\$227,979</b>	<b>\$186,365</b>	<b>\$22,304</b>	<b>\$2,193,357</b>

**Income Taxes:** The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation a charitable group not organized for profit. Accordingly, no provision for income tax expense is included in the accompanying financial statements.

# Highland Community College District #519

## Notes to Financial Statements

### Note 15: Component Unit (Continued)

#### Liquidity and Availability

The Foundation's primary sources of support are contributions, fundraising and income from investments. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. The following table reflects the Foundation's available financial assets as of June 30, 2024.

	2024
Cash and cash equivalents	\$ 638,210
Contributions receivable	1,463,531
Investments	31,225,139
Beneficial interest in assets held by Community Foundation (CFNIL)	496,734
Total financial assets and liquid resources	33,823,614
Less those unavailable for general expenditure:	
Board designation	(11,071,391)
Donor restrictions	(17,215,233)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,536,990

#### Contribution Receivable

Unconditional pledges/promises and beneficial interests in split interest agreements are included in the financial statements as contributions receivables and revenue of the appropriate net asset category.

The present value of contributions receivable is as follows as of June 30, 2024:

	2024		
	Unconditional Pledges Receivable	Beneficial Interest Receivable	Total Contribution Receivable
Due in one year or less	\$ 885,012	\$ -	\$ 885,012
Due in one to five years	499,548	-	499,548
Due in more than five years	12,500	142,496	154,996
	1,397,060	142,496	1,539,556
Less: Discount to present value at rates ranging from 1% to 6.5%	38,368	37,657	76,025
<b>TOTAL CONTRIBUTION RECEIVABLE</b>	<b>\$ 1,358,692</b>	<b>\$ 104,839</b>	<b>\$ 1,463,531</b>

The net amount of receivables is based on the estimate of future cash flows. Due to unknown factors that may affect individual donor's future cash flows, it is reasonably possible that the estimated future cash flows of contributions receivable could change by a significant amount in the near term.



# Highland Community College District #519

## Notes to Financial Statements

---

### Note 15: Component Unit (Continued)

#### Fair Value Measurements

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Foundation to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using NAV has readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

The Foundation recognizes transfers between levels on the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the years ended June 30, 2024.

#### Valuation Techniques

*Mutual Funds:* Valued at the NAV of shares on the last trading day of the fiscal year.

*Equity Securities and Exchange Traded Funds (ETF):* Valued at the closing quoted price in an active market.

*Common Stock:* Valued at the closing quoted price in an active market.

*Land:* Valued at the current appraised value, which is based on acres of property, comparable values, and expected cash flows.

*Interest in assets held by the Community Foundation of Northern Illinois (CFNIL):* Valued at NAV per unit as reported by the Community Foundation. The Foundation considers the measurement of its beneficial interest in the Community Foundation to be a Level 3 measurement within the hierarchy because the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

# Highland Community College District #519

## Notes to Financial Statements

### Note 15: Component Unit (Continued)

Fair value measurements for investments were as follows on June 30:

	2024			Total
	Level 1	Level 2	Level 3	
Equities	\$ 4,652,620	\$ -	\$ -	\$ 4,652,620
Mutual funds	9,398,029	-	-	9,398,029
Exchange traded funds	3,417,838	-	-	3,417,838
Common stock	1,094,504	-	-	1,094,504
Land	-	-	720,000	720,000
Beneficial interest in funds at CFNIL	-	-	496,734	496,734
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>\$ 18,562,991</b>	<b>\$ -</b>	<b>\$ 1,216,734</b>	<b>19,779,725</b>
Money market and cash equivalent - at cost				1,648,662
Certificates of deposit - at cost				394,694
Commonfund - equity funds*				6,463,224
Commonfund - bond funds*				3,435,568
<b>TOTAL INVESTMENTS AND BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION</b>				<b>\$ 31,721,873</b>

\*Investments held at NAV

#### Unobservable (Level 3) Inputs

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompany statement of financial position using significant unobservable (Level 3) inputs:

	2024
Balance, beginning of year	\$ 471,787
Investment return, net	46,251
Distributions	(21,304)
<b>BALANCE, ENDING</b>	<b>\$ 496,734</b>

The change in the beneficial interest in funds held at CNFIL are included in a separate line on the statement if activities.

The land is also valued utilizing unobservable inputs. There was no change in the land value during the years ending June 30, 2024. The value of land was \$720,000 as of June 30, 2024.

The Foundation uses net asset value (NAV) as a practical expedient to determine fair value of all underlying investments which (a) do not have a readily determinable fair value; and (b) are in investment companies or similar entities that report their investments assets at fair values.

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category:

	Fair Value June 30, 2024	Redemption Frequency	Redemption Notice Period
Commonfund - equity funds (a)	\$ 6,463,224	*	5 business days
Commonfund - bond funds (b)	3,435,568	*	5 business days
<b>TOTAL</b>	<b>\$ 9,898,792</b>		

\*Daily, weekly, monthly, quarterly, or annual, depending on specific fund

The Foundation does not have any unfunded commitments related to the above investments as of June 30, 2023.

# Highland Community College District #519

## Notes to Financial Statements

---

### Note 15: Component Unit (Continued)

(a) Commonfund - Equity Mutual Funds

These funds offer an actively managed, multi-manager investment program that will provide broad exposure to global equity markets. The funds seeks to add value above the return of the U.S. equity market, as measured by the S&P 500 Index, net of fees and to provide competitive returns relative to the Russell U.S. Large Cap market. The risk characteristics will vary from those of the Index due to its diversified exposures to sectors outside of the index, including non-U.S. equity markets and the certain marketable alternative strategies.

(b) Commonfund - Bond Mutual Funds

These funds offer an actively managed, multi-manager investment program that will provide broad exposure to global debt markets. The funds seek to add value above the return of the broad U.S. bond market, as measured by the Barclay's Capital U.S. Aggregate Bond Index, net of fees and to provide competitive returns relative to the Russell U.S. Core Plus Fixed Income. The risk characteristics will vary from those of the Index due to its diversified exposures to sectors outside of the index, including below investment grade debt and international bond and currency markets.

### Beneficial Interest in Assets Held by Community Foundation

The Foundation established the Highland Community College Foundation/Rubin Matching Scholarship Fund with Community Foundation of Northern Illinois (CFNIL) in 2016. The fund agreement is irrevocable and allows the use of the fund's principal and income in accordance with the Community Foundation of Northern Illinois's spending policy for funds to be held in perpetuity for supporting of Highland Community College Foundation. The Foundation cannot withdraw the original amount transferred or any appreciation on those transferred assets. At the time of the transfer, the Foundation granted variance power to the CFNIL. The investments are held at the community foundation, which were contributed by the Foundation and are reported at fair value as beneficial interest in assets held by community foundation in the amount of \$496,734 as of June 30, 2024.

### Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	<u>2024</u>
Subject to expenditure for specified purpose:	
College Grants and Student Scholarships	\$ 8,794,123
Buildings and landscaping	265,538
Time restricted contributions	1,957,754
Annuity trust agreements	-
Endowment funds to be held in perpetuity	<u>6,197,818</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 17,215,233</u></b>

### Without Donor Restrictions Net Assets, Board Designated

On October 5, 2011, the United States Department of Education released the Endowment Challenge Grant to the College, as the 20-year investment period was completed on March 31, 2010. During those 20 years, the Foundation served as the fiscal agent for the College for the purposes of investing these funds.

During the year ended June 30, 2012, the Foundation Board designated the combined Federal and matching share of the Endowment Challenge Grant. The expenditures from this fund and its proceeds shall be at the suggestion and direction of the Board of Trustees of the College. These assets will remain as such until the College's Board requests all or a portion of these funds.

# Highland Community College District #519

## Notes to Financial Statements

---

### **Note 15: Component Unit (Continued)**

As of June 30, 2024, \$10,071,391 of assets relating to the Endowment Challenge Grant remains. These funds may be used for any educational purpose including strengthening the College's capability to meet financial goals and increasing student access to quality higher education.

The Foundation has fiduciary responsibilities of these funds but has entered into a memo of understanding with the College's Board as to what these funds will be used for along with the timing for the release of these funds.

Also included in the without donor restrictions net assets, board designated balance as of June 30, 2024 is \$1,000,000 in the general fund to preserve a balance in the unrestricted funds.

## **Required Supplementary Information**

---

# Highland Community College District #519

## Schedule of Share of Net Pension Liability

Last Ten Fiscal Years

Measurement Date June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion percentage of the collective net pension liability	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Proportion amount of the collective net pension liability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with the College	\$ 68,069,294	\$ 70,891,132	\$ 68,171,078	\$ 73,351,054	\$ 65,596,643	\$ 67,939,049	\$ 59,600,307	\$ 60,412,403	\$ 54,001,485	\$ 51,944,951
Employer covered payroll	\$ 9,381,039	\$ 8,841,902	\$ 9,114,150	\$ 8,909,682	\$ 8,284,112	\$ 8,858,182	\$ 8,284,598	\$ 8,430,045	\$ 8,341,423	\$ 8,679,146
Proportion of collective net pension liability associated with the College as a percentage of covered payroll	725.61 %	801.76 %	747.97 %	823.27 %	791.84 %	766.96 %	719.41 %	716.63 %	647.39 %	598.50 %
SURS plan net position as a percentage of total pension liability	44.06 %	43.65 %	45.45 %	39.05 %	40.71 %	41.27 %	42.04 %	39.57 %	42.37 %	44.39 %

# Highland Community College District #519

## Schedule of Pension Contributions

Last Ten Fiscal Years

Fiscal Year Ended June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Federal, trust, grant and other contribution	\$ 112,906	\$ 89,647	\$ 58,716	\$ 71,756	\$ 45,153	\$ 44,507	\$ 40,836	\$ 34,468	\$ 31,213	\$ 42,942
Contribution in relation to required contribution	112,906	89,647	58,716	71,756	45,153	44,507	40,836	34,468	31,213	42,942
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Employer covered payroll	\$ 12,163,109	\$ 10,874,277	\$ 11,060,485	\$ 10,874,277	\$ 10,559,389	\$ 10,183,735	\$ 8,858,182	\$ 8,284,598	\$ 8,430,045	\$ 8,341,423
Contribution as a percentage of covered payroll	0.93 %	0.82 %	0.53 %	0.66 %	0.43 %	0.44 %	0.46 %	0.42 %	0.37 %	0.51 %

# Highland Community College District #519

## Schedule of Share of Net OPEB Liability

Last Ten Fiscal Years

(schedule to be built prospectively from 2018)

Measurement Date June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion percentage of the collective net OPEB liability	0.00 %	0.00 %	0.53 %	0.52 %	0.48 %	0.53 %	0.50 %	0.49 %		
Proportion amount of the collective net OPEB liability	\$ 3,726,702	\$ 3,534,113	\$ 9,247,458	\$ 9,396,941	\$ 9,131,131	\$ 10,074,013	\$ 9,204,296	\$ 8,995,434		
Portion of nonemployer contributing entities' total proportion of collective net OPEB liability associated with the College	\$ 3,726,702	\$ 3,534,113	\$ 9,247,458	\$ 9,396,941	\$ 9,131,131	\$ 10,074,013	\$ 9,083,069	\$ 9,372,476		
Total collective net OPEB liability associated with the College	\$ 7,453,404	\$ 7,068,226	\$ 18,494,916	\$ 18,793,882	\$ 18,262,262	\$ 20,148,026	\$ 18,287,365	\$ 18,367,910		
College's covered payroll	\$ 10,874,277	\$ 11,060,485	\$ 10,874,277	\$ 10,559,389	\$ 10,183,735	\$ 8,858,182	\$ 8,284,598	\$ 8,430,045		
Proportion of collective net OPEB liability associated with the College as a percentage of covered payroll	68.54 %	63.91 %	170.08 %	177.98 %	179.33 %	227.45 %	220.74 %	217.89 %		
College insurance plan net position as a percentage of total OPEB liability	(17.87)%	(22.03)%	(6.38)%	(5.07)%	(3.96)%	(3.54)%	(2.87)%	(2.15)%		

Note: The District implemented GASB No. 75 in fiscal year 2018. The information is presented for as many years as available. The schedule is intended to show information for 10 years.



# Highland Community College District #519

## Schedule of OPEB Contributions

Last Ten Fiscal Years

(schedule to be built prospectively from 2014)

Fiscal Year Ended June 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 84,574	\$ 52,185	\$ 48,686	\$ 49,542	\$ 46,997	\$ 41,801	\$ 46,664	\$ 43,788		
Contribution in relation to the required statutorily	(84,574)	(52,185)	(48,686)	(49,542)	(46,997)	(41,801)	(46,664)	(43,788)		
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
District's covered payroll	\$ 12,163,109	\$ 10,874,277	\$ 11,060,485	\$ 10,874,277	\$ 10,559,389	\$ 10,183,735	\$ 8,858,182	\$ 8,284,598		
Contribution as a percentage of covered payroll	0.70 %	0.48 %	0.44 %	0.46 %	0.45 %	0.41 %	0.53 %	0.53 %		

Note: The District implemented GASB No. 75 in fiscal year 2018. The information is presented for as many years as available. The schedule is intended to show information for 10 years.

# Highland Community College District #519

## Notes to Required Supplementary Information

---

### Note 1: Changes of Benefit Terms

Pubic Act 103-0080, effective June 9, 2023, created a disability benefit for police officers injured in the line of duty on or after January 1, 2022. This benefit was first reflected in the Total Pension Liability as of June 30, 2023.

### Note 2: Changes of Assumptions

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2017 to June 30, 2020 was performed in Spring 2021, resulting in the adoption of new assumptions as of June 30, 2021. These assumptions are listed below and remained the same for the June 30, 2023, actuarial valuation.

- Salary increases. The overall assumed rates of salary increase range from 3.00 percent to 12.75 percent based on years of service, with an underlying wage inflation rate of 2.25 percent.
- Investment return. The investment return is assumed to be 6.50 percent. This reflects an assumed real rate of return of 4.25 percent and assumed price inflation to 2.25 percent.
- Effective rate of interest. The long-term assumption for the effective rate of interest for crediting the money purchase accounts to 6.50 percent.
- Normal retirement rates. Separate rates are assumed for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.
- Early retirement rates. Separate rates are assumed for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.
- Turnover rates. Assumed rates maintain the pattern of decreasing termination rates as years of service increase.
- Mortality rates. Use of Pub-2010 mortality tables reflects its high applicability to public pensions. The projection scale utilized is the MP-2020 scale.
- Disability rates. Separate rates are assumed for members in academic positions and non-academic positions, as well as for males and females. New for the June 30, 2023, valuation, 50% of police officer disability incidence is assumed to be line-of-duty related.
- Plan election. For non-academic members, assumed plan election rates are 75 percent for Tier 2 and 25 percent Retirement Savings Plan (RSP). For academic members, assumed plan election rates are 55 percent for Tier 2 and 45 percent for Retirement (RSP).

### Note 3: Changes of OPEB Benefit Terms

There were no benefit changes recognized in the Total OPEB Liability as of June 30, 2024.

# Highland Community College District #519

## Notes to Required Supplementary Information (Continued)

---

### Note 4: Changes of OPEB Assumptions

In accordance with *Illinois Compiled Statutes*, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of CIP. An experience review for the years June 30, 2017 to June 30, 2020, resulting in the adoption of new assumptions as of June 30, 2021. The following OPEB-related assumptions changes were made since the last valuation as of June 30, 2021:

- Per capita claim costs for plan year end June 30, 2023, were updated based on projected claims and enrollment experience through June 30, 2023, and updated premium rates through plan year end 2024;
- The healthcare trend assumption was updated based on claim and enrollment experience through June 30, 2022, projected plan cost for plan year end June 30, 2023, premium changes through plan year end 2023, and expectation of future trend increases after June 30, 2023;
- Healthcare plan participation and lapse rates were updated based on observed experience; and
- The discount rate was changed from 3.69 percent at June 30, 2022, to 3.86 percent at June 30, 2023.

The pension-related assumption changes had minimal impact to the results of the OPEB actuarial valuation.

# **Other Financial Information**

---