

COASTAL BEND COLLEGE

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED

AUGUST 31, 2020 AND 2019

COASTAL BEND COLLEGE
ANNUAL FINANCIAL REPORT
For the Fiscal Years Ended August 31, 2020 and 2019

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**COASTAL BEND COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

<u>BOARD OF TRUSTEES</u>		<u>TERM EXPIRES MAY 31,</u>
Mr. Victor Gomez	Chair	2022
Mr. Taylor Tomlin	Vice Chair	2024
Mr. Carroll W. Lohse	Secretary	2024
Ms. Mercy Flynn	Trustee	2026
Mr. Sid Arismendez	Trustee	2022
Mr. Eloy Rodriguez	Trustee	2026
Ms. Martha Warner	Trustee	2022

ORGANIZATIONAL DATA

PRINCIPAL ADMINISTRATIVE OFFICERS

Dr. Justin Hoggard	President
Dr. Patricia Rehak	Provost/ Chief Academic Officer
Olga Mendez	Accounting Director/Chief Financial Officer
Dr. Kevin Behr	Chief of Police and Emergency Management
Audrey Ramirez	Director of Human Resources
Amador Ramirez	Director of IT
Bernie Saenz	Director of Marketing and Public Relations
Jacinto Colmenero	Director of Physical Plant

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

January 19, 2021

Board of Trustees
Coastal Bend College
Beeville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Coastal Bend College (the College) as of and for the years ended August 31, 2020 and 2019, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Coastal Bend College, as of August 31, 2020 and 2019 the respective changes in financial position and cash flows, where applicable, thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information on pages 6 through 13, and pages 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The schedules A through D on pages 55 through 58 are required by the Texas Higher Education Coordinating Board are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (Schedule E) on pages 59 and 60 is presented for purposes of additional analysis as required by U.S. Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of expenditures of state awards (Schedule F) on page 61 is presented for purposes of additional analysis as required by the *State of Texas Single Audit Circular* issued by the Governor's Office of Budget and Planning and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control over financial reporting and compliance.

Collier, Johnson & Woods

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Management's Discussions and Analysis

**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

Coastal Bend College is pleased to present its financial statements for 2020 which are in conformance with Governmental Accounting Standards Board (GASB) standards. There are three financial statements presented: (a) the Statement of Net Position, (b) the Statement of Revenues, Expenses, and Changes in Net Position, and (c) the Statement of Cash Flows. These financial statements are intended to provide both long-term and short-term financial information on the College and should be read in conjunction with the Notes to the Financial Statements. Specifically,

The Statement of Net Position is equivalent to a balance sheet for a for-profit entity. It is a snapshot of the financial status of the college on a specific date.

The Statement of Revenues, Expenses, and Changes in Net Position is equivalent to an income statement for a for-profit entity, showing the results of operations of the college for the last fiscal year.

The Statement of Cash Flows show the change in cash and cash equivalents over the course of the last fiscal year.

The Notes to the Financial Statements describe significant accounting policies and assumptions used by the college in preparing the other basic statements and as such serve as an integral part of the basic financial statements.

Financial Highlights

Discussion of the Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector organizations. Net position is the difference between assets and deferred outflows, liabilities and deferred inflows. The purpose of the Statement of Net Position is to present to the readers a financial snapshot of the College at a certain point in time. It demonstrates the amounts the College owes vendors, bondholders and lending institutions. It also provides a picture of the net assets and its availability for future operations and strategic initiatives.

COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Below is a condensed version of the institution's assets and liabilities:

	FY 2020	FY 2019	FY 2018	2020-2019 Variance
Current Assets	\$ 7,725,299	\$ 8,226,965	\$ 8,636,006	\$ (501,666)
Non-Current Assets:				
Capital Assets, Net of Depreciation	\$ 15,916,626	\$ 16,952,480	\$ 17,811,831	(1,035,854)
Other	7,140,005	6,953,712	5,053,924	186,293
Total Assets	30,781,930	32,133,157	31,501,761	(1,351,227)
Deferred Outflows	3,017,091	3,012,227	1,230,766	4,864
Total Assets & Deferred Outflows of Resources	33,799,021	35,145,383	32,732,527	(1,346,363)
Current Liabilities	8,459,569	8,490,946	8,278,751	(31,377)
Non - Current Liabilities	26,162,336	26,379,007	31,356,789	(216,671)
Total Liabilities	34,621,905	34,869,953	39,635,540	(248,048)
Deferred Inflows	8,216,130	10,654,288	6,040,387	(2,438,158)
Total Liabilities & Deferred Inflows of Resources	42,838,035	45,524,241	45,675,927	(2,686,206)
Net Position:				
Net Investment in Capital Assets	12,163,626	12,077,415	11,855,610	86,211
Restricted	894,117	1,141,215	1,131,674	(247,098)
Unrestricted	(22,096,757)	(23,597,488)	(25,930,684)	1,500,731
Total Net Position	(9,039,014)	(10,378,858)	(12,943,400)	\$ 1,339,844

Changes in Assets

Total assets decreased by \$1,351,227 million from August 31, 2019 to August 31, 2020. This net decrease is the result of an increase of cash and investments of \$1.0 million which is offset by a decrease in accounts receivable of \$1.7 million, an increase of \$0.3 million in prepaid expenses and a decrease of \$1.0 in capital assets.

Changes in Deferred Outflows

Deferred Outflows related to Pensions and other postemployment benefits (OPEB) measures the net change in the expected and actuals of retirement plans, contributions made to the Teachers Retirement System (TRS) or the Employers Retirement System (ERS) for OPEBs, and the difference between the employer's contributions and their proportionate share of retirement contributions from one fiscal year to the next. Because this applies to future reporting periods, the numbers may potentially fluctuate due to one of the following factors:

1. Differences between expected and actual economic and demographic factors.
2. Changes in actuarial assumptions.
3. Net differences between projected and actual earnings on pension and OPEB plan investments.
4. Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions related to pension or OPEB.
5. Employer contributions to pension and OPEB made subsequent to the measurement date.

COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

In fiscal year 2020, deferred outflows increased by about \$5,000 which was caused primarily by changes in actuarial assumptions that will be amortized in future years.

Changes in Liabilities

The College's total liabilities decreased by \$248,049 which was primarily the result of a \$0.9 million decrease in accounts payable and a \$1.2 million reduction in bonds and notes payable which was offset by an \$1.3 million increase in the net OPEB liability.

Changes in Deferred Inflows

Deferred Inflows measures the net change in revenues of future pensions and other postemployment benefits. The decrease of \$2,438,158 is related to the College's proportionate share of pension costs and OPEB and is partial offset by the increase in Net OPEB liabilities and an increase in deferred Outflows. Because this will also affect future reporting periods, the numbers may potentially fluctuate due to one of the following factors:

1. Differences between expected and actual economic and demographic factors.
2. Changes in actuarial assumptions.
3. Net differences between projected and actual earnings on pension and OPEB plan investments.
4. Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions related to pension or OPEB.
5. Employer contributions to pension or OPEB made subsequent to the measurement date.

In fiscal year 2020 deferred inflows increase was caused primarily by changes in actuarial assumptions that will be amortized in future years.

Changes in Net Position

Net Position, the difference between assets, deferred outflows and deferred inflows and liabilities was a negative \$9,039,014 which represents an increase of \$1,339,844, from August 31, 2019. The primary factor causing this increase was the College's earnings for the fiscal year ending August 31, 2020.

Discussion of the Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the College as well as the non-operating revenues and expenses. For this statement, the category Operating Revenues includes:

- Tuition and fees (net of discounts)
- Federal/State/Local grants not related to Title IV
- Non-governmental grants and contracts
- Sales and services of educational activities
- Auxiliary enterprises (net of discounts)
- Other operating revenues

COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

The category of non-operating revenue includes state appropriations, ad valorem taxes, gifts, investment income, interest on capital related debt, and grants for Title IV and other non-operating revenues.

Revenues, Expenses and Change's in Net Position

	Year Ended August 31,			2020-2019
	FY 2020	FY 2019	FY 2018	Variance
Operating Revenues	\$ 3,975,365	\$ 6,831,094	\$ 7,946,370	\$ (2,855,729)
Non-Operating Revenues	20,396,567	17,577,504	17,879,500	2,819,063
Total Revenues	\$ 24,371,932	\$ 24,408,598	\$ 25,825,870	(36,666)
Operating Expenses	22,865,169	21,865,651	23,872,917	999,518
Non-Operating Expenses	166,919	211,200	233,048	(44,281)
Total Expenses	23,032,088	22,076,851	24,105,965	955,237
Increase in Net Position	1,339,844	2,331,747	1,719,905	(991,903)
Net Position Beginning of Year, restated	(10,378,858)	(12,710,605)	(14,430,510)	2,331,747
Net Position End of Year	(9,039,014)	(10,378,858)	(12,710,605)	1,339,844

Operating Revenues

The two major sources of operating revenues are tuition and various grants and contracts. Tuition revenue is reported net of discounts for tuition paid by various federal, state and local grants, including those associated with the Title IV Higher Education Administration Program. Additionally, state mandated, or locally approved remissions and exemptions are reported as discounts against tuition.

Operating revenue decrease by \$2.9 million due to Tuition and Fee revenue decreasing by 1.4 million in 2020, Tuition Discounts increased by \$1.1 million primarily due to an increase in Pell Grants \$731 thousand, Auxiliary enterprises and General operating revenues decreased by \$163 thousand, other operating revenues decreased by \$74 thousand due to COVID shutdown.

Non- Operating Revenues and Expenses

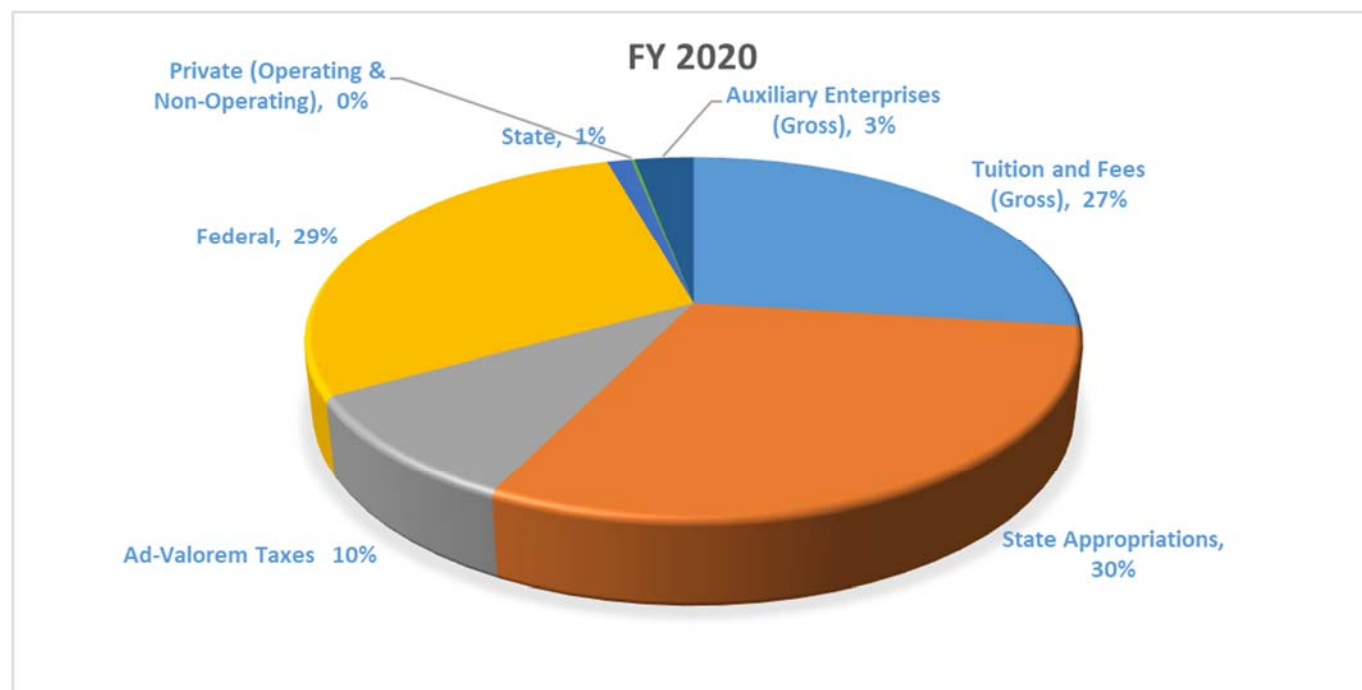
The increase in Non-Operating Revenue was primarily caused by on behalf revenue from the state pension and OPEB benefits. Non-operating expenses are comparable to the prior year.

COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Revenue Sources

The five primary sources of operating revenue for the institution continue to be: (a) gifts, grants, and contracts; (b) state appropriation; (c) tuition and fees; (d) ad valorem taxes; and (e) auxiliary enterprises. A chart of the major components of revenue (operating and non-operating combined) follow:

	Year Ended August 31,			2020-2019
	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>Variance</u>
Major-Revenue Components:				
Tuition and Fees (Gross)	\$ 8,808,968	\$ 10,230,528	\$ 11,233,472	\$ (1,421,560)
State Appropriations	9,868,969	7,391,899	7,840,447	2,477,070
Ad-Valorem Taxes	3,156,889	3,185,380	3,126,668	(28,491)
Gifts, Grants & Contracts:				
Federal	9,370,159	8,510,470	8,555,472	859,689
State	392,959	725,121	639,519	(332,162)
Private (Operating & Non-Operating)	57,595	151,260	-	(93,665)
Total Gifts, Grants & Contracts	9,820,713	9,386,851	9,194,991	433,862
Auxiliary Enterprises (Gross)	963,334	1,362,609	1,252,250	(399,275)
Total	32,618,873	31,557,267	32,647,828	1,061,606



COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Operating Expenses

The College, as a public institution groups expenses according to the purpose for which they were incurred. Costs are allocated and reported using a consistent methodology that aligns with other public institutions of higher education. The three-year history is presented as the following:

	Year Ended August 31,			2020-2019
	FY 2020	FY 2019	FY 2018	Variance
Functional Classifications:				
Instruction	\$ 7,707,254	\$ 6,378,476	\$ 8,382,267	\$ 1,328,778
Public Service	3,209	58,294	35,033	(55,085)
Academic Support	1,204,460	1,214,969	1,090,757	(10,509)
Student Services	2,601,754	1,542,424	1,594,588	1,059,330
Institutional Support	5,478,514	6,785,338	4,788,852	(1,306,824)
Operation and Maintenance of Plant	2,200,739	1,928,762	2,845,246	271,977
Scholarships and Fellowships	547,954	787,213	1,863,476	(239,259)
Auxiliary Enterprises	1,651,915	1,697,148	1,675,617	(45,233)
Depreciation	1,469,370	1,473,027	1,597,081	(3,657)
Total Operating Expenses	\$ 22,865,169	\$ 21,865,651	\$ 23,872,917	\$ 999,518

FY 2020 Operating Expenses increased by \$999,518. A decrease in Institutional Support of \$1,306,824 is due to attrition and difficulty in securing proper staffing. This is offset by an increase in other expenses of \$123,563 which includes additional expenses related to the implementation of the new computer system. Public Service expenses have been reduced by 82% due to the COVID-19 pandemic.

Discussion of the Statement of Cash Flows

The Statement of Cash Flows provides information about the change in cash flow from one year to the next. This statement presents cash flows from four sources: (a) operating activities, (b) non-capital financing activities, (c) capital financing activities, and (d) investing activities.

A summary of the Statement of Cash Flows follows:

	Year Ended August 31,		
	FY 2020	FY 2019	FY 2018
Operating Activities	\$ (15,436,708)	\$ (12,145,893)	\$ (11,399,910)
Noncapital Financing Activities	17,917,150	16,239,983	15,801,094
Capital and Related Financing Activities	(1,716,851)	(1,678,970)	(3,030,246)
Investing Activities	87,348	(1,535,176)	(976,074)
Changes in Cash and Cash Equivalents	\$ 850,938	\$ 879,944	\$ 394,864

The primary cash flows from operating activities include cash receipts from students and other customers (e.g., tuition, housing, board) and grant and contract revenue. Cash outlays include payments to suppliers (supplies), employees (wages, benefits), and students (scholarships). State appropriations and ad valorem taxes were the primary sources of non-capital financing.

**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

Current Conditions & Projected Priorities

Fiscal year 2020 has been an extraordinary year, filled with tremendous trials as well as incredible opportunities. The 2019-2020 Annual Financial Report provides details regarding CBC's unwavering dedication to our mission. Despite all the challenges that CBC has endured with the network disruption, discontinued programs, and then with a worldwide pandemic, CBC is committed to addressing these challenges while continuing its tradition of providing excellent education and training to our community. Our reasonable tuition rates enable everyone to improve their lives and achieve their dreams through higher education. During this unusual year, in addition to supporting students, we reached out to assist the community by offering CBC's mobile trailers to assist during the pandemic.

The COVID-19 pandemic is having a profound impact on CBC along with other community colleges. We are learning to respond to the crisis by continuously adapting to the needs of our students and the community. As we continue to face an uncertain future, CBC will continue to make the necessary accommodations to ensure the safety of our students, faculty and staff. We continue to work hard to deliver high quality distance education to ensure that students continue to stay connected and advance their education.

CBC receive Coronavirus Aid, Relief and Economic Security (CARES) Act funding to help offset some losses, however, the pandemic continues to be a significant financial strain on the college.

Coastal Bend College's credit enrollment has dropped with a Fall 2020 unduplicated headcount of 4,251, a significant decrease compared to Fall 2019. As such, CBC experienced a 15% reduction in enrollment in the Fiscal year 2020.

Dual enrollment students continue to comprise nearly half of the College's student population, despite the shift in focus emerging from the Texas Higher Education Coordinating Board's 60x30TX Initiative.

We continue to prioritize fiscal accountability and we are working hard to identify the community's workforce needs and find the areas with significant worker skill deficits. We are collaborating with employers to identify market trends and are developing strong policies and processes to ensure compliance.

Vision 2020 Strategic Plan

Goal 1: Coastal Bend College will offer a quality educational experience for all students.

Goal 2: Coastal Bend College will provide comprehensive student services to increase overall student success.

Goal 3: Coastal Bend College will engage students and staff in support of our communities.

Goal 4: Coastal Bend College will effectively and efficiently use resources to benefit our students.

**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

Long-Term Goals (2018-2023)

- Successful completion of the 5th year interim SACSCOC report.
- Reach a full-time 6-year graduation rate of 50% in 5-8 years.
- Establish a college dashboard to ensure focus on student success.
- Continue to strengthen the financial stability of the College by reviewing programs and services from a ROI perspective.
- Expand online learning by developing a guaranteed 2-year degree end formalized recruitment plan.
- Develop plan to enhance the College's leadership and climate by engaging the external community and employee groups.
- Conduct an annual employee climate survey.
- Create & develop community partnerships.

Economic Outlook

Community colleges continue to play a vital role in our state's economy by developing our workforce and preparing students for further academic studies. The CBC is currently working on a strategic plan to update our mission, vision and goals. We are focusing on the students, faculty, staff and the community's needs.

As COVID-19 crisis continues to have a significant impact on CBC, the College strives to provide low cost option for students to build new skills and certifications. CBC is adapting to the continuous changes by expanding distance learning and having more online services.

Contacting Financial Management

Questions about this report or additional financial information can be obtained from the Coastal Bend College business office via an email request to busoffice@coastalbend.edu.


Justin Hoggard
President

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BASIC FINANCIAL STATEMENTS

**COASTAL BEND COLLEGE
STATEMENT OF NET POSITION
AUGUST 31, 2020 AND 2019**

	2020	2019
ASSETS		
Current Assets		
Cash & cash equivalents	3,348,041	2,504,893
Accounts receivable (net)	4,053,632	5,722,072
Prepaid Expenses	323,626	-
Total Current Assets	7,725,299	8,226,965
Non-Current Assets		
Restricted cash & cash equivalents	573,556	565,766
Investments	6,566,449	6,387,946
Capital Assets (net)	15,916,626	16,952,480
Total Non-current Assets	23,056,631	23,906,192
Total Assets	30,781,930	32,133,157
DEFERRED OUTFLOWS		
Deferred outflows related to pensions	2,367,998	2,356,714
Deferred outflows related to benefits (OPEB)	649,093	655,513
Total Deferred Outflows	3,017,091	3,012,227
Total Assets & Deferred Outflows	33,799,021	35,145,384
LIABILITIES		
Current Liabilities		
Accounts payable	1,124,515	2,045,693
Funds held for others	609,793	455,356
Unearned revenue	5,209,728	4,867,833
Notes payable - current portion	529,000	721,065
Bonds payable - current portion	418,000	401,000
OPEB Liability - current portion	568,533	-
Total Current Liabilities	8,459,569	8,490,947
Non-Current Liabilities		
Accrued compensable absences	683,741	645,190
Notes payable - long term portion	1,925,000	2,454,000
Bonds payable - long term portion	881,000	1,299,000
Net pension liability	5,315,180	5,341,411
Net OPEB Liability	17,357,415	16,639,406
Total Noncurrent Liabilities	26,162,336	26,379,007
Total Liabilities	34,621,905	34,869,954
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,539,561	1,157,026
Deferred inflows related to ERS	6,676,569	9,497,262
Total Deferred Inflows of Resources	8,216,130	10,654,288
Total Liabilities and Deferred Inflows	42,838,035	45,524,242
NET POSITION, AS RESTATED		
Invested in capital assets, net of related debt	12,163,626	12,077,415
Restricted for		
Nonexpendable		
Endowments	573,556	565,766
Expendable		
Student Aid	78,418	81,908
Parking lot repairs	142,243	141,497
Debt service	99,900	352,044
Unrestricted	(22,096,757)	(23,597,488)
Total Net Position (Schedule D)	(9,039,014)	(10,378,858)

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

COASTAL BEND COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Tuition and fees (net of discounts of \$8,677,855 & \$7,465,395 respectively)	\$ 131,113	\$ 2,765,132
Federal grants and contracts	2,323,196	2,012,271
State grants and contracts	392,959	725,121
Non-governmental grants and contracts	45,197	-
Sales and services of educational activities	24,836	34,451
Miscellaneous governmental receipts	99,178	172,028
Auxiliary enterprises (net of discounts of \$115,200 & \$366,983, respectively)	848,134	995,626
General operating revenues	110,752	126,465
Total Operating Revenues (Schedule A)	<u>3,975,365</u>	<u>6,831,094</u>
OPERATING EXPENSES		
Instruction	7,707,254	6,378,476
Public service	3,209	58,294
Academic support	1,204,460	1,214,969
Student services	2,601,754	1,542,424
Institutional support	5,478,514	6,785,338
Operation and maintenance of plant	2,200,739	1,928,762
Scholarships and fellowships	547,954	787,213
Auxiliary enterprises	1,651,915	1,697,148
Depreciation	1,469,370	1,473,027
Total Operating Expenses (Schedule B)	<u>22,865,169</u>	<u>21,865,651</u>
Operating (Loss)	(18,889,804)	(15,034,557)
Non-Operating Revenues (Expenses)		
State allocations	9,868,969	7,391,899
Title IV	7,046,963	6,498,199
Ad valorem taxes		
Taxes for maintenance and operations	2,300,881	2,293,641
Taxes for debt service	856,008	891,739
Gifts	57,895	151,260
Investment income (net of investment expenses)	265,851	350,766
Other expense	(5,647)	-
Interest on capital related debt	(161,272)	(211,200)
Total Non-Operating Revenues (Expenses) (Schedule C)	<u>20,229,648</u>	<u>17,366,304</u>
Increase in Net Position	1,339,844	2,331,747
NET POSITION		
Net Position - Beginning of Year, restated (Note 2)	(10,378,858)	(12,710,605)
Net Position - End of Year	<u>\$ (9,039,014)</u>	<u>\$ (10,378,858)</u>

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

**COASTAL BEND COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 3,355,169	\$ 4,115,196
Receipts from grants and contracts	2,519,779	3,198,601
Payments to suppliers for goods or services	(6,850,071)	(6,359,786)
Payments to or on behalf of employees	(14,024,383)	(12,445,456)
Payments of scholarships and fellowships	(547,954)	(786,645)
Other receipts	110,752	132,197
Net cash provided (used) by operating activities	<u>(15,436,708)</u>	<u>(12,145,893)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	7,506,613	6,287,578
Receipts from ad valorem taxes	3,156,889	3,185,380
Receipts from Non Operating Federal Revenue	7,046,963	6,498,199
Gifts	57,895	151,260
Payments to student organizations and other agency transactions	154,437	117,566
Other payments	(5,647)	-
Net cash provided by non-capital financing activities	<u>17,917,150</u>	<u>16,239,983</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(433,515)	(386,614)
Payments on capital debt - principal	(1,122,065)	(1,081,156)
Payments on capital debt - interest	(161,272)	(211,200)
Net cash used by capital and related financing activities	<u>(1,716,852)</u>	<u>(1,678,970)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	931,152	181,630
Purchase of investments	(1,109,655)	(2,067,573)
Interest on investments	265,851	350,766
Net cash provided (used) by investing activities	<u>87,348</u>	<u>(1,535,177)</u>
Increase in cash and cash equivalents	850,938	879,943
Cash and cash equivalents - September 1	<u>3,070,659</u>	<u>2,190,716</u>
Cash and cash equivalents - August 31	<u>\$ 3,921,597</u>	<u>\$ 3,070,659</u>
Cash & cash equivalents	\$ 3,348,041	\$ 2,504,893
Restricted cash & cash equivalents	573,556	565,766
Total cash and cash equivalents	<u>\$ 3,921,597</u>	<u>\$ 3,070,659</u>

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

**COASTAL BEND COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (18,889,804)	\$ (15,034,557)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	1,469,370	1,473,027
Bad Debt expense	105,956	10,910
Payments made directly by state for benefits	2,362,356	1,104,321
Loss on Disposal of Capital Assets	-	5,732
Changes in assets and liabilities:		
Receivables (net)	1,562,484	1,054,428
Prepaid expenses	(323,626)	209,800
Accounts payable	(921,179)	526,383
Unearned revenue	341,895	(456,170)
Compensated Absences	38,551	(144,958)
Net pension liability	(26,231)	1,820,203
Net OPEB liability	1,286,542	(5,547,451)
Deferred outflows of resources	(4,864)	(1,781,461)
Deferred inflows of resources	(2,438,158)	4,613,901
Net cash provided (used) by operating activities	<u>\$ (15,436,708)</u>	<u>\$ (12,145,893)</u>

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

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

1. Reporting Entity

Coastal Bend College (the "College") was established in 1965, in accordance with the laws of the state of Texas, to serve the educational needs of Bee County and the surrounding communities. The College is classified as a special purpose, primary government engaged in business type activities. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

Component Unit

The Coastal Bend College Foundation (the "Foundation") is a nonprofit organization with the purpose of supporting the educational and other activities of the College. The Foundation solicits donations and acts as coordinator of gifts made by other parties. Under Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations are Component Units, the Foundation is considered a blended component unit of the College, as the Foundation is fiscally dependent on the College and provides services exclusively, or almost exclusively, for the benefit of the College. The financial statements of the Foundation are not material to the financial statements of the College and have not been included in the basic financial statements.

Complete financial statements for the Foundation may be obtained from the Coastal Bend College Office of Business Services, 3800 Charco Rd., Beeville, Texas 78102.

2. Summary of Significant Accounting Policies

Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1st. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget must be filed with the Texas Higher Education Coordinating Board Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1st.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments consist of balances in privately managed public funds investment pools and investments in Municipal Bonds, Corporate Bonds and U.S. Agency securities. The College reports all investments at fair value, except for investment pools. The College's investment pools are valued and reported at amortized cost, which approximates fair value. The College's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

Inventories consist of consumable office and physical plant supplies. They are valued at cost under the "first-in, first-out" method and are charged to expense as consumed.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense incurred.

The College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Buildings and Improvements	20-50 years
Furniture, Machinery, Vehicles and Other Equipment	10 Years
Telecommunications and Peripheral Equipment	5 years
Library Books	15 years

Unearned Revenues

Tuition and fees of \$5,209,728 and \$4,867,833 were reported as unearned revenues on August 31, 2020 and 2019, respectively.

Tuition Discounting

Texas Public Education Grants – Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code§56.033). When the award for tuition is used by the student, the amount is recorded as

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

tuition and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program Funds— Certain Title IV HEA Program funds are received by the college to pass through to the student. These funds are initially received by the college and recorded as restricted revenue. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other tuition discounts— The College awards tuition and fee scholarships from institutional funds to students who qualify when these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount as recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations, Federal Pell grants, all Title IV student financial aid grants, and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Other Post-Employment Benefits

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities, and additions to/deductions from SRHP's fiduciary net position. Benefit net payments are recognized when due and are payable in accordance with the benefit terms.

Pensions

The College participates in the Teacher's Retirement System of Texas (TRS) pension plan, a multiple employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Prior Year Restatement

The College had previously recorded reconciling items on their capital asset records that are unidentifiable. During the conversion of the capital asset depreciation system in the current year, these errors were discovered. Accordingly, an adjustment to net positions of \$232,795 was made as of the beginning of the year ended August 31, 2019 and capital assets were increased for the same amount.

The effect of the change was to increase beginning net position by the following amounts as of August 31, 2018.

Beginning Net Positions as previously reported at September 1, 2017	\$ (12,943,400)
Effect of correction of error for understatement of Capital Assets in Fiscal Year Ended August 31, 2018	<u>232,795</u>
Net Positions Reported August 31, 2018, as restated	<u><u>\$ (12,710,605)</u></u>

3. Authorized Investments

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code) and is permitted to invest in the following:

- a) Obligations of, or guaranteed by governmental entities.
- b) Certificates of deposit that are fully guaranteed or insured by the FDIC to one or more depository institutions.
- c) Repurchase Agreements that are fully collateralized.
- d) Mutual Funds
- e) Public Funds Investment Pools
- f) Cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501 (f), Internal Revenue Code of 1986 (26 U.S.C Section 501(f)).
- g) Corporate bonds, debentures or similar debt obligations rated by a nationally recognized investment firm in one of the two highest long-term rating categories.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

4. Deposits and Investments

Cash and Deposits included on Exhibit 1, Statement of Net Position, consist of the items reported below.

Cash and Equivalents

	Year Ended August 31	
	2020	2019
Demand Deposits	\$ 3,340,220	\$ 2,497,085
Tex Pool	1,195	1,182
Texas Class	573,556	565,766
Petty Cash on Hand	6,626	6,626
Total Cash and Equivalents	<u>\$ 3,921,597</u>	<u>\$ 3,070,659</u>
Current Assets	\$ 3,348,041	\$ 2,504,893
Noncurrent Assets	573,556	565,766
	<u>\$ 3,921,597</u>	<u>\$ 3,070,659</u>

During the year ended August 31, 2020 and 2019 deposits were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Fair Value 8/31/2020	Fair Value 8/31/2019
Investments		
Corporate Bonds	\$ 57,609	\$ -
Municipal Bonds	6,508,840	6,387,946
Total Investments	<u>\$ 6,566,449</u>	<u>\$ 6,387,946</u>
Total Investments	\$ 6,566,449	\$ 6,387,946
Total Cash and Equivalents	3,921,597	3,070,659
Total Cash and Investments	<u>\$ 10,488,046</u>	<u>\$ 9,458,605</u>

Interest Rate Risk –In accordance with state law and College policy, the College does not purchase any investments with maturities greater than 10 years.

Credit Risk – In accordance with state law and the College's investment policy, investments in mutual funds and investment pools must be rated at least AAA, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The College's investments in investment pools were rated AAA.

Concentration of Credit Risk – The College does not place a limit on the amount the College may invest in any other issuer. As of August 31, 2020, 89% of the College's investments are held in Fixed Income Securities.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

GASB 72

GASB 72, *Fair Value Measurement and Application*, for financial reporting purposes provides the 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three different levels of fair value hierarchy are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan can access.

Level 2 - inputs to the valuation methodology include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset 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 inputs that are unobservable and significant to the fair value measurement.

August 31, 2020		Fair Value Measurement	
Investment Type	Total Fair Value	Level 1	Level 2
Corporate Bonds	\$ 57,609	\$ -	\$ 57,609
Municipal Bonds	6,508,840	-	6,508,840
Total Fair Value	<u>\$ 6,566,449</u>	<u>\$ -</u>	<u>\$ 6,566,449</u>

August 31, 2019		Fair Value Measurement	
Investment Type	Total Fair Value	Level 1	Level 2
Municipal Bonds	\$ 6,387,946	\$ -	\$ 6,387,946
Total Fair Value	<u>\$ 6,387,946</u>	<u>\$ -</u>	<u>\$ 6,387,946</u>

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

5. Capital Assets

Capital asset activity for the years ended August 31, 2020 and 2019 is as follows:

	Balance August 31, 2019	Increases	Decreases	Balance August 31, 2020
<u>Not Depreciated:</u>				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	29,429,671	40,780	-	29,470,451
Library Books	1,329,740	-	-	1,329,740
Furniture, machinery, and equipment	11,591,830	392,736	-	11,984,566
Subtotal	12,921,570	392,736	-	13,314,306
Total Buildings and Other Capital Assets	42,351,241	433,516	-	42,784,757
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	(15,807,866)	(818,807)	-	(16,626,673)
Library Books	(1,272,633)	(18,394)	-	(1,291,027)
Furniture, machinery and equipment	(8,795,151)	(632,169)	-	(9,427,320)
Subtotal	(10,067,784)	(650,563)	-	(10,718,347)
Total Accumulated Depreciation	(25,875,650)	(1,469,370)	-	(27,345,020)
Net Capital Assets	\$ 16,952,480	\$ (1,035,854)	\$ -	\$ 15,916,626
	Balance August 31, 2018	Increases	Decreases	Balance August 31, 2019
<u>Not Depreciated:</u>				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	29,429,671	-	-	29,429,671
Library Books	1,329,740	-	-	1,329,740
Furniture, machinery, and equipment	11,214,772	386,613	(9,555)	11,591,830
Subtotal	12,544,512	386,613	(9,555)	12,921,570
Total Buildings and Other Capital Assets	41,974,183	386,613	(9,555)	42,351,241
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	(14,991,623)	(816,243)	-	(15,807,866)
Library Books	(1,248,990)	(23,643)	-	(1,272,633)
Furniture, machinery and equipment	(8,165,833)	(633,141)	3,823	(8,795,151)
Subtotal	(9,414,823)	(656,784)	3,823	(10,067,784)
Total Accumulated Depreciation	(24,406,446)	(1,473,027)	3,823	(25,875,650)
Net Capital Assets	\$ 18,044,626	\$ (1,086,414)	\$ (5,732)	\$ 16,952,480

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

6. Noncurrent Liabilities

General Information related to notes payable is summarized below:

General Information related to the Tax Maintenance Notes is summarized below:

Note Issue Name: Coastal Bend College Maintenance Tax Notes, Series 2011

- Purpose of Issuance: College wide HVAC improvements
- Issue Date: March 29, 2011
- Original Amount of Issue: \$2,585,000
- Interest Rate: 3.780%
- Source of Revenue for note payments: Pledged registration fees, out of district fees, student service fees and course fees.

Note Issue Name: Coastal Bend College Maintenance Tax Notes, Series 2013

- Purpose of Issuance: College wide infrastructure investment
- Issue Date: August 1, 2013
- Original Amount of Issue: \$1,800,000
- Interest Rate: 1.530% - 3.860%
- Source of Revenue for note payments: Pledged registration fees, out of district fees, student service fees and course fees.

Note Issue Name: Coastal Bend College Maintenance Tax Notes, Series 2014

- Purpose of Issuance: Joe Hunter Baseball field upgrades
- Issue Date: August 13, 2014
- Original Amount of Issue: \$1,500,000
- Interest Rate: 2.510%
- Source of Revenue for note payments: Pledged registration fees, out of district fees, student service fees and course fees.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Noncurrent liability activity for the year ended August 31, 2020 is as follows:

	Balance August 31, 2019	Increases	Decreases	Balance August 31, 2020	Current Portion
<u>Bonds and Notes</u>					
Revenue Bonds	\$ 1,700,000	\$ -	\$ 401,000	\$ 1,299,000	\$ 418,000
Maintenance Tax Notes	2,969,000	-	515,000	2,454,000	529,000
ERP Software Note	190,328	-	190,328	-	-
Buick Enclave	15,737	-	15,737	-	-
Subtotal	4,875,065	-	1,122,065	3,753,000	947,000
<u>Other Liabilities</u>					
Accrued Compensable Absences	645,190	48,626	10,075	683,741	-
Net pension liability	5,341,411	-	26,231	5,315,180	-
Net OPEB liability	16,639,406	1,286,542	-	17,925,948	568,533
Subtotal	22,626,007	1,335,168	36,306	23,924,869	568,533
Total Noncurrent liabilities	<u>\$ 27,501,072</u>	<u>\$ 1,335,168</u>	<u>\$ 1,158,371</u>	<u>\$ 27,677,869</u>	<u>\$ 1,515,533</u>

Noncurrent liability activity for the year ended August 31, 2019 is as follows:

	Balance August 31, 2018	Increases	Decreases	Balance August 31, 2019	Current Portion
<u>Bonds and Notes</u>					
Revenue Bonds	\$ 2,091,000	\$ -	\$ 391,000	\$ 1,700,000	\$ 401,000
Maintenance Tax Notes	3,468,000	-	499,000	2,969,000	515,000
ERP Software Note	366,571	-	176,243	190,328	190,328
Buick Enclave	30,650	-	14,913	15,737	15,737
Subtotal	5,956,221	-	1,081,156	4,875,065	1,122,065
<u>Other Liabilities</u>					
Accrued Compensable Absences	790,148	-	144,958	645,190	-
Net pension liability	3,521,208	2,147,111	326,908	5,341,411	-
Net OPEB liability	22,186,857	1,350,500	6,897,951	16,639,406	-
Subtotal	26,498,213	3,497,611	7,369,817	22,626,007	-
Total Noncurrent liabilities	<u>\$ 32,454,434</u>	<u>\$ 3,497,611</u>	<u>\$ 8,450,973</u>	<u>\$ 27,501,072</u>	<u>\$ 1,122,065</u>

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

7. Debt Obligations

Debt service obligations on August 31, 2020 for bonds and notes are as follows:

For the year Ended 31-Aug	Maintenance Tax Notes			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	529,000	83,696	612,696	418,000	40,252	458,252
2022	547,000	66,462	613,462	442,000	27,168	456,168
2023	566,000	48,060	614,060	439,000	13,740	452,740
2024	374,000	28,572	402,572	-	-	-
2025	215,000	16,556	231,429	-	-	-
2026	223,000	8,429	231,429	-	-	-
	<u>2,454,000</u>	<u>251,775</u>	<u>2,705,648</u>	<u>1,299,000</u>	<u>81,160</u>	<u>1,367,160</u>

8. Bonds Payable

General information related to bonds payable is summarized below:

- Bond Issue Name: Coastal Bend College Combined Fee Revenue Bonds, Series 2013
- Purpose of Bonds Issue: To purchase and improve a facility previously leased by the College.
- Issue Date: August 1, 2013
- Original Amount of Issue; Amount Authorized: \$3,865,000
- Interest Rates: 3.13%
- Source of revenue for debt service – Pledged registration fees, out of district fees, student service fees and course fees

9. Employees' Retirement Plan

Defined Benefit Pension Plan

Plan Description

The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

<http://www.trs.texas.gov> or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the State, participating employers and active employees to make the pension fund actuarially sound. Because this action causes the pension fund to be actuarially sound, the Legislature approved funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 to 2025.

COASTAL BEND COLLEGE
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	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2019</u>
Member	7.70%	7.70%
Non-Employer Contribution Entity	6.80%	6.80%
Employers	6.80%	6.80%
College Contributions	\$ 457,658	\$ 371,188
Member Contributions	\$ 674,687	\$ 625,150
State of Texas on behalf Contributions	\$ 169,422	\$ 154,961

Contributions to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with the state statutes and the General Appropriations Act (GAA). As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate, times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year, reduced by the amounts described below which are paid by the employers. Public junior colleges of junior college districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part of all an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

Actuarial Assumptions

(Source: Teacher Retirement System of Texas 2019 Comprehensive Annual Financial Report)

The total pension liability in the actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods:	
Valuation Date	8/31/2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value

Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-Term expected Investment Rate of Return	7.25%
Last Year Ending August 31	
Projection Period (100 Years)	2116
Inflation	2.30%
Salary increases (including inflation)	3.05% to 9.05%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad-hoc post employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience on a four-year period ending August 31, 2018 and was adopted in July 2018 by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. The results of the actuarial valuation are dependent on the assumptions used. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. There were also no changes to benefit terms that affected measurement of total pension liability during the measurement period. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following assumptions:

Changes Since the Prior Actuarial Valuation

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2018.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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 geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2019 are summarized below:

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Asset Class	Target Allocation	Net Target Allocation Percentage**	Long-Term Expected Geometric Real Rate of Return ***
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	0.0%	0.0%
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Cash	1.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.0%	0.0%
Real Assets	14.0%	15.0%	8.5%
Energy and Natural Resources	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%****
Asset Allocation Leverage			2.3%
Cash		2.0%	
Asset Allocation Leverage		-6.0%	-0.8%
Total	100.0%	104.0%	53.3%

* FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018

** New target allocation based on the Strategic Asset Allocation dated 10/1/2019

*** 10 Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

**** New Target Allocation groups Government Bonds within the stable value allocation.

This includes global sovereign nominal and inflation-linked bonds

***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% lower and 1% higher than the discount rate used (7.25%) in measuring the 2019 Net Pension Liability.

	1% Decrease in Discount Rate 6.250%	Discount Rate 7.250%	1% Increase in Discount Rate 8.250%
Coastal Bend College's share of net pension liability	\$ 8,170,205	\$ 5,315,180	\$ 3,002,060

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

On August 31, 2020 and 2019, the College reported a liability of \$5,315,180 and \$5,341,411, respectively, for its proportionate share of the TRS's net pension liability. This liability reflects an increase for State pension support provided to the College on August 31, 2019 and a reduction for State pension support on August 31, 2019. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

Fiscal Year Ended August 31, 2020:

College's share of the collective net pension liability	5,315,180
State's share associated with College	<u>2,516,326</u>
Total	<u><u>7,831,506</u></u>

Fiscal Year Ended August 31, 2019:

College's share of the collective net pension liability	5,341,411
State's share associated with College	<u>2,533,500</u>
Total	<u><u>7,874,911</u></u>

The net pension liability was measured as of August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportionate share of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

On August 31, 2020, the employer's proportionate share of the collective net pension liability was which is 0.0102248193% an increase of 0.0005206474% from its proportion measured as of August 31, 2019 of 0.0097041719%.

For the year ended August 31, 2020 the College recognized pension expense of \$789,371 and revenue of \$395,279 for support provided by the State. For the year ended August 31, 2019 the College recognized pension expense of \$300,696 and revenue of \$250,749 for support provided by the State.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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The College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year Ended August 31, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 22,329	\$ 184,552
Changes in actuarial assumptions	1,649,030	681,457
Differences between projected and actual investment earnings	53,370	-
Changes in proportion and difference between employer's contributions and the proportionate share of contributions	185,611	673,552
Contributions made subsequent to the measurement date	457,658	-
	<hr/>	<hr/>
Total	<u>\$ 2,367,998</u>	<u>\$ 1,539,561</u>

Fiscal Year Ended August 31, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 33,294	\$ 131,057
Changes in actuarial assumptions	1,925,836	60,182
Differences between projected and actual investment earnings	-	101,350
Changes in proportion and difference between employer's contributions and the proportionate share of contributions	26,396	864,437
Contributions made subsequent to the measurement date	371,188	-
	<hr/>	<hr/>
Total	<u>\$ 2,356,714</u>	<u>\$ 1,157,026</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$457,658 and \$371,188 will be recognized as a reduction of the net pension liability for the year ending August 31, 2020 and 2019, respectively.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31, 2020:

	<u>Pension Expense Amount</u>
2020	\$ 5,808
2021	(38,193)
2022	183,925
2023	183,687
2024	73,280
Thereafter	<u>(37,727)</u>
	<u>\$ 370,780</u>

Optional Retirement Plan

Plan Description

Participation in the Optional Retirement Program is in lieu of participation in the Teachers Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas State legislature. The percentages of participant salaries contributed by the state, the college, and each participant are 3.3%, 3.3% and 6.65%, respectively. Because these are individual annuity contracts, the state nor the District has no additional or unfunded liability for this program. Senate Bill (S.B.) 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the College was \$37,727 and \$47,717 for the fiscal years ended August 31, 2020 and 2019, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$10,613,703 and \$10,793,270 for fiscal years 2020 and 2019, respectively. The total payroll of employees covered by the Optional Retirement Program was \$1,756,617 and \$1,264,153 for fiscal years 2020 and 2019, respectively.

10. Deferred Compensation Program

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. At August 31, 2020 and 2019, the District had no employees electing to defer compensation.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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11. Compensable Absences

Full-time employees earn annual leave of 10 days per year. The College's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum carryover of 20 days. Employees with at least three months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized an accrued liability of \$255,874 and \$207,249 for the unpaid annual leave for 2020 and 2019. Sick leave, which can be accumulated to a maximum of 45 days, is earned at the rate of one day per month. It is paid to an employee who misses work because of illness. The College District shall honor the reimbursement for leave upon separation and the reimbursement of leave upon retirement programs for eligible employees who were employed by the College District before September 1, 2010. Reimbursements shall be made in accordance with administrative regulations and determined based on the pay rate set for each employee as of June 30, 2016. Annual sick leave of \$427,866 and \$437,941 was recognized for 2020 and 2019 respectively.

12. Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The State and College's contribution per eligible full-time employee was \$624.82 per month for the year ended August 31, 2020 (\$624.82 per month for 2019) and totaled \$673,360 for 2020 (\$629,096 for the year ended 2019). The cost of providing those benefits for 128 retirees in the year ended 2020 was \$1,157,404 (retiree benefits for 164 retirees cost \$1,157,404 in 2019). For 164 active employees, the cost of providing benefits was \$1,452,937 for the year ended 2020 (active employees for 178 employees cost \$1,489,334 for the year ended 2019).

13. Other Post- Employment Benefits (OPEB)

Plan Description

The College participates in a cost sharing, multiple employers, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain post-employment health care, life and dental insurance benefits to the retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of those retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

OPEB Plan Fiduciary Net Position

Detailed information about the GBP's fiduciary net position is available in separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. This report may be obtained at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at 200 East 18th St, Austin, TX 78701; or by calling (877) 275-4377.

**COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Benefits Provided

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and the consulting actuary. Employer and member contribution rates are based on:

- i. The benefit and administrative costs expected to be incurred
- ii. Funds appropriated
- iii. Funding policy established by the Texas Legislature in connection with benefits provided through the GBP.
- iv. Trustees revise benefits when necessary to align expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.
- v. There are no long-term contracts for contributions to the plan.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for junior and community colleges.

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium

	Fiscal Year Ended August 31,	
	2020	2019
Retiree Only	\$ 625	\$ 622
Retiree & Spouse	\$ 1,341	\$ 1,335
Retiree & Children	\$ 1,104	\$ 1,099
Retiree & Family	\$ 1,820	\$ 1,812

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

	Fiscal Year Ended August 31,	
	2020	2019
Employer	\$ 641,722	\$ 647,628
Members (Employees)	-	-
Nonemployer Contributing Entity (State of Texas)	1,183,136	1,076,225

Actuarial Assumptions
ERS Group Benefits Program Plan

Valuation Date	31-Aug-19
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.96%
Projected annual salary increases (includes inflation)	2.5% to 9.5%
Annual healthcare trend rate	7.3% for FY 2021, 7.4% for FY 2022, 7% for FY 2023, decreasing .5% per year to an ultimate rate of 4.5% for FY 2028 and later years
Inflation Assumption Rate	2.50%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors, and other inactive members	2018 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members Ultimate MP Projection Scale projected from the year 2018
Disability retirees	RP-2018 disabled Retiree Mortality and Ultimate MP Projection Scale projected from the year 2018
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the three-year period ending August 31, 2018 and adopted in July 2018 for higher education members.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Investment Policy

The State Retiree Health Plan is a pay as you go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return is 2.4%.

Discount Rate

Because the State Retiree Health Plan does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.96%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.97%, which amounted to a decrease of 0.99%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis

The following schedule shows the impact on the College's proportionate share of the collective net OPEB liability if the discounted rate used was 1% lower (2.97%) and 1% higher (4.97%) than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate 1.97%	Discount Rate 2.97%	1% Increase in Discount Rate 3.97%
College's proportionate share of the Net OPEB Liability:	\$ 21,405,585	\$ 17,925,948	\$ 15,269,777

Healthcare Cost Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 7.3% for HealthSelect and 10.8% for HealthSelect Medicare Advantage and the ultimate rate is 4.5%. The following schedule shows the impact on the College's share of the collective net OPEB liability if the health care trend rate used was 1% lower (3.5%) or 1% higher (5.5%) than the current healthcare trend rate that was used in measuring the net OPEB liability.

	1% Decrease in Healthcare Cost Trend Rate 3.50%	Current Healthcare Cost Trend Rate 4.50%	1% Increase in Healthcare Cost Trend Rate 5.50%
College's proportionate share of the Net OPEB Liability:	\$ 15,062,360	\$ 17,925,948	\$ 21,695,748

COASTAL BEND COLLEGE
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OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB's

On August 31, 2020, the College reported a liability of \$16,639,406 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the College. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective Net OPEB Liability	17,925,948
State's Proportionate Share associated with the College	<u>13,799,904</u>
Total	<u>31,725,852</u>

The net OPEB liability was measured of August 31, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.05189985% which was a decrease .00428336% from its proportion share measured as of August 31, 2018.

For the year ended August 31, 2018, employer's proportion of the collective net OPEB liability was 0.05618321% which was the same proportionate share measured on August 31, 2017.

For the years ended August 31, 2020 and 2019, the College's recognized OPEB expense of (\$869,607) and (\$1,010,027), respectively. Additionally, during the years ended August 31, 2019 and 2018, the College recognized revenue of \$16,402 and (\$65,273), respectively, for support provided by the State.

Changes Since the Prior Valuation

Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement were as follows:

- Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future male retirees assumed to be married and electing coverage for their spouse.
- The percentage of future retirees and future retiree spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends.

Changes of Benefit Terms Since Prior Measurement Date

- An increase in out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect retirees and dependents for whom Medicare is not primary.

COASTAL BEND COLLEGE
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These minor benefit changes have been reflected in the FY 2020 Assumed per Capita Health Benefit Costs.

On August 31, 2020, the College reported its proportionate share of the ERS plan's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 466,762
Changes in actuarial assumptions	-	2,731,908
Difference between projected and actual investment earnings	7,371	-
Changes in proportion and difference between College's contributions and the proportionate share of contributions	-	3,477,899
Contributions paid to ERS subsequent to the measurement date	641,722	-
Total	<u>649,093</u>	<u>6,676,569</u>

At August 31, 2019 the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 610,055
Changes in actuarial assumptions	-	5,835,118
Difference between projected and actual investment earnings	7,885	-
Changes in proportion and difference between College's contributions and the proportionate share of contributions	-	3,052,089
Contributions paid to ERS subsequent to the measurement date	647,628	-
Total	<u>\$ 655,513</u>	<u>\$ 9,497,262</u>

COASTAL BEND COLLEGE
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The net amounts of the College's balances of deferred outflows and inflows of resource related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:

2020	(2,143,955)
2021	(2,143,955)
2022	(1,652,113)
2023	(745,776)
2024	<u>16,606</u>
Total	<u><u>(6,669,193)</u></u>

14. Operating Lease Commitments and Rental Agreement

The College no longer maintains any operating lease commitments.

15. Funds Held In Trust by Others

On August 31, 2020 and 2019, the College held, in trust funds, amounts of \$609,793 and \$455,356 respectively, that pertain primarily to student organizations. These funds are not available to support the College's programs.

16. Contract and Grant Awards

Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the Institution has not yet performed services are not included in the financial statements.

17. Property Tax

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within the district.

As of August 31, 2020 and 2019:

	<u>FY 2020</u>	<u>FY 2019</u>
Assessed Valuation of the College	\$ 3,099,525,585	\$ 2,904,028,130
Less: Exemptions	1,253,109,853	1,172,800,148
Less: Abatements	<u>179,290</u>	<u>4,146,990</u>
Net assessed valuation of the College	<u><u>\$ 1,846,236,442</u></u>	<u><u>\$ 1,727,080,992</u></u>

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020		
	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.1291032	\$ 0.0514080	\$ 0.180511
Assessed tax rate per \$100 valuation	\$ 0.119540	\$ 0.047600	\$ 0.167140

	2019		
	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.1355076	\$ 0.0545508	\$ 0.190058
Assessed tax rate per \$100 valuation	\$ 0.125470	\$ 0.050510	\$ 0.175980

Taxes levied for the years ended August 31, 2020 and 2019 amounted to \$3,111,552 and \$3,134,991, respectively (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which impose.

	2020		
	Current Operations	Debt Service	Total
Taxes Recognized			
Current taxes collected	\$ 2,230,381	\$ 873,468	\$ 3,103,849
Delinquent taxes collected	68,183	-	\$ 68,183
Penalties and interest collected	45,995	-	\$ 45,995
Less: discounts and commissions	(43,678)	(17,460)	\$ (61,138)
Total Collections	<u>\$ 2,300,881</u>	<u>\$ 856,008</u>	<u>\$ 3,156,889</u>

	2019		
	Current Operations	Debt Service	Total
Taxes Recognized			
Current taxes collected	\$ 2,232,687	\$ 909,024	\$ 3,141,711
Delinquent taxes collected	59,861	-	\$ 59,861
Penalties and interest collected	43,551	-	\$ 43,551
Less: discounts and commissions	(42,458)	(17,285)	\$ (59,743)
Total Collections	<u>\$ 2,293,641</u>	<u>\$ 891,739</u>	<u>\$ 3,185,380</u>

Allowance for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

18. Tax Abatements

The Texas Property Redevelopment and Tax Abatement Act, Texas Tax Code, Chapter 312 authorizes the College to enter into Tax Abatement Agreements. The College approves Tax Abatement Agreements for the sole purpose of economic development to create additional jobs, provide job training opportunities and increase the assessed value of properties made through property improvements such as expansion or modernization funded by the property owner. Currently the College has one Tax Abatement Agreement.

- Kaspar Properties, Inc. and Kasper Ranch Hand Equipment, LP

19. Income Taxes

The College is exempt from income taxes under internal Revenue Code Section 115, Income of States, Municipalities, Etc. although unrelated business income may be subject to income tax under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2020 and 2019.

20. Commitments and Contingencies

The College participates in a number of State and Federally assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Contract and grant revenues are recognized as earned in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Position.

21. Pending Lawsuits and Claims

On August 31, 2020, there was only one lawsuit and claim involving Coastal Bend College that was pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

22. Workers' Compensation

During the years ended August 31, 2020 and 2019, the College met its statutory workers' compensation obligation through participation in the Texas Public Schools Workers' Compensation Project, known as SchoolComp. The College participates through an interlocal agreement that was authorized by Sec. 504.011 of the Texas Labor Code. All members participating in SchoolComp execute Interlocal Agreements that define the responsibilities of the parties. SchoolComp through its Contractor for Program Management (Creative Risk Funding, Inc.) provides statutory workers' compensation benefits to its members injured employees.

Each member funds the cost of each of its claim occurrences based upon an estimated payroll worksheet for each classification code of employees. The Contractor determines the annual required contribution to be deposited based upon the payroll estimates using manual premiums and experience modifiers. Each member funds claim payments with an individual self-insured retention and within a shared self-insured retention. SchoolComp will maintain specific and aggregate excess of loss insurance capping the member's self-insured retentions. Since the College's annual premium is less than \$350,000, the requirement to fund claim retention is capped at 30%. Any costs above the claim retention limit are the shared responsibility of the remaining SchoolComp members.

COASTAL BEND COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

23. Disaggregation of Receivable and Payable Balance

Receivables

Receivables at August 31 are as follows:

	2020	2019
Student receivables	\$ 3,135,318	\$ 5,116,858
Taxes receivable	251,498	224,871
Tuition sponsor receivables	114,860	132,895
Grant and contract receivables	833,626	557,411
Other receivables	31,862	48,469
Subtotal	4,367,164	6,080,504
Allowance for doubtful accounts	(313,532)	(358,432)
Total Receivables	<u>\$ 4,053,632</u>	<u>\$ 5,722,072</u>

Payables

Payables at August 31 are as follows:

	2020	2019
Vendors payable	406,752	\$ 963,694
Interest payable	23,231	23,231
Other payables	694,532	1,058,768
Total Payables	<u>\$ 1,124,515</u>	<u>\$ 2,045,693</u>

24. Risk Management

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The College has commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

25. Business Concentrations and Uncertainties

The coronavirus (COVID-19) pandemic developed rapidly in 2020 with significant consequence across the globe. The College has taken various measures to monitor and mitigate the effects of the COVID-19 virus. Safety and health measures for personnel and students have been taken (including social distancing and virtual learning and meetings). The impact on the College's operations remains uncertain and cannot be reasonably estimated at this time. The College will continue to follow the various government policies and advice and will exercise constant efforts to carry out the mission of the College in the safest and best method possible without jeopardizing the health of personnel or students. The College generally serves the Bee County area; consequently, it is impacted by the general economy of the area. Also, the College receives a substantial portion of its funding from federal sources.

REQUIRED SUPPLEMENTARY INFORMATION

COASTAL BEND COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S SHARE OF NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

Fiscal Year Ending August 31	2019	2018	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.0102248%	0.0097042%	0.0110125%	0.0122674%	0.0119473%	0.0134040%
College's Proportionate Share of Net Pension Liability	\$ 5,318,180	\$ 5,341,411	\$ 2,521,208	\$ 4,635,652	\$ 4,223,212	\$ 3,580,393
State's Proportionate Share of the Net Pension Liability Associated with the College	<u>2,516,326</u>	<u>2,533,500</u>	<u>1,852,551</u>	<u>2,436,696</u>	<u>2,080,573</u>	<u>1,877,347</u>
Total	<u>\$ 7,831,507</u>	<u>\$ 7,874,911</u>	<u>\$ 5,473,759</u>	<u>\$ 7,072,348</u>	<u>\$ 6,303,785</u>	<u>\$ 5,457,740</u>
College's Covered Employee Payroll	\$ 8,832,602	\$ 7,837,067	\$ 7,787,109	\$ 8,703,191	\$ 7,750,856	\$ 7,571,265
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	60.18%	68.16%	45.22%	53.26%	54.49%	47.29%
Plan Fiduciary Net Position as a percentage of Total Pension Liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

COASTAL BEND COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

Fiscal Year Ending August 31	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ 357,881	\$ 371,188	\$ 360,926	\$ 360,926	\$ 389,765	\$ 353,750
Contribution in Relation to the Contractually Required Contributions	<u>(357,881)</u>	<u>(371,188)</u>	<u>(360,926)</u>	<u>(360,926)</u>	<u>(389,765)</u>	<u>(353,750)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll	\$ 7,887,066	\$ 7,837,067	\$ 7,787,109	\$ 8,703,191	\$ 7,750,856	\$ 7,571,265
Contributions as a percentage of Covered Payroll	4.54%	5.03%	4.63%	4.38%	4.48%	4.56%

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

COASTAL BEND COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
EMPLOYEE RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

Fiscal Year Ending August 31	2019	2018	2017
College's proportion of collective net OPEB liability (%)	0.0518999%	0.0561832%	0.0651156%
College's proportionate of collective net OPEB liability	\$ 17,925,948	\$ 16,639,406	\$ 22,186,857
State's proportion share of net OPEB liability associated with College	13,799,904	10,980,147	17,504,930
Total	<u>\$ 31,725,852</u>	<u>\$ 27,619,553</u>	<u>\$ 39,691,787</u>
College's Covered Payroll	\$ 7,837,067	\$ 7,143,287	\$ 7,787,109
College's proportionate share of the collective net OPEB liability as a percentage of covered payroll	228.89%	232.94%	287.92%
Plan Fiduciary net position as a percentage of total OPEB Liability	0.17%	1.27%	2.04%

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

**COASTAL BEND COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
EMPLOYEE RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020**

Fiscal Year Ending August 31	<u>2020</u>	<u>2019</u>	<u>2018</u>
Legally required contribution	\$ 660,000	\$ 647,628	\$ 660,000
Actual contributions	<u>(660,000)</u>	<u>(647,628)</u>	<u>(660,000)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll	\$ 7,887,066	\$ 7,837,067	\$ 7,787,109
Contribution as a percentage of Covered Payroll	8.37%	9.07%	8.48%

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

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SUPPLEMENTAL INFORMATION AND FINANCIAL ASSISTANCE

COASTAL BEND COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2020 AND 2019

	Total		Total		2020	2019
	Unrestricted	Restricted	Educational Activities	Auxiliary Enterprises	Total	Total
Tuition:						
State funded credit courses						
In-district resident tuition	3,046,176	\$ -	\$ 3,046,176	\$ -	\$ 3,046,176	\$ 3,825,838
Out-of-district resident tuition	516,820	-	516,820	-	516,820	600,384
Non-resident tuition	15,245	-	15,245	-	15,245	6,550
TPEG set aside (set aside)*	325,554	-	325,554	-	325,554	210,739
State funded continuing education	61,422	-	61,422	-	61,422	43,219
Total Tuition	3,965,217	-	3,965,217	-	3,965,217	4,686,730
Fees:						
Out of district fee	1,786,229	-	1,786,229	-	1,786,229	2,853,997
Distance learning fee	802,750	-	802,750	-	802,750	635,687
Installment plan fees	52,570	-	52,570	-	52,570	47,535
Dual credit fees	61,241	-	61,241	-	61,241	57,776
Individual course fees	751,891	-	751,891	-	751,891	667,071
General use fees	778,271	-	778,271	-	778,271	756,843
Parking fees	56,113	-	56,113	-	56,113	54,148
Registration fee	554,686	-	554,686	-	554,686	470,740
Total Fees	4,843,751	-	4,843,751	-	4,843,751	5,543,797
Scholarship Allowances and Discounts:						
Bad debt allowance	(105,956)	-	(105,956)	-	(105,956)	(10,910)
Remissions and exemptions - state	(459,878)	-	(459,878)	-	(459,878)	(318,706)
Remissions and exemptions - local	(325,554)	-	(325,554)	-	(325,554)	(210,739)
Title IV federal grants	(7,046,963)	-	(7,046,963)	-	(7,046,963)	(6,315,501)
TPEG awards	(268,234)	-	(268,234)	-	(268,234)	(248,103)
Other state grants	(327,357)	-	(327,357)	-	(327,357)	(315,454)
Other local grants	(143,913)	-	(143,913)	-	(143,913)	(45,982)
Total Scholarship Allowances	(8,677,855)	-	(8,677,855)	-	(8,677,855)	(7,465,395)
Total Net Tuition and Fees	131,113	-	131,113	-	131,113	2,765,132
Additional Operating Revenues:						
Federal grants and contracts	-	2,323,196	2,323,196	-	2,323,196	2,012,271
State grants and contracts	-	392,959	392,959	-	392,959	725,121
Non-governmental grants and contracts	-	45,197	45,197	-	45,197	-
Sales and services of educational activities	24,836	-	24,836	-	24,836	34,451
Miscellaneous governmental receipts	-	99,178	99,178	-	99,178	172,028
General operating revenues	110,752	-	110,752	-	110,752	126,465
Total Additional Operating Revenues	135,588	2,860,530	2,996,118	-	2,996,118	3,070,336
Auxiliary Enterprises:						
Bookstore	-	-	-	95,785	95,785	86,105
Less Discounts	-	-	-	-	-	-
Housing	-	-	-	554,435	554,435	891,489
Less Discounts	-	-	-	(115,200)	(115,200)	(350,227)
Child Care Center	-	-	-	118,610	118,610	152,974
Less Discounts	-	-	-	-	-	(16,756)
Facilities Rental	-	-	-	182,366	182,366	174,057
Student Programs	-	-	-	12,138	12,138	57,984
Total Net Auxiliary Enterprises	-	-	-	848,134	848,134	995,626
Total Operating Revenues	\$ 266,701	\$ 2,860,530	\$ 3,127,231	\$ 848,134	\$ 3,975,365	\$ 6,831,094
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$210,739 and \$269,086 of tuition was set aside for Texas Public Education Grants (TPEG)

COASTAL BEND COLLEGE
SCHEDULE OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2020 AND 2019

	Operating Expenses					
		Benefits				
	Salaries and Wages	State Benefits	Local Benefits	Other Expenses	2020 Total	2019 Total
Unrestricted - Educational Activities						
Instruction	\$ 5,010,649	\$ -	\$ 794,167	\$ 859,335	\$ 6,664,151	\$ 6,045,508
Public service	825	-	-	2,384	3,209	56,068
Academic support	335,122	-	56,690	92,139	483,951	453,662
Student services	850,526	-	323,476	118,307	1,292,309	1,059,381
Institutional support	1,825,530	-	889,433	2,529,150	5,244,113	6,386,944
Operation and maintenance of plant	1,071,239	-	183,457	494,133	1,748,829	1,701,533
Scholarships and fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	9,093,891	-	2,247,223	4,095,448	15,436,562	15,703,096
Restricted - Educational Activities						
Instruction	-	1,035,303	-	7,800	1,043,103	332,968
Public service	-	-	-	-	-	2,226
Academic support	590,128	124,448	5,933	-	720,509	761,307
Student services	113,809	331,476	1,449	862,711	1,309,445	483,043
Institutional support	-	226,691	-	7,710	234,401	398,394
Operation and maintenance of plant	-	449,427	-	2,483	451,910	227,229
Scholarships and fellowships	-	-	-	547,954	547,954	787,213
Total Restricted Educational Activities	703,937	2,167,345	7,382	1,428,658	4,307,322	2,992,380
Total Educational Activities	9,797,828	2,167,345	2,254,605	5,524,106	19,743,884	18,695,476
Auxiliary Enterprises	815,874	195,011	11,916	629,114	1,651,915	1,697,148
Depreciation Expense						
Buildings & other real estate improvements	-	-	-	817,059	817,059	816,243
Equipment and furniture	-	-	-	652,311	652,311	656,784
Total Operating Expenses	\$ 10,613,702	\$ 2,362,356	\$ 2,266,521	\$ 7,622,590	\$ 22,865,169	\$ 21,865,651
					(Exhibit 2)	(Exhibit 2)

COASTAL BEND COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020 AND 2019

	Unrestricted	Restricted	Auxiliary Enterprises	2020 Total	2019 Total
Non-Operating Revenues					
State Allocations:					
Education and general state support	7,201,853	\$ -	\$ -	\$ 7,201,853	\$ 7,164,706
State group insurance	-	1,824,885	-	1,824,885	(65,273)
State retirement matching	-	842,231	-	842,231	292,466
Total State Allocations	<u>7,201,853</u>	<u>2,667,116</u>	<u>-</u>	<u>9,868,969</u>	<u>7,391,899</u>
Ad valorem taxes:					
Taxes for maintenance and operations	2,300,881	-	-	2,300,881	2,293,641
Taxes for debt service	856,008	-	-	856,008	891,739
Title IV	-	7,046,963	-	7,046,963	6,498,199
Gifts	-	57,895	-	57,895	151,260
Investment income	<u>265,851</u>	<u>-</u>	<u>-</u>	<u>265,851</u>	<u>350,766</u>
Total Non-Operating Revenues	<u>10,624,593</u>	<u>9,771,974</u>	<u>-</u>	<u>20,396,567</u>	<u>17,577,504</u>
Non-Operating Expenses					
Interest on capital related debt	-	161,272	-	161,272	211,200
Other non-operating expense	-	5,647	-	5,647	-
Total Non-Operating Expenses	<u>-</u>	<u>166,919</u>	<u>-</u>	<u>166,919</u>	<u>211,200</u>
Net Non-Operating Revenues	<u>\$ 10,624,593</u>	<u>\$ 9,605,055</u>	<u>\$ -</u>	<u>\$ 20,229,648</u> (Exhibit 2)	<u>\$ 17,366,304</u> (Exhibit 2)

COASTAL BEND COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2020

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ (22,096,756)	\$ -	\$ -	\$ -	\$ (22,096,757)	\$ (22,096,757)	\$ -
Restricted for:							
Nonexpendable:							
Student aid	-	-	573,556	-	573,556	-	573,556
Expendable:							
Student aid	-	78,418	-	-	78,418	78,418	-
Plant							
Debt service	-	99,900	-	-	99,900	-	99,900
Parking renovation	-	142,243	-	-	142,243	-	142,243
Investment in plant	-	-	-	12,163,626	12,163,626	-	12,163,626
Total Net Position, August 31, 2020	<u>(22,096,756)</u>	<u>320,561</u>	<u>573,556</u>	<u>12,163,626</u>	<u>(9,039,014)</u> (Exhibit 1)	<u>(22,018,339)</u>	<u>12,979,325</u>
Total Net Position, August 31, 2019	<u>(23,597,489)</u>	<u>575,450</u>	<u>565,766</u>	<u>11,844,620</u>	<u>(10,611,653)</u>	<u>(23,515,580)</u>	<u>12,903,927</u>
Cumulative Effect of Correction of Error (Note 2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,795</u>	<u>232,795</u>	<u>-</u>	<u>-</u>
Total Net Position, August 31, 2019 as restated	<u>(23,597,489)</u>	<u>575,450</u>	<u>565,766</u>	<u>12,077,415</u>	<u>(10,378,858)</u>	<u>(23,515,580)</u>	<u>12,903,927</u>
Net Increase (Decrease) in Net Position	<u>\$ 1,500,733</u>	<u>\$ (254,889)</u>	<u>\$ 7,790</u>	<u>\$ 86,211</u>	<u>\$ 1,339,844</u>	<u>\$ (1,497,241)</u>	<u>\$ (75,398)</u>

COASTAL BEND COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Programs:</i>			
TRIO Cluster			
TRIO Upward Bound	84.047		238,164
TRIO Educational Talent Search	84.047M		626,076
TRIO Upward Bound Rural	84.047		189,119
TRIO Educational Talent Search STEM	84.047M		47,556
Total TRIO Cluster:			<u>1,100,915</u>
Care ACT			
Cares Act-Financial Aid Grants for Student	P425F201934		685,300
Cares Act-Financial Funding for CBC	P425E205146		124,431
Total Cares ACT:			<u>809,731</u>
Student Financial Assistance Cluster			
Supplemental Educational Opportunity Grants	84.007		113,802
Work-Study Program	84.033		101,847
Pell Grant Program	84.063		6,933,161
Direct Student Loans	84.268		2,790,705
Total Student Financial Assistance Cluster:			<u>9,939,515</u>
Total Direct Programs			<u>11,850,161</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>			
Carl Perkins Career and Technical Education Grant	84.048A	194224	309,533
Total Texas Higher Education Coordinating Board			<u>309,533</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>12,159,694</u></u>

COASTAL BEND COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Note 1: Federal Assistance Reconciliation

Additional Operating Revenues - Federal grants and contracts per Schedule A	2,323,196
Add: Non-Operating Revenues - Title IV per Schedule C	<u>7,046,963</u>
Total Federal Revenues per Schedule A and C	9,370,159
Reconciling Items:	
Add: Direct Student Loans	2,790,705
Less: FEMA Hurricane Harvey	(1,498)
Add: Education Talent Search	<u>328</u>
Total Federal Expenditures per Schedule of Expenditures of Federal Awards	<u><u>12,159,694</u></u>

Note 2: The expenditures included in the schedule are reported for the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures above represent funds that have been expended by the college for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The college has followed all applicable guidelines issued by the various entities in preparation of the schedule. Since the college has agency-approved indirect recovery rate, it has elected not to use the 10% de minimus cost rate permitted in the UG, section 200.414.

Note 3: Expenditures Not Subject o Federal Single Audit
None

Note 4: Student Loans Processed and Administrative Costs Recovered
None

Note 5: Nonmonetary Federal Assistance
None

Note 6: Amounts Passed Through by the College
None

COASTAL BEND COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
College Work-study Program	9920050M	\$ 15,328
Work-study mentorship Program	15554	325
Texas Educational Opportunity Grant Program	PCA13399	287,357
Nursing Shortage Reduction Program		91,058
TX Emergency Grant		9,000
Total Direct Funding		<u>\$ 403,068</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 403,068</u>

Note 1: State Assistance Reconciliation

State Revenues per Schedule A	392,959
Reconciling Items:	
Less: Welding Jet Grant revenue realized in prior year	(28,331)
Less: Direct Student Assistance - Texas Emergency Aid Grant	(1,000)
Less: College Work Study Program	(560)
Add: Nursing Shortage Reduction Program revenue correction FY2017	40,000
Total State Financial Assistance	<u>403,068</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 of the notes to the financial statements for the College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

**OVERALL COMPLIANCE
AND
INTERNAL CONTROLS**

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

January 19, 2021

Board of Trustees
Coastal Bend College
Beeville, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Coastal Bend College (the College) as of and for the years ended August 31, 2020 and 2019, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-01 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Coastal Bend College's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Collier, Johnson & Woods

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

January 19, 2021

Board of Trustees
Coastal Bend College
Beeville, Texas

Report on Compliance for Each Major Federal Program

We have audited the Coastal Bend College's (the College's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2020. The College's major federal programs are identified in the summary of auditor's results section of the accompanying federal schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Programs

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Collier, Johnson & Woods

COASTAL BEND COLLEGE

SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2020

Section I:
Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiencies reported that are not considered to be material weaknesses?	Yes
• Noncompliance material to the financial statements noted?	No
Federal Awards:	
• Material weakness identified?	No
• Significant deficiencies reported that are not considered to be material weaknesses?	None reported
Type of auditor's report on compliance for major federal programs:	Unmodified
Any audit findings required to be reported in accordance with the Uniform Guidance?	No
The programs tested as major programs include:	
U.S. Department of Education Financial Aid Cluster:	
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)
84.033	Federal College Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loan Program
U.S. Department of CARES Act Cluster:	
84.425E	Higher Education Emergency Relief Fund – Student
84.425F	Higher Education Emergency Relief Fund – Institutional
Pass Through from Texas Higher Education Coordinating Board"	
84.048A	Carl Perkins Career and Technical Education Grant
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low risk auditee:	No

Section II:
Findings - Financial Statement Audit

Significant Deficiency in Internal Control over Financial Reporting

2020-01 –Inadequate Monitoring of Liability Account Balances

Condition: In the course of performing our audit procedures, we noted that certain liability accounts including health insurance employer liabilities were not being reconciled to the general ledger.

Criteria: A sound system of internal control over financial reporting includes adequate reconciliation of significant account balances.

Cause: Understaffing in the key accounting function of the Controller during the fiscal year, resulted in some duties; such as, reconciliations, being overlooked or performed by someone who does not understand the interrelationships of key account balances.

Effect: Liability accounts were overstated.

Recommendation: The College needs a degreed accountant, with experience in fund accounting, who understands the interrelationships of all the account balances critical to the overall management of the College's accounting system. Monthly reconciliations should be performed and approved by management. Management's approval should be documented by signatures.

View of Responsible Officials and Planned Corrective Actions: The College is in the process of recruiting additional experienced and qualified personnel who will be assigned monthly reconciliation of liabilities responsibilities. The College will provide training on reconciliation process for all liability accounts.

Section III:
Findings and Questioned Costs – Federal and State Award Program

None

Section IV:
Prior Year Findings

Material Weaknesses in Internal Control over Financial Reporting

2019-01 –Inadequate Monitoring of Asset and Liability Account Balances and Period Closing

Condition: In the course of performing our audit procedures, we noted certain areas for which monitoring did not appear to be adequate. Examples of such include: (1) monthly closing process is not in place and employees back date entries to prior periods; (2) Receivables and Payables subsidiary records are not reconciled to the general ledger; (3) The payroll module is not reconciled to the general ledger; (4) Revenue accounts in Colleague are not clearly defined to facilitate calculation of deferred revenue and realized revenue and other reporting requirements; (5) The Allowance for Doubtful Accounts is not properly evaluated.

Original Recommendation: The College needs a degreed accountant, with experience in fund accounting, who understands the interrelationships of all the account balances critical to the overall management of the College's accounting system. Monthly reconciliations should be performed and approved by management. Management's approval should be documented by signatures.

Finding 2019-01 –Inadequate Monitoring of Asset and Liability Account Balances and Period Closing – (Continued)

Current Status: The College hired a part-time Controller to assist with the overall management of the College's accounting system that assisted during the audit period. While not all the conditions noted above were fully implemented during fiscal year 2020 due to the problems first with the information systems and then with COVID-19, significant improvements were noted especially in regards to the delineation of fall, spring and summer terms to facilitate revenue reporting requirements.

Significant Deficiency in Internal Control over Financial Reporting

2019-02– Government Code Chapter 2256 -Public Funds Investment Act (PFIA)

Condition: The College failed to perform a quarterly investment report to the Board of Trustees for the Quarter ended August 31, 2019.

Original Recommendation: The College Investment Officer should perform a quarterly investment report that is presented to the Governing Board and documented in the board minutes.

Current Status: The College Investment Officer provided quarterly investment reports to the Governing Board as documented in the board minutes.

**Findings and Questioned Costs – Federal and State Award Program
Material Weakness in Internal Control over Compliance**

2019-03 – Carl Perkins Career and Technical Education Act of 2006 (Perkins IV) passed through THECB; Grant periods fiscal years 2016, 2017 and 2018

Condition: An investigation by THECB found that the College did not properly administer this grant and questioned costs of \$182,503. Additionally, the College was placed on heightened monitoring by THECB for continued participation in the program pursuant to 2 CFR 200.338.

Original Recommendation/Resolution: Per THECB report, the following recommendations were made: (1) Management should refund the entire questioned costs of \$182,503; (2) Establish appropriate internal controls to ensure that time and effort documentation and inventory management meet sound grant management practices; (3) Ensure that time and effort reports support grant amounts and adhere to CBC policy and the requirements of 200.430 (i); (4) Comply with the grant reporting and control requirements for the purchase and use of equipment and supplies related to CTE including appropriate procurement, delivery and assignment of equipment; (5) Implement an inventory control system that is updated in a timely manner for all receipts, assignment and re-assignment of Perkins equipment inventory items and ensure periodic physical counts through-out the year.

Current Status: The College refunded \$182,503 to THECB on April 23, 2019. Time and effort documentation testing during the current fiscal year was completed in accordance with CBC policy and the requirements of 200.430 and met sound grant management practices. Testing of CTE equipment and supplies purchases in the current fiscal year met grant reporting and control requirements for procurement, delivery and assignment. The College's inventory control system has not yet been converted to the software application previously specified.

2019-04 – Carl Perkins Career and Technical Education Act of 2006 (Perkins IV) passed through THECB; Grant period for fiscal year 2019

Condition: Since the investigation by THECB found that the College did not properly document time and effort for fiscal years 2016, 2017 and 2018 and since the administration of those funds and the time and effort documentation by those employees is substantially the same as in prior years, the salaries and fringe benefits paid out of Perkins for FY 2019 are questioned costs of \$90,000.

Original Recommendation: Defer to the monitoring scheduled during the spring semester 2020 by THECB, for their review and assessment of the College's time and effort documentation for fiscal year 2019.

Current Status: The College did not use Federal funds to pay Advisors during the current fiscal year. Grant funded personnel tested during the current fiscal year audit did complete time and effort forms that were properly prepared and approved.

2019-05 – Accelerate Texas-College Readiness & Success Models passed through THECB; Grant period for fiscal year 2019

Condition: (1) The College failed to timely report required supporting expenditures for \$38,132 of the \$50,000 seed award required by the grant agreement by the August 31, 2019 deadline. The grant program administrator from THECB is scheduled to discuss the reporting process with College personnel on January 14, 2020. However, because the College missed the reporting deadline, \$38,132 of received grant money is deemed a questioned cost. (2) Although \$156,000 in proceeds received by the grantor were properly certified as student completions, this amount was included in a deferred revenue liability account instead of recognized as revenue and reported on the SEFA. A journal entry was made to reclass the \$156,000 and properly reported in the AFR.

Original Recommendation: The College needs to ensure that interdepartmental communication is adequate to ensure that grant accounting and grant administration are timely and accurate.

Current Status: The College refunded \$38,132 to THECB on June 18, 2020.