



# **CISCO COLLEGE DISTRICT**

## ***ANNUAL FINANCIAL REPORT***

**AUGUST 31, 2020 and 2019**

CISCO COLLEGE DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019  
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CISCO COLLEGE DISTRICT  
ORGANIZATIONAL DATA  
FOR THE FISCAL YEAR 2019-20

Board of Regents

Officers

Brad Kimbrough	President
Ronnie Ledbetter	Vice-President
Ricky Whatley	Secretary

Members

		<u>Term Expires</u> <u>May 31,</u>
Jerry Conring	Cisco, Texas	2020
Joe Jarvis	Cisco, Texas	2024
Matt Johnson	Cisco, Texas	2024
Brad Kimbrough	Cisco, Texas	2022
Ronnie Ledbetter	Cisco, Texas	2024
Rick Watts	Cisco, Texas	2026
Ricky Whatley	Cisco, Texas	2020
Sharon Wilcoxon	Cisco, Texas	2022
Staci Wilks	Cisco, Texas	2022

Key Officers

Dr. Thad Anglin – President  
Dr. Jerry Dodson – Vice President for Student Services  
Dr. Carol Dupree – Provost, Abilene Educational Center and Chief Academic Officer  
Audra Taylor – Dean of Business Services and Chief Financial Officer

## **Financial Section**

December 14, 2020

**To the Board of Regents  
Cisco College District  
Cisco, Texas**

**INDEPENDENT AUDITORS' REPORT**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Cisco College District (the "District") which includes the statements of net position as of August 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years ended August 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the general-purpose financial statements are free of 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 business-type activities of Cisco College District as of August 31, 2020 and 2019, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-7, Schedule of District's Proportionate Share of the Net Pension Liability, Schedule of District's Contributions for Pensions on pages 34-35, Schedule of District's Proportionate Share of Net OPEB Liability and Schedule of District's Contributions for OPEB on pages 36-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supporting schedules (Schedules A-F), including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the introductory section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules 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 supporting schedules, which includes the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants

**Management's Discussion and Analysis  
Required Supplementary Information**

# Cisco College District

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**August 31, 2020**

The following discussion of Cisco College District's (the "District") financial reports presents our analysis and insight to the District's financial performance for the fiscal year ended August 31, 2020, including some comparative information with the fiscal years ended August 31, 2019 and 2018. Please read it in conjunction with the transmittal letter preceding this report and the District's financial statements, which follow this report.

### **The Basic Financial Statements**

The annual financial report consists of a set of financial statements and reports as required by Government Accounting Standards Board (GASB) Statement No. 34 for a government engaged in business-type activities. These basic financial statements appear in Exhibits 1-3 and in the notes to the financial statements. The basic financial statements consist of the following four elements: a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; and the Notes to the Financial Statements. These statements are presented in a government-wide format, which means all of the funds of the District are combined into a single report. A brief explanation of the purpose of each of the components of the basic financial statements is set out below.

The Statement of Net Position shows the combined assets of the District, as well as the combined liabilities. The difference in the total assets and the total liabilities is the net position, which are broken out in its various components. The information shown in this statement is a snapshot of the District's accounts on August 31 of the year indicated. This is important data in determining the viability of the school and in determining the District's overall financial strength.

The Statement of Revenues, Expenses, and Changes in Net Position shows the results of the fiscal year's operations. Revenues and expenses are arranged by their functional classifications so that a year-to-year comparison will show relevant trends. The information in this statement will assist in evaluating the District's performance for the year concluded.

The Statement of Cash Flows shows the sources and uses of cash for the fiscal year. It is divided into several categories: operating activities, non-capital financing activities, capital financing activities, and investing activities. Upon review of the cash flow statement, a person knowledgeable in using this statement can determine an institution's ability to generate future cash flows, and its ability to meet financial obligations.

The Notes to the Financial Statements provide the required disclosures to comply with GASB pronouncements and other relevant information that a user might find helpful in understanding the District's financial statements as a whole.



## Condensed Comparative Financial Information

Table 1- Net Position

	Year Ended August 31, 2020	Year Ended August 31, 2019	Year Ended August 31, 2018
Current and Other Assets	\$6,856,726	\$5,677,971	\$7,289,293
Capital Assets	\$14,781,800	\$15,151,694	\$15,249,063
Deferred Resource Outflows	\$4,448,615	\$4,281,144	\$746,358
<b>Total Assets and Deferred Resource Outflows</b>	<b>\$26,087,141</b>	<b>\$25,110,809</b>	<b>\$23,284,714</b>
Current Liabilities	\$3,083,043	\$2,618,643	\$4,131,620
Long-term Liabilities	\$21,002,373	\$21,304,901	\$20,277,799
Deferred Resource Inflows	\$5,666,616	\$5,586,692	\$3,359,042
<b>Total Liabilities and Deferred Resource Inflows</b>	<b>\$29,752,032</b>	<b>\$29,510,236</b>	<b>\$27,768,461</b>
Net Position:			
Net Investment in Capital Assets	\$10,196,800	\$9,881,694	\$9,297,465
Restricted	\$1,634,976	\$1,603,912	\$687,487
Unrestricted and Expendable	(\$15,496,667)	(\$15,885,033)	(\$14,468,699)
<b>Total Net Position</b>	<b>(\$3,664,891)</b>	<b>(\$4,399,427)</b>	<b>(\$4,483,747)</b>

**Table 2 - Changes in Net Position**

	Year Ended August 31, 2020	Year Ended August 31, 2019	Year Ended August 31, 2018
<b>Operating Revenue:</b>			
Tuition and Fees, Net of Discounts	\$5,284,395	\$4,929,103	\$4,600,209
Federal Grants and Contracts	\$286,814	\$270,524	\$227,455
Auxiliary Enterprises, Net of Discounts	\$1,106,258	\$1,689,615	\$2,006,043
Other Operating Revenues	\$515,129	\$584,810	\$863,270
<b>Total Operating Revenues</b>	<b>\$7,192,596</b>	<b>\$7,474,052</b>	<b>\$7,696,977</b>
<b>Operating Expenses:</b>			
Instruction	\$7,995,615	\$7,870,248	\$8,233,462
Public Service	\$6,567	\$2,069	\$1,730
Academic Support	\$782,060	\$953,108	\$785,810
Student Services	\$1,614,583	\$1,688,847	\$1,793,002
Institutional Support	\$4,651,603	\$2,735,747	\$3,010,248
Operation and Maintenance of Plant	\$1,743,446	\$1,594,802	\$1,609,318
Scholarships and Fellowships	\$5,059,111	\$5,551,543	\$5,315,385
Auxiliary Enterprises	\$1,638,573	\$2,899,454	\$2,935,301
Depreciation	\$683,082	\$665,176	\$694,083
<b>Total Operating Expenses</b>	<b>\$24,174,640</b>	<b>\$23,960,994</b>	<b>\$24,378,339</b>
<b>Operating Loss</b>	<b>(\$16,682,044)</b>	<b>(\$16,486,942)</b>	<b>(\$16,681,362)</b>
<b>Non-operating Revenue (Expenses):</b>			
State Appropriations	\$7,012,611	\$6,360,709	\$7,254,024
Maintenance Ad valorem Taxes	\$1,217,358	\$1,174,942	\$917,097
Federal Revenue	\$9,426,151	\$9,000,600	\$8,941,574
Interest on Capital Related Debt	(\$175,776)	(\$194,655)	(\$209,888)
Other Non-operating Revenue (Expense)	\$236,236	\$229,666	\$289,566
<b>Net Non-operating Revenue</b>	<b>\$17,716,580</b>	<b>\$16,571,262</b>	<b>\$17,192,373</b>
Increase in Net Position	\$734,536	\$84,320	\$511,011
Net Position – Beginning of Year	(\$4,399,427)	(\$4,483,747)	\$9,442,775
Adjustments	-	-	(\$14,437,533)
<b>Net Position – End of Year</b>	<b>(\$3,664,891)</b>	<b>(\$4,399,427)</b>	<b>(\$4,483,747)</b>

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

Tables 1 and 2 provide summarization of significant financial data from the Statements of Net Position and information concerning the District's results of operations for the past three years. Current and Other Assets increased because of cash and cash equivalents, deposits, and accounts receivable. Student tuition and fees remained a major source of revenue for 2020. Net tuition and fees increased by \$355,292 from 2019 to 2020. Auxiliary revenue decreased by \$583,357 from 2019 to 2020 due to the outsourcing of the bookstore and the early closure of the cafeteria in the Spring 2020 due to COVID 19; however, it also

affected the auxiliary expense which decreased by \$1,260,881. Maintenance ad valorem tax revenue increased by \$42,416 from 2019 to 2020 due to keeping the tax rate at .2000 per \$100 valuation.

### **Significant Capital Assets and Long-Term Debt Activity**

Note 5 to the financial statements is a summary of the current fiscal year's capital asset activity. A review of this data shows net additions to capital assets of \$140,952. These were offset by depreciation expense of \$683,083. Changes to capital assets during the year include furniture, machinery, vehicles and other equipment of \$103,211 and an increase to buildings of \$37,741. There is also an increase of \$83,164 to construction in progress.

Note 6 to the financial statements is a composite of the District's long-term liabilities for the current and previous fiscal years. There was a reduction to the Revenue Bonds and Notes for payments made during the year. There were also decreases to the Net Pension Liability and increases to the Net OPEB Liability due to GASB Statement No. 68 and GASB Statement No. 75.

### **Discussion of Other Facts, Decisions, and Conditions**

COVID 19 brought unexpected challenges to the operations of the District beginning in March of 2020. These challenges required immediate changes in the District's overall operations. The most significant was transitioning the District's face-to-face classes to an online delivery format and resolving issues connected to career and technical programs that require hands on experimental learning. These changes required additional expenditures in Information Technology for technical equipment and infrastructure support for students, faculty, and staff. In Maintenance and Operations, the District moved quickly to secure/purchase cleaning supplies, personal protective equipment, and install sneeze/cough guards on all front desk operations on the Abilene and Cisco campuses.

While operating costs associated with the COVID 19 pandemic increased, a portion of the increase was offset by Federal CARES Act funding. The most significant impact of the COVID 19 pandemic continues to be on tuition and fee revenue due to declining enrollments starting in the summer of 2020.

The District's executive team is preparing for further declines in enrollment for FY 2021. While the revenue is expected to be down, expenditures will follow as a result of the decline in the need for faculty course overloads, adjunct faculty, and travel associated with the delivery of dual credit courses and professional development.

The return to manageable enrollment growth will largely depend on the production, distribution, and delivery of a COVID 19 vaccination. The District's Executive Council and Strategic Planning Committee is preparing for future growth as the economy resets and the need for skilled workers in critical health care and industrial sectors returns to above pandemic levels.

The District remains strong and in good strategic position to grow student enrollment and expand infrastructure and capital improvements. Partnerships with local and regional four-year universities, business and industry leaders, and over thirty high schools across the region will most certainly continue to grow as economic factors improve. It is these partnerships that will ultimately lead the District toward passing a 0.05 maintenance tax for the Abilene Education Center, which will lead to the enhancement of existing programs, and the addition of others.

### **Contacting Cisco College District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer: Cisco College District, 101 College Heights, Cisco, Texas 76437.

## **Basic Financial Statements**

CISCO COLLEGE DISTRICT  
STATEMENTS OF NET POSITION  
AUGUST 31, 2020 AND 2019  
EXHIBIT 1

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,294,652	\$ 3,457,704
Accounts receivable (net)	309,045	179,273
Deferred charges	6,261	23,734
Inventories	168,331	219,671
Deposit	87,880	-
Prepaid expenses	37,648	37,648
Total Current Assets	<u>4,903,817</u>	<u>3,918,030</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	699,394	539,959
Restricted cash and cash equivalents - endowments	745,027	415,159
Long-term investments - restricted for endowments	202,462	501,266
Long-term investments - other	205,600	203,131
Investments in real estate	100,426	100,426
Capital assets (net)	14,781,800	15,151,694
Total Noncurrent Assets	<u>16,734,709</u>	<u>16,911,635</u>
TOTAL ASSETS	<u>21,638,526</u>	<u>20,829,665</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	1,607,659	1,893,391
Deferred outflows of resources related to OPEB	2,840,956	2,387,753
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,448,615</u>	<u>4,281,144</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	272,807	405,163
Accrued liabilities	300,438	275,527
Funds held for others	-	50,080
Unearned revenues	1,799,798	1,202,873
Bonds payable - current portion	710,000	685,000
Total Current Liabilities	<u>3,083,043</u>	<u>2,618,643</u>
Noncurrent Liabilities:		
Accrued compensated absences	195,088	195,088
Net pension liability	3,606,599	3,932,929
Net OPEB liability	13,325,686	12,591,884
Bonds payable	3,875,000	4,585,000
Total Noncurrent Liabilities	<u>21,002,373</u>	<u>21,304,901</u>
TOTAL LIABILITIES	<u>24,085,416</u>	<u>23,923,544</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	1,049,032	712,826
Deferred inflows of resources related to OPEB	4,617,584	4,873,866
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,666,616</u>	<u>5,586,692</u>
NET POSITION		
Net investment in capital assets	10,196,800	9,881,694
Restricted:		
Nonexpendable for scholarships, fellowships and other	947,489	916,425
Expendable for:		
Student aid	137,487	137,487
Debt service	550,000	550,000
Unrestricted	(15,496,667)	(15,885,033)
TOTAL NET POSITION	<u>\$ (3,664,891)</u>	<u>\$ (4,399,427)</u>

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

CISCO COLLEGE DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019  
EXHIBIT 2

	2020	2019
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Tuition and fees (net of discounts of \$4,188,491 and \$4,277,832, respectively)	\$ 5,284,395	\$ 4,929,103
Federal grants and contracts	286,814	270,524
State grants and contracts	309,971	364,942
Nongovernmental grants and contracts	84,246	45,591
Auxiliary enterprises	1,106,258	1,689,615
General operating revenues (net of discounts of \$0, both years)	120,912	174,277
Total Operating Revenues (Schedule A)	<u>7,192,596</u>	<u>7,474,052</u>
Operating Expenses:		
Instruction	7,995,615	7,870,248
Public service	6,567	2,069
Academic support	782,060	953,108
Student services	1,614,583	1,688,847
Institutional support	4,651,603	2,735,747
Operation and maintenance of plant	1,743,446	1,594,802
Scholarships and fellowships	5,059,111	5,551,543
Auxiliary enterprises	1,638,573	2,899,454
Depreciation	683,082	665,176
Total Operating Expenses (Schedule B)	<u>24,174,640</u>	<u>23,960,994</u>
Operating Loss	<u>(16,982,044)</u>	<u>(16,486,942)</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	7,012,611	6,360,709
Maintenance ad valorem taxes	1,217,358	1,174,942
Federal revenue, non-operating	9,426,151	9,000,600
Gifts	170,617	131,138
Investment income	65,619	98,528
Interest on capital related debt	(175,776)	(194,655)
Net Non-Operating Revenues (Schedule C)	<u>17,716,580</u>	<u>16,571,262</u>
Increase in Net Position	<u>734,536</u>	<u>84,320</u>
NET POSITION		
Net position - beginning of year	(4,399,427)	(4,483,747)
Net position - end of year	<u>\$ (3,664,891)</u>	<u>\$ (4,399,427)</u>

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

CISCO COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED AUGUST 31, 2020 AND 2019  
EXHIBIT 3

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 6,857,658	\$ 5,938,770
Receipts of appropriations, grants, and contracts	596,785	635,466
Other receipts	120,682	174,277
Payments to or on behalf of employees	(11,413,435)	(11,303,048)
Payments to suppliers for goods or services	(6,808,758)	(5,509,792)
Payments of scholarships	(5,041,638)	(4,774,940)
Net cash used in operating activities	<u>(15,688,706)</u>	<u>(14,839,267)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	7,012,611	6,360,709
Ad valorem tax revenues	1,217,358	1,174,942
Federal revenue, nonoperating	9,426,381	9,000,600
Gifts and grants (other than capital)	143,039	102,758
Student organization and other agency transactions	-	(9,659)
Net cash provided by non-capital financing activities	<u>17,799,389</u>	<u>16,629,350</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest expense paid	(175,776)	(194,655)
Purchases of capital assets	(316,674)	(567,807)
Payments on debt and capital leases	(685,000)	(681,598)
Net cash used in capital and related financing activities	<u>(1,177,450)</u>	<u>(1,444,060)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	65,619	98,528
Proceeds from sale of investments	329,868	-
Purchases of investments	(2,469)	(2,531)
Net cash provided by investing activities	<u>393,018</u>	<u>95,997</u>
 Increase in cash and cash equivalents	 1,326,251	 442,020
Cash and cash equivalents - September 1	<u>4,412,822</u>	<u>3,970,802</u>
Cash and cash equivalents - August 31	<u>\$ 5,739,073</u>	<u>\$ 4,412,822</u>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (16,982,274)	\$ (16,486,942)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	683,082	665,176
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable (net)	(129,772)	761,468
Deferred charges	17,473	776,603
Inventories	51,340	529,391
Deposit	(87,880)	-
Deferred outflows of resources related to pensions	285,732	(1,513,779)
Deferred outflows of resources related to OPEB	(453,203)	(2,021,007)
Accounts payable	(132,356)	(27,773)
Accrued liabilities	24,911	(18,390)
Funds held for others	(50,080)	(9,659)
Unearned revenues	596,925	(1,460,557)
Accrued compensated absences	-	(2,836)
Net pension liability	(326,330)	1,541,616
Net OPEB liability	733,802	199,772
Deferred inflows of resources related to pensions	336,206	93,739
Deferred inflows of resources related to OPEB	<u>(256,282)</u>	<u>2,133,911</u>
Net cash used by operating activities	<u>\$ (15,688,706)</u>	<u>\$ (14,839,267)</u>

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

**CISCO COLLEGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2020**

**Note 1: Reporting Entity**

Cisco College District (the "District") was established in 1940 in accordance with the laws of the State of Texas to serve the educational needs of Cisco and the surrounding communities. The District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the District receives funding from local, state, and federal sources, and must comply with the spending, reporting and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

The Board of Regents (the "Board"), a nine member group, is the level of government which has governance responsibilities over all activities related to the education of students who attend the District. The Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for the fiscal matter concerning the District. The District has two campuses, Cisco and Abilene, which offer a wide variety of general academic and vocational courses in a two year curriculum

**Note 2: Summary of Significant Accounting Policies**

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

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 is used by the student for tuition and fees, the amount is recorded as 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 District to pass through to students. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

The District awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

The financial statements of Cisco College District 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 in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments 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 1.

### Cash and Cash Equivalents

The District'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. Restricted cash and cash equivalents are held for federal programs, debt payments and debt reserves, and funds held for others.

### Deferred Outflows

In addition to assets, Cisco College District is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt.

### Investments

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments are reported at fair value. 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 a time of purchase. The governing board has designated public funds investment pools comprised of \$1,108,016 and \$1,091,952 at August 31, 2020 and 2019, respectively, to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

### Inventories

Inventories consist of consumable scholarship book stock. Inventories are valued at the lower of cost under the "first-in first-out" method, or market and are charged to expense when consumed.

### Deposit

The deposit represents amounts on deposit with a vendor as a prerequisite to perform future services for the District. The balance is expected to be refunded to the District during 2021.

### Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the District'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 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 an asset's life are charged to operating expenses in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

Asset Type	Years
Buildings	50
Facilities and other improvements	20
Library books	20
Furniture, machinery, vehicles and other equipment	10
Telecommunications and peripheral equipment	5

#### Other Postemployment Benefits (OPEB)

The District participates in the Employee's Retirement System of Texas (ERS) postemployment health care plan, a multiple-employer cost sharing defined benefit plan with a special funding situation. The fiduciary net position of ERS 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 OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from ERS's fiduciary net position. Benefit payments (including refunds of employer contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### Pensions

The District participates in the Teacher 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 on 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 pension, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### Unearned Revenues

Tuition and fees of \$1,749,474 and \$1,194,783 and federal, state and local grants of \$50,324 and \$8,090 have been reported as unearned revenues as of August 31, 2020 and 2019, respectively.

#### Deferred Inflows

In addition to liabilities, Cisco College District is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenues) until that time. Governments are permitted to report deferred inflows in circumstances specifically authorized by the GASB.

#### Estimates

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

### Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District 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 District's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. The operation of the bookstore, campus maintenance, food services and technology are outsourced and not performed by the District.

### Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include bonds payable, capital lease and any premiums or discounts associated with these debts that will not be paid within the next fiscal year.

### Receivables

Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments. Receivables are recorded net of estimated uncollectible amounts.

### Net Position

The District's Net Position includes the following:

*Net investment in capital assets* – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those assets.

*Restricted – nonexpendable net position* – Nonexpendable restricted includes endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

*Restricted – expendable net position* – Expendable restricted includes resources in which the District is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

*Unrestricted net position* – All other net positions that do not meet the definition of the "restricted" or "net investment in capital assets".

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

### **Note 3: Authorized Investments**

The District is authorized to invest in obligations and instruments as defined in the Public Funds Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

#### Note 4: Deposits and Investments

##### Cash and Deposits

Cash and Deposits included in Exhibit 1, Statement of Net Position, consist of the items reported below at August 31,:

	2020	2019
Bank Deposits		
Demand and savings deposits	\$ 4,577,398	\$ 3,267,189
Total Bank Deposits	4,577,398	3,267,189
Other Cash and Cash Equivalents		
Petty cash on hand	6,275	6,275
Money market accounts	47,384	47,405
Investment pools	1,108,016	1,091,953
Total Other Cash and Cash Equivalents	1,161,675	1,145,633
Total Cash and Deposits	\$ 5,739,073	\$ 4,412,822

##### Reconciliation of Deposits to Exhibit 1:

	2020	2019
Per Note 4:		
Total bank deposits	\$ 4,577,398	\$ 3,267,189
Total other cash and cash equivalents	1,161,675	1,145,633
Total	5,739,073	4,412,822

##### Per Exhibit 1:

###### Unrestricted:

Cash and cash equivalents	4,294,652	3,457,704
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###### Restricted:

Cash and cash equivalents	1,444,421	955,118
Total	\$ 5,739,073	\$ 4,412,822

As of August 31, 2020, Cisco College District had the following investments and maturities:

Investment Type	Fair Value	Investment in Maturities (in Years)		
		Less than 1	1 to 2	2 to 3
Certificates of deposit	\$ 408,062	\$ 176,046	\$ 179,844	\$ 52,172
Total Fair Value	\$ 408,062	\$ 176,046	\$ 179,844	\$ 52,172

##### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of August 31, 2020, the carrying amount of the District's bank balances was \$4,400,709. Bank balances of \$250,000 were covered by Federal Depository Insurance. Bank balances in the amount of \$4,150,709 were covered by securities held by the Bank in the District's name.

## Fair Value of Financial Instruments

The three levels of the fair value of hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value hierarchy of investments at August 31, 2020 follows:

Description	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Certificates of deposit	\$ 408,062	\$	\$	\$ 408,062
Total	\$ 408,062	\$ -	\$ -	\$ 408,062

## Credit Risk

This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the District's policy to limit its investments to those investments that are fully insured or collateralized from a bank in the State of Texas and under the term of written depository agreement, obligations of the United States government, its agencies and instrumentalities and government sponsoring enterprises; or Texas Local Government Investment Pools. As of August 31, 2020, the District's investment pools were rated A1 by Standard and Poor's.

## Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

## Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.

## Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. It is the District's policy to not allow for a concentration of credit risk. Investments issued by the U.S. Government and investments in investment pools are excluded from the 5 percent (5%) disclosure requirement. The District is not exposed to concentration of credit risk.

## Note 5: Capital Assets

Capital asset activity for the year ended August 31, 2020, was as follows:

Business-type activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 468,928	\$	\$	\$ 468,928
Construction in progress		83,164		83,164
Total capital assets not being depreciated	<u>468,928</u>	<u>83,164</u>	<u>-</u>	<u>552,092</u>
Capital assets being depreciated:				
Buildings	20,632,584	37,741		20,670,325
Improvements	2,175,215			2,175,215
Library books	265,056			265,056
Furniture, machinery, vehicles and other equipment	4,691,995	195,769	(92,558)	4,795,206
Total capital assets being depreciated	<u>27,764,850</u>	<u>233,510</u>	<u>(92,558)</u>	<u>27,905,802</u>
Less accumulated depreciation for:				
Buildings	(7,914,327)	(385,398)		(8,299,726)
Improvements	(1,458,253)	(81,807)		(1,540,060)
Library books	(134,199)	(12,114)		(146,313)
Furniture, machinery, vehicles and other equipment	(3,575,305)	(203,763)	89,072	(3,689,996)
Total accumulated depreciation	<u>(13,082,084)</u>	<u>(683,082)</u>	<u>89,072</u>	<u>(13,676,094)</u>
Net other capital assets	14,682,766	(449,572)	(3,486)	14,229,708
Capital assets, net	<u>\$ 15,151,694</u>	<u>\$ (366,408)</u>	<u>\$ (3,486)</u>	<u>\$ 14,781,800</u>

Capital asset activity for the year ended August 31, 2019, was as follows:

Business-type activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 468,928	\$	\$	\$ 468,928
Construction in progress	-			-
Total capital assets not being depreciated	<u>468,928</u>	<u>-</u>	<u>-</u>	<u>468,928</u>
Capital assets being depreciated:				
Buildings	20,320,117	312,467		20,632,584
Improvements	2,175,215			2,175,215
Library books	265,056			265,056
Furniture, machinery, vehicles and other equipment	4,436,655	255,340		4,691,995
Total capital assets being depreciated	<u>27,197,043</u>	<u>567,807</u>	<u>-</u>	<u>27,764,850</u>
Less accumulated depreciation for:				
Buildings	(7,530,778)	(383,549)		(7,914,327)
Improvements	(1,366,542)	(91,711)		(1,458,253)
Library books	(122,086)	(12,113)		(134,199)
Furniture, machinery, vehicles and other equipment	(3,397,502)	(177,803)		(3,575,305)
Total accumulated depreciation	<u>(12,416,908)</u>	<u>(665,176)</u>	<u>-</u>	<u>(13,082,084)</u>
Net other capital assets	14,780,135	(97,369)		14,682,766
Capital assets, net	<u>\$ 15,249,063</u>	<u>\$ (97,369)</u>	<u>\$ -</u>	<u>\$ 15,151,694</u>

## Note 6: Long-Term Obligations

Long-term liability activity for the year ended August 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Leases, Bonds and Notes:					
Revenue bonds and notes	\$ 5,270,000	\$	\$ 685,000	\$ 4,585,000	\$ 710,000
Capital leases				-	-
Total Leases, Bonds and Notes	5,270,000		685,000	4,585,000	710,000
Other Liabilities:					
Compensated absences	195,088			195,088	-
Net pension liability	3,932,929		326,330	3,606,599	-
Net OPEB liability	12,591,884	733,802		13,325,686	-
Other – deposits				-	-
Total Other Liabilities	16,719,901	733,802	326,330	17,127,373	-
Total Long-Term Liabilities	\$ 21,989,901	\$ 733,802	\$ 1,011,330	\$ 21,712,373	\$ 710,000

Long-term liability activity for the year ended August 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Leases, Bonds and Notes:					
Revenue bonds and notes	\$ 5,940,000	\$	\$ 670,000	\$ 5,270,000	\$ 685,000
Capital leases	11,598		11,598	-	-
Total Leases, Bonds and Notes	5,951,598		681,598	5,270,000	685,000
Other Liabilities:					
Compensated absences	197,924		2,836	195,088	-
Net pension liability	2,391,313	1,541,616		3,932,929	-
Net OPEB liability	12,392,112	199,772		12,591,884	-
Other – deposits	26,450		26,450	-	-
Total Other Liabilities	15,007,799	1,741,388	29,286	16,719,901	-
Total Long-Term Liabilities	\$ 20,959,397	\$ 1,741,388	\$ 710,884	\$ 21,989,901	\$ 685,000

On December 6, 2011, the District issued \$8,295,000 in consolidated fund revenue refunding bonds to provide the resources to place in an escrow account for the purpose of generating resources for future debt service payments of \$8,435,000 of consolidated fund revenue and refunding bonds issued in 2002. Interest rates on the debt range from 2.0% to 4.0% and mature on July 1, 2026. As a result, the refunded bonds are considered defeased and the liability has been removed from the financial statements. The reacquisition price exceeded the net carrying amount of the refunded debt by \$186,150 (net of issuance costs and premiums). This advance refunding was undertaken to reduce total debt service payments over the life of the new issue versus the refunded issue by \$1,558,922 and resulted in an economic gain of \$1,372,272.

On May 23, 2013, the District issued \$1,585,000 in consolidated fund revenue refunding bonds to provide the resources to place in an escrow account for the purpose of generating resources for future debt service payments of \$1,500,000 of consolidated fund revenue and refunding bonds issued in 2002. Interest rates on the debt are 1.89% and mature on July 1, 2026. As a result, the refunded bonds are considered defeased and the liability has been removed from the financial statements. The reacquisition price exceeded the net carrying amount of the refunded debt by \$130,729 (net of issuance costs and premiums). This advance refunding was undertaken to reduce total debt service payments over the life of the new issue versus the refunded issue by \$350,000 and resulted in an economic gain of \$219,331.

The District has pledged the following source revenues as security for the bonds: (a) pledged tuition and fees totaling the mathematical product of \$15 multiplied by the number of students regularly enrolled at the District for each regular school semester thereof and the product of \$7.50 multiplied by the number of students regularly enrolled in the District for each of the two summer school terms thereof; (b) building use fees; (c) educational service fees meaning the gross collections of a special fee charged and collected from all students enrolled at the District's Abilene Educational Center for the use of facilities; (d) the out-of-district fees; (e) the operating fees for any charges for use of the District's facilities in addition to items (a) through (f); (f) the gross revenues from the Auxiliary Enterprise fund of the District; (g) earnings of the District on all investments lawfully available for this purpose; (h) all monies deposited to the District's revenue and interest and sinking funds for the purpose of the Bonds and all investment income derived from such deposits; (i) all monies deposited to the District's reserve fund for the purpose of the Bonds and all investment income derived from such deposits; (j) and any other income, receipts, or other resources permitted by law with the exception of any revenues appropriated by the State of Texas unless prior approval has been given by the Texas Higher Education Coordinating Board.

## Note 7: Debt and Lease Obligations

Debt service requirements at August 31, 2020 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2021	\$ 710,000	\$ 156,047	\$ 866,047
2022	725,000	136,079	861,079
2023	745,000	115,661	860,661
2024	775,000	88,393	863,393
2025-2026	1,630,000	90,488	1,720,488
	<u>\$ 4,585,000</u>	<u>\$ 586,668</u>	<u>\$ 5,171,668</u>

As of August 31, 2020 and 2019, the District was in compliance with all material aspects of the bond indentures.



**Note 8: Operating Lease Commitments and Rental Agreement**

The District has numerous agreements that are categorized as operating leases. Future annual lease requirements are as follows:

<u>Fiscal Year Ending August 31,</u>	<u>Total Requirement</u>
2021	\$ 84,331
2022	83,780
2023	76,017
2024	35,000
2025	35,000
2026	35,000
	<u>\$ 349,128</u>

**Note 9: Ad Valorem Tax**

The District'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 in the District.

<u>Fiscal Year Ending August 31,</u>	<u>2020</u>	<u>2019</u>
Assessed Valuation of the District	\$ 603,050,505	\$ 567,707,410
Less: Exemptions	(250,370)	(174,040)
Net Assessed Value of the District	<u>\$ 602,800,135</u>	<u>\$ 567,533,370</u>

<u>Fiscal Year Ending August 31,</u>	<u>2020</u>			<u>2019</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized tax rate per \$100 valuation	\$ 0.5000	\$ 0.5000	\$ 1.0000	\$ 0.5000	\$ 0.5000	\$ 1.0000
Assessed tax rate per \$100 valuation	\$ 0.2000	\$ N/A	\$ 0.2000	\$ 0.2000	\$ N/A	\$ 0.2000

Taxes levied for the year ended August 31, 2020 and 2019 totaled \$1,207,161 and \$1,136,251, respectively. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed.

<u>Taxes Collected</u>	<u>2020 Current Operations</u>	<u>2019 Current Operations</u>
Current taxes collected	\$ 1,180,961	\$ 1,117,838
Delinquent taxes collected	24,609	42,214
Penalties and interest collected	11,788	14,890
Total Collections	<u>\$ 1,217,358</u>	<u>\$ 1,174,942</u>

Tax collections for the year ended August 31, 2020 and 2019 were 98.08% and 98.21% of the actual tax levy. Allowances 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 general obligation debt service.

## **Note 10: Risk Management**

The District is exposed to various risks of loss related to liability, property, and errors and omissions. These exposures to loss are handled by commercial insurance. The District has self-insured arrangements for coverage in the areas of unemployment compensation and workers' compensation. Unemployment compensation is on a pay-as-you-go basis and workers' compensation is handled by a risk management fund which specializes in handling colleges and school district workers' compensation claims. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage.

## **Note 11: Employee's Retirement Plan**

The State of Texas has joint contributory retirement plans for almost all of its employees. TRS issues suggested footnote disclosures for pension plans resulting from the implementation of GASB Statement No. 68. The TRS sample footnotes are displayed below and can also be obtained from the TRS website. Certain revisions, including additions and deletions, have been made to the TRS suggested footnote disclosures below to achieve appropriate disclosure for community colleges.

### Teacher Retirement System of Texas

#### *Plan Description*

The District participates in a cost-sharing, multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 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 Pension*

Detailed information about the TRS'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 [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2019.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2019.pdf) or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

#### *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using a 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 in under a previous rule. There are no automatic post-employment benefit

changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefits 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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 12 of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 through 2025.

	<u>Contribution Rates</u>	<u>2019</u>	<u>2020</u>
Member		7.7%	7.7%
Non-employer contributing entity (State)		6.8%	7.5%
Employers		6.8%	7.5%
FY2019 District or member contributions		\$426,534	
FY2019 State of Texas on-behalf contributions		\$129,904	
FY2019 District or college contributions		\$246,474	

District contributions to the TRS pension plan in 2020 were \$256,734 as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2020 were \$210,869.

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 or junior college districts are required to pay the employer contributions rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum 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 or all of 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.

## Net Pension Liability (Asset)

### *Actuarial Assumptions*

The total Pension Liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2019
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions:	
Single discount rate	7.25%
Long-term expected investment rate of return*	7.25%
Municipal bond rate*	2.63%
Last year ending August 31 in the 2016 to 2116 projection period (100 years)	2116
Inflation	2.3%
Salary increases including inflation	3.05% to 9.05%
Payroll growth rate	3.00%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

*\*Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. 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. 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 actuarial assumptions:

- The Single Discount Rate as of August 31, 2018 was a blended rate of 6.097% and that has changed to the long term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Legislature, an assumption has been made about how this legislation would impact future salaries. We have assumed that eligible active members would each receive a \$2,700 increase in the fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

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 6.907 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to

produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TRS' target asset allocation as of August 31, 2019, is summarized below:

Asset Class	Target Allocation	New Target Allocation	Long-Term Expected Geometric Real Rate of Return
<b>Global Equity</b>			
U.S	18.0%	18.0%	6.40%
Non-U.S. developed	13.0%	13.0%	6.30%
Emerging markets	9.0%	9.0%	7.30%
Directional hedge funds	4.0%		0.00%
Private equity	13.0%	14.0%	8.40%
<b>Stable Value</b>			
U.S. treasuries	11.0%	16.0%	3.10%
Absolute return	0.0%	0.0%	0.00%
Stable value hedge funds	4.0%	5.0%	4.50%
<b>Real Return</b>			
Global inflation linked bonds	3.0%		0.00%
Real assets	14.0%	15.0%	8.50%
Energy and natural resources	5.0%	6.0%	7.30%
Commodities	0.0%	0.0%	0.00%
<b>Risk Parity</b>			
Risk parity	5.0%	8.0%	5.80%
Inflation expectation	1.0%	2.0%	2.50%
Alpha	0.0%	(6.0%)	2.70%
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>7.23%</u>

#### *Discount Rate Sensitivity Analysis*

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

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability (asset)	\$ 5,543,866	\$ 3,606,599	\$ 2,037,038

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

At August 31, 2020, the District reported a liability of 3,606,599 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District 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:

District's proportionate share of the collective net pension liability	\$ 3,606,599
State's proportionate share that is associated with the College	1,929,390
<b>Total</b>	<u>\$ 5,535,989</u>

The net pension liability was measured as of August 31, 2019, 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 proportion 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, 2018 thru August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net pension liability was .0069380182%, which was a decrease of .0002072497% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, the District recognized pension expense of \$303,080 and revenue of \$303,080 for support provided by the State.

At August 31, 2020, the District reported its proportion share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 15,151	\$ 125,227
Changes in actuarial assumptions	1,118,944	462,401
Difference between projected and actual investment earnings	216,830	180,615
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions		280,789
Contributions paid to TRS subsequent to the measurement date	256,734	
Total	\$ 1,607,659	\$ 1,049,032

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense below as follows:

Year ended August 31:	Pension Expense Amount
2021	\$ 273,759
2022	(12,537)
2023	146,336
2024	153,331
2025	35,423
Thereafter	(37,685)
Total	\$ 558,627

#### Optional Retirement Plan – Defined Contribution Plan

##### *Plan Description*

Participation in the Optional Retirement Program is in lieu of participation in the Teacher 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 legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.60% and 6.60% for 2020 and 2019. The District does not contribute for employees who were participating in the Optional Retirement Program prior to September 1, 1995.

Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 01, 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 District was \$112,196 and \$110,288 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 District (totaling \$56,098 and \$55,144 for each fiscal year, respectively).

The total payroll for all District employees was \$8,067,545 and \$8,010,567 for fiscal years 2020 and 2019, respectively. The total payroll for employees covered by the Teacher Retirement System was \$5,568,993 and \$5,357,758, and the total payroll for employees covered by the Optional Retirement Program was \$1,699,952 and \$1,671,022 for fiscal years 2020 and 2019, respectively.

#### **Note 12: Deferred Compensation Program**

District 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.

#### **Note 13: Compensated Absences**

Full-time employees earn annual leave from ten (10) days per year for 1-9 years of service to fifteen (15) days per year for 10+ years of service. The District's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with maximum number of days up to the number of days earned in two years. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The District recognized the accrued liability for the unpaid annual leave in the amount of \$195,088 and \$195,088 at August 31, 2020 and 2019. Sick leave, which can be accumulated without limit, is earned at the rate of one day per month. It is paid to an employee who misses work because of illness or to the estate of an employee in the event of his/her death. The District's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicated the expenditure for sick leave to be minimal.

#### **Note 14: 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's total contributions for the years ended August 31, 2020 and 2019 were \$886,853 and \$947,260 respectively. The cost of providing those benefits was \$2,443,259 and \$2,494,998 for retirees and active employees for fiscal years 2020 and 2019, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

#### **Note 15: Other Post-Employment Benefits (OPEB)**

##### State Retiree Health Plan – Defined Benefit Plan

##### *Plan Description*

The State Retiree Health Plan (SRHP) is a cost sharing multiple employer postemployment health care plan with a special funding situation. This plan covers retired employees of the State, and other entities as specified by the State legislature in accordance with Chapter 1551, Texas

Insurance Code. Benefit and contribution provisions of the State Retiree Health Plan 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 the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the internet at <https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2019-CAFR.pdf> or by writing to ERS at: 200 East 18th Street, Austin, Texas 78701; or by calling (877) 275-4377.

#### *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 its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

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 the junior and community colleges.

#### Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium Fiscal Year 2019

Retiree only	\$ 624.82
Retiree & spouse	\$ 1,340.82
Retiree & children	\$ 1,340.82
Retiree & family	\$ 1,820.22



Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

Premium Contributions by Source  
Group Benefits Program Plan  
For the Years Ended August 31, 2019 and 2018

	2020	2019
Employers	\$ 401,284,833	\$ 307,028,461
Members (Employees)	\$ 209,836,664	\$ 203,123,120
Nonemployer contributing entity (State of Texas)	\$ 20,182,872	\$ 15,585,270

Source: ERS 2019 Comprehensive Annual Financial Report

*Actuarial Assumptions*

The total OPEB Liability was determined by an actuarial valuation as of August 31, 2019 using the following actuarial assumptions:

Valuation date	August 31, 2019
Actuarial cost method	Entry Age
Amortization method	Level Percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	2.97%
Projected annual salary increase (includes inflation)	2.50% to 9.50%
Annual healthcare trend rate	7.30% for 2021, 7.40% for 2022, 7.00% for 2023, decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 and later years
Inflation assumption rate	2.50%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience Ultimate MP Projection Scale from year 2019.
Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2019 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Source: 2019 ERS CAFR except for mortality assumptions obtained from ERS 2018 GASB 75 Actuarial Valuation

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 period September 1, 2010 to August 31, 2014 for higher education members.

*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 to the investment 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 on these investments is 2.4% see 2017 ERS CAFR, OPEB footnote.

### Discount Rate

Because the GBP 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 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of 0.45%. 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 of Cisco College District's proportionate share of the collection net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.96%) in measuring the net OPEB liability.

	1% Decrease (2.96%)	Current Rate (3.96%)	1% Increase (4.96%)
District's proportionate share of the net OPEB liability (asset)	\$ 15,901,686	\$ 13,325,686	\$ 11,343,544

### Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact of the college's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1 percent less than 1 percent greater than the healthcare cost trend rate that was used (7.3%) in measuring the net OPEB liability.

	1% Decrease in Healthcare Cost Trend Rates 6.3% decreasing to 3.5%	Current Healthcare Cost Trend Rates 7.3% decreasing to 4.5%	1% Increase in Healthcare Cost Trend Rates 8.3% decreasing to 5.5%
District's proportionate share of the net OPEB liability (asset)	\$ 11,189,459	\$ 13,325,686	\$ 16,117,241

### OPEB Liabilities, OPEB Expense, and Deferred outflows of Resources and Deferred Inflows of Resources Related to OPEB

At August 31, 2020, the District reported a liability of \$13,325,686 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District 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 District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 13,325,686
State's proportionate share that is associated with the college	11,048,685
Total	<u>\$ 24,374,371</u>

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

At the measurement date of August 31, 2019, the District's proportion of the collective net OPEB liability was .038555130%, which is an increase of .003930084% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2019, the District recognized OPEB expense of \$222,383 and revenue of \$222,383 for the support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- The percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree 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.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- The discount rate assumption was changed from 3.96% to 2.97% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Changes in Benefit Terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- For HealthSelect retirees and dependents for whom Medicare is not primary, there is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families in order to remain consistent with Internal Revenue Service Maximums.

These minor benefit changes have been reflected in the fiscal year 2020 assumed per capita health benefit costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 948,318	\$ 346,746
Changes in actuarial assumptions	5,479	2,977,785
Difference between projected and actual investment earnings	1,780,663	1,293,053
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	106,496	
Contributions paid subsequent to the measurement date		
Total	\$ 2,840,956	\$ 4,617,584

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2021	\$ (606,188)
2022	(712,685)
2023	(347,307)
2024	(69,025)
2025	(41,423)
Total	\$ <u>(1,776,628)</u>

#### Note 16: Pending Lawsuits and Claims

The District could be a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the District.

#### Note 17: Disaggregation of Receivables and Payables Balances

Receivables at August 31, 2020 and 2019 were as follows:

	2020	2019
Accounts receivable	\$ 95,232	\$ 50,971
Student receivables	41,692	36,542
Federal receivables	20,348	53,806
Taxes receivable	33,471	33,471
Other receivables	118,302	4,483
Total	\$ <u>309,045</u>	\$ <u>179,273</u>

Payables as of August 31, 2020 and 2019 are as follows:

	2020	2019
Vendor payables	\$ 272,807	\$ 405,163
Accrued payroll	264,510	248,499
Accrued interest	32,376	32,376
Accrued other	3,552	(5,348)
Total	\$ <u>573,245</u>	\$ <u>680,690</u>

#### Note 18: Contract and Grant Awards

Contract and grant awards are accounted for in accordance with requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. 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. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2020 and 2019 for which monies have not been received nor funds expended totaled \$812,675 and \$0. Of these amounts \$0 and \$0 were from Federal Contract and Grant Awards; \$812,675 and \$0 were from State Contract and Grant Awards; \$0 and \$0 from Local Contract and Grant Awards; and \$0 and \$0 were from Private Contract and Grant Awards for the fiscal years ended 2020 and 2019, respectively.

**Note 19: Group “Pooled Risk” Self-Insurance Pool**

The District is a participant in the Community Colleges of Texas Insurance Association Self-Insurance Program (the "program"). The purpose of the program is to provide the statutory benefits for the members' employees through self-insurance workers' compensation prescribed by Texas Revised Civil Statutes Annotated Art. 8309h and Texas Government Code Ch. 791 (the "Interlocal Cooperation Act"). All fund members must be members of the Community Colleges of Texas Insurance Association.

The interlocal agreement between the District and the program is for a term beginning September 1, 2019, and ending August 31, 2020. Either party may terminate the agreement upon 60 days written notice.

The required contributions for each fund member is based on the prorated percentage of the members' gross payroll compared to the gross payroll of all fund members. The interlocal agreement states that members will have no joint and several liability beyond the loss fund maximum contribution payable.

The District's loss fund maximum for the period of the contract was \$65,882 and \$52,624 for the years ended August 31, 2020 and 2019, respectively, and stop loss protection up to a limit prescribed by law was purchased for losses above this amount. The board reserved the right in the interlocal agreement to adjust this stop loss provision in the event that the fiscal soundness of the fund would justify such an adjustment and/or result in savings to fund members. All claims are processed and paid by the District through the servicing contractor employed by the fund.

**Note 20: Income Taxes**

The District 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 taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2020 and 2019.

**Note 21: Donor Restricted Endowments**

The District retains in perpetuity: (a) the original value of initial and subsequent gift amounts donated to the Endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure.

The District considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. The purposes of the District and the donor-restricted endowment fund,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and appreciation of the investments,
6. Other resources of the District, and
7. The investment policies of the District.

Changes in endowment net assets consist of the following at August 31:

	2020	2019
Endowment net assets, beginning of year	\$ 916,425	\$ 904,836
Contributions	24,400	200
Investment earnings	7,164	12,389
Scholarships	(500)	(1,000)
Endowment net assets, end of year	\$ 947,489	\$ 916,425

The District considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. There were no endowments considered to be underwater as of August 31, 2020 and 2019.

## **Note 22: Subsequent Events**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area of the District. While it is unknown how long these conditions will last and what the complete financial effect will be to the District, to date, the District could experience a decline in tuition, fees, and auxiliary revenue.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including possible losses on receivables.

## **Required Supplementary Information**

CISCO COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED AUGUST 31, 2020 \*  
EXHIBIT 4

Fiscal Year Ending August 31, *	2020	2019	2018	2017	2016
District's proportionate share of collective net pension liability (%)	0.000069380182	0.000071452679	0.000074787872	0.000074824066	0.000077287000
District's proportionate share of collective net pension liability (\$)	\$3,606,599	\$3,932,929	\$2,391,313	\$2,827,490	\$2,731,993
State's proportional share of net pension liability associated with District	\$1,929,390	\$1,987,965	\$1,251,800	\$1,540,588	\$1,479,871
Total	<u>\$5,535,989</u>	<u>\$5,920,894</u>	<u>\$3,643,113</u>	<u>\$4,368,078</u>	<u>\$4,211,864</u>
District's covered payroll	\$5,534,345	\$5,357,884	\$5,489,110	\$5,374,211	\$4,211,864
District's proportionate share of collective net pension liability as a percentage of covered payroll	65.17%	73.40%	43.56%	52.61%	64.86%
Plan fiduciary net position as percentage of total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%

\*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.



CISCO COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
LAST FIVE FISCAL YEARS  
EXHIBIT 5

<b>Fiscal Year Ending August 31, *</b>	<b>2020**</b>	<b>2019**</b>	<b>2018**</b>	<b>2017**</b>	<b>2016**</b>	<b>2015**</b>
Legally required contributions	256,734	246,474	235,698	245,111	237,735	228,951
Actual contributions	256,734	246,474	235,698	245,111	237,735	228,951
Contributions deficiency (excess)	-	-	-	-	-	-
District's covered payroll amount	\$5,568,993	\$5,534,345	\$5,357,884	\$5,489,110	\$5,374,211	\$4,211,864
Contributions as a percentage of covered payroll	4.61%	4.45%	4.40%	4.47%	4.42%	5.44%

\*The amounts presented above are as of the College's respective fiscal year-end.

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

CISCO COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY  
FOR THE YEAR ENDED AUGUST 31, 2020  
EXHIBIT 6

<b>Fiscal Year Ending August 31, *</b>	<b>2020**</b>	<b>2019**</b>	<b>2018**</b>
District's proportionate share of collective net pension liability (%)	0.0003855513	0.0004248597	0.0003636929
District's proportionate share of collective net pension liability (\$)	\$13,325,685	\$12,591,882	\$12,392,112
State's proportional share of net pension liability associated with District	\$11,048,685	\$9,162,825	\$10,035,001
Total	<u>\$24,374,370</u>	<u>\$21,754,707</u>	<u>\$22,427,113</u>
District's covered payroll	\$7,017,912	\$6,946,672	\$6,609,009
District's proportionate share of collective net OPEB liability as a percentage of covered payroll	189.88%	181.26%	187.50%
Plan fiduciary net position as percentage of total OPEB liability	1.30%	1.30%	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.

CISCO COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OPEB  
FOR THE YEAR ENDED AUGUST 31, 2020  
EXHIBIT 7

<b>Fiscal Year Ending August 31, *</b>	<b>2020**</b>	<b>2019**</b>	<b>2018**</b>
Legally required contributions	\$1,204,256	\$1,454,450	\$946,437
Actual contributions	<u>1,204,256</u>	<u>1,454,450</u>	<u>946,437</u>
Contributions deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
College's covered payroll amount	\$6,984,025	\$7,017,912	\$6,946,672
Contributions as a percentage of covered payroll	17.24%	20.72%	17.24%

\*The amounts presented above are as of the College's respective fiscal year-end.

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

## **Supplemental Schedules**

CISCO COLLEGE DISTRICT  
SCHEDULE OF OPERATING REVENUES  
YEAR ENDED AUGUST 31, 2020  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)  
SCHEDULE A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals	
					Fiscal Year 2020	Fiscal Year 2019
<b>Tuition</b>						
State-funded courses						
In-district resident tuition	\$ 51,536	\$ -	\$ 51,536	\$ -	\$ 51,536	\$ 53,058
Out-of-district resident tuition	2,842,762	-	2,842,762	-	2,842,762	2,654,419
Non-resident tuition	188,610	-	188,610	-	188,610	147,341
TPEG - credit (set aside)*	189,614	-	189,614	-	189,614	184,529
Non-state funded educational programs	120,049	-	120,049	-	120,049	134,885
<b>Total Tuition</b>	<u>3,392,571</u>	<u>-</u>	<u>3,392,571</u>	<u>-</u>	<u>3,392,571</u>	<u>3,174,232</u>
<b>Fees</b>						
General fee	3,077,292	-	3,077,292	54,560	3,131,852	3,235,524
Student service fee	1,231,097	-	1,231,097	-	1,231,097	1,150,856
Out-of-district fees	2,162,850	-	2,162,850	-	2,162,850	2,021,760
Laboratory fee	116,295	-	116,295	-	116,295	121,605
Other fees (as needed)	76,785	-	76,785	-	76,785	95,840
<b>Total Fees</b>	<u>6,664,319</u>	<u>-</u>	<u>6,664,319</u>	<u>54,560</u>	<u>6,718,879</u>	<u>6,625,585</u>
<b>Scholarship Allowances and Discounts</b>						
Bad debt allowances	-	-	-	-	-	-
Remissions and exemptions - state	-	-	-	-	-	-
Remissions and exemptions - local	(71,925)	-	(71,925)	-	(71,925)	(82,019)
Title IV federal grants	(4,188,490)	-	(4,188,490)	-	(4,188,490)	(4,277,831)
TPEG awards	(232,942)	-	(232,942)	-	(232,942)	(226,143)
Other state grants	(279,138)	-	(279,138)	-	(279,138)	(236,337)
<b>Total Scholarship Allowances and Discounts</b>	<u>(4,772,495)</u>	<u>-</u>	<u>(4,772,495)</u>	<u>-</u>	<u>(4,772,495)</u>	<u>(4,822,330)</u>
<b>Total Net Tuition and Fees</b>	<u>5,284,395</u>	<u>-</u>	<u>5,284,395</u>	<u>54,560</u>	<u>5,338,955</u>	<u>4,977,487</u>
<b>Other Operating Revenues</b>						
Federal grants and contracts	-	286,814	286,814	-	286,814	270,524
State grants and contracts	-	309,971	309,971	-	309,971	364,942
Local grants and contracts	-	84,246	84,246	-	84,246	45,591
Sales and services of educational activities	-	-	-	-	-	-
General operating revenues	120,912	-	120,912	-	120,912	174,277
<b>Total Other Operating Revenues</b>	<u>120,912</u>	<u>681,031</u>	<u>801,943</u>	<u>-</u>	<u>801,943</u>	<u>855,334</u>
<b>Auxiliary Enterprises</b>						
Bookstore	-	-	-	71,705	71,705	416,026
Food service	-	-	-	552,313	552,313	761,076
Residential life	-	-	-	427,680	427,680	464,129
<b>Total Net Auxiliary Enterprises</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,051,698</u>	<u>1,051,698</u>	<u>1,641,231</u>
<b>Total Operating Revenues</b>	<u>\$ 5,405,307</u>	<u>\$ 681,031</u>	<u>\$ 6,086,338</u>	<u>\$ 1,106,258</u>	<u>\$ 7,192,596</u>	<u>\$ 7,474,052</u>
					(Exhibit 2)	(Exhibit 2)

\* - In accordance with Education Code 56.033, \$189,614 and 184,529 for years August 31, 2020 and 2019, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

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

CISCO COLLEGE DISTRICT  
STATEMENT OF OPERATING EXPENSES BY OBJECT  
YEAR ENDED AUGUST 31, 2020  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)  
SCHEDULE B

	Operating Expenses				Totals	
	Salaries And Wages	Benefits		Other Expenses	Fiscal Year 2020	Fiscal Year 2019
		State	Local			
Unrestricted - Educational and General						
Instruction	\$ 4,916,536	\$ -	\$ 1,240,113	\$ 499,619	\$ 6,656,268	\$ 6,611,696
Public service	-	-	-	6,567	6,567	2,069
Academic support	389,243	-	95,672	212,391	697,306	885,584
Student services	960,049	-	235,970	209,521	1,405,540	1,504,656
Institutional support	1,083,180	-	266,234	1,937,896	3,287,310	2,541,675
Operation and maintenance of plant	365,373	-	89,805	1,208,711	1,663,889	1,526,766
Scholarships and fellowships	-	-	-	-	-	-
Total Unrestricted	<u>7,714,381</u>	<u>-</u>	<u>1,927,794</u>	<u>4,074,705</u>	<u>13,716,880</u>	<u>13,072,446</u>
Restricted - Educational and General						
Instruction	128,889	1,098,600	-	111,858	1,339,347	1,258,552
Research	-	-	-	-	-	-
Public Service	-	-	-	-	-	-
Academic support	-	84,754	-	-	84,754	67,524
Student services	-	209,043	-	-	209,043	184,191
Institutional support	-	235,854	-	1,128,439	1,364,293	194,072
Operation and maintenance of plant	-	79,557	-	-	79,557	68,036
Scholarships and fellowships	-	-	-	5,059,111	5,059,111	5,551,543
Total Restricted	<u>128,889</u>	<u>1,707,808</u>	<u>-</u>	<u>6,299,408</u>	<u>8,136,105</u>	<u>7,323,918</u>
Total Educational and General	<u>7,843,270</u>	<u>1,707,808</u>	<u>1,927,794</u>	<u>10,374,113</u>	<u>21,852,985</u>	<u>20,396,364</u>
Auxiliary Enterprises	224,275	-	55,124	1,359,174	1,638,573	2,899,454
Depreciation expense - buildings and other real estate	-	-	-	467,206	467,206	475,260
Depreciation expense - equipment and furniture	-	-	-	215,876	215,876	189,916
Total Operating Expenses	<u>\$ 8,067,545</u>	<u>\$ 1,707,808</u>	<u>\$ 1,982,918</u>	<u>\$ 12,416,369</u>	<u>\$ 24,174,640</u> (Exhibit 2)	<u>\$ 23,960,994</u> (Exhibit 2)

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

CISCO COLLEGE DISTRICT  
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES  
YEAR ENDED AUGUST 31, 2020  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)  
SCHEDULE C

	Totals				
	Unrestricted	Restricted	Auxiliary Enterprises	Fiscal Year 2020	Fiscal Year 2019
NON-OPERATING REVENUES:					
State Appropriations					
Education and general state support	\$ 5,354,415	\$ -	\$ -	\$ 5,354,415	\$ 4,990,088
State group insurance	-	1,241,233	-	1,241,233	1,001,729
State retirement matching	-	416,963	-	416,963	368,892
Total State Appropriations	5,354,415	1,658,196	-	7,012,611	6,360,709
Maintenance ad valorem taxes	1,217,358	-	-	1,217,358	1,174,942
Federal revenue, non-operating	-	9,426,151	-	9,426,151	9,000,600
Gifts	170,617	-	-	170,617	131,138
Investment income	65,619	-	-	65,619	98,528
Total Non-Operating Revenues	6,808,009	11,084,347	-	17,892,356	16,765,917
NON-OPERATING EXPENSES:					
Interest on capital related debt	175,776	-	-	175,776	194,655
Total Non-Operating Expenses	175,776	-	-	175,776	194,655
NET NON-OPERATING REVENUES	\$ 6,632,233	\$ 11,084,347	\$ -	\$ 17,716,580	\$ 16,571,262
				(Exhibit 2)	(Exhibit 2)

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

CISCO COLLEGE DISTRICT  
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
YEAR ENDED AUGUST 31, 2020  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)  
SCHEDULE D

	Detail by Source					Available for Current Operations	
	Restricted			Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
	Unrestricted	Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (15,496,667)	\$ -	\$ -	\$ -	\$ (15,496,667)	\$ 2,653,619	\$ (18,150,286)
Board Designated	-	-	-	-	-	-	-
Restricted	-	137,487	-	-	137,487	137,487	-
Auxiliary enterprises	-	-	-	-	-	-	-
Loan	-	-	-	-	-	-	-
Endowment:							
Quasi:	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Endowment							
True	-	-	947,489	-	947,489	-	947,489
Term (per instructions at maturity)	-	-	-	-	-	-	-
Life Income Contracts	-	-	-	-	-	-	-
Annuities	-	-	-	-	-	-	-
Plant:							
Unexpended	-	-	-	-	-	-	-
Renewals	-	-	-	-	-	-	-
Debt Service	-	550,000	-	-	550,000	-	550,000
Investment in Plant	-	-	-	10,196,800	10,196,800	-	10,196,800
Total Net Position, August 31, 2020	(15,496,667)	687,487	947,489	10,196,800	(3,664,891)	2,791,106	(6,455,997)
Total Net Position, August 31, 2019	(15,885,033)	687,487	916,425	9,881,694	(4,399,427)	2,082,815	(6,482,242)
Net Increase (Decrease) in Net Position	\$ 388,366	\$ -	\$ 31,064	\$ 315,106	\$ 734,536	\$ 708,291	\$ 26,245

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



Cisco College District  
Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2020  
Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Direct Awards	Pass-Through Awards	Total Expenditures
<b>U.S. Department of Education</b>					
Direct Programs:					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007		\$ 71,095	\$	\$ 71,095
Federal Work-Study Program	84.033		109,932		109,932
Federal Pell Grant Program	84.063		5,651,235		5,651,235
Federal Direct Student Loans	84.268		2,474,071		2,474,071
Total Student Financial Assistance Cluster			8,306,333		8,306,333
Coronavirus Aid Relief and Economic Security					
CARES - Institutional	84.425F		351,651		351,651
CARES - Student	84.425E		768,167		768,167
Total CARES			1,119,818		1,119,818
Total Direct Programs			9,426,151		9,426,151
Passed Through From:					
Pass-Through From:					
Texas Higher Education Coordinating Board					
Carl Perkins Voc. Ed.	84.048	194222		286,814	286,814
<b>Total U.S. Department of Education</b>					9,712,965
<b>Total Federal Financial Assistance</b>					\$ 9,712,965

Note 1: Federal Assistance Reconciliation

Federal Revenues - per Schedule A:

Federal Grants and Contracts

\$ 286,814

Indirect/Administrative Costs Recoveries

-

Total Federal Revenues Per Schedule A

286,814

Federal Revenues - per Schedule C:

Federal Grants, Non-Operating

9,426,151

Total Federal Revenues Per Schedule C

9,426,151

Total Federal Revenues per Schedule A and C

\$ 9,712,965

Note 2: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the District for the purposes of the award. The expenditures reported 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 general purpose 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 District has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the District has a Department of Health and Human Services approved Indirect Recovery Rate it has elected not to use the 10% de minimis cost rate as permitted in the UG, section 200.414.

Note 3: Student Loans Processed and Administrative Cost Recovery

Federal Grantor

Total Loans

CFDA Number/Program Name

Processed

U.S Department of Education CFDA 84.268 Federal Direct Student Loans

\$ 2,474,071

Total U.S. Department of Education

\$ 2,474,071

(There were no administrative costs recovered and included in above amount)

Note 4: Pass through amounts included in program expenditures:

All pass through amounts are identified in the schedule.

Cisco College District  
Schedule of Expenditures of State Awards  
For the Year Ended August 31, 2020  
Schedule F

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
<b><u>Texas Higher Education Coordinating Board</u></b>		
Direct Programs:		
Texas Education Opportunities Grant	20357	\$ 278,419
Educational Aide Exemption		12,195
Regional 60x30TX Target Grant	20460	772
Regional 60x30TX Target Grant	21989	2,775
<b>Total Texas Higher Education Coordinating Board</b>		<u>294,161</u>
<b><u>Texas Veterans Commission</u></b>		
Pass Through From:		
Texas Comptroller of Public Accounts		
Hazlewood Reimbursement		15,810
<b>Total Veterans Commission</b>		<u>15,810</u>
<b>Total State Financial Assistance</b>		<u>\$ 309,971</u>
Note 1: State Assistance Reconciliation		
State Revenues - per Schedule A:		
State Financial Assistance per Schedule of Expenditures of State Awards		\$ 309,971
State Financial Assistance Continuing Education Tuition and Fees Included in Exhibit 2 Captioned "Tuition and Fees"		<u>-</u>
<b>Total State Revenues per Schedule A</b>		<u>\$ 309,971</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 to the financial statements for the District's significant accounting policies. These expenditures are reported on the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

## **Internal Control Section**

December 14, 2020

**To the Board of Regents  
Cisco College District  
Cisco, Texas**

**INDEPENDENT AUDITORS' 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**

We have audited, in accordance with the 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 business-type activities of Cisco College District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Cisco College District's basic financial statements, and have issued our report thereon dated December 14, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cisco College District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cisco College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cisco College District'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cisco College District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements (including the Public Funds Investment Act Chapter 2256, Texas Government Code), 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 or the Public Funds Investment Act.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Condly and Company, L.L.P.*

Certified Public Accountants

December 14, 2020

**To the Board of Regents  
Cisco College District  
Cisco, Texas**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

**Report on Compliance for Each Major Federal Program**

We have audited Cisco College District'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 Cisco College District's major federal programs for the year ended August 31, 2020. Cisco College District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Cisco College District'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 the audit requirements of 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 Cisco College District'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 of Cisco College District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Cisco College District, 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 Cisco College District 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 Cisco College District'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 the 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 Cisco College District'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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Cisco College District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cisco College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Certified Public Accountants

**CISCO COLLEGE DISTRICT**  
**Cisco, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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 identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	No

*Federal Awards*

Internal controls over major program:	
• Material weakness identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major program:

<u>CFDA Number (s)</u>	<u>Name of Federal/State Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
84.425F	CARES – Institutional
84.425E	CARES - Student
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

The results of our audit procedures disclosed no findings to be reported for the year ended August 31, 2020.



## SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### A. Compliance Findings

2020-001

Cluster Name: Student Financial Aid Cluster  
CFDA Numbers and Names: 84.007 Federal SEOG  
84.033 Federal Work Study  
84.063 Federal Pell Grant  
84.268 Federal Direct Loans  
Federal Agency: U. S. Department of Education  
Compliance Requirement: Enrollment Reporting  
Questioned Costs: Not applicable

Criteria: In accordance with CFR sections 674.19(f), " Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a halftime basis for the period for which the loan was intended."

Condition: We reviewed a sample of forty-eight (48) students who withdrew during the fiscal year. Of the forty-eight (48) students tested, sixteen (16) students were reported to NSLDS either inaccurately or untimely. Of the sixteen (16) students, six (6) students incorrectly reported to the NSLDS as withdrawn when they had actually graduated. Fourteen (14) students were reported using an accurate withdrawal date but were not reported to the NSLDS within the required timeframe. The changes were reported from nine (9) to one hundred thirty-eight (138) days after the student status changes had occurred.

Population and Sample Size:

	Number	Dollars	Questioned Cost
Population	3,260	\$ N/A	\$ N/A
Sample	48	N/A	N/A
Not in compliance	16	N/A	None

Effect: A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies all of which are negatively impacted by inaccurate and late reporting.

Cause: The process for tracking and processing a change in enrollment is the responsibility of the District. The Central Registrar's office maintains the existing policy and procedure to report every thirty (30) days to NSLDS, but is reliant on the information tracked and input by the administrators at each school. Six (6) students were incorrectly reported as withdrawn in the system when they actually graduated. This is due to an error in the report being run from the District's IT system. The exact cause of this error is not yet known. Fourteen (14) students were not reported to the NSLDS within the required sixty (60) day time limit due to the students not being enrolled in summer courses. The District did not continuously report enrollment data for all students during the summer months, they only reported students who were enrolled in classes currently. This led to enrollment status changes not being reported for four (4) months.

Recommendation: We recommend the District implement a secondary review process of enrollment reporting as well as reinforce it's policies and procedures by continuing to provide training to individuals involved in the process, specifically those responsible for inputting enrollment changes into the system, to ensure the NSLDS records are updated timely and accurately.

Views of responsible official and planned corrective actions:

Cisco College District will implement a process where the Registrar will extract enrollment data from our Student Information System monthly listing students' enrollment status for the current semester. Errors will be corrected in the National Student Loan Data System (NSLDS) by the Registrar after the National Student Clearinghouse has processed each month's data, and errors have been returned to Cisco College District.

**CISCO COLLEGE DISTRICT**  
**Cisco, Texas**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended August 31, 2020

There were no findings identified for the year ended August 31, 2019.



## Cisco College

### Corrective Action Plan

December 14, 2020

Cisco College District respectfully submits the following corrective action plan for the year ending on August 31, 2020

Name and address of the independent public accounting firm: Condley & Company, LLP  
993 North Third Street  
P.O. Box 2993  
Abilene, Texas 79604-2993

Audit Period: For the year ending August 31, 2020

The finding from the 2020 schedule of findings and questioned cost is discussed below.

The finding is numbered consistently with the number assigned in the schedule.

#### Finding - Federal Award Findings and Questioned Costs

##### Compliance

2020-001

Cluster name:	Student Financial Assistance Cluster
CFDA numbers and names:	84.007 – Federal Supplemental Educational Opportunity Grants 84.033 – Federal Work-Study Program 84.063 – Federal Pell Grant Program 84.268 – Federal Direct Student Loans
Federal Agency:	U.S. Department of Education
Compliance requirement:	Enrollment Reporting
Questioned Costs:	Not applicable

Recommendation: We recommend the District implement a secondary review process of enrollment reporting as well as reinforce it's policies and procedures by continuing to provide training to individuals involved in the process, specifically those responsible for inputting enrollment changes into the system, to ensure the NSLDS records are updated timely and accurately.

Action Taken: Cisco College District has implemented a process where the Registrar will extract enrollment date from our Student Information System monthly listing students' enrollment status for the current semester. Errors will be corrected in the National Students Loan Data System (NSLDS) by the Registrar after the National Student Clearinghouse has processed each month's data, and errors have been returned to Cisco College District.

Implemented: December 14, 2020

If any questions arise regarding this plan, please call Audra Taylor, 254-442-5117.

Audra Taylor  
Dean of Business Services / CFO