

**TEXARKANA COLLEGE
TEXARKANA, TEXAS**

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

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

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ORGANIZATIONAL DATA

**TEXARKANA COLLEGE
ORGANIZATIONAL DATA
FOR THE YEAR ENDED AUGUST 31, 2020**

Board of Trustees

Officers

Kyle Davis	President
Kaye Ellison	Vice President
Anne Farris	Secretary

Members

		Term Expires <u>December 31</u>
Ernie Cochran	Texarkana, Texas	2024
Lesley Ledwell Dukelow	Texarkana, Texas	2022
George Moore	Texarkana, Texas	2026
Derrick McGary	Texarkana, Texas	2022

Key Officers

Dr. Jason Smith	President
Kim Jones, CPA	Vice President of Finance / Chief Financial Officer
Dr. Donna McDaniel	Vice President of Instruction
Mike Dumdei	Vice President of Information Technology
Phyllis Deese	Vice President of Administrative Services
Brandon Washington	Vice President of Operations Dean – Workforce and Continuing Education
Katie Andrus	Executive Director – Development/Foundation
Mindy Preston	Executive Director – Presidential and Board Activities
Dr. Dixon Boyles	Chief Instructional Officer/Dean – BSS
Dr. Catherine Howard	Dean – STEM
Robert Jones	Dean of Students
Courtney Shoalmire	Dean – Health Sciences
Dr. Mary Ellen Young	Dean – Liberal and Performing Arts
Rick Boyette	Director of Facility Services
Suzy Irwin	Director of Institutional Advancement and Public Relations
Steve Mitchell	Director of Radio Station
Brad Hoover	Controller
Mendy Sharp	Executive Director of Workforce & Business Development

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Texarkana College and the
Texarkana College Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit (the Texarkana College Foundation, Inc., hereinafter referred to as the Foundation) of the Texarkana College (the College) as of and for the years ended August 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of August 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof 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 through 9, the schedule of the College's share of net pension liability on page 49, the schedule of the College's contributions for pensions on page 50, the schedule of the College's share of net OPEB liability on page 51, the schedule of the College's contributions for OPEB on page 52, and the notes to the required supplemental information on page 53 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 Texarkana College and the Texarkana College Foundation, Inc.'s basic financial statements.

The Statement of Income and Expenses – Auxiliary Enterprises and the Schedule of Insurance in Force are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenues and Expenses, Schedule of Net Position by Source and Availability, and the Schedule of Expenditures of State Awards presented on pages 54 through 62 are presented for purposes of additional analysis as required by the *Texas Higher Education Coordinating Board* and are also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenues and Expenses, Schedule of Net Position by Source and Availability, Schedule of Expenditures of Federal Awards, Schedule of Expenditures of State Awards, and Statement of Income and Expenses – Auxiliary Enterprises are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules referenced in the first sentence of this paragraph are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Insurance in Force 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 College'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 College's internal control over financial reporting and compliance.



Certified Public Accountants

Texarkana, Texas
December 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019

This section of Texarkana College's annual financial report presents management's discussion and analysis of the financial performance of the College during the fiscal years ending 2020, 2019, and 2018. This discussion should be read in conjunction with the accompanying financial statements, notes to the financial statements, and supplemental information. This discussion focuses on currently known facts, decisions, and conditions that have an impact on the financial activities for the College, and is intended to assist the reader in the interpretation of the financial statements. The financial statements, notes to the financial statements, supplemental information, and this discussion are the responsibility of Texarkana College's management.

A Brief Discussion of the Basic Financial Statements

This annual report contains financial statements prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities* and as amended by GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These financial statements differ significantly, in both the form and the accounting principles utilized, from financial statements issued prior to 2002. The financial statements presented in years prior to 2002 focused on the accountability of fund groups, while these statements focus on the financial condition, the results of operations, and cash flows of the College as a whole.

The financial statements prescribed by GASB No. 35, 63, and 65 (the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) present financial information similar to that used by commercial enterprises. The statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. In addition, the statements recognize liabilities, deferred inflows, and deferred outflows related to pensions and other post-employment benefits as prescribed by GASB No. 68 and 75.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, when applicable. Decreases over time in the net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows or resources) would be one indicator of the deterioration of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related financing, and investing activities. The statement helps measure the ability to pay operating expenses with operating revenues and the extent that capital assets are financed.

The financial statements for the College's discrete component unit, Texarkana College Foundation, Inc., are issued independent of the College. The Foundation's financial information is shown on separate pages behind the College's basic financial statements. Refer to Note 20 in the Notes to the Basic Financial Statements for more detail on the Foundation.

**TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019**

Financial Position Summary

	2020	2019	2018
Assets			
Current and other assets	\$ 23,929,947	\$ 22,584,983	\$ 20,823,169
Restricted cash and cash equivalents	8,053,994	10,121,904	891,130
Capital assets, net	22,617,894	19,641,021	19,990,794
Total assets	<u>54,601,835</u>	<u>52,347,908</u>	<u>41,705,093</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	2,440,146	2,686,711	642,306
Deferred outflows related to OPEB	1,777,513	230,131	632,509
Total Deferred Outflows of Resources	<u>4,217,659</u>	<u>2,916,842</u>	<u>1,274,815</u>
Liabilities			
Current liabilities	7,487,713	7,106,223	7,273,827
Noncurrent liabilities	35,776,645	35,986,157	31,621,298
Total liabilities	<u>43,264,358</u>	<u>43,092,380</u>	<u>38,895,125</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	1,117,092	622,675	897,656
Deferred inflows related to OPEBs	10,265,820	11,379,850	5,710,757
Total Deferred Inflows of Resources	<u>11,382,912</u>	<u>12,002,525</u>	<u>6,608,413</u>
Net Position			
Invested in capital assets, net of debt	15,509,304	15,264,096	17,507,705
Restricted	1,241,788	1,245,814	1,281,830
Unrestricted	<u>(12,578,868)</u>	<u>(16,340,065)</u>	<u>(21,313,165)</u>
Total net position	<u>4,172,224</u>	<u>169,845</u>	<u>(2,523,630)</u>

The College's capital assets, net of accumulated depreciation, represent 41% and 38% of the total assets at August 31, 2020 and 2019, respectively. The largest component of capital assets is the College's investment in buildings. The buildings represent 78% of the capital assets at the end of the 2020 fiscal year, compared to 74% for 2019. Adequate facilities are an important factor in the ability of the College to meet the educational needs of current and future students.

TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019

Summary of Changes in Net Position

	2020	2019	2018
Operating Revenues:			
Net Tuition and Fees	4,363,647	6,173,965	5,848,482
Federal Grants and Contracts	2,085,883	1,582,695	678,182
State Grants and Contracts	1,005,162	736,966	452,794
Non-Governmental Grants	373,491	293,266	459,408
Sales and Services Activities	165,747	224,515	253,242
Net Auxiliary Enterprises	264,176	290,728	366,280
Other	104,149	194,621	196,341
Total Operating Revenue	<u>8,362,255</u>	<u>9,496,756</u>	<u>8,254,729</u>
Operating Expenses:			
Instruction	12,293,231	12,229,050	13,268,980
Academic Support	2,073,383	2,254,339	2,437,023
Student Services	1,935,367	1,981,870	2,365,083
Institutional Support	4,103,598	4,449,071	4,409,841
Operation and Maintenance of Plant	2,067,243	2,447,553	2,619,049
Scholarships and Fellowships	3,622,254	3,717,002	3,395,838
Auxiliary Enterprises	1,544,861	1,839,281	1,934,819
Depreciation	1,698,444	1,710,193	1,782,463
Total Operating Expenses	<u>29,338,381</u>	<u>30,628,359</u>	<u>32,213,096</u>
Operating Loss	<u>(20,976,126)</u>	<u>(21,131,603)</u>	<u>(23,958,367)</u>
Non-Operating Income (Expenses)			
State Appropriations	8,211,426	8,628,187	9,550,866
Taxes	7,002,036	6,532,330	6,265,405
Federal Grants Non Operating	8,969,988	8,598,541	8,550,334
Gifts	236,576	-	313
Investment Income	566,807	534,764	217,199
Rent Income	30,850	136,295	178,635
Other Non-Operating Income	4,501	8,499	4,997
Gain (Loss) on Disposal of Assets	-	(547,469)	(362,997)
Interest on Capital Related Debt	(43,679)	(66,069)	(70,701)
Net Non-Operating Revenues	<u>24,978,505</u>	<u>23,825,078</u>	<u>24,334,051</u>
Increase in Net Position	<u>4,002,379</u>	<u>2,693,475</u>	<u>375,684</u>
Net Position-Beginning of Year, as previously reported	169,845	(2,523,630)	27,249,849
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>-</u>	<u>(30,149,163)</u>
Net Position-Beginning of Year, as restated	<u>169,845</u>	<u>(2,523,630)</u>	<u>(2,899,314)</u>
Net Position-End of Year	<u>\$ 4,172,224</u>	<u>\$ 169,845</u>	<u>\$ (2,523,630)</u>

**TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019**

Summary of Changes in Net Position (continued)

The College's net position increased \$4,002,379 for the year ended August 31, 2020, compared to an increase of \$2,693,475 for the year ended August 31, 2019.

The College's net position increased \$2,693,475 and \$375,684 for the years ended August 31, 2019 and 2018, respectively. The 2019 and 2018 increase was from the continued focused objective of conservative budgeting and sound financial planning.

As discussed in Note 2, the College implemented GASB 75, which required accounting changes related to other post-employment benefits for the year ended August 31, 2018. However, information was not available for restatement of the years ended August 31, 2017.

The District's net position at August 31, 2020, reflected an excess of \$4,172,224 million as compared to an excess of \$169,845 at August 31, 2019. This increase of \$4.0 million is primarily attributable a decrease in expenses due to the shutdown for COVID-19 and an increase in grants and contracts. It is also attributable to the recognition of the net other post-employment benefits (OPEB) liability and related deferred inflows and outflows, as required by the implementation of GASB 75. Had GASB 75 not been implemented, the District's net position would have increased by approximately \$2.8 million resulting from excess revenues over expenses.

The College's cash and cash equivalents increased \$1,672,092 and \$8,567,554 during the years ended August 31, 2020 and 2019, respectively.

Analysis of College's Overall Financial Position and Results of Operation

Current and other assets, as of August 31, 2020, totaled \$23,929,947 which is 44% of the total assets. Approximately 78% of the current assets are in cash or are invested in certificates of deposit at August 31, 2020.

Current and other assets, as of August 31, 2019, totaled \$22,584,983 which is 43% of the total assets. Approximately 75% of the current assets are in cash or are invested in certificates of deposit at August 31, 2019.

Current and other assets, as of August 31, 2018, totaled \$20,823,169 which is 50% of the total assets. Approximately 75% of the current assets are in cash or are invested in certificates of deposit at August 31, 2018.

Current liabilities total \$7,487,713 for 2020 and \$7,106,223 for 2019. Unearned revenue is 51% for 2020 and 56% for 2019 of the total current liabilities. Unearned revenue is the tuition and fees collected/recorded prior to year-end for the fall classes. These are unearned because the revenue has not been earned as of the end of the year. These monies are for classes that will be primarily conducted in the next fiscal year.

The college incurred a net operating loss for the year ended August 31, 2020, 2019, and 2018, because state appropriations, Title IV funds, and property tax collections are classified as non-operating revenues.

Net operating loss is an excess of the cost to provide educational instruction to our students over income from grants and funds charged to students.

**TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019**

Analysis of College's Overall Financial Position and Results of Operation (continued)

Net operating income is an excess of grants and funds charged to students over the cost to provide educational instruction to our students.

State and Federal funds amounted to 61% and charges to students amounted to 14% for 2020, state and federal funds amounted to 59% and charges to students amounted to 20% of total revenues for the year ended August 31, 2019.

Salaries and benefits are approximately 57% and 56% of total operating expenses for the years ended August 31, 2020 and 2019, respectively.

Non-operating revenues primarily consist of state appropriations, property tax, federal grants and contracts, gifts, and investment income.

The College had negative cash flows from operating activities for the years ended August 31, 2020, 2019 and 2018 because a significant portion of the revenue, state appropriations, Title IV funds, and taxes, are considered non-operating revenue.

The College purchased capital assets during the years ended August 31, 2020 and 2019, totaling \$4,699,230 and \$1,984,801, respectively.

Changes in credit ratings

There has not been a change in the credit rating of Texarkana College.

Debt limitations that may affect the financing of planned facilities or services

In February of 2019, the College Board of Trustees authorized a maintenance tax note in the amount of \$10,000,000 to provide funds for the implementation of the board approved capital projects fund. A combination of unencumbered general fund reserves and tax revenue will be utilized during the twenty-year repayment period to make the note payments.

In March of 2013, the College Board of Trustees authorized a maintenance note in the amount of \$3,500,000 to provide funds for an energy management and roofing project. A portion of the note is anticipated to be repaid by energy savings generated by the HVAC project.

Discussion of currently known facts, decisions, or conditions

Texarkana College has continued the focused objective of returning to the historically sound financial principles and stability for which the institution was known. Based on the actions taken by the board, administration, and the continued evaluations of performance measures, Texarkana College was able, once again, to add to the total net position during this past fiscal year.

**TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019**

Discussion of currently known facts, decisions, or conditions (continued)

The College relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. Over the past several years, the College has been forced to respond to declining state funds by reducing costs and increasing revenue from tuition and fees and local taxes. In November 2012, the College was successfully able to expand the taxing district through annexation of territory that lies within the state designated service area. The voters of Bowie county approved the annexation, which increased the college's appraised values. This increase in tax revenue brought the college a much-needed perpetual revenue source. The College will continue to make focused, data driven decisions to ensure sound financial results. The College's 2021 budget is balanced and structurally sound; however, the College will continue to face challenges in the future to fund anticipated increases in demands for community college services.

The College has many aging facilities. Over the past seven years, the College has done some major renovations and repairs, roof replacements, and furnishing upgrades. While these renovations and repairs have made much needed improvements to the campus, additional improvements are still necessary. The College has recently completed a master facilities plan, and in 2019 placed the plan into action.

In December 2019, the board approved a resolution to initiate proceedings relating to the issuance of \$15 million in maintenance tax notes, \$10 million was issued in 2019 and \$5 million to be issued in 2021, to address the boards strategic goal to enhance, upgrade and renovate facilities to meet state and federal ADA compliance standards and modernize instructional space. After a thorough review by architects and engineers in the fall, a plan was developed to renovate the former Health Sciences Facility, current Chemistry, and current Biology buildings into a newly removed STEM center. Parking lot repairs, replacements, and improvements, HVAC work and campus wide Americans with Disabilities compliance are also a part of the capital projects plan. Work began on these projects during 2019 and is scheduled for completion during the summer of 2022.

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic which has been subsequently extended and is still in effect.

The full extent of the ongoing impact of COVID-19 on the College's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID- 19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The College continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the College. While the potential impact of the Pandemic on the College cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the College's operations and financial condition.

**TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019**

Discussion of currently known facts, decisions, or conditions (continued)

While it is not possible to predict the effects of future economic conditions, management believes the College has a solid and stable financial position and is well equipped to handle the increasing demands to provide our community with a better educated workforce. The college is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the subsequent fiscal year.

Based on the continued evaluations, data-driven decisions, and future plans, Texarkana College is prepared to sustain its strong financial position and will continue to serve the constituents of this region with affordable, accessible, and high-quality educational opportunities for many future generations.

Texarkana College affirms its mission to provide, within the resources available, quality educational programs and services that meet individual and community needs.

FINANCIAL STATEMENTS

TEXARKANA COLLEGE
EXHIBIT 1 – STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,931,119	\$ 3,191,117
Investments - other	11,779,862	13,904,612
Accounts receivable, net of allowance for doubtful accounts	4,418,707	4,742,054
Prepaid expenses	190,586	154,553
Inventories	609,673	592,647
Total Current Assets	<u>23,929,947</u>	<u>22,584,983</u>
Noncurrent Assets		
Restricted cash and cash equivalents	8,053,994	10,121,904
Capital assets, net of accumulated depreciation	22,617,894	19,641,021
Total Noncurrent Assets	<u>30,671,888</u>	<u>29,762,925</u>
Total Assets	<u>54,601,835</u>	<u>52,347,908</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	2,440,146	2,686,711
Deferred outflows related to OPEB	1,777,513	230,131
Total Deferred Outflows of Resources	<u>4,217,659</u>	<u>2,916,842</u>
LIABILITIES		
Current Liabilities		
Accounts payable	955,747	718,751
Accrued liabilities	529,025	585,029
Accrued interest	41,406	50,308
Funds held for others	950,795	922,855
Deposits	2,412	2,412
Unearned revenues	3,801,278	3,983,590
Notes payable - current portion	591,722	571,029
Net OPEB liability - current portion	615,328	272,249
Total Current Liabilities	<u>7,487,713</u>	<u>7,106,223</u>
Noncurrent Liabilities		
Accrued compensable absences payable	471,916	421,605
Note payable - non-current portion	10,930,530	11,522,251
Net pension liability	5,575,117	5,806,554
Net OPEB liability - non-current portion	18,799,082	18,235,747
Total Noncurrent Liabilities	<u>35,776,645</u>	<u>35,986,157</u>
Total Liabilities	<u>43,264,358</u>	<u>43,092,380</u>
DEFERRED INFLOWS OR RESOURCES		
Deferred inflows related to pensions	1,117,092	622,675
Deferred inflows related to OPEB	10,265,820	11,379,850
Total Deferred Inflows of Resources	<u>11,382,912</u>	<u>12,002,525</u>
NET POSITION		
Invested in capital assets, net of related debt	15,509,304	15,264,096
Restricted for:		
Nonexpendable Student Aid	1,249,368	1,231,370
Expendable Student Aid	(7,580)	14,444
Unrestricted	(12,578,868)	(16,340,065)
Total Net Position	<u>\$ 4,172,224</u>	<u>\$ 169,845</u>

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2020 AND 2019

	ASSETS	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 434,931	\$ 667,347
Investments - Other	306,312	430,304
Investments	3,143,178	2,169,311
Accrued interest and dividends	16,832	17,218
TOTAL CURRENT ASSETS	3,901,253	3,284,180
NONCURRENT ASSETS		
Investments - restricted	6,792,064	5,638,102
TOTAL NONCURRENT ASSETS	6,792,064	5,638,102
TOTAL ASSETS	10,693,317	8,922,282
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to College	6,900	580
TOTAL CURRENT LIABILITIES	6,900	580
TOTAL LIABILITIES	6,900	580
NET POSITION		
Without donor restrictions	3,884,575	3,266,791
With donor restrictions	6,801,842	5,654,911
TOTAL NET POSITION	10,686,417	8,921,702
TOTAL LIABILITIES AND NET POSITION	\$ 10,693,317	\$ 8,922,282

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

TEXARKANA COLLEGE

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

	<u>2020</u>	<u>2019</u>
REVENUES		
Operating Revenues		
Tuition and fees (net of grant and scholarship allowances of \$5,094,428 and \$4,456,322, respectively)	\$ 4,363,647	\$ 6,173,965
Federal grants and contracts	2,085,883	1,582,695
State grants and contracts	1,005,162	736,966
Non-Governmental grants and contracts	373,491	293,266
Sales and services of educational activities	165,747	224,515
Auxiliary enterprises (net of grant and scholarship allowances of \$1,090,041 and \$1,440,774, respectively)	264,176	290,728
Other operating revenues	104,149	194,621
Total Operating Revenues	<u>8,362,255</u>	<u>9,496,756</u>
EXPENSES		
Operating Expenses		
Instruction	12,293,231	12,229,050
Academic Support	2,073,383	2,254,339
Student Services	1,935,367	1,981,870
Institutional Support	4,103,598	4,449,071
Operation and maintenance of plant	2,067,243	2,447,553
Scholarships and fellowships	3,622,254	3,717,002
Auxiliary enterprises	1,544,861	1,839,281
Depreciation	1,698,444	1,710,193
Total Operating Expenses	<u>29,338,381</u>	<u>30,628,359</u>
Operating Loss	<u>(20,976,126)</u>	<u>(21,131,603)</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	8,211,426	8,628,187
Maintenance ad-valorem taxes		
Taxes for maintenance & operations	7,002,036	6,532,330
Federal grants and contracts non-operating	8,969,988	8,598,541
Gifts	236,576	-
Investment income (net of investment expenses)	566,807	534,764
Rent income	30,850	136,295
Other non-operating revenues	4,501	8,499
Loss on disposal of fixed assets	-	(547,469)
Interest on capital related debt	(43,679)	(66,069)
Net non-operating revenues	<u>24,978,505</u>	<u>23,825,078</u>
Increase in Net Position	<u>4,002,379</u>	<u>2,693,475</u>
NET POSITION		
Net Position - Beginning of Year	<u>169,845</u>	<u>(2,523,630)</u>
Net Position - End of Year	<u><u>\$ 4,172,224</u></u>	<u><u>\$ 169,845</u></u>

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
NET POSITION WITHOUT DONOR RESTRICTIONS		
Revenues and gains:		
Contributions and fund raising	\$ 402,853	\$ 271,426
Interest income	29,591	27,444
Dividend income	50,788	49,927
Net realized loss on investments	(14,044)	(9,953)
Net unrealized gain on investments	383,727	26,493
Total revenues and gains without donor restrictions	852,915	365,337
Changes in net position restrictions:		
Reclassification of contributions	(23,600)	(7,500)
Satisfaction of scholarships and other restrictions	206,637	54,733
Total changes in net position restrictions	183,037	47,233
Total support and gains without donor restrictions	1,035,952	412,570
EXPENSES		
Program services:		
Donation to Texarkana College	256,676	7,835
Scholarships	58,502	57,102
Management and general services	12,300	16,006
Fundraising activities	90,690	60,673
Total expenses	418,168	141,616
Increase in net position without donor restrictions	617,784	270,954
NET POSITION WITH DONOR RESTRICTIONS		
Support:		
Contributions	551,004	281,610
Interest income	51,224	47,831
Dividend income	88,180	87,375
Net realized loss on investments	(24,208)	(17,427)
Net unrealized gain on investments	663,768	42,395
Changes in net position restriction:		
Reclassification of contributions	23,600	7,500
Satisfaction of scholarship and other restrictions	(206,637)	(54,733)
Increase in net position with donor restrictions	1,146,931	394,551
INCREASE IN NET POSITION	1,764,715	665,505
NET POSITION, BEGINNING OF YEAR	8,921,702	8,256,197
NET POSITION, END OF YEAR	\$ 10,686,417	\$ 8,921,702

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

TEXARKANA COLLEGE
EXHIBIT 3 – STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Cash Flows From Operating Activities	2020	2019
Receipts from students and other customers	\$ 4,960,072	\$ 6,200,485
Receipts of grants and contracts	3,464,536	2,612,927
Other receipts	104,149	194,621
Payments to or on behalf of employees	(13,712,850)	(12,852,725)
Payments to suppliers for goods or services	(10,603,188)	(12,320,362)
Payments of scholarships	(3,622,254)	(3,717,002)
Net cash used by operating activities	(19,409,535)	(19,882,056)
Cash Flows From Non-capital Financing Activities		
Receipts from state appropriations	7,494,425	7,201,083
Ad valorem tax revenues	6,976,569	6,518,801
Federal revenue non-operating	8,969,988	8,598,541
Gifts and grants (other than capital)	236,576	-
Other receipts	35,351	144,794
Net cash provided by non-capital financing activities	23,712,909	22,463,219
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of capital debt	-	10,000,000
Payments on capital debt - principal	(571,028)	(389,809)
Payments on capital debt - interest	(428,922)	(208,940)
Proceeds from sale of capital assets	-	55,923
Purchases of capital assets	(4,322,889)	(1,810,735)
Net cash provided / (used) by capital and related financing activities	(5,322,839)	7,646,439
Cash Flows From Investing Activities		
Investment earnings	566,807	534,764
Proceeds from sales of investments	2,124,750	-
Payments for purchase of investments	-	(2,194,822)
Net cash provided / (used) by investing activities	2,691,557	(1,660,058)
Change in cash and cash equivalents	1,672,092	8,567,544
Cash and cash equivalents - September 1,	13,313,021	4,745,477
Cash and cash equivalents - August 31,	\$ 14,985,113	\$ 13,313,021
Noncash investing, capital, and financing activities		
Interest capitalized	\$ 376,341	\$ 174,069

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

TEXARKANA COLLEGE
EXHIBIT 3 – STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (20,976,126)	\$ (21,131,603)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Staff benefits paid directly by state	717,001	1,427,104
Depreciation expense	1,722,357	1,731,185
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable, net	348,814	(255,832)
Prepaid expenses	(36,033)	(10,809)
Inventories	(17,026)	49,948
Deferred outflows of resources related to pensions	246,565	(2,044,405)
Deferred outflows of resources related to OPEB	(1,547,382)	402,378
Accounts payable	236,996	202,617
Accrued Expenses	(56,004)	(14,412)
Funds held for others	27,940	(646,393)
Unearned revenue	(182,312)	(232,891)
Compensated absences	50,311	12,657
Deferred inflows of resources related to pensions	494,417	(274,981)
Deferred inflows of resources related to OPEB	(1,114,030)	5,669,093
Net pension liability	(231,437)	2,554,572
Net OPEB liability	906,414	(7,320,284)
Net cash used by operating activities	<u><u>\$ (19,409,535)</u></u>	<u><u>\$ (19,882,056)</u></u>

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ 1,764,715	\$ 665,505
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Net realized and unrealized investment gains	1,009,243	41,508
(Increase) decrease in assets:		
Accrued interest and dividends	386	(1,238)
Increase (decrease) in liabilities:		
Due to College	<u>6,320</u>	<u>580</u>
CASH PROVIDED BY OPERATING ACTIVITIES	2,780,664	706,355
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	123,992	(84,735)
Net purchases of unrestricted investments	<u>(3,137,072)</u>	<u>(420,927)</u>
CASH USED FOR INVESTING ACTIVITIES	(3,013,080)	(505,662)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(232,416)	200,693
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>667,347</u>	<u>466,654</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 434,931</u></u>	<u><u>\$ 667,347</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 - REPORTING ENTITY

Texarkana College (the College) was established in 1927 in accordance with the laws of the State of Texas to serve the educational needs of Texarkana and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

The College Board of Trustees (the Board), a seven-member group, has governance responsibilities over all activities related to the College. The Board receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since 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 fiscal matters.

These statements include, as a component unit, Texarkana College Foundation, Inc. (the Foundation), as discussed in Note 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

Basis of Accounting

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

Inventories

Inventories consist of bookstore stock as of August 31, 2020 and 2019. Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method and are charged to expense as consumed.

Texarkana College Foundation, Inc. – Net Position

Net position with donor restrictions is available for the purposes designated by the donor, primarily scholarships. This net position consists primarily of temporarily restricted contributions and investment earnings.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Texarkana College Foundation, Inc. – Net Position (continued)

Net position with donor restrictions also includes permanent endowments. The investment income from these endowments is restricted to fund scholarship grants.

When an expense is incurred for purposes for which both net position with and without donor restrictions is available, the College's policy is to first apply restricted resources. Management has determined that net position is properly recognized under this policy.

Tuition Discounting

Texas Public Education Grants - Certain tuition amounts must 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 College records the amount as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act (HEA) Program Funds - Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds initially are 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.

The College also originates direct student loans under Title IV. These loans are not included as revenues in the accompanying financial statements. Student loans remitted to students are not recorded as revenues or expenses in the accompanying financial statements as they are not revenues of the College and instead are passed through from the Department of Education. The amounts passed through the College are included as a reconciling item in the notes to the supplemental Schedule E – Schedule of Expenditures of Federal Awards.

Other Tuition Discounts - The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the college records the amount as a tuition discount. If the amount is dispersed directly to the student, the College records the amount as a scholarship expense.

Budgetary Data

The College is required by Texas law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College'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.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The College considers cash and cash equivalents as cash on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The College had no cash equivalents as of August 31, 2020 and 2019.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the College reports investments 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 the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase. The College's investments included certificates of deposit with original maturities greater than three months. These investments are carried at cost, which approximates fair value. The Foundation's investments consisted of certificates of deposit, money market funds, U.S. government agencies securities, corporate debt instruments, and exchange traded funds, which are recorded at fair value.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position includes 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 future periods and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB. The College's deferred inflows of resources are related to pensions and other post-employment benefits.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position includes 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 future periods 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. The College's deferred outflows of resources are related to pensions and other post-employment benefits.

Operating and Non-Operating Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. The College's activities are shown as a business-type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees, federal grants, state grants and auxiliary enterprises. The major non-operating revenues are state appropriations, property taxes, Title IV funds, gifts, and investment income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation. For equipment, the College's capitalization policy requires capitalization of items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations of \$100,000 or more to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for depreciable assets are as follows:

Building	50 years
Facilities and Other Improvements	20 years
Library Books	15 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years
Software Costs	3 years

Unearned Revenues

Tuition and fees of \$3,403,709 and \$3,681,863 and federal, state, and local grants of \$397,569 and \$301,727 have been reported as unearned revenues at August 31, 2020 and 2019, respectively.

Estimates

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

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. None of the reclassifications affect the previously reported change in net position.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For the year ended August 31, 2015, the College implemented the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The College 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 the Teacher Retirement System of Texas has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

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

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 3 - AUTHORIZED INVESTMENTS

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

The Foundation is not subject to the Public Funds Investment Act for contributions received from outside sources. Authorized investments of the Foundation are governed by an investment policy approved by the Board of Directors.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Bank Deposits		
Demand Deposits	\$ 14,982,308	\$ 13,310,216
Certificates of Deposit	11,779,862	13,904,612
Cash and Cash Equivalents		
Petty Cash on Hand	<u>2,805</u>	<u>2,805</u>
Total Cash and Deposits	<u><u>\$ 26,764,975</u></u>	<u><u>\$ 27,217,633</u></u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation of deposits and investments to the Statement of Net Position:

Type of Security	Market Value 2020	Market Value 2019
Total Cash and Investments	\$ 26,764,975	\$ 27,217,633
Cash and Cash Equivalents (Exhibit 1)	6,931,119	3,191,117
Restricted cash and cash equivalents (Exhibit 1)	8,053,994	10,121,904
Total Cash and Cash equivalents	14,985,113	13,313,021
Short-term investments (Exhibit 1)	11,779,862	13,904,612
Total Investments	11,779,862	13,904,612
Total Deposits and Investments	\$ 26,764,975	\$ 27,217,633

Cash and deposits for the Foundation reported on the Statement of Net Position consist of the following:

	August 31, 2020	August 31, 2019
Cash and Cash Equivalents		
Cash on Deposit	\$ 5,911	\$ 10,359
Cash Held by Custodian	429,020	656,988
Total Cash and Deposits	\$ 434,931	\$ 667,347

Investments for the Foundation reported on the Statements of Financial Net Position are as follows:

Type of Security	Fair Value August 31, 2020	Fair Value August 31, 2019
Certificates of Deposit	\$ 306,312	\$ 430,304
U.S. Government Agencies Securities	99,885	24,820
Corporate Debt Instruments	3,242,977	2,723,353
Municipal bonds	109,849	109,892
Equity funds and ETFs	6,482,531	4,949,348
Total Investments	\$ 10,241,554	\$ 8,237,717

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investment Type	Credit Rating	Cost	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	N/A	\$ 11,779,862	\$ 11,779,862	1.77
Total Texarkana College		<u>\$ 11,779,862</u>	<u>\$ 11,779,862</u>	

As of August 31, 2020, the Foundation had the following investments and maturities:

	Credit Rating	Cost	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	N/A	300,000	306,312	0.75
U.S. Government Agencies Securities	AAA	99,900	99,885	4.91
Corporate Debt Instruments	BA2 to AAA	3,130,316	3,242,977	3.91
Municipal bonds	A2	100,000	109,849	7.33
Equity funds and ETFs	N/A	4,287,837	6,482,531	N/A
Total Texarkana College Foundation, Inc.		<u>\$ 7,918,053</u>	<u>\$ 10,241,554</u>	

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

Credit Risk: In accordance with state law and the College's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc., must be rated at least A as well.

Concentration of Credit Risk: The College and the Foundation do not place a limit on the amount that may be invested in any one issuer.

More than 5% of the Foundation's investments are in Vanguard (46%) and MSCI (11%).

Custodial Credit Risk: At August 31, 2020, the carrying amount of the College's bank deposits was \$26,764,975 and total bank balances equaled \$28,009,519. Bank balances totaling \$250,000 at one financial institution were secured by the Federal Deposit Insurance Corporation (FDIC), \$26,200,000 were secured by collateral pledged in the College's name, and approximately \$6,460,000 were secured through Insured Cash Sweep (ICS) accounts. The collateral was held in the safekeeping departments of banks which act as agents for the College.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

At August 31, 2019, the carrying amount of the College's bank deposits was \$27,217,633 and total bank balances equaled \$27,640,744. Bank balances totaling \$250,000 at one financial institution were secured by the Federal Deposit Insurance Corporation (FDIC), \$22,200,000 were secured by collateral pledged in the College's name, and approximately \$9,500,000 were secured through Insured Cash Sweep (ICS) accounts. The collateral was held in the safekeeping departments of banks which act as agents for the College.

Fair Value Measurements: GASB Statement 72 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the framework are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of August 31, 2020 and 2019:

	August 31, 2020				2019
	Level 1	Level 2	Level 3	Total	Total
U.S. Government Securities	\$ 99,885	\$ -	\$ -	\$ 99,885	\$ 24,820
Corporate Debt Instruments	-	3,242,977	-	3,242,977	2,723,353
Municipal bonds	-	109,849	-	109,849	109,892
Exchange Traded Funds	6,482,531	-	-	6,482,531	4,949,348
Total investments	<u>\$ 6,582,416</u>	<u>\$ 3,352,826</u>	<u>\$ -</u>	<u>\$ 9,935,242</u>	<u>\$ 7,807,413</u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

All investments have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in the valuation techniques during the current year. These methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 - DELINQUENT PROPERTY TAXES AND TAXES RECEIVABLE

The College's *ad valorem* property tax is levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College's district. The Board contracted with the Bowie Central Appraisal District for the collection of district taxes. Collections of current taxes are remitted to the College daily; delinquent taxes are remitted monthly.

		August 31	
		2020	2019
Assessed valuation of the District		\$ 5,946,975,216	\$ 5,691,632,218
Less: Exemptions		(116,642,165)	(102,746,402)
Net assessed Valuation of the District		\$ 5,830,333,051	\$ 5,588,885,816
	Current Operations	Debt Service	Total
Tax rate authorized per \$100 valuation	1.000000	0.000000	1.000000
Tax rate assessed per \$100 valuation for 2020	0.123081	0.000000	0.123081
Tax rate assessed per \$100 valuation for 2019	0.118115	0.000000	0.118115

Taxes levied for the years ended August 31, 2020 and 2019, were \$6,988,503 and \$6,483,494, respectively, including any penalty and interest assessed. 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.

Taxes Collected	Current Operations	
	2020	2019
Current Taxes Collected	\$ 6,764,065	\$ 6,326,997
Delinquent Taxes Collected	137,916	119,820
Penalties and Interest Collected	100,055	85,513
Total Collections	\$ 7,002,036	\$ 6,532,330

Tax collections for the year ended August 31, 2020 and 2019, were 100.2% and 100.8% of the current tax levy, respectively. Uncollected taxes are pledged as collateral for the notes payable held by the College.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 – CAPITAL ASSETS

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

	<u>2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>2020</u>
<u>Not Depreciated:</u>				
Land	\$ 1,175,555	\$ 3,015	\$ -	\$ 1,178,570
Construction in Process	876,925	3,715,451	(504,749)	4,087,627
Total Not Depreciated	<u>2,052,480</u>	<u>3,718,466</u>	<u>(504,749)</u>	<u>5,266,197</u>
<u>Buildings and Other Capital Assets:</u>				
Infrastructure	462,825	432,764	(198,900)	696,689
Buildings	29,046,549	176,966	-	29,223,515
Land Improvements	3,192,804	-	-	3,192,804
Software	490,109	5,127	-	495,236
Library Books	2,523,220	12,344	-	2,535,564
Furniture and Equipment	7,671,683	858,312	-	8,529,995
Total Building and Other	<u>43,387,190</u>	<u>1,485,513</u>	<u>(198,900)</u>	<u>44,673,803</u>
<u>Accumulated Depreciation</u>				
Infrastructure	461,825	12,406	(198,900)	275,331
Buildings	14,559,079	1,074,960	-	15,634,039
Land Improvements	3,109,097	22,496	-	3,131,593
Software	482,460	8,162	-	490,622
Library Books	2,184,193	52,231	-	2,236,424
Furniture and Equipment	5,001,995	552,102	-	5,554,097
Total Accumulated Depreciation	<u>25,798,649</u>	<u>1,722,357</u>	<u>(198,900)</u>	<u>27,322,106</u>
Net Capital Assets	<u><u>\$ 19,641,021</u></u>	<u><u>\$ 3,481,622</u></u>	<u><u>\$ (504,749)</u></u>	<u><u>\$ 22,617,894</u></u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

	<u>2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>2019</u>
<u>Not Depreciated:</u>				
Land	\$ 1,174,515	\$ 1,040	\$ -	\$ 1,175,555
Construction in Process	617,550	876,925	(617,550)	876,925
Total Not Depreciated	<u>1,792,065</u>	<u>877,965</u>	<u>(617,550)</u>	<u>2,052,480</u>
<u>Buildings and Other Capital Assets:</u>				
Infrastructure	462,825	-	-	462,825
Buildings	29,191,456	990,158	(1,135,065)	29,046,549
Land Improvements	3,192,804	-	-	3,192,804
Software	490,109	-	-	490,109
Library Books	2,507,700	15,520	-	2,523,220
Furniture and Equipment	7,037,151	718,708	(84,176)	7,671,683
Total Building and Other	<u>42,882,045</u>	<u>1,724,386</u>	<u>(1,219,241)</u>	<u>43,387,190</u>
<u>Accumulated Depreciation</u>				
Infrastructure	461,425	400	-	461,825
Buildings	14,056,951	1,089,757	(587,629)	14,559,079
Land Improvements	3,071,791	37,306	-	3,109,097
Software	428,104	54,356	-	482,460
Library Books	2,128,732	55,461	-	2,184,193
Furniture and Equipment	4,536,313	493,905	(28,223)	5,001,995
Total Accumulated Depreciation	<u>24,683,316</u>	<u>1,731,185</u>	<u>(615,852)</u>	<u>25,798,649</u>
Net Capital Assets	<u>\$ 19,990,794</u>	<u>\$ 871,166</u>	<u>\$ (1,220,939)</u>	<u>\$ 19,641,021</u>

NOTE 7 – NONCURRENT LIABILITIES

In May 2013, the College obtained a tax maintenance note under Section 45.108 of the *Texas Education Code* in the amount of \$3,500,000. The note was to be utilized to fund an energy management and roofing project. A portion of the note is anticipated to be repaid by energy savings from the project. The 2013 maintenance tax note is secured by future maintenance tax collections. In the event of default, the lender is entitled to a writ of mandamus requiring the College to observe and perform the debt obligations.

In March 2019, the College obtained an additional tax maintenance note under Section 45.108 of the *Texas Education Code* in the amount of \$10,000,000. The note was to be utilized to provide funds for the implementation of board-approved capital projects. The 2019 maintenance tax note is secured by future maintenance tax collections.

The College had no unused lines of credit as of August 31, 2020 or 2019.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 7 – NONCURRENT LIABILITIES (CONTINUED)

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

	Balance August 31, 2019	Additions	Reductions	Balance August 31, 2020	Current Portion
Notes payable	\$ 11,522,251	\$ -	\$ (591,721)	\$ 10,930,530	\$ 591,722
Compensated absences	421,605	50,311	-	471,916	-
Net pension liability	5,806,554	-	(231,437)	5,575,117	-
Net OPEB liability	18,235,747	-	563,335	18,799,082	615,328
Total long-term liabilities	<u>\$ 35,986,157</u>	<u>\$ 50,311</u>	<u>\$ (259,823)</u>	<u>\$ 35,776,645</u>	<u>\$ 1,207,050</u>

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

	Balance August 31, 2018	Additions	Reductions	Balance August 31, 2019	Current Portion
Notes payable	\$ 2,263,143	\$ 10,000,000	\$ (740,892)	\$ 11,522,251	\$ 571,029
Compensated absences	408,948	12,657	-	421,605	-
Net pension liability	3,251,982	2,554,572	-	5,806,554	-
Net OPEB liability	25,697,225	-	\$ (7,461,478)	18,235,747	272,249
Total long-term liabilities	<u>\$ 31,621,298</u>	<u>\$ 12,567,229</u>	<u>\$ (8,202,370)</u>	<u>\$ 35,986,157</u>	<u>\$ 843,278</u>

The debt service requirements as of August 31, 2020, were as follows:

For the Year Ended August 31,	Maintenance Notes		
	Principal	Interest	Total
2021	\$ 591,722	\$ 411,058	1,002,780
2022	611,798	391,107	1,002,905
2023	632,687	370,458	1,003,145
2024	647,567	349,083	996,650
2025	673,657	327,144	1,000,801
2026-2030	3,175,785	2,082,979	5,258,764
2031-2035	2,846,973	751,082	3,598,055
2036-2039	2,342,063	181,412	2,523,475

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 8 – CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99), *State and Local Governments*. Contracts and grant revenues are recognized on Exhibit 2 and Schedule A as funds are actually expended. For federal and non-federal contracts and grants awards, funds expended, but not collected, are reported as Accounts Receivables on Exhibit 1. Contracts and grant awards that are not funded and for which the institution has not performed services are not included in the financial statements. Contract and grant award funds already committed or funds awarded during the fiscal year 2020 for which monies have not been received nor funds expended totaled \$2,418,242 from federal contracts and grant awards and \$915,372 from state contracts and grant awards.

Federal funds receivable included in accounts receivable on Exhibit 1 are as follows:

	<u>2020</u>	<u>2019</u>
Pell Grant Program	\$ 68,007	\$ 98,368
Student Loan Program	64,304	97,960
Federal Work-study Program	5,664	-
TRIO - Student Support Services Grant	108,142	59,369
TRIO - Talent Search Grant	57,309	75,840
TRIO - Educational Opportunity Centers	37,053	38,898
TRIO- STEM Supplement Grant	6,198	-
AEL-Workforce Integration Initiative	1,666	-
Adult Education and Family Leave Act	171,026	197,692
CARES Act- Institutional Funds	381,908	-
Carl Perkins Grant	<u>99,524</u>	<u>114,475</u>
Total	<u>\$ 1,000,801</u>	<u>\$ 682,602</u>

NOTE 9 – EMPLOYEES’ RETIREMENT PLAN

The State of Texas has joint contributory retirement plans for almost all its employees.

Teacher Retirement System of Texas – Defined Benefit Plan

Plan Description - The College 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). The TRS’s defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension’s Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report is available at https://www.trs.texas.gov/TRS%20Documents/cafr_2019.pdf (select About TRS, then Publications, then Financial Reports) or write to TRS at 1000 Red River Street, Austin, Texas, 78701-2698.

Components of the net pension liability of the TRS plan as of August 31, 2019, are as follows:

Net Pension Liability

Total Pension Liability	\$ 209,961,325,288
Less: Plan Fiduciary Net Position	<u>(157,978,199,075)</u>
Net Pension Liability	\$ 51,983,126,213

Net Position as a percentage of Total Pension Liability	75.24%
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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, whose formulas use the three highest annual salaries. 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 (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (CONTINUED)

Contributions - Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contribution Entity (State)	7.5%	6.8%
Employers	7.5%	6.8%
 FY 2020 College Contributions	 \$ 425,343	
FY 2020 Member Contributions	\$ 755,053	
FY 2019 State of Texas On-behalf Contributions	\$ 257,834	

The College’s contributions to the TRS pension plan for the year ended August 31, 2020, were \$425,343 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for the year ended August 31, 2020, were \$307,027.

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 contribution rate in the following instances:

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, or 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.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 9 – EMPLOYEES’ RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions - The total pension liability in the August 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

• Valuation Date	August 31, 2018, rolled forward to 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 Projection period (100 years)	2116
○ Inflation	2.30%
○ Salary Increases including inflation	3.05% to 9.05%
○ 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 TRS 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 used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018.

Discount Rate - The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2019, are summarized on the following page.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Asset Class	FY 2019 Target Allocation* %	New Target Allocation** %	Long-Term Expected Geometric Real Rate of Return***
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries****	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return (including credit sensitive investments)	-	-	-
Real Return			
Global Inflation Linked Bonds****	3.00%	-	-
Real Assets	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	-	-	-
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5%*****
Asset Allocation Leverage			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	-6.00%	2.70%
Total	100.00%	100.00%	7.23%

* FY 2019 Target Allocation based on the Strategic Asset Allocation dated October 1, 2018

** New target allocation based on the Strategic Asset Allocation dated October 1, 2019

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

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

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

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
College's proportionate share of the net pension liability	\$ 8,569,765	\$ 5,575,117	\$ 3,148,874

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2020, the College reported a liability of \$5,575,117 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for state pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the collective net pension liability	\$ 5,575,117
State's proportionate share that is associated with College	3,829,469
Total	<u><u>\$ 9,404,586</u></u>

The net pension liability was measured as of August 31, 2018, and rolled forward to 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 0.010724859%, which was an increase of 0.000175625% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

- The single discount rate as of August 31, 2018, was a blended rate of 6.907%, and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 86th Texas Legislature, 2019, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

For the year ended August 31, 2020, the College recognized revenue of \$601,556 for support provided by the State and pension expense of \$1,535,629. Refer to the 2020 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB Statements 67 and 68.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 23,420	\$ 193,577
Changes in actuarial assumptions	1,729,675	714,784
Net difference between projected and actual investment earnings	55,981	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	205,727	208,731
Contributions paid to TRS subsequent to the measurement date	425,343	-
Total	<u>\$ 2,440,146</u>	<u>\$ 1,117,092</u>

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

Year ended August 31:	Pension Expense Amount
2021 (measurement date of August 31, 2020)	\$ 116,219
2022 (measurement date of August 31, 2021)	70,639
2023 (measurement date of August 31, 2022)	317,772
2024 (measurement date of August 31, 2023)	325,595
2025 (measurement date of August 31, 2024)	115,047
Thereafter	(47,561)

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Optional Retirement Plan

Plan Description - Participation in the Optional Retirement Program is in lieu of participation in the TRS. 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 6.6% in fiscal years 2020 and 2019 and 6.65% in fiscal years 2020 and 2019, respectively. The College contributes no amounts 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. Senate Bill (SB) 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

The retirement expense related to ORP contributions paid by the state for the College was \$94,107 and \$94,926 for the fiscal years ended August 31, 2020 and 2019, respectively. This amount represents the portion of expended appropriations made by the state Legislature on behalf of the College.

The total payroll for all of the College employees was \$14,480,161 and \$14,292,485 for fiscal years 2020 and 2019, respectively. The total payroll of employees covered by the Teacher Retirement System was \$9,805,865 and \$9,383,727, and the total payroll of employees covered by the Optional Retirement Program was \$3,126,079 and \$3,147,621 for fiscal years 2020 and 2019, respectively.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

OPEB Plan Fiduciary Net Position - Detailed information about the GBP's fiduciary net position is available in 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 by visiting <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, TX 78701; or by calling (877) 275-4377.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2019, are as follows:

Net OPEB Liability

Total OPEB Liability	\$ 34,622,611,079
Less: Plan Fiduciary Net Position	<u>(59,936,464)</u>
Net OPEB Liability	\$ 34,562,674,615

Net Position as a percentage of Total OPEB Liability	0.17%
--	-------

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 10 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. There are no long-term contracts for contributions to the plan.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium, which is based on a blended rate. 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
August 31, 2019

Retiree only	\$ 624.82
Retiree & Spouse	\$ 1,340.82
Retiree & Children	\$ 1,104.22
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, 2020 and 2019

	2020	2019
Employers	\$ 638,449	\$ 654,012
Members (Employees)	761,999	782,475
Nonemployer Contributing Entity (State of Texas)	517,467	526,297

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of August 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- | | |
|---------------------------------|--------------------------------|
| • 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 | Not applicable |

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

- Actuarial Assumptions
 - Discount Rate 2.97%
 - Projected annual salary increase 2.50% to 9.50%, including inflation
 - Annual healthcare trend rate HealthSelect
7.30% for FY21, 7.40% for FY22, 7.00% for FY23, decreasing 50 basis points per year to an ultimate rate of 4.50% for FY28 and later years
 - Inflation assumption rate HealthSelect Medicare Advantage
10.80% for FY21, 7.40% for FY22, 7.00% for FY23, decreasing 50 basis points per year to an ultimate rate of 4.50% for FY28 and later years
 - Ad hoc post-employment benefit changes 2.50%
- Mortality Assumptions
 - *Service Retirees, Survivors and other Inactive Members*: Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.
 - *Disability Retirees*: Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 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

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 (ex. September 1, 2010 to August 31, 2017) 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%.

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 3.96%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.97%, which amounted to a decrease of 0.99%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go 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.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Discount Rate Sensitivity Analysis - The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (2.97%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (1.97%)	Discount Rate (2.97%)	1% Increase in Discount Rate (3.97%)
College's proportionate share of the net OPEB liability	\$ 23,167,431	\$ 19,414,410	\$ 16,526,598

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 on the College's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (7.3%) in measuring the net OPEB liability.

	1% Decrease (6.30% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (7.30% decreasing to 4.50%)	1% Increase in (8.30% decreasing to 5.50%)
College's proportionate share of the net pension liability	\$ 16,302,109	\$ 19,414,410	\$ 23,481,477

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At August 31, 2020, the College reported a liability of \$19,414,410 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for state support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective net OPEB liability	\$ 19,414,410
State's proportionate share that is associated with College	18,101,118
Total	<u>\$ 37,515,528</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, 2019, thru August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0561716%, which was a decrease of 0.00627578% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, the College recognized net OPEB revenues of \$1,754,998 and revenue of \$20,507 for support provided by the State.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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:

- Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future male retirees assumed to be married and electing coverage for their spouse.
- The percentages of future retirees and future retiree spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was changed from 3.96% as of August 31, 2018, to 2.97% as of August 31, 2019, as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

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

- The valuation reflects the benefit change that will become effective January 1, 2020. The change to HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) 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.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 505,180
Changes in actuarial assumptions	1,381,619	4,338,387
Net difference between projected and actual investment earnings	7,982	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	5,422,253
Contributions paid to ERS subsequent to the measurement date	387,912	-
Total	<u>\$ 1,777,513</u>	<u>\$ 10,265,820</u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 (measurement date of August 31, 2020)	\$ (2,728,570)
2022 (measurement date of August 31, 2021)	(2,728,570)
2023 (measurement date of August 31, 2022)	(2,196,246)
2024 (measurement date of August 31, 2023)	(1,135,940)
2025 (measurement date of August 31, 2024)	(86,893)
Thereafter	-

NOTE 11 – COMPENSABLE ABSENCES

Sick leave is accumulated by employees of the College at the rate of one day per thirty calendar days worked up to a maximum of ninety days. Effective September 1, 2000, upon retirement or termination, employees with ten years or more service with the College may be paid for any accumulated sick leave in excess of thirty days at a rate of one-half of the employee's current salary. Full-time non-contractual personnel or employees with twelve-month contracts accrue vacation benefits from the date of employment at the rate of one day for each full calendar month worked up to ten vacation days per year. Employees may carry a maximum of 40 hours of accrued vacation forward from one fiscal year through September 30 of the next fiscal year. All vacation accrued in the prior fiscal year is forfeited on December 1 unless administrative approval is granted on a case-by-case basis. All accrued unused vacation time computed at the employee's daily rate of compensation is paid to the employee or his beneficiary in the event of termination, retirement, or death. Sick leave and vacation benefits of \$471,916 and \$421,605 have been accrued and reported in the accompanying Statement of Net Position as "accrued compensable absences payable" at August 31, 2020 and 2019, respectively.

NOTE 12 - STAFF BENEFITS

The College provides staff benefits for its employees in the form of hospital/medical insurance, salary continuance insurance, and life insurance equal to twice the employee's annual contractual salary up to a maximum of \$45,000.

NOTE 13 - DEFERRED COMPENSATION PLAN

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The employees' investments are held in tax-deferred annuity plans pursuant to Internal Revenue Code Section 403(b).

As of August 31, 2020 and 2019, the College had 27 and 28 employees, respectively, participating in the program. A total of \$182,275 and \$182,360 in payroll deductions were invested in approved plans during the years ended August 31, 2020 and 2019, respectively.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 14 - POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the College. Those and similar 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 contribution per full-time employee and retiree was \$624.82 per month plus fifty percent of spouse and/or dependent coverage as of August 31, 2020, and totaled \$1,395,006 for the year then ended. The cost of providing those benefits for 130 retirees was \$517,467 and for 218 active employees was \$877,539.

The state's contribution per full-time employee and retiree was \$624.82 per month plus fifty percent of spouse and/or dependent coverage as of August 31, 2019, and totaled \$1,551,901 for the year then ended. The cost of providing those benefits for 139 retirees was \$526,297 and for 215 active employees was \$1,025,604.

NOTE 15 - RISK MANAGEMENT - CLAIMS AND JUDGMENTS

In the normal course of operations, the College is exposed to risks of loss from a number of sources including fire and casualty, errors and omissions by board members and employees, and injuries to employees during the course of performing their duties.

The College attempts to cover these losses by the purchase of insurance. Significant risks are covered by commercial insurance for property and liability programs. There has been no significant reduction in coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. In management's estimation, there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The College participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability may be impaired of any related receivable at August 31, 2020. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 17 – FUND ENDOWMENTS

The fund balances of the various Endowment Funds included in the Statement of Net Position are as follows:

	<u>2020</u>	<u>2019</u>
Endowment Funds		
Palmer Foundation	\$ 117,437	\$ 115,523
Endowed Chair for Teaching Excellence	193,339	190,153
J.R. Johnson	333,085	327,656
Parker-Akin Memorial	8,875	8,731
B & PW Scholarship	29,867	29,380
Leonard Scholarship	196,286	195,506
Teachers Credit Union Scholarship	25,426	25,011
Music Scholarship	29,684	29,200
General Scholarship	303,917	298,964
Al Barton Bladesmithing	5,494	5,404
Elizabeth Shaw Memorial	5,888	5,792
Conner Student Loan	51	31
Business Administration	19	19
Quasi Endowment Funds		
Eldridge Scholarship	<u>(7,580)</u>	<u>14,444</u>
Totals	<u>\$ 1,241,788</u>	<u>\$ 1,245,814</u>

NOTE 18 - CONTINGENT LIABILITY

The College entered into an agreement with the Texas Community College Employee Benefits Consortium to self-fund their workers' compensation plan. The agreement was effective September 1, 1991, and is administered by Hibbs - Hallmark & Company.

The College agreed to pay into the fund a fixed cost amount of \$34,829 and a maximum loss fund amount of \$80,228 for the year ended August 31, 2020. The loss fund amount was for Texarkana College's claims and for claims of other group members in excess of their loss fund maximum.

The College agreed to pay into the fund a fixed cost amount of \$31,944 and a maximum loss fund amount of \$73,582 for the year ended August 31, 2019. The loss fund amount was for Texarkana College's claims and for claims of other group members in excess of their loss fund maximum.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 18 - CONTINGENT LIABILITY (CONTINUED)

The College incurred expenses under the plan as follows:

	2020	2019
Fixed cost	\$ 34,829	\$ 31,944
Actual claims	12,058	16,265
Decrease in accrued liabilities	(10,849)	(15,488)
Total Expense	<u>\$ 36,038</u>	<u>\$ 32,721</u>

The College's maximum liability for the three years ended August 31, 2020, under this agreement is \$229,416 computed as follows:

2017-2018 Maximum loss fund	\$ 75,606
2018-2019 Maximum loss fund	73,582
2019-2020 Maximum loss fund	<u>80,228</u>
Total	<u>\$ 229,416</u>

The administration of the Plan has estimated the liability for claims that have been reported but not paid and claims incurred but not reported to be \$84,157 and \$95,006 as of August 31, 2020 and 2019, respectively. This liability has been accrued in the financial statements as of August 31, 2020 and 2019.

NOTE 19 – DISAGGREGATING RECEIVABLES AND PAYABLES BALANCES

Receivables were as follows:

	2020	2019
Student Receivables	\$ 5,742,989	\$ 6,198,524
Due from Foundation	-	580
Taxes Receivable, Net of Allowances	226,268	200,801
Federal Receivables	1,000,801	682,602
State Receivables	175,886	40,520
Other Receivables	-	66,647
Allowance for Uncollectible	<u>(2,727,237)</u>	<u>(2,447,620)</u>
Total Accounts Receivable	<u><u>\$ 4,418,707</u></u>	<u><u>\$ 4,742,054</u></u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 19 – DISAGGREGATING RECEIVABLES AND PAYABLES BALANCES (CONTINUED)

Payables were as follows:

	<u>2020</u>	<u>2019</u>
Accounts Payable		
Vendors Payable	\$ 955,747	\$ 718,751
Accrued Liabilities:		
Salaries & Benefits Payable	\$ 497,057	\$ 534,437
Sales Tax Payable	29,551	42,458
Other Liabilities	2,417	8,134
Total Accrued Liabilities	<u>\$ 529,025</u>	<u>\$ 585,029</u>

NOTE 20 - COMPONENT UNIT

The Foundation is a separate nonprofit corporation organized under the Texas Nonprofit Corporation Act in 1959. The purpose of the Foundation is to solicit and manage funds for the sole benefit of Texarkana College. The Foundation primarily provides scholarships to students at the College. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Under GASB Statement No. 39 (*Determining Whether Certain Organizations are Component Units*), an organization should report as a discretely presented component those organizations that raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation financial statements are included in the College's annual report as a discretely presented component unit.

NOTE 21 – RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended August 31, 2020, the Foundation provided support to the College in the aggregate of \$256,676.

NOTE 22 – CONSTRUCTION IN PROCESS

During 2019 and 2020, the College began multiple projects on campus which were not completed as of August 31, 2020. These projects have been recorded in the financial statements as construction in process in the accompanying financial statements. The projects are:

- STEM Phase I - Biology Building
- STEM Phase II - Chemistry Building
- STEM Phase III - Miscellaneous Building and Atrium Connector
- Exterior Improvements
- Pinker Restrooms
- Interest Capitalized during Construction

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 23 – INCOME TAXES

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

NOTE 24 – PENDING LAWSUITS AND CLAIMS

As of August 31, 2020, there were no known pending lawsuits or claims involving the College. While unasserted lawsuits and claims may exist, for which a liability cannot be reasonably estimated, any potential liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

NOTE 25 – TEXAS COMMUNITY COLLEGE CONSORTIUM

In December 2014, the College entered into an interlocal agreement with two other area community colleges, Kilgore College and Northeast Texas Community College, whereby the Texas Community College Consortium (TC3) was created.

Effective September 1, 2015, TC3 entered into an agreement with the University of Texas Health Science Center at Tyler (on behalf of Northeast Texas Network) (referred to hereinafter as "UT Entity"). The agreement with UT Entity establishes a group arrangement for the collective licensing, implementation, and maintenance of administrative software, hardware, and services for use in internal operations. The project is organized to create a consistent, identifiable structure to facilitate joint purchasing, training, and implementation of enterprise software, as well as shared services, when mutually beneficial.

The agreement with UT Entity provides a budget not to exceed \$2,500,000 to TC3, funded by Texas appropriations provided to UT Entity for special item support. This amount was to be paid in installments over the term of the contract based on certain deliverables required by the contract, which originally expired August 30, 2017, and has been extended through August 30, 2021.

The College has agreed to act as the fiscal agent for the project. The budget of \$2,500,000 included \$350,000 in development assistance to the members of TC3, which increased to five members, and \$50,000 to the fiscal agent, in addition to various other expenses. As of August 31, 2020 and 2019, the College held approximately \$284,476 and \$226,257 in cash on behalf of TC3, respectively. In addition, the College recognized revenues of \$25,000 for its role as fiscal agent during the years ended August 31, 2020 and 2019.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 26 – SUBSEQUENT EVENTS

The College has evaluated events through December 14, 2020, the date the financial statements were available to be issued. No events occurring after this date, other than the pandemic discussed below, have been evaluated for inclusion in these financial statements.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption in people's lives. The pandemic has impacted the College both directly and indirectly, resulting in the closing of the campus beginning in March 2020 through the remainder of the school year. Although there is a presumption that there will be further effects on the financial performance of the College, there already has been an increase in federal funding. Any other effects on the operations of the College are immeasurable at the date that the financial statements were available for distribution.

REQUIRED SUPPLEMENTAL INFORMATION

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
*Last Six Fiscal Years***

Fiscal year ending August 31*,	2020	2019	2018	2017	2016
College's proportionate share of the collective net pension liability (%)	0.0107249%	0.0105492%	0.0101705%	0.0098658%	0.0102680%
College's proportionate share of the collective net pension liability (\$)	\$ 5,575,117	\$ 5,806,554	\$ 3,251,982	\$ 3,728,134	\$ 3,629,601
State's proportionate share of the net pension liability associated with the College	3,829,469	4,208,444	2,451,729	2,800,343	2,682,914
Total	<u>\$ 9,404,586</u>	<u>\$ 10,014,998</u>	<u>\$ 5,703,711</u>	<u>\$ 6,528,477</u>	<u>\$ 6,312,515</u>
College's covered payroll amount	\$ 9,383,727	\$ 9,063,322	\$ 8,583,822	\$ 8,023,502	\$ 7,753,711
College's share of the net pension liability as a percentage of covered payroll	59.41%	64.07%	37.89%	46.47%	46.81%
Plan fiduciary net position as a percentage of total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%
	<u>2015</u>				
College's proportionate share of the collective net pension liability (%)	0.0119553%				
College's proportionate share of the collective net pension liability (\$)	\$ 3,193,426				
State's proportionate share of the net pension liability associated with the College	2,306,110				
Total	<u>\$ 5,499,536</u>				
College's covered payroll amount	\$ 7,614,974				
College's share of the net pension liability as a percentage of covered payroll	41.94%				
Plan fiduciary net position as a percentage of total pension liability	83.25%				

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

** Only six years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS FOR PENSIONS
*Last Six Fiscal Years***

Fiscal year ending August 31*,	2020	2019	2018	2017	2016
Legally required contributions	\$ 425,343	\$ 372,169	\$ 357,006	\$ 333,131	\$ 313,393
Actual contributions	<u>425,343</u>	<u>372,169</u>	<u>357,006</u>	<u>333,131</u>	<u>313,393</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$ 9,805,865	\$ 9,383,727	\$ 9,063,322	\$ 8,583,822	\$ 8,023,502
College's actual contributions as a percentage of covered payroll	4.34%	3.97%	3.94%	3.88%	3.91%
	<u>2015</u>				
Legally required contributions	\$ 303,710				
Actual contributions	<u>303,710</u>				
Contributions deficiency (excess)	\$ -				
College's covered payroll amount	\$ 7,753,711				
College's actual contributions as a percentage of covered payroll	3.92%				

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

** Only six years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
*Last Four Fiscal Years***

Fiscal year ending August 31*,	2020	2019	2018	2017
College's proportionate share of the collective net pension liability (%)	0.0561716%	0.0624474%	0.0758028%	0.0758028%
College's proportionate share of the collective net pension liability (\$)	\$ 19,414,410	\$ 18,507,996	\$ 25,828,280	\$ 30,859,304
State's proportionate share of the net pension liability associated with the College	<u>18,101,118</u>	<u>15,188,278</u>	<u>20,870,938</u>	<u>24,936,333</u>
Total	\$ 37,515,528	\$ 33,696,274	\$ 46,699,218	\$ 55,795,637
College's covered-employee payroll amount	\$ 11,618,438	\$ 11,578,814	\$ 11,094,823	\$ 11,032,875
College's share of the net pension liability as a percentage of covered-employee payroll	167.10%	159.84%	232.80%	279.70%
Plan fiduciary net position as a percentage of total pension liability	1.27%	1.27%	2.04%	1.22%

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

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

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS FOR OPEB
*Last Four Fiscal Years***

Fiscal years ending August 31*,	2020	2019	2018	2017
Legally required contributions	\$ 638,449	\$ 654,012	\$ 624,862	\$ 710,141
Actual contributions	<u>638,449</u>	<u>654,012</u>	<u>624,862</u>	<u>710,141</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll amount	\$ 12,083,341	\$ 11,618,438	\$ 11,578,814	\$ 11,094,823
College's actual contributions as a percentage of covered-employee payroll	5.28%	5.63%	5.40%	6.40%

* *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.*

TEXARKANA COLLEGE
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
AUGUST 31, 2020 AND 2019

Notes to the supplementary information related to pensions:

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

- The single discount rate as of August 31, 2018, was a blended rate of 6.907%, and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 86th Texas Legislature, 2019, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

Notes to the supplementary information related to OPEB:

Changes of Benefit Terms

The valuation reflects the benefit change that will become effective January 1, 2020. The change to HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) 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.

Changes of Assumptions

- Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future male retirees assumed to be married and electing coverage for their spouse.
- The percentages of future retirees and future retiree spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was changed from 3.96% as of August 31, 2018, to 2.97% as of August 31, 2019, as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

SUPPLEMENTAL INFORMATION

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>Total 8/31/20</u>	<u>Totals 8/31/19</u>
Tuition						
State funded courses						
In-district resident tuition	\$ 2,063,109	\$ -	\$ 2,063,109	\$ -	\$ 2,063,109	\$ 2,472,303
Out-of-district resident tuition	470,771	-	470,771	-	470,771	449,908
TPEG (set aside)	-	186,826	186,826	-	186,826	157,000
Non-resident tuition	781,136	-	781,136	-	781,136	770,138
State funded continuing education	1,108,803	-	1,108,803	-	1,108,803	1,354,391
Non-State funded educational programs	274,141	-	274,141	-	274,141	644,084
Total Tuition	4,697,960	186,826	4,884,786	-	4,884,786	5,847,824
Fees						
General Fees	2,035,793	-	2,035,793	-	2,035,793	2,107,792
Student Service fees	277,114	-	277,114	-	277,114	295,370
Course Fees	1,036,189	-	1,036,189	-	1,036,189	1,097,671
Out-of-District Fees	1,224,193	-	1,224,193	-	1,224,193	1,281,630
Total Fees	4,573,289	-	4,573,289	-	4,573,289	4,782,463
Scholarship allowances and discounts						
Scholarship allowances	-	(266,231)	(266,231)	-	(266,231)	(368,906)
Remissions and exemptions	(191,458)	-	(191,458)	-	(191,458)	(204,565)
TPEG allowances	-	(174,150)	(174,150)	-	(174,150)	(157,000)
Other federal allowances	-	(652,800)	(652,800)	-	(652,800)	-
Title IV allowances	-	(3,809,789)	(3,809,789)	-	(3,809,789)	(3,725,851)
Total Scholarship Allowances	(191,458)	(4,902,970)	(5,094,428)	-	(5,094,428)	(4,456,322)
Total Net Tuition and Fees	9,079,791	(4,716,144)	4,363,647	-	4,363,647	6,173,965

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

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total 8/31/20	Totals 8/31/19
Other Operating Revenues						
Federal grants and contracts	121,522	1,964,361	2,085,883	-	2,085,883	1,582,695
State grants and contracts	179	1,004,983	1,005,162	-	1,005,162	736,966
Nongovernmental grants and contracts	244,014	129,477	373,491	-	373,491	293,266
Sales and Services of educational activities	165,747	-	165,747	-	165,747	224,515
Other operating revenues	104,149	-	104,149	-	104,149	194,621
Total Other Operating Revenues	635,611	3,098,821	3,734,432	-	3,734,432	3,032,063
Auxiliary Enterprises						
Bookstore	-	-	-	1,050,719	1,050,719	1,353,684
Less discounts	-	-	-	(803,045)	(803,045)	(1,058,141)
Less scholarships	-	-	-	(286,996)	(286,996)	(365,433)
Residential Life	-	-	-	-	-	17,200
Less discounts	-	-	-	-	-	(17,200)
Cafeteria	-	-	-	82,812	82,812	135,897
Radio	-	-	-	220,686	220,686	224,721
Total Net Auxiliary Enterprises	-	-	-	264,176	264,176	290,728
Total Operating Revenues	\$ 9,715,402	\$ (1,617,323)	\$ 8,098,079	\$ 264,176	\$ 8,362,255	\$ 9,496,756

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

	Operating Expenses					
	Salaries and Wages	Benefits		Other Expenses	Total 8/31/20	Total 8/31/19
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 7,689,776	\$ -	\$ 666,567	\$ 1,969,573	\$ 10,325,916	\$ 10,463,564
Academic Support	1,349,515	-	128,949	516,321	1,994,785	2,095,089
Student Services	829,175	-	31,489	90,661	951,325	986,185
Institutional Support	2,442,301	-	319,754	1,152,222	3,914,277	4,150,402
Operation and Maintenance of Plant	850,346	-	161,898	1,054,999	2,067,243	2,447,553
Total Unrestricted Educational Activities	13,161,113	-	1,308,657	4,783,776	19,253,546	20,142,793
Restricted - Educational Activities						
Instruction	391,641	447,866	85,426	1,042,382	1,967,315	1,765,486
Academic Support	-	78,598	-	-	78,598	159,250
Student Services	611,603	48,293	144,886	179,260	984,042	995,685
Institutional Support	41,249	142,244	134	5,694	189,321	298,669
Scholarships and Fellowships	-	-	-	3,622,254	3,622,254	3,717,002
Total Restricted Educational Activities	1,044,493	717,001	230,446	4,849,590	6,841,530	6,936,092
Total Educational Activities	14,205,606	717,001	1,539,103	9,633,366	26,095,076	27,078,885
Auxiliary Enterprises	274,555	38,965		1,231,341	1,544,861	1,839,281
Depreciation Expense:						
Building & Improvements	-	-	-	1,097,036	1,097,036	1,114,636
Software	-	-	-	8,162	8,162	54,355
Equipment & Furniture	-	-	-	541,015	541,015	485,741
Library Books	-	-	-	52,231	52,231	55,461
Total Auxiliary Activities & Depreciation	274,555	38,965	-	2,929,785	3,243,305	3,549,474
Total	\$ 14,480,161	\$ 755,966	\$ 1,539,103	\$ 12,563,151	\$ 29,338,381	\$ 30,628,359

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total 8/31/20</u>	<u>Total 8/31/19</u>
Non-operating revenues					
Education and general state support	\$ 7,494,425	\$ -	\$ -	\$ 7,494,425	\$ 7,201,083
State group insurance	-	21,338	-	21,338	915,654
State retirement matching	-	695,663	-	695,663	511,450
Total State Appropriation	<u>7,494,425</u>	<u>717,001</u>	<u>-</u>	<u>8,211,426</u>	<u>8,628,187</u>
Other non-operating revenues					
Ad-valorem taxes	7,002,036	-	-	7,002,036	6,532,330
Federal Revenue non operating	-	8,969,988	-	8,969,988	8,598,541
Gifts	236,576	-	-	236,576	-
Investment income	422,918	143,889	-	566,807	534,764
Rent Income	30,850	-	-	30,850	136,295
Other non-operating revenues	4,501	-	-	4,501	8,499
Total Other Non-operating Revenues	<u>7,696,881</u>	<u>9,113,877</u>	<u>-</u>	<u>16,810,758</u>	<u>15,810,429</u>
Total Non-operating Revenues	<u>15,191,306</u>	<u>9,830,878</u>	<u>-</u>	<u>25,022,184</u>	<u>24,438,616</u>
Non-Operating (Expenses)					
Loss on disposal of fixed assets	-	-	-	-	(547,469)
Interest on capital related debt	-	(43,679)	-	(43,679)	(66,069)
Total Non Operating (Expenses)	<u>-</u>	<u>(43,679)</u>	<u>-</u>	<u>(43,679)</u>	<u>(613,538)</u>
Net Non-Operating Revenues	<u>\$ 15,191,306</u>	<u>\$ 9,787,199</u>	<u>\$ -</u>	<u>\$ 24,978,505</u>	<u>\$ 23,825,078</u>

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

	Detail By Source					Available for	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Current Operations	
		Expendable	Non Expendable			Yes	No
Current:							
Unrestricted	(12,602,960)				(12,602,960)	(12,602,960)	
Restricted							
Auxiliary	24,092				24,092	24,092	
Endowment:							
Restricted		(7,580)	1,249,368		1,241,788		1,241,788
Plant:							
Unexpended					-		-
Investment in Plant				15,509,304	15,509,304		15,509,304
Total Net Position, August 31, 2020	(12,578,868)	(7,580)	1,249,368	15,509,304	4,172,224	(12,578,868)	16,751,092
Total Net Position, August 31, 2019	(16,340,065)	14,444	1,231,370	15,264,096	169,845	(16,340,065)	16,509,910
Net Increase (Decrease) in Net Position	\$ 3,761,197	\$ (22,024)	\$ 17,998	\$ 245,208	\$ 4,002,379	\$ 3,761,197	\$ 241,182

TEXARKANA COLLEGE
SCHEDULE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
<u>U.S. Department of Education</u>			
Direct Programs:			
<i>Student Financial Assistance Cluster:</i>			
Federal Supplemental Education			
Opportunity Grants (FSEOG)	84.007 *	P007A194134	\$ 115,625
Federal Work Study Program (FWS)	84.033 *	P033A194134	82,100
Direct Student Loans	84.268 *	P268K212318	3,921,655
Federal Pell Grant	84.063 *	P063P192318	8,119,463
Allocated Indirect Costs - Federal Pell Grant	84.063 *	P063Q192318	9,945
<i>Subtotal Student Financial Assistance Cluster</i>			<u>12,248,788</u>
<i>TRIO Cluster:</i>			
TRIO - Student Support Services (SSS)	84.042 *	P042A160405	298,120
Allocated Indirect Costs - SSS	84.042 *	P042A160405	23,850
TRIO - Talent Search (TS)	84.044 *	P044A160080	319,955
Allocated Indirect Costs - TS	84.044 *	P044A160080	25,596
TRIO - Educational Opportunity Centers (EOC)	84.066 *	P066A160244	235,262
Allocated Indirect Costs - EOC	84.066 *	P066A160244	18,821
TRIO - STEM Supplement Grant	84.066 *	P044A160080	6,198
<i>Subtotal TRIO Cluster</i>			<u>927,802</u>
<i>CARES Act Programs:</i>			
CARES Act - Emergency Aid	84.425E *	P425E200892	652,800
CARES Act - Institutional Funds	84.425F *	P425F200950	381,908
<i>Subtotal CARES Act Programs</i>			<u>1,034,708</u>
Passed Through the Texas Higher Education			
Coordinating Board			
Vocational Education - Basic Grant	84.048	1642020601	386,226
Allocated Indirect Costs - Vocational Education	84.048	1642020601	19,311
Total Passed Through the Texas Higher			
Education Coordinating Board			<u>405,537</u>
Passed Through the Texas Workforce Commission			
Adult Education and Family Leave Act (AEFLA)	84.002A	0718ALA001	279,985
Allocated Indirect Costs - AEFLA			23,999
Adult Education and Family Leave Act (AEFLA)	84.002A	0718ALAB01	55,041
Adult Education and Family Leave			
Act (AEFLA)-Workforce Integration	84.002A	0720AEL002	1,666
Total Passed Through the Texas Workforce Commission			<u>360,691</u>
Total U.S Department of Education			<u>14,977,526</u>
Total Federal Financial Assistance			<u>\$ 14,977,526</u>

* Major Program

TEXARKANA COLLEGE
SCHEDULE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2020

Notes to the Schedule of Expenditures of Federal Awards

Note 1 – Federal Assistance Reconciliation

Federal Grants and Contract Revenue -	
Per Schedule of Operating Revenues (Schedule A)	\$ 2,085,883
Per Schedule of Operating Revenues (Schedule C)	8,969,988
Total Federal Revenues per Statement of Revenues,	
Expenses and Changes in Net Assets	<u>\$ 11,055,871</u>
Reconciling item:	
Add: Direct Student Loans	<u>\$ 3,921,655</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 14,977,526</u></u>

Note 2 – Significant Accounting Policies

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

Note 3 – Expenditures Not Subject to Federal Single Audit

None

Note 4 – Student Loans Processed and Administrative Costs Recovered

None

Note 5 – Amounts Passed Through by the College

None

Note 6 – Nonmonetary Assistance

None

TEXARKANA COLLEGE
SCHEDULE F – SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Grantor/Pass Through Grantor/Program Title	Pass Through Grantors Number	Expenditures and Pass Through Disbursements
<u>Texas Higher Education Coordinating Board</u>		
Texas Educational Opportunity Grant	N/A	\$ 183,232
Professional Nursing Shortage Reduction	N/A	8,238
Total Texas Higher Education Coordinating Board		191,470
<u>Texas Workforce Commission</u>		
Skills for Small Business Program	0719SSD001	2,238
Allocated Indirect Costs - Skills for Small Business Program		178
Graphics Packaging International - Skills Development Fund	* 0719SDF001	420,458
JET Grant - Jobs and Education for Texans Grant Program	* 0719JET001	195,738
JET Grant - Jobs and Education for Texans Grant Program	* 0720JET001	155,282
Total Texas Workforce Commission		773,894
<u>Texas Commission of Environmental Quality</u>		
Passed Through Sulphur River Basin Authority		
Clean Rivers Grant	N/A	33,483
Total Texas Commission on Environmental Quality		33,483
Total State Financial Assistance		\$ 998,847

Notes to the Schedule of Expenditures of State Awards

Note 1 – State Assistance Reconciliation

State Grants and Contract Revenue -	
Per Schedule of Operating Revenues (Schedule A)	\$ 1,005,162
Reconciling item:	
Subtract: Grants from other states	(6,315)
Total Expenditures of State Awards	\$ 998,847

Note 2 – Significant Accounting Policies

The accompanying schedule of expenditures of state awards has been prepared on the accrual basis of accounting. The expenditures included in this schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the College for the purposes of the award. The College has followed the applicable guidelines issued by the various entities in the preparation of the schedule.

TEXARKANA COLLEGE
SCHEDULE G – AUXILIARY ENTERPRISES - STATEMENT OF INCOME AND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2020 (WITH COMPARATIVE FIGURES FOR THE YEAR ENDED AUGUST 31, 2019)

	2020					2019				
	Cafeteria	Bookstore	Housing	Radio	Total	Cafeteria	Bookstore	Housing	Radio	Total
Sales and Gross Profit										
Sales	\$ 82,812	\$ 1,050,719	\$ -	\$ 220,686	\$ 1,354,217	\$ 135,897	\$ 1,353,684	\$ 17,200	\$ 224,721	\$ 1,731,502
Total Sales	82,812	1,050,719	-	220,686	1,354,217	135,897	1,353,684	17,200	224,721	1,731,502
Less Direct Cost										
Cost of goods sold	38,322	963,888	-	-	1,002,210	67,213	1,096,795	-	-	1,164,008
Salaries	32,461	136,999	-	105,095	274,555	44,812	150,847	2,750	136,268	334,677
Total Direct Cost	70,783	1,100,887	-	105,095	1,276,765	112,025	1,247,642	2,750	136,268	1,498,685
Gross Profit/(Loss)	12,029	(50,168)	-	115,591	77,452	23,872	106,042	14,450	88,453	232,817
Operating Expenditures										
Benefits	5,548	21,833	-	11,584	38,965	9,543	29,937	343	25,647	65,470
Supplies	28,093	4,672	-	1,419	34,184	43,980	12,483	-	3,245	59,708
Contracted Services	2,428	11,461	-	143,709	157,598	5,044	6,429	-	165,511	176,984
Utilities	-	-	-	502	502	-	-	-	-	-
Depreciation	-	-	-	23,913	23,913	-	-	-	20,992	20,992
Miscellaneous	73	12,861	-	-	12,934	124	17,318	-	-	17,442
Total Operating Expenditures	36,142	50,827	-	181,127	268,096	58,691	66,167	343	215,395	340,596
Excess (Deficiency) of Income Over Expense	\$ (24,113)	\$ (100,995)	\$ -	\$ (65,536)	\$ (190,644)	\$ (34,819)	\$ 39,875	\$ 14,107	\$ (126,942)	\$ (107,779)

See independent auditor's report

TEXARKANA COLLEGE
SCHEDULE H – INSURANCE IN FORCE
AS OF AUGUST 31, 2020

Company	Policy Number	Coverage	Coverage (in thousands)	Expiration Date
Texas Political Subdivisions	20-F0697	General Liability	\$ 2,000	July 1, 2021
Texas Political Subdivisions	20-F0697	School Board Legal Liability	\$ 1,000	July 1, 2021
Texas Political Subdivisions	20-F0697	Law Enforcement	\$ 1,000	July 1, 2021
Texas Political Subdivisions	20-F0697	Automobile Liability	\$ 1,000	July 1, 2021
Texas Political Subdivisions	20-F0697	Property & Equipment:		July 1, 2021
		Blanket Building & Contents	\$ 103,061	
		Contractors Equipment	\$ 121	
		Electronic Data, Media and Hardware	\$ 500	
Texas Political Subdivisions	20-F0697	Crime:		July 1, 2021
		Employee Dishonesty	\$ 150	
		Forgery or Alteration	\$ 50	
		Theft, Disappearance, and Destruction	\$ 50	
		Computer Fraud	\$ 50	
Texas Political Subdivisions	S716-85001	Crisis Management	\$ 2,000	July 1, 2021
Texas Political Subdivisions	G29012052 001	Cyber Liability	\$ 1,000	July 1, 2021
Texas Political Subdivisions	3642600	Terrorism	\$ 100,000	July 1, 2021

**FEDERAL FINANCIAL ASSISTANCE INFORMATION
SINGLE AUDIT**

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

To the Board of Trustees of
Texarkana College
Texarkana, Texas

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 and the aggregate discretely presented component unit of Texarkana College (the College), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the College'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 the College's internal control over financial reporting (internal control) as a basis for designing 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Certified Public Accountants

Texarkana, Texas
December 14, 2020



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

To the Board of Trustees
of Texarkana College
Texarkana, Texas

Report on Compliance for Each Major Federal Program

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the College, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the College's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the College as of and for the year ended August 31, 2020, and have issued our report thereon dated December 14, 2020 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance
(Continued)

directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants

Texarkana, Texas
December 14, 2020

**TEXARKANA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020**

Section I – Summary of Auditor’s Results

Financial Statements

Type of Report the Auditor Issued on Whether the Financial Statements Were Prepared in Accordance with GAAP	Unmodified
Internal control Over Financial Reporting:	
Material weakness(es) identified	None Reported
Significant Deficienc(ies) Identified	None Reported
Noncompliance Material to the Financial Statements	None Reported

Federal Awards

Internal Control over Major Programs:	
Material Weakness(es) Identified	None Reported
Significant Deficienc(ies) Identified	None Reported
Type of Auditor’s Report Issued on Compliance for Major Federal Programs	Unmodified
Findings Disclosed in the Audit which are Required to be Reported in Government Auditing Standards	None Reported
Findings Disclosed in the Audit which are Required to be Reported in Accordance with 2 CFR 200.516(a)	None Reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007	Student Financial Assistance Cluster – FSEOG
84.033	Student Financial Assistance Cluster – FWS
84.063	Student Financial Assistance Cluster – PELL
84.268	Student Financial Assistance Cluster – Direct Loans
84.033	TRIO Cluster – Student Support Services
84.044	TRIO Cluster – Talent Search
84.066	TRIO Cluster – Educational Opportunity Centers
84.425E	CARES Act – Higher Education Relief Fund
84.425F	CARES Act – Higher Education Relief Act – Institutional Portion

TEXARKANA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED AUGUST 31, 2020

Section I – Summary of Auditor’s Results (Continued)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? Yes

Section II - Financial Statement Findings

Details of findings relating to the financial statements which are required to be reported in accordance with
Government Auditing Standards –

There were no reported findings or questioned costs related to the financial statements or *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

Details of findings and questioned costs relating to Federal awards –

There were no reported findings or questioned costs related to the financial statements or federal awards.

**TEXARKANA COLLEGE
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2020**

<u>Program/Finding</u>	<u>Description</u>
No findings were reported in the prior year.	

STATE FINANCIAL ASSISTANCE INFORMATION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF STATE AWARDS REQUIRED BY THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the Board of Trustees
of Texarkana College
Texarkana, Texas

Report on Compliance for Each Major State Program

We have audited the Texarkana College's (the College) compliance with the types of compliance requirements described in the State of Texas Single Audit Circular, *Uniform Grant Management Standards*, that could have a direct and material effect on each of the College's major state programs for the year ended August 31, 2020. The College's major state programs are identified in the summary of auditor's results section of the accompanying state schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major state 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 State of Texas Single Audit Circular, *Uniform Grant Management Standards*. Those standards and *Uniform Grant Management Standards* 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 state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedule of Expenditures of State Awards Required by the State of Texas Single Audit Circular

We have audited the financial statements of the College as of and for the year ended August 31, 2020, and have issued our report thereon dated December 14, 2020 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of Texas Single Audit Circular and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

Report on Schedule of Expenditures of State Awards Required by the State of Texas Single Audit Circular
(Continued)

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

Thomas & Thomas, PLLC

Certified Public Accountants

Texarkana, Texas
December 14, 2020

TEXARKANA COLLEGE
STATE AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020

Section I - Summary of Audit Results

Financial Statements

Type of Report the Auditor Issued on Whether the Financial Statements Were Prepared in Accordance with GAAP	Unmodified
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Internal Control Over Financial Reporting:

Material Weakness(es) Identified	None Reported
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Significant Deficienc(ies) Identified	None Reported
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Noncompliance Material to the Financial Statements	None Reported
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State Awards

Internal Control over Major Programs:

Material Weakness(es) Identified	None Reported
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Significant Deficienc(ies) Identified	None Reported
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Type of Auditor's Report Issued on Compliance for Major State Programs	Unmodified
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Findings Disclosed in the Audit which are Required to be Reported in Government Auditing Standards	None Reported
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Findings Disclosed in the Audit which are Required to be Reported in Accordance with the State of Texas Single Audit Circular	None Reported
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Identification of Major Programs:

JET Grant – Jobs and Education for Texans Grant Program
International Graphics Packaging – Skills Development Grant

Dollar Threshold Used to Distinguish between Type A and Type B Programs	\$300,000
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Texarkana College qualified as a low risk entity.	No
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TEXARKANA COLLEGE
STATE AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED AUGUST 31, 2020

Section II – State Award Findings and Questioned Costs

During the year ended August 31, 2020, there were no findings or questioned costs reported for major state programs.

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