



Coastal Bend College

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

August 31, 2022 and 2021



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**Coastal Bend College
Organizational Data
For the year ended August 31, 2022**

BOARD OF TRUSTEES			<u>Term Expires</u> <u>May 31,</u>
Victor Gomez	Chair		2028
Eloy Rodriguez	Vice Chair		2026
Carroll W. Lohse	Secretary		2024
Mercy Flynn	Trustee		2026
Jeff Massengill	Trustee		2028
Velma Elizalde	Trustee		2028
Jerry Sanchez	Trustee		2024

PRINCIPAL ADMINISTRATIVE OFFICERS		
Dr. Justin Hoggard	President	
Dr. Patricia Rehak	Provost/Chief Academic Officer	
Lajuana Kasprzyk	Director of Finance and Business Operations/Chief Financial Officer	
Oscar Rodriguez	Chief of Police and Emergency Management	
Dixie Lytle	Director of Human Resources	
Amador Ramirez	Director of IT	
Dr. Michelle Lane	Executive Director of Institutional Effectiveness and Research	
Jacinto Colmenero	Director of Physical Plant	



REPORT





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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Coastal Bend College
Beeville, Texas

Opinion

We have audited the accompanying financial statements of Coastal Bend College (the "College"), as of and for the years ended August 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of August 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, revenue for the year ended August 31, 2021, was overstated by \$256,702 due to the improper measurement of deferred revenue in the year ended August 31, 2021. This accounting error has no material impact on beginning net assets as of August 31, 2021. The financial statements for the year ending August 31, 2021 have been restated to correct this revenue recognition error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 17, and the schedules of College's proportionate share of net pension liability, College's contributions for pensions, College's proportionate share of net OPEB liability and College's contributions for OPEB on pages 68 through 73 be presented to supplement the basic financial statements.

Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Expenditures of Federal Awards for the year ended August 31, 2022, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the supplementary schedules on pages 75 through 78, as required by the Texas Higher Education Coordinating Board (THECB) (collectively, the supplementary information), are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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 the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Corpus Christi, Texas
January 17, 2023

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Coastal Bend College Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

For financial reporting purposes, Coastal Bend College (the "College") is considered a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

This report consists of Management's Discussion and Analysis of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flow. These statements provide both long-term and short-term financial information for the College and should be read in conjunction with the notes to the financial statements. Each statement is intended to provide the following information:

The Statement of Net Position is the equivalent to an entity's balance sheet. It provides the financial status of an entity at a specific point in time.

The Statement of Revenues, Expenses and Changes in Net Position is the equivalent to an entity's income statement. It provides the financial performance of an entity during a specific time-period, or fiscal year.

The Statement of Cash Flows shows an entity's inflow and outflow of cash transactions over the fiscal year.

The Notes to the Financial Statements entail the specific accounting policies and assumptions applied by the College in preparing internal financial statements and are an integral part of an entity's external financial statements.

The discussion and analysis of the College's financial statements provides an overview of its financial activities as of and for the year ended August 31, 2022. This discussion gives a comparative analysis of business-type activity from fiscal year 2021 to fiscal year 2022.

Financial Highlights

The Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position

The statement of net position includes all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector organizations. Net position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the College's financial health, or position. Over time, increases or decreases in the College's net position are an indicator of whether its financial health is improving or deteriorating. Non-financial factors are also important to consider, including student enrollment and the condition of campus facilities. All current year revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Coastal Bend College Management's Discussion and Analysis

The following table summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of August 31, 2022, and includes the comparison to the prior years:

<i>August 31,</i>	2022	2021 As Restated	2021-2022 Increase (Decrease)	2020	2020-2021 Increase (Decrease)
Assets					
Current assets	\$ 19,414,521	\$ 11,982,289	\$ 7,432,232	\$ 9,703,789	\$ 2,278,500
Non-current assets					
Capital assets, net					
Not subject to depreciation	476,889	476,889	-	476,889	-
Subject to depreciation	14,511,541	14,341,437	170,104	15,439,737	(1,098,300)
Investments	2,892,776	4,906,775	(2,013,999)	6,566,449	(1,659,674)
Other	577,656	574,061	3,595	573,556	505
Total assets	37,873,383	32,281,451	5,591,932	32,760,420	(478,969)
Deferred outflows of resources	3,765,741	3,029,940	735,801	3,017,091	12,849
Total assets and deferred outflows	41,639,124	35,311,391	6,327,733	35,777,511	(466,120)
Liabilities					
Current liabilities	11,549,840	9,630,969	1,918,871	8,459,569	1,171,400
Non-current liabilities	21,139,588	25,393,707	(4,254,119)	26,162,336	(768,629)
Total liabilities	32,689,428	35,024,676	(2,335,248)	34,621,905	402,771
Total deferred inflows of resources	9,279,832	7,296,256	1,983,576	8,216,130	(919,874)
Total liabilities and deferred inflows	41,969,260	42,320,932	(351,672)	42,838,035	(517,103)
Net position					
Net investment in capital assets	13,077,577	11,905,926	1,171,651	12,163,626	(257,700)
Restricted	1,243,046	897,090	345,956	894,117	2,973
Unrestricted	(14,650,759)	(19,812,557)	5,161,798	(20,118,267)	305,710
Total net position, as restated	\$ (330,136)	\$ (7,009,541)	6,679,405	\$ (7,060,524)	50,983

Changes in Assets

Current assets consist primarily of cash & cash equivalents and student accounts receivable while non-current assets primarily consist of investments and net capital assets. The increase in total assets totaled \$5,591,932 from August 31, 2021 to August 31, 2022. The net increase is a result of the increase in cash of \$7,028,441, which is attributable to recovery of estimated lost revenue associated with the coronavirus pandemic. Accounts receivable increased by \$584,287 representing a return to campus of students after coronavirus pandemic restrictions were removed.

Coastal Bend College Management's Discussion and Analysis

Changes in Liabilities

Current liabilities primarily consist primarily of unearned revenues, accounts payable and current portion of debt payable. Current liabilities increased by \$1,918,871 largely due to an increase in account payable of \$1,323,805 and an increase in unearned revenue \$498,617. Significant expenses associated with grants awarded the college for recovery efforts associated with coronavirus pandemic contribute to the increase in accounts payable.

The unearned revenue increase is related to increased enrollment in the Fall 2022 term as student return to campus after coronavirus pandemic restrictions were eased. The College's current portion of OPEB liability decreased by (\$215,087). Non-current liabilities, primarily consisting of long-term debt and pension and OPEB liabilities, decreased by (\$4,254,119) in 2022. This is due to decreases in the non-current portion of long-term debt (\$1,043,548) and net pension liabilities (\$3,518,016) and an offsetting increase in the non-current portion of OPEB liabilities of \$307,445.

Analysis of Net Position

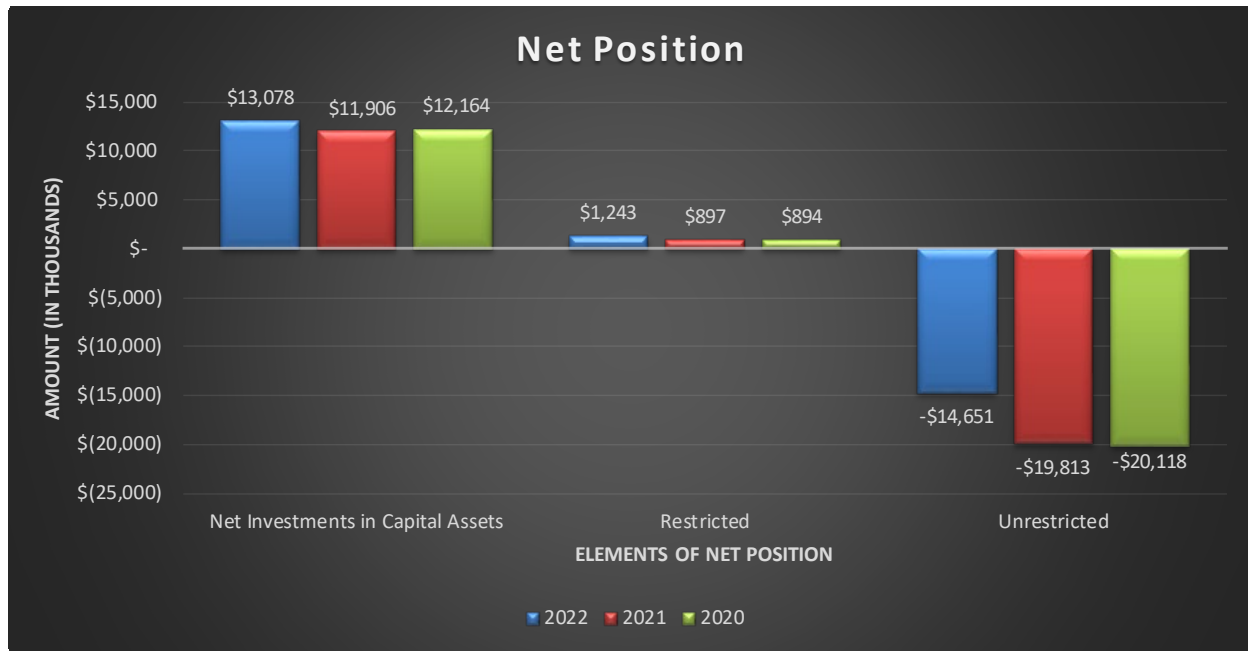
Net position may serve as a useful indicator of the College's financial position. For the College, liabilities and deferred inflows exceeded assets and deferred outflows by \$330,136 at the close of August 31, 2022, as compared to the \$7,009,541 as of August 31, 2021. Deferred outflows increased by \$735,801 and totaled \$3,765,741 in the current year. Deferred inflows increased by \$1,983,576 in the current year and totaled \$9,279,832.

As of August 31, 2022, net investment in capital assets totaled \$13,077,577. The College uses these capital assets in its mission to provide postsecondary educational services to the College' service area; consequently, these assets are not available for future spending. Net capital assets increased in the 2022 fiscal year by \$170,104, net of depreciation expense of \$1,502,488. Combined assets, net of depreciation, totaled \$37,873,383, a \$5,591,932 increase from the prior year, which can be attributed to the \$1,694,073 of fixed assets purchased by or donated to the College during 2022. Net position also consists of unrestricted net position of \$14,650,759 an increase of \$5,161,798. Unrestricted net position includes the recording of net pension liability of \$2,492,481 and the recording of OPEB liability of \$18,152,875. Efforts at the federal and state level contributed significantly to the increase in the College's unrestricted net position as the College was able to recoup estimated lost revenues from fiscal years 2020 and 2021 in the amount of \$2,748,676. This in addition to the return of students to campus following the coronavirus pandemic afforded the college the opportunity to strive toward pre-pandemic levels of revenue and services. Federal and state grants for emergency aid were provided and enhanced program capabilities as well as assisted students with their ability to return to campus. These efforts will continue into fiscal year 2023 and the College expends remaining coronavirus funds at its disposal. See note 13 in the notes to the financial statements for a further discussion of the pension and note 16 of the notes to the financial statements for a further discussion of the OPEB.

Coastal Bend College Management's Discussion and Analysis

Analysis of Net Position (Continued)

The following is a graphic illustration of net position (in thousands) for the years ended August 31, 2020 through 2022:



Analysis of Changes in Net Position

The following table summarizes the College's change in net position for August 31, 2022 compared to the net position for August 31, 2021:

<i>For the Years Ended August 31,</i>	2022	2021 As Restated	2021-2022 Increase (Decrease)	2020	2020-2021 Increase (Decrease)
Net position beginning of year, as reported	\$ (7,009,541)	\$ (7,060,524)	\$ 50,983	\$ (10,378,858)	\$ 3,318,334
Net position beginning of year, as restated	(7,009,541)	(7,060,524)	50,983	(8,891,626)	1,831,102
Net position - end of year, as restated	(330,136)	(7,009,541)	6,679,405	(7,060,524)	50,983
Increase in net position	\$ 6,679,405	\$ 50,983	\$ 6,628,422	\$ 1,831,102	\$ (1,780,119)

The College's net position increased by \$6,679,405 during the 2022 fiscal year as compared to an increase of \$50,983 for the 2021 fiscal year. Operating revenues were \$15,781,197 in 2022, which is an increase of \$10,352,117 from fiscal year 2021. Operating expenses were \$26,213,369 in fiscal year 2022, which is an increase of \$3,725,286 from fiscal year 2021.

Coastal Bend College Management's Discussion and Analysis

Analysis of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net position focuses on the primary factors which produce the overall results of the College's operations. The statement is divided into operating revenues and expenses and non-operating revenues and expenses.

The College's primary sources of revenue are derived from local property taxes, state appropriations and tuition and fees. Tuition and fees collected from students is the only primary source of revenue produced from the exchange of services. State appropriations, student financial aid (Title IV funds), and monies received from grant and property taxes are classified as non-operating revenues, per the Governmental Accounting Standards Board (GASB) requirements. In general, for community colleges, the deficit presented by non-operating revenues represents the net cost of student services that will need to be funded through other means such as local taxpayer support, state support, and other revenue sources.

The following table summarizes the College's revenues, expenses, and changes in net position for the years ended August 31:

<i>For the Years Ended August 31</i>	2022	2021 As Restated	2021-2022 Increase (Decrease)	2020	2020-2021 Increase (Decrease)
Operating revenues	\$ 15,781,197	\$ 5,429,080	\$ 10,352,117	\$ 4,466,623	\$ 962,457
Non-operating revenues	17,322,348	17,331,302	(8,954)	20,396,567	(3,065,265)
Total revenues	33,103,545	22,760,382	10,343,163	24,863,190	(2,102,808)
Operating expenses	26,213,369	22,488,083	3,725,286	22,865,169	(377,086)
Non-operating expenses	210,771	221,316	(10,545)	166,919	54,397
Total expenses	26,424,140	22,709,399	3,714,741	23,032,088	(322,689)
Increase in net position	6,679,405	307,685	6,371,720	1,831,102	(1,523,417)
Net position beginning of year, as restated	(7,009,541)	(7,060,524)	50,983	(8,891,626)	1,831,102
Prior period adjustment	-	(256,702)	-	-	-
Net position - end of year	\$ (330,136)	\$ (7,009,541)	\$ 6,679,405	\$ (7,060,524)	\$ 50,983

Operating Revenues

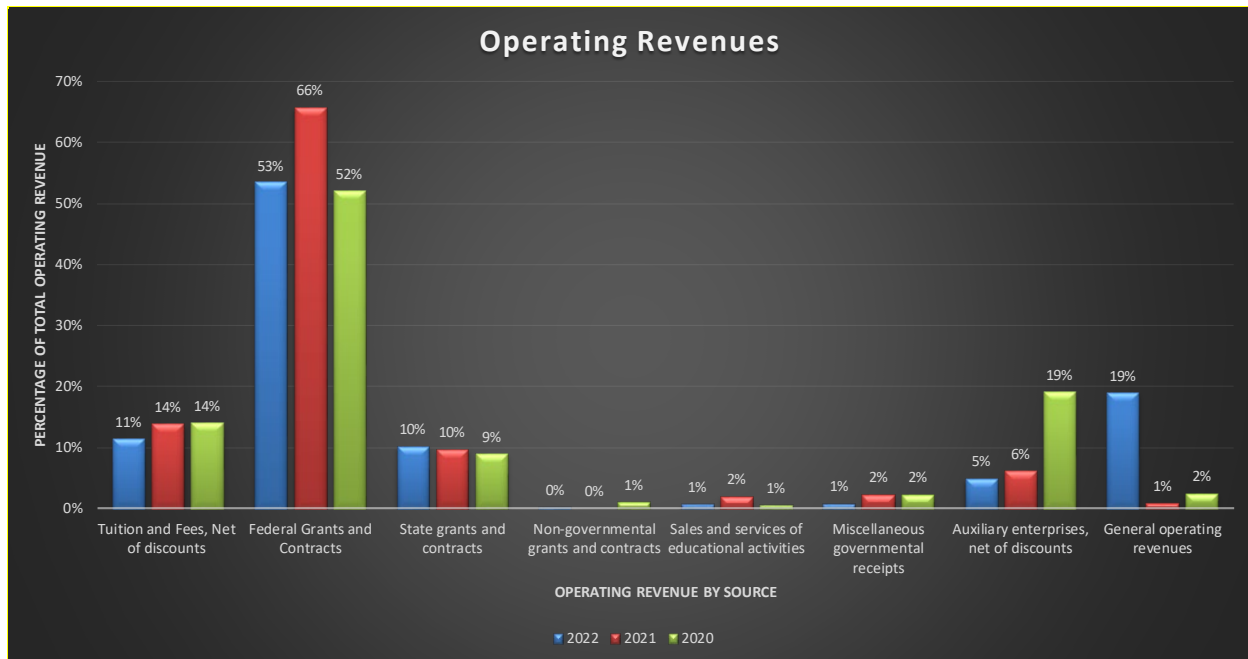
The following table summarizes the College's operating revenues of \$15,781,197 for the 2022 fiscal year as compared to the operating revenues of \$5,429,080 for the 2021 fiscal year. The increase in operating revenues for fiscal year 2022 is related to the continued recovery from the effects of the coronavirus pandemic impacting operations in the fiscal year 2020.

Coastal Bend College Management's Discussion and Analysis

Operating Revenues (Continued)

<i>For the Years Ended August 31,</i>	2022	2021 As Restated	2021-2022 Increase (Decrease)	2020	2020-2021 Increase (Decrease)
Tuition and fees, net of discounts	\$ 1,779,218	\$ 744,903	\$ 1,034,315	\$ 622,371	\$ 122,532
Federal grants and contracts	8,420,398	3,566,741	4,853,657	2,323,196	1,243,545
State grants and contracts	1,596,666	522,073	1,074,593	392,959	129,114
Non-governmental grants and contracts	27,218	-	27,218	45,197	(45,197)
Sales and services of educational activities	101,437	105,724	(4,287)	24,836	80,888
Miscellaneous governmental receipts	115,410	120,250	(4,840)	99,178	21,072
Auxiliary enterprises, net of discounts	768,335	327,002	441,333	848,134	(521,132)
General operating revenues	2,972,515	42,387	2,930,128	110,752	(68,365)
Total operating revenues	\$ 15,781,197	\$ 5,429,080	10,352,117	\$ 4,466,623	962,457

The following is a graphic illustration of operating revenues by source for the years ended August 31, 2020 through 2022:



Non-Operating Revenues (Expenses)

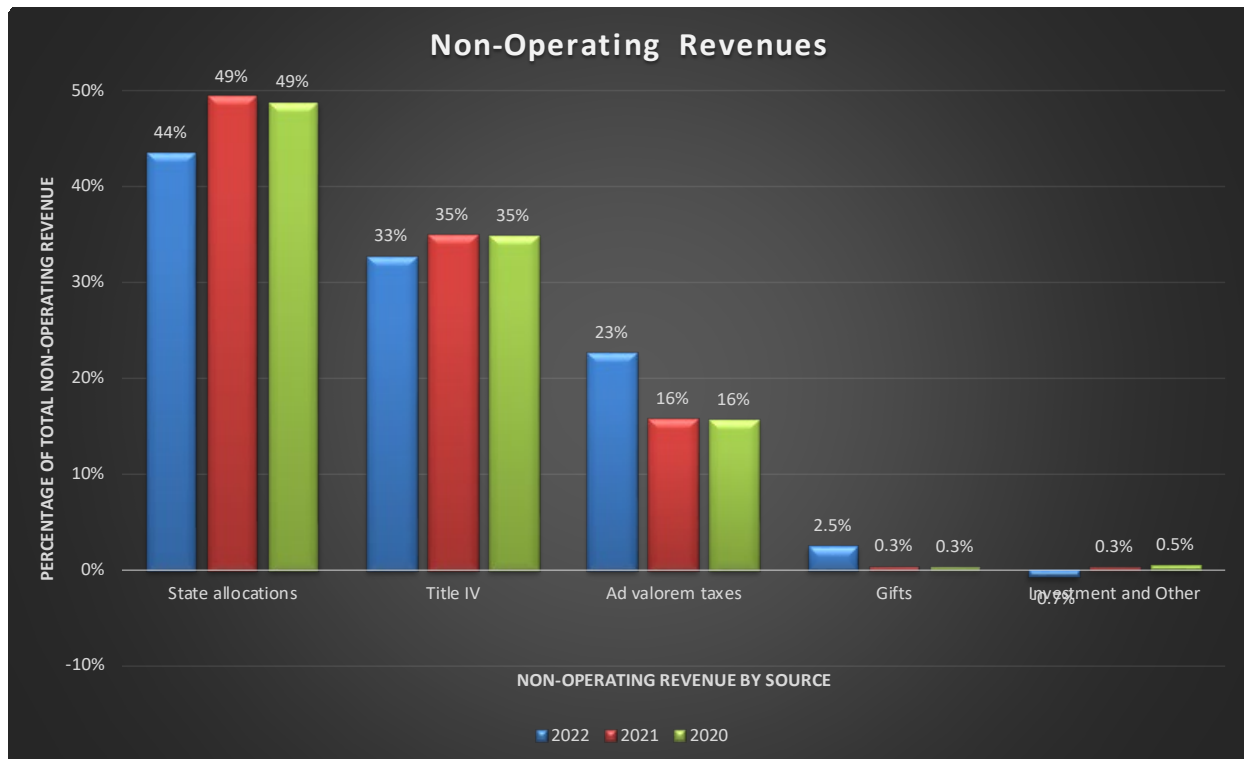
The following table summarizes the College's non-operating revenues (expenses) of \$17,111,577 for the fiscal year ended August 31, 2022, which is an increase of \$1,591 as compared to the fiscal year ended August 31, 2021. This decrease can be attributed to the decrease in Title IV funding (\$375,274) as this funding is directly related to student enrollment and to a decrease in State allocations of (\$998,213) in current year. The decreases were partially offset by increases in Ad valorem tax revenue \$1,177,444.

Coastal Bend College Management's Discussion and Analysis

Non-Operating Revenues (Expenses) (Continued)

<i>For the Years Ended August 31,</i>	2022	2021 As Restated	2021-2022 Increase (Decrease)	2020	2020-2021 Increase (Decrease)
State allocations	\$ 7,444,959	\$ 8,443,172	\$ (998,213)	\$ 9,868,969	\$ (1,425,797)
Title IV	5,594,749	5,970,023	(375,274)	7,046,963	(1,076,940)
Ad valorem taxes					
Taxes for maintenance and operations	3,489,710	1,882,263	1,607,447	2,300,881	(418,618)
Taxes for debt service	373,603	803,606	(430,003)	856,008	(52,402)
Gifts	419,327	59,113	360,214	57,895	1,218
Investment income, net	110,011	173,125	(63,114)	265,851	(92,726)
Other non-operating expense	(139,455)	(450)	(139,005)	(5,647)	5,197
Other non-government funded expense	(84,000)	(96,500)	12,500	-	(96,500)
Interest on capital related debt	(97,327)	(124,366)	27,039	(161,272)	36,906
Total non-operating revenues (expenses)	\$ 17,111,577	\$ 17,109,986	\$ 1,591	\$ 20,229,648	\$ (3,119,662)

The following is a graphic illustration of non-operating revenues by source for the years ended August 31, 2020 through 2022:



Coastal Bend College Management's Discussion and Analysis

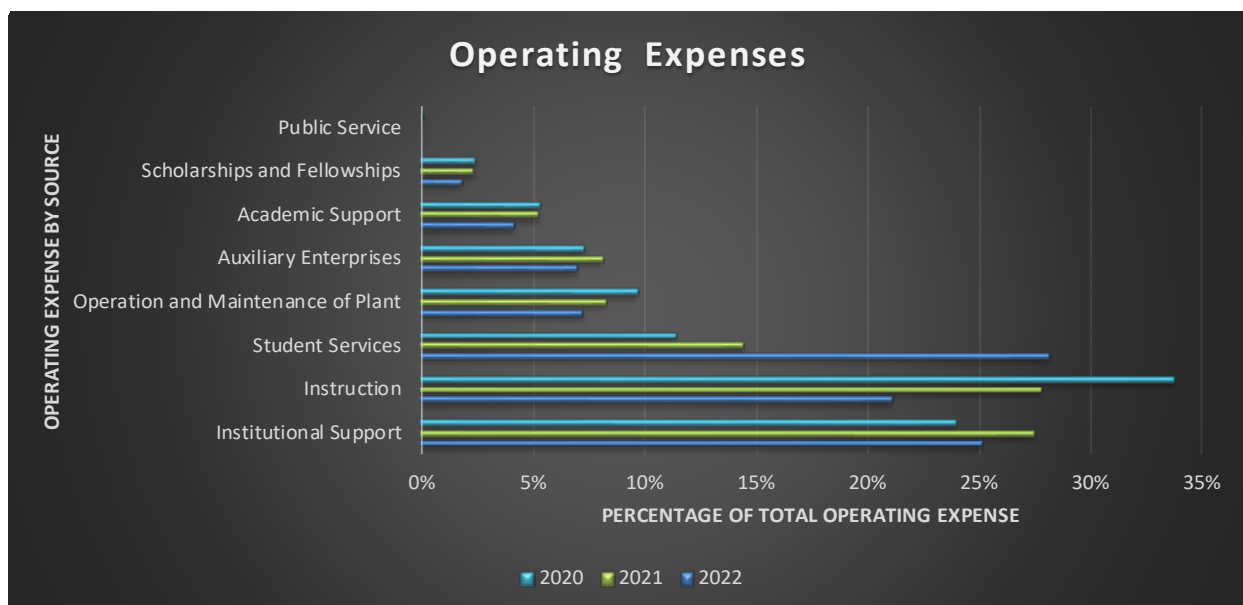
Operating Expenses

The following table summarizes the College's operating expenses of \$26,213,369 for the fiscal year ended August 31, 2022, as compared to the operating expenses of \$22,488,083 in 2021. The increase in operating expenses is attributed to the increase in overall net position during fiscal year 2022, which was impacted by initiatives related to the coronavirus pandemic at the federal and state level.

The significant increases in Student Services and Institutional Support or attributable to federal and state grants provided to assist with recovery efforts.

A schedule and a graphic illustration of operating expenses by function is as follows:

<i>For the Years Ended August 31,</i>	2022	2021 As Restated	2021-2022 Increase (Decrease)	2020	2020-2021 Increase (Decrease)
Instruction	\$ 5,525,676	\$ 6,238,093	\$ (712,417)	\$ 7,707,254	\$ (1,469,161)
Public Service	-	-	-	3,209	(3,209)
Academic Support	1,074,228	1,176,266	(102,038)	1,204,460	(28,194)
Student Services	7,355,944	3,236,551	4,119,393	2,601,754	634,797
Institutional Support	6,574,370	6,172,524	401,846	5,478,514	694,010
Operation and Maintenance of Plant	1,890,185	1,847,519	42,666	2,200,739	(353,220)
Scholarships and Fellowships	463,730	517,114	(53,384)	547,954	(30,840)
Auxiliary Enterprises	1,826,748	1,818,508	8,240	1,651,915	166,593
Depreciation	1,502,488	1,481,508	20,980	1,469,370	12,138
Total operating expenses	\$ 26,213,369	\$ 22,488,083	3,725,286	\$ 22,865,169	(377,086)



Coastal Bend College Management's Discussion and Analysis

Capital Assets and Debt Administration

At August 31, 2022, the College had \$14,988,430 invested in capital assets as compared to \$14,818,326 at August 31, 2021. The increase year over year reflects depreciation expense of \$1,502,488 with the offset being the addition of repairs and renovations to existing building in the amount of \$971,387 and purchase or donation of assets totaling \$722,686.

Capital Assets, Net

<i>For the Years Ended August 31,</i>	2022	2021	2020
Buildings and improvements	\$ 30,556,537	\$ 29,585,150	\$ 29,470,451
Furniture, fixtures and equipment	12,930,964	12,253,075	11,984,566
Library books	1,329,740	1,329,740	1,329,740
Total capital assets	44,817,241	43,167,965	42,784,757
Less accumulated depreciation	(30,305,700)	(28,826,528)	(27,345,020)
Land	476,889	476,889	476,889
Property and equipment, net	\$ 14,988,430	\$ 14,818,326	\$ 15,916,626

Strategic Plan 2025

The college adopted a new strategic plan to provide a path to continued success. Included in that plan were the following goals:

Goal 1: The College District will provide equitable opportunities for lifelong learning and training needs by empowering students through engaging quality instruction, enhancing supportive learning communities; and providing comprehensive student-centered services and programs to ensure that students reach their aspirations.

Goal 2: The College District will identify and develop focused initiatives and activities supporting cultural, workforce, and economic development to improve quality of life.

Goal 3: The College District will effectively and efficiently use resources to maximize student, community, employee, and fiscal efficacy.

Planning associated with goals:

- Planned for and completed several grant opportunities.
- Continue the use of Power BI.
- Created cross referenced courses that were both face-to-face and online to allow students who may contract Covid the opportunity to persist and not fall behind.
- Engage the communities and be more active as normalcy returns.
- Create and develop community partnerships.

Coastal Bend College Management's Discussion and Analysis

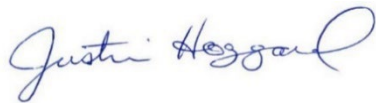
Economic Outlook

As the pandemic created many new opportunities, community colleges will have a vital role in providing many of the short-term credentials employees are requesting. The college will need to be responsive to these needs.

The Texas Commission on Community College Finance will also be beneficial to small and medium sized colleges should the Commission get passed in the upcoming legislative session. The new funding model should be beneficial to colleges such as Coastal Bend College as sustainable funding and resources are always a top priority.

Contacting Financial Management

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

A handwritten signature in blue ink that reads "Justin Hoggard". The signature is written in a cursive style with a large, looping "J" and "H".

Dr. Justin Hoggard
President

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FINANCIAL STATEMENTS



Coastal Bend College
Exhibit 1 – Statements of Net Position

<i>August 31,</i>	2022	2021 As Restated
Assets		
Current assets		
Cash & cash equivalents	\$ 12,143,747	\$ 5,118,901
Short-term investments	1,470,584	1,535,007
Accounts receivable, net	5,490,633	5,047,145
Prepaid expenses	309,557	281,236
Total current assets	19,414,521	11,982,289
Non-current assets		
Restricted cash & cash equivalents	577,656	574,061
Long-term investments	2,892,776	4,906,775
Capital assets		
Non-depreciable		
Land	476,889	476,889
Depreciable, net of accumulated depreciation		
Buildings and improvements	12,286,975	12,142,091
Library books	23,514	28,830
Furniture, machinery, and equipment	2,201,052	2,170,516
Total non-current assets	18,458,862	20,299,162
Total assets	37,873,383	32,281,451
Deferred outflows of resources		
Deferred outflows related to pensions	1,916,565	2,600,917
Deferred outflows related to benefits (OPEB)	1,849,176	429,023
Total deferred outflows	3,765,741	3,029,940
Total assets and deferred outflows	\$ 41,639,124	\$ 35,311,391

(Continued)

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

Coastal Bend College
Exhibit 1 – Statements of Net Position (Continued)

<i>August 31,</i>	2022	2021 As Restated
Liabilities		
Current liabilities		
Accounts payable	\$ 2,202,512	\$ 878,707
Accrued payroll	773,777	444,634
Compensable absences	573,170	611,863
Funds held for others	157,913	164,059
Unearned revenue	6,425,848	5,927,231
Notes payable - current portion	566,000	547,000
Bonds payable - current portion	452,000	429,000
Lease payable - current portion	25,548	25,548
Net OPEB liability - current portion	373,072	602,927
Total current liabilities	11,549,840	9,630,969
Non-current liabilities		
Notes payable - long term portion	812,000	1,378,000
Bonds payable - long term portion	-	452,000
Lease payable - long term portion	55,304	80,852
Net pension liability	2,492,481	6,010,497
Net OPEB liability	17,779,803	17,472,358
Total non-current liabilities	21,139,588	25,393,707
Total Liabilities	32,689,428	35,024,676
Deferred inflows of resources		
Deferred inflows related to pensions	3,665,736	1,389,483
Deferred inflows related to benefits (OPEB)	5,614,096	5,906,773
Total deferred inflows	9,279,832	7,296,256
Total liabilities and deferred inflows of resources	\$ 41,969,260	\$ 42,320,932

(Continued)

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

Coastal Bend College
Exhibit 1 – Statements of Net Position (Continued)

<i>August 31,</i>	2022	2021 As Restated
<hr/>		
Net position		
Net investment in capital assets, net of related debt	\$ 13,077,577	\$ 11,905,926
Restricted		
Nonexpendable		
Endowments	577,656	574,061
Expendable		
Student aid	77,482	76,903
Parking lot requirements	144,391	143,312
Debt service	443,517	102,814
Unrestricted	(14,650,759)	(19,812,557)
<hr/>		
Total net position, as restated	(330,136)	(7,009,541)
<hr/>		
Total liabilities, deferred inflows, and and net position	\$ 41,639,124	\$ 35,311,391
<hr/> <hr/>		

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

Coastal Bend College

Exhibit 2 – Statements of Revenues, Expenses, and Changes in Net Position

<i>For the years ended August 31,</i>	2022	2021 As Restated
Operating Revenues		
Tuition and fees, net of discounts of \$7,238,712 and \$8,627,181, respectively	\$ 1,779,218	\$ 744,903
Federal grants and contracts	8,420,398	3,566,741
State grants and contracts	1,596,666	522,073
Non-governmental grants and contracts	27,218	-
Sales and services of educational activities	101,437	105,724
Miscellaneous governmental receipts	115,410	120,250
Auxiliary enterprises, net of discounts of \$112,500 and \$99,900, respectively	768,335	327,002
General operating revenues	2,972,515	42,387
Total operating revenues (Schedule A)	15,781,197	5,429,080
Operating Expenses		
Instruction	5,525,676	6,238,093
Academic support	1,074,228	1,176,266
Student services	7,355,944	3,236,551
Institutional support	6,574,370	6,172,524
Operation and maintenance of plant	1,890,185	1,847,519
Scholarships and fellowships	463,730	517,114
Auxiliary enterprises	1,826,748	1,818,508
Depreciation	1,502,488	1,481,508
Total operating expenses (Schedule B)	26,213,369	22,488,083
Operating income (loss)	(10,432,172)	(17,059,003)
Non-Operating Revenues (Expenses)		
State allocations	7,444,959	8,443,172
Title IV	5,594,749	5,970,023
Ad valorem taxes		
Taxes for maintenance and operations	3,489,710	1,882,263
Taxes for debt service	373,603	803,606
Gifts	419,327	59,113
Investment income (loss), net of investment expenses	110,011	173,125
Other non-operating expense	(139,455)	(450)
Other non-government funded expense	(84,000)	(96,500)
Interest on capital related debt	(97,327)	(124,366)
Total non-operating revenues, net (Schedule C)	\$ 17,111,577	\$ 17,109,986

(Continued)

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

Coastal Bend College

Exhibit 2 – Statements of Revenues, Expenses, and Changes in Net Position

(Continued)

<i>For the years ended August 31,</i>	2022	2021 As Restated
Net position		
Net position at beginning of year	\$ (7,009,541)	\$ (7,060,524)
Increase in net position	6,679,405	307,685
Prior period adjustment	-	(256,702)
<hr/>		
Increase in net position, as restated	6,679,405	50,983
<hr/>		
Net position at end of year	\$ (330,136)	\$ (7,009,541)

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

Coastal Bend College
Exhibit 3 - Statements of Cash Flows

<i>For the years ended August 31,</i>	2022	2021 As Restated
Operating Activities		
Receipts from students and other customers	\$ 2,271,689	\$ 1,056,206
Receipts from grants and contracts	9,927,940	4,357,175
Payments to suppliers for goods or services	(11,603,038)	(5,330,820)
Payments to or on behalf of employees	(12,887,874)	(13,416,411)
Payments of scholarships and fellowships	(463,730)	(517,114)
Other cash receipts	3,672,406	42,387
Net cash provided by (used in) operating activities	(9,082,607)	(13,808,577)
Noncapital Financing Activities		
Receipts from state appropriations	7,444,959	6,337,393
Receipts from ad valorem taxes	3,821,468	2,942,571
Receipts from non-operating federal revenue	5,744,272	6,422,275
Gifts	419,327	59,113
Payments to student organizations and other agency transactions	(160,941)	1,175,415
Other payments	(94,743)	(96,950)
Net cash provided by (used in) non-capital financing activities	17,174,342	16,839,817
Capital and Related Financing Activities		
Purchases of capital assets	(1,694,073)	(383,200)
Payments on capital debt - principal	(1,001,548)	(947,000)
Payments on capital debt - interest	(97,327)	(124,816)
Net cash provided by (used in) capital and related financing activities	(2,792,948)	(1,455,016)
Investing Activities		
Proceeds from sales and maturities of investments	2,238,701	1,603,538
Purchase of investments	(373,760)	(1,344,558)
Interest on investments	110,011	44,434
Increase (decrease) from unrealized gain (loss) on investments	(245,298)	(108,273)
Net cash provided by (used in) investing activities	1,729,654	195,141
Net change in cash, cash equivalents and restricted cash	7,028,441	1,771,365
Cash, cash equivalents and restricted cash at beginning of year	5,692,962	3,921,597
Cash, cash equivalents and restricted cash at end of year	\$ 12,721,403	\$ 5,692,962

<i>For the years ended August 31,</i>	2022	2021 As Restated
Schedule of non-cash investing activities		
Unrealized gain (loss) on investments	(116,607)	399,391

(Continued)

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

Coastal Bend College
Exhibit 3 - Statements of Cash Flows (Continued)

<i>For the years ended August 31,</i>	2022	2021 As Restated
Reconciliation of Operating Income (Loss)		
to Net Cash Provided by (used in) Operating Activities		
Operating income (loss)	\$ (10,432,172)	\$ (17,059,003)
Adjustments to reconcile operating income (loss) to net cash used		
in operating activities:		
Depreciation expense	1,502,488	1,481,508
Bad debt allowance	182,654	1,110,089
Payments made directly by state for benefits	160,941	1,298,707
Changes in assets and liabilities:		
Receivables, net	(584,287)	984,977
Prepaid expenses	(28,321)	(42,370)
Pension related deferred outflows	684,352	-
Other post employee benefits related deferred outflows	(1,420,153)	-
Accounts payable	1,323,805	(43,793)
Accrued payroll	531,158	-
Compensable absences	(38,693)	-
Funds held for others	(6,146)	11,889
Unearned revenue	498,617	(71,878)
Net pension liability	(3,518,016)	(695,317)
Net other post employee benefit liability	77,590	149,337
Pension related deferred inflows	2,276,253	(12,849)
Other post employee benefits related deferred inflows	(292,677)	(919,874)
Net cash provided by (used in) operating activities	\$ (9,082,607)	\$ (13,808,577)

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

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NOTE 1: REPORTING ENTITY

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

Component Unit

The Coastal Bend College Foundation (the “Foundation”) is a nonprofit organization with the purpose of supporting the educational and other activities of the College. The Foundation solicits donations and acts as coordinator of gifts made by other parties. Under Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations are Component Units, the Foundation is considered a blended component unit of the College, as the Foundation is fiscally dependent on the College and provides services exclusively, or almost exclusively, for the benefit of the College. The financial statements of the Foundation are not material to the financial statements of the College and have not been included in the basic financial statements. Complete financial statements for the Foundation may be obtained from the Coastal Bend College Office of Business Services, 3800 Charco Road, Beeville, Texas, 78102.

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 and Junior Colleges*. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

Basis of Accounting

The accounting and reporting policies of the College reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a public institution, the College is considered a special-purpose government under the provisions of GASB Statement No. 35. The College records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged in business-type activities.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

Categories and Classification of Fund Equity

The College's net position is classified into the following net position categories:

Net investment in capital assets – Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Net position is reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – All other categories of net position. In addition, unrestricted net position may be designated for use by management of the College. This requirement limits the area of operations for which expenditures of net position may be made, and require that unrestricted net position be designated to support future operations in these areas. College housing programs are a primary example of operations that have unrestricted net position with designated uses.

Budgetary Data

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments. For purposes of the statement of cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the College's bank. Cash and cash equivalents that are externally restricted as to their use are classified as noncurrent assets on the Statements of Net Position.

Investments

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

Receivables

Receivables consist primarily of amounts due from federal and state governmental entities for grants and contracts, local government entities for unremitted levy collections, and student and third-party payers for student tuition and fees. The allowance for doubtful accounts is maintained at a level which, in the administration's judgment based on historic, uncollectible rates, is sufficient to provide for expected losses in the collection of these accounts.

Interfund Activities and Transactions

Interfund borrowing is recorded in each fund as due to/due from other funds. Such borrowing is temporary in nature and is authorized in advance by the board or administrative action. The borrowing provides the College with needed working capital. No interest is charged on interfund loans.

Restricted Cash

Restricted cash included in other long-term assets on the statement of financial position represents amounts pledged as collateral for long-term financing arrangements as contractually required by a lender. The restriction will lapse when the related long-term debt is paid off.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. On August 31, 2022 and 2021, prepaid expenses were \$309,557 and \$281,236, respectively.

Capital Assets

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

	Estimated Useful Lives (in years)
Buildings and improvements	20-50
Furniture, machinery, vehicles and other equipment	10
Telecommunications and peripheral equipment	5
Library books	15

Unearned Revenues

Unearned revenues relates to student tuition, fees, and bookstore sales received during the current fiscal period for classes to be held in the following period. On August 31, 2022 and 2021, unearned revenues were \$6,425,848 and \$5,927,231, respectively.

Tuition Discounting

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Pensions

The College participates in the Teacher’s Retirement System of Texas (TRS) pension plan, a multiple employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and information about assets, liabilities, and additions to/deductions from TRS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and other postemployment benefits (OPEB) liability, and contributions from the College for pension and OPEB after the measurement date but before the end of the College’s reporting period.

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments. Deferred inflows of revenues consist of unrecognized items not yet charged to pension and OPEB liability.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post-Employment Benefits

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

Compensable Absences

Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. Employees entitled to earn vacation may accrue a maximum of twenty days of vacation each year. Employees with at least three months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. According to College policy, conversion of sick leave accrual to cash is not permitted and no liability is recorded for non-vesting accumulating rights to receive sick leave.

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business-type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state allocations, Title IV financial aid funds (i.e. Federal Pell Grants) and ad valorem tax collections. The operations of the bookstore are performed by a third party contracted by the College.

Operating expenses include the cost of providing instruction, student services and support, administrative expenses, and depreciation on capital assets. Non-operating expenses consist of interest on capital related debt and other non-government funded expenses.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the College are management's estimate of depreciation on assets over their estimated useful lives, net pension liability, net OPEB liability and related deferred inflows and outflows of resources, and the current portion of accrued compensated absences.

Subsequent Events

The College has evaluated subsequent events through January 17, 2023, which is the date the financial statements were available to be issued. No matters were identified that require disclosure or adjustment to these financial statements or related disclosures.

Income Taxes

The College is exempt from income taxes under internal Revenue Code Section 115, *Income of States, Municipalities, Etc.* although unrelated business income may be subject to income tax under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations.* The College had no unrelated business income tax liability for the years ended August 31, 2022 and 2021.

Recently Issued and Implemented Accounting Guidance

The College implemented GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of this Statement had an immaterial impact on the College's reporting in the current fiscal year.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The College also implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The implementation of this Statement had no impact on the College's reporting in the current fiscal year.

The College implemented GASB Statement No. 92, *Omnibus 2020*, was issued. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The implementation of this Statement had no impact on the College's reporting in the current fiscal year.

Accounting Guidance Not Yet Adopted

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. The requirements of this Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

In May 2022, GASB issued Statement No. 99, Omnibus 2022. The requirements of this Statement establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) (formerly, food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections. The requirements of this Statement will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, Compensated Absences. The requirements of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

The College is evaluating the requirements of the above statements and the impact on reporting.

Coastal Bend College
Notes to Financial Statements

NOTE 3: PRIOR PERIOD RESTATEMENT

The College had previously overstated Ad Valorem taxes for maintenance and operations revenue as a result of under reported deferred revenues. The College did not properly record the deferred taxes for maintenance and operations of \$256,702 in fiscal year 2021. The following table represents the restatements made to the prior period.

<i>For the year ended August 31,</i>	2021		2021
	As Previously	Adjustment	As Restated
	Reported		
Statement of Activity			
Ad Valorem taxes for maintenance and operations	\$ 2,138,965	\$ (256,702)	\$ 1,882,263
Statement of Financial Position			
Unearned revenue	5,670,529	256,702	5,927,231
Net position, end of year	\$ (6,752,839)	\$ (256,702)	\$ (7,009,541)

The effect of these adjustments resulted in a decrease in Ad Valorem taxes for maintenance and operations revenue of \$256,702 and an increase in unearned revenue of \$256,702 for the year ending and as of August 31, 2021. The overall effect of these adjustments results in a decrease in net position of \$256,702 as of August 31, 2021.

NOTE 4: AUTHORIZED INVESTMENTS

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

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

All invested funds of the College properly followed State investment requirements as of August 31, 2022 and 2021.

Coastal Bend College
Notes to Financial Statements

NOTE 5: DEPOSITS AND INVESTMENTS

Deposits

Cash and deposits included on Exhibit 1, the statements of net position, consist of the following:

<i>As of August 31,</i>	2022	2021
Demand deposits	\$ 12,135,920	\$ 5,111,080
Tex pool	1,201	1,195
Texas class	577,656	574,061
Petty cash on hand	6,626	6,626
Total cash and equivalents	\$ 12,721,403	\$ 5,692,962
Current assets	\$ 12,143,747	\$ 5,118,901
Non-current assets	577,656	574,061
Total cash and cash equivalents	\$ 12,721,403	\$ 5,692,962

As of August 31, 2022 and 2021, deposits were entirely covered by FDIC insurance or pledged by collateral held by the College's agent bank in the College's name. Cash and equivalents increased by \$7,028,441 from August 31, 2021 to August 31, 2022 which is primarily due to the increase in net position of \$6,679,405 during the year.

Reconciliation of Deposits and Investments to Exhibit 1 are summarized as follows:

<i>As of August 31,</i>	2022	2021
Short-term investments	1,470,584	1,535,007
Long-term investments	2,892,776	4,906,775
Total non-cash investments	4,363,360	6,441,782
Total cash and cash equivalents	12,721,403	5,692,962
Total cash, cash equivalents and investments	\$ 17,084,763	\$ 12,134,744

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – Credit risk is the risk that the issuer of the debt security will not pay its par value upon maturity. The College’s investment policy limits credit risk based on meeting requirements of State Law. In accordance with state law and the College’s investment policy, investments in mutual funds and investment pools must be rated at least AAA, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The College’s investments in investment pools were rated AAA.

Concentration of Credit Risk is the risk of loss attributable to the magnitude of the College’s investment in a single type of security. Currently, the College does not place a limit on the amount the College may invest in any other issuer. As of August 31, 2021, 94% of the College’s investments were held in Fixed Income Securities. As of August 31, 2022, 65% of the College’s investments were held in Fixed Income Securities.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an instrument. To mitigate this risk, and in accordance with state law and College policy, the College does not purchase any investments with maturities greater than 10 years.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of August 31, 2022 and 2021, the College did not have direct exposure to foreign currency risk through its investments. The Investment Policy Statement is silent on the subject of foreign currency risk.

Custodial risk for investments is the risk that, in the event of the failure of the counterparty, the College would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Investment Policy Statement is silent on the subject of custodial credit risk.

Fair Value Measurements

GASB 72, *Fair Value Measurement and Application*, for financial reporting purposes provides the framework for measuring fair value. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Coastal Bend College
Notes to Financial Statements

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College 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.

The asset's 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. See above for discussion of valuation methodologies used to measure fair value of investments.

The fair values of the College's investments are summarized below as follows:

<i>As of August 31, 2022</i>	Level 1	Level 2	Level 3	Total
Municipal bonds	\$ -	\$ 4,324,090	\$ -	\$ 4,324,090
Corporate bonds	-	39,270	-	39,270
Total fair value	\$ -	\$ 4,363,360	\$ -	\$ 4,363,360

<i>As of August 31, 2021</i>	Level 1	Level 2	Level 3	Total
Municipal bonds	\$ -	\$ 6,385,756	\$ -	\$ 6,385,756
Corporate bonds	-	56,026	-	56,026
Total fair value	\$ -	\$ 6,441,782	\$ -	\$ 6,441,782

Coastal Bend College
Notes to Financial Statements

NOTE 6: DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

The following table summarizes the disaggregation of the College's receivables and payables balances for the years ended August 31, 2022 and 2021, respectively.

<i>As of August 31,</i>	2022	2021
Receivables		
Student receivables	\$ 4,772,212	\$ 4,349,506
Ad valorem receivables	298,547	256,702
Tuition sponsor receivables	43,066	23,743
Grant and contract receivables	923,883	834,759
Other receivables	140,005	85,265
Total receivables	6,177,713	5,549,975
Allowance for doubtful accounts	(687,080)	(502,830)
Total receivables, net	\$ 5,490,633	\$ 5,047,145
Payables		
Vendors payable	\$ 1,054,900	\$ 855,696
Interest payable	-	23,011
Other payables	1,147,612	-
Total payables	\$ 2,202,512	\$ 878,707

Coastal Bend College
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS

The following table summarizes the changes in the College's capital assets during the fiscal year ended August 31, 2022 and 2021, respectively. Land is not subject to depreciation.

<i>For the years ended August 31,</i>	2021	Additions	Deletions	2022
Non-depreciable assets				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
Total non-depreciable assets	476,889	-	-	476,889
Depreciable assets				
Buildings and improvements	29,585,150	971,387	-	30,556,537
Library books	1,329,740	-	-	1,329,740
Furniture, machinery and equipment	12,253,075	722,686	(44,797)	12,930,964
Total depreciable assets	43,167,965	1,694,073	(44,797)	44,817,241
Less accumulated depreciation				
Buildings and improvements	(17,443,059)	(826,503)	-	(18,269,562)
Library books	(1,300,910)	(5,316)	-	(1,306,226)
Furniture, machinery and equipment	(10,082,559)	(670,669)	23,316	(10,729,912)
Total accumulated depreciation	(28,826,528)	(1,502,488)	23,316	(30,305,700)
Total depreciable assets, net	14,341,437	191,585	(21,481)	14,511,541
Capital assets, net	\$ 14,818,326	\$ 191,585	\$ (21,481)	\$ 14,988,430

Coastal Bend College
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS (Continued)

<i>For the years ended August 31,</i>	2020	Additions	Deletions	2021
Non-depreciable assets				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
Total non-depreciable assets	476,889	-	-	476,889
Depreciable assets				
Buildings and improvements	29,470,451	114,699	-	29,585,150
Library books	1,329,740	-	-	1,329,740
Furniture, machinery, and equipment	11,984,566	268,509	-	12,253,075
Total depreciable assets	42,784,757	383,208	-	43,167,965
Less accumulated depreciation				
Buildings and improvements	(16,626,673)	(816,386)	-	(17,443,059)
Library books	(1,291,027)	(9,883)	-	(1,300,910)
Furniture, machinery, and equipment	(9,427,320)	(655,239)	-	(10,082,559)
Total accumulated depreciation	(27,345,020)	(1,481,508)	-	(28,826,528)
Total depreciable assets, net	15,439,737	(1,098,300)	-	14,341,437
Capital assets, net	\$ 15,916,626	\$ (1,098,300)	\$ -	\$ 14,818,326

For the year ended August 31, 2022 and 2021, depreciation expense was \$1,502,488 and \$1,481,508, respectively.

NOTE 8: COMPENSABLE ABSENCES

Full-time employees earn annual leave of 20 days per year. The College’s policy is that an employee may carry accrued leave forward from one fiscal year to another fiscal year with a maximum cumulative carryover of 20 days. Employees with at least 3 months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized an accrued liability of \$247,504 and \$227,349 for the unpaid annual leave in 2022 and 2021, respectively. Sick leave, which could formerly be accumulated to a maximum of 45 days and earned at the rate of one day per month, is only subject to a sick leave balance for employees who were employed before September 1, 2010 due to a change in College policy in 2016. The College District shall honor the reimbursement for leave upon separation and the reimbursement of leave upon retirement programs for eligible employees who were employed by the College District before September 1, 2010. Reimbursements shall be made in accordance with administrative regulations and determined based on the pay rate set for each employee as of June 30, 2016. As of August 31, 2022 and 2021, annual sick leave of \$325,666 and \$384,514 was recognized, respectively.

<i>For the years ended August 31,</i>	2022	2021
Compensable absences - beginning of year	\$ 611,863	\$ 683,741
Additions	80,109	50,466
Deletions	(118,802)	(122,344)
Compensable absences - end of year	\$ 573,170	\$ 611,863

The College estimates that the entire amount of \$573,170 will be due within one year.

NOTE 9: LEASES

In 2021, the College began payment on a finance lease agreement for the purchase of two new transportation buses. The current liability of the principal payment as a result of the lease agreement is \$25,548 and the non-current liability is \$55,304 as reported on the statement of net position. The note matures in January of 2025. As of August 31, 2022, the College had no operating lease expenses that would have a material effect on the overall financial statements. The following table states the College’s total future minimum lease payments for the next five years.

NOTE 9: LEASES (Continued)

For the year ended August 31,

2023	\$	25,548
2024		25,548
2025		29,756
<hr/>		
Total future minimum lease payments	\$	80,852
<hr/>		

NOTE 10: NON-CURRENT LIABILITIES

General information related to notes payable is summarized below:

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

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

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

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

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

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

Coastal Bend College
Notes to Financial Statements

NOTE 10: NON-CURRENT LIABILITIES (Continued)

General information related to bonds payable is summarized below:

Bond Issue Name: Coastal Bend College Combined Fee Revenue Bonds, Series 2013

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

The following tables summarize the non-current liabilities held by the College as of August 31, 2022 and 2021, respectively.

	Balance August 31, 2021	Additions	Reductions	Balance August 31, 2022	2022 Current Portion
Bonds and notes					
Revenue bonds	\$ 881,000	\$ -	\$ 429,000	\$ 452,000	\$ 452,000
Maintenance tax notes	1,925,000	-	547,000	1,378,000	566,000
Lease on 2 buses	106,400	-	25,548	80,852	25,548
Total bonds and notes	2,912,400	-	1,001,548	1,910,852	1,043,548
Other liabilities					
Net pension liability	6,010,497	-	3,518,016	2,492,481	-
Net OPEB liability	18,075,285	1,848,970	1,771,380	18,152,875	373,072
Total other liabilities	24,085,782	1,848,970	5,289,396	20,645,356	373,072
Total non-current liabilities	\$ 26,998,182	\$ 1,848,970	\$ 6,290,944	\$ 22,556,208	\$ 1,416,620

Coastal Bend College
Notes to Financial Statements

NOTE 10: NON-CURRENT LIABILITIES (Continued)

	Balance August 31, 2020	Additions	Reductions	Balance August 31, 2021	2021 Current Portion
Bonds and notes					
Revenue bonds	\$ 1,299,000	\$ -	\$ 418,000	\$ 881,000	\$ 429,000
Maintenance tax notes	2,454,000	-	529,000	1,925,000	547,000
Lease on 2 buses	-	106,400	-	106,400	25,548
Total bonds and notes	3,753,000	106,400	947,000	2,912,400	1,001,548
Other liabilities					
Net pension liability	5,315,180	695,317	-	6,010,497	-
Net OPEB liability	17,925,948	149,337	-	18,075,285	602,927
Total other liabilities	23,241,128	844,654	-	24,085,782	602,927
Total non-current liabilities	\$ 26,994,128	\$ 951,054	\$ 947,000	\$ 26,998,182	\$ 1,604,475

NOTE 11: FUNDS HELD IN TRUST BY OTHERS

As of August 31, 2022 and 2021, the College held, in trust funds, amounts of \$157,913 and \$164,059, respectively, that pertain primarily to student organizations. These funds are not available to support the College's programs.

Coastal Bend College
Notes to Financial Statements

NOTE 12: DEBT OBLIGATIONS

Debt service obligation for bonds and notes are as follows:

<i>For the year ended August 31,</i>		Maintenance Tax Notes		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2023	\$ 566,000	\$ 19,487	\$ 585,487	
2024	374,000	12,016	386,016	
2025	215,000	8,127	223,127	
2026	223,000	8,429	231,429	
Total	\$ 1,378,000	\$ 48,059	\$ 1,426,059	

<i>For the year ended August 31,</i>		Revenue Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2023	\$ 452,000	\$ 13,740	\$ 465,740	
Total	\$ 452,000	\$ 13,740	\$ 465,740	

NOTE 13: EMPLOYEE RETIREMENT PLAN

Teacher Retirement System of Texas

Plan Description. The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.

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

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

NOTE 13: EMPLOYEE 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, The 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>2022</u>	<u>2021</u>
Member	8.00%	7.70%
Non-Employer Contributing Entity (State)	7.75%	7.50%
Employers	7.75%	7.50%
Fiscal year 2021 College Contributions	\$417,671	
Fiscal year 2021 State of Texas On-behalf Contributions	\$154,454	
Fiscal year 2021 Member Contributions	\$648,292	

The College’s contributions to the TRS pension plan in 2022 were \$470,082 as reported in the Schedule of College’s Contributions for Pensions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2022 were \$293,494.

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, 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.

NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)

- 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.

Actuarial Assumptions. The total pension liability in the August 31, 2021 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 31, 2020	1.95%
Last year ending August 31 in	
Projection period (100 years)	2120
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

The actuarial methods and assumptions were selected by the 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 on the actuarial valuation as of August 31, 2020.

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.

Coastal Bend College Notes to Financial Statements

NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)

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, 2021, are summarized below:

Asset Class*	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0 %	3.6 %	0.94 %
Non-US Developed	13.0	4.4	0.83
Emerging Markets	9.0	4.6	0.74
Private Equity	14.0	6.3	1.36
Stable Value			
Government Bonds	16.0 %	(0.2)%	0.01 %
Absolute Return	0.0	1.1	0.00
Stable Value Hedge Funds	5.0	2.2	0.12
Real Return			
Real Estate	15.0 %	4.5 %	1.00 %
Energy, Natural Resources & Infrastructure	6.0	4.7	0.35
Commodities	0.0	1.7	0.00
Risk Parity			
Asset Allocation Leverage			
Cash	2.0 %	(0.7)%	(0.01) %
Asset Allocation Leverage	(6.0)	(0.5)	0.03
Inflation Expectation			2.20 %
Volatility Drag****			(0.95) %
Expected Return	100.0 %		6.90 %
*Absolute Return includes Credit Sensitive Investments.			
**Target allocations are based on the FY2021 policy model.			
***Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021).			
****The volatility drag results from the conversion between arithmetic and geometric mean returns.			

NOTE 13: EMPLOYEE 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.

	<u>6.25%</u> <u>Discount Rate</u>	<u>7.25%</u> <u>Discount Rate</u>	<u>8.25%</u> <u>Discount Rate</u>
The College's proportionate share of the net pension liability:	\$5,446,468	\$2,492,481	\$95,902

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2021, the College reported a liability of \$2,492,481 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:

August 31, 2021

College's proportionate share of the collective net pension liability	\$	2,492,481
State's proportionate share that is associated with the College		921,714
<hr/>		
Total	\$	3,414,195

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020, through August 31, 2021.

At the measurement date of August 31, 2021 the employer's proportion of the collective net pension liability was 0.000097873101% which was a decrease of 0.000014351071% from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation

- There were no changes in assumption since the prior measurement date.

For the year ended August 31, 2022, the College recognized pension expense of \$3,685 and revenue of \$3,685 for support provided by the state.

Coastal Bend College
Notes to Financial Statements

NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)

At August 31, 2022, 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:

<i>August 31, 2022</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,171	\$ 175,473
Changes in actuarial assumptions	881,044	384,059
Difference between projected and actual investment earnings	154,815	2,244,728
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	406,453	861,476
Contributions paid to TRS subsequent to the measurement date	470,082	-
Total	\$ 1,916,565	\$ 3,665,736

Contributions paid to TRS subsequent to the measurement date will be recognized in pension expense in fiscal year 2023. 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:

<i>Year ended August 31,</i>	Pension Expense Amount
2023	\$ (441,168)
2024	(440,926)
2025	(543,496)
2026	(653,616)
2027	(102,495)
Thereafter	(37,553)
Total	\$ (2,219,254)

Optional Retirement Plan

Plan Description. The State has also established an optional retirement program for institutions of higher education. Participation in the Optional Retirement Program (ORP) is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. In 2022, 2021, and 2020 the percentages of participant salaries contributed by the State and each participant were 6.6% and 6.65%, respectively of annual compensation. In addition, for fiscal years 2022, 2021 and 2020, the College contributed 1.9% of annual compensation for each participant hired on or before 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. SB 1812, effective September 1, 2013, passed by the 83rd Texas Legislature, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

Retirement expense. ORP expense to the State for the College, representing the portion of expended appropriations made by the State Legislature on behalf of the College, was \$154,454, \$38,193 and \$37,727 for the fiscal years ended August 31, 2022, 2021 and 2020, respectively.

The total payroll for all College employees was \$7,646,035, \$7,908,631 and \$10,613,703 for the fiscal years ended August 31, 2022, 2021 and 2020, respectively. The total payroll of employees covered by ORP was \$1,816,532, \$640,034 and \$1,756,617 for fiscal years August 31, 2022, 2021 and 2020, respectively.

NOTE 14: DEFERRED COMPENSATION PROGRAM

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. At August 31, 2022 and 2021, the College had no employees electing to defer compensation.

NOTE 15: HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's maximum contribution per full-time employee was \$625 per month for the year ended August 31, 2022 and 2021. The State's maximum contribution for dependent coverage was \$1,222 per month for August 31, 2022 and 2021, respectively.

Coastal Bend College
Notes to Financial Statements

NOTE 15: HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

The table below depicts the cost of providing health care benefits to the College's retired and active employees, and the amount appropriated to the College from the State of Texas. Beginning September 1, 2013, SB 1812 limited the state's contribution to 50% of eligible employees for community colleges.

<i>For the years ended August 31,</i>	2022	2021
Number of retirees	140	158
Cost of health benefits for retirees	\$ 720,087	\$ 1,178,962
Number of active full-time employees	171	182
Cost of health benefits for active full-time employees	\$ 1,096,445	\$ 1,329,615
State appropriation for health insurance	\$ 874,944	\$ 1,028,797

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description. The College participates in a cost-sharing multiple-employer 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 Annual Financial Report that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained by visiting <https://ers.texas.gov/abouters/reports-and-studies/reports-on-overall-ers-operations-and-financial-management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Benefits Provided. Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance.

The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect.

The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions. Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium, 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
Fiscal Year 2022

Retiree only	\$ 624.82
Retiree & Spouse	1,339.90
Retiree & Children	1,103.58
Retiree & Family	1,818.66

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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, 2022 and 2021

	2022	2021
Employers	\$ 1,520,770	\$ 1,644,362
Members (Employees)	44,068	40,154
Non-Employer Contributing Entity (State)	\$ 1,028,797	\$ 1,028,797

Actuarial Assumptions. The total OPEB liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	August 31, 2021
Actuarial Cost Method	Entry age
Amortization Method	30 years
Remaining Amortization Period	Not applicable because plan operates on pay-as-you-go basis
Asset Valuation Method	
Discount Rate	2.14%
Projected Annual Salary Increase	2.30% to 9.05% including inflation
Annual Healthcare Trend Rate	<u>HealthSelect</u> 5.25% for FY2023, 5.15% for FY2024, 5.00% for FY2025, 4.75% for FY2026, 4.60% for FY2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2030 and later years
	<u>HealthSelect Medicare Advantage</u> 0.00% for FY2023, 66.67% for FY2024, 24.00% for FY2025, 4.75% for FY2026, 4.60% for FY2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2030 and later years
	<u>Pharmacy</u> 10.00% for FY2023 and FY2024, decreasing 100 basis points per year to 5.00% for FY2029 and 4.30% for FY2030 and later years
Inflation assumption rate	2.30%
Adhoc postemployment benefits changes	None

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Service retirees, survivors and other inactive members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.
Disability retiree	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3 year set forward and minimum mortality rates for four per 100 male members and two per 100 female members.
Active members	Sex Distinct RP 2014 Employee Mortality multiplied by 90% with Ultimate Projection scale form 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 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 2.20%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.14%, which amounted to a decrease of 0.06%. 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.

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 in measuring the net OPEB Liability.

Coastal Bend College
Notes to Financial Statements

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

	<u>1.14%</u> <u>Discount Rate</u>	<u>2.14%</u> <u>Discount Rate</u>	<u>3.14%</u> <u>Discount Rate</u>
The College's proportionate share of the net OPEB liability: (in thousands)	\$21,621	\$18,153	\$15,440

Health Care Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 5.25% for HealthSelect and 0.00% for HealthSelect Medicare Advantage and 10% for pharmacy and the ultimate rate is 4.30% for all. 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 in measuring the net OPEB liability.

	1% Decrease (HealthSelect: 4.25% decreasing to 3.30%; HealthSelect Medicare Advantage: -1.00% to 3.30%; Pharmacy: 9.00% decreasing to 3.30%)	Current Healthcare Cost Trend Rates (HealthSelect: 5.25% decreasing to 4.30%; HealthSelect Medicare Advantage: 0.00% to 4.30%; Pharmacy: 10.00% decreasing to 4.30%)	1% Increase (HealthSelect: 6.25% decreasing to 5.30%; HealthSelect Medicare Advantage: 1.00% to 5.30%; Pharmacy: 11.00% decreasing to 5.30%)
The College's proportionate share of the net OPEB liability: (In thousands)	\$15,201	\$18,153	\$22,020

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2022, the College reported a liability of \$18,152,875 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	\$ 18,152,875
State's proportionate share that is associated with the College	12,280,374
Total	\$ 30,433,249

The net OPEB liability was measured as of August 31, 2021, 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, 2020, thru August 31, 2021.

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

At the measurement date of August 31, 2021, the employer's proportion of the collective net OPEB liability was 0.05059964% which was a decrease of 0.0000409996% from its proportion measured as of August 31, 2020.

For the year ended August 31, 2022, the College recognized reversal in OPEB expense of \$149,831 and revenue of \$149,831 for support provided by the State.

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

- The percentage of current retirees and 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 proportion of future retirees assumed to be married and electing coverage for their spouse.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- The percentage of Higher Education vested terminated members assumed to have terminate less than one year before the valuation date.
- Assumed Per Capita Health Benefit Costs and assumed Health Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations.
- Annual rate of increase in the Patient-Centered Outcomes Research Institute Fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations.
- Assumed expenses directly related to the payment of GBP HealthSelect medical benefits have been updated to reflect recent contract revisions.
- The discount rate assumption was changed from 2.20% as of August 31, 2020 to 2.14% as of August 31, 2021 as a result of requirements by GASB 75 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:

- Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2022, are provided for in the FY2022 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Coastal Bend College
Notes to Financial Statements

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

At August 31, 2022, 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	\$ -	\$ 445,270
Changes in actuarial assumptions	902,816	2,021,824
Difference between projected and actual investment earnings	3,215	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	603,144	3,147,002
Contributions paid to ERS subsequent to the measurement date	340,001	-
Total	\$ 1,849,176	\$ 5,614,096

Contributions paid to ERS subsequent to the measurement date will be recognized in OPEB expense in fiscal year 2023. 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
2023	\$ (2,330,529)
2024	(1,108,249)
2025	(316,493)
2026	(223,696)
2027	(125,954)
Total	\$ (4,104,921)

NOTE 17: CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with accounting principles generally accepted in the United States of America. Contract and grant awards are recognized as revenues, on Exhibit 2 and Schedule A, as funds that are actually expended. Contracts and grant award funds expended but not collected are reported as receivables on Exhibit 1. Funds received but not expended during the reporting period are deferred until earned. Contracts and grant awards that are not funded and the College has not yet performed services for are not included in the financial statements. As of August 31, 2022 and 2021, \$923,883 and \$834,759, respectively, of grant funds have been received in advance.

Coastal Bend College
Notes to Financial Statements

NOTE 18: PROPERTY TAX

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real, business/land personal property located in the tax area of the College. The table below represents the Bee County assessed valuation of the College and the tax rates as of August 31, 2022 and 2021.

<i>As of August 31,</i>	2022	2021
Assessed valuation of the College	\$ 2,573,837,558	\$ 2,032,283,381
Less: Exemptions	44,987,290	44,101,840
Net assessed valuation of the College	\$ 2,528,850,268	\$ 1,988,181,541

For the year ended August 31, 2022

	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.1395000	\$ 0.024530	\$ 0.164030
Assessed tax rate per \$100 valuation	\$ 0.181530	\$ 0.019840	\$ 0.201370

For the year ended August 31, 2021

	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.181530	\$ 0.019840	\$ 0.201370
Assessed tax rate per \$100 valuation	\$ 0.119540	\$ 0.047600	\$ 0.167140

Taxes levied, including penalty and interest assessed, for the years ended August 31, 2022 and 2021, based on certified rolls, as reported by the taxing authorities amounted to \$4,233,235 and \$3,114,037, respectively. Bee County Tax Assessor and Collector is the collecting agency for the levy and remits collections to the College net a collection fee. Taxes are due on receipt of the tax bill and are delinquent if not paid before February the year following the year in which imposed.

Coastal Bend College
Notes to Financial Statements

NOTE 18: PROPERTY TAX (Continued)

For the year ended August 31,

	2022	2021 As Restated
Current taxes collected	\$ 3,773,807	\$ 2,615,003
Delinquent taxes collected	98,367	67,271
Penalties and interest collected	57,559	53,565
Less: discounts and commissions	(66,420)	(49,970)
Total collections	\$ 3,863,313	\$ 2,685,869

Tax collections for the years ended August 31, 2022 and 2021, were 89% and 85%, respectively, of the current tax levy. The allowance for uncollectible taxes are based upon the historical experience in the collection of property taxes. As of August 31, 2022, management considers all property taxes to be collectible and no allowance has been established as of year-end. The allowance as of August 31, 2021 was \$65,905. The use of tax proceeds by the College is restricted to maintenance and operations or interest and sinking expenditures.

Property taxes are an imposed non-exchange revenue. Assets from non-exchange transactions are recorded when the entity has an enforceable legal claim to the asset or when the entity receives the resources, whichever comes first. The enforceable legal claim date is the assessment date. Resources received or recognized as receivable before the period for which they are levied should be reported as deferred revenues. Accordingly, the College has recognized all assessed taxes in the current year and has a recorded a receivable and deferred revenue for uncollected taxes revenue.

NOTE 19: TAX ABATEMENTS

The Texas Property Redevelopment and Tax Abatement Act, Texas Tax Code, Chapter 312 authorizes the College to enter into Tax Abatement Agreements. The College approves Tax Abatement Agreements for the sole purpose of economic development to create additional jobs, provide job training opportunities and increase the assessed value of properties made through property improvements such as expansion or modernization funded by the property owner. No abatements were in effect during the entirety of fiscal year 2022.

NOTE 20: COMMITMENTS AND CONTINGENCIES

Federal and State of Texas Assisted Programs

The College participates in a number of State of Texas and federally assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the College's compliance with applicable grant requirements will be finally determined at a future date. The amount, if any, of expenditures, which may be disallowed by the grantor agencies, cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

NOTE 21: WORKERS' COMPENSATION

During the years ended August 31, 2022 and 2021, the College met its statutory workers' compensation obligation through participation in the Texas Public Schools Workers' Compensation Project, known as SchoolComp. The College participates through an inter-local agreement that was authorized by Sec. 504.011 of the Texas Labor Code. All members participating in SchoolComp execute Interlocal Agreements that define the responsibilities of the parties. SchoolComp through its Contractor for Program Management (Creative Risk Funding, Inc.) provides statutory workers' compensation benefits to its members injured employees.

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

NOTE 22: RISK MANAGEMENT

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

NOTE 23: COASTAL BEND COLLEGE FOUNDATION AND RELATED PARTY TRANSACTIONS

The Foundation is a nonprofit organization with the sole purpose of supporting educational and other activities of the College.

The Foundation remitted \$60,818 and \$58,625 to the College for scholarship awards during the years ended August 31, 2022 and 2021, respectively. The Foundation did not fund any grant programs in 2022 and 2021.

During the years ended August 31, 2022 and 2021, the College provided office space and staff assistance to the Foundation at no cost. The College's management estimates the value of the salary, benefits, and operational expense provided to the Foundation to be \$66,916 and \$96,256 for fiscal years 2022 and 2021, respectively.



REQUIRED SUPPLEMENTARY INFORMATION



Coastal Bend College
Schedule of College's Proportionate Share of Net Pension Liability
Teacher Retirement System of Texas
Last Ten Fiscal Years **
(Unaudited)

For the years ended August 31,*	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of collective net pension liability	0.0097873%	0.0112224%	0.0102248%	0.0097042%	0.0110125%	0.0122674%	0.0119473%	0.0134040%
College's proportionate share of collective net pension liability	\$ 2,492,481	\$ 6,010,497	\$ 5,318,180	\$ 5,341,411	\$ 2,521,208	\$ 4,635,652	\$ 4,223,212	\$ 3,580,393
State's proportionate share of net pension liability associated with College	921,714	2,540,204	2,516,326	2,533,500	1,852,551	2,436,696	2,080,573	1,877,347
Total	3,414,195	8,550,701	7,834,506	7,874,911	4,373,759	7,072,348	6,303,785	5,457,740
College's covered payroll	\$ 7,641,041	\$ 8,832,602	\$ 7,887,066	\$ 7,837,067	\$ 7,787,109	\$ 8,703,191	\$ 7,750,856	\$ 7,571,265
College's proportionate share of collective net pension liability as a percentage of covered payroll	32.62%	68.05%	67.43%	68.16%	32.38%	53.26%	54.49%	47.29%
Plan fiduciary net position as percentage of the total pension liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Schedules for Pensions.

Coastal Bend College
Schedule of the College's Contributions for Pensions
Teacher Retirement System of Texas
Last Ten Fiscal Years **
(Unaudited)

For the years ended August 31,*	2022	2021	2020	2019	2018	2017	2016	2015
Legally required contributions	\$ 470,082	\$ 414,022	\$ 357,881	\$ 371,188	\$ 360,926	\$ 360,926	\$ 389,765	\$ 353,750
Actual contributions	(470,082)	(414,022)	(357,881)	(371,188)	(360,926)	(360,926)	(389,765)	(353,750)
Contributions deficiency (excess)	-	-	-	-	-	-	-	-
College's covered payroll amount	\$ 8,103,653	\$ 7,641,041	\$ 7,887,066	\$ 7,887,066	\$ 7,837,067	\$ 7,787,109	\$ 8,703,191	\$ 7,750,856
Contributions as a percentage of covered payroll	5.80%	5.42%	4.54%	5.03%	4.63%	4.38%	4.48%	4.56%

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

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

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Schedules for Pensions.

Coastal Bend College
Notes to Required Supplementary Schedules for Pensions

NOTE 1: CHANGES OF BENEFIT TERMS INCLUDE

There were no changes in benefit terms for the fiscal year ended August 31, 2022.

NOTE 2: CHANGES OF ASSUMPTIONS

There were no material changes to assumptions for the fiscal year ended August 31, 2022.

Coastal Bend College
Schedule of College's Proportionate Share of Net OPEB Liability
Employee Retirement System of Texas
State Retiree Health Plan
Last Ten Fiscal Years **
(Unaudited)

For the year ended August 31,*	2022	2021	2020	2019	2018
College's proportion of collective net OPEB liability	0.05059964%	0.05469961%	0.05189990%	0.05618320%	0.06511560%
College's proportionate share of collective net OPEB liability	\$ 18,152,875	\$ 18,075,285	\$ 17,925,948	\$ 16,639,406	\$ 22,186,857
State's proportionate share of net OPEB liability associated with College	12,280,374	11,308,825	13,799,904	10,980,147	17,504,930
Total	30,433,249	29,384,110	31,725,852	27,619,553	39,691,787
College's covered-employee payroll	\$ 7,908,631	\$ 7,646,035	\$ 7,837,067	\$ 7,143,287	\$ 7,787,109
College's proportionate share of collective net OPEB liability as a percentage of covered-employee payroll	229.53%	236.40%	228.73%	232.94%	284.92%
Plan fiduciary net position as percentage of the total OPEB liability	0.38%	0.32%	0.17%	1.27%	2.04%

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

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

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Schedules for OPEB.

Coastal Bend College
Schedule of College's Contributions for OPEB
Employee Retirement System of Texas
State Retiree Health Plan
Last Ten Fiscal Years **
(Unaudited)

For the year ended August 31, *	2022	2021	2020	2019	2018
Legally required contributions	\$ 1,816,532	\$ 1,408,754	\$ 660,000	\$ 647,628	\$ 660,000
Actual contributions	(1,816,532)	(1,408,754)	(660,000)	(647,628)	(660,000)
Contributions deficiency (excess)	-	-	-	-	-
College's covered-employee payroll amount	\$ 7,908,631	\$ 7,646,035	\$ 7,887,066	\$ 7,837,067	\$ 7,787,109
Contributions as a percentage of covered-employee payroll	22.97%	18.42%	8.37%	8.26%	8.48%

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

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

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Schedules for OPEB.

NOTE 1: CHANGES OF BENEFIT TERMS INCLUDE

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs FY2021, are provided for in the FY2021 Assumed Per Capita Health Benefit Costs. There were no benefit changes for HealthSelect retirees and the dependents for whom Medicare is primary.

NOTE 2: CHANGES OF ASSUMPTIONS

The following assumptions have been updated since the previous valuation to reflect plan experience and expected trends.

- Assumed rates of pre-retirement and post-disability mortality for all State Agency members, assumed rates of termination and retirement for certain CPO/CO members and assumed salary and aggregate payroll increases have been updated to reflect assumptions adopted by the ERS Trustees since the last valuation date. These new assumptions were adopted to reflect experience study on the ERS retirement plan performed by the ERS retirement plan actuary.
- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future female retirees assumed to be married and electing coverage for their spouse.
- Proportion of future retirees assumed to cover dependent children.

Economic Assumptions

- Assumed per capita health benefit costs, and health benefit costs and retiree contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on short-term expectations.
- The Patient-Centered Outcome Research Institute (PCORI) fees payable under the Affordable Care Act have been updated since the previous valuation to reflect IRS Notice 2020-44 published June 8, 2020.
- Assumed inflation has been updated to reflect an assumption adopted by the ERS Trustees since the last valuation date. This new assumption was adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.
- The discount rate was changed from 2.97% to 2.20% as a result of requirements by GASB 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.



SUPPLEMENTARY INFORMATION



Coastal Bend College

Schedule A – Schedule of Operating Revenues

For the year ended August 31, 2022
(with Memorandum Totals for the Year Ended August 31, 2021)

	Unrestricted	Restricted	Total Educational Activity	Auxiliary Enterprises	2022 Total	2021 As Restated
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 3,292,073	\$ -	\$ 3,292,073	\$ -	\$ 3,292,073	\$ 3,377,361
Out-of-district resident tuition	274,301	-	274,301	-	274,301	469,907
Non-resident tuition	20,944	-	20,944	-	20,944	19,409
TPEG - Credit (set aside) *	353,577	-	353,577	-	353,577	375,846
State funded continuing education	326,268	-	326,268	-	326,268	200,522
Total Tuition	4,267,163	-	4,267,163	-	4,267,163	4,443,045
Fees:						
Out of district fee	1,995,318	-	1,995,318	-	1,995,318	2,196,910
Distance learning fee	824,622	-	824,622	-	824,622	734,847
Installment plan fees	34,750	-	34,750	-	34,750	35,485
Dual credit fees	54,736	-	54,736	-	54,736	56,106
Individual course fees	751,607	-	751,607	-	751,607	731,110
General fees	595,079	-	595,079	-	595,079	653,110
Parking fees	46,499	-	46,499	-	46,499	50,288
Registration fee	448,156	-	448,156	-	448,156	471,183
Total Fees	4,750,767	-	4,750,767	-	4,750,767	4,929,039
Total Tuition and Fees	9,017,930	-	9,017,930	-	9,017,930	9,372,084
Scholarship Allowances and Discounts:						
Bad debt allowance	(182,654)	-	(182,654)	-	(182,654)	(1,110,089)
Remissions and exemptions - state	(274,231)	-	(274,231)	-	(274,231)	(367,370)
Remissions and exemptions - local	(353,577)	-	(353,577)	-	(353,577)	(375,846)
Title IV federal grants	(5,594,749)	-	(5,594,749)	-	(5,594,749)	(5,970,023)
TPEG awards	(244,980)	-	(244,980)	-	(244,980)	(237,033)
Other state grants	(418,471)	-	(418,471)	-	(418,471)	(355,414)
Other local grants	(170,050)	-	(170,050)	-	(170,050)	(211,406)
Total Scholarship Allowances	(7,238,712)	-	(7,238,712)	-	(7,238,712)	(8,627,181)
Total Net Tuition and Fees	1,779,218	-	1,779,218	-	1,779,218	744,903
Additional Operating Revenues:						
Federal grants and contracts	-	8,420,398	8,420,398	-	8,420,398	3,566,741
State grants and contracts	-	1,596,666	1,596,666	-	1,596,666	522,073
Non-governmental grants and contracts	-	27,218	27,218	-	27,218	-
Sales and services of educational activities	101,437	-	101,437	-	101,437	105,724
Miscellaneous governmental receipts	-	115,410	115,410	-	115,410	120,250
General operating revenues	2,972,515	-	2,972,515	-	2,972,515	42,387
Total Additional Operating Revenues	3,073,952	10,159,692	13,233,644	-	13,233,644	4,357,175
Auxiliary Enterprises:						
Bookstore	-	-	-	30,679	30,679	20,545
Housing	-	-	-	626,840	626,840	312,625
Less discounts	-	-	-	(112,500)	(112,500)	(99,900)
Child care center	-	-	-	44,000	44,000	16,814
Facilities rental	-	-	-	149,045	149,045	73,133
Student programs	-	-	-	30,271	30,271	3,785
Total Auxiliary Enterprises	-	-	-	768,335	768,335	327,002
Total Operating Revenues	\$ 4,853,170	\$ 10,159,692	\$ 15,012,862	\$ 768,335	\$ 15,781,197	\$ 5,429,080

(Exhibit 2) (Exhibit 2)

* In accordance with Education Code §56.003, \$353,577 and \$375,846 for years August 31, 2022 and 2021, respectively, of tuition was set aside for Texas Public Education Grants (TPEG)

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

Coastal Bend College Schedule B – Schedule of Operating Expenses by Object

For the year ended August 31, 2022
(with Memorandum Totals for the Year Ended August 31, 2021)

	Operating Expenses				2022 Total	2021 As Restated
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities:						
Instruction	\$ 4,869,372	\$ -	\$ 123,543	\$ 847,412	\$ 5,840,327	\$ 5,836,868
Academic support	292,547	-	6,869	96,944	396,360	541,350
Student services	812,426	-	19,098	129,181	960,705	1,478,092
Institutional support	1,666,623	-	1,066,746	3,890,601	6,623,970	5,915,379
Operation and maintenance of plant	974,775	-	23,698	605,903	1,604,376	1,584,815
Total Unrestricted Educational Activities	8,615,743	-	1,239,954	5,570,041	15,425,738	15,356,504
Restricted - Educational Activities:						
Instruction	-	(314,651)	-	-	(314,651)	401,225
Academic support	545,887	124,571	7,410	-	677,868	634,916
Student services	-	(1,203)	-	6,396,442	6,395,239	1,758,459
Institutional support	-	(50,598)	-	998	(49,600)	257,145
Operation of maintenance of plant	-	285,808	-	1	285,809	262,704
Scholarships and fellowships	-	-	-	463,730	463,730	517,114
Total Restricted Educational Activities	545,887	43,927	7,410	6,861,171	7,458,395	3,831,563
Total Educational Activities	9,161,630	43,927	1,247,364	12,431,212	22,884,133	19,188,067
Auxiliary enterprises	608,745	117,014	9,008	1,091,981	1,826,748	1,818,508
Depreciation expense - buildings and other real estate improvements	-	-	-	824,743	824,743	816,386
Depreciation expense - equipment, furniture and library books	-	-	-	677,745	677,745	665,122
Total Operating Expenses	\$ 9,770,375	\$ 160,941	\$ 1,256,372	\$ 15,025,681	\$ 26,213,369	\$ 22,488,083
				(Exhibit 2)	(Exhibit 2)	

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

Coastal Bend College

Schedule C – Schedule of Non-Operating Revenues and Expenses

For the year ended August 31, 2022
(with Memorandum Totals for the Year Ended August 31, 2021)

	Unrestricted	Restricted	Auxiliary Enterprises	2022 Total	2021 As restated
Non-Operating Revenues:					
State allocations:					
Education and general state support	\$ 7,571,852	\$ -	\$ -	\$ 7,571,852	\$ 7,834,962
State group insurance	-	(149,030)	-	(149,030)	414,022
State retirement matching	-	22,137	-	22,137	194,188
Total state allocations	7,571,852	(126,893)	-	7,444,959	8,443,172
Ad valorem taxes					
Taxes for maintenance and operations	3,489,710	-	-	3,489,710	1,882,263
Taxes for debt service	373,603	-	-	373,603	803,606
Title IV	-	5,594,749	-	5,594,749	5,970,023
Gifts	-	419,327	-	419,327	59,113
Investment income	110,011	-	-	110,011	44,434
Other non-operating revenue	-	-	-	-	128,691
Total non-operating revenues	11,545,176	5,887,183	-	17,432,359	17,331,302
Non-Operating Expenses:					
Interest on capital related debt	-	97,327	-	97,327	124,366
Non-government funded expense	84,000	-	-	84,000	96,500
Other non-operating expense	139,005	450	-	139,455	450
Total non-operating expenses	223,005	97,777	-	320,782	221,316
Total non-operating revenues, net	\$ 11,322,171	\$ 5,789,406	\$ -	\$ 17,111,577	\$ 17,109,986
				(Exhibit 2)	(Exhibit 2)

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

Schedule D – Schedule of Net Position by Source and Availability

For the year ended August 31, 2022
 (with Memorandum Totals for the Year Ended August 31, 2021)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted Expendable	Non- Expendable	Capital Assets Net of Depreciation & Related Debt	Current Year Total	Yes	No
Current:							
Unrestricted	\$ (14,650,759)	\$ -	\$ -	\$ -	(14,650,759)	\$ (14,650,759)	\$ -
Restricted for:							
Nonexpendable:							
Student aid	-	-	577,656		577,656	-	577,656
Expendable:							
Student aid	-	77,482	-	-	77,482	77,482	-
Plant:							
Debt service	-	443,517	-	-	443,517	-	443,517
Parking renovation	-	144,391	-	-	144,391	-	144,391
Investment in plant	-	-	-	13,077,577	13,077,577	-	13,077,577
Total net position, August 31, 2022	(14,650,759)	665,390	577,656	13,077,577	(330,136)	(14,573,277)	14,243,141
Total net position, August 31, 2021 as restated	(19,812,557)	323,029	574,061	11,905,926	(7,009,541)	(19,735,654)	12,726,113
Net increase in net position	\$ 5,161,798	\$ 342,361	\$ 3,595	\$ 1,171,651	\$ 6,679,405	\$ 5,162,377	\$ 1,517,028

(Exhibit 2)

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



**SINGLE AUDIT REPORTS AND REQUIRED SUPPLEMENTAL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE
AWARDS**





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

The Board of Trustees
Coastal Bend College
Beeville, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Coastal Bend College (the "College"), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 17, 2023.

Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-002, 2022-003, and 2022-004 to be significant deficiencies.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Coastal Bend College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Texas Public Funds Investment Act

We also performed tests of the College's compliance with the requirements of the Texas Public Funds Investment Act (the Act). The results of our tests disclosed no instances of noncompliance with the Act. However, providing an opinion on compliance with the Act was not an objective of our audit and accordingly, we do not express an opinion.

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

Carr, Riggs & Ingram, L.L.C.

Corpus Christi, Texas
January 17, 2023



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

The Board of Trustees
Coastal Bend College
Beeville, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Coastal Bend 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, 2022. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Coastal Bend 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Carr, Riggs & Ingram, L.L.C.

Corpus Christi, Texas
January 17, 2023

Coastal Bend College
Schedule E – Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through State Grantor's Number	Passed through to Subrecipients	Expenditures, Indirect Costs, And Refunds
U.S. Department of Education				
TRIO Cluster				
TRIO Upward Bound	84.047		\$ -	\$ 777,965
TRIO Educational Talent Search	84.044A		-	649,373
Total TRIO Cluster			<u>-</u>	<u>1,427,338</u>
Education Stabilization Fund				
COVID-19: HEERF - Student Portion	84.425E		-	3,458,800
COVID-19: HEERF - Institutional Portion	84.425F		-	3,112,889
Passed-Through From Texas Education Agency				
COVID-19: GEER	84.425C	20-GE-84425C	-	1,142,474
Total Education Stabilization Fund			<u>-</u>	<u>7,714,163</u>
Student Financial Assistance Cluster				
Supplemental educational opportunity grants	84.007		-	118,790
Work-study program	84.033		-	82,067
Pell grant program	84.063		-	5,475,959
Direct student loans	84.268	P268K22261	-	1,891,332
Total student financial assistance cluster			<u>-</u>	<u>7,568,148</u>
Total U.S. Department of Education			<u>-</u>	<u>16,709,649</u>
Passed-Through From Texas Higher Education Coordinating Board:				
Career and Technical Education - Basic Grants	84.048A	224222	-	446,033
Total Texas Higher Education Coordinating Board			<u>-</u>	<u>446,033</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 17,155,682</u>

See Independent Auditors' Report and Accompanying Notes to the Schedule of Expenditures of
Federal Awards.

Coastal Bend College
Notes to Schedule of Expenditures of Federal Awards

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The schedule of expenditures of Federal awards presents the activity of Federal financial assistance programs of the College for the year ended August 31, 2022. 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 and may not have been reimbursed by the funding agencies as of the end of the fiscal year. 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 schedules.

Expenditures presented on the schedule of expenditures of Federal awards are recognized following the cost principles as found in the Uniform Guidance. The College has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. The College did not receive any federal noncash assistance for the year ended August 31, 2022.

NOTE 2: FEDERAL ASSISTANCE RECONCILIATION

The information in this schedule of expenditures of Federal awards is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the College's financial statements. See reconciliation below:

Additional Operating Revenues - Federal grants and Contracts per Schedule A	\$ 8,420,398
Add: Non-Operating Revenues - Title IV per Schedule C	5,594,749
	\$ 14,015,147
Reconciling Items:	
Add: Direct Student Loans	\$ 1,891,332
Add: GEER	1,142,474
Add: Indirect cost recovery	106,729
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$ 17,155,682

Note 3: Relationship to Federal Reports

Differences between amounts reflected in the financial reports filed with grantor agencies for the programs and in the schedule of expenditures of Federal awards are due to different program year ends and accruals that will be reflected in the next report filed with the agencies.

Note 4: Expenditures Not Subject to Federal Single Audit

None.

Coastal Bend College
Notes to Schedule of Expenditures of Federal Awards

Note 5: Student Loans Processed and Administrative Costs Recovered

None.

Note 6: Non-monetary Federal Assistance

None.

Note 7: Amounts Passed Through by the College

None.

Coastal Bend College
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2022

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements? | No |

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 2. Type of auditors' report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with the <i>Uniform Guidance</i> ? | None noted |

4. Identification of major programs:

<u>Assistance Listing</u>	<u>Federal Program</u>
<u>Number</u>	
84.047	TRIO Cluster
84.044A	TRIO Upward Bound
	TRIO Educational Talent Search
	Education Stabilization Fund
84.425F	HEERF Institutional Portion
84.425E	HEERF Student Aid Portion
84.425C	GEER

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

Coastal Bend College
Schedule of Findings and Questioned Costs (Continued)

SECTION II: FINANCIAL STATEMENT FINDINGS

2022-001 – Plant, Property and Equipment (repeat finding 2021-006)

Type of Finding: Material Weakness

Criteria: Management is responsible for monitoring and evaluating fixed asset additions and disposals and identifying those subject to capitalization.

Condition: The College incorrectly expensed fixed asset additions and improvements that should have been capitalized as well as failed to identify a disposal that should have been removed. In addition, the College incorrectly recorded depreciation expense and accumulated depreciation due to clerical errors in the fixed asset schedule maintained by the College.

Cause: The College does not adhere to their policies and procedures related to fixed assets and therefore accurate records are not maintained and assets are not appropriately reflected on the financials.

Effect: Net book value of property and equipment per the statement of financial position and repair and renovation expense per the statement of activities was materially misstated. Management's internal records regarding property and equipment on hand were not consistent with source documentation, leading to further potential misstatements with respect to valuation and presentation. Furthermore, asset listings are less reliable sources of information as the assets per the listing may be exhausted of future economic benefits.

Recommendation: We suggest management review the fixed asset listing and roll forward schedule for disposals, impairments, and appropriate asset classifications. Management should review their policies and enforce procedures related to the recording and assessments of fixed assets.

Views of Responsible Officials and Planned Corrective Actions: In order to support the audit, the rollforward was corrected to ensure fixed assets were appropriately recorded. The College currently has a Physical Plant Director who currently monitors assets related to grant funding. The College will provide guidance and training to the Director to expand his role to monitor all fixed assets. The College will perform an internal inventory count prior to year-end to ensure all additions, disposals and construction in process is appropriately accounted for. The Director will ensure timely communication with the accounting department in regards to any purchases or disposals to ensure that the general ledger is appropriately reflecting changes and are appropriately classified.

Responsible Party: Jacinto Colmenero, Physical Plant Director

Expected Completion: August 31, 2023

Anticipated Completion: August 31, 2023

Coastal Bend College
Schedule of Findings and Questioned Costs (Continued)

2022-002 – Payroll Expense & Accounts Payable (repeat finding 2021-001)

Type of Finding: Significant Deficiency

Criteria: Management is responsible for ensuring the implementation and enforcement of policies and procedures and ensuring that those procedures are providing appropriate monitoring of account balances to ensure appropriate financial records.

Condition: The College did not follow key internal control policies and procedures such as approval of annual salary rate increases, use of approved purchase orders for cash disbursements and obtaining required quotes for purchases.

Cause: Management did not adhere to the College's policies and procedures related to payroll processes or cash disbursements.

Effect: Ineffective internal controls led to issues with compliance with Federal and State funding requirements and appropriate approval of annual salary increases. In addition, subledgers were not appropriately reconciled to the general ledger.

Recommendation: We suggest that management implement and adhere to policies and procedures for key internal control areas including payroll and cash disbursements to ensure that accounts are reconciled and appropriately recording in the general ledger. In addition, controls need to be maintained to ensure appropriate approvals and documentation is obtained in regards to payroll and purchases.

Views of Responsible Officials and Planned Corrective Actions: All payroll increases will be approved by the respective department heads and the President and the College will retain documentation to show review and approval of payroll increases. The Board will approve the President's salary and this will be appropriately documented. The Payroll coordinator will reconcile the payroll to the GL accounts to ensure appropriate reporting after each payroll run. The Director of Human Resources will provide the accounting department a monthly accrual for payroll and the accounting department will ensure this is a reversing entry at the start of the subsequent month.

Responsible Party: Emily Gamez, Payroll Coordinator, Dr. Justin Hoggard, President, the Board of Trustees, Director of Human Resources

Expected Completion: May 31, 2023

Anticipated Completion: May 31, 2023

Coastal Bend College
Schedule of Findings and Questioned Costs (Continued)

2022-003 – Multiple Significant Adjustments (repeat finding 2021-002)

Type of Finding: Significant Deficiency

Criteria: Management should have familiarity in the application of conceptual accounting principles.

Condition: The College did not appropriately reconcile and monitor accounts which resulted in multiple instances of incorrectly applied accounting standards in addition to the absence of standard accounting policies and procedures around key financial transactions and processes.

Cause: Turnover at the College had led to unqualified personnel at the management level.

Effect: Account balances throughout all areas of the financial statements were materially misstated significantly compromising the reliability of financial information.

Recommendation: Management must review the roles and responsibilities of accounting personnel and ensure they have the necessary background and training to properly execute required accounting functions. Management should closely review entries related to significant accounting areas and ensure that monthly reconciliations on accounts are being completed and reviewed accordingly.

Views of Responsible Officials and Planned Corrective Actions: The College is actively searching for a qualified CFO. The College is considering consultants to fill in the role until the position is permanently filled to ensure timely reconciliations and accounting in accordance with Generally Accepted Accounting Principles, Government Accounting Standards and the Uniform Guidance. The College is also looking at additional training opportunities with outside vendors in relation to the software as well as training in regards to how to properly adhere to accounting policies and procedures. The College is also going to extend audit procedures to include interim controls testing outside the traditional scope of the audit. The College will be conducting an internal inventory of all fixed assets and updating all accounting policies and procedures as considered necessary to ensure timely and accurate reporting. The College is also going to perform quarterly check-ins with department heads to ensure communication and implementation of procedural changes are occurring and being maintained. In addition, the College is going to remove all non-accounting personnel access to input information into the general ledger and review all personnel rights within the system to ensure it is appropriate with their role.

Responsible Party: Dr. Justin Hoggard, President

Expected Completion: August 31, 2023

Anticipated Completion: August 31, 2023

Coastal Bend College
Schedule of Findings and Questioned Costs (Continued)

2022-004 –Account Reconciliations not performed (repeat finding 2021-007, 2021-008, 2021-005, and 2021-003)

Type of Finding: Significant Deficiency

Criteria: Management should be reconciling significant accounts such as net assets, deferred revenue, accrued expenses, accounts receivable and revenue.

Condition: The College did not appropriately reconcile and monitor accounts which resulted in multiple instances of incorrectly applied accounting standards in addition to the absence of standard accounting policies and procedures around key financial transactions and processes.

Cause: The College lacks communication between departments, lack of qualified personnel, and lack of adherence to policies and procedures.

Effect: Account balances throughout all areas of the financial statements were materially misstated significantly compromising the reliability of financial information. Net assets did not appropriately roll forward from the previous audited financial statements. Deferred revenue relating to tuition and fees was understated. The 2021 payroll accrual was not appropriately reversed and therefore the payroll accrual was overstated and the College did not appropriately record property tax receivable and the corresponding deferred revenue net of estimated uncollectible amounts.

Recommendation: Management must review the roles and responsibilities of accounting personnel and department heads and ensure they have the necessary background and training to properly execute required accounting functions and to ensure appropriate communication between the departments. Management should closely review entries related to significant accounting areas and ensure that monthly reconciliations on accounts are being completed and reviewed in a timely manner.

Views of Responsible Officials and Planned Corrective Actions: The College is actively searching for a qualified CFO. The College is considering consultants to fill in the role until the position is permanently filled to ensure timely reconciliations and accounting in accordance with Generally Accepted Accounting Principles, Government Accounting Standards and the Uniform Guidance. The College is also looking at additional training opportunities with outside vendors in relation to the software as well as training in regards to how to properly adhere to accounting policies and procedures. The College is also going to extend audit procedures to include interim controls testing outside the traditional scope of the audit. The College will be conducting an internal inventory of all fixed assets and updating all accounting policies and procedures as considered necessary to ensure timely and accurate reporting. The College is also going to perform quarterly check-ins with department heads to ensure communication and implementation of procedural changes are occurring and being maintained. In addition, the College is going to remove all non-accounting personnel access to input information into the general ledger and review all personnel rights within the system to ensure it is appropriate with their role.

Responsible Party: Dr. Justin Hoggard, President

Expected Completion: February 28, 2023

Anticipated Completion: February 28, 2023

Coastal Bend College
Schedule of Findings and Questioned Costs (Continued)

SECTION III: FEDERAL AWARD FINDINGS

None noted.

SECTION IV: SUMMARY OF PRIOR YEAR AUDIT FINDINGS

2021-001 – Inadequate Monitoring of Liability Account Balances (repeat finding 2020-001)

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

Current Status: In process

Views of Responsible Officials and Planned Corrective Actions: Coastal Bend College has been successful, to a degree, in the recruitment of some qualified, experienced personnel and continues to recruit additional personnel to complete the staffing of the College's business department. Monthly reconciliation duties will be assigned to the appropriate qualified, experienced personnel. The College will provide training on reconciliation processes for liability accounts.

2021-002 – Multiple Significant Adjustments

Recommendation: Management must review the roles and responsibilities of accounting personnel and ensure they have the necessary background and training to properly execute required accounting functions.

Current Status: In process

Views of Responsible Officials and Planned Corrective Actions: As new management has been engaged and recruitment of qualified, experienced personnel for the optimum staffing of the College's business department continues, the policies and procedures for the business department are being reviewed and written to ensure conformity with accounting standards.

2021-003 – Net Assets

Recommendation: For all material and significant adjustments made, management should prepare an "Accounting Issue Analysis Memo", documenting the issue identified, analysis, and steps taken to remedy. In addition, management should closely review entries related to closing net assets.

Current Status: In process

Coastal Bend College
Schedule of Findings and Questioned Costs (Continued)

Views of Responsible Officials and Planned Corrective Actions: With the new business department management, policies and procedures are being developed to address the recording and monitoring all grant revenues and expenditures in a precise manner. Supporting documentation is an integral requirement for determination of required entries.

2021-004 – Grant Revenue

Recommendation: We suggest the implementation of policies and procedures that will ensure grant revenue is properly monitored as recorded, expended, and received. To improve monitoring processes, we suggest maintaining a reconciliation of funds received and recorded for all grant revenue on a monthly basis. Additionally, all transactions posted to grant revenue accounts should be properly supported by documentation that has been reviewed and approved prior to posting.

Current Status: In process

Views of Responsible Officials and Planned Corrective Actions: With the new business department management, policies and procedures are being developed to address the recording and monitoring all grant revenues and expenditures in a precise manner. Supporting documentation is an integral requirement for determination of required entries.

2021-005 – Revenue and Deferred Revenue

Recommendation: We recommend management ensure revenue is reported in the correct period by evaluating whether the performance obligation has been appropriately satisfied. In addition, we suggest consistent review and reconciliation be performed over deferred revenue and revenue accounts for all revenue streams to ensure proper posting of entries and accuracy of account balances.

Current Status: In process

Views of Responsible Officials and Planned Corrective Actions: With the new management of the business department, policies and procedures are being reviewed and will be written as necessary to ensure the recording accuracy of all revenues and expenditures which will alleviate the multiple correcting entries that have been previously required.

2021-006 – Plant, Property and Equipment

Recommendation: We suggest management review the fixed asset listing and roll forward schedule for disposals, impairments, and appropriate asset classifications. Additionally, the listing should be reconciled to the trial balance and contain a calculation of accumulated depreciation, as well as depreciation expense for each year. Management should also design and maintain a written policy relating to the identification of indicators for asset impairment.

Current Status: In process

Coastal Bend College
Schedule of Findings and Questioned Costs (Continued)

Views of Responsible Officials and Planned Corrective Actions: Although staff of CBC calculated and subsequently entered the applicable depreciation expense for FY2021, the entry was accomplished after Carr, Riggs & Ingram, LLC (CRI) received the trial balance to begin the associated field work and CRI was unaware of the journal entries. CBC will operate with due diligence to ensure the auditors receive applicable journal entries that might occur after providing the trial balance.

2021-007 – Accrued Liabilities

Recommendation: We suggest accruing payroll at the end of each month to ensure accrued liabilities are appropriately valued. Management should also reconcile and update supporting schedules for sick and vacation leave to the trial balance.

Current Status: In process

Views of Responsible Officials and Planned Corrective Actions: The business department will coordinate with the HR/Payroll Coordinator to ensure appropriate policies/procedures are written and followed for the correct accrual of monthly payroll that will coincide with the underlying documenting support schedules.

2021-008 – Accounts Receivable

Recommendation: We suggest management design and implement a policy to measure the allowance for doubtful accounts based on the characteristics of the underlying receivables such as historical collection rates.

Current Status: In process

Views of Responsible Officials and Planned Corrective Actions: Business department management including the AR Manager along with direction from the College President and Board of Trustees will develop a policy for the allowance for doubtful accounts based on the characteristics of historical collection data. This policy will be implemented to ensure appropriate reflection of accounts receivable on the financial statements.

SECTION V: FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

None noted.