

COASTAL BEND COLLEGE

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED

AUGUST 31, 2019 AND 2018

**COASTAL BEND COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

<u>TABLE OF CONTENTS</u>	i
ORGANIZATIONAL DATA	ii
FINANCIAL SECTION	
Independent Auditors Report	1
Management’s Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements	
<u>Exhibits</u>	
1. Statement of Net Position	16
2. Statement of Revenues, Expenses and Changes in Net Position	17
3. Statement of Cash Flows	18
Notes to the Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION SECTION	
4. Schedule of the College’s Proportionate Share of the Net Pension Liability	50
5. Schedule of College’s Pension Contributions	51
6. Schedule of the College’s Proportionate Share of Net OPEB Liability	52
7. Schedule of the College’s OPEB Contributions	53
SUPPLEMENTAL INFORMATION AND FINANCIAL ASSISTANCE SECTION	
<u>Schedules</u>	
A. Schedule of Operating Revenues	55
B. Schedule of Operating Expenses by Object	56
C. Schedule of Non-Operating Revenues and Expenses	57
D. Schedule of Net Position by Source and Availability	58
E. Schedule of Expenditures of Federal Awards	59
F. Schedule of Expenditures of State Awards	61
OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION	
<u>Single Audit Section</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	65
Schedule of Federal Findings and Questioned Costs	67
Summary of Schedule of Prior Year Audit Findings	71
Corrective Action Plan	73

**COASTAL BEND COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

BOARD OF TRUSTEES

		<u>TERM EXPIRES MAY 31</u>
Mr. Carroll W. Lohse	Chair	2024
Mr. George P. Morrill	Vice- Chair	2022
Mr. Victor Gomez	Secretary	2022
Mr. Jeff P. Massengill	Trustee	2020
Ms. Dela Cagle Castillo	Trustee	2020
Ms. Martha Warner	Trustee	2022
Mr. Taylor Tomlin	Trustee	2024

ORANIZATIONAL DATA

PRINCIPAL ADMINISTRATIVE OFFICERS

Dr. Justin Hoggard	President
Dr. Carry DeAtley	Provost
Dr. Zachary Suarez	Dean of Enrollment Services and Admissions
Ms. Olga Mendez	Chief Financial Officer

FINANCIAL SECTION

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

January 14, 2020

Board of Trustees
Coastal Bend College
Beeville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Coastal Bend College (the College) as of and for the year ended August 31, 2019 and 2018, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information on pages 6 through 13, and pages 50 and 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2020, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Collier, Johnson & Woods

(This page intentionally left blank)

Management's Discussions and Analysis

**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018**

Coastal Bend College is pleased to present its financial statements for 2019 which are in conformance with Governmental Accounting Standards Board (GASB) standards. There are three financial statements presented: (a) the Statement of Net Position, (b) the Statement of Revenues, Expenses and Changes in Net Position, and (c) the Statement of Cash Flows. These financial statements are intended to provide both long-term and short-term financial information on the College and should be read in conjunction with the Notes to the Financial Statements. Specifically,

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

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

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

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

Financial Highlights

Discussion of the Statement of Net Position

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

**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018**

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

Statement of Net Position				
Comparison - August 31, 2019, 2018 and 2017				
	FY 2019	FY 2018	FY 2017	2019-2018 Variance
Current Assets	\$ 8,226,965	\$ 8,636,006	\$ 8,768,107	\$ (409,041)
Non-Current Assets:				
Capital Assets, Net of Depreciation	\$ 16,719,685	\$ 17,811,831	17,671,553	(1,092,146)
Other	6,953,712	5,053,924	4,021,258	1,899,788
Total Assets	31,900,362	31,501,761	30,460,918	398,601
Deferred Outflows	3,012,227	1,230,766	1,007,827	1,781,461
Total Assets & Deferred Outflows of Resources	34,912,588	32,732,527	31,468,745	2,180,062
Current Liabilities	8,490,946	8,278,751	7,703,434	212,195
Non - Current Liabilities	26,379,007	31,356,789	11,285,045	(4,977,782)
Total Liabilities	34,869,953	39,635,540	18,988,479	(4,765,587)
Deferred Inflows	10,654,288	6,040,387	544,153	4,613,901
Total Liabilities & Deferred Inflows of Resources	45,524,241	45,675,927	19,532,632	(151,686)
Net Position:				
Net Investment in Capital Assets	11,844,620	11,855,610	10,656,193	(10,990)
Restricted	1,141,215	1,131,674	643,919	9,541
Unrestricted	(23,597,488)	(25,930,684)	636,001	2,333,196
Total Net Position	(10,611,653)	(12,943,400)	\$ 11,936,113	\$ 2,331,747

Changes in Assets

Total assets increased by \$398 thousand from August 31, 2018 to August 31, 2019. This net increase is the result of an increase of cash and investments of over \$2.8 million which is offset by a decrease in accounts receivable of \$1.2 million, a decrease of \$200 thousand in prepaid expenses and a decrease of \$1.1 million in capital assets.

Changes in Deferred Outflows

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

1. Differences between expected and actual economic and demographic factors.
2. Changes in actuarial assumptions.
3. Net differences between projected and actual earnings on pension and OPEB plan investments.

**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018**

4. Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions related to pension or OPEB.
5. Employer contributions to pension and OPEB made subsequent to the measurement date.

In fiscal year 2019 deferred outflows increased by \$1.8 million and was caused primarily by changes in actuarial assumptions that will be amortized in future years.

Changes in Liabilities

Although the College's Net Pension Liability increased by \$1.8 Million in FY 2018-19, Net OPEB Liabilities decreased by \$5.5 Million which contributed to the net decrease in Liabilities of \$4.8 Million. As of August 31, 2019, Accounts Payable was higher than August 31, 2018 by \$526 thousand and this is primarily due to timing issues relating to the ongoing operations of the College's including buyout of the former president and other consulting projects.

Changes in Deferred Inflows

Deferred Inflows measures the net change in revenues of future pensions and other postemployment benefits. The increase of \$4.6 million is related to the College's proportionate share of pension costs and OPEB and is partial offset by the decrease in Net OPEB liabilities and an increase in deferred outflows. Because this will also affect future reporting periods, the numbers may potentially fluctuate due to one of the following factors:

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

In fiscal year 2019 deferred inflows increase was caused primarily by changes in actuarial assumptions that will be amortized in future years.

Changes in Net Position

Net Position, the difference between assets, deferred outflows and deferred inflows and liabilities was a negative \$10.6 million which represents an increase of \$2.3 million from August 31, 2018. The primary factor causing this increase was the College's earnings for the fiscal year ended August 31, 2019.

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

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

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

**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018**

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

Summary of Revenues, Expenses and Changes in Net Position follows:

	Year Ended August 31			2019-2018
	FY 2019	FY 2018	FY 2017	Variance
Operating Revenues	\$ 6,831,094	\$ 7,946,370	\$ 9,236,224	\$ (1,115,276)
Non-Operating Revenues	17,577,504	17,879,500	17,502,920	(301,996)
Total Revenues	\$ 24,408,598	\$ 25,825,870	26,739,144	(1,417,272)
Operating Expenses	21,865,651	23,872,917	24,661,923	(2,007,266)
Non-Operating Expenses	211,200	233,048	439,773	(21,848)
Total Expenses	22,076,851	24,105,965	25,101,696	(2,029,114)
Increase in Net Position	2,331,747	1,719,905	1,637,448	611,842
Net Position Beginning of Year, restated	(12,943,400)	(14,663,305)	10,298,665	1,719,905
Net Position End of Year	(10,611,653)	(12,943,400)	11,936,113	2,331,747

Operating Revenues

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

Operating revenue decrease by \$1.1 million due to Tuition revenue decreasing by \$1.2 million in 2019, even though there was an increase in enrollment, enrollment increase was due to dual enrollment. Tuition Discounts increased by \$192 thousand, Auxiliary enterprises and General operating revenues decreased by \$382 thousand.

Non- Operating Revenues and Expenses

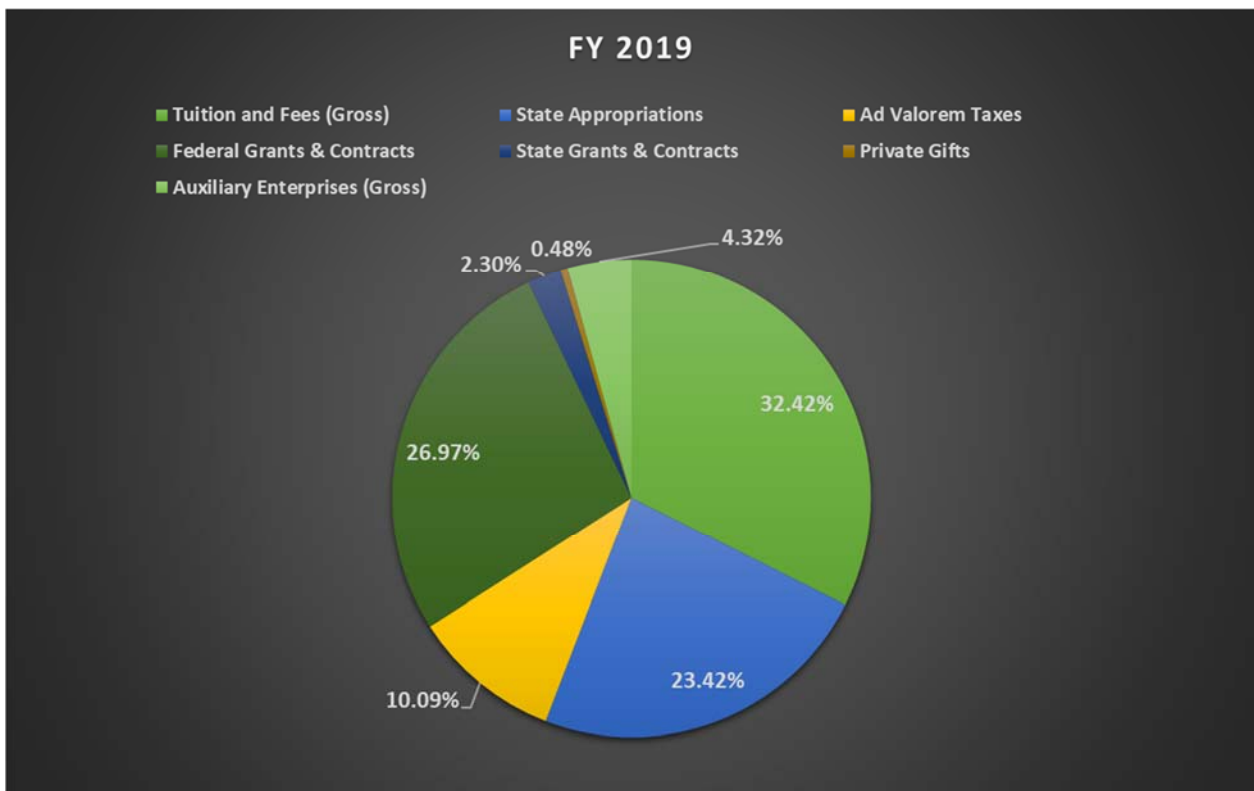
The decrease in Non-Operating Revenue was primarily caused by lower state allocations of \$547 thousand related to decreases in state group insurance. This is offset by an increase in investment income of \$304 thousand due to improvements in the capital markets and higher balances. Non-Operating expenses are comparable to the prior year.

**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018**

Revenue Sources

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

	Year Ended August 31			2019-2018 Variance
	FY 2019	FY 2018	FY 2017	
Major-Revenue Components:				
Tuition and Fees (Gross)	\$ 10,230,528	\$ 11,233,472	\$ 10,737,481	\$ (1,002,944)
State Appropriations	7,391,899	7,840,447	7,735,598	(448,548)
Ad-Valorem Taxes	3,185,380	3,126,668	3,188,125	58,712
Gifts, Grants & Contracts:				
Federal	8,510,470	8,555,472	8,063,669	(45,002)
State	725,121	639,519	657,560	85,602
Private (Operating & Non-Operating)	151,260	-	248,904	151,260
Total Gifts, Grants & Contracts	9,386,851	9,194,991	8,970,133	191,860
Auxiliary Enterprises (Gross)	1,362,609	1,252,250	1,258,781	110,359
Total	31,557,267	32,647,828	31,890,118	(1,090,561)



**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018**

Operating Expenses

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

	Year Ended August 31			2019-2018
	FY 2019	FY 2018	FY 2017	Variance
Functional Classifications:				
Instruction	\$ 6,378,476	\$ 8,382,267	\$ 7,431,924	\$ (2,003,791)
Public Service	58,294	35,033	27,915	23,261
Academic Support	1,214,969	1,090,757	1,952,452	124,212
Student Services	1,542,424	1,594,588	2,792,116	(52,164)
Institutional Support	6,785,338	4,788,852	4,582,642	1,996,486
Operation and Maintenance of Plant	1,928,762	2,845,246	2,540,307	(916,484)
Scholarships and Fellowships	787,213	1,863,476	2,314,165	(1,076,263)
Auxiliary Enterprises	1,697,148	1,675,617	1,486,245	21,531
Depreciation	1,473,027	1,597,081	1,534,157	(124,054)
Total Operating Expenses	\$ 21,865,651	\$ 23,872,917	\$ 24,661,923	\$ (2,007,266)

FY 2019 Operating Expenses decreased by \$2 million. The decrease is primarily a result of a decrease in state and local benefits of \$1,951,684. At fiscal year end the College recorded its portion of pension and other post-employment obligation costs as calculated by Employee Retirement System and Teachers Retirement System of Texas. The decrease in the OPEB expenses resulted from changes in the actuarial assumptions which decreased the liability and is amortized over a straight-line closed period equal to the average remaining service period of all active and inactive employees who are provided with benefits.

Discussion of the Statement of Cash Flows

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

A summary of the Statement of Cash Flows follows:

	Year Ended August 31		
	FY 2019	FY 2018	FY 2017
Operating Activities	\$ (12,145,894)	\$ (11,399,910)	\$ (13,074,093)
Noncapital Financing Activities	16,239,983	15,801,094	15,693,947
Capital and Related Financing Activities	(1,678,969)	(3,030,246)	(1,810,289)
Investing Activities	(1,535,176)	(976,074)	(1,186,513)
Changes in Cash and Cash Equivalents	\$ 879,943	\$ 394,864	\$ (376,948)

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

**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018**

Current Conditions & Projected Priorities

Coastal Bend College's credit enrollment remains strong with a Fall 2018 unduplicated headcount of 4,485, a slight increase compared to Fall 2017. Dual enrollment students continue to comprise nearly half of the College's student population, despite the shift in focus emerging from the Texas Higher Education Coordinating Board's 60x30TX Initiative. 60x30TX emphasizes increasing access to underserved populations equally with completion efforts. The primary goal of this initiative is to ensure that at least 60% of Texas ages 25-34 years old will have a higher education certificate and/or degree by 2030. To recruit these students, College faculty continue outreach with Workforce Solutions of Alamo and Coastal Bend, Housing Authority offices in four counties, the Community Action Center of South Texas and related agencies. Continued investment in distance learning methodologies and technology, dedicated advising, and the fully integrated workforce trailers are other efforts specifically designed to bridge the completion gap. One example of the College's multiple initiatives to improve completion is the continued development of marketable skills awards as the entry level achievement for the applied degree. College Administration is pleased to have kept tuition and fees flat for another year without compromising the institution's financial well-being.

Vision 2020 Strategic Plan

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

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

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

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

Long-Term Goals (2018-2023)

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

**COASTAL BEND COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018**

Economic Outlook

Going forward, the adjournment of the 85th Legislative Session in 2018 resulted in an overall decrease in state appropriations of \$716k over the next biennium, mostly due to lower contract hours reported. The College is in the process of creating a strategic enrollment plan to focus on increasing enrollment. The College is experiencing a positive enrollment growth pattern including increases in semester credit hours, online course offerings, semester enrollment and dual credit enrollment.

Contacting Financial Management

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



Justin Hoggard
President

(This page intentionally left blank)

BASIC FINANCIAL STATEMENTS

COASTAL BEND COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash & cash equivalents	2,504,893	1,638,796
Accounts receivable (net)	5,722,072	6,787,410
Prepaid Expenses	-	209,800
Total Current Assets	<u>8,226,965</u>	<u>8,636,006</u>
Non-Current Assets		
Restricted cash & cash equivalents	565,766	551,920
Investments	6,387,946	4,502,004
Capital Assets (net)	16,719,685	17,811,831
Total Non-current Assets	<u>23,673,396</u>	<u>22,865,755</u>
Total Assets	<u>31,900,361</u>	<u>31,501,761</u>
 DEFERRED OUTFLOWS		
Deferred outflows related to pensions	2,356,714	564,197
Deferred outflows related to benefits (OPEB)	655,513	666,569
Total Deferred Outflows	<u>3,012,227</u>	<u>1,230,766</u>
Total Assets & Deferred Outflows	<u>34,912,588</u>	<u>32,732,527</u>
 LIABILITIES		
Current Liabilities		
Accounts payable	2,045,693	1,519,313
Funds held for others	455,356	337,790
Unearned revenue	4,867,833	5,324,003
Notes payable - current portion	721,065	693,645
Bonds payable - current portion	401,000	404,000
Total Current Liabilities	<u>8,490,946</u>	<u>8,278,751</u>
Non-Current Liabilities		
Accrued compensable absences	645,190	790,148
Notes payable - long term portion	2,454,000	3,171,576
Bonds payable - long term portion	1,299,000	1,687,000
Net pension liability	5,341,411	3,521,208
Net OPEB Liability	16,639,406	22,186,857
Total Noncurrent Liabilities	<u>26,379,007</u>	<u>31,356,789</u>
Total Liabilities	<u>34,869,953</u>	<u>39,635,540</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,157,026	1,134,765
Deferred inflows related to OPEBs	9,497,262	4,905,622
Total Deferred Inflows of Resources	<u>10,654,288</u>	<u>6,040,387</u>
Total Liabilities and Deferred Inflows	45,524,241	45,675,927
 NET POSITION, AS RESTATED		
Invested in capital assets, net of related debt	11,844,620	11,855,610
Restricted for		
Nonexpendable		
Endowments	565,766	551,920
Expendable		
Student Aid	81,908	84,412
Parking lot repairs	141,498	141,074
Debt service	352,044	354,268
Unrestricted	<u>(23,597,488)</u>	<u>(25,930,684)</u>
Total Net Position (Schedule D)	<u>(10,611,653)</u>	<u>(12,943,400)</u>

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

COASTAL BEND COLLEGE

EXHIBIT 2

**Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended August 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$7,465,395 & \$7,272,920 respectively)	\$ 2,765,132	\$ 3,960,552
Federal grants and contracts	2,012,271	1,696,248
State grants and contracts	725,121	639,519
Sales and services of educational activities	34,451	41,404
Miscellaneous governmental receipts	172,028	104,266
Auxiliary enterprises (net of discounts of \$366,983 & \$106,617, respectively)	995,626	1,145,633
General operating revenues	<u>126,465</u>	<u>358,747</u>
Total Operating Revenues (Schedule A)	<u>6,831,094</u>	<u>7,946,370</u>
OPERATING EXPENSES		
Instruction	6,378,476	8,382,267
Public service	58,294	35,033
Academic support	1,214,969	1,090,757
Student services	1,542,424	1,594,588
Institutional support	6,785,338	4,788,852
Operation and maintenance of plant	1,928,762	2,845,246
Scholarships and fellowships	787,213	1,863,476
Auxiliary enterprises	1,697,148	1,675,617
Depreciation	<u>1,473,027</u>	<u>1,597,081</u>
Total Operating Expenses (Schedule B)	<u>21,865,651</u>	<u>23,872,917</u>
Operating (Loss)	(15,034,557)	(15,926,547)
Non-Operating Revenues (Expenses)		
State allocations	7,391,899	7,840,447
Title IV	6,498,199	6,859,224
Ad valorem taxes		
Taxes for maintenance and operations	2,293,641	2,307,155
Taxes for debt service	891,739	819,513
Gifts	151,260	-
Investment income (net of investment expenses)	350,766	46,412
Other income	-	6,750
Interest on capital related debt	<u>(211,200)</u>	<u>(233,048)</u>
Total Non-Operating Revenues (Expenses) (Schedule C)	<u>17,366,303</u>	<u>17,646,452</u>
Increase in Net Position	2,331,747	1,719,905
NET POSITION		
Net Position - Beginning of Year, restated (Note 2)	<u>(12,943,400)</u>	<u>(14,663,305)</u>
Net Position - End of Year	<u>\$ (10,611,653)</u>	<u>\$ (12,943,400)</u>

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

COASTAL BEND COLLEGE
Statement of Cash Flows
For the Fiscal Years Ended August 31, 2019 and 2018

EXHIBIT 3

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 4,115,196	\$ 4,868,140
Receipts from grants and contracts	3,198,601	2,335,768
Payments to suppliers for goods or services	(6,359,786)	(6,019,376)
Payments to or on behalf of employees	(12,445,456)	(11,202,275)
Payments of scholarships and fellowships	(786,645)	(1,740,914)
Other receipts	132,197	358,747
Net cash used by operating activities	(12,145,894)	(11,399,910)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	6,287,578	5,597,273
Receipts from ad valorem taxes	3,185,380	3,126,668
Receipts from Non Operating Federal Revenue	6,498,199	6,859,224
Gifts	151,260	-
Payments to student organizations and other agency transactions	117,566	211,179
Other receipts	-	6,750
Net cash provided by non-capital financing activities	16,239,983	15,801,094
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(386,613)	(1,737,359)
Payments on capital debt - principal	(1,081,156)	(1,059,839)
Payments on capital debt - interest	(211,200)	(233,048)
Net cash used by capital and related financing activities	(1,678,969)	(3,030,246)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	181,630	668,825
Purchases of investments	(2,067,573)	(1,691,311)
Interest on investments	350,766	46,412
Net cash used by investing activities	(1,535,177)	(976,074)
Increase in cash and cash equivalents	879,943	394,863
Cash and cash equivalents - September 1	2,190,716	1,795,853
Cash and cash equivalents - August 31	\$ 3,070,659	\$ 2,190,716
Cash & cash equivalents	\$ 2,504,893	\$ 1,638,796
Restricted cash & cash equivalents	565,766	551,920
Total cash and cash equivalents	\$ 3,070,659	\$ 2,190,716

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

COASTAL BEND COLLEGE
Statement of Cash Flows
For the Fiscal Years Ended August 31, 2019 and 2018

EXHIBIT 3

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (15,034,557)	\$ (15,926,547)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	1,473,027	1,597,081
Bad Debt expense	10,910	1,000,000
Payments made directly by state for benefits	1,104,321	2,243,174
Loss on Disposal of Capital Assets	5,732	-
Changes in assets and liabilities:		
Receivables (net)	1,054,428	(1,094,572)
Prepaid expenses	209,800	(88,803)
Accounts payable	526,383	622,463
Unearned revenue	(456,170)	(289,143)
Compensated Absences	(144,958)	89,285
Net pension liability	1,820,203	(1,114,444)
Net OPEB liability	(5,547,451)	(4,321,720)
Deferred outflows of resources	(1,781,461)	387,082
Deferred inflows of resources	4,613,901	5,496,234
Net cash used by operating activities	\$ (12,145,894)	\$ (11,399,910)

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

1. Reporting Entity

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

Component Unit

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

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

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

Basis of Accounting

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

Budgetary Data

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

Cash and Cash Equivalents

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

Investments

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

Inventories

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

Capital Assets

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

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

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

Unearned Revenues

Tuition and fees of \$4,867,833 and \$5,324,003 were reported as unearned revenues at August 31, 2019 and 2018, 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.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

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

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

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

Other Post-Employment Benefits

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

Pensions

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

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.

Prior Year Restatement

The College had previously recorded salary expense related to accrued compensable absences to prepaid expenses, (an asset) rather than salary expense. This error was discovered in the current year. Accordingly, an adjustment to net positions of \$700,863 was made as of the beginning of the year ended August 31, 2018 and salary expense was increased by \$89,285.

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

Beginning Net Positions as previously reported at September 1, 2017	\$ 11,936,113
Cumulative Effect of Change in Accounting Principle reported in Fiscal Year Ended August 31, 2018	(25,898,556)
Previously reported Increase in Net Position	<u>1,809,191</u>
Net Positions Reported August 31, 2018	(12,153,252)
Effect of correction of error for overstatement of prepaid expenses on Beginning Net Positions	(700,863)
On August 31, 2018 Increase in Net Position	<u>(89,285)</u>
Beginning Net Positions, as restated	<u><u>\$ (12,943,400)</u></u>

3. Authorized Investments

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

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

4. **Deposits and Investments**

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

Cash and Equivalents

	Year Ended August 31	
	2019	2018
Demand Deposits	\$ 2,497,085	\$ 1,635,515
Tex Pool	1,182	1,155
Texas Class	565,766	551,920
Petty Cash on Hand	6,626	2,126
Total Cash and Equivalents	\$ 3,070,659	\$ 2,190,716
Current Assets	\$ 2,504,893	\$ 1,638,796
Noncurrent Assets	565,766	551,920
	\$ 3,070,659	\$ 2,190,716

During the year ended August 31, 2019 and 2018 deposits were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Fair Value 8/31/2019	Fair Value 8/31/2018
Investments		
U.S. Agencies	\$ -	\$ 1,657
Municipal Bonds	6,387,946	4,500,347
Total Investments	\$ 6,387,946	\$ 4,502,004
Total Investments	\$ 6,387,946	\$ 4,502,004
Total Cash and Equivalents	3,070,659	2,190,716
Total Cash and Investments	\$ 9,458,605	\$ 6,692,720

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

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

Concentration of Credit Risk – The College does not place a limit on the amount the College may invest in any other issuer. As of August 31, 2019, 68% of the College’s investments are held in Fixed Income Securities.

GASB 72

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

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

Level 2 - inputs to the valuation methodology include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are inputs that are unobservable and significant to the fair value measurement.

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

August 31, 2018		Fair Value Measurement	
Investment Type	Total Fair Value	Level 1	Level 2
U.S. Agencies	\$ 1,657	\$ 1,657	\$ -
Municipal Bonds	4,500,347	-	4,500,347
Total Fair Value	<u>\$ 4,502,004</u>	<u>\$ 1,657</u>	<u>\$ 4,500,347</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

5. Capital Assets

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

	Balance August 31, 2018	Increases	Decreases	Balance August 31, 2019
<u>Not Depreciated:</u>				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	28,783,664	-	-	28,783,664
Library Books	1,329,740	-	-	1,329,740
Furniture, machinery, and equipment	11,586,711	386,613	(9,555)	11,963,769
Subtotal	<u>12,916,451</u>	<u>386,613</u>	<u>(9,555)</u>	<u>13,293,509</u>
Total Buildings and Other Capital Assets	<u>41,700,115</u>	<u>386,613</u>	<u>(9,555)</u>	<u>42,077,173</u>
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	(14,955,969)	(816,243)	-	(15,772,212)
Library Books	(1,248,990)	(23,643)	-	(1,272,633)
Furniture, machinery and equipment	(8,160,214)	(633,141)	3,823	(8,789,532)
Subtotal	<u>(9,409,204)</u>	<u>(656,784)</u>	<u>3,823</u>	<u>(10,062,165)</u>
Total Accumulated Depreciation	<u>(24,365,173)</u>	<u>(1,473,027)</u>	<u>3,823</u>	<u>(25,834,377)</u>
Net Capital Assets	<u>\$ 17,811,831</u>	<u>\$ (1,086,414)</u>	<u>\$ (5,732)</u>	<u>\$ 16,719,685</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

Capital assets activity for the year ended August 31, 2018 is as follows:

	Balance August 31, 2017	Increases	Decreases	Balance August 31, 2018
<u>Not Depreciated:</u>				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
<u>Buildings and Other Capital Assets</u>				
Buildings and Building Improvements	28,161,168	624,999	(2,503)	28,783,664
Library Books	1,329,740	-	-	1,329,740
Furniture, machinery, and equipment	10,793,724	1,112,359	(319,372)	11,586,711
Subtotal	<u>12,123,464</u>	<u>1,112,359</u>	<u>(319,372)</u>	<u>12,916,451</u>
Total Buildings and Other Capital Assets	<u>40,284,632</u>	<u>1,737,358</u>	<u>(321,875)</u>	<u>41,700,115</u>
<u>Accumulated Depreciation:</u>				
Buildings and Building Improvements	(14,141,846)	(816,626)	2,503	(14,955,969)
Library Books	(1,221,082)	(27,908)	-	(1,248,990)
Furniture, machinery and equipment	(7,727,040)	(752,546)	319,372	(8,160,214)
Subtotal	<u>(8,948,122)</u>	<u>(780,454)</u>	<u>319,372</u>	<u>(9,409,204)</u>
Total Accumulated Depreciation	<u>(23,089,968)</u>	<u>(1,597,080)</u>	<u>321,875</u>	<u>(24,365,173)</u>
Net Capital Assets	<u>\$ 17,671,553</u>	<u>\$ 140,278</u>	<u>\$ -</u>	<u>\$ 17,811,831</u>

6. Noncurrent Liabilities

General Information related to notes payable is summarized below:

Heavy Duty Truck Note

On July 6, 2015, the College agreed to an unsecured promissory note in the amount of \$59,577 for the purchase of a heavy-duty truck for hauling mobile simulation labs. The note carries an interest rate of 3.5% and was paid in three annual installments beginning July 2016 and ending July 2018.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

Enterprise Resource Planning Software

On January 27, 2017 the College agreed to an unsecured promissory note in the amount of \$540,006 to provide partial funding of costs associated with the implementation of a new Enterprise Resource Planning (ERP) system, Ellucian's Colleague. This note carries an interest rate of 5% and is scheduled to be paid in six installments beginning in July 27, 2017 and ending March 27, 2020.

2016 Buick Enclave

On October 28, 2016, the College agreed to an unsecured promissory note in the amount of \$44,796 for a 2017 Buick Enclave. The note carries an interest rate of 4.5% and will be paid in 3 annual installments beginning December 1, 2017 and ending December 1, 2019.

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

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

- Purpose of Issuance: College wide HVAC improvements
- Issue Date: March 29, 2011
- Original Amount of Issue: \$2,585,000
- Interest Rates: 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 Rates: 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 Rates: 2.510%
- Source of Revenue for note payments: Pledged registration fees, out of district fees, student service fees and course fees.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

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

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

Noncurrent liability activity for the year ended August 31, 2018 is as follows:

	Balance August 31, 2017	Increases	Decreases	Balance August 31, 2018	Current Portion
<u>Bonds and Notes</u>					
Revenue Bonds	\$ 2,457,000	\$ -	\$ 366,000	\$ 2,091,000	\$ 404,000
Maintenance Tax Notes	3,953,000	-	485,000	3,468,000	499,000
Heavy Duty Truck	20,557	-	20,557	-	-
ERP Software Note	540,006	-	173,435	366,571	179,634
Buick Enclave	44,797	-	14,147	30,650	15,011
Subtotal	<u>7,015,360</u>	<u>-</u>	<u>1,059,139</u>	<u>5,956,221</u>	<u>1,097,645</u>
<u>Other Liabilities</u>					
Accrued Compensable Absences	700,863	89,285	-	790,148	-
Net pension liability	4,635,652	-	1,114,444	3,521,208	-
Net OPEB liability	<u>-</u>	<u>22,186,157</u>	<u>-</u>	<u>22,186,857</u>	<u>-</u>
Subtotal	<u>5,336,515</u>	<u>22,275,442</u>	<u>1,114,444</u>	<u>26,498,213</u>	<u>-</u>
Total Noncurrent liabilities	<u>\$ 12,351,875</u>	<u>\$ 22,275,442</u>	<u>\$ 2,173,583</u>	<u>\$ 32,454,434</u>	<u>\$ 1,097,645</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

7. Debt Obligations

Debt service obligations at August 31, 2019 for bonds and notes are as follows:

For the year Ending August 31	Maintenance Tax Notes			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	515,000	99,908	614,908	401,000	52,803	453,803
2021	529,000	83,696	612,696	431,000	40,252	471,252
2022	547,000	66,462	613,462	429,000	27,168	456,168
2023	566,000	48,060	614,060	439,000	13,741	452,741
2024	374,000	28,573	402,573	-	-	-
2025-2026	438,000	24,986	462,986	-	-	-
	<u>\$ 2,969,000</u>	<u>\$ 351,685</u>	<u>\$ 3,320,685</u>	<u>\$ 1,700,000</u>	<u>\$ 133,964</u>	<u>\$ 1,833,964</u>

For the year Ending August 31	ERP Software			2016 Buick Enclave		
	Principal	Interest	Total	Principal	Interest	Total
2020	190,328	7,310	197,638	15,737	714	16,451
	<u>\$ 190,328</u>	<u>\$ 7,310</u>	<u>\$ 197,638</u>	<u>\$ 15,737</u>	<u>\$ 714</u>	<u>\$ 16,451</u>

8. Bonds Payable

General information related to bonds payable is summarized below:

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

9. Employees' Retirement Plan

Defined Benefit Pension Plan

Plan Description

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents.pdf> or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Contributions

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 84th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	<u>2019</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contribution Entity	6.8%	6.8%
Employers	6.8%	6.8%
College Contributions	371,188	360,926
Member Contributions	625,150	589,831
State of Texas on behalf Contributions	154,961	199,718

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

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

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

Actuarial Assumptions

(Source: Teacher Retirement System of Texas 2017 Comprehensive Annual Financial Report)

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

Actuarial Methods:	
Valuation Date	8/31/2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	6.91%
Long-Term expected Investment Rate of Return	7.25%
Last Year Ending August 31	
Projection Period (100 Years)	2116
Inflation	2.30%
Salary increases (including inflation)	3.05% to 9.05%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad-hoc post employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience on a four-year period ending August 31, 2017 and was adopted in July 2018 by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. The results of the actuarial valuation are dependent on the assumptions used. There were no changes to the actuarial assumptions used for the plan. There were also no changes to benefit terms that affected measurement of total pension liability during the measurement period. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following assumptions:

Changes Since the Prior Actuarial Valuation

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

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

Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25%. 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, 2018 are summarized below:

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns*</u>
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	1.0%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag			-0.8%
Total	<u>100.0%</u>		<u>7.3%</u>

*The expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Source: Teacher Retirement System of Texas 2018 Comprehensive Annual Financial Report

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% lower and 1% higher than the discount rate used (6.907%) in measuring the 2019 Net Pension Liability.

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
Coastal Bend College's share of net pension liability	<u>\$ 8,061,471</u>	<u>\$ 5,341,411</u>	<u>\$ 3,139,362</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

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

At August 31, 2019 and 2018, the College reported a liability of \$5,341,411 and \$3,521,208, respectively, for its proportionate share of the TRS's net pension liability. This liability reflects an increase for State pension support provided to the College at August 31, 2019 and a reduction for State pension support at August 31, 2018. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

Fiscal Year Ended August 31, 2019:

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

Fiscal Year Ended August 31, 2018:

College's share of the collective net pension liability	\$	3,521,208
State's share associated with College		1,952,551
Total	\$	5,473,759

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportionate share of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019 the employer's proportionate share of the collective net pension liability was 0.0097041719% which is a decrease of 0.0013083439% from its proportion measured as of August 31, 2018 of .000110125158%.

For the year ended August 31, 2019 the College recognized pension expense of \$300,696 and revenue of \$250,749 for support provided by the State. For the year ended August 31, 2018 the College recognized pension expense of \$237,991 and revenue of \$148,933 for support provided by the State.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

The College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year Ended August 31, 2019

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

Fiscal Year Ended August 31, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 51,517	\$ 189,894
Changes in actuarial assumptions	160,397	91,823
Differences between projected and actual investment earnings	-	256,618
Changes in proportion and difference between employer's contributions and the proportionate share of contributions	33,394	596,430
Contributions made subsequent to the measurement date	<u>318,889</u>	<u>-</u>
Total	<u>\$ 564,197</u>	<u>\$ 1,134,765</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$371,188 and \$318,889 will be recognized as a reduction of the net pension liability for the year ending August 31, 2019 and 2018, respectively.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

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

Year Ended August 31, 2019:		<u>Pension Expense Amount</u>
2020	\$	242,598
2021		29,320
2022		(12,154)
2023		201,166
2024		201,499
Thereafter		166,071
	<u>\$</u>	<u>828,500</u>

Optional Retirement Plan

Plan Description

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

Funding Policy

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

The retirement expense to the State for the College was \$47,717 and \$45,166 for the fiscal years ended August 31, 2019 and 2018, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$10,793,270 and \$10,237,849 for fiscal years 2019 and 2018, respectively. The total payroll of employees covered by the Optional Retirement Program was \$1,264,153 and \$1,250,873 for fiscal years 2019 and 2018, respectively.

10. Deferred Compensation Program

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. At August 31, 2019 and 2018, the District had no employees electing to defer compensation.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

11. Compensable Absences

Full-time employees earn annual leave of 10 days per year. The College's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum carryover of 20 days. Employees with at least three months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized an accrued liability of \$207,249 and \$237,508 for the unpaid annual leave for 2019 and 2018. Sick leave, which can be accumulated to a maximum of 45 days, is earned at the rate of one day per month. It is paid to an employee who misses work because of illness. The College District shall honor the reimbursement for leave upon separation and the reimbursement of leave upon retirement programs for eligible employees who were employed by the College District before September 1, 2010. Reimbursements shall be made in accordance with administrative regulations and determined based on the pay rate set for each employee as of June 30, 2016. Annual sick leave of \$437,941 and \$552,640 was recognized for 2019 and 2018 respectively.

12. Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The State and College's contribution per eligible full-time employee was \$624.82 per month for the year ended August 31, 2019 (\$621.90 per month for 2018) and totaled \$673,360 for 2019 (\$629,096 for the year ended 2018). The cost of providing those benefits for 128 retirees in the year ended 2019 was \$1,157,404 (retiree benefits for 128 retirees cost \$1,162,416 in 2018). For 178 active employees, the cost of providing benefits was \$1,489,334 for the year ended 2019 (active employees for 220 employees cost \$1,456,890 for the year ended 2018).

13. 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 post-employment health care, life and dental insurance benefits to the retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of those retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

OPEB Plan Fiduciary Net Position

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

Benefits Provided

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

Contributions

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

- i. The benefit and administrative costs expected to be incurred
- ii. Funds appropriated
- iii. Funding policy established by the Texas Legislature in connection with benefits provided through the GBP. Trustees revise benefits when necessary to align expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

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

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium

	Fiscal Year Ended August 31,	
	2019	2018
Retiree Only	\$ 621.90	\$ 617.30
Retiree & Spouse	\$ 1,334.54	\$ 970.98
Retiree & Children	\$ 1,099.06	\$ 854.10
Retiree & Family	\$ 1,811.70	\$ 1,207.78

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

	Fiscal Year Ended August 31,	
	2019	2018
Employer	\$ 647,628	\$ 610,290
Members (Employees)	-	-
Nonemployer Contributing Entity (State of Texas)	1,076,225	481,505

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

Actuarial Assumptions
ERS Group Benefits Program Plan

Valuation Date	August 31, 2018
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.96%
Projected annual salary increases (includes inflation)	2.5% to 9.5%
Annual healthcare trend rate	7.3% for FY 2020, 7.4% for FY 2021, 7% for FY 2022, decreasing .5% per year to an ultimate rate of 4.5% for FY 2027 and later years
Inflation Assumption Rate	2.50%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors, and other inactive members	2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members Ultimate MP Projection Scale projected from the year 2017
Disability retirees	RP-2014 disabled Retiree Mortality and Ultimate MP Projection Scale projected from the year 2014
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period 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 policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return is 2.4%.

Discount Rate

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to determine the total OPEB liability as of the end of the measurement year was 3.51%. The source of the municipal bond rate was the Bond Buyer Index of general obligation funds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service of Aa2 rating and Standard & Poor's AA rating. Projected cash flow into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay as you go (PAYGO) basis and is not intended to accumulate assets, there is no long term expected rate of return on plan assets.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

Discount Rate Sensitivity Analysis

The following schedule shows the impact on the College's proportionate share of the collective net OPEB liability if the discounted rate used was 1% lower (2.96%) and 1% higher (4.96%) than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate 2.96%	Discount Rate 3.96%	1% Increase in Discount Rate 4.96%
College's proportionate share of the Net OPEB Liability:	\$ 19,754,849	\$ 16,639,406	\$ 14,281,370

Healthcare Cost Trend Rate Sensitivity Analysis

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

	1% Decrease in Healthcare Cost Trend Rate 3.50%	Current Healthcare Cost Trend Rate 4.50%	1% Increase in Healthcare Cost Trend Rate 5.50%
College's proportionate share of the Net OPEB Liability:	\$ 14,091,428	\$ 16,639,406	\$ 19,926,308

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

At August 31, 2019, the College reported a liability of \$16,639,406 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the College. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective Net OPEB Liability	16,639,406
State's proportionate share associated with the College	10,980,147
Total	27,619,553

The net OPEB liability was measured of August 31, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

At the measurement date of August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.05618321% which was a decrease .00893242% from its proportion share measured as of August 31, 2017.

For the year ended August 31, 2017, employer's proportion of the collective net OPEB liability was 0.0651% which was the same proportionate share measured at August 31, 2016.

For the years ended August 31, 2019 and 2018, the College's recognized OPEB expense of (\$1,010,027) and (\$1,187,354), respectively. Additionally, during the years ended August 31, 2019 and 2018, the College recognized revenue of (\$65,273) and \$481,505, respectively, for support provided by the State.

Changes Since the Prior Valuation

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

- Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increase) for higher education members have been updated to reflect assumptions recently adopted by the Trustees from the Teachers Retirement System of Texas;
- Assumed expenses, assumed per capita health benefit costs, and assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations;
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends;
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index 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

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

These minor benefit changes have been reflected in the FY 2019 Assumed per Capita Health Benefit Costs.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

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

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

At August 31, 2018 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	Deferred Inflows of
Differences between expected and actual economic experience	\$ -	\$ 266,615
Changes in actuarial assumptions	-	4,639,007
Difference between projected and actual investment earnings	6,569	-
Contributions paid to ERS subsequent to the measurement date	<u>660,000</u>	<u>-</u>
Total	<u>\$ 666,569</u>	<u>\$ 4,905,622</u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

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

Year ended August 31:

2020	(2,302,696)
2021	(2,302,696)
2022	(2,302,696)
2023	(1,770,261)
2024	<u>(811,027)</u>
Total	<u><u>(9,489,376)</u></u>

14. Operating Lease Commitments and Rental Agreement

The College no longer maintains any operating lease commitments.

15. Funds Held In Trust by Others

At August 31, 2019 and 2018, the College held, in trust funds, amounts of \$455,356 and \$337,583 respectively, that pertain primarily to student organizations. These funds are not available to support the College's programs.

16. Contract and Grant Awards

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

17. Property Tax

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

As of August 31, 2019 and 2018:

	FY 2019	FY 2018
Assessed Valuation of the College	\$ 2,904,028,130	\$ 2,838,573,700
Less: Exemptions	1,172,800,148	1,167,405,353
Less: Abatements	4,146,990	8,603,780
Net assessed valuation of the College	<u><u>\$ 1,727,080,992</u></u>	<u><u>\$ 1,662,564,567</u></u>

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

	2019		
	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.1355076	\$ 0.0545508	\$ 0.190058
Assessed tax rate per \$100 valuation	\$ 0.125470	\$ 0.050510	\$ 0.175980
	2018		
Authorized tax rate per \$100 valuation	Current Operations	Debt Service	Total
Assessed tax rate per \$100 valuation	\$ 0.1536084	\$ 0.0577476	\$ 0.211356
Assessed tax rate per \$100 valuation	\$ 0.142230	\$ 0.053470	\$ 0.195700

Taxes levied for the years ended August 31, 2019 and 2018 amounted to \$3,194,234 and \$3,134,991, respectively (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which impose.

	2019		
	Current Operations	Debt Service	Total
Taxes Recognized			
Current taxes collected	\$ 2,232,687	\$ 909,024	\$ 3,141,711
Delinquent taxes collected	59,861	-	\$ 59,861
Penalties and interest collected	43,551	-	\$ 43,551
Less: discounts and commissions	(42,458)	(17,285)	\$ (59,743)
Total Collections	<u>\$ 2,293,641</u>	<u>\$ 891,739</u>	<u>\$ 3,185,380</u>
	2018		
Taxes Recognized	Current Operations	Debt Service	Total
Current taxes collected	\$ 2,222,130	\$ 834,978	\$ 3,057,108
Delinquent taxes collected	58,696	-	\$ 58,696
Penalties and interest collected	67,469	-	\$ 67,469
Less: discounts and commissions	(41,139)	(15,465)	\$ (56,604)
Total Collections	<u>\$ 2,307,155</u>	<u>\$ 819,513</u>	<u>\$ 3,126,668</u>

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

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

18. Tax Abatements

The Texas Property Redevelopment and Tax Abatement Act, Texas Tax Code, Chapter 312 authorizes the College to enter into Tax Abatement Agreements. The College approves Tax Abatement Agreements for the sole purpose of economic development to create additional jobs, provide job training opportunities and increase the assessed value of properties made through property improvements such as expansion or modernization funded by the property owner. Ad Valorem Taxes were reduced by approximately \$8,000 in fiscal year 2019 due to existing Tax Abatement Agreements.

- Dan A. Hughes Management, LLC
- Kaspar Properties, Inc. and Kaspar Ranch Hand Equipment, LP- 10-year abatement effective with the January 1, 2012 valuation date. For the fiscal year ending August 31, 2019, 50% of the current assessed value was abated.
- Pacific Wind Development, LLC - The owner agreed to pay \$180,000 to the College to fund the College's sidewalk project and a Dual Enrollment Scholarship in exchange for an abatement of 100% of maintenance and operations ad valorem taxes during the first year construction period for their wind farm project. Additionally, there will be a 60% abatement for years 2-9 thereafter. There is no abatement for debt service portion of ad valorem tax under the agreement. During the year ended August 31, 2019, construction by Pacific Wind Development had not been started and nothing was abated under this agreement.

19. Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc. although unrelated business income may be subject to income tax under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2019 and 2018.

20. Commitments and Contingencies

Contingencies

The College participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

21. Pending Lawsuits and Claims

On August 31, 2019, there were various lawsuits and claims involving Coastal Bend College that were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

22. Workers' Compensation

During the years ended August 31, 2019 and 2018, the College met its statutory workers' compensation obligation through participation in the Texas Public Schools Workers' Compensation Project, known as SchoolComp. The College participates through an interlocal agreement that was authorized by Sec. 504.011 of the Texas Labor Code. All members participating in SchoolComp execute Interlocal Agreements that define the responsibilities of the parties. SchoolComp through its Contractor for Program Management (Creative Risk Funding, Inc.) provides statutory workers' compensation benefits to its members injured employees.

COASTAL BEND COLLEGE
Notes to the Financial Statements
August 31, 2019 and 2018

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.

23. Disaggregation of Receivable and Payable Balance

Receivables

Receivables at August 31 are as follows:

	2019	2018
Student receivables	\$ 5,116,858	\$ 4,892,060
Taxes receivable	224,871	187,907
Tuition sponsor receivables	132,895	133,922
Grant and contract receivables	557,411	1,018,620
Other receivables	48,469	913,333
Subtotal	6,080,504	7,145,842
Allowance for doubtful accounts	(358,432)	(358,432)
Total Receivables	\$ 5,722,072	\$ 6,787,410

Payables

Payables at August 31 are as follows:

	2019	2018
Vendors payable	\$ 963,694	\$ 1,215,921
Interest payable	23,231	23,024
Other payables	1,058,769	280,367
Total Payables	\$ 2,045,694	\$ 1,519,312

24. Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

COASTAL BEND COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

Fiscal Year Ending August 31,*	2018	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.00970417%	0.0110125%	0.0122674%	0.1194730%	0.0134040%
College's Proportionate Share of Net Pension Liability	\$ 5,341,411	\$ 3,521,208	\$ 4,635,652	\$ 4,223,212	\$ 3,580,393
State's Proportionate Share of Net Pension Liability Associated with the College	<u>2,533,500</u>	<u>1,952,551</u>	<u>2,436,696</u>	<u>2,080,573</u>	<u>1,877,347</u>
Total	<u>\$ 7,874,911</u>	<u>\$ 5,473,759</u>	<u>\$ 7,072,348</u>	<u>\$ 6,303,785</u>	<u>\$ 5,457,740</u>
College's Covered Payroll	\$ 7,837,067	\$ 7,787,109	\$ 8,703,191	\$ 7,750,856	\$ 7,571,265
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	68.16%	45.22%	53.26%	54.49%	47.29%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

**COASTAL BEND COLLEGE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019**

Fiscal Year Ending August 31,*	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 371,188	\$ 360,926	\$ 360,926	\$ 389,765	\$ 353,750
Actual Contribution	<u>(371,188)</u>	<u>(360,926)</u>	<u>(360,926)</u>	<u>(389,765)</u>	<u>(353,750)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
College's Covered Payroll	\$ 7,837,067	\$ 7,787,109	\$ 8,703,191	\$ 7,750,856	\$ 7,571,265
Contributions as a Percentage of Covered Payroll	4.74%	4.63%	4.38%	4.48%	4.56%

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

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

**COASTAL BEND COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
EMPLOYEE RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019**

Fiscal Year Ending August 31, *	<u>2018</u>	<u>2017</u>
College's proportion of collective net OPEB liability (%)	0.05618321%	0.06511563%
College's proportionate share of collective net OPEB liability	\$16,639,406	\$22,186,857
State's proportionate share of net OPEB liability associated with College Liability Associated with the College	<u>10,980,147</u>	<u>17,504,930</u>
Total	<u>27,619,553</u>	<u>39,691,787</u>
College's Covered Payroll	\$ 7,143,287	\$ 7,787,109
College's proportionate share of the collective net OPEB liability as a percentage of covered payroll	232.94%	284.92%
Plan fiduciary net position as a percentage of the total OPEB liability	1.27%	2.04%

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

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

**COASTAL BEND COLLEGE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
FOR THE YEARS ENDED AUGUST 31, 2019**

Fiscal Year Ending August 31,*	2019	2018
Legally required contributions	\$ 647,628	\$ 660,000
Actual contributions	<u>(647,628)</u>	<u>660,000</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll	\$ 7,143,287	\$ 7,787,109
Contributions as a percentage of covered payroll	9.07%	8.48%

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

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

SUPPLEMENTAL INFORMATION AND FINANCIAL ASSISTANCE

COASTAL BEND COLLEGE
Schedule of Operating Revenues
For the Year Ended August 31, 2019 and 2018

			Total		2019	2018
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 3,825,838	\$ -	\$ 3,825,838	\$ -	\$ 3,825,838	\$ 2,497,021
Out-of-district resident tuition	600,384	-	600,384	-	600,384	1,441,061
Non-resident tuition	6,550	-	6,550	-	6,550	20,539
TPEG set aside (set aside)*	210,739	-	210,739	-	210,739	269,086
State funded continuing education	43,219	-	43,219	-	43,219	124,367
Non-state funded continuing education	-	-	-	-	-	1,905
Total Tuition	<u>4,686,731</u>	<u>-</u>	<u>4,686,731</u>	<u>-</u>	<u>4,686,731</u>	<u>4,353,978</u>
Fees:						
Out of district fee	2,853,997	-	2,853,997	-	2,853,997	2,777,195
Distance learning fee	635,687	-	635,687	-	635,687	434,976
Installment plan fees	47,535	-	47,535	-	47,535	59,996
Dual credit fees	57,776	-	57,776	-	57,776	855,395
Individual course fees	667,071	-	667,071	-	667,071	1,156,661
General use fees	756,843	-	756,843	-	756,843	844,319
Parking fees	54,148	-	54,148	-	54,148	143,291
Registration fee	470,740	-	470,740	-	470,740	607,662
Total Fees	<u>5,543,797</u>	<u>-</u>	<u>5,543,797</u>	<u>-</u>	<u>5,543,797</u>	<u>6,879,494</u>
Scholarship Allowances and Discounts:						
Bad debt allowance	(10,910)	-	(10,910)	-	(10,910)	(1,000,000)
Remissions and exemptions - state	(318,706)	-	(318,706)	-	(318,706)	(371,418)
Remissions and exemptions - local	(210,739)	-	(210,739)	-	(210,739)	(315,730)
Title IV federal grants	(6,315,501)	-	(6,315,501)	-	(6,315,501)	(4,794,232)
TPEG awards	(248,103)	-	(248,103)	-	(248,103)	(291,200)
Other state grants	(315,454)	-	(315,454)	-	(315,454)	(297,331)
Other local grants	(45,982)	-	(45,982)	-	(45,982)	(203,010)
Total Scholarship Allowances	<u>(7,465,395)</u>	<u>-</u>	<u>(7,465,395)</u>	<u>-</u>	<u>(7,465,395)</u>	<u>(7,272,920)</u>
Total Net Tuition and Fees	<u>2,765,132</u>	<u>-</u>	<u>2,765,132</u>	<u>-</u>	<u>2,765,132</u>	<u>3,960,552</u>
Additional Operating Revenues:						
Federal grants and contracts	-	2,012,271	2,012,271	-	2,012,271	1,696,248
State grants and contracts	-	725,121	725,121	-	725,121	639,519
Sales and services of educational activities	34,451	-	34,451	-	34,451	41,404
Miscellaneous governmental receipts	-	172,028	172,028	-	172,028	104,266
General operating revenues	126,465	-	126,465	-	126,465	358,747
Total Additional Operating Revenues	<u>160,915</u>	<u>2,909,420</u>	<u>3,070,335</u>	<u>-</u>	<u>3,070,335</u>	<u>2,840,185</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	86,105	86,105	118,885
Housing	-	-	-	891,489	891,489	782,487
Less Discounts	-	-	-	(350,227)	(350,227)	(73,628)
Child Care Center	-	-	-	152,974	152,974	155,730
Less Discounts	-	-	-	(16,756)	(16,756)	(32,989)
Facilities Rental	-	-	-	174,057	174,057	178,016
Student Programs	-	-	-	57,985	57,985	17,131
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>995,626</u>	<u>995,626</u>	<u>1,145,633</u>
Total Operating Revenues	<u>\$ 2,926,048</u>	<u>\$ 2,909,420</u>	<u>\$ 5,835,468</u>	<u>\$ 995,626</u>	<u>\$ 6,831,094</u>	<u>\$ 7,946,370</u>
				(Exhibit 2)	(Exhibit 2)	

* In accordance with Education Code 56.003, \$210,739 and \$269,086 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2019 and 2018, respectively.

COASTAL BEND COLLEGE
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2019 and 2018

	Operating Expenses				2019 <u>Total</u>	2018 <u>Total</u>
	Salaries <u>and Wages</u>	Benefits		Other <u>Expenses</u>		
		State <u>Benefits</u>	Local <u>Benefits</u>			
Unrestricted - Educational Activities						
Instruction	\$ 5,003,181	\$ -	\$ 241,280	\$ 801,047	\$ 6,045,508	\$ 6,479,367
Public service	42,177	-	683	13,209	56,068	33,896
Academic support	289,856	-	40,861	122,945	453,662	533,515
Student services	793,326	-	50,825	215,230	1,059,381	1,046,796
Institutional support	2,146,088	-	298,810	3,942,046	6,386,944	4,342,269
Operation and maintenance of plant	993,804	-	44,965	662,764	1,701,533	2,435,722
Total Unrestricted Educational Activities	<u>9,268,431</u>	<u>-</u>	<u>677,424</u>	<u>5,757,243</u>	<u>15,703,097</u>	<u>14,871,565</u>
Restricted - Educational Activities						
Instruction	2,800	279,473	-	50,695	332,968	1,902,899
Public service	-	2,226	-	-	2,226	1,137
Academic support	665,590	88,007	7,709	-	761,307	557,242
Student services	128,604	64,663	1,755	288,021	483,043	547,792
Institutional support	-	343,467	-	54,927	398,394	446,583
Operation and maintenance of plant	-	144,793	-	82,436	227,229	409,524
Scholarships and fellowships	-	529	39	786,645	787,213	1,863,476
Total Restricted Educational Activities	<u>796,995</u>	<u>923,157</u>	<u>9,503</u>	<u>1,262,724</u>	<u>2,992,379</u>	<u>5,728,653</u>
Total Educational Activities	10,065,426	923,157	686,927	7,019,967	18,695,476	20,600,218
Auxiliary Enterprises	644,151	181,164	9,185	862,647	1,697,148	1,675,617
Depreciation Expense						
Buildings & other real estate improvements	-	-	-	816,243	816,243	816,627
Equipment and furniture	-	-	-	656,784	656,784	780,454
Total Operating Expenses	<u>\$ 10,709,577</u>	<u>\$ 1,104,321</u>	<u>\$ 696,112</u>	<u>\$ 9,355,641</u>	<u>\$ 21,865,651</u> (Exhibit 2)	<u>\$ 23,872,916</u> (Exhibit 2)

COASTAL BEND COLLEGE
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2019 and 2018

	Unrestricted	Restricted	Auxiliary Enterprises	2019 Total	2018 Total
Non-Operating Revenues					
State Allocations:					
Education and general state support	\$ 7,164,706	\$ -	\$ -	\$ 7,164,706	\$ 7,164,843
State group insurance	-	(65,273)	-	(65,273)	481,505
State retirement matching	-	292,466	-	292,466	194,099
Total State Allocations	<u>7,164,706</u>	<u>227,193</u>	<u>-</u>	<u>7,391,899</u>	<u>7,840,447</u>
Ad valorem taxes:					
Taxes for maintenance and operations	2,293,641	-	-	2,293,641	2,307,155
Taxes for debt service	891,739	-	-	891,739	819,513
Title IV	-	6,498,199	-	6,498,199	6,859,224
Gifts	-	151,260	-	151,260	-
Investment income	350,766	-	-	350,766	46,412
Other non-operating revenue (expense)	-	-	-	-	7,200
Total Non-Operating Revenues	<u>10,700,852</u>	<u>6,876,652</u>	<u>-</u>	<u>17,577,504</u>	<u>17,879,951</u>
Non-Operating Expenses					
Interest on capital related debt	-	211,200	-	211,200	233,048
Other non-operating expense	-	-	-	-	450
Total Non-Operating Expenses	<u>-</u>	<u>211,200</u>	<u>-</u>	<u>211,200</u>	<u>233,498</u>
Net Non-Operating Revenues	<u>\$ 10,700,852</u>	<u>\$ 6,665,452</u>	<u>\$ -</u>	<u>\$ 17,366,303</u> (Exhibit 2)	<u>\$ 17,646,452</u> (Exhibit 2)

COASTAL BEND COLLEGE
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2019

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ (23,597,488)	\$ -	\$ -	\$ -	\$ (23,597,488)	\$ (23,597,488)	\$ -
Restricted for:							
Nonexpendable:							
Student aid	-	-	565,766	-	565,766	-	565,766
Expendable:							
Student aid	-	81,908	-	-	81,908	81,908	-
Plant							
Debt service	-	352,044	-	-	352,044	-	352,044
Parking renovation	-	141,498	-	-	141,498	-	141,498
Investment in plant	-	-	-	11,844,620	11,844,620	-	11,844,620
Total Net Position, August 31, 2019	<u>(23,597,488)</u>	<u>575,450</u>	<u>565,766</u>	<u>11,844,620</u>	<u>(10,611,653)</u>	<u>(23,515,580)</u>	<u>12,903,927</u>
					(Exhibit 1)		
Total Net Position, August 31, 2018	<u>(25,140,536)</u>	<u>579,754</u>	<u>551,920</u>	<u>11,855,610</u>	<u>(12,153,252)</u>	<u>(25,846,272)</u>	<u>13,693,020</u>
Cumulative Effect of Correction of Error (Note 2)	<u>(790,148)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(790,148)</u>	<u>-</u>	<u>-</u>
Total Net Position, August 31, 2018 as restated	<u>(25,930,684)</u>	<u>579,754</u>	<u>551,920</u>	<u>11,855,610</u>	<u>(12,943,400)</u>	<u>(25,846,272)</u>	<u>13,693,020</u>
Net Increase (Decrease) in Net Position	<u>\$ 2,333,196</u>	<u>\$ (4,304)</u>	<u>\$ 13,846</u>	<u>\$ (10,990)</u>	<u>\$ 2,331,747</u>	<u>\$ (2,330,692)</u>	<u>\$ 789,093</u>
					(Exhibit 2)		

COASTAL BEND COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Programs:</i>			
TRIO Cluster			
TRIO Upward Bound	84.047		436,545
TRIO Upward Bound STEM	84.047M		38,173
TRIO Educational Talent Search	84.047M		697,892
TRIO Upward Bound Rural	84.047		275,912
TRIO Upward Bound Rural STEM	84.047M		36,113
Total TRIO Cluster:			<u>1,484,634</u>
Student Financial Assistance Cluster			
Supplemental Educational Opportunity Grants	84.007		118,998
Work-Study Program	84.033		77,292
Pell Grant Program	84.063		6,379,202
Direct Student Loans	84.268		2,817,735
Total Student Financial Assistance Cluster:			<u>9,393,226</u>
Total Direct Programs			<u>10,877,861</u>
<i>Pass Through From Texas Department of Public Safety:</i>			
Public Assistance Grant, 4332, Texas Hurricane Harvey	97.036	DR-4332	66,371
Total Texas Department of Public Safety			<u>66,371</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>			
Carl Perkins Career and Technical Education Grant	84.048A	194224	383,973
Total Texas Higher Education Coordinating Board			<u>383,973</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,328,205</u>

**COASTAL BEND COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019**

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	\$ 2,012,271
Add: Non-Operating Revenue from Schedule C	6,498,199
Add: Direct Student Loans	<u>2,817,735</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 11,328,205</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the college for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The college has followed all applicable guidelines issued by various entities in the preparation of the schedule.

COASTAL BEND COLLEGE
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2019

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
College Work-study Program	9920050M	\$ 20,303
Texas Educational Opportunity Grant Program	PCA13399	\$ 315,454
Accelerate Texas-College Readiness & Success Models	19072	\$ 145,868
Total Direct Funding		<u>\$ 481,625</u>
TEXAS STATE COMPTROLLER'S OFFICE		
Welding Jet Grant	221187JET000	\$ 243,496
Total Texas State Comptroller's Office		<u>\$ 243,496</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 725,121</u>

Note 1: State Assistance Reconciliation

State Assistance Reconciliation	<u>\$ 725,121</u>
per Schedule of Expenditures of State Awards	
	<u>\$ 725,121</u>
Total State Revenues per Schedule A	

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

**OVERALL COMPLIANCE
AND
INTERNAL CONTROLS**

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

January 14, 2020

Board of Trustees
Coastal Bend College
Beeville, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Coastal Bend College (the College) as of and for the years ended August 31, 2019 and 2018, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 14, 2020.

Internal Control Over Financial Reporting

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

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 schedules 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 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-01 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 2019-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedules of federal findings and questioned costs as items 2019-03, 2019-04 and 2019-05.

Coastal Bend College's Response to Findings

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

Purpose of this Report

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

Collier, Johnson & Woods

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

January 14, 2020

Board of Trustees
Coastal Bend College
Beeville, Texas

Report on Compliance for Each Major Federal Program

We have audited the Coastal Bend College's (the College's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2019. The College's major federal programs are identified in the summary of auditor's results section of the accompanying federal schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Programs

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2019-04. Our opinion on each major federal program is not modified with respect to these matters. Coastal Bend College's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Coastal Bend College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2019-03 and 2019-05 that we consider to be material weaknesses.

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

Collier, Johnson & Woods

COASTAL BEND COLLEGE

SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2019

Section I:
Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiencies reported that are not considered to be material weaknesses?	Yes
• Noncompliance material to the financial statements noted?	Yes
Federal Awards:	
• Material weakness identified?	Yes
• Significant deficiencies reported that are not considered to be material weaknesses?	None reported
Type of auditor's report on compliance for major federal programs:	Unmodified
Any audit findings required to be reported in accordance with the Uniform Guidance?	Yes
The programs tested as major programs include:	
U.S. Department of Education Financial Aid Cluster:	
84.007 Federal Supplemental Educational Opportunity Grants (FSEOG)	
84.033 Federal College Work Study Program	
84.063 Federal Pell Grant Program	
84.268 Federal Direct Loan Program	
U.S. Department of Education TRIO Cluster:	
84.047 TRIO Upward Bound	
84.044A TRIO Educational Talented Search	
84.047 TRIO Upward Bound Rural	
Pass Through from Texas Higher Education Coordinating Board:	
84.048A Carl Perkins Career and Technical Education Grant	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low risk auditee:	No

**Section II:
Findings - Financial Statement Audit**

Material Weaknesses in Internal Control over Financial Reporting

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

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

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

Cause: Employee turnover in key accounting functions resulted in some duties; such as, reconciliations, being overlooked or performed by someone who does not understand the interrelationships of key account balances.

Effect: Procedures are not in place which would allow management and employees to prevent or timely detect and correct errors or misstatements in the normal course of performing their assigned functions.

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

View of Responsible Officials and Planned Corrective Actions: The College is in the process of bringing in a Colleague software specialist in February 2020 to train staff. Additionally, the College is in the process of recruiting additional experienced and qualified personnel who will be assigned monthly reconciliation responsibilities. The College will implement periodic monthly closing procedures and establish cutoff dates for back dating journal entries. The College will add additional revenue accounts that delineate fall, spring and summer terms to facilitate the reporting requirements.

Significant Deficiency in Internal Control over Financial Reporting

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

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

Criteria: The PFIA requires the governing board to review investments quarterly.

Cause: Changes in management caused this oversight.

Effect: Noncompliance with the PFIA.

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

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

View of Responsible Officials and Planned Corrective Actions: The CFO will ensure compliance with this regulation by providing the Governing Board quarterly investment reports.

Section III:

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

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

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

Criteria: According to the THECB final report dated March 13, 2019, payroll expenses reported by CBC employees budgeted and paid entirely with Perkins grant funds were not supported by accurate time and effort certifications, in accordance with CBC policy and sound grant management practices. Equipment charged to Perkins was either lost or not used directly to teach Career and Technical Education (CTE) skills to students and was therefore an unallowable Perkins grant expense. A property and equipment inventory control system, including written procedures and routine physical inventory verification was not present.

Cause: Employee turnover and lack of general understanding and consistent training on CFR 200.430(i) and 200.313 among grant staff and managers, as well as, technology, payroll and business office staff.

Effect: Lack of formal training and lack of understanding of internal control system (specifically for time and effort and inventory control system) resulted in errors and inadequate documentation for time and effort for grant funded employees and for grant reporting and control requirements for the purchase and use of equipment and supplies related to CTE in the Perkins grant activities.

Context: A THECB investigation final report dated March 13, 2019 noted failures to (1) adequately provide time and effort documentation for grant funded employees for fiscal years 2016, 2017 and 2018; (2) non-compliance with grant reporting and control requirements for the purchase and use of equipment and supplies related to CTE in the Perkins grant activities including appropriate procurement, delivery and assignment of equipment; (3) implementation of an inventory control system that is updated in a timely manner for all receipt, assignment and re-assignment of Perkins inventory items.

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

View of Responsible Officials and Planned Corrective Actions: In response to the findings management has implemented the following: The College’s Board of Trustees voted to refund the

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

questioned costs of \$182,503 on April 16, 2019, and a wire transfer for the full amount was made April 23, 2019; To strengthen the CBC control environment the college hired a part-time Grant Manager to assist in developing better accounting and procurement procedures and practices. Additionally, the College's inventory policies have been reviewed and are under the supervision of the technology department with written policies and forms. Physical inventories were taken during 18-19 and in early 19-20 for Perkins equipment as well as other college assets and have been reviewed by the CFO. The College has a contract with RCI to convert to a computerized equipment inventory system and begin utilizing the software component in their system for improved management and tracking of assets.

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

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

Criteria: According to the THECB final report dated March 13, 2019, payroll expenses reported by CBC employees budgeted and paid entirely with Perkins grant funds were not supported by accurate time and effort certifications, in accordance with CBC policy and sound grant management practices.

Cause: THECB interviews with staff during on-sight audits revealed the lack of general understanding of time and effort recordkeeping requirements and consistent training on CFR 200.430(i) among grant staff and managers.

Effect: Lack of formal training and lack of understanding of internal control system (specifically for time and effort) resulted in errors and inadequate documentation for time and effort for grant funded employees and for grant reporting requirements for Perkins grant activities.

Context: A THECB investigation final report dated March 13, 2019 noted a failure to adequately provide time and effort documentation for grant funded employees for fiscal years 2016, 2017 and 2018. Since the time and effort documentation for 2019 is substantially the same as in prior years, THECB will need to review the documentation during their monitoring visit to determine if they find it meets their standards.

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

View of Responsible Officials and Planned Corrective Actions: In response to the finding's management has implemented the following: As of September 1, 2019, the College will not use Federal funds to pay Advisors. The College will ensure that all grant funded positions complete a time and effort form on a timely basis. Grant funded personnel will be trained on the guidelines and requirement stipulated by the grant.

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

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

Criteria: The grant initially awarded \$206,000 of which \$50,000 was allocated for the College to cover expenses associated with facilitating the grant and \$156,000 was awarded for the number of student completions reported to the THECB.

Cause: Lack of communication between grant administration and grant accounting staff.

Effect: Noncompliance with the grant agreement which may result in refunding proceeds of \$38,132 and improper recordation of grant revenue in the accounting records.

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

View of Responsible Officials and Planned Corrective Actions: The College will provide training to ensure compliance with the agreement set by the grant. Before applying for a grant, personnel must obtain the president’s signature prior to filling out the grant application.

Section IV:

Prior Year Findings

Significant Deficiencies

2018-01 – Nurses Shortage Reduction Program (NSRP); Grant period for years ending September 30, 2016 and 2017

Condition: An investigation by THECB found that the College did not properly administer this grant and questioned costs of \$260,287. Additionally, the investigation provided a management letter that raised questions related to the internal control environment at the College.

Original Recommendation: Per THECB report, the following recommendations were made: (1) Management should refund the entire questioned costs of \$260,287; (2) Establish appropriate accounting controls to ensure that the NSRP grant is properly reported; (3) Ensure that time and effort reports supports grant amounts and adheres to CBC policy and sound grant management principles; (4) Comply with CBC travel policy regarding the submission of travel claims within 10 days of travel to ensure accurate grant reporting.

Although not included in the THECB letter as a specific recommendation, to address their concerns related to P-card usage, we recommend review of controls over P-cards.

Current Status: The College refunded \$260,287 to THECB via wire transfer on November 28, 2018. Training was provided to accounting and grants management staff by consultants hired by the college and accounting controls have been strengthened. However, there has been significant turnover during the current fiscal year in the business office and grants management staffing. The

Section IV:

Prior Year Findings– (Continued)

2018-01 – Nurses Shortage Reduction Program (NSRP); Grant period for years ending September 30, 2016 and 2017

testing of time and effort reports supported grant amounts and adheres to CBC policy and sound grant management principles. The CBC travel policy was revised effective March 1, 2019 and now provides for submission of travel claims within 30 days of travel. For the claims tested after the change, all were in compliance with the revised policy.

The College has done a complete assessment of the P-card system and revised the procedures over the use of P-cards and limited the access to P-cards.



Coastal Bend COLLEGE

CORRECTIVE ACTION PLAN

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

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Responsibility for Implementation: Olga Mendez

Estimated Date of Completion: April 2020

CBC has experienced a high employee turnover. The College has placed a notice of vacancy to hire a Comptroller with experience in governmental accounting. In the interim, the CFO will be closing the months in a timely basis. The College also brought in a Colleague software specialist in February 2020 to provide training to staff. Additionally, CBC will be implementing:

- Monthly reconciliation of Receivables and Payables subsidiary records and payroll to the general ledger.
- CBC will work at generating the necessary Revenue accounts in Colleague to clearly define deferred revenue and realized revenue.
- Allowance for Doubtful Accounts will be posted properly in the REP System so that we can properly evaluate the accounts and reconcile them.

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

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Responsibility for Implementation: Olga Mendez

Estimated Date of Completion: January 2020

The CFO will ensure compliance with this regulation by providing the Governing Board quarterly investment reports.

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

Type of Finding: Material Weakness in Internal Control over Compliance

Responsibility for Implementation: Olga Mendez

Estimated Date of Completion: March, 2020

- Internal controls procedures have been implemented to address the administrative issues on this grant. New written accounting procurement procedures have been



Coastal Bend COLLEGE

- instituted and implemented to ensure compliance with grant controlling and reporting requirements of equipment purchases.
- A Grants Reporting and Compliance Manager was hired to help ensure that account numbers align with grant requirements.
 - All grant expenses are reviewed by the Grant Reporting and Compliance Manager to ensure that they align with grant requirements.
 - Time and effort forms are required from all grant funded staff and should be signed by their immediate supervisor. They must submit the forms to payroll on a quarterly Basis.
 - Records Consultants, Inc was contracted in July 22, 2019 to tag all CBC Federal and Local fixed assets. The College purchased scanner to track all new and current inventory. Processes have been put in place to track fixed assets that need to be moved or are ready for disposition.
 - All grant purchasing must to be approved by the Grant Compliance and Reporting Manger and the College Accountant.
 - Fixed Asset are tagged at the time of delivery to the College and then dispensed to the appropriate grant personnel.
 - Before fixed assets can be transferred to other departments, the Property Change in Accountability form must be completed and signed the grant manager.
 - The College developed guidelines for Federally Funded Equipment and Inventory Controls to ensure that Grant Project Directors and Administrators are responsible for applying and following the grant procedures and that documentation is done on a timely basis.
 - Compliance Assessment Training for TRIO staff and Administrators was done in November 2019.
 - Before applying for grants, personnel must obtain the president's signature prior to filling out the grant application.

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

Type of Finding: Material Weakness in Internal Control over Compliance

Responsibility for Implementation: Santos Jones

Estimated Date of Completion: March, 2020

- Training was provided to Grant funded staff by the Grant Manager, Santos Jones, on the grant compliance and time effort forms.
- Time and effort forms are required from all grant funded staff and should be signed by immediate supervisor. They must submit the forms to payroll on a quarterly Basis.



Coastal Bend COLLEGE

- The Grant manager is responsible to ensure that payroll funded by this grant complies with the grant agreement.

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

Type of Finding: Material Weakness in Internal Control over Compliance

Responsibility for Implementation: Carry DeAtley

Estimated Date of Completion: March, 2020

Due to the high turnover of staff, the College management was not prepared to properly administer the Accelerate Texas College Readiness and Success Grant. The College is requiring and making sure that all grants have a Grant Director. The Grant Director is responsible for the administration and implementation of the grant guidelines ensuring all grant reporting is done in a timely manner.

The Grant Director will provide training to grant funded staff of the proper administration of the grant.

The College is in the process of refunding the Accelerate Texas College Readiness back the amount of \$38,132.