



**Coastal Bend College**

**FINANCIAL STATEMENTS**

**August 31, 2023 and 2022**



	Page
<b>INTRODUCTORY SECTION</b>	
Organizational Data .....	2
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	3
Management's Discussion and Analysis .....	8
<b>Basic Financial Statements</b>	
Exhibit 1 - Statements of Net Position .....	21
Exhibit 2 - Statements of Revenues, Expenses, and Changes in Net Position .....	24
Exhibit 3 - Statements of Cash Flows .....	26
Notes to Financial Statements .....	31
<b>Required Supplementary Information</b>	
Schedule of the College's Proportionate Share of Net Pension Liability .....	71
Schedule of the College's Contributions for Pensions .....	72
Notes to Required Supplementary Schedules for Pensions .....	73
Schedule of College's Proportionate Share of Net OPEB Liability .....	74
Schedule of College's Contributions for OPEB .....	75
Notes to Required Supplementary Schedules for OPEB .....	76
<b>Supplementary Information</b>	
Schedules	
Schedule A - Schedule of Operating Revenues .....	77
Schedule B - Schedule of Operating Expenses by Object .....	78
Schedule C - Schedule of Non-Operating Revenues and Expenses .....	79
Schedule D - Schedule of Net Position by Source and Availability .....	80
<b>SINGLE AUDIT REPORTS AND REQUIRED SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS</b>	
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 <i>Government Auditing Standards</i> .....	81
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	83
Independent Auditor's Report on Compliance For Each Major State Program and on Internal Control Over Compliance required by <i>Texas Grant Management Standards</i> .....	86
Schedule E - Schedule of Expenditures of Federal Awards .....	89
Notes to Schedule of Expenditures of Federal Awards .....	90
Schedule F - Schedule of Expenditures of State Awards .....	92
Notes to Schedule of Expenditures of State Awards .....	93
Schedule of Findings and Questioned Costs .....	94

**Coastal Bend College  
Organizational Data  
For the year ended August 31, 2023**

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

**PRINCIPAL  
ADMINISTRATIVE  
OFFICERS**

Dr. Justin Hoggard	President
Dr. Patricia Rehak	Provost/Chief Academic Officer
Cedric Menchion	Vice President of Finance and Operations
Celvin Walwyn	Chief of Police and Emergency Management
Dixie Lytle	Director of Human Resources
Amador Ramirez	Director of IT
Dr. Michelle Lane	Executive Director of Institutional Effectiveness and Research
Jacinto Colmenero	Director of Physical Plant



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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Coastal Bend College  
Beeville, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Coastal Bend College (the "College"), as of and for the years ended August 31, 2023 and August 31, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of August 31, 2023 and August 31, 2022, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Emphasis of Matter***

As described in Note 2 to the accompanying financial statements, beginning capital assets (subscription-based assets) and obligations (subscription-based liabilities), as of September 1, 2021, of the College were restated for the implementation of Governmental Accounting Board Statement Number 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, net position for the year ended August 31, 2022, was understated by \$298,547 due to the improper measurement of Ad Valorem taxes and related unearned revenue. The financial statements for the year ending August 31, 2023 have been restated to correct this error. Additionally, improper measurement of Foundation liabilities in previous years resulted in the overstatement of beginning net position as of August 31, 2022 in the amount of \$50,000. Beginning net position for the year ending August 31, 2022 has been restated to correct this error.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 20, and the schedules of College's proportionate share of net pension liability, College's contributions for pensions, College's proportionate share of net OPEB liability and College's contributions for OPEB on pages 71 through 76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The supplementary schedules as required by the Texas Higher Education Coordinating Board (THECB) (collectively, the supplementary information), the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Expenditures of State Awards, as required by the Texas Comptroller of Public Accounts, *Texas Grant Management Standards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

Corpus Christi, Texas  
August 30, 2024

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## Coastal Bend College Management's Discussion and Analysis

### Overview of the Financial Statements and Financial Analysis

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

The financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with the reporting requirements as set by the Texas Higher Education Coordinating Board (THECB).

The financial statements of this report consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flow. These statements provide both long-term and short-term financial information for the College and should be read in conjunction with the notes to the financial statements. These statements are prepared in accordance with the Governmental Accounting Standards Board Statements No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; and Statement No. 35 (GASB 35), *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Each statement is intended to provide the following information:

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

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

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

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

The discussion and analysis of the College's financial statements provides an overview of its financial activities as of and for the year ended August 31, 2023. This discussion gives a comparative analysis of business-type activity from fiscal year 2022 to fiscal year 2023.

### Financial Highlights

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

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

## Coastal Bend College Management's Discussion and Analysis

The following table summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of August 31, 2023, and includes the comparison to the prior year:

<i>August 31,</i>	<b>2023</b>	2022 As Restated	2022-2023 Increase (Decrease)	2021	2021-2022 Increase (Decrease)
<b>Assets</b>					
Current assets	<b>\$ 14,033,354</b>	\$ 19,522,976	\$ (5,489,622)	\$ 11,982,289	\$ 7,540,687
Non-current assets					
Capital assets, net	<b>16,953,849</b>	14,988,430	1,965,419	14,818,326	170,104
ROU lease assets, net	<b>88,099</b>	115,919	(27,820)	-	115,919
ROU subscription assets, net	<b>887,524</b>	873,962	13,562	-	873,962
Investments	<b>2,294,064</b>	2,892,776	(598,712)	4,906,775	(2,013,999)
Restricted cash and cash equivalents	<b>10,817,147</b>	577,656	10,239,491	574,061	3,595
<b>Total assets</b>	<b>45,074,037</b>	38,971,719	6,102,318	32,281,451	6,690,268
Deferred outflows of resources	<b>6,098,022</b>	3,765,741	2,332,281	3,029,940	735,801
<b>Total assets and deferred outflows</b>	<b>51,172,059</b>	42,737,460	8,434,599	35,311,391	7,426,069
<b>Liabilities</b>					
Current liabilities	<b>10,156,105</b>	11,206,755	(1,050,650)	9,630,969	1,575,786
Non-current liabilities	<b>29,909,670</b>	22,224,007	7,685,663	25,393,707	(3,169,700)
<b>Total liabilities</b>	<b>40,065,775</b>	33,430,762	6,635,013	35,024,676	(1,593,914)
Deferred inflows of resources	<b>8,552,427</b>	9,388,287	(835,860)	7,296,256	2,092,031
<b>Total liabilities and deferred inflows</b>	<b>48,618,202</b>	42,819,049	5,799,153	42,320,932	498,117
<b>Net position</b>					
Net investment in capital assets	<b>9,487,201</b>	13,077,577	(3,590,376)	11,905,926	1,171,651
Restricted	<b>4,743,386</b>	1,243,046	3,500,340	897,090	345,956
Unrestricted	<b>(11,676,730)</b>	(14,402,212)	2,725,482	(19,812,557)	5,410,345
<b>Total net position</b>	<b>\$ 2,553,857</b>	\$ (81,589)	\$ 2,635,446	\$ (7,009,541)	\$ 6,927,952

### Changes in Assets

In fiscal year 2023, current assets consist primarily of short-term investments and student accounts receivable while non-current assets primarily consist of restricted cash and net capital assets. The increase in total assets totaled \$6,102,318 from August 31, 2022 to August 31, 2023. The net increase is a result of the increase in restricted cash of \$10,239,491, which is attributable to reinvested funds from the Tax Maintenance note issued during 2023. Accounts receivable increased by \$1,174,536 representing a return to campus of students and an increase in enrollment from August 31, 2022, to August 31, 2023. In fiscal year 2022, current assets consist primarily of cash and cash equivalents and student accounts receivable while noncurrent assets primarily consist of investments and net capital assets. Total assets increased by \$6,690,268 from August 31, 2021 to August 31, 2022. The net increase is a result of the increase in cash and cash equivalents of \$7,024,846, which is attributable to recovery of estimated lost revenue associated with the coronavirus pandemic. Additionally, accounts receivable increased by \$443,488 representing a return to campus of students after coronavirus pandemic restrictions were removed.

### **Changes in Liabilities**

In fiscal year 2023, current liabilities primarily consist primarily of accounts payable and unearned revenues. From August 31, 2022 to August 31, 2023 current liabilities decreased by \$1,050,650 largely due to a decrease in accounts payable of \$823,200. Additionally, unearned revenues increased by \$855,531. The unearned revenue increase is related to increased enrollment in the school year as student enrollment increased both online and in-person. Non-current liabilities, primarily consisting of long-term debt and pension and OPEB liabilities, increased by \$7,685,663 in 2023. This is due to increases in the non-current portion of long-term debt \$6,198,255 as the result of a \$6.6M bond issuance in fiscal year 2023. Additionally, the non-current portion of the College's net pension liability increased by \$3,486,839 which was partially offset by a decrease in the non-current portion of OPEB liabilities of \$1,939,271.

In fiscal year 2022, current liabilities primarily consist primarily of unearned revenues, accounts payable and current portion of debt payable. From August 31, 2021 to August 31, 2022 current liabilities increased by \$1,575,786 largely due to an increase in accounts payable of \$1,323,805 and an increase in unearned revenue \$498,617. Significant expenses associated with grants awarded the college for recovery efforts associated with coronavirus pandemic contribute to the increase in accounts payable. The unearned revenue increase from fiscal year 2021 to fiscal year 2022 is related to increased enrollment in the Fall 2022 term as student return to campus after coronavirus pandemic restrictions were eased. The College's current portion of OPEB liability decreased by (\$229,855). Non-current liabilities, primarily consisting of long-term debt and pension and OPEB liabilities, decreased by (\$3,169,700) in 2022. This is due to decreases in the non-current portion of long-term debt (\$1,043,548) and net pension liabilities (\$3,518,016) and an offsetting increase in the non-current portion of OPEB liabilities of \$307,445.

### **Analysis of Net Position**

Net position may serve as a useful indicator of the College's financial position. For the College, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,553,857 at the close of August 31, 2023, as compared to the (\$81,589) as of August 31, 2022. Deferred outflows increased by \$2,332,281 and totaled \$6,098,022 in the current year. Deferred inflows decreased by \$835,860 in the current year and totaled \$8,552,427.

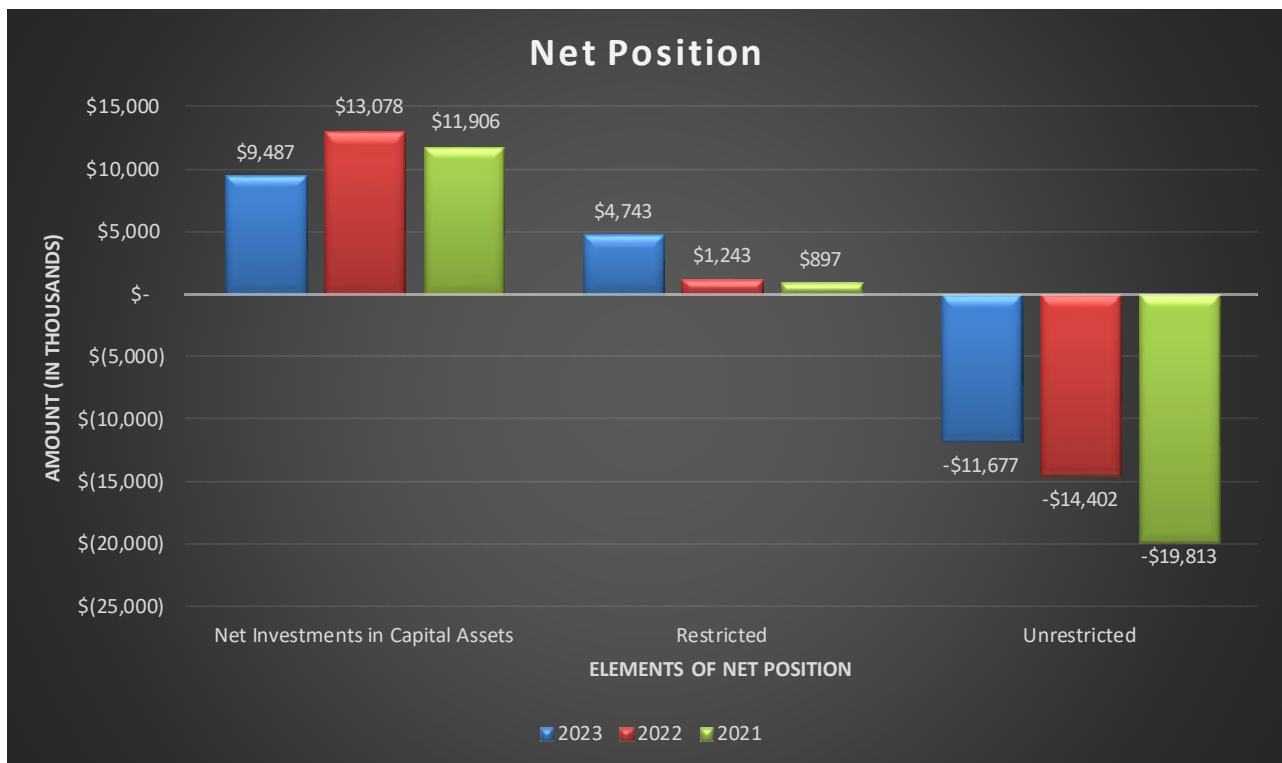
As of August 31, 2023, net investment in capital assets totaled \$9,487,201. The College uses these capital assets in its mission to provide postsecondary educational services to the College's service area; consequently, these assets are not available for future spending. Net capital assets increased in the 2023 fiscal year by \$1,965,419, net of depreciation expense of \$1,512,519. Combined assets, net of depreciation, totaled \$16,953,849, a \$1,965,419 increase from the prior year, which can be attributed to the \$3,477,938 of fixed assets purchased by the College during 2023. Net position also consists of unrestricted net position of (\$11,676,730). Unrestricted net position includes the recording of net pension liability of \$5,979,321 and the recording of OPEB liability of \$16,166,384. Efforts at the federal and state level contributed significantly to the increase in the College's unrestricted net position as the College was able to recoup estimated lost revenues from fiscal years. This in addition to the return of students to campus following the coronavirus pandemic that continued into fiscal year 2023 afforded the college the opportunity to strive toward pre-pandemic levels of revenue and services. Federal and state grants for institutional aid were provided and assisted students with their ability to return to campus. These efforts will continue into fiscal year 2024 and the College expends remaining coronavirus funds at its disposal. See Note 13 in the notes to the financial statements for a further discussion of the pension and Note 16 of the notes to the financial statements for a further discussion of the OPEB.

## Coastal Bend College Management's Discussion and Analysis

Liabilities and deferred inflows exceeded assets and deferred outflows by \$330,136 at the close of August 31, 2022, as compared to the \$7,009,541 as of August 31, 2021. Deferred outflows increased by \$735,801 and totaled \$3,765,741 in the current year. Deferred inflows increased by \$1,983,576 in the current year and totaled \$9,279,832.

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

The following is a graphic illustration of net position (in thousands) for the years ended August 31, 2021 through 2023:



## Coastal Bend College Management's Discussion and Analysis

### Analysis of Changes in Net Position

The following table summarizes the College's change in net position for August 31, 2023, compared to the net position for August 31, 2022:

<i>For the Years Ended August 31,</i>	<b>2023</b>	2022 As Restated	2023-2022 Increase (Decrease)	2021	2022-2021 Increase (Decrease)
Net position beginning of year, as reported	\$ (81,589)	\$ (7,009,541)	\$ (6,977,952)	\$ (7,060,524)	\$ 983
Net position - end of year	<b>2,553,857</b>	(81,589)	2,635,446	(7,009,541)	6,927,952
Increase in net position	<b>\$ 2,635,446</b>	\$ 6,927,952	\$ 9,563,398	\$ 50,983	\$ 6,926,969

The College's net position increased by \$2,635,446 during the 2023 fiscal year as compared to an increase of \$6,927,952 for the 2022 fiscal year. Operating revenues were \$8,828,907 in 2023, which is a decrease of \$6,952,290 from fiscal year 2022. Operating expenses were \$23,933,678 in fiscal year 2023, which is a decrease of \$2,279,691 from fiscal year 2022.

The College's net position increased by \$6,926,969 during the 2022 fiscal year as compared to an increase of \$50,983 for the 2021 fiscal year. Operating revenues were \$15,781,197 in 2022, which is an increase of \$10,352,117 from fiscal year 2021. Operating expenses were \$26,213,369 in fiscal year 2022, which is an increase of \$3,725,286 from fiscal year 2021.

### Analysis of Revenues, Expenses, and Changes in Net Position

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

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

## Coastal Bend College Management's Discussion and Analysis

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

<i>For the Years Ended August 31,</i>	<b>2023</b>	2022 As Restated	2022-2023 Increase (Decrease)	2021	2021-2022 Increase (Decrease)
Operating revenues	\$ <b>8,828,907</b>	\$ 15,781,197	\$ (6,952,290)	\$ 5,429,080	\$ 10,352,117
Non-operating revenues	<b>18,160,905</b>	17,730,906	429,999	17,234,802	496,104
<b>Total revenues</b>	<b>26,989,812</b>	33,512,103	(6,522,291)	22,663,882	10,848,221
Operating expenses	<b>23,933,678</b>	26,213,369	(2,279,691)	22,488,083	3,725,286
Non-operating expenses	<b>420,688</b>	320,782	99,906	124,816	195,966
<b>Total expenses</b>	<b>24,354,366</b>	26,534,151	(2,179,785)	22,612,899	3,921,252
<b>Increase in net position</b>	<b>2,635,446</b>	6,977,952	(4,342,506)	50,983	6,926,969
Net position beginning of year, as restated	<b>(81,589)</b>	(7,059,541)	6,977,952	(7,060,524)	983
<b>Net position - end of year</b>	<b>\$ 2,553,857</b>	\$ (81,589)	\$ 2,635,446	\$ (7,009,541)	\$ 6,927,952

## Coastal Bend College Management's Discussion and Analysis

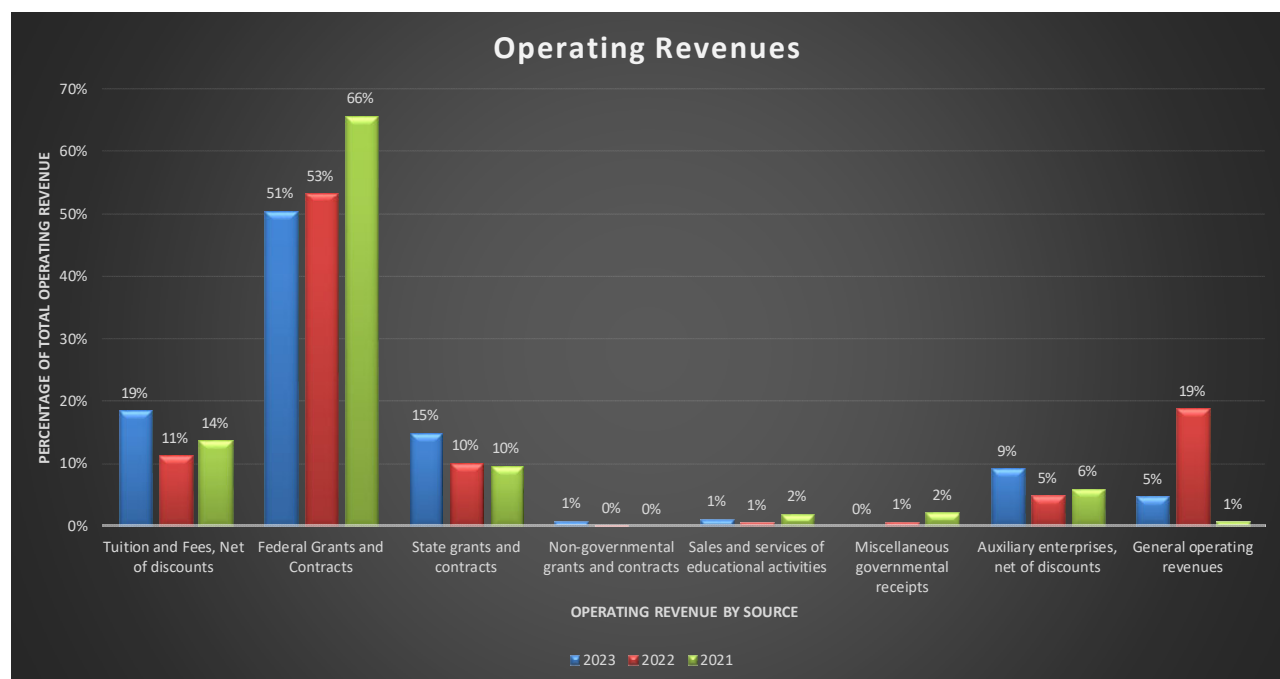
### Operating Revenues

The following table summarizes the College's operating revenues of \$8,828,907 for the 2023 fiscal year as compared to the operating revenues of \$15,781,197 for the 2022 fiscal year. The decrease in operating revenues for fiscal year 2023 is related to a decrease in federal grants and contracts as well as decreased general operating revenue.

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

<i>For the Years Ended August 31,</i>	<b>2023</b>	2022	2022-2023 Increase (Decrease)	2021	2021-2022 Increase (Decrease)
Tuition and fees, net of discounts	<b>\$ 1,637,930</b>	\$ 1,779,218	\$ (141,288)	\$ 744,903	\$ 1,034,315
Federal grants and contracts	<b>4,461,435</b>	8,420,398	(3,958,963)	3,566,741	4,853,657
State grants and contracts	<b>1,328,235</b>	1,596,666	(268,431)	522,073	1,074,593
Non-governmental grants and contracts	<b>73,470</b>	27,218	46,252	-	27,218
Sales and services of educational activities	<b>101,102</b>	101,437	(335)	105,724	(4,287)
Miscellaneous governmental receipts	-	115,410	(115,410)	120,250	(4,840)
Auxiliary enterprises, net of discounts	<b>811,130</b>	768,335	42,795	327,002	441,333
General operating revenues	<b>415,605</b>	2,972,515	(2,556,910)	42,387	2,930,128
<b>Total operating revenues</b>	<b>\$ 8,828,907</b>	\$ 15,781,197	\$ (6,952,290)	\$ 5,429,080	\$ 10,352,117

The following is a graphic illustration of operating revenues by source for the years ended August 31, 2021 through 2023:



## Coastal Bend College Management's Discussion and Analysis

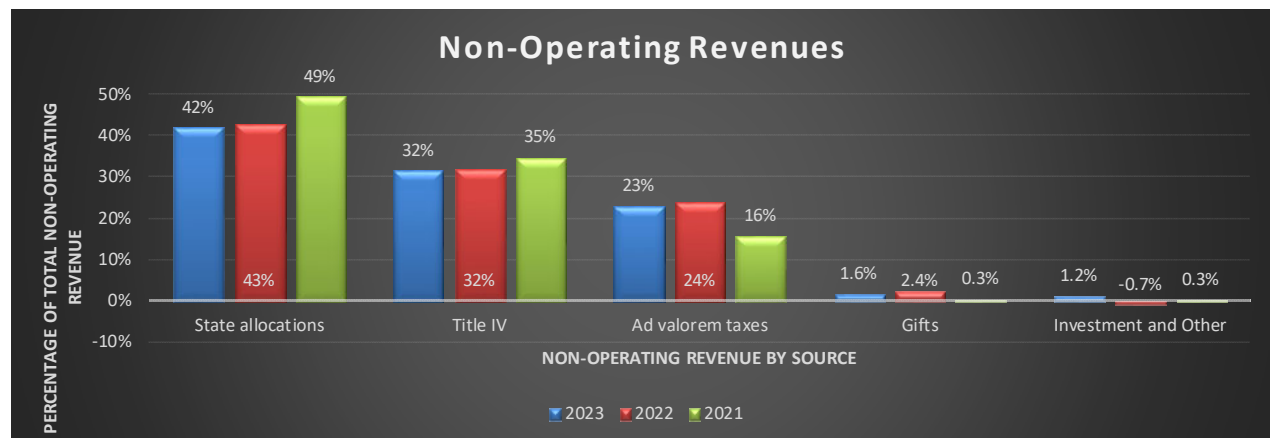
### Non-Operating Revenues (Expenses)

The following table summarizes the College's non-operating revenues (expenses) of \$17,740,217 for the fiscal year ended August 31, 2023, which is an increase of \$330,093 as compared to the fiscal year ended August 31, 2022. This increase can be attributed to an increase in investment income of \$426,434 in fiscal year 2023 due to the increase in short-term interest rates in the government investment pool account and an increase in college funds invested in investment pools.

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

<i>For the Years Ended August 31,</i>	<b>2023</b>	2022 As Restated	2022-2023 Increase (Decrease)	2021	2021-2022 Increase (Decrease)
State allocations	\$ 7,440,885	\$ 7,444,959	\$ (4,074)	\$ 8,443,172	\$ (998,213)
Title IV	<b>5,604,776</b>	5,594,749	10,027	5,970,023	(375,274)
Ad valorem taxes					
Taxes for maintenance and operation	<b>3,444,013</b>	3,788,257	(344,244)	1,882,263	1,905,994
Taxes for debt service	<b>619,743</b>	373,603	246,140	803,606	(430,003)
Gifts	<b>284,578</b>	419,327	(134,749)	59,113	360,214
Investment income, net	<b>536,445</b>	110,011	426,434	173,125	(63,114)
Other non-operating revenue	<b>230,465</b>	-	230,465	-	-
Other non-operating expense	<b>(248,882)</b>	(139,455)	(109,427)	(450)	(139,005)
Other non-government funded expense	<b>(99,000)</b>	(84,000)	(15,000)	(96,500)	12,500
Interest on capital related debt	<b>(72,806)</b>	(97,327)	24,521	(124,366)	27,039
<b>Total non-operating revenues (expenses)</b>	<b>\$ 17,740,217</b>	\$ 17,410,124	\$ 330,093	\$ 17,109,986	\$ 300,138

The following is a graphic illustration of non-operating revenues by source for the years ended August 31, 2021 through 2023:





## Coastal Bend College Management's Discussion and Analysis

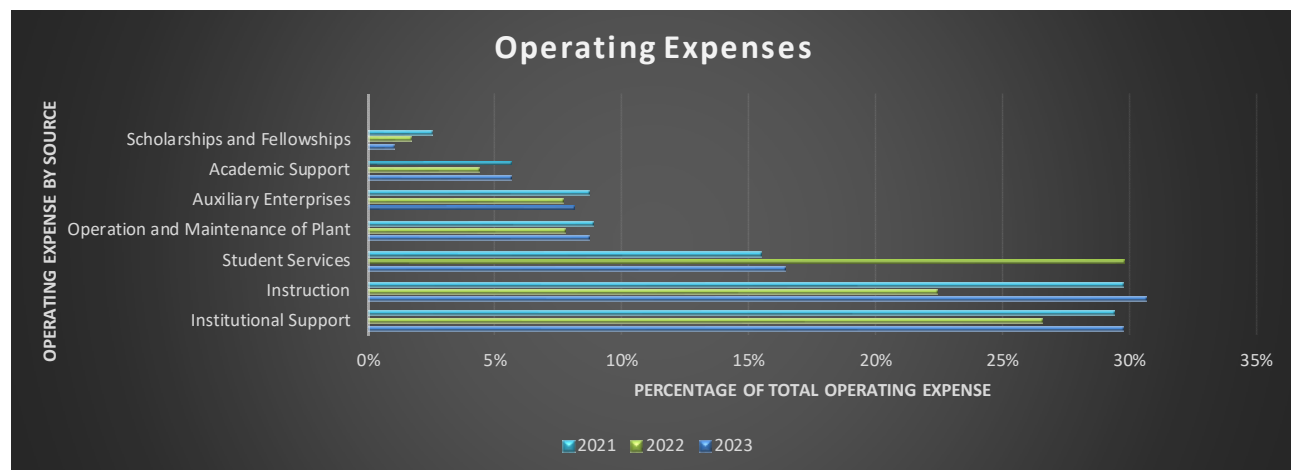
### Operating Expenses

The following table summarizes the College's operating expenses of \$23,933,678 for the fiscal year ended August 31, 2023, as compared to the operating expenses of \$26,213,369 in 2022. The decrease in operating expenses is attributed to the increase in overall net position during fiscal year 2023, which was impacted by a decrease in Student Services attributable to federal and state grants that were provided for recovery efforts in fiscal year 2022.

Additionally, the following table summarizes the College's operating expenses of \$26,213,369 for the fiscal year ended August 31, 2022, as compared to the operating expenses of \$22,488,083 in 2021. The increase in operating expenses is attributed to the increase in overall net position during fiscal year 2022, which was impacted by initiatives related to the coronavirus pandemic at the federal and state level. In fiscal year 2022, the significant increases in Student Services and Institutional Support or attributable to federal and state grants provided to assist with recovery efforts.

<i>For the Years Ended August 31,</i>	<b>2023</b>	2022	2022-2023 Increase (Decrease)	2021	2021-2022 Increase (Decrease)
Instruction	<b>\$ 6,868,358</b>	\$ 5,540,356	\$ 1,328,002	\$ 6,238,093	\$ (697,737)
Academic Support	<b>1,257,332</b>	1,074,340	182,992	1,176,266	(101,926)
Student Services	<b>3,677,730</b>	7,356,830	(3,679,100)	3,236,551	4,120,279
Institutional Support	<b>6,660,280</b>	6,551,464	108,816	6,172,524	378,940
Operation and Maintenance of Plant	<b>1,938,401</b>	1,901,254	37,147	1,847,519	53,735
Scholarships and Fellowships	<b>218,690</b>	402,912	(184,222)	517,114	(114,202)
Auxiliary Enterprises	<b>1,800,368</b>	1,883,725	(83,357)	1,818,508	65,217
Depreciation	<b>1,512,519</b>	1,502,488	10,031	1,481,508	20,980
<b>Total operating expenses</b>	<b>\$ 23,933,678</b>	\$ 26,213,369	\$ (2,279,691)	\$ 22,488,083	\$ 3,725,286

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



**Coastal Bend College**  
**Management's Discussion and Analysis**

**Capital Assets and Debt Administration**

At August 31, 2023, the College had \$16,953,849 invested in capital assets as compared to \$14,988,430 at August 31, 2022. The increase year over year reflects purchases of capital assets in the amount of \$3,477,938 during the year which is partially offset by depreciation expense of \$1,512,519.

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

**Capital Assets, Net**

<i>For the Years Ended August 31,</i>	<b>2023</b>	2022 As Restated	2021
Buildings and improvements	<b>32,348,708</b>	\$ 30,556,537	\$ 29,585,150
Furniture, fixtures and equipment	<b>14,616,731</b>	12,930,964	12,253,075
Library books	<b>1,329,740</b>	1,329,740	1,329,740
<b>Total capital assets</b>	<b>48,295,179</b>	44,817,241	43,167,965
<b>Less accumulated depreciation</b>	<b>(31,818,219)</b>	(30,305,700)	(28,826,528)
<b>Land</b>	<b>476,889</b>	476,889	476,889
<b>Property and equipment, net</b>	<b>\$ 16,953,849</b>	\$ 14,988,430	\$ 14,818,326

Additional information on the College's capital assets can be found in Note 6 to the financial statements.

**Debt Administration**

The bonds and notes payable liability balances for the fiscal year ended August 31 are as follows:

<i>For the Years Ended August 31,</i>	<b>2023</b>	2022	2021
<i>Tax notes payable</i>			
Maintenance Tax Note, Series 2011	<b>\$ 645,000</b>	\$ 845,000	\$ 1,037,000
Maintenance Tax Note, Series 2013	-	203,000	399,000
Maintenance Tax Note, Series 2014	<b>167,000</b>	330,000	489,000
Maintenance Tax Note, Series 2023	<b>6,600,000</b>	-	-
<i>Bonds payable</i>			
Combined Fee Revenue Bond, Series 2003	-	452,000	881,000
<b>Total</b>	<b>\$ 7,412,000</b>	\$ 1,830,000	\$ 2,806,000

## Coastal Bend College Management's Discussion and Analysis

The proceeds of the bonds and notes payable will be utilized by the College for the following projects: roofing and repairs, new sidewalks, electrical upgrades, new carpet, exterior repairs, piping replacements, HVAC upgrades, and facility accessibility.

Coastal Bend College's debt issuance was sold via a competitive private placement sale method. Therefore, the College was not required to incur an expense to attain a bond rating and does not have a rating assigned. The College has never held a bond election, so it does not have debt authorization.

Additional information on the College's long-term debt can be found in Note 9 to the financial statements.

### Strategic Plan 2025

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

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

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

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

#### Planning associated with goals:

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

### Outlook

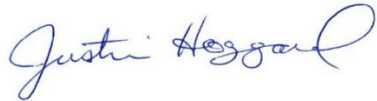
In Fiscal Year 2023, the 88<sup>th</sup> Texas Legislature approved legislation that transforms how the state funds community college districts which includes our rural college. The bill replaced a funding model that was static in nature and focused solely on courses and credits and pivoted to new finance system based on performance and tied to specific student outcomes. In the coming years our college will continue to focus on educating students and awarding credentials of value that align with our local workforce needs and those ever-changing workplace needs in the future; and we anticipate additional state appropriations because of new HB 8 bill.

As we move farther from the pandemic the college will continue to offer a wide range of program offerings, understanding that we play a key role in helping students achieve their individual potential and develop the skills they need to have a fulfilling and prosperous career. The college continue its focus on providing wrap around services (tutoring, counseling, childcare, transportation, and other non-instructional services) that provide an excellent environment to service all the needs of our students and increase graduation and credentialing rates.

## Coastal Bend College Management's Discussion and Analysis

### Contacting Financial Management

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

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

Dr. Justin Hoggard  
President

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**Coastal Bend College**  
**Exhibit 1 – Statements of Net Position**

<i>August 31,</i>	<b>2023</b>	2022 As Restated
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,408,594	\$ 12,143,747
Short-term investments	4,469,964	1,470,584
Accounts receivable, net	6,773,624	5,599,088
Prepaid expenses	381,172	309,557
Total current assets	14,033,354	19,522,976
Non-current assets		
Restricted cash and cash equivalents	10,817,147	577,656
Long-term investments	2,294,064	2,892,776
Capital assets		
Non-depreciable		
Land	476,889	476,889
Depreciable, net of accumulated depreciation		
Buildings and improvements	13,231,162	12,286,975
Library books	21,286	23,514
Furniture, machinery, and equipment	3,224,512	2,201,052
Right-to-use lease assets, net	88,099	115,919
Right-to-use subscription assets, net	887,524	873,962
Total non-current assets	31,040,683	19,448,743
Total assets	\$ 45,074,037	\$ 38,971,719
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	\$ 2,786,089	\$ 1,916,565
Deferred outflows related to benefits (OPEB)	3,311,933	1,849,176
Total deferred outflow of resources	6,098,022	3,765,741
<b>Total assets and deferred outflows</b>	<b>\$ 51,172,059</b>	<b>\$ 42,737,460</b>

(Continued)

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

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

<i>August 31,</i>	<b>2023</b>	2022 As Restated
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 1,379,312	\$ 2,202,512
Due to Foundation	-	50,000
Accrued payroll	469,914	773,777
Compensable absences	569,111	573,170
Funds held for others	74,914	157,913
Unearned revenue	6,645,079	5,789,548
Current portion of lease liabilities	27,345	25,849
Current portion of note payable	374,000	566,000
Current portion of bus note payable	27,089	25,548
Current portion of bonds payable	-	452,000
Current portion of subscription liability	263,489	217,366
Current portion of OPEB liability	325,852	373,072
Total current liabilities	<b>10,156,105</b>	11,206,755
Non-current liabilities		
Unearned revenue to be expended after one year	335,422	337,753
Lease liabilities due after one year	64,801	90,070
Notes payable due after one year	7,038,000	812,000
Bus note payable due after one year	27,559	55,304
Subscription liability due after one year	624,035	656,596
Net OPEB liability	15,840,532	17,779,803
Net pension liability	5,979,321	2,492,481
Total non-current liabilities	<b>29,909,670</b>	22,224,007
Total Liabilities	<b>\$ 40,065,775</b>	\$ 33,430,762
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to leases	\$ 67,785	\$ 108,455
Deferred inflows related to pensions	1,028,946	3,665,736
Deferred inflows related to benefits (OPEB)	7,455,696	5,614,096
Total deferred inflows of resources	<b>8,552,427</b>	9,388,287
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 48,618,202</b>	\$ 42,819,049

(Continued)

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

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

<i>August 31,</i>	<b>2023</b>	2022 As Restated
<b>Net Position</b>		
Net investment in capital assets	\$ 9,487,201	\$ 13,077,577
Restricted for		
Nonexpendable		
Endowments	4,509,535	577,656
Expendable		
Student aid	75,728	77,482
Parking lot requirements	145,477	144,391
Debt service	12,646	443,517
Unrestricted	(11,676,730)	(14,402,212)
<b>Total net position</b>	<b>2,553,857</b>	<b>(81,589)</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 51,172,059</b>	<b>\$ 42,737,460</b>

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



**Coastal Bend College**

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

<i>For the years ended August 31,</i>	<b>2023</b>	2022 As Restated
<b>Operating Revenues</b>		
Tuition and fees, net of discounts of \$7,453,799 and \$7,238,712, respectively	\$ <b>1,637,930</b>	\$ 1,779,218
Federal grants and contracts	<b>4,461,435</b>	8,420,398
State grants and contracts	<b>1,328,235</b>	1,596,666
Non-governmental grants and contracts	<b>73,470</b>	27,218
Sales and services of educational activities	<b>101,102</b>	101,437
Miscellaneous governmental receipts	-	115,410
Auxiliary enterprises, net of discounts of \$130,500 and \$112,500, respectively	<b>811,130</b>	768,335
General operating revenues	<b>415,605</b>	2,972,515
<b>Total operating revenues (Schedule A)</b>	<b>8,828,907</b>	15,781,197
<b>Operating Expenses</b>		
Instruction	<b>6,868,358</b>	5,540,356
Academic support	<b>1,257,332</b>	1,074,340
Student services	<b>3,677,730</b>	7,356,830
Institutional support	<b>6,660,280</b>	6,551,464
Operation and maintenance of plant	<b>1,938,401</b>	1,901,254
Scholarships and fellowships	<b>218,690</b>	402,912
Auxiliary enterprises	<b>1,800,368</b>	1,883,725
Depreciation	<b>1,512,519</b>	1,502,488
<b>Total operating expenses (Schedule B)</b>	<b>23,933,678</b>	26,213,369
Operating loss	\$ <b>(15,104,771)</b>	\$ (10,432,172)

(Continued)

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

**Coastal Bend College**

**Exhibit 2 – Statements of Revenues, Expenses, and Changes in Net Position**  
**(Continued)**

<i>For the years ended August 31,</i>	<b>2023</b>	2022 As Restated
<b>Non-Operating Revenues (Expenses)</b>		
State allocations	\$ 7,440,885	\$ 7,444,959
Title IV	5,604,776	5,594,749
Ad valorem taxes		
Taxes for maintenance and operations	3,444,013	3,788,257
Taxes for debt service	619,743	373,603
Gifts	284,578	419,327
Investment income, net of investment expenses	536,445	110,011
Other non-operating revenue	230,465	-
Other non-operating expense	(248,882)	(139,455)
Other non-government funded expense	(99,000)	(84,000)
Interest on capital related debt	(72,806)	(97,327)
<b>Total non-operating revenues, net (Schedule C)</b>	<b>17,740,217</b>	<b>17,410,124</b>
 Increase in net position	 2,635,446	 6,977,952
<b>Net Position</b>		
Net position, beginning of year as previously reported	(81,589)	(7,009,541)
Adjustment for error correction (see Note 2)	-	(50,000)
 Net position, beginning of year, as restated	 (81,589)	 (7,059,541)
 Net position, end of year	 \$ 2,553,857	 \$ (81,589)

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

**Coastal Bend College**  
**Exhibit 3 - Statements of Cash Flows**

<i>For the years ended August 31,</i>	<b>2023</b>	2022 As Restated
<b>Operating Activities</b>		
Receipts from students and other customers	\$ 1,366,510	\$ 2,271,689
Receipts from grants and contracts	5,789,849	9,927,940
Payments to suppliers for goods or services	(9,324,851)	(11,603,038)
Payments to or on behalf of employees	(15,739,712)	(12,887,874)
Payments of scholarships and fellowships	(351,689)	(463,730)
Other cash receipts	1,052,665	3,672,406
<hr/>		
Net cash used in operating activities	(17,207,228)	(9,082,607)
<b>Noncapital Financing Activities</b>		
Receipts from state appropriations	7,440,885	7,444,959
Receipts from ad valorem taxes	4,013,661	3,821,468
Receipts from non-operating federal revenue	4,778,614	5,744,272
Gifts	284,578	419,327
Payments to student organizations and other agency transactions	(82,999)	(160,941)
Other payments	(493,150)	(94,743)
Proceeds from insurance claims	230,465	-
<hr/>		
Net cash provided by non-capital financing activities	16,172,054	17,174,342
<b>Capital and Related Financing Activities</b>		
Purchases of capital assets	(3,492,196)	(1,694,073)
Proceeds from issuance of bond	6,600,000	-
Bond issuance cost paid on new capital debt issue	(248,882)	-
Payments on capital debt - principal	(1,044,204)	(1,001,548)
Payments on capital debt - interest	(72,806)	(97,327)
<hr/>		
Net cash provided by (used in) capital and related financing activities	1,741,912	(2,792,948)
<b>Investing Activities</b>		
Proceeds from sales and maturities of investments	5,369,568	2,238,701
Purchase of investments	(6,761,465)	(373,760)
Interest on investments	859,368	110,011
Increase (decrease) from unrealized gain (loss) on investments	330,129	(245,298)
<hr/>		
Net cash provided by (used in) investing activities	\$ (202,400)	\$ 1,729,654

(Continued)

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

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

<i>For the years ended August 31,</i>	<b>2023</b>	2022 As Restated
Net change in cash, cash equivalents and restricted cash	\$ 504,338	\$ 7,028,441
Cash, cash equivalents and restricted cash at beginning of year	<b>12,721,403</b>	5,692,962
Cash, cash equivalents and restricted cash at end of year	<b>\$ 13,225,741</b>	\$ 12,721,403
<b>Reconciliation of Operating Loss</b>		
<b>to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (15,104,771)	\$ (10,432,172)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	1,512,519	1,502,488
Bad debt allowance	26,315	182,654
Payments made directly by state for benefits	(357,097)	160,941
Change in assets, deferred outflows, liabilities and deferred inflows		
(Increase) decrease in assets and deferred outflows		
Receivables, net	(1,174,536)	(584,287)
Prepaid expenses	(71,615)	(28,321)
Pension related deferred outflows	(869,524)	684,352
Other post employee benefits related deferred outflows	(1,462,757)	(1,420,153)
Increase (decrease) in liabilities and deferred inflows		
Accounts payable	(823,200)	1,323,805
Due to Foundation	(50,000)	-
Accrued payroll	(303,863)	531,158
Compensable absences	(4,059)	(38,693)
Funds held for others	(82,999)	(6,146)
Unearned revenue	853,200	498,617
Net pension liability	3,486,840	(3,518,016)
Net other post employee benefit liability	(1,986,491)	77,590
Pension related deferred inflows	(2,636,790)	2,276,253
Other post employee benefits related deferred inflows	1,841,600	(292,677)
Net cash used in operating activities	<b>\$ (17,207,228)</b>	\$ (9,082,607)
<b>Noncash Capital and Related Financing Activities</b>		
Unrealized gain (loss) on investments	\$ 213,522	\$ (116,607)
Subscription-based assets obtained through subscription-based liabilities	<b>\$ 245,906</b>	\$ -

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

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**NOTE 1: REPORTING ENTITY**

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

Component Unit

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Guidelines***

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Annual Financial Reporting Requirements for Texas Public Community Colleges* established by the Texas Higher Education Coordinating Board (THECB). For financial reporting purposes, the College is considered a special-purpose, primary government engaged in business-type activities.

***Tuition Discounting***

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

*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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting***

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

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

The 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.

***Categories and Classification of Fund Equity***

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

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

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

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

***Budgetary Data***

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1<sup>st</sup>. 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 1<sup>st</sup>.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments. For purposes of the statement of cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Cash and Cash Equivalents (Continued)***

Immediate cash needs are met with resources deposited at the College's bank. Cash and cash equivalents that are externally restricted as to their use are classified as noncurrent assets on the Statements of Net Position.

***Investments***

In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and GASB 72, *Fair Value Measurement and Application*, the College reports investments at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

***Receivables***

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

***Interfund Activities and Transactions***

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

***Restricted Cash***

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

***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. As of August 31, 2023 and 2022, prepaid expenses were \$381,172 and \$309,557, respectively.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.



**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets***

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

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

Subscription-based assets resulting from qualifying subscription-based information technology arrangements (SBITAs) are amortized over the subscription term.

***Subscription-Based Assets and Liabilities***

For subscription agreements that have a maximum possible term of 12 months or less at commencement, the College recognizes expense based on the provisions of the subscription agreement.

For all other subscription-based agreements, the College recognizes a subscription-based liability and an intangible right-to-use subscription asset. The College recognizes subscription agreements that allow the College the right to control another party's IT software alone or in combination with tangible capital assets.

At agreement commencement, the College initially measures the subscription liability at the present value of all payments expected to be made during the subscription term using the then current discount rate. The College uses its estimated incremental borrowing rate as the discount rate. The incremental borrowing rate for subscription-based agreements is based on the rate of interest it would have to pay if it issued general obligation bonds to borrow an amount equal to the subscription payment under similar terms at the commencement or remeasurement date. The subscription liability is reduced by the principal portion of payments made to the vendor. Subscription assets are amortized into amortization expense on a straight-line basis over the subscription term.

The subscription term includes a non-cancellable period to use certain third-party vendor information technology software plus any additional periods covered by either the College or the vendor's option to extend or terminate. Extension of additional periods is reasonably certain to be exercised, while termination of periods is reasonably certain to not be exercised. Periods for which both the College and the SBITA vendor have an option to terminate without permission from the other party are cancelable periods and are excluded from the subscription term. Preliminary project costs and training costs are expensed as incurred. Initial implementation costs are capitalized but are excluded from the present value calculation of the subscription asset. Operation and additional implementation costs that occur after putting the IT software in place are expensed as incurred. (See Note 10).

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Unearned Revenues***

Tuition and fees of \$4,413,536 and \$4,386,677 and federal, state, local, and private grants of \$2,566,965 and \$1,740,624 have been reported as short-term and long-term unearned revenues as of August 31, 2023, and 2022, respectively. Total unearned revenues were \$6,980,501 and \$6,127,301 as of August 31, 2023 and 2022, respectively.

***Pensions***

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

***Deferred Outflows of Resources***

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources, which represents a consumption of net assets that applies to future periods and thus, will not be recognized as an outflow of resources (expensed) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. The College recorded deferred outflow of resources for its proportionate share of collective deferred outflows of the Teacher Retirement System of Texas (TRS) pension plan required by the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions* and for contributions made to the TRS plan subsequent to the measurement date of the respective net pension liability. In addition, the College recorded deferred outflow of resources for its proportionate share of collective deferred outflows of the Employees Retirement System of Texas (ERS) other post-employment benefits (OPEB) plan required by the implementation of GASB Statement 75, *Accounting and Financial Reporting for OPEB* and for contributions made to the ERS plan subsequent to the measurement date of the respective net OPEB liability. For additional information, see Notes 13 and 16.

***Deferred Inflows of Resources***

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources, which represents an acquisition of net assets that applies to future periods and thus, will not be recognized as an inflow of resources (revenue) until then. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB. The College records deferred inflows of resources related to leases and its proportionate share of collective deferred inflows of the TRS pension plan and the ERS OPEB plan. For additional information, see Notes 9, 13, and 16, respectively.

***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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Other Post-Employment Benefits (Continued)***

This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

***Compensable Absences***

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

***Operating and Non-Operating Revenue and Expense Policy***

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

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

***Reclassifications***

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

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to management's estimate of depreciation on assets over their estimated useful lives, net pension liability, net OPEB liability and related deferred inflows and outflows of resources, and the current portion of accrued compensated absences.

***Subsequent Events***

The College has evaluated subsequent events through August 30, 2024, which is the date the financial statements were available to be issued. No matters were identified that require disclosure or adjustment to these financial statements or related disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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, 2023 and 2022.

***Recently Issued and Implemented Accounting Guidance***

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There were no significant impacts of implementing this Statement.

In May 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. As of July 1, 2023, derivative instruments that hedge the interest rate risk of taxable debt and use an IBOR as a reference rate are no longer eligible for hedge accounting. There were no significant impacts of implementing this Statement.

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Note 2.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Guidance (Continued)***

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

In April 2022, GASB issued Statement No. 99, Omnibus 2022. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The statement addresses a variety of topics and includes the following: Statement Nos. 34, 53, 63, 87, 96, and other topics. The application of this statement is expected to provide more comparable reporting and improve the consistency of authoritative literature. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective immediately. The requirements related to leases, PPPs, and SBITAs are effective for reporting periods beginning after June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will take effect for financial statements starting with the fiscal year that ends June 30, 2024. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this statement are not effective for reporting periods until June 30, 2024. Earlier application is encouraged.

GASB Statement No. 101, Compensated Absences, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Prior-Year Restatement***

The College's fiscal year 2023 financial statements incorporate a change in accounting principle and correction of an error within the previously issued financial statements.

- The College discovered during the current year that revenues related to Ad Valorem taxes for maintenance and operations revenue were understated in fiscal year 2022 due to the improper recognition of the revenue on a modified accrual basis rather than a full accrual basis. Correction of the error increased prior year taxes for maintenance and operations by \$298,547 and decreased prior year unearned revenue by \$298,547.
- During the current year the College returned funds back to the Coastal Bend College Foundation that was recognized as revenue by the College in a previous fiscal year rather than being accrued as payable to the Foundation on the balance sheet. Correction of the error resulted in an increase in prior year accounts payable of \$50,000.
- Effective September 1, 2022, the College implemented the requirements of GASB No. 96, *Subscription Based Information Technology Arrangements*, which established a model of accounting for contracts that convey control of the right to use another party's IT software alone or in combination with tangible capital assets. This required a recognition of right-to-use subscription intangible assets and corresponding liabilities. GASB Statement No. 96 required retrospective application to the financial statements with adjustments to be made to the earliest period presented. The College had retired all previous subscription-based assets and liabilities at August 31, 2021. The College had \$1,092,452 of subscription-based assets and liabilities at September 1, 2022 with no impact to the net position already reported at August 31, 2022. The College did not enter into any additional subscription-based agreements in 2022. Additionally, \$218,490 of subscription-based assets were amortized in 2022 which has been reflected as an increase in the amounts previously reported as depreciation and amortization expense and a corresponding reduction to previously reported institutional support expenses in the statements of revenues, expenses, and changes in net position and schedule of operating expenses by object for 2022. The statements of net position have also been restated for 2022 to reflect the subscription-based assets and liabilities totaling \$873,962 at August 31, 2022. (See notes 9 and 10).

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Prior-Year Restatement (Continued)***

The following table summarizes the restatements and adjustments to the College's beginning net position as a result of the change in accounting principle and error correction:

<i>For the year ended August 31,</i>	<b>2022</b>		<b>2022</b>
	<b>As Previously</b>	<b>Adjustment</b>	<b>As Restated</b>
	<b>Reported</b>		
<b>Statement of Revenues, Expenses, and Changes in Net Position</b>			
Taxes for maintenance and operations	\$ 3,489,710	\$ 298,547	\$ <b>3,788,257</b>
<b>Statement of Net Position</b>			
Due to Foundation	-	50,000	<b>50,000</b>
Unearned revenue	6,088,095	(298,547)	<b>5,789,548</b>
Net position, end of year	\$ (330,136)	\$ 248,547	\$ <b>(81,589)</b>

**NOTE 3: AUTHORIZED INVESTMENTS**

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

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

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 4: DEPOSITS AND INVESTMENTS**

***Deposits***

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

<i>As of August 31,</i>	<b>2023</b>	2022
Demand deposits	\$ 2,400,215	\$ 12,135,920
Tex pool	1,253	1,201
Texas class	10,817,147	577,656
Petty cash on hand	7,126	6,626
<b>Total cash and equivalents</b>	<b>\$ 13,225,741</b>	<b>\$ 12,721,403</b>
Current assets	\$ 2,408,594	\$ 12,143,747
Non-current assets	10,817,147	577,656
<b>Total cash and cash equivalents</b>	<b>\$ 13,225,741</b>	<b>\$ 12,721,403</b>

As of August 31, 2023 and 2022, deposits were entirely covered by FDIC insurance or pledged by collateral held by the College's agent bank in the College's name. Cash and equivalents increased by \$504,338 from August 31, 2022 to August 31, 2023 which is primarily due to the decrease in long-term investments by \$598,712 during the year.

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

<i>As of August 31,</i>	<b>2023</b>	2022
Short-term investments	\$ 4,469,964	\$ 1,470,584
Long-term investments	2,294,064	2,892,776
Total non-cash investments	6,764,028	4,363,360
Total cash and cash equivalents	13,225,741	12,721,403
<b>Total cash, cash equivalents and investments</b>	<b>\$ 19,989,769</b>	<b>\$ 17,084,763</b>

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



**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

*Concentration of Credit Risk* is the risk of loss attributable to the magnitude of the College's investment in a single type of security. Currently, the College does not place a limit on the amount the College may invest in any other issuer. As of August 31, 2022, 65% of the College's investments were held in Fixed Income Securities. As of August 31, 2023, 97% of the College's investments were held in Fixed Income Securities.

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

*Foreign currency risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of August 31, 2023 and 2022, the College did not have direct exposure to foreign currency risk through its investments. The Investment Policy Statement is silent on the subject of foreign currency risk.

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

***Fair Value Measurements***

GASB 72, *Fair Value Measurement and Application*, for financial reporting purposes provides the framework for measuring fair value. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1     Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.
  
- Level 2     Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
  
- Level 3     Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

***Fair Value Measurements (Continued)***

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

<b><i>As of August 31, 2023</i></b>		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Municipal bonds</b>	\$	-	\$	3,034,657	\$	-	\$	3,034,657
<b>Corporate bonds</b>		-		3,729,371		-		3,729,371
<b>Total fair value</b>	\$	-	\$	6,764,028	\$	-	\$	6,764,028

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

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 5: DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES**

The following table summarizes the disaggregation of the College's receivables and payables balances as of August 31, 2023 and 2022, respectively.

<i>As of August 31,</i>	<b>2023</b>	2022 As Restated
<b>Receivables</b>		
Student receivables	\$ 5,123,860	\$ 4,772,212
Ad valorem receivables	348,642	298,547
Tuition sponsor receivables	281,818	43,066
Grant and contract receivables	1,750,045	923,883
Lease receivable	67,785	108,455
Other receivables	66,228	140,005
<b>Total receivables</b>	<b>7,638,378</b>	6,286,168
Allowance for doubtful accounts	(864,754)	(687,080)
<b>Total receivables, net</b>	<b>\$ 6,773,624</b>	\$ 5,599,088
<b>Payables</b>		
Vendors payable	\$ 1,379,280	\$ 1,054,900
Other payables	32	1,147,612
<b>Total payables</b>	<b>\$ 1,379,312</b>	\$ 2,202,512

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 6: CAPITAL ASSETS**

The following table summarizes the changes in the College's capital assets during the fiscal year ended August 31, 2023. Land is not subject to depreciation.

	Restated balance, September 1, 2022	Increases	Decreases	Balance August 31, 2023
Capital assets, not being depreciated				
Land	\$ 476,889	\$ -	\$ -	\$ 476,889
Capital assets, not being depreciated	476,889	-	-	476,889
Capital assets, being depreciated				
Buildings and improvements	30,556,537	1,792,171	-	32,348,708
Library books	1,329,740	-	-	1,329,740
Furniture, machinery, and equipment	12,930,964	1,685,767	-	14,616,731
Capital assets, being depreciated	44,817,241	3,477,938	-	48,295,179
Less accumulated depreciation for				
Buildings and improvements	(18,269,562)	(847,984)	-	(19,117,546)
Library books	(1,306,226)	(2,228)	-	(1,308,454)
Furniture, machinery, and equipment	(10,729,912)	(662,307)	-	(11,392,219)
Total accumulated depreciation	(30,305,700)	(1,512,519)	-	(31,818,219)
Total capital assets being depreciated, net	14,511,541	1,965,419	-	16,476,960
Right-to-use lease assets, being amortized				
Copier machine	139,103	-	-	139,103
Right-to-use lease assets, being amortized				
Less accumulated amortization for				
Copier machine	(23,184)	(27,820)	-	(51,004)
Total right-to-use lease assets being amortized, net	115,919	(27,820)	-	88,099
Right-to-use subscription assets				
Subscription-based information technology				
Right-to-use subscription assets	1,092,452	290,066	-	1,382,518
Right-to-use subscription assets	1,092,452	290,066	-	1,382,518

(Continued)

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 6: CAPITAL ASSETS (Continued)**

	Restated balance, September 1, 2022	Increases	Decreases	Balance August 31, 2023
Less accumulated amortization for Subscription-based information technology Right-to-use subscription assets	<b>(218,490)</b>	<b>(276,504)</b>	-	<b>(494,994)</b>
Total right-to-use subscription assets being amortized, net	<b>873,962</b>	<b>13,562</b>	-	<b>887,524</b>
Total capital assets, net	<b>\$ 15,978,311</b>	<b>\$ 1,951,161</b>	<b>\$ -</b>	<b>\$ 17,929,472</b>

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

	September 1, 2021	Increases	Decreases	Restated balance, August 31, 2022
Capital assets, not being depreciated Land	\$ 476,889	\$ -	\$ -	\$ 476,889
Capital assets, not being depreciated	476,889	-	-	476,889
Capital assets, being depreciated Buildings and improvements	29,585,150	971,387	-	30,556,537
Library books	1,329,740	-	-	1,329,740
Furniture, machinery, and equipment	12,253,075	722,686	(44,797)	12,930,964
Capital assets, being depreciated	43,167,965	1,694,073	(44,797)	44,817,241
Less accumulated depreciation for Buildings and improvements	(17,443,059)	(826,503)	-	(18,269,562)
Library books	(1,300,910)	(5,316)	-	(1,306,226)
Furniture, machinery, and equipment	(10,082,559)	(670,669)	23,316	(10,729,912)
Total accumulated depreciation	(28,826,528)	(1,502,488)	23,316	(30,305,700)
Total capital assets being depreciated, net	14,341,437	191,585	(21,481)	14,511,541
Right-to-use lease assets, being Copier machine	-	139,103	-	139,103

(Continued)

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 6: CAPITAL ASSETS (Continued)**

	September 1, 2021	Increases	Decreases	Restated balance, August 31, 2022
Right-to-use lease assets, being				
Less accumulated amortization for				
Copier machine	-	-	(23,184)	(23,184)
<b>Total right-to-use lease assets</b>				
being amortized, net	-	139,103	(23,184)	115,919
Right-to-use subscription assets				
Subscription-based information technology				
Right-to-use subscription assets	-	1,092,452	-	1,092,452
Right-to-use subscription assets	-	1,092,452	-	1,092,452
Less accumulated amortization for				
Subscription-based information technology				
Right-to-use subscription assets	-	(218,490)	-	(218,490)
<b>Total right-to-use subscription assets</b>				
being amortized, net	-	873,962	-	873,962
<b>Total capital assets, net</b>	<b>\$ 14,818,326</b>	<b>\$ 1,065,547</b>	<b>\$ (21,481)</b>	<b>\$ 15,978,311</b>

For the year ended August 31, 2023 and 2022, depreciation expense was \$1,512,519 and \$1,502,488, respectively.

**NOTE 7: COMPENSABLE ABSENCES**

Full-time employees earn annual leave of 20 days per year. The College's policy is that an employee may carry accrued leave forward from one fiscal year to another fiscal year with a maximum cumulative carryover of 20 days. Employees with at least 3 months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized an accrued liability of \$262,025 and \$247,504 for the unpaid annual leave in 2023 and 2022, respectively. Sick leave, which could formerly be accumulated to a maximum of 45 days and earned at the rate of one day per month, is only subject to a sick leave balance for employees who were employed before September 1, 2010 due to a change in College policy in 2016. The College District shall honor the reimbursement for leave upon separation and the reimbursement of leave upon retirement programs for eligible employees who were employed by the College District before September 1, 2010. Reimbursements shall be made in accordance with administrative regulations and determined based on the pay rate set for each employee as of June 30, 2016.

As of August 31, 2023 and 2022, annual sick leave of \$307,086 and \$325,666 was recognized, respectively.

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 7: COMPENSABLE ABSENCES (Continued)**

<i>For the years ended August 31,</i>	<b>2023</b>	2022
Compensable absences - beginning of year	<b>\$ 573,170</b>	\$ 611,863
Additions	<b>108,310</b>	80,109
Deletions	<b>(112,369)</b>	(118,802)
<b>Compensable absences - end of year</b>	<b>\$ 569,111</b>	\$ 573,170

The College estimates that the entire amount of \$569,111 will be due within one year.

**NOTE 8: LEASE OBLIGATIONS AND RENTAL AGREEMENTS**

***Leases – Lessee***

The College has entered into a lease agreement to obtain the right-to-use copier machines on campus for a monthly payment of \$2,654 at a discount rate of 3.65%, the College's estimated incremental borrowing rate.

The following is a schedule of minimum future lease payments from lease agreements as of August 31, 2023:

<i>For the years ending August 31,</i>	Principal	Interest	Total Future Minimum Lease Payments
2024	\$ 27,345	\$ 4,497	\$ 31,842
2025	28,928	2,915	31,843
2026	30,602	1,240	31,842
2027	5,271	37	5,308
<b>Total</b>	<b>\$ 92,146</b>	<b>\$ 8,689</b>	<b>\$ 100,835</b>

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 8: LEASE OBLIGATIONS AND RENTAL AGREEMENTS (Continued)**

***Leases – Lessee (Continued)***

The following is a schedule of minimum future lease payments from lease agreements as of August 31, 2022:

<i>For the years ending August 31,</i>	Principal	Interest	Total Future Minimum Lease Payments
2023	\$ 25,849	\$ 5,993	\$ 31,842
2024	27,345	4,497	31,842
2025	28,928	2,915	31,843
2026	30,602	1,240	31,842
2027	3,195	37	3,232
<b>Total</b>	<b>\$ 115,919</b>	<b>\$ 14,682</b>	<b>\$ 130,601</b>

***Leases – Lessor***

Effective May 1, 2021 the College entered into a rental agreement with the Workforce Solutions of the Coastal Bend for meeting and office room space on campus. The lessee will remit to the College monthly payments of \$3,393 and the College is reasonably certain to extend the lease agreement through April 30, 2025.

Lessors remaining lease obligation as of August 31, 2023 were as follows:

<i>For the years ending August 31,</i>	Principal Payments	Interest Expense	Total
2024	\$ 40,645	\$ 25	\$ 40,670
2025	27,140	5	27,145
<b>Total</b>	<b>\$ 67,785</b>	<b>\$ 30</b>	<b>\$ 67,815</b>



**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 8: LEASE OBLIGATIONS AND RENTAL AGREEMENTS (Continued)**

***Leases – Lessor (Continued)***

Lessors remaining lease obligation as of August 31, 2022 were as follows:

<i>For the years ending August 31,</i>	Principal Payments	Interest Expense	Total
2023	\$ 40,625	\$ 45	\$ 40,670
2024	40,620	25	40,645
2025	27,135	5	27,140
<b>Total</b>	<b>\$ 108,380</b>	<b>\$ 75</b>	<b>\$ 108,455</b>

**NOTE 9: NON-CURRENT LIABILITIES**

General information related to notes payable is summarized below:

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

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

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

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

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

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

Note Issue Name: Coastal Bend College Maintenance Tax Notes, Series 2023

- Purpose of Issuance: College wide capital improvements
- Issue Date: March 23, 2023
- Original Amount of Issue: \$6,600,000
- Interest Rate: 3.650%
- Source of Revenue for note payments: Pledged registration fees, out of district fees, student service fees and course fees.

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 9: NON-CURRENT LIABILITIES (Continued)**

General information related to bonds payable is summarized below:

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

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

In 2021, the College began payment on a finance lease agreement for the purchase of two new transportation buses. The current liability of the principal payment as a result of the lease agreement is \$27,089 and the non-current liability is \$27,559 as reported on the statement of net position. The note matures in January 2025. As of August 31, 2023, the College had no operating lease expenses that would have a material effect on the overall financial statements. The following table states the College’s total future minimum lease payments for the next five years.

*For the year ended August 31,*

	\$	
2024	27,089	
2025	27,559	
<hr/>		
Total future minimum lease payments	\$	54,648
<hr/> <hr/>		

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 9: NON-CURRENT LIABILITIES (Continued)**

The following tables summarize the non-current liabilities held by the College as of August 31, 2023 and 2022, respectively.

	Restated Balance August 31, 2022	Additions	Reductions	Balance August 31, 2023	2023 Current Portion
<b>Bonds and notes</b>					
Revenue bonds	\$ 452,000	\$ -	\$ 452,000	\$ -	\$ -
Maintenance tax notes	1,378,000	6,600,000	566,000	<b>7,412,000</b>	<b>374,000</b>
Bus note	80,852	-	26,204	<b>54,648</b>	<b>27,089</b>
<b>Total bonds and notes</b>	<b>1,910,852</b>	<b>6,600,000</b>	<b>1,044,204</b>	<b>7,466,648</b>	<b>401,089</b>
<b>Other liabilities</b>					
Lease liabilities	115,919	-	23,773	<b>92,146</b>	<b>27,345</b>
Subscription liability	873,962	290,066	276,504	<b>887,524</b>	<b>263,489</b>
Net pension liability	2,492,481	3,486,840	-	<b>5,979,321</b>	-
Net OPEB liability	18,152,875	3,580,335	5,566,826	<b>16,166,384</b>	<b>325,852</b>
<b>Total other liabilities</b>	<b>21,635,237</b>	<b>7,357,241</b>	<b>5,867,103</b>	<b>23,125,375</b>	<b>616,686</b>
<b>Total non-current liabilities</b>	<b>\$23,546,089</b>	<b>\$13,957,241</b>	<b>\$ 6,911,307</b>	<b>\$30,592,023</b>	<b>\$ 1,017,775</b>

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 9: NON-CURRENT LIABILITIES (Continued)**

	Balance August 31, 2021	Additions	Reductions	Restated Balance August 31, 2022	2022 Current Portion
<b>Bonds and notes</b>					
Revenue bonds	\$ 881,000	\$ -	\$ 429,000	\$ 452,000	\$ 452,000
Maintenance tax notes	1,925,000	-	547,000	1,378,000	566,000
Lease on 2 buses	106,400	-	25,548	80,852	25,548
<b>Total bonds and notes</b>	<b>2,912,400</b>	<b>-</b>	<b>1,001,548</b>	<b>1,910,852</b>	<b>1,043,548</b>
<b>Other liabilities</b>					
Lease liabilities	-	139,103	23,184	115,919	25,849
Subscription liability	-	1,092,452	218,490	873,962	217,366
Net pension liability	6,010,497	-	3,518,016	2,492,481	-
Net OPEB liability	18,075,285	1,848,970	1,771,380	18,152,875	373,072
<b>Total other liabilities</b>	<b>24,085,782</b>	<b>3,080,525</b>	<b>5,531,070</b>	<b>21,635,237</b>	<b>616,287</b>
<b>Total non-current liabilities</b>	<b>\$26,998,182</b>	<b>\$ 3,080,525</b>	<b>\$ 6,532,618</b>	<b>\$23,546,089</b>	<b>\$ 1,659,835</b>

**NOTE 10: SUBSCRIPTION-BASED LIABILITIES**

The College has the non-cancellable right to use certain third-party vendor information technology software. These subscription-based technology arrangements primarily consist of software used for the College's accounting and operational needs as well as student assessment and engagement and other software needs. These arrangements have terms ranging from 1 to 3 years.

The principal and interest payments to maturity for subscription-based liabilities at August 31, 2023 are as follows:

<i>For the years ending August 31,</i>	Principal	Interest	Total
2024	\$ 263,489	\$ 10,810	\$ 274,299
2025	272,676	8,532	281,208
2026	250,144	6,157	256,301
2027	49,621	4,008	53,629
2028	51,594	2,035	53,629
<b>Total</b>	<b>\$ 887,524</b>	<b>\$ 31,542</b>	<b>\$ 919,066</b>

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 11: FUNDS HELD IN TRUST BY OTHERS**

As of August 31, 2023 and 2022, the College held, in trust funds, amounts of \$74,914 and \$157,913, respectively, that pertain primarily to student organizations. These funds are not available to support the College's programs.

**NOTE 12: DEBT OBLIGATIONS**

Debt service obligation for notes are as follows:

<i>For the year ended August 31,</i>	Maintenance Tax Notes		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 374,000	\$ 12,016	\$ 386,016
2025	355,000	13,237	368,237
2026	618,000	22,847	640,847
2027	410,000	14,965	424,965
2028	425,000	15,513	440,513
2029	440,000	16,060	456,060
2030	460,000	16,790	476,790
2031	475,000	17,338	492,338
2032	490,000	17,885	507,885
2033	510,000	18,615	528,615
2034	530,000	19,345	549,345
2035	550,000	20,075	570,075
2036	570,000	20,805	590,805
2037	590,000	21,535	611,535
2038	615,000	22,448	637,448
Total	\$ 7,412,000	\$ 269,473	\$ 7,681,473

**NOTE 13: EMPLOYEE RETIREMENT PLAN**

***Teacher Retirement System of Texas***

*Plan Description.* The College participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). The TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

**NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)**

***Teacher Retirement System of Texas (Continued)***

*Pension Plan Fiduciary Net Position.* Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report is available online or write to TRS at 1000 Red River Street, Austin, Texas, 78701-2698.

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

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

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

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

Contribution Rates

	<u>August 31, 2023</u>	<u>August 31, 2022</u>
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	8.00%	7.75%
Employers	8.00%	7.75%
Fiscal year 2022 College Contributions	\$648,292	
Fiscal year 2022 State of Texas On-behalf Contributions	\$154,377	
Fiscal year 2022 Member Contributions	\$469,976	

**NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)**

***Teacher Retirement System of Texas (Continued)***

The College's contributions to the TRS pension plan in 2023 were \$590,794 as reported in the Schedule of College's Contributions for Pensions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2023 were \$208,791.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Public junior colleges or junior college districts are required to pay the employer contribution rate in the following instances:

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

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

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 31, 2022	3.91%
Last year ending August 31 in	
Projection period (100 years)	2121
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95%
Benefit changes during the year	None (Information not available in AFR, therefore considered as none)
Ad hoc post-employment benefit changes	None

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

**NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)**

***Teacher Retirement System of Texas (Continued)***

The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used on the actuarial valuation as of August 31, 2021.

*Discount Rate.* The single discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.00%.

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.



**Coastal Bend College  
Notes to Financial Statements**

**NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)**

***Teacher Retirement System of Texas (Continued)***

Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation are summarized below:

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.00 %	4.60 %	1.12 %
Non-US Developed	13.00	4.90	0.90
Emerging Markets	9.00	5.40	0.75
Private Equity*	14.00	7.70	1.55
<b>Stable Value</b>			
Government Bonds	16.00	1.00	0.22
Absolute Return*	0.00	3.70	0.00
Stable Value Hedge Funds	5.00	3.40	0.18
<b>Real Return</b>			
Real Estate	15.00	4.10	0.94
Energy, Natural Resources & Infrastructure	6.00	5.10	0.37
Commodities	0.00	3.60	0.00
<b>Risk Parity</b>	8.00	4.60	0.43
<b>Asset Allocation Leverage</b>			
Cash	2.00	3.00	0.01
Asset Allocation Leverage	(6.00)	3.60	(0.05)
Inflation Expectation			2.70
Volatility Drag****			(0.91)
<b>Expected Return</b>	<b>100.00 %</b>		<b>8.19 %</b>
*Absolute Return includes Credit Sensitive Investments.			
**Target allocations are based on the FY2022 policy model.			
***Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022).			
****The volatility drag results from the conversion between arithmetic and geometric mean returns.			

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

August 31, 2023

<u>1% Decrease in Discount Rate (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase in Discount Rate (8.00%)</u>
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The College's proportionate share of the net pension liability:	\$9,301,557	\$5,979,321	\$3,286,493
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**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)**

***Teacher Retirement System of Texas (Continued)***

August 31, 2022

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
The College's proportionate share of the net pension liability:	\$5,446,468	\$2,492,481	\$95,902

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2023, the College reported a liability of \$5,979,321 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

	August 31, 2023	August 31, 2022
College's proportionate share of the collective net pension liability	\$ 5,979,321	\$ 2,492,481
State's proportionate share that is associated with the College	1,964,075	921,714
<b>Total</b>	<b>\$ 7,943,396</b>	<b>\$ 3,414,195</b>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022, through August 31, 2022.

At the measurement date of August 31, 2022 the employer's proportion of the collective net pension liability was 0.000100717201% which was an increase of 0.0000028441% from its proportion measured as of August 31, 2021.

*Changes Since the Prior Actuarial Valuation.*

The single discount rate as of August 31, 2018, was a blended rate of 6.907%, and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.

With the enactment of SB 3 by the 86th Texas Legislature, 2019, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)**

***Teacher Retirement System of Texas (Continued)***

The Texas Legislature approved funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

For the year ended August 31, 2023, the College recognized pension expense of \$187,743 and revenue of \$187,743 (same amount) for support provided by the state. Refer to the 2023 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB Statements 67 and 68.

At August 31, 2023, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>August 31, 2023</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 86,700	\$ 130,361
Changes in actuarial assumptions	590,738	-
Difference between projected and actual investment earnings	1,114,142	277,675
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	403,715	620,910
Contributions paid to TRS subsequent to the measurement date	590,794	-
<b>Total</b>	<b>\$ 2,786,089</b>	<b>\$ 1,028,946</b>

At August 31, 2022, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

**NOTE 13: EMPLOYEE RETIREMENT PLAN (Continued)**

***Teacher Retirement System of Texas (Continued)***

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

<i>Year ended August 31,</i>	Pension Expense Amount
2023	\$ (268,771)
2024	(161,106)
2025	(47,048)
2026	(615,920)
2027	(73,504)
Total	\$ (1,166,349)

***Optional Retirement Plan***

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. In 2023, 2022, and 2021 the percentages of participant salaries contributed by the State and each participant were 6.6% and 6.65%, respectively of annual compensation. In addition, for fiscal years 2023, 2022, and 2021, the College contributed 1.9% of annual compensation for each participant hired on or before September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. SB 1812, effective September 1, 2013, passed by the 83rd Texas Legislature, limits the amount of the state’s contribution of 50 percent of eligible employees in the reporting district.

*Retirement expense.* ORP expense to the State for the College, representing the portion of expended appropriations made by the State Legislature on behalf of the College, was \$22,160, \$21,868, and \$19,926 for the fiscal years ended August 31, 2023, 2022, and 2021, respectively. The total payroll for all College employees was \$10,324,048, \$7,908,631, and \$7,646,035 for the fiscal years ended August 31, 2023, 2022, and 2021, respectively. The total payroll of employees covered by ORP was \$671,514, \$663,631, and \$603,825 for fiscal years August 31, 2023, 2022, and 2021, respectively.

**NOTE 14: DEFERRED COMPENSATION PROGRAM**

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. At August 31, 2023 and 2022, the College had no employees electing to defer compensation.

**NOTE 15: HEALTH CARE AND LIFE INSURANCE BENEFITS**

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year.

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

The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's maximum contribution per full-time employee was \$623 and \$625 per month for the years ended August 31, 2023 and 2022, respectively. The State's maximum contribution for dependent coverage was \$1,220 and \$1,222 per month for August 31, 2023 and 2022, respectively.

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

<i>For the years ended August 31,</i>	<b>2023</b>	2022
Number of retirees	<b>139</b>	140
Cost of health benefits for retirees	\$ <b>712,541</b>	\$ 720,087
Number of active full-time employees	<b>184</b>	171
Cost of health benefits for active full-time employees	\$ <b>1,071,241</b>	\$ 1,096,445
State appropriation for health insurance	\$ <b>874,944</b>	\$ 874,944

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

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

*OPEB Plan Fiduciary Net Position.* Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Annual Comprehensive Financial Report that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained online; by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

*Benefits Provided.* Retiree health benefits offered through the GBP are available to most state of Texas retirees and their eligible dependents. Participants need at least 10 years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

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

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

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

**Maximum Monthly Employer Contribution**  
**Retiree Health and Basic Life Premium**  
**For the Measurement Year 2022**

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

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

**Premium Contributions by Source**  
**Group Benefits Program Plan**  
**For the Years Ended August 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Employers	<b>\$ 1,673,320</b>	\$ 1,520,770
Members (Employees)	<b>44,520</b>	44,068
Non-Employer Contributing Entity (State)	<b>\$ 874,944</b>	\$ 1,028,797

**Coastal Bend College**  
**Notes to Financial Statements**

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

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of August 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	August 31, 2022
Actuarial Cost Method	Entry Age
Amortization method	Level percent of payroll, open
Remaining amortization period	30 years
Asset Valuation Method	Not applicable
Discount Rate	3.59%
Projected annual salary increase	2.30% to 8.95% including inflation
Annual healthcare trend rate	<u>HealthSelect</u> 5.60% for FY2024, 5.30% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2031 and later years
	<u>HealthSelect Medicare Advantage</u> 66.67% for FY2024, 5.30% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2031 and later years
	<u>Pharmacy</u> 10.00% for FY2024 and FY2025, decreasing 100 basis points per year to 5.00% for FY2030 and 4.30% for FY2031 and later years
Inflation assumption rate	2.30%
Adhoc postemployment benefits changes	None
Mortality assumptions:	
Service retirees, survivors and other Inactive members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021.
Disability retiree	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021 using a 3-year set forward and minimum mortality rates for four per 100 male members and two per 100 female members.
Active members	Sex Distinct Pub-2010 Amount- Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP=2021 Projection Scale from the year 2010.

*\*Source: 2022 ERS ACFR except for mortality assumptions obtained from ERS 2022 GASB 74 Actuarial Valuation.*

**Coastal Bend College**  
**Notes to Financial Statements**

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

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period (ex. September 1, 2010, to August 31, 2017) for higher education members.

*Investment Policy.* The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The system's board of trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 4.1%.

*Discount Rate.* Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.14%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.59%, which amounted to an increase of 1.45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets, and, therefore, the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

*Discount Rate Sensitivity Analysis.* The following schedule shows the impact on the College's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.59%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.59%)	Discount Rate (3.59%)	1% Increase in Discount Rate (4.59%)
The College's proportionate share of the net OPEB liability: (in thousands)	\$18,855	\$16,166	\$14,016

*Healthcare Trend Rate Sensitivity Analysis.* The initial health care trend rate is 5.6% and the ultimate rate is 4.3%. The following schedule shows the impact on the College's proportionate share of the collective net OPEB liability if the health care cost trend rate used was 1% less than and 1% greater than the health care cost trend rate that was used (5.6% decreasing to 4.3%) in measuring the net OPEB liability.

	1% Decrease in Healthcare Cost Trend Rates (4.6% decreasing to 3.3%)	Current Healthcare Cost Trend Rates (5.6% decreasing to 4.3%)	1% Increase in Healthcare Cost Trend Rates (6.6% decreasing to 5.3%)
The College's proportionate share of the net OPEB liability (in thousands):	\$13,844,286	\$16,166,384	\$19,131,076



**Coastal Bend College**  
**Notes to Financial Statements**

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

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At August 31, 2023, the College reported a liability of \$16,166,384 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for state support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective net OPEB liability	\$	16,166,384
State's proportionate share that is associated with the College		8,453,061
<hr/>		
Total	\$	24,619,445
<hr/>		

The net OPEB liability was measured as of August 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2022, thru August 31, 2022.

At the measurement date of August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.05675011% which was an increase of 0.00615047% from its proportion measured as of August 31, 2021.

For the year ended August 31, 2023, the College recognized reversal in OPEB expense of \$307,902 and revenue of \$307,902 for support provided by the State.

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

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to cover dependent children.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short term expectations. The patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect the most recent information.
- The discount rate was changed from 2.14% as of August 31, 2021 to 3.59% as of August 31, 2022 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

**Coastal Bend College**  
**Notes to Financial Statements**

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

At August 31, 2023, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 510,069
Changes in actuarial assumptions	584,913	4,997,182
Difference between projected and actual investment earnings	2,788	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,359,305	1,948,445
Contributions paid to ERS subsequent to the measurement date	364,927	-
Total	\$ 3,311,933	\$ 7,455,696

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

Year ended August 31:	Pension Expense Amount
2024	\$ (1,662,886)
2025	(842,303)
2026	(745,521)
2027	(617,894)
2028	(275,159)
Total	\$ (4,143,763)

**NOTE 17: CONTRACT AND GRANT AWARDS**

Contract and grant awards are accounted for in accordance with accounting principles generally accepted in the United States of America. Contract and grant awards are recognized as revenues, on Exhibit 2 and Schedule A, as funds that are actually expended. Contracts and grant award funds expended but not collected are reported as receivables on Exhibit 1. Funds received but not expended during the reporting period are deferred until earned. Contracts and grant awards that are not funded and the College has not yet performed services for are not included in the financial statements. As of August 31, 2023 and 2022, \$1,750,045 and \$923,883, respectively, of grant funds have been received in advance.

**Coastal Bend College**  
**Notes to Financial Statements**

**NOTE 18: PROPERTY TAX**

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real, business/land personal property located in the tax area of the College. The table below represents the Bee County assessed valuation of the College and the tax rates as of August 31, 2023 and 2022.

<i>As of August 31,</i>	<b>2023</b>	2022
Assessed valuation of the College	<b>\$ 3,247,363,284</b>	\$ 2,573,837,558
Less: Exemptions	<b>49,747,820</b>	44,987,290
Net assessed valuation of the College	<b>\$ 3,197,615,464</b>	\$ 2,528,850,268

***For the year ended August 31, 2023***

	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.4187000	\$ 0.190550	\$ 0.609250
Assessed tax rate per \$100 valuation	\$ 0.139500	\$ 0.024530	\$ 0.164030

***For the year ended August 31, 2022***

	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.139500	\$ 0.024530	\$ 0.164030
Assessed tax rate per \$100 valuation	\$ 0.181530	\$ 0.019840	\$ 0.201370

Taxes levied, including penalty and interest assessed, for the years ended August 31, 2023 and 2022, based on certified rolls, as reported by the taxing authorities amounted to \$4,063,756 and \$4,161,860, respectively. Bee County Tax Assessor and Collector is the collecting agency for the levy and remits collections to the College net a collection fee. Taxes are due on receipt of the tax bill and are delinquent if not paid before February the year following the year in which imposed.

***For the year ended August 31,***

	<b>2023</b>	2022 As Restated
Current taxes collected	\$ 3,942,260	\$ 4,072,354
Delinquent taxes collected	160,882	98,367
Penalties and interest collected	2,062	57,559
Less: discounts and commissions	<b>(41,448)</b>	(66,420)
Total collections	<b>\$ 4,063,756</b>	\$ 4,161,860

**NOTE 18: PROPERTY TAX (Continued)**

Tax collections for the years ended August 31, 2023 and 2022, were 91% and 89%, respectively, of the current tax levy. The allowance for uncollectible taxes are based upon the historical experience in the collection of property taxes. As of August 31, 2023 and 2022, management considers all property taxes to be collectible and no allowance has been established as of year-end. The use of tax proceeds by the College is restricted to maintenance and operations or interest and sinking expenditures. Property taxes are an imposed non-exchange revenue. Assets from non-exchange transactions are recorded when the entity has an enforceable legal claim to the asset or when the entity receives the resources, whichever comes first. The enforceable legal claim date is the assessment date. Resources received or recognized as receivable before the period for which they are levied should be reported as deferred revenues. Accordingly, the College has recognized all assessed taxes in the current year and has a recorded a receivable for uncollected taxes revenue.

**NOTE 19: TAX ABATEMENTS**

The College entered into property tax abatement agreement with Karankawa Wind, LLC (formerly known as Pacific Wind Development, LLC), a wholly-owned subsidiary of Avangrid Renewables, under the Property Redevelopment Tax Abatement Act (Chapter 312 of Texas Tax Code). The abatement was granted for the construction and operation of a wind power project. Karankawa Wind, LLC will contribute to the expansion of employment, attract major investment, benefit the property on which it is constructed, and contribute to the economic development of Bee County. The project consists of a renewable energy wind-powered electric generating facility with an estimated value of at least \$75,000,000 upon completion of the project. The operation and maintenance of this project will create at least 9 new fulltime jobs with full benefits. Salaries of Wind turbine technicians will exceed the minimum living wage requirements for Bee County.

The property tax abatement was granted for a period of 10 years, in which, 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 an abatement for years 2-9 thereafter at a rate of 60%. Under this program, the abatements are comprised of a partial exemption from ad valorem taxes of certain added value to real and personal property in a zone designated for economic development purposes pursuant to the Act by the County of Bee. Per Texas Tax Code 312.205, if Karankawa Wind, LLC fails to make the improvement as provided for by their agreement, the College is entitled to cancel the agreement and recover the property tax revenue abated under this agreement through the cancellation date. There is no abatement for debt service portion of ad valorem tax under the agreement.

**NOTE 20: COMMITMENTS AND CONTINGENCIES**

***Federal and State of Texas Assisted Programs***

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

**NOTE 21: WORKERS' COMPENSATION**

During the years ended August 31, 2023 and 2022, the College met its statutory workers' compensation obligation through participation in the Texas Public Schools Workers' Compensation Project, known as SchoolComp. The College participates through an inter-local agreement that was authorized by Sec. 504.011 of the Texas Labor Code. All members participating in SchoolComp execute Interlocal Agreements that define the responsibilities of the parties. SchoolComp through its Contractor for Program Management (Creative Risk Funding, Inc.) provides statutory workers' compensation benefits to its members injured employees.

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

**NOTE 22: RISK MANAGEMENT**

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

**NOTE 23: COASTAL BEND COLLEGE FOUNDATION AND RELATED PARTY TRANSACTIONS**

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

The Foundation remitted \$51,933 and \$60,818 to the College for scholarship awards during the years ended August 31, 2023 and 2022, respectively. The Foundation did not fund any grant programs in 2023 and 2022.

During the years ended August 31, 2023 and 2022, the College provided office space and staff assistance to the Foundation at no cost. The College's management estimates the value of the salary, benefits, and operational expense provided to the Foundation to be \$174,459 and \$66,916 for fiscal years 2023 and 2022, respectively.

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

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

For the years ended August 31,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of collective net pension liability	<b>0.0100717%</b>	0.0097873%	0.0112224%	0.0102248%	0.0097042%	0.0110125%	0.0122674%	0.0119473%	0.0134040%
College's proportionate share of collective net pension liability	<b>\$ 5,979,321</b>	\$ 2,492,481	\$ 6,010,497	\$ 5,318,180	\$ 5,341,411	\$ 2,521,208	\$ 4,635,652	\$ 4,223,212	\$ 3,580,393
State's proportionate share of net pension liability associated with College	<b>1,964,075</b>	921,714	2,540,204	2,516,326	2,533,500	1,852,551	2,436,696	2,080,573	1,877,347
<b>Total</b>	<b>7,943,396</b>	3,414,195	8,550,701	7,834,506	7,874,911	4,373,759	7,072,348	6,303,785	5,457,740
<b>College's covered payroll</b>	<b>\$ 9,994,809</b>	\$ 7,641,041	\$ 8,832,602	\$ 7,887,066	\$ 7,837,067	\$ 7,787,109	\$ 8,703,191	\$ 7,750,856	\$ 7,571,265
College's proportionate share of collective net pension liability as a percentage of covered payroll	<b>59.82%</b>	32.62%	68.05%	67.43%	68.16%	32.38%	53.26%	54.49%	47.29%
Plan fiduciary net position as percentage of the total pension liability	<b>75.62%</b>	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

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

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

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

For the years ended August 31,*	2023	2022	2021	2020	2019	2018	2017	2016	2015
Legally required contributions	\$ 582,822	\$ 470,082	\$ 414,022	\$ 357,881	\$ 371,188	\$ 360,926	\$ 360,926	\$ 389,765	\$ 353,750
Actual contributions	<b>(582,822)</b>	(470,082)	(414,022)	(357,881)	(371,188)	(360,926)	(360,926)	(389,765)	(353,750)
Contributions deficiency (excess)	-	-	-	-	-	-	-	-	-
College's covered payroll amount	<b>\$ 11,428,868</b>	\$ 8,103,653	\$ 7,641,041	\$ 7,887,066	\$ 7,887,066	\$ 7,837,067	\$ 7,787,109	\$ 8,703,191	\$ 7,750,856
Contributions as a percentage of covered payroll	<b>5.10%</b>	5.80%	5.42%	4.54%	5.03%	4.63%	4.38%	4.48%	4.56%

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

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

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

**Coastal Bend College**  
**Notes to Required Supplementary Schedules for Pensions**

**NOTE 1: CHANGES OF BENEFIT TERMS INCLUDE**

There were no changes in benefit terms for the fiscal year ended August 31, 2023.

**NOTE 2: CHANGES OF ASSUMPTIONS**

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.



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

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

For the year ended August 31,*	2023	2022	2021	2020	2019	2018
College's proportion of collective net OPEB liability	<b>0.05675011%</b>	0.05059964%	0.05469961%	0.05189990%	0.05618320%	0.06511560%
College's proportionate share of collective net OPEB liability	<b>\$ 16,166,384</b>	\$ 18,152,875	\$ 18,075,285	\$ 17,925,948	\$ 16,639,406	\$ 22,186,857
State's proportionate share of net OPEB liability associated with College	<b>8,453,061</b>	12,280,374	11,308,825	13,799,904	10,980,147	17,504,930
<b>Total</b>	<b>24,619,445</b>	30,433,249	29,384,110	31,725,852	27,619,553	39,691,787
<b>College's covered-employee payroll</b>	<b>\$ 7,908,631</b>	\$ 7,908,631	\$ 7,646,035	\$ 7,837,067	\$ 7,143,287	\$ 7,787,109
College's proportionate share of collective net OPEB liability as a percentage of covered-employee payroll	<b>204.41%</b>	229.53%	236.40%	228.73%	232.94%	284.92%
Plan fiduciary net position as percentage of the total OPEB liability	<b>0.57%</b>	0.38%	0.32%	0.17%	1.27%	2.04%

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

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

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

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

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

For the year ended August 31,*	2023	2022	2021	2020	2019	2018
Legally required contributions	\$ 1,783,782	\$ 1,816,532	\$ 1,408,754	\$ 660,000	\$ 647,628	\$ 660,000
Actual contributions	<b>(1,783,782)</b>	(1,816,532)	(1,408,754)	(660,000)	(647,628)	(660,000)
Contributions deficiency (excess)	-	-	-	-	-	-
College's covered-employee payroll amount	<b>\$ 10,324,048</b>	\$ 7,908,631	\$ 7,646,035	\$ 7,887,066	\$ 7,837,067	\$ 7,787,109
Contributions as a percentage of covered-employee payroll	<b>17.28%</b>	22.97%	18.42%	8.37%	8.26%	8.48%

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

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

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

**Coastal Bend College**  
**Notes to Required Supplementary Schedules for OPEB**

**NOTE 1: CHANGES OF BENEFIT TERMS INCLUDE**

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for fiscal year 2023, are provided for in the fiscal year 2023 Assumed Per Capita Health Benefit Costs. There were no benefit changes for HealthSelect retirees and the dependents for whom Medicare is primary.

**NOTE 2: CHANGES OF ASSUMPTIONS**

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

***Demographic Assumptions***

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future female retirees assumed to be married and electing coverage for their spouse
- Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- Percentage of Higher Education vested terminated members assumed to have terminated less than one year before the valuation date.

***Economic Assumptions***

- Assumed per capita health benefit costs, and health benefit costs and retiree contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on short-term expectations.
- Annual rate of increase in the Patient-Centered Outcomes Research Institute (PCORI) fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations.
- Assumed expenses directly related to the payment of GBP HealthSelect medical benefits have been updated to reflect recent contract revisions.
- The discount rate was changed from 2.20% to 2.14% as a result of requirements by GASB Statement 75 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/ Aa (or equivalent) or higher in effect on the measurement date.

## Coastal Bend College

### Schedule A – Schedule of Operating Revenues

Coastal Bend College  
 Schedule of Operating Revenues  
 For the year ended August 31, 2023  
 (with Memorandum Totals for the Year Ended August 31, 2022)

	Unrestricted	Restricted	Total Educational Activity	Auxiliary Enterprises	2023 Total	2022
<b>Tuition:</b>						
<b>State funded credit courses:</b>						
In-district resident tuition	\$ 3,101,756	\$ -	\$ 3,101,756	\$ -	\$ 3,101,756	\$ 3,292,073
Out-of-district resident tuition	355,688	-	355,688	-	355,688	274,301
Non-resident tuition	17,577	-	17,577	-	17,577	20,944
TPEG - Credit (set aside) *	321,833	-	321,833	-	321,833	353,577
State funded continuing education	342,299	-	342,299	-	342,299	326,268
<b>Total Tuition</b>	<b>4,139,153</b>	<b>-</b>	<b>4,139,153</b>	<b>-</b>	<b>4,139,153</b>	<b>4,267,163</b>
<b>Fees:</b>						
Out of district fee	1,862,529	-	1,862,529	-	1,862,529	1,995,318
Distance learning fee	800,891	-	800,891	-	800,891	824,622
Installment plan fees	32,920	-	32,920	-	32,920	34,750
Dual credit fees	57,511	-	57,511	-	57,511	54,736
Individual course fees	723,215	-	723,215	-	723,215	751,607
General fees	760,543	-	760,543	-	760,543	595,079
Parking fees	44,326	-	44,326	-	44,326	46,499
Registration fee	449,399	-	449,399	-	449,399	448,156
<b>Total Fees</b>	<b>4,731,334</b>	<b>-</b>	<b>4,731,334</b>	<b>-</b>	<b>4,731,334</b>	<b>4,750,767</b>
<b>Total Tuition and Fees</b>	<b>8,870,487</b>	<b>-</b>	<b>8,870,487</b>	<b>-</b>	<b>8,870,487</b>	<b>9,017,930</b>
<b>Scholarship Allowances and Discounts:</b>						
Bad debt allowance	26,158	-	26,158	-	26,158	(182,654)
Remissions and exemptions - state	(399,338)	-	(399,338)	-	(399,338)	(274,231)
Remissions and exemptions - local	(321,834)	-	(321,834)	-	(321,834)	(353,577)
Title IV federal grants	(5,604,776)	-	(5,604,776)	-	(5,604,776)	(5,594,749)
TPEG awards	(257,809)	-	(257,809)	-	(257,809)	(244,980)
Other state grants	(526,948)	-	(526,948)	-	(526,948)	(418,471)
Other local grants	(148,010)	-	(148,010)	-	(148,010)	(170,050)
<b>Total Scholarship Allowances</b>	<b>(7,232,557)</b>	<b>-</b>	<b>(7,232,557)</b>	<b>-</b>	<b>(7,232,557)</b>	<b>(7,238,712)</b>
<b>Total Net Tuition and Fees</b>	<b>1,637,930</b>	<b>-</b>	<b>1,637,930</b>	<b>-</b>	<b>1,637,930</b>	<b>1,779,218</b>
<b>Additional Operating Revenues:</b>						
Federal grants and contracts	-	4,461,435	4,461,435	-	4,461,435	8,420,398
State grants and contracts	-	1,328,235	1,328,235	-	1,328,235	1,596,666
Non-governmental grants and contracts	-	73,470	73,470	-	73,470	27,218
Sales and services of educational activities	101,102	-	101,102	-	101,102	101,437
Miscellaneous governmental receipts	-	-	-	-	-	115,410
General operating revenues	415,605	-	415,605	-	415,605	2,972,515
<b>Total Additional Operating Revenues</b>	<b>516,707</b>	<b>5,863,140</b>	<b>6,379,847</b>	<b>-</b>	<b>6,379,847</b>	<b>13,233,644</b>
<b>Auxiliary Enterprises:</b>						
Bookstore	-	-	-	34,054	34,054	30,679
Housing	-	-	-	725,290	725,290	636,940
Less discounts	-	-	-	(130,500)	(130,500)	(112,500)
Child care center	-	-	-	28,000	28,000	44,000
Facilities rental	-	-	-	169,247	169,247	149,045
Student programs	-	-	-	(14,961)	(14,961)	20,171
<b>Total Auxiliary Enterprises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>811,130</b>	<b>811,130</b>	<b>768,335</b>
<b>Total Operating Revenues</b>	<b>\$ 2,154,637</b>	<b>\$ 5,863,140</b>	<b>\$ 8,017,777</b>	<b>\$ 811,130</b>	<b>\$ 8,828,907</b>	<b>\$ 15,781,197</b>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code §56.003, \$321,833 and \$353,577 for years August 31, 2023 and 2022, respectively, of tuition was set aside for Texas Public Education Grants (TPEG)

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

Coastal Bend College  
Schedule of Operating Expenses by Object  
For the year ended August 31, 2023  
(with Memorandum Totals for the Year Ended August 31, 2022)

	Operating Expenses			2023 Total	2022 As Restated	
	Salaries and Wages	State	Local			Other Expenses
<b>Unrestricted - Educational Activities:</b>						
Instruction	\$ 5,285,445	\$ -	\$ 467,960	\$ 1,106,659	\$ 6,860,064	\$ 5,870,556
Academic support	312,257	-	26,878	139,137	<b>478,272</b>	396,472
Student services	1,006,894	-	90,924	130,523	<b>1,228,341</b>	959,658
Institutional support	2,145,934	-	1,140,036	3,316,229	<b>6,602,199</b>	6,602,062
Operation and maintenance of plant	1,039,757	-	88,856	540,924	<b>1,669,537</b>	1,615,445
<b>Total Unrestricted Educational Activities</b>	<b>9,790,287</b>	<b>-</b>	<b>1,814,654</b>	<b>5,233,472</b>	<b>16,838,413</b>	<b>15,444,193</b>
<b>Restricted - Educational Activities:</b>						
Instruction	-	(278,335)	-	286,629	<b>8,294</b>	(330,200)
Academic support	656,899	111,551	10,610	-	<b>779,060</b>	677,868
Student services	448,926	57,001	4,791	1,938,671	<b>2,449,389</b>	6,397,172
Institutional support	-	58,081	-	-	<b>58,081</b>	(50,598)
Operation of maintenance of plant	-	268,864	-	-	<b>268,864</b>	285,809
Scholarships and fellowships	-	-	-	218,690	<b>218,690</b>	402,912
<b>Total Restricted Educational Activities</b>	<b>1,105,825</b>	<b>217,162</b>	<b>15,401</b>	<b>2,443,990</b>	<b>3,782,378</b>	<b>7,382,963</b>
<b>Total Educational Activities</b>	<b>10,896,112</b>	<b>217,162</b>	<b>1,830,055</b>	<b>7,677,462</b>	<b>20,620,791</b>	<b>22,827,156</b>
Auxiliary enterprises	679,438	139,935	9,731	971,264	<b>1,800,368</b>	1,883,725
Depreciation expense - buildings and other real estate improvements	-	-	-	847,984	<b>847,984</b>	824,743
Depreciation expense - equipment, furniture and library books	-	-	-	664,535	<b>664,535</b>	677,745
<b>Total Operating Expenses</b>	<b>\$ 11,575,550</b>	<b>\$ 357,097</b>	<b>\$ 1,839,786</b>	<b>\$ 10,161,245</b>	<b>\$ 23,933,678</b>	<b>\$ 26,213,369</b>
				(Exhibit 2)	(Exhibit 2)	

**Coastal Bend College**

**Schedule C – Schedule of Non-Operating Revenues and Expenses**

Coastal Bend College  
 Schedule of Non-Operating Revenues and Expenses  
 For the year ended August 31, 2023  
 (with Memorandum Totals for the Year Ended August 31, 2022)

	Unrestricted	Restricted	<b>2023 Total</b>	2022 As restated
<b>Non-Operating Revenues:</b>				
State allocations:				
Education and general state support	\$ 7,571,851	\$ -	<b>\$ 7,571,851</b>	\$ 7,571,852
State group insurance	-	-	-	(149,030)
State retirement matching	-	(130,966)	<b>(130,966)</b>	22,137
<b>Total state allocations</b>	<b>7,571,851</b>	<b>(130,966)</b>	<b>7,440,885</b>	<b>7,444,959</b>
Ad valorem taxes				
Taxes for maintenance and operations	3,444,013	-	<b>3,444,013</b>	3,788,257
Taxes for debt service	619,743	-	<b>619,743</b>	373,603
Title IV	-	5,604,776	<b>5,604,776</b>	5,594,749
Gifts	-	284,578	<b>284,578</b>	419,327
Investment income	536,445	-	<b>536,445</b>	110,011
Other non-operating revenue	230,465	-	<b>230,465</b>	-
<b>Total non-operating revenues</b>	<b>12,402,517</b>	<b>5,758,388</b>	<b>18,160,905</b>	<b>17,730,906</b>
<b>Non-Operating Expenses:</b>				
Interest on capital related debt	-	72,806	<b>72,806</b>	97,327
Non-government funded expense	99,000	-	<b>99,000</b>	84,000
Other non-operating expense	-	248,882	<b>248,882</b>	139,455
<b>Total non-operating expenses</b>	<b>99,000</b>	<b>321,688</b>	<b>420,688</b>	<b>320,782</b>
<b>Total non-operating revenues, net</b>	<b>\$ 12,303,517</b>	<b>\$ 5,436,700</b>	<b>\$ 17,740,217</b>	<b>\$ 17,410,124</b>
			(Exhibit 2)	(Exhibit 2)

Schedule D – Schedule of Net Position by Source and Availability

Coastal Bend College  
 Schedule of Net Position by Source and Availability  
 For the year ended August 31, 2023  
 (with Memorandum Totals for the Year Ended August 31, 2022)

	Detail by Source				Available for Current Operations		
	Restricted		Non-Expendable	Capital Assets Net of Depreciation & Related Debt	Current Year Total	Yes	No
	Unrestricted	Expendable					
Current:							
Unrestricted	\$ (11,676,730)	\$ -	\$ -	\$ -	\$ (11,676,730)	\$ (11,676,730)	\$ -
Restricted for:							
Nonexpendable:							
Student aid	-	-	4,509,535	-	4,509,535	-	4,509,535
Expendable:							
Student aid	-	75,728	-	-	75,728	75,728	-
Plant:							
Debt service	-	12,646	-	-	12,646	-	12,646
Parking renovation	-	145,477	-	-	145,477	-	145,477
Investment in plant	-	-	-	9,487,201	9,487,201	-	9,487,201
Total net position, August 31, 2023	(11,676,730)	233,851	4,509,535	9,487,201	2,553,857	(11,601,002)	14,154,859
Total net position, August 31, 2022 as restated	(14,402,212)	665,390	577,656	13,077,577	(81,589)	(14,324,730)	14,243,141
Net increase in net position	\$ 2,725,482	\$ (431,539)	\$ 3,931,879	\$ (3,590,376)	\$ 2,635,446	\$ 2,723,728	\$ (88,282)

(Exhibit 2)







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**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***

The Board of Trustees  
Coastal Bend College  
Beeville, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Coastal Bend College (the "College"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated August 30, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 to be significant deficiencies.

## **Report on Compliance and Other Matters**

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

## **Coastal Bend College's Response to Findings**

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

## **Report on Texas Public Funds Investment Act**

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

## **Purpose of this Report**

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

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

Corpus Christi, Texas  
August 30, 2024



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

The Board of Trustees  
Coastal Bend College  
Beeville, Texas

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

#### ***Opinion on Each Major Federal Program***

We have audited the Coastal Bend College's (the "College") compliance with the types of compliance requirements identified as subject to audit 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, 2023. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Coastal Bend College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibility for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a material weakness.

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

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

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

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

Corpus Christi, Texas  
August 30, 2024



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TEXAS GRANT MANAGEMENT STANDARDS**

Board of Trustees  
Coastal Bend College  
Beeville, Texas

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

***Qualified and Unmodified Opinions***

We have audited Coastal Bend College's (the College) compliance with the types of compliance requirements identified as subject to audit in the State Comptroller's Office, *Texas Grant Management Standards* that could have a direct and material effect on each of the College's major state programs for the year ended August 31, 2023. The College's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinion on the Texas Educational Opportunity Grant Program***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Texas Educational Opportunity Grant Program for the year ended August 31, 2023.

***Unmodified Opinion on Each of the Other Major State Programs***

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2023.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of *Texas Grant Management Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

### *Matter Giving Rise to Qualified Opinion on the Texas Educational Opportunity Grant Program*

As described in the accompanying schedule of findings and questioned costs, Coastal Bend College did not comply with requirements regarding the Texas Educational Opportunity Grant Program as described in finding number 2023-006 for Matching.

Compliance with such requirements is necessary, in our opinion, for Coastal Bend College to comply with the requirements applicable to that program.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Coastal Bend College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Coastal Bend College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Texas Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of Coastal Bend College's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **Other Matters**

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

## **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-005 and 2023-006 to be material weaknesses.

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

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

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

*Carr, Rigg & Ingram, L.L.C.*

Corpus Christi, Texas  
August 30, 2024



COASTAL BEND COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2023

E

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through State Grantor's Number	Passed through to Subrecipients	Expenditures, Indirect Costs, And Refunds
U.S. Department of Education				
TRIO Cluster				
TRIO Upward Bound	84.047		\$ -	\$ 571,534
TRIO Educational Talent Search	84.044A		-	640,173
Total TRIO Cluster			-	1,211,707
Education Stabilization Fund				
COVID-19: HEERF - Institutional Portion	84.425F		-	1,850,256
COVID-19: HEERF - Strengthening Institutions	84.425M		-	254,707
Passed-Through From Texas Education Agency				
COVID-19: GEER	84.425C	20-GE-84425C	-	366,417
Total Education Stabilization Fund			-	2,471,380
Student Financial Assistance Cluster				
Supplemental educational opportunity grants	84.007		-	122,947
Work-study program	84.033		-	99,257
Pell grant program	84.063		-	5,481,829
Direct student loans	84.268	P268K22261	-	1,919,393
Total student financial assistance cluster			-	7,623,426
<i>Passed- through the</i>				
Texas Higher Education Coordinating Board				
Career and Technical Education - Basic Grants to States	84.048A	2442020271	-	515,509
Total Texas Higher Education Coordinating Board			-	515,509
Total U.S. Department of Education			-	11,822,022
U.S. Department of Treasury				
Passed-Through From Texas Higher Education Coordinating Board:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2021-C5-21027	-	529,999
Total U.S. Department of Treasury			-	529,999
Total Expenditures of Federal Awards			\$ -	\$ 12,352,021

**Coastal Bend College**  
**Notes to Schedule of Expenditures of Federal Awards**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE**

The schedule of expenditures of Federal awards presents the activity of Federal financial assistance programs of the College for the year ended August 31, 2023. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the College for the purposes of the award and may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules.

Expenditures presented on the schedule of expenditures of Federal awards are recognized following the cost principles as found in the Uniform Guidance. The College has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. The College did not receive any federal noncash assistance for the year ended August 31, 2023.

**NOTE 2: FEDERAL ASSISTANCE RECONCILIATION**

The information in this schedule of expenditures of Federal awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the College's financial statements. See reconciliation below:

Additional Operating Revenues - Federal grants and Contracts per Schedule A	\$ 4,461,435
Add: Non-Operating Revenues - Title IV per Schedule C	5,604,776
Total Federal Revenues per Schedule A and Schedule C	<u>\$ 10,066,211</u>
Reconciling Items:	
Add: Direct Student Loans	\$ 1,919,393
Add: GEER	366,417
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 12,352,021</u>

**NOTE 3: RELATIONSHIP TO FEDERAL REPORTS**

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

**NOTE 4: EXPENDITURES NOT SUBJECT TO FEDERAL SINGLE AUDIT**

None.

**NOTE 5: STUDENT LOANS PROCESSED AND ADMINISTRATIVE COSTS RECOVERED**

None.

**Coastal Bend College**  
**Notes to Schedule of Expenditures of Federal Awards**

**NOTE 6: NON-MONETARY FEDERAL ASSISTANCE**

None.

**NOTE 7: AMOUNTS PASSED THROUGH BY THE COLLEGE**

None.

**Coastal Bend College**  
**Schedule F – Schedule of Expenditures of State Awards**  
**For the Year Ended August 31, 2023**

State Grantor/Pass-Through Grantor - Program Title	Contract Number	Expenditures
Texas Higher Education Coordinating Board		
College Work-Study Program	9920050M	\$ 10,437
Texas Educational Opportunity Grant Program	24967	301,026
Nursing Shortage Reduction Program	17752	<u>342,308</u>
Total Texas Higher Education Coordinating Board		<u>653,771</u>
Texas Workforce Commission		
Jobs and Education for Texans	2222JET001	<u>308,047</u>
Total Texas Workforce Commission		<u>308,047</u>
Total State Financial Assistance		<u>\$ 961,818</u>

See Independent Auditor's Report and Accompanying Notes to the Schedule of Expenditures of State Awards.

**Coastal Bend College**  
**Notes to Schedule of Expenditures of State Awards**

**NOTE 1: 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.

**NOTE 2: STATE ASSISTANCE RECONCILIATION**

State Revenues per Schedule A	\$ 1,328,235
Reconciling Items:	
Less: GEER	<u>(366,417)</u>
Total State Revenues per Schedule of Expenditures of State	<u><u>\$ 961,818</u></u>

**Coastal Bend College**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended August 31, 2023**

**SECTION I: SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

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

***Federal Awards***

- |  |               |
|--|---------------|
| 1. Internal control over major programs:   |               |
| a. Material weakness(es) identified?   | Yes           |
| b. Significant deficiencies identified not considered to be material weaknesses?                           | None reported |
| 2. Type of auditor's report issued on compliance for major programs  | Unmodified    |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)? | Yes           |
| 4. Identification of major federal programs:   |               |

Assistance Listing

Number

Federal Program

84.007  
84.033  
84.063  
84.268

**Student Financial Aid Cluster**

Supplemental Education Opportunity Costs  
Work-Study Program  
Pell Grant Program  
Direct Student Loans

84.425F  
84.425M  
84.425C

**HEERF**

HEERF Institutional Portion  
HEERF Strengthening Institutions  
GEER

**Coastal Bend College**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended August 31, 2023**

- 5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
- 6. Auditee qualified as low-risk auditee under 2CRF 200.520? No

**State Awards**

- 1. Internal control over major programs:
  - a. Material weakness(es) identified? Yes
  - b. Significant deficiencies identified not considered to be material weaknesses?  
None reported
- 2. Type of auditor’s report issued on compliance for major programs: Qualified/Unmodified
- 3. Any audit findings disclosed that are required to be reported in accordance with *Texas Grant Management Standards* (TxGMS)? Yes

- 4. Identification of major state programs:

Name of state program or cluster  
 Texas Educational Opportunity Grant  
 Jobs and Education for Texans

- 5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
- 6. Auditee qualified as low-risk auditee under *Texas Grant Management Standards* (TxGMS)? No

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

**SECTION II: FINANCIAL STATEMENT FINDINGS**

**2023-001 – Accounts Receivable, Deferred Revenue, Revenue and Expense related to Federal and State Grants**

**Type of Finding: Material Weakness**

*Criteria:* Management is responsible for monitoring and ensuring that internal control processes related to grant awards are operating effectively to ensure that all related entries are appropriately recorded within the general ledger and all related accounts are reconciled at year end.

*Condition:* Management did not properly monitor nor reconcile receivables, deferred revenue, revenue and expense accounts related to the following federal and state grants: TRUE grant that expired on 9/30/2022, TRIO-ETS Beeville, TRIO-ETS Alice, NSRP 2019, NSRP 2021, Perkins Basic, Perkins Special Population, TRUE Reskilling, JET, donated scholarships. This led to multiple significant adjustments to grant receivables, deferred revenue, revenue and expense accounts. Additionally, grant expenditures for NSRP 2019 were recorded in excess of the total grant award.

*Cause:* The College does not have adequate policies and procedures implemented and operating effectively in relation to federal and state awards and therefore accurate records are not maintained and the related accounts receivable, deferred revenue, revenue and expenses are not appropriately reflected on the financials.

*Effect:* Accounts receivable and deferred revenue per the statement of financial position and revenues and expenses per the statement of activities was materially misstated resulting in multiple significant adjustments and in one instance, expenditures related to a state grant being recorded in excess of the amount award.

*Recommendation:* We suggest that management implement, abide by, and enforce policies and procedures related to the review and approval of processing grant drawdowns, processing grant expenditures, and recording and reconciling the related transactions within the general ledger. Additionally, the employees involved in these processes should have an understanding of these processes and the related internal controls. Overall, there needs to be procedures implemented and adhered to in order to ensure internal controls are effective and compliance with Federal and State funding is adhered to and the College is allocating resources in the most efficient manner.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees that the process for grants must be updated with more internal controls with checks and balances. The College has hired an internal control recently to assist the College with the process. Management will also ensure that the appropriate grant managers, project managers, and business office personnel are appropriately trained. The College must ensure professional development and opportunities for training are realized for the appropriate parties. Additionally, this will be a consideration yearly to ensure staff stays apprised of best practices and are fully trained to meet that responsibility. The College will pursue the necessary steps to appropriately train personnel immediately.

*Responsible Party:* Dr. Justin Hoggard, Board President and CFO

*Expected Completion:* December 31, 2024

*Anticipated Completion:* December 31, 2024



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

**2023-002 – Multiple Significant Adjustments (repeat finding 2021-002; 2022-003)**

**Type of Finding: Significant Deficiency**

*Criteria:* The College's accounting and financial reporting process should involve procedures so as to incorporate all aspects of the College's finances and reflect all activity of the College's financial activity and in accordance with accounting standards generally accepted in the United States of America applicable to state and local governments (GAAP). To ensure this process involves the appropriate procedures, management should have familiarity in the application of conceptual accounting principles.

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

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

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

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

*Views of Responsible Officials and Planned Corrective Actions:* The College has continued to have turnover, however, this year the President took to the board an MOU for contracting with a firm in Houston to bring an interim CFO who has an accounting background. Additionally, the College has also restructured and ran new job descriptions for those staff in the business office. Moreover, the College will change the requirements for the position of CFO to ensure the person hired has appropriate credentialing to understand the day-to-day operations and how they should be processed in terms of an audit. Additionally, the College has also restructured and ran new job descriptions for those staff in the business office to understand their responsibilities and how they relate to the auditing process.

*Responsible Party:* Dr. Justin Hoggard, Board President and Dixie Lytle, Director of Human Resources

*Expected Completion:* December 31, 2024

*Anticipated Completion:* December 31, 2024

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

**2023-003 –Account Reconciliations not performed (repeat finding 2021-007, 2021-008, 2021-005, 2021-003, and 2022-004)**

**Type of Finding: Significant Deficiency**

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

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

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

*Effect:* Account balances throughout all areas of the financial statements were materially misstated significantly compromising the reliability of financial information. Net assets did not appropriately roll forward from the previous audited financial statements.

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

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees with the assessment provided. This will require someone who understands the accounting functions and they perform accordingly. The College is currently working with a recruiting firm to find a suitable candidate for the CFO position.

*Responsible Party:* Dr. Justin Hoggard, Board President and CFO

*Expected Completion:* December 31, 2024

*Anticipated Completion:* December 31, 2024

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

**SECTION III: FEDERAL AND STATE AWARD FINDINGS**

**2023-004 - Internal controls over compliance - CARES Institutional (HEERF) Federal Awards**

**Type of Finding: Material Weakness**

*Assistance Listing Number:* 84.425F

*Program Name:* COVID-19 Education Stabilization Fund: HEERF – Institutional Portion

*Pass Through Identifying Number:* N/A

*Award Year:* 2022-2023

*Federal Agency:* U.S. Department of Education

*Criteria:* Non-federal entities are required to establish and maintain effective internal controls over compliance in accordance with 2 CFR 200.303(a). Management should ensure that internal controls related to federal and state awards are appropriately designed and operating effectively in order to comply with 2 CFR 200.305 which requires non-Federal entities to minimize the time elapsing between drawdowns of Federal funds and disbursement of Federal funds.

*Condition:* The College did not ensure that internal controls were appropriately designed and operating in regards to HEERF drawdowns which resulted in the incorrect classification of two different awards within G-5, an overdraw of funds in the amount of \$1.9M and the incorrect recording of associated grant revenues.

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

*Effect:* Journal entries for drawdown of HEERF funds were not approved within Colleague, drawdown requests were not reviewed and approved prior to submitting within G5 reporting system. Additionally, bank reconciliations were not reviewed by the CFO/VP of Finance and Business Operations in order to reconcile payments received from the DOE to grant accounts. It was determined that controls in place were not operating effectively during the fiscal year.

*Questioned costs:* N/A

*Recommendation:* Management must review the roles and responsibilities of accounting personnel and ensure they have the necessary background and training to properly execute required accounting functions and adhere to necessary internal control functions. Management should review the controls in place and assess that such controls are designed appropriately given the positions in roles within the accounting department.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees with the findings and, as discussed, the College is currently searching for a candidate to fulfill the CFO position with the appropriate level of training. The College does intend to interview accounting professionals from the community to determine if appropriate levels are present.

*Responsible Party:* Dr. Justin Hoggard, Board President and Dixie Lytle, Director of Human Resources

*Expected Completion:* December 31, 2024

*Anticipated Completion:* December 31, 2024

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

**2023-005 - Internal controls over compliance – Texas Educational Opportunity Grant (TEOG) State Awards**

**Type of Finding: Material Weakness**

*Contract Number:* 24967

*Program Name:* Texas Educational Opportunity Grant

*Pass Through Identifying Number:* N/A

*Award Year:* 2022-2023

*State Agency:* Texas Higher Education Coordinating Board

*Criteria:* The Standards for Financial and Program Management of the Texas Grant Management Standards require local governments establish and maintain effective internal control over the state award that provides reasonable assurance that the local government is managing the state award in compliance with statutes, rules, and the terms and conditions of the state award. Overall, internal controls should be established to evaluate and monitor compliance with Texas Administrative Code, Title 19, Chapter 22, Subchapter M for the TEOG program.

*Condition:* No internal controls were identified in regards to the applicable compliance requirements for the Texas Educational Opportunity Grant. Only one staff member oversees the review and reporting process and there is no secondary review or approval of the work prepared by and submitted to the state by this staff member. Additionally, no reconciliations to accounting records are performed.

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

*Effect:* Student count submissions to the state were incorrectly submitted for the Fall 2022 reporting period which was corrected in the Spring 2023 reporting period.

*Questioned costs:* N/A

*Recommendation:* Management must review the roles and responsibilities of accounting personnel and ensure they have the necessary background and training to properly execute required accounting functions and adhere to necessary internal control functions. Management should review the controls in place and assess that such controls are designed appropriately given the positions in roles within the accounting department.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees and has already made some adjustments. The Director of Financial Aid now reports to the Dean of Strategic Enrollment, who reports to VP of Student Success. Discussion is occurring to create new practices and processes that ensure the College has a redundancy of reviews for accuracy.

*Responsible Party:* Dr. Justin Hoggard, Board President; David Byrd, VP of Student Success and Engagement; Steven Estrada, Dean of Enrollment; Nora Morales, Director of Financial Aid

*Expected Completion:* December 31, 2024

*Anticipated Completion:* December 31, 2024

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

**Finding 2023-006: Material Non-Compliance and Material Weakness in Internal Control over Compliance with Matching Requirements Texas Educational Opportunity Grant (TEOG)**

*Contract Number:* 24967

*Program Name:* Texas Educational Opportunity Grant

*Pass Through Identifying Number:* N/A

*Award Year:* 2022-2023

*State Agency:* Texas Higher Education Coordinating Board

*Criteria:* The Standards for Financial and Program Management of the Texas Grant Management Standards require local governments establish and maintain effective internal control over the state award that provides reasonable assurance that the local government is managing the state award in compliance with statutes, rules, and the terms and conditions of the state award. Additionally, the Texas Administrative Code, Title 19, Section 22.261 requires institutions to cover the cost of tuition and required fees that exceed the TEOG award amount using other non-loan funds from federal, state, institutional, or outside sources, excluding Pell grants.

*Condition:* The College used Pell grants to cover the excess of tuition and required fees over the TEOG award amount, which was not in compliance with Texas Higher Education Coordinating Board (THECB) guidelines and the Texas Education Code.

*Cause:* The College is eligible for Title III funds from the U.S. Department of Education, as such, the College is exempt from the Texas College Work-Study and Work-Study Student Mentorship Program matching requirements as these programs fall under Title III funding. The College interpreted this as meaning that the College was exempt from matching requirements for all THECB grant funding. However, there are no waivers for the TEOG matching requirements.

*Effect:* The College must apply institutional, federal, state, or other funds to students affected, not loans or Pell grants, in order to comply with program guidelines.

*Questioned costs:* N/A

*Perspective Information:* A sample of 40 award disbursements was selected for audit from a population of 116 award disbursements. The test found 21 instances in which the College did not apply matching funds as required by program guidelines. This was not a statistically valid sample.

*Recommendations:* CRI recommends the College determine the population of impacted students and apply matching funds in accordance with program guidelines. It is further recommended that the College update all internal reports and rules within its financial aid information system in order to ensure all students receive the amount of financial aid they are eligible for under the TEOG program.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees that the process for grants must be updated with more internal controls with checks and balances. The College has recently hired a 3<sup>rd</sup> party to assist with the design and implementation of internal control processes. Management will also ensure that the appropriate grant managers, project managers, and business office personnel are appropriately trained. The College must ensure professional development and opportunities for training are realized for the appropriate parties.

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

*Responsible Party:* Dr. Justin Hoggard, Board President and CFO

*Expected Completion:* December 31, 2024

*Anticipated Completion:* December 31, 2024

**SECTION IV: SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

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

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

*Current Status:* Finding resolved in current year.

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

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

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

*Current Status:* Finding resolved in current year.

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

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

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

*Current Status:* Repeated in current year as finding (2023-002).

## Coastal Bend College

### Schedule of Findings and Questioned Costs (Continued)

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

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

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

*Current Status:* Repeated in current year as finding (2023-004).

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



# Coastal Bend COLLEGE

## CORRECTIVE ACTION PLAN For the Fiscal Year Ended 8/31/2023

### SECTION II – Financial Statements Findings

#### Finding: 2023-001

Name of contact person: Dr. Justin Hoggard, Board President and CFO

Corrective Action: Management agrees that the process for grants must be updated with more internal controls with checks and balances. The College has hired an internal control recently to assist the College with the process. Management will also ensure that the appropriate grant managers, project managers, and business office personnel are appropriately trained. The College must ensure professional development and opportunities for training are realized for the appropriate parties. Additionally, this will be a consideration yearly to ensure staff stays apprised of best practices and are fully trained to meet that responsibility. The College will pursue the necessary steps to appropriately train personnel immediately.

Proposed Completion Date: December 31, 2024

Anticipated Completion: December 31, 2024

#### Finding: 2023-002

Name of contact person: Dr. Justin Hoggard, Board President and Dixie Lytle, Director of Human Resources

Corrective Action: The College has continued to have turnover, however, this year the President took to the board an MOU for contracting with a firm in Houston to bring an interim CFO who has an accounting background. Additionally, the College has also restructured and ran new job descriptions for those staff in the business office. Moreover, the College will change the requirements for the position of CFO to ensure the person hired has appropriate credentialing to understand the day-to-day operations and how they should be processed in terms of an audit. Additionally, the College has also restructured and ran new job descriptions for those staff in the business office to understand their responsibilities and how they relate to the auditing process.

Proposed Completion Date: December 31, 2024

Anticipated Completion: December 31, 2024

#### Finding: 2023-003

Name of contact person: Dr. Justin Hoggard, Board President and CFO

Corrective Action: Management agrees with the assessment provided. This will require someone who understands the accounting functions and they perform accordingly. The College is currently working with a recruiting firm to find a suitable candidate for the CFO position.

Proposed Completion Date: December 31, 2024

Anticipated Completion: December 31, 2024





# Coastal Bend COLLEGE

## CORRECTIVE ACTION PLAN For the Fiscal Year Ended 8/31/2023

### SECTION III – Federal and State Award Findings

#### **Finding: 2023-004**

Name of contact person: Dr. Justin Hoggard, Board President and Dixie Lytle, Director of Human Resources

Corrective Action: Management agrees with the findings and, as discussed, the College is currently searching for a candidate to fulfill the CFO position with the appropriate level of training. The College does intend to interview accounting professionals from the community to determine if appropriate levels are present.

Proposed Completion Date: December 31, 2024

Anticipated Completion: December 31, 2024

#### **Finding: 2023-005**

Name of contact person: Dr. Justin Hoggard, Board President; David Byrd, VP of Student Success and Engagement; Steven Estrada, Dean of Enrollment; Nora Morales, Director of Financial Aid

Corrective Action: Management agrees and has already made some adjustments. The Director of Financial Aid now reports to the Dean of Strategic Enrollment, who reports to VP of Student Success. Discussion is occurring to create new practices and processes that ensure the College has a redundancy of reviews for accuracy.

Proposed Completion Date: December 31, 2024

Anticipated Completion: December 31, 2024

#### **Finding: 2023-006**

Name of contact person: Dr. Justin Hoggard, Board President and CFO

Corrective Action: Management agrees that the process for grants must be updated with more internal controls with checks and balances. The College has recently hired a 3rd party to assist with the design and implementation of internal control processes. Management will also ensure that the appropriate grant managers, project managers, and business office personnel are appropriately trained. The College must ensure professional development and opportunities for training are realized for the appropriate parties.

Proposed Completion Date: December 31, 2024

Anticipated Completion: December 31, 2024