

Financial Statements and
Independent Auditor's Report

Howard County Junior College District

August 31, 2023 and 2022

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Howard County Junior College District
 ORGANIZATIONAL DATA
 For the Fiscal Year 2023

Board of Trustees

<u>Officers</u>	<u>Board Title</u>	
Dr. John E. Freeman	Chairman	
Mr. Maxwell Barr	Vice Chairman	
Mr. Adrian Calvio	Secretary	
<u>Members</u>	<u>Address</u>	<u>Term Expires</u>
Dr. John E. Freeman	Big Spring, Texas	May 2026
Mr. Maxwell Barr	Coahoma, Texas	May 2024
Mr. Adrian Calvio	Big Spring, Texas	May 2024
Dr. Marisha Beck	Big Spring, Texas	May 2026
Mr. Raul Marquez	Big Spring, Texas	May 2028
Mr. Mark Morgan	Big Spring, Texas	May 2028
Mr. Ben Zeichick	Big Spring, Texas	May 2026

Principal Administrative Officers and the Business and Financial Staff

<u>Key Officers</u>	<u>Title</u>
Dr. Cheryl T. Sparks	President
Dr. Amy Burchett	Executive Vice President
Ms. Brenda Claxton	Chief Fiscal Officer/Controller
Mr. Eric Hansen	Chief Technology Systems/Data Security Officer
Ms. Rhonda Kernick	Chief Human Resources Officer
Ms. Brenda Madore	Chief of Staff/Institutional Advancement Officer
Mr. Fabian Serrano	Chief Operations and Safety/Security Officer
Mr. Steve Smith	Chief Business Officer/Internal Auditor
Mr. Bryan Stokes	Chief Institutional Effectiveness Officer
Ms. Pam Callan	Provost, San Angelo
Mr. Jeff Anderson	Interim Provost, SWCD
Ms. Monica Castro	Executive Dean, Lamesa



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Howard County Junior College District
Big Spring, Texas

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Howard County Junior College District (the District), as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District'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 business-type activities and the aggregate discretely presented component units of the District, as of August 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 District, and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

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 District'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 District'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 District'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 16, the schedule of employer's proportionate share of net pension liability on page 58, the schedule of District contributions for pensions on page 60, the schedule of employer's proportionate share of net OPEB liability on page 64, and the schedule of District contributions for OPEB on page 66 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules A through D as required by the Texas Higher Education Coordinating Board's *Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*, the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of State of Texas awards as required by the State of 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 auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules A through D, schedule of expenditures of federal awards, and the schedule of expenditures of the State of Texas awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 District'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 District's internal control over financial reporting and compliance.

Logan, Thomas + Johnson, LLC

Castle Rock, Colorado
February 28, 2024

Howard County Junior College District
Management's Discussion and Analysis
August 31, 2023 and 2022

As management of the Howard County Junior College District, we offer this narrative overview and analysis of the college district's financial activities for the fiscal years ended August 31, 2023 and 2022. Since this management's discussion and analysis focuses on current activities, resulting changes, and currently known facts, we encourage readers to consider it in conjunction with the college district's financial statements and related notes.

Financial Highlights

FYE 2023

The college district's net position was \$42.0 million and 38.0 million as of August 31, 2023 and 2022, respectively. This represents an increase of \$4.0 million and an increase of \$4.4 million in 2023 and 2022, respectively.

The unrestricted net position are the funds available for spending at the college district's discretion. The unrestricted net position was negative \$4.8 million and negative \$5.2 million as of August 31, 2023 and 2022, respectively. The college district is required to report its share of pension plan and other post-employment benefits plan (OPEB) liabilities in its statements of net position. These plans are state-wide benefit plans. Those liabilities were \$26.1 million and \$28.2 million as of August 31, 2023 and 2022, respectively. The college district's unrestricted net position, excluding the benefit plan liabilities, would have been \$21.2 million and \$23.0 million as of August 31, 2023 and 2022, respectively, representing a decrease of \$1.8 million from FY 2022.

FYE 2022

The college district's net position was \$38.0 million and \$33.6 million as of August 31, 2022 and 2021, respectively. This represents an increase of \$4.4 million and an increase of \$4.2 million in 2022 and 2021, respectively. The college district implemented GASB Statement No. 87, *Leases* (GASB 87) resulting in a restatement of the beginning 2022 net position by reducing Invested in Capital Assets, net of related debt by \$89 thousand.

The unrestricted net position are the funds available for spending at the college district's discretion. The unrestricted net position was negative \$5.2 million and negative \$6.3 million as of August 31, 2022 and 2021, respectively. The college district is required to report its share of pension plan and other post-employment benefits plan (OPEB) liabilities in its statements of net position. These plans are state-wide benefit plans. Those liabilities were \$28.2 million and \$29.7 million as of August 31, 2022 and 2021, respectively. The college district's unrestricted net position, excluding the benefit plan liabilities, would have been \$23.0 million and \$23.4 million as of August 31, 2022 and 2021, respectively, representing a decrease of \$376 thousand from FY 2021.

Brief Overview of the Financial Statements

This annual financial report consists of five components: Management's Discussion and Analysis, the basic financial statements (Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows), the notes to the financial statements, required supplementary information, and other supplementary information.

The Statements of Net Position present the current and long-term assets, deferred inflows and outflows of resources, and liabilities separately with the difference in total assets plus deferred outflows of resources

and total liabilities plus deferred inflows of resources reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the college district is improving or deteriorating. However, one may need to consider other non-financial factors to assess the overall health of the college district.

The Statements of Revenues, Expenses, and Changes in Net Position present the change in the college district's net position as a result of the fiscal year's operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transaction occurs. Thus, revenues and expenses may be reported for items that may not affect cash until future fiscal periods.

The Statements of Cash Flows present the operating cash inflows and outflows resulting in net cash flows from operations. These statements are prepared using the direct method as prescribed by the Governmental Accounting Standards Board (GASB) Statement 34.

The college district is reported as a special-purpose government engaged in business-type activities using the full accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they have been reduced to a legal or contractual obligation to pay.

The Notes to the Financial Statements provide additional information that is essential for a better understanding of the data provided in the financial statements.

Other Supplementary Information is provided in addition to the basic financial statements and accompanying notes.

The Howard College Foundation, the SWCID Foundation, and the Howard College at San Angelo Foundation (the Foundations) were organized to function as non-profit foundations and their sole purpose is to provide benefits such as scholarships and grants to the students, faculty and staff of the District. The Foundations are legally separate entities which utilize District financial resources for its operations. The District does not appoint any of the Foundations' board members nor does it fund or is it obligated to pay debt related to the Foundations. Accordingly, the Foundations' financial statements are included in the District's financial statements as discretely presented component units. Since the financial statements of the Foundations are presented in a different format than those of the District, the Foundations' financial statements are presented on separate pages from the District's financial statements.

Financial Analysis

Net Position

FYE 2023

The schedule below was prepared from the Statements of Net Position. Total net position, which is the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, at August 31, 2023 and 2022, was \$42.0 million and \$38.0 million, respectively. This represents an overall increase of 10.46% from the prior fiscal year. Refer to the Revenues, Expenses and Changes in Net Position, Cash Flows, Capital Assets, and Debt Retirement sections for further details.

FYE 2022

The schedule below was prepared from the Statements of Net Position. Total net position, which is the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, at August 31, 2022 and 2021, was \$38.0 million and \$33.6 million, respectively. This represents an overall increase of 13.24% from the prior fiscal year. Refer to the Revenues, Expenses and Changes in Net Position, Cash Flows, Capital Assets, and Debt Retirement for further details.

STATEMENTS OF NET POSITION

ASSETS	2023	2022	2021 (as restated)
Total current assets	\$ 36,814,369	\$ 35,464,226	\$ 33,711,824
Total capital assets, net	57,198,659	55,521,638	55,011,347
Total Assets	<u>94,013,028</u>	<u>90,985,864</u>	<u>88,723,171</u>
Total Deferred Outflows of Resources	<u>4,934,648</u>	<u>5,825,958</u>	<u>7,240,400</u>
LIABILITIES			
Total current liabilities	9,300,362	7,980,819	7,745,565
Total noncurrent liabilities	39,102,903	43,231,601	46,815,455
Total Liabilities	<u>48,403,265</u>	<u>51,212,420</u>	<u>54,561,020</u>
Total Deferred Inflows of Resources	<u>8,567,497</u>	<u>7,598,399</u>	<u>7,845,351</u>
NET POSITION			
Invested in capital assets, net of related debt	42,171,103	38,389,380	35,827,424
Restricted			
Nonexpendable	104,974	104,974	104,974
Expendable	4,526,492	4,678,603	3,920,864
Unrestricted	<u>(4,825,655)</u>	<u>(5,171,954)</u>	<u>(6,296,062)</u>
TOTAL NET POSITION	<u>\$ 41,976,914</u>	<u>\$ 38,001,003</u>	<u>\$ 33,557,200</u>

Revenues, Expenses, and Changes in Net Position

FYE 2023

The change in net position is the result of operating and non-operating activities during the fiscal year. As noted, the college's total net position increased \$4.0 million (10.46%) for the fiscal year ended August 31, 2023.

The two primary sources of operating revenues are tuition and fees and various grants and contracts. The total operating revenues decreased \$2 million (16.57%) overall from the prior fiscal year. The largest decrease was in federal grants and contracts for \$1.6 million (31.81%) primarily from the reduction in Higher Education Emergency Relief Funds (HEERF) due to the slowdown of expenditures related to the COVID-19 pandemic and the completion of the HEERF student emergency aid funds in FY 21/22.

Operating expenses increased \$1.2 million (3.10%) overall from the prior fiscal year. The largest expenditure increases included a \$1.5 million increase in salaries and a \$255 thousand increase in associated benefits, excluding Net Pension Liability and Other Post Employment Benefits expenses. Of the \$1.5 million in salaries and \$255 thousand in benefits, \$1.1 million and \$131 thousand in salaries and benefits, respectively, were due to the restructuring of the faculty salary schedule to begin addressing the low faculty pay to meet regional and state salary averages. Additional contributing expenses included a new TRIO Upward Bound grant for \$193 thousand, the purchase of a tele-health service for students with HEERF grant funds for \$227 thousand, and a \$258 thousand increase in the ever-growing information technology requirements and needs. These increases were offset by the decrease in HEERF student emergency aid for the college awarded all remaining funds in FY 21/22 as mentioned above.

As is customary practice, the district continues to be very dedicated to conservative spending habits and controlling expenditures in all areas.

The primary sources of non-operating revenues are state appropriations, property taxes, and Title IV federal grants for students which includes Pell, SEOG, and work study funds. Net non-operating revenues increased \$1.4 million (4.48%) primarily due to a \$979 thousand increase (7.63%) in property taxes for

operations and maintenance and a \$252 thousand increase (20.23%) in property taxes for debt service. In addition, the college earned over four times more in interest income from FY 21/22 to FY 22/23 for an increase of \$475 thousand and received an additional \$142 thousand in childcare relief funds during FY 22/23 for the college operated day care. These increases were offset by a \$176 thousand reduction in oil/gas development income and the \$423 thousand in insurance proceeds that were received in FY 21/22 for a storm in April 2022 as noted below in FYE 2022.

FYE 2022

The change in net position is the result of operating and non-operating activities during the fiscal year. As noted, the college's total net position increased \$4.4 million (13.24%) for the fiscal year ended August 31, 2022.

The two primary sources of operating revenues are tuition and fees and various grants and contracts. The total operating revenues decreased \$847 thousand (6.70%) overall from the prior fiscal year. The largest decrease was in federal grants and contracts for \$1.1 million (17.33%) primarily from the reduction in Higher Education Emergency Relief Funds (HEERF) due to the slowdown of expenditures related to the COVID-19 pandemic. The college also experienced a \$590 thousand decrease in other operating revenue mainly due to a \$527 thousand reduction in reimbursement for instructional programs from a local private prison that closed December 1, 2021 which the college had a contract with. These decreases were offset some by a \$732 thousand increase in private grants and gifts primarily for training initiatives at the San Angelo site and renovation projects at the Big Spring site.

Operating expenses decreased \$826 thousand (2.15%) overall from the prior fiscal year. The largest expenditure decreases included an \$512 thousand reduction in COVID-19 pandemic related expenses, and a \$527 thousand reduction payroll and benefits for the local private prison that closed as mentioned above. Also, as a result of GASB Statement 68, *Accounting and Financial Reporting for Pension*, the college experienced a \$744 thousand decrease in TRS pension expense and a \$409 thousand decrease in State TRS matching expense. These decreases were offset by a \$611 thousand increase in property and plant insurance, \$486 thousand in repairs from a storm in April 2022, some of which was reimbursed from insurance funds for approximately \$423 thousand, and various deferred maintenance projects.

As is customary practice, the district continues to be very dedicated to conservative spending habits and controlling expenditures in all areas.

The primary sources of non-operating revenues are state appropriations, property taxes, and Title IV federal grants for students which includes Pell, SEOG, and work study funds. Net non-operating revenues increased \$306 thousand (1.03%) primarily due to a \$1.1 million increase (9.46%) in property taxes for operations and maintenance which was offset by a \$490 thousand (28.27%) decrease in property taxes for debt service. As noted above the college, received \$423 thousand in insurance proceeds for a storm in April 2022 all of which were used for associated repairs. The college also recognized a reduction in the loss on disposal of fixed assets of \$314 thousand. These increases were offset by a \$669 thousand (6.57%) decrease in state basic aid appropriation funds and a \$443 thousand (24.17%) decrease in state funds for healthcare and retirement benefits.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2023	2022	2021 (as restated)
REVENUES			
Operating revenues			
Tuition & fees (net of discounts)	\$ 3,928,229	\$ 3,880,166	\$ 3,808,803
Federal grants and contracts	3,452,526	5,062,990	6,124,630
State grants and contracts	557,069	398,510	407,409
Local grants and contracts	8,375	15,290	17,762

Nongovernmental grants and contracts	1,247,695	1,716,540	984,727
Sales and services of educational activities	435,571	379,753	380,608
Auxiliary enterprises (net of discounts)	171,220	182,058	168,766
Other operating revenues	38,373	157,944	747,961
Total operating revenues	<u>9,839,058</u>	<u>11,793,251</u>	<u>12,640,666</u>
EXPENSES			
Operating expenses			
Instruction	10,479,554	9,087,890	9,542,921
Public service	798,098	908,825	1,439,936
Academic support	1,868,685	1,830,105	1,942,821
Student services	3,907,861	3,286,755	3,061,594
Institutional support	8,918,778	8,072,778	9,451,030
Operation and maintenance of plant	4,824,014	5,199,177	3,886,971
Scholarships and fellowships	2,226,118	3,976,572	3,920,747
Auxiliary enterprises	3,058,123	2,708,060	2,637,759
Depreciation	2,634,735	2,481,736	2,494,351
Total operating expenses	<u>38,715,966</u>	<u>37,551,898</u>	<u>38,378,130</u>
Operating loss	(28,876,908)	(25,758,647)	(25,737,464)
NON-OPERATING REVENUES (EXPENSES)			
State appropriations	10,998,505	10,993,110	12,077,327
Property taxes for operations	13,805,563	12,826,456	11,717,614
Property taxes for debt service	1,494,962	1,243,443	1,733,596
Payments in lieu of taxes	100,200	100,200	100,200
Federal revenue, non-operating	4,380,665	4,394,801	4,478,124
Investment income (net of investment expenses)	579,181	104,505	57,471
Interest on capital related debt	(515,554)	(608,757)	(673,371)
Gain (loss) on disposal of fixed assets	(46,959)	(86,097)	(399,720)
Other non-operating revenues	681,026	1,159,542	730,088
	<u>31,477,589</u>	<u>30,127,203</u>	<u>29,821,329</u>
Income (loss) before other revenue	<u>2,600,681</u>	<u>4,368,556</u>	<u>4,083,865</u>
Other revenue			
Capital contributions	1,375,230	75,247	83,086
Increase (decrease) in net position	<u>3,975,911</u>	<u>4,443,803</u>	<u>4,166,951</u>
Net Position – beginning of year	<u>38,001,003</u>	<u>33,557,200</u>	<u>29,390,249</u>
Net Position – end of year	<u>\$ 41,976,914</u>	<u>\$ 38,001,003</u>	<u>\$ 33,557,200</u>

Cash Flows

FYE 2023

In addition to the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, presented below, are another way to assess the financial health of the college. Its primary purpose is to provide relevant information about the cash receipts and cash payments by the college district during the fiscal year. There was an increase in cash and cash equivalents of \$1.5 million (5.02%) for the year ended August 31, 2023. One of the main reasons for the increase in cash during FY 2023 was the \$1.9 million in Higher Education Emergency Relief Funds (HEERF) drawn down from the Department of Education in FY 2023 for expenditures incurred and lost revenue claimed in FY 2022. The college also levied additional property tax revenue and earned additional investment income as discussed in the non-operating revenue section above. The primary uses of cash from operations were for payment of salaries and benefits, which increased \$1.6 million combined as discussed in the operating expenses section, and payments to suppliers for goods and services which has continually increased as the price of goods and services have increased nation-wide. Sources of cash from non-capital financing

activities were primarily from ad valorem taxes and state appropriations. Capital and related financing activities included payment of debt, both principal and interest, as well as capital asset acquisitions and construction projects, some of which were with donated funds.

FYE 2022

In addition to the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, presented below, are another way to assess the financial health of the college. Its primary purpose is to provide relevant information about the cash receipts and cash payments by the college district during the fiscal year. There was an increase in cash and cash equivalents of \$3.6 million (13.0%) for the year ended August 31, 2022. The main reason for the increase in cash during FY 2022 was \$1.9 million in Higher Education Emergency Relief Funds (HEERF) in expenditures and claimed lost revenue was in accounts receivable as of FYE 2021, and the cash was drawn down from the Department of Education in FY 2022. The college district also drew down \$834 thousand in FY 2022 in HEERF grant funds for lost state appropriation funding. The primary uses of cash from operations were for payment of salaries and benefits and for payments to suppliers for goods and services which included approximately \$2.6 million for continued repairs from the insurance proceeds received in late August 2020. Sources of cash from non-capital financing activities were primarily from ad valorem taxes and state appropriations. Capital and related financing activities included payment of debt, both principal and interest, as well as capital asset acquisitions and construction.

STATEMENTS OF CASH FLOWS

Cash Provided (Used) by:	2023	2022	2021 (as restated)
Operating activities	\$ (23,068,856)	\$ (19,329,896)	\$ (22,259,548)
Noncapital financing activities	27,652,042	27,175,457	26,370,199
Capital and related financing activities	(3,612,995)	(4,397,531)	(3,796,742)
Investing activities	579,181	104,505	57,471
Net increase in cash and cash equivalents	1,549,372	3,552,535	371,380
Cash and cash equivalents Sept 1	30,884,297	27,331,762	26,960,382
Cash and cash equivalents Aug 31	<u>\$ 32,433,669</u>	<u>\$ 30,884,297</u>	<u>\$ 27,331,762</u>

Overall Financial Position

FYE 2023

As reflected in the schedules and narrative, the college's financial position from operations improved during the fiscal year ended August 31, 2023. Approximately 95.14% of the increase in Net Position was due to additions to invested in capital assets, net of related debt, of which most was due to the remodel of the music and library buildings at the Big Spring site partially with donated funds. A brief explanation of significant financial changes has been discussed in other sections of the Financial Analysis. The college district shares a competitive market and strives to provide quality instructional programs and services while continuing its commitment to controlling expenditures to be fiscally responsible. This steadfast commitment has helped to maintain the stability of the college's financial position as reflected in the comparative financial information provided.

As in the past, the college continues to seek additional funding from outside sources such as federal, state, and non-governmental grants. Since tuition and fees and state appropriated funding associated to instructional performance are two of the primary sources of revenue, the college continually strategizes ways to increase enrollment and viable program offerings. In the continual effort to meet the needs of the college's thirteen county service area, the college continues to research the feasibility of new programs and of enhancing existing programs, pursue new course delivery methods, and provide new services as needed or requested. The college continues to control expenditures through conservative budgeting strategies,

freezing the filling of some vacant positions when practical, limiting or reducing staff in certain areas, as well as purchasing techniques and controls that reduce costs and maximize value.

FYE 2022

As reflected in the schedules and narrative, the college's financial position from operations improved during the fiscal year ended August 31, 2022. Approximately 25% of the increase in Net Position was in the unrestricted net assets. A brief explanation of significant financial changes has been discussed in other sections of the Financial Analysis. The college district shares a competitive market and strives to provide quality instructional programs and services while continuing its commitment to controlling expenditures to be fiscally responsible. This steadfast commitment has helped to maintain the stability of the college's financial position as reflected in the comparative financial information provided.

As in the past, the college continues to seek additional funding from outside sources such as federal, state, and non-governmental grants. Since tuition and fees and state appropriated funding associated to instructional performance are two of the primary sources of revenue, the college continually strategizes ways to increase enrollment and viable program offerings. In the continual effort to meet the needs of the college's thirteen county service area, the college continues to research the feasibility of new programs and of enhancing existing programs, pursue new course delivery methods, and provide new services as needed or requested. The college continues to control expenditures through conservative budgeting strategies, freezing the filling of some vacant positions when practical, limiting or reducing staff in certain areas, as well as purchasing techniques and controls that reduce costs and maximize value.

Capital Assets

FYE 2023

As of August 31, 2023 and 2022, the college district had invested \$97.0 million and \$95.2 million, respectively, in capital assets. The college district's capital assets, net of accumulated depreciation, totaled \$57.2 million and \$55.5 million as of August 31, 2023 and 2022, respectively. The college district experienced a net increase (including additions and reductions) of \$1.7 million to capital assets excluding accumulated depreciation. The main additions included \$178 thousand to replace theater lighting at the Big Spring fine arts building, \$142 thousand to begin upgrading the equipment in eight distance learning classrooms district-wide which was purchased with Higher Education Emergency Relief Funds (HEERF), \$108 thousand towards additional equipment to upgrade the Big Spring and SWCD cafeteria kitchens, \$34 thousand for a fan return air blower at the administration/classroom building at SWCD, \$56 thousand for a couple of pickups for operations, and various operating equipment throughout the college district. The Big Spring site continued to work on several projects including \$12 thousand to continue the construction of a new softball fieldhouse, \$1.5 million to continue the remodel of the library building of which \$856 thousand was from donated funds, and \$1.7 million to continue the remodel of the music building of which \$1 million was from donated funds. The Big Spring site completed roof repairs to several buildings caused by prior hailstorms for \$372 thousand. The college enhanced its library collections district-wide by \$10 thousand some of which were donated and disposed of \$59 thousand in its collections. The college disposed of \$515 thousand in equipment/furniture district-wide.

FYE 2022

As of August 31, 2022 and 2021, the college district had invested \$95.2 million and \$92.7 million, respectively, in capital assets. Net of accumulated depreciation, the college district's net capital assets at August 31, 2022 totaled \$55.5 million and totaled \$55.0 million at August 31, 2021. The college district experienced a net increase (including additions and reductions) of \$2.5 million to capital assets excluding accumulated depreciation. The additions included \$48 thousand for portable lightboards to enhance remote and face-to-face instruction, \$30 thousand for a server for the new Student Information System, \$141 thousand for various instructional equipment of which \$82 thousand was grant funded, \$31 thousand for operations and maintenance related equipment, and \$49 thousand to replace the walk-in freezer and cooler

at the Big Spring and SWCD cafeteria kitchens. The increase included several projects at the Big Spring site including \$13 thousand to continue the construction of a new softball fieldhouse which is also being partially funded by donations, \$160 thousand to begin the remodel of the Library building of which \$92 thousand was from donated funds, and \$168 thousand to begin the remodel of the Music building. The Big Spring site continued roof repairs to several buildings caused by prior hailstorms for \$2.2 million. The Southwest College for the Deaf completed roof repairs to several buildings caused by prior hailstorms for \$226 thousand. The college enhanced its library collections district-wide by \$29 thousand, some of which were donated. The college disposed of \$490 thousand in equipment/furniture district-wide.

Debt Administration

FYE 2023

The college district's long-term debt was comprised of equipment lease agreements, a consolidated fund revenue refunding bond issued September 2021, General Obligation Refunding Bonds issued September 2016, and a consolidated revenue bond issued June 2013. The current portion was \$1,920,463 and the non-current portion was \$13,220,064 for a total of \$15,140,527 at August 31, 2023. The lease for the additional classroom and office space expired in 2023. Refer to Notes 6, 7, 8, and 9 of the financial statements for detailed information.

The college district continues to maintain a bond rating of "AA- with a stable outlook" with Standard and Poor's and Fitch Ratings on the General Obligation Refunding Bonds, Series 2016.

FYE 2022

The college district's long-term debt was comprised of lease agreements, notes payable, consolidated fund revenue refunding bonds issued September 2021, General Obligation Refunding Bonds issued September 2016, and consolidated revenue bonds issued June 2013. The current portion was \$2,033,590 and the non-current portion was \$15,238,146 for a total of \$17,271,736 at August 31, 2022. The lease has been amended twice to include additional space effective July 2009 and July 2011 and was renewed in 2018 to expire in 2023. In June 2017, GASB issued Statement No. 87, *Leases*, and the college implemented this Statement for the fiscal year ended August 31, 2022 to comply with the GASB requirements. The leases balance increased \$163 thousand due to adoption of GASB 87. Refer to Notes 2, Q, and S., for detailed information regarding the GASB pronouncement. Refer to Notes 6, 7, 8, 9, and 10 of the financial statements for detailed information.

The college district continues to maintain a bond rating of "AA- with a stable outlook" with Standard and Poor's and Fitch Ratings on the General Obligation Refunding Bonds, Series 2016.

Currently Known Facts, Decisions, or Conditions

As previously noted, the district's main sources of revenue are tuition and fees, state funding, local taxes, gifts, and grants. The overall economic condition of the state and the local area, both of which are heavily dependent on and influenced by the oil and natural gas industry, have an impact on each of these funding sources. The volatility of this market the past few years affected mineral, industrial, and property values significantly, particularly mineral and industrial values in the state and the local area. The total taxable value, after exemptions, for tax years 2023 and 2022 increased \$1.9 billion and \$3.1 billion, respectively, mainly in mineral values, which attests to the volatility of the oil and natural gas industry.

The college uses additional tax monies for deferred maintenance needs as budget allows while striving to be fiscally responsible in doing so. To help address deferred maintenance needs, renovation considerations and possible new construction, the college is nearing completion of an updated facilities master plan district-wide which is vital to the college's future.

As noted, tuition and fees are one of the main sources of operating revenue for the college. To continue addressing enrollment, the college structures its district-wide marketing campaign catering to the specific demographics and culture of each campus. The college district continues these efforts while monitoring for needed adjustments to the approach as appropriate. As always, efforts are made to keep tuition and fees low for students yet be fiscally responsible for college operations in concert with other revenue sources.

The achievement of our students' academic goals is paramount to the college. In February of 2019, the Board of Trustees affirmed a Commitment to Action for Student Success. Several board meetings were designed for board training and reports to focus on student success initiatives. In 2021, an updated vision, values and mission statement as well as a five-year strategic plan were completed with specific goals and objectives outlined and ultimately approved by the Board for implementation that emphasizes student success. Concerted efforts are also underway to create streamlined academic pathways embedded with student support to enhance student success and completion. In fall 2020, the college was very fortunate to be awarded a five-year Title V grant for \$3 million (\$600 thousand per fiscal year) to align with these efforts. In an effort to encourage completion of hours and progression through their academic program, a pilot was conducted to consider the implementation of an eight-week schedule.

The 88th Texas legislative session addressed the redesign of the Texas community college funding model. The college continues to monitor this very closely and take appropriate action as feasible.

The college is always considering ways to enhance services and support, both student and instructional. Due to the demand for public school teachers in the area, Howard College continues its partnership with Texas Tech and county school districts to provide a fast-tracked, intense 2+1 program for students interested in becoming teachers. The initiative has been embraced by the school districts, communities we serve, and students. A similar initiative has been implemented with Angelo State University in the southern part of the college district.

As one can surmise, the college too was impacted by COVID-19, both directly and indirectly, since the second week of March 2020 and it continues. The impact on the various revenue streams continued for fiscal year 2023 particularly the partnership for inmate instructional programs.

As noted, and most importantly, the college always seeks to improve and/or start new programs and services, if practical, to help address local workforce training needs, the changing workforce education market, and academic program needs to earnestly strive to serve the communities in the college district's thirteen county service area.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Howard County Junior College District's finances for all those with an interest in the college's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Chief Fiscal Officer/Controller, Howard College, 1001 Birdwell Lane, Big Spring, TX 79720.

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Howard County Junior College District
STATEMENTS OF NET POSITION
Exhibit 1
August 31,

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 32,433,669	\$ 30,884,297
Accounts receivable, net	3,814,456	3,670,899
Prepaid expenses	453,772	793,358
Inventories for resale	112,472	115,672
Total current assets	36,814,369	35,464,226
Noncurrent Assets		
Capital assets, net of accumulated depreciation	57,198,659	55,521,638
Total noncurrent assets	57,198,659	55,521,638
TOTAL ASSETS	94,013,028	90,985,864
Deferred Outflows of Resources		
Deferred outflows related to pensions	2,332,397	1,506,344
Deferred outflows related to OPEB	2,488,132	4,180,136
Deferred outflows related to loss on refunding of debt	114,119	139,478
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,934,648	5,825,958
LIABILITIES		
Current liabilities		
Accounts payable	1,753,695	1,298,881
Accrued liabilities	2,368,824	2,090,027
Deposits payable	21,600	26,000
Unearned revenue	2,104,040	1,479,120
Accrued compensable absences	604,204	528,162
Net OPEB liability – current portion	527,536	525,039
Bonds and notes payable – current portion	1,910,000	1,861,363
Leases payable – current portion	10,463	172,227
Total current liabilities	9,300,362	7,980,819
Noncurrent liabilities		
Accrued compensable absences	357,508	353,321
Bonds and notes payable, noncurrent portion	13,200,114	15,207,734
Leases payable, noncurrent portion	19,950	30,412
Net pension liability	5,761,348	2,617,903
Net OPEB liability, noncurrent portion	19,763,983	25,022,231
Total noncurrent liabilities	39,102,903	43,231,601
TOTAL LIABILITIES	48,403,265	51,212,420
Deferred Inflows of Resources		
Deferred inflows related to pensions	767,518	3,051,863
Deferred inflows related to OPEB	7,799,979	4,546,536
TOTAL DEFERRED INFLOWS OF RESOURCES	8,567,497	7,598,399
NET POSITION		
Net investment in capital assets	42,171,103	38,389,380
Restricted for:		
Nonexpendable		
Student aid	104,974	104,974
Expendable		
Student aid	496,194	530,796
Instructional programs	91,832	174,466
Capital projects	25,122	527,672
Debt service	2,085,867	1,988,111
Other	1,827,477	1,457,558
Unrestricted	(4,825,655)	(5,171,954)
TOTAL NET POSITION (Schedule D)	\$ 41,976,914	\$ 38,001,003

The accompanying notes are an integral part of these statements.

Howard County Junior College District
STATEMENTS OF NET POSITION - DISCRETELY PRESENTED COMPONENT UNITS
Exhibit 1A
August 31,

	2023				2022			
	Howard College Found- ation	SWCID Found- ation	Howard College San Angelo Found- ation	Total	Howard College Found- ation	SWCID Found- ation	Howard College San Angelo Found- ation	Total
ASSETS								
Current Assets								
Cash and cash equivalents	\$ -	\$ -	\$ 32,684	\$ 32,684	\$ -	\$ -	\$ 6,397	\$ 6,397
Investments	5,732,163	849,746	265,676	6,847,585	6,178,223	723,047	261,680	7,162,950
Total current assets	5,732,163	849,746	298,360	6,880,269	6,178,223	723,047	268,077	7,169,347
Noncurrent Assets								
Capital assets, net								
of accumulated depreciation	1,030	-	96,047	97,077	1,030	-	96,047	97,077
Total noncurrent assets	1,030	-	96,047	97,077	1,030	-	96,047	97,077
TOTAL ASSETS	5,733,193	849,746	394,407	6,977,346	6,179,253	723,047	364,124	7,266,424
NET POSITION								
Net investment in capital assets	1,030	-	96,047	97,077	1,030	-	96,047	97,077
Restricted for:								
Nonexpendable								
Student aid	4,364,276	206,281	-	4,570,557	4,421,327	210,025	-	4,631,352
Expendable								
Student aid	1,570,216	37,729	-	1,607,945	1,590,894	38,413	-	1,629,307
Unrestricted	(202,329)	605,736	298,360	701,767	166,002	474,609	268,077	908,688
TOTAL NET POSITION	\$ 5,733,193	\$ 849,746	\$ 394,407	\$ 6,977,346	\$ 6,179,253	\$ 723,047	\$ 364,124	\$ 7,266,424

The accompanying notes are an integral part of these statements.

Howard County Junior College District
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Exhibit 2
Year Ended August 31,

	2023	2022
REVENUES		
Operating revenues		
Tuition and fees (net of discounts of \$5,169,007 and \$5,029,397)	\$ 3,928,229	\$ 3,880,166
Federal grants and contracts	3,452,526	5,062,990
State grants and contracts	557,069	398,510
Local grants and contracts	8,375	15,290
Nongovernmental grants and contracts	1,247,695	1,716,540
Sales and services of educational activities	435,571	379,753
Auxiliary enterprises (net of discounts of \$1,022,011 and \$889,447)	171,220	182,058
Other operating revenues	38,373	157,944
Total operating revenues (Schedule A)	9,839,058	11,793,251
EXPENSES		
Operating expenses		
Instruction	10,479,554	9,087,890
Public service	798,098	908,825
Academic support	1,868,685	1,830,105
Student services	3,907,861	3,286,755
Institutional support	8,918,778	8,072,778
Operation and maintenance of plant	4,824,014	5,199,177
Scholarships and fellowships	2,226,118	3,976,572
Auxiliary enterprises	3,058,123	2,708,060
Depreciation	2,634,735	2,481,736
Total operating expenses (Schedule B)	38,715,966	37,551,898
Operating loss	(28,876,908)	(25,758,647)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	10,998,505	10,993,110
Property taxes for operations	13,805,563	12,826,456
Property taxes for debt service	1,494,962	1,243,443
Payments in lieu of taxes	100,200	100,200
Federal revenue, non-operating	4,380,665	4,394,801
Investment income (net of investment expenses)	579,181	104,505
Interest on capital related debt	(515,554)	(608,757)
Loss on disposal of fixed assets	(46,959)	(86,097)
Other non-operating revenues	681,026	1,159,542
Net non-operating revenues (Schedule C)	31,477,589	30,127,203
Income before other revenue	2,600,681	4,368,556
Other revenue		
Capital contributions	1,375,230	75,247
Increase in net position	3,975,911	4,443,803
Net position – beginning of year	38,001,003	33,557,200
Net position – end of year	\$ 41,976,914	\$ 38,001,003

The accompanying notes are an integral part of these statements.

Howard County Junior College District
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
DISCRETELY PRESENTED COMPONENT UNITS

Exhibit 2A
Year Ended August 31,

	2023				2022			
	Howard College Foundation	SWCID Found-ation	Howard College San Angelo Found-ation	Total	Howard College Foundation	SWCID Found-ation	Howard College San Angelo Found-ation	Total
REVENUES								
Operating revenues								
Local grants and contracts	\$ 230,471	\$ 79,694	\$ 59,567	\$ 369,732	\$ 467,054	\$ 45,414	\$ 50,800	\$ 563,268
Total operating revenues	230,471	79,694	59,567	369,732	467,054	45,414	50,800	563,268
EXPENSES								
Operating expenses								
Institutional support	5,286	3,914	4,031	13,231	1,157	1,254	4,256	6,667
Scholarships and fellowships	1,096,697	23,490	48,720	1,168,907	298,832	34,732	34,890	368,454
Total operating expenses	1,101,983	27,404	52,751	1,182,138	299,989	35,986	39,146	375,121
Operating income (loss)	(871,512)	52,290	6,816	(812,406)	167,065	9,428	11,654	188,147
NON-OPERATING REVENUES								
Investment income (net of								
investment expenses)	425,452	74,409	23,467	523,328	(725,365)	(162,757)	(40,354)	(928,476)
Non-operating revenues	425,452	74,409	23,467	523,328	(725,365)	(162,757)	(40,354)	(928,476)
Increase (decrease) in net position	(446,060)	126,699	30,283	(289,078)	(558,300)	(153,329)	(28,700)	(740,329)
Net position – beginning of year	6,179,253	723,047	364,124	7,266,424	6,737,553	876,376	392,824	8,006,753
Net position – end of year	\$ 5,733,193	\$ 849,746	\$ 394,407	\$ 6,977,346	\$ 6,179,253	\$ 723,047	\$ 364,124	\$ 7,266,424

The accompanying notes are an integral part of these statements.

Howard County Junior College District
STATEMENTS OF CASH FLOWS
Exhibit 3
Year ended August 31,

	2023	2022
Cash flows from operating activities		
Receipts from students and other customers	\$ 4,825,331	\$ 4,314,546
Receipts of grants and contracts	6,146,423	8,626,208
Other receipts	719,399	1,317,486
Payments to or on behalf of employees	(21,256,333)	(19,634,381)
Payments to suppliers for goods and services	(11,277,558)	(9,977,183)
Payments of scholarships	(2,226,118)	(3,976,572)
Net cash used by operating activities	(23,068,856)	(19,329,896)
Cash flows from noncapital financing activities		
Property tax receipts and payments in lieu of taxes	13,878,616	12,879,186
Receipts of state appropriations	9,613,078	9,604,020
Receipts of non-operating federal revenue	4,160,348	4,692,251
Net cash provided by noncapital financing activities	27,652,042	27,175,457
Cash flows from capital and related financing activities		
Property tax receipts	1,489,235	1,248,465
Capital contracts, grants, and gifts	1,375,230	75,247
Payments from accounts payable related to fixed asset additions	(365,315)	(309,997)
Purchases of capital assets	(3,480,349)	(2,712,809)
Payments on capital debt and leases	(2,033,589)	(1,951,014)
Interest payments on capital debt and leases	(598,207)	(747,423)
Net cash used by capital and related financing activities	(3,612,995)	(4,397,531)
Cash flows from investing activities		
Investment earnings	579,181	104,505
Increase in cash and cash equivalents	1,549,372	3,552,535
Cash and cash equivalents – September 1	30,884,297	27,331,762
Cash and cash equivalents – August 31	\$ 32,433,669	\$ 30,884,297
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (28,876,908)	\$ (25,758,647)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	2,634,735	2,481,736
Other revenue	681,026	1,159,542
Payments made directly by state for benefits	1,385,427	1,389,090
Changes in assets and liabilities:		
Receivables, net	109,634	1,604,951
Inventories and other assets	342,786	(59,820)
Deferred outflows related to pensions	(826,053)	542,150
Deferred outflows related to OPEB	1,692,004	846,932
Accounts payable	(58,237)	216,907
Accrued liabilities	289,189	153,471
Unearned revenue	624,920	(245,324)
Deposits payable	(4,400)	(300)
Accrued compensable absences	80,229	86,597
Net pension liability	3,143,445	(3,135,801)
Net OPEB liability	(5,255,751)	1,635,572
Deferred inflows related to pensions	(2,284,345)	2,047,660
Deferred inflows related to OPEB	3,253,443	(2,294,612)
Net cash used by operating activities	\$ (23,068,856)	\$ (19,329,896)
Noncash investing, capital, and financing activities:		
Acquisition of capital assets through accounts payable	\$ 878,366	\$ 365,315
Amortization of loss on refunding and bond premium	72,261	100,651

The accompanying notes are an integral part of these statements.

Howard County Junior College District
STATEMENTS OF CASH FLOWS - DISCRETELY PRESENTED COMPONENT UNITS
Exhibit 3A
Year ended August 31,

	2023				2022			
	Howard College Foundation	SWCID Found-ation	Howard College San Angelo Found-ation	Total	Howard College Foundation	SWCID Found-ation	Howard College San Angelo Found-ation	Total
Cash flows from operating activities								
Receipts of grants and contracts	\$ 230,471	\$ 79,694	\$ 59,567	\$ 369,732	\$ 467,054	\$ 45,414	\$ 50,800	\$ 563,268
Payments to suppliers for goods and services	(5,286)	(3,914)	(4,031)	(13,231)	(1,157)	(1,254)	(4,256)	(6,667)
Payments of scholarships	(1,096,697)	(23,490)	(48,720)	(1,168,907)	(298,832)	(34,732)	(34,890)	(368,454)
Net cash provided by (used by) operating activities	(871,512)	52,290	6,816	(812,406)	167,065	9,428	11,654	188,147
Cash flows from investing activities								
Proceeds from sales of investments	1,106,732	27,504	90,682	1,224,918	299,990	225,772	206,045	731,807
Purchases of investments	(482,828)	(109,024)	(78,272)	(670,124)	(769,655)	(274,415)	(222,912)	(1,266,982)
Investment earnings	247,608	29,230	7,061	283,899	302,600	39,215	8,762	350,577
Net cash provided by (used by) investing activities	871,512	(52,290)	19,471	838,693	(167,065)	(9,428)	(8,105)	(184,598)
Increase in cash and cash equivalents	-	-	26,287	26,287	-	-	3,549	3,549
Cash and cash equivalents – September 1	-	-	6,397	6,397	-	-	2,848	2,848
Cash and cash equivalents – August 31	\$ -	\$ -	\$ 32,684	\$ 32,684	\$ -	\$ -	\$ 6,397	\$ 6,397
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:								
Operating income (loss)	\$ (871,512)	\$ 52,290	\$ 6,816	\$ (812,406)	\$ 167,065	\$ 9,428	\$ 11,654	\$ 188,147
Net cash provided by (used by) operating activities	\$ (871,512)	\$ 52,290	\$ 6,816	\$ (812,406)	\$ 167,065	\$ 9,428	\$ 11,654	\$ 188,147
Noncash investing, capital, and financing activities:								
Unrealized gain (loss) on investments	\$ 177,845	\$ 45,179	\$ 15,146	\$ 238,170	\$ (1,027,967)	\$ (171,175)	\$ (48,079)	\$ (1,247,221)

The accompanying notes are an integral part of these statements.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 1 – REPORTING ENTITY

The Howard County Junior College District (District) was created by a county-wide vote on November 17, 1945. The District is located in Howard County, Texas, and operates as a county-wide Junior College District under the laws of the State of Texas, to serve the educational needs of Howard County and the surrounding communities. The District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The District also operates extension campuses, some of which are located outside of Howard County. The District also operates the Southwest College for the Deaf (SWCD), located in Big Spring, which was established as part of the District by the Board on November 6, 1979. All of the extension campuses' financial activity is included in the District's financial statements. While the District receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record-keeping requirements of these entities, it is not a component unit of any other governmental entity.

The District offers coursework designed to prepare students to continue their education at senior institutions or to enter specific occupational areas at the end of a one- or two-year period of specialized training in occupational education. Arts and Sciences programs are designed for transfer to baccalaureate degree-granting institutions. Associate in Arts and Associate in Science degrees are available to students completing a two-year curriculum. Vocational/Technical Education programs seek to develop intellectual abilities and skills that will enable the student to enter a technical or semi-professional occupation. It is the purpose of these programs to prepare the student for jobs in industry.

GASB provides guidance in determining whether certain organizations related to the District should be reported as component units based on the nature and significance of their relationship with the primary government. Using the criteria established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, the District's management has determined that the Howard College Foundation, the SWCID Foundation, and the Howard College at San Angelo Foundation (the Foundations) should be reported as component units of the District using a discrete presentation because of the nature and significance of their relationship with the District as of and for the years ended August 31, 2023 and 2022.

The Foundations were organized to function as non-profit foundations and their sole purpose is to provide benefits such as scholarships and grants to the students, faculty, and staff of the District. The Foundations are legally separate entities that utilize District financial resources for their operations. The District does not appoint any of the Foundations' board members nor does it fund or is it obligated to pay debt related to the Foundations. Accordingly, the Foundations' financial statements are included in the District's financial statements as discretely presented component units (see the table of contents) for the fiscal years ended August 31, 2023 and 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting guidelines*

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

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. *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 Sec. 56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program Funds

Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the District and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Other tuition discounts

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

C. *Basis of accounting*

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

D. *Budgetary data*

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

E. *Cash and cash equivalents*

The District's cash and cash equivalents are considered to be cash on hand, cash in bank, demand deposits, time deposits, and investments with original maturities of three months or less from the date of acquisition.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. *Investments*

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, investments are reported at fair value or amortized cost. Fair values are based on published market rates. The governing board has designated public funds investment pools comprised of \$576,076 and \$551,874 as of August 31, 2023 and 2022, respectively, to be cash equivalents.

G. *Inventories*

Inventories consist of livestock and tiny houses. Inventories are stated at the lower of cost or market on a first-in, first-out basis and are charged to expense as consumed.

H. *Capital assets*

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The District's capitalization policy includes real or personal property with a value equal to or greater than \$5,000 and has an estimated life of greater than one year. 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 is incurred. The District reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Buildings	50 years
Facilities and other improvements	20 years
Library books	15 years
Furniture, machinery, vehicles and other equipment	10 years
Telecommunications and peripheral equipment	5 years

I. *Deferred outflows*

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

J. *Unearned revenue*

Tuition and fees of \$1,100,344 and \$1,024,359, federal grants of \$6,941 and \$8,383, state grants of \$424,983 and \$315,748, local grants of \$500 and \$500, and private grants of \$571,272 and \$130,130 have been reported as unearned revenue at August 31, 2023 and 2022, respectively.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. *Leases*

The District is a lessee for noncancellable leases of property and equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in Statements of Net Position. The District recognizes lease liabilities with an initial, individual value of \$200,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

L. *Deferred inflows*

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

M. *Estimates*

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

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. *Operating and non-operating revenue and expense policy*

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of the bookstore and food service is not performed by the District. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

O. *Pensions*

The District participates in the Teacher Retirement System of Texas (TRS) pension plan, a multi-employer cost-sharing defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined based on 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.

P. *Other post-employment benefits (OPEB)*

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

Q. *New pronouncements*

In April 2022, GASB Issued Statement No. 99, *Omnibus 2022* (GASB 99). 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 in the current fiscal year. The requirements related to leases, PPPs, and SBITAs are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. *New pronouncements – continued*

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged. The District evaluated GASB 99 as part of its annual analysis of GASB pronouncements to be implemented in the current fiscal year, and the District does not believe it has a material impact on the financial statements in the current fiscal years or in future fiscal years.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. This Statement also is intended to improve the relevance, reliability, and understandability of information about conduit debt obligations, as well as related transactions and other events. The District evaluated GASB 91 as part of its annual analysis of GASB Pronouncements to be implemented in the current fiscal year, and this statement is not applicable to the District at this time.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)* (GASB 94). The objective of this statement is to improve financial reporting related to PPPs and APAs by establishing the definitions of these arrangements and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This statement will enhance the decision usefulness of financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The District has evaluated the effects of this Statement and has determined that it does not impact the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* (GASB 96). The objective of this statement is to (1) define a SBITA; (2) establish that SBITA results in a right-to-use subscription (intangible) asset and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments; and (4) require note disclosures regarding a SBITA. The statement provides an exception for short-term SBITAs with a maximum contract term of 12 months. Subscription payments for short-term SBITAs should be recognized as outflows of resources. The District has evaluated the effects of this Statement and has determined that it does not impact the financial statements.

R. *Pending pronouncements*

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). 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.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

R. *Pending pronouncements - continued*

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62* (GASB 100). The primary objective of this statement is to enhance accounting and financial reporting related to accounting changes and error corrections. This statement: (1) defines accounting changes and describes the transactions or other events that constitute those changes, (2) addresses corrections of errors in previously issued financial statements, (3) prescribes the accounting and financial reporting for each type of accounting change and error corrections, (4) requires note disclosures, and (5) addresses how accounting changes and error corrections should be presented in required supplementary information (RSI) and supplementary information (SI). The application of this statement is intended to result in greater consistency and understandable, reliable, and relevant information.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). 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. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The District has not yet completed the process of evaluating the impact of GASB Statement Nos. 99, 100, and 101 on its financial statements. Part of GASB Statement No. 99 is effective for fiscal year 2023. GASB Statement Nos. 99 (remaining part), 100, and 101 are effective for fiscal year 2024.

NOTE 3 – AUTHORIZED INVESTMENTS

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) local government investment pools continuously rated no lower than AAA or AAAM or equivalent by a nationally recognized rating service, (4) certificates of deposit and (5) other instruments and obligations authorized by statute and approved by Board policy.

NOTE 4 – DEPOSITS AND INVESTMENTS

The carrying amount of the District's deposits at August 31, 2023 and 2022 was \$31,849,947 and \$30,324,761, respectively. Total bank balances at August 31, 2023 and 2022 were \$32,257,105 and \$30,627,432, respectively. Of the bank balances, \$1,053,508 and \$1,053,280 were covered by federal deposit insurance and \$31,203,597 and \$29,574,152 were uninsured but collateralized in accordance with provisions of the Public Funds Investment Act as of August 31, 2023 and 2022, respectively. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 per depositor, per insured bank, for each account ownership category.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 4 – DEPOSITS AND INVESTMENTS - Continued

Cash and Deposits as reported on Exhibit 1, Statements of Net Position, consist of the items reported below, as of August 31,:

	2023	2022
Bank Deposits		
Demand deposits	\$ 15,950,757	\$ 21,298,307
Time deposits	15,899,190	9,026,454
	31,849,947	30,324,761
Cash on hand	7,646	7,662
Total Cash and Deposits	\$ 31,857,593	\$ 30,332,423

Reconciliation of deposits and investments to Exhibit 1, as of August 31,

	2023	2022
<u>Total deposits and investments:</u>		
Per Exhibit 1:		
Cash and cash equivalents	\$ 32,433,669	\$ 30,884,297
Total deposits and investments	\$ 32,433,669	\$ 30,884,297
Per Note 4:		
Deposits and cash on hand	\$ 31,857,593	\$ 30,332,423
Investments	576,076	551,874
Total	\$ 32,433,669	\$ 30,884,297

As of August 31, 2023, the District had the following investments and maturities:

		Investment Maturities (in Years)
Investment Type	Amount	Less than 1
Investment Pool	\$ 576,076	\$ 576,076

The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

TexPool is managed according to requirements of the Public Funds Investment Act and TexPool Investment Policy. Investments in TexPool are stated at amortized cost. TexPool seeks to maintain a stable \$1.00 price per unit; however, this is not guaranteed or insured by the State of Texas.

Interest Rate Risk – In accordance with state law and District policy, the District does not purchase any investments with maturities greater than two years.

Credit Risk – In accordance with state law and the District’s investment policy, investments in investment pools must be rated at least AAA. The District’s investment pools are rated AAAM.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 4 – DEPOSITS AND INVESTMENTS - Continued

Concentration of Credit Risk – The District does not place a limit on the amount the District may invest in any one issuer.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2023 was as follows:

	Balance September 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance August 31, <u>2023</u>
Not depreciated:				
Land	\$ 371,871	\$ -	\$ -	\$ 371,871
Construction in process	<u>2,575,495</u>	<u>3,811,152</u>	<u>(2,536,394)</u>	<u>3,850,253</u>
Subtotal	<u>2,947,366</u>	<u>3,811,152</u>	<u>(2,536,394)</u>	<u>4,222,124</u>
Buildings and other capital assets				
Buildings and building improvements	54,048,456	2,536,394	(342,109)	56,242,741
Right-to-use asset – building	1,723,643	-	(1,723,643)	-
Leasehold improvements	17,069,030	-	-	17,069,030
Other real estate improvements	<u>9,066,712</u>	<u>-</u>	<u>-</u>	<u>9,066,712</u>
Total buildings and other real estate improvements	81,907,841	2,536,394	(2,065,752)	82,378,483
Library books	402,148	9,774	(58,710)	353,212
Furniture, machinery, and equipment	9,925,920	537,789	(515,361)	9,948,348
Right-to-use asset - equipment	<u>50,987</u>	<u>-</u>	<u>-</u>	<u>50,987</u>
Total buildings and other capital assets	<u>92,286,896</u>	<u>3,083,957</u>	<u>(2,639,823)</u>	<u>92,731,030</u>
Accumulated depreciation				
Buildings and building improvements	(21,015,394)	(1,103,092)	303,446	(21,815,040)
Right-to-use asset – building	(1,608,733)	(114,910)	1,723,643	-
Leasehold improvements	(4,404,227)	(404,746)	-	(4,808,973)
Other real estate improvements	<u>(4,748,164)</u>	<u>(416,258)</u>	<u>-</u>	<u>(5,164,422)</u>
Total buildings and other real estate improvements	(31,776,518)	(2,039,006)	2,027,089	(31,788,435)
Library books	(268,966)	(19,057)	58,398	(229,625)
Furniture, machinery, and equipment	(7,653,415)	(566,476)	507,377	(7,712,514)
Right-to-use asset - equipment	<u>(13,725)</u>	<u>(10,196)</u>	<u>-</u>	<u>(23,921)</u>
Total buildings and other capital assets	<u>(39,712,624)</u>	<u>(2,634,735)</u>	<u>2,592,864</u>	<u>(39,754,495)</u>
Net capital assets	<u>\$ 55,521,638</u>	<u>\$ 4,260,374</u>	<u>\$ (2,583,353)</u>	<u>\$ 57,198,659</u>

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 5 – CAPITAL ASSETS - Continued

Capital assets activity for the year ended August 31, 2022 was as follows:

	Balance September 1, <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	Balance August 31, <u>2022</u>
Not depreciated:				
Land	\$ 371,871	\$ -	\$ -	\$ 371,871
Construction in process	<u>2,018,782</u>	<u>2,731,859</u>	<u>(2,175,146)</u>	<u>2,575,495</u>
Subtotal	<u>2,390,653</u>	<u>2,731,859</u>	<u>(2,175,146)</u>	<u>2,947,366</u>
Buildings and other capital assets				
Buildings and building improvements	51,930,604	2,117,852	-	54,048,456
Right-to-use asset – building	1,723,643	-	-	1,723,643
Leasehold improvements	17,069,030	-	-	17,069,030
Other real estate improvements	<u>9,066,712</u>	<u>-</u>	<u>-</u>	<u>9,066,712</u>
Total buildings and other real estate improvements	79,789,989	2,117,852	-	81,907,841
Library books	375,867	29,233	(2,952)	402,148
Furniture, machinery, and equipment	10,047,283	368,519	(489,882)	9,925,920
Right-to-use asset - equipment	<u>90,527</u>	<u>-</u>	<u>(39,540)</u>	<u>50,987</u>
Total buildings and other capital assets	<u>90,303,666</u>	<u>2,515,604</u>	<u>(532,374)</u>	<u>92,286,896</u>
Accumulated depreciation				
Buildings and building improvements	(20,028,728)	(986,666)	-	(21,015,394)
Right-to-use asset – building	(1,493,823)	(114,910)	-	(1,608,733)
Leasehold improvements	(4,016,131)	(388,096)	-	(4,404,227)
Other real estate improvements	<u>(4,338,489)</u>	<u>(409,675)</u>	<u>-</u>	<u>(4,748,164)</u>
Total buildings and other real estate improvements	(29,877,171)	(1,899,347)	-	(31,776,518)
Library books	(240,315)	(31,603)	2,952	(268,966)
Furniture, machinery, and equipment	(7,529,668)	(584,825)	461,078	(7,653,415)
Right-to-use asset - equipment	<u>(35,818)</u>	<u>(17,447)</u>	<u>39,540</u>	<u>(13,725)</u>
Total buildings and other capital assets	<u>(37,682,972)</u>	<u>(2,533,222)</u>	<u>503,570</u>	<u>(39,712,624)</u>
Net capital assets	<u>\$ 55,011,347</u>	<u>\$ 2,714,241</u>	<u>\$ (2,203,950)</u>	<u>\$ 55,521,638</u>

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 6 – NON-CURRENT LIABILITIES

Non-current liability activity for the year ended August 31, 2023 was as follows:

	Balance September 1,			Balance August 31,		Current
	2022	Additions	Reductions	2023	Portion	
Leases, bonds and notes						
Leases	\$ 202,639	\$ -	\$ (172,226)	\$ 30,413	\$ 10,463	
Bonds	16,745,000	-	(1,850,000)	14,895,000	1,910,000	
Unamortized bond premium	312,734	-	(97,620)	215,114	-	
Notes payable	11,363	-	(11,363)	-	-	
Accrued compensable absences	881,483	93,953	(13,724)	961,712	604,204	
Net pension liability	2,617,903	3,143,445	-	5,761,348	-	
Net OPEB liability	25,547,270	1,052,575	(6,308,326)	20,291,519	527,536	
Total long-term liabilities	<u>\$ 46,318,392</u>	<u>\$ 4,289,973</u>	<u>\$ (8,453,259)</u>	<u>\$ 42,155,106</u>	<u>\$ 3,052,203</u>	

Non-current liability activity for the year ended August 31, 2022 was as follows:

	Balance September 1,			Balance August 31,		Current
	2021	Additions	Reductions	2022	Portion	
Leases, bonds and notes						
Leases	\$ 382,059	\$ -	\$ (179,420)	\$ 202,639	\$ 172,227	
Bonds	18,470,000	1,915,000	(3,640,000)	16,745,000	1,850,000	
Unamortized bond premium	438,745	-	(126,011)	312,734	-	
Notes payable	57,957	-	(46,594)	11,363	11,363	
Accrued compensable absences	794,886	86,597	-	881,483	528,162	
Net pension liability	5,753,704	-	(3,135,801)	2,617,903	-	
Net OPEB liability	23,911,698	2,175,290	(539,718)	25,547,270	525,039	
Total long-term liabilities	<u>\$ 49,809,049</u>	<u>\$ 4,176,887</u>	<u>\$ (7,667,544)</u>	<u>\$ 46,318,392</u>	<u>\$ 3,086,791</u>	

NOTE 7 – DEBT AND LEASE OBLIGATIONS

Debt service requirements at August 31, 2023, were as follows:

For the year ending August 31,	Bonds	
	Principal	Interest
2024	\$ 1,910,000	\$ 525,178
2025	1,980,000	448,663
2026	2,070,000	362,640
2027	2,155,000	279,337
2028	2,235,000	199,341
2029-2033	3,805,000	464,494
2034	740,000	13,875
	<u>\$ 14,895,000</u>	<u>\$ 2,293,528</u>

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 7 – DEBT AND LEASE OBLIGATIONS - Continued

Obligations under capital leases at August 31, 2023, were as follows:

For the year ending		
<u>August 31,</u>		
2024	\$	13,216
2025		13,216
2026		<u>8,645</u>
		35,077
Less interest portion		<u>(4,664)</u>
Present value of minimum		
lease payments		30,413
Less current portion		<u>(10,463)</u>
Noncurrent portion	\$	<u>19,950</u>

NOTE 8 – BONDS PAYABLE

General information related to bonds payable is summarized below:

- Consolidated Fund Revenue Refunding Bonds, Series 2021.
 - Refunded \$2,080,000 of the Consolidated Fund Revenue Bonds, Series 2009.
 - Issued refunding bonds on September 29, 2021.
 - \$1,915,000, all authorized bonds have been issued.
 - Interest Rate on Bonds Refunded – 4.6%.
 - Net proceeds from Refunding Series 2009 - \$2,127,308 after payment of \$45,646 in underwriting fees and other issuance costs.
 - The 2009 Series bonds are considered fully defeased and the liability for those bonds has been removed from the Statement of Net Position.
 - Advance refunding of the 2009 Series bonds reduced the District’s debt service payments over the next 9 years by \$235,855, which is a cash flow savings to the District. There was an economic gain, which is the difference between the present value of the old and new debt service payments, of \$219,183.
 - Source of revenue for debt service – tuition pledge, building use fees, student service fees, lab fees, gross revenue of Auxiliary Services, other fees, and investment earnings on all investments.
 - \$1,685,000 and \$1,915,000 outstanding as of August 31, 2023 and 2022, respectively.

The range of installment payments on an annual basis is from \$230,000 to \$250,000 with an interest rate of 1.38%, with the final installment due October 1, 2029.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 8 – BONDS PAYABLE – Continued

- General Obligation Refunding Bonds, Series 2016.
 - Refunded \$13,840,000 of the General Obligation Bonds, Series 2007.
 - Issued refunding bonds on September 28, 2016.
 - \$12,780,000, all authorized bonds have been issued.
 - Source of revenue for debt service – continuing direct annual ad valorem tax levied by the District on all taxable property therein.
 - \$6,420,000 and \$7,550,000 outstanding as of August 31, 2023 and 2022, respectively.

The range of installment payments on an annual basis is from \$1,170,000 to \$1,400,000 with interest rates ranging from 4.00% to 5.00%, with the final installment due February 15, 2028.

- Consolidated Fund Revenue Bonds, Series 2013.
 - Construction and equipment for two college buildings and related infrastructure.
 - Issued June 1, 2013.
 - \$10,600,000: \$9,790,000 “Tax-Exempt Bonds” and \$810,000 “Taxable Bonds”; all authorized bonds have been issued.
 - Source of revenue for debt service – tuition pledge, building use fees, student service fees, lab fees, other fees, gross revenue of Auxiliary Services, and investment earnings on all investments.
 - \$6,790,000 and \$7,280,000 outstanding as of August 31, 2023 and 2022, respectively.

The range of installment payments on an annual basis is from \$510,000 to \$740,000 with an interest rate of 3.75%, with the final installment due October 1, 2033.

If the District defaults in the payment of principal, interest or redemption price when due, or fails to make payments into any fund created in a resolution adopted by the District's Board of Trustees authorizing the issuance of the related debt obligations, the registered owners of the bonds may seek a writ of mandamus through the courts to compel the District to carry out their legally imposed duties with respect to the bonds. The writ may not be arbitrarily refused. This writ would compel the District to raise requisite tax revenue in the case of tax-supported bonds or raise requisite pledged revenue in the case of revenue-supported bonds in an amount sufficient to pay required principal and interest. There is no acceleration of maturity of the bonds in the event of default. The District does not have any assets pledged as revenue for debt, subjective acceleration clauses or any used or unused lines of credit.

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 9 – LEASES PAYABLE

The District has entered into multiple lease agreements as a lessee. The leases allow the right-to-use building and equipment over the term of the lease. The District is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term, and ending lease liability are as follows as of August 31, 2023:

	<u>Interest Rates</u>	<u>Liability at Commencement</u>	<u>Lease Term in Years</u>	<u>Ending Balance</u>
Equipment	10.71%	\$ 50,987	5	\$ 30,413

The lease rate, term, and ending lease liability are as follows as of August 31, 2022:

	<u>Interest Rates</u>	<u>Liability at Commencement</u>	<u>Lease Term in Years</u>	<u>Ending Balance</u>
Equipment	10.71%	\$ 50,987	5	\$ 39,818
Buildings	4.00%	1,723,643	14	<u>162,821</u>
				<u>\$ 202,639</u>

The value of the right-to-use assets as of August 31, 2023 and 2022 are \$50,987 and \$1,774,630, respectively, and had accumulated amortization of \$23,921 and \$1,622,458, respectively.

NOTE 10 – ENDOWMENTS

When spending an endowment’s net appreciation, donor established guidelines are followed. If the donor does not provide specific guidelines, State law permits the Board of Trustees to authorize the expenditure of net appreciation of an endowment. The Scholarship Committee meets each semester to review awards and ensure endowment guidelines are followed. District investment policy specifies permissible investments of endowment funds with maturity dates matching semester scholarship requirements.

At August 31, 2023, net appreciation on investment of donor-restricted endowments available for authorization for expenditure was \$525 of which \$525 was restricted for student aid.

At August 31, 2022, net appreciation on investment of donor-restricted endowments available for authorization for expenditure was \$211, of which \$211 was restricted for student aid, instruction, and athletics.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). The TRS’s defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS - Continued

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.

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 at [https://www.trs.texas.gov/TRS Documents/acfr-2022.pdf](https://www.trs.texas.gov/TRS_Documents/acfr-2022.pdf) or write to TRS at 1000 Red River Street, Austin, TX, 78701-2698 or by calling 1-800-223-8778.

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's 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.

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS - Continued

	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2022</u>
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	8.0%	7.75%
Employers	8.0%	7.75%
	<u>2023</u>	<u>2022</u>
Member Contributions	\$ 832,677	\$ 749,951
State of Texas On-behalf Contributions	\$ 272,426	\$ 265,533
District Contributions	\$ 543,088	\$ 467,251

The District’s contributions to the TRS pension plan in 2023 and 2022 were \$543,088 and \$467,251, respectively, as reported in the Schedule of District Contributions for Pensions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2023 were \$290,000.

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

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

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS - Continued

Actuarial Assumptions

The total pension liability in the August 31, 2021, actuarial valuation rolled forward to August 31, 2022 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	2.3%
• Salary increases	2.95% to 8.95% including inflation
• Benefit changes during the year	None
• Ad hoc post-employment benefit changes	None

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

The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the system’s actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in 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 and 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 total pension liability.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS - Continued

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-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system’s target asset allocation as of August 31, 2022, are summarized below:

<u>Asset Class</u>	<u>Target Allocation¹</u>	<u>Long-Term Expected Geometric Real Rate of Return²</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
U.S.	18.0%	4.6%	1.12%
Non-U.S. Developed	13.0%	4.9%	0.90%
Emerging Markets	9.0%	5.4%	0.75%
Private Equity	14.0%	7.7%	1.55%
Stable Value			
Government Bonds	16.0%	1.0%	0.22%
Absolute Return (including Credit Sensitive Investments)	0.0%	3.7%	0.00%
Stable Value Hedge Funds	5.0%	3.4%	0.18%
Real Return			
Real Estate	15.0%	4.1%	0.94%
Energy, Natural Resources and Infrastructure	6.0%	5.1%	0.37%
Commodities	0.0%	3.6%	0.00%
Risk Parity			
Risk Parity	8.0%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2.0%	3.0%	0.01%
Asset Allocation Leverage	(6.0)%	3.6%	(0.05)%
Inflation Expectation			2.70%
Volatility Drag ³			(0.91)%
Expected Return	100.0%		8.19%

1 Absolute Return includes Credit Sensitive Investments.

2 Target allocations are based on the FY2022 policy model.

3 Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022).

4 The volatility drag results from the conversion between arithmetic and geometric mean returns.

Source: Teacher Retirement System of Texas 2022 Annual Comprehensive Financial Reports

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS - Continued

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (7.00%) in measuring the 2023 Net Pension Liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District’s proportionate share of the net pension liability	\$ 8,962,473	\$ 5,761,348	\$3,166,686

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (7.25%) in measuring the 2022 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District’s proportionate share of the net pension liability	\$ 5,720,534	\$ 2,617,903	\$ 100,728

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

At August 31, 2023 and 2022, the District reported a liability of \$5,761,348 and \$2,617,903, respectively, for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

	<u>2023</u>	<u>2022</u>
District’s proportionate share of the collective net pension liability	\$ 5,761,348	\$ 2,617,903
State’s proportionate share that is associated with the District	<u>3,465,968</u>	<u>1,584,587</u>
Total	<u>\$ 9,227,316</u>	<u>\$ 4,202,490</u>

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 periods September 1, 2021 thru August 31, 2022.

At the measurement date of August 31, 2022, the employer’s proportion of the collective net pension liability was 0.0097045603%, which was a decrease of 0.0005752471% from its proportion measured as of August 31, 2021.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS - Continued

Changes Since the Prior Actuarial Valuation

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 percent to 7.00 percent.

For the year ended August 31, 2023, the District recognized pension expense of \$331,307 and revenue of \$331,307 for support provided by the State. For the year ended August 31, 2022, the District recognized pension expense of \$6,335 and revenue of \$6,335 for support provided by the State. The total payroll for all District employees was \$17,450,372 and \$15,956,616 for the fiscal years ended August 31, 2023 and 2022, respectively. The total payroll of employees covered by the Teacher Retirement System was \$10,380,060 and \$9,380,071 for the fiscal years ended August 31, 2023 and 2022, respectively.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 83,539	\$ 125,608
Changes in actuarial assumptions	1,073,527	267,553
Net difference between projected and actual investment earnings	569,203	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	63,040	374,357
Contributions paid to TRS subsequent to the measurement date	<u>543,088</u>	<u>-</u>
Total	<u>\$ 2,332,397</u>	<u>\$ 767,518</u>

The \$543,088 reported as deferred outflows of resources related to pensions, resulting from contributions paid to TRS subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending August 31, 2024.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,381	\$ 184,302
Changes in actuarial assumptions	925,378	403,385
Net difference between projected and actual investment earnings	-	2,195,078
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	109,334	269,098
Contributions paid to TRS subsequent to the measurement date	<u>467,251</u>	<u>-</u>
Total	<u>\$ 1,506,344</u>	<u>\$ 3,051,863</u>

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 11 – DEFINED BENEFIT PENSION PLANS - Continued

The \$467,251 reported as deferred outflows of resources related to pensions, resulting from contributions paid to TRS subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending August 31, 2023.

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

For the year ending	<u>Pension Expense Amount</u>
<u>August 31,</u>	
2024	\$ 311,003
2025	113,270
2026	(27,125)
2027	578,473
2028	<u>46,170</u>
	<u>\$ 1,021,791</u>

NOTE 12 – DEFINED CONTRIBUTION PENSION PLANS

Optional Retirement Plan – Defined Contribution Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6 percent and 6.65 percent, respectively. The District contributes 0.71 percent for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B.1812, effective September 1, 2013, limits the amount of the state’s contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the District was \$135,573 and \$124,526 for the fiscal years ended August 31, 2023 and 2022, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the District.

The total payroll for all District employees was \$17,450,372 and \$15,956,616 for the fiscal years ended August 31, 2023 and 2022, respectively. The total payroll of employees covered by the Optional Retirement Plan was \$5,027,220 and \$4,882,015 for the fiscal years ended August 31, 2023 and 2022, respectively.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 13 – DEFERRED COMPENSATION PROGRAM

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

NOTE 14 – COMPENSABLE ABSENCES

All full-time exempt and non-exempt employees working twelve months are entitled to accrue paid vacation time from the date of employment. On September 1, current employees are credited 55 hours to be used during the year. An additional 27 hours of paid vacation time is used during the summer break, totaling 82 hours a year. Employees hired after September 1 accrue vacation time at 4.58 hours each month worked. The monthly vacation credit may be pro-rated if the employee's regular work week is less than 38 hours in the fall and spring; and 36 hours in the summer. The District's policy allows employees to carry their accrued leave forward from one fiscal year to the next fiscal year with a maximum accrual of 165 hours per employee. The District recognizes the accrued liability at August 31, 2023 and 2022 of \$401,930 and \$349,144, respectively, for the unpaid annual leave in the Unrestricted Current Fund. Sick leave is earned at the rate of 8 hours per month of service and may be pro-rated if the employee's work week is less than 38 hours. The maximum sick leave that may be accumulated is 720 hours. The District's policy is to recognize the cost of sick leave when paid.

Beginning in 2021, employees who are retiring may use up to the equivalent of 4 weeks, or 152 hours based on a 38-hour week base, of their accrued sick leave. The District recognizes the accrued sick leave liability that may be used at retirement by employees in the amount of \$202,274 and \$179,018 for current liabilities and \$357,508 and \$353,321 for noncurrent liabilities as of August 31, 2023 and 2022, respectively.

NOTE 15 – HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$624.82 per month for the year ended August 31, 2023 (\$624.82 per month for 2022) and totaled \$1,417,308 for 2023 (\$1,417,312 for the year 2022). The cost of providing those benefits for 137 retirees in the year ended 2023 was \$472,590 (retiree benefits for 137 retirees cost \$477,263 in 2022). For 213 active employees, the cost of providing benefits was \$944,718 for the year ended 2023 (active employee benefits for 214 employees cost \$940,049 for the year ended 2022). S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District 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 (ACFR) that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained by visiting <https://www.ers.texas.gov/About-ERS/reports-and-studies/reports-on-overall-ers-operations-and-financial-ma/2022-acfr.pdf>; or 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.

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.

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2023 and 2022

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

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

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium

	2023	2022
Retiree only	\$ 625	\$ 625
Retiree and spouse	983	982
Retiree and children	865	864
Retiree and family	1,223	1,222

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

	2023	2022
Employers	\$ 724,863	\$ 695,381
Members (Employees)	\$ 674,982	\$ 656,288
Nonemployer Contributing Entity (State of Texas)	\$ 1,417,308	\$ 1,417,312

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
 - Last experience study 7-year period from September 1, 2010 to August 31, 2017
 - Discount rate 3.59%
 - Projected annual salary increase 2.30% to 8.95%, including inflation
 - Annual healthcare trend rate 5.25% for FY 2023, 5.60% for FY 2024, 5.30% for FY 2025, 5.00% for FY 2026, 4.75% for FY 2027, 4.60% for FY 2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2031 and later years
 - Inflation assumption rate 2.30%
 - Ad hoc post-employment benefit changes None
 - Mortality rate None
- Service retirees, survivors and other inactive members Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2023 and 2022

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

Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active members	Sex Distinct

Source: 2022 ERS Annual Comprehensive Financial Report

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

Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System’s Board of Trustees amended the investment policy statement in August 2022 to require that all funds in the Plan be invested in cash and equivalent securities. The expected rate of return on these investments is currently 4.1%, in line with the prevailing returns on 90-day US treasury bills.

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 District’s proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.59%) in measuring the 2023 net OPEB Liability.

	<u>1% Decrease in Discount Rate (2.59%)</u>	<u>Discount Rate (3.59%)</u>	<u>1% Increase in Discount Rate (4.59%)</u>
District’s proportionate share of the net OPEB liability	\$23,666,047	\$20,291,519	\$17,592,713

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

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

The following schedule shows the impact on the District’s proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (2.14%) in measuring the 2022 net OPEB Liability.

	1% Decrease in Discount Rate (1.14%)	Discount Rate (2.14%)	1% Increase in Discount Rate (3.14%)
District’s proportionate share of the net OPEB liability	\$30,427,774	\$25,547,270	\$21,729,014

Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 5.6% and the ultimate rate is 4.3%. The following schedule shows the impact on the District’s proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1 percent less than (4.6% decreasing to 3.3%) and 1 percent greater than (6.6% decreasing to 5.3%) the healthcare cost trend rate that was used in measuring the 2023 net OPEB liability.

	1% Decrease (4.6% decreasing to 3.3%)	Current Healthcare Cost Trend Rates (5.6% decreasing to 4.3%)	1% Increase (6.6% decreasing to 5.3%)
District’s proportionate share of the net OPEB liability	\$17,376,900	\$20,291,519	\$24,012,708

The initial healthcare trend rate is 5.25% and the ultimate rate is 4.3%. The following schedule shows the impact on the District’s proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1 percent less than (4.25% decreasing to 3.3%) and 1 percent greater than (6.25% decreasing to 5.3%) the healthcare cost trend rate that was used in measuring the 2022 net OPEB liability.

	1% Decrease (4.25% decreasing to 3.3%)	Current Healthcare Cost Trend Rates (5.25% decreasing to 4.3%)	1% Increase (6.25% decreasing to 5.3%)
District’s proportionate share of the net OPEB liability	\$21,392,836	\$25,547,270	\$30,990,330

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

At August 31, 2023 and 2022, the District reported a liability of \$20,291,519 and \$25,547,270, respectively, for its proportionate share of the ERS’s net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2023 and 2022

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

	2023	2022
District’s proportionate share of the collective net OPEB liability	\$ 20,291,519	\$ 25,547,270
State’s proportionate share that is associated with the District	<u>13,692,980</u>	<u>17,579,189</u>
Total	<u>\$ 33,984,499</u>	<u>\$ 43,126,459</u>

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, 2021 through August 31, 2022.

At the measurement date of August 31, 2022, the employer’s proportion of the collective net OPEB liability was 0.07123090%, which was an increase of 0.00001999% from its proportion measured as of August 31, 2021.

For the year ended August 31, 2023, the District recognized OPEB expense of \$918,547 and revenue of \$918,547 for support provided by the State. For the year ended August 31, 2022, the District recognized OPEB expense of \$1,258,228 and revenue of \$1,258,228 for support provided by the State.

Changes Since the Prior Actuarial Valuation

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary.

In addition, assumed Per Capital Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations. Furthermore, (a) 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, (b) the percentage of future retirees assumed to cover dependent children, (c) the proportion of future retirees assumed to elect health coverage at retirement and the proportion of future retirees expected to receive the Opt-Out Credit at retirement, and (d) the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act have been updated to reflect recent plan experience and expected trends.

Lastly, 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. 75 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

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

At August 31, 2023, the District 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 <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 640,222
Changes in actuarial assumptions	1,192,208	6,272,301
Difference between projected and actual investment earnings	3,500	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	912,640	887,456
Contributions paid to ERS subsequent to the measurement date	<u>379,784</u>	<u>-</u>
Total	<u>\$ 2,488,132</u>	<u>\$ 7,799,979</u>

The \$379,784 reported as deferred outflows of resources related to OPEB, resulting from contributions paid to ERS subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2024. This amount is the District’s employer contributions that were transferred into the SRHP plan by ERS. Actual contributions were \$724,863.

At August 31, 2022, the District 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 <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 626,646
Changes in actuarial assumptions	1,749,067	2,845,395
Difference between projected and actual investment earnings	4,525	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	2,085,667	1,074,495
Contributions paid to ERS subsequent to the measurement date	<u>340,877</u>	<u>-</u>
Total	<u>\$ 4,180,136</u>	<u>\$ 4,546,536</u>

The \$340,877 reported as deferred outflows of resources related to OPEB, resulting from contributions paid to ERS subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2023. This amount is the District’s employer contributions that were transferred into the SRHP plan by ERS. Actual contributions were \$695,381.

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2023 and 2022

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

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

For the year ending <u>August 31,</u>	<u>OPEB Expense Amount</u>
2024	\$ (1,196,664)
2025	(1,391,549)
2026	(1,298,318)
2027	(1,168,945)
2028	<u>(636,155)</u>
	<u>\$ (5,691,631)</u>

NOTE 17 – DISAGGREGATION OF RECEIVABLES BALANCES

Receivables at August 31 were as follows:

	<u>2023</u>	<u>2022</u>
Student receivables	\$ 2,754,561	\$ 2,513,309
Taxes receivable	1,256,374	1,176,231
Federal receivable	470,476	866,940
Accounts receivable	<u>692,322</u>	<u>385,067</u>
Gross receivables	5,173,733	4,941,547
Less: allowance for uncollectible accounts	<u>(1,359,277)</u>	<u>(1,270,648)</u>
Net total receivables	<u>\$ 3,814,456</u>	<u>\$ 3,670,899</u>

NOTE 18 – CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contract and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. For federal and non-federal contract and grant awards, funds collected, but not expended, are reported as Unearned Revenue on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2023 and 2022 for which monies have not been received nor funds expended from Federal Contract and Grant Awards totaled \$4,881,823 and \$7,487,632, respectively.

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 19 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries appropriate commercial insurance. For the years ended August 31, 2023 and 2022, the District also participated in a pool for its workers' compensation program.

Beginning in the year 2000, the District elected participation in the Texas Public and Junior Community College Employee Benefits Consortium. This pool is exclusively for public community and junior college entities thus providing a preferred risk pool for workers' compensation coverage. Under this agreement, the pool retains liability for claims under \$1,000,000 or less per incident and purchases commercial insurance for claims in excess of the liability retained by the pool. The reinsurance covers losses to the specific and aggregate statutory limits required by the State of Texas. There was no significant reduction in insurance coverage from the year ended August 31, 2022 to the year ended August 31, 2023, and no settlements exceeded insurance for any of the past three fiscal years.

The claims liability of \$135,880 and \$88,711 reported in accrued liabilities at August 31, 2023 and 2022, respectively, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated based on actuarial calculations. Changes in the fund's claims liability amount in fiscal years 2023 and 2022 were:

	<u>August 31, 2023</u>	<u>August 31, 2022</u>
Balance at beginning of year	\$ 88,711	\$ 93,917
Current year claims and changes in estimates	66,044	12,710
Claims paid	<u>(18,875)</u>	<u>(17,916)</u>
Balance at end of year	<u>\$ 135,880</u>	<u>\$ 88,711</u>

NOTE 20 – PROPERTY TAXES

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

As of August 31,:

	<u>2023</u>	<u>2022</u>
Assessed valuation of the District	\$ 10,066,195,309	\$ 6,872,608,168
Less: Abatements	(89,145,722)	(97,248,069)
Less: Exemptions	<u>(1,283,689,137)</u>	<u>(1,166,007,293)</u>
Net assessed valuation of the District	<u>\$ 8,693,360,450</u>	<u>\$ 5,609,352,806</u>

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 20 – PROPERTY TAXES - Continued

	2023			2022		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 Valuation (Maximum per enabling legislation)	0.700000	0.000000	0.700000	0.700000	0.000000	0.700000
Assessed Tax Rate per \$100 Valuation	0.151942	0.016453	0.168395	0.216008	0.020769	0.236777

Taxes levied for the years ended August 31, 2023 and 2022, were \$15,240,743 and \$13,710,868, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	2023			2022		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	\$13,290,589	\$ 1,439,078	\$ 14,729,667	\$ 12,089,340	\$ 1,163,562	\$ 13,252,902
Delinquent taxes collected	151,426	17,433	168,859	311,010	46,848	357,858
Penalties and interest collected	<u>133,068</u>	<u>16,236</u>	<u>149,304</u>	<u>216,530</u>	<u>25,700</u>	<u>242,230</u>
Total collections	<u>\$ 13,575,083</u>	<u>\$ 1,472,747</u>	<u>\$ 15,047,830</u>	<u>\$ 12,616,880</u>	<u>\$ 1,236,110</u>	<u>\$ 13,852,990</u>

Tax collections for the years ended August 31, 2023 and 2022, were 97.15% and 97.24% of the current tax levy, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance, operations, and debt service.

NOTE 21 - TAX ABATEMENTS

The District has entered into property tax abatement agreements with local businesses under Texas Code Chapter 312, and as amended by the Tax Abatement Guidelines and Criteria adopted by Howard College. Under the Act, localities may grant property tax abatements of up to 100 percent of a business’s property tax bill for attracting or retaining business within their jurisdictions. The abatements may be granted to any qualifying business located within or promising to relocate to the service area of the District.

For the fiscal years ended August 31, 2023 and 2022, the District abated property taxes totaling \$49,917 and \$130,061, respectively, under this program.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 22 – COMMITMENTS AND CONTINGENCIES

The District has received financial assistance from federal and state agencies in the form of grants. The acceptance of such grants requires compliance with special regulations and grant provisions, and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material adverse effect on the District's financial position at August 31, 2023.

The District has received appropriations from the State for the operation of the Southwest College for the Deaf. The acceptance of these funds requires compliance with special purchasing regulations, and is subject to audit by the State. Any disallowed expenditures would have to be reimbursed by the District. However, in the opinion of management, the possible reimbursements, if any, will not have a material adverse effect on the District's financial position at August 31, 2023.

NOTE 23 – INCOME TAXES

The District is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2023 and 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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Howard County Junior College District
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
Year ended August 31,
(unaudited)

Fiscal year ended August 31,*	2023**	2022**	2021**	2020**
TRS net position as percentage of total pension liability	75.62%	88.79%	75.54%	75.24%
District's proportionate share of collective net pension liability (NPL) (%)	0.0097046%	0.0102798%	0.0107429%	0.0106743%
District's proportionate share of collective net pension liability (\$)	\$ 5,761,348	\$ 2,617,903	\$ 5,753,704	\$ 5,548,859
Portion of NECE's total proportionate share of NPL associated with the District	3,465,968	1,584,587	3,449,913	3,089,844
Total	<u>\$ 9,227,316</u>	<u>\$ 4,202,490</u>	<u>\$ 9,203,617</u>	<u>\$ 8,638,703</u>
District's covered payroll amount	\$ 9,380,071	\$ 9,227,592	\$ 9,336,641	\$ 8,853,486
Ratio of: District's proportionate share of collective NPL / District's covered payroll amount	61.42%	28.37%	61.62%	62.67%

* 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.

The accompanying notes are an integral part of this schedule.

<u>2019**</u>	<u>2018**</u>	<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
73.74%	82.17%	78.00%	78.43%	83.25%
0.0108246%	0.0104789%	0.0100182%	0.0111276%	0.0141531%
\$ 5,958,149	\$ 3,350,576	\$ 3,785,734	\$ 3,933,458	\$ 3,780,489
3,670,932	1,984,031	2,393,316	2,417,113	1,950,379
<u>\$ 9,629,081</u>	<u>\$ 5,334,607</u>	<u>\$ 6,179,050</u>	<u>\$ 6,350,571</u>	<u>\$ 5,730,868</u>
\$ 8,638,856	\$ 7,831,407	\$ 7,598,544	\$ 7,789,830	\$ 7,968,685
68.97%	42.78%	49.82%	50.49%	47.44%

Howard County Junior College District
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
Year ended August 31,
(unaudited)

Fiscal year ended August 31,*	2023**	2022**	2021**	2020**
Legally required contributions	\$ 543,088	\$ 467,251	\$ 430,817	\$ 444,870
Actual contributions	543,088	467,251	430,817	444,870
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll amount	\$ 10,380,060	\$ 9,380,071	\$ 9,227,592	\$ 9,336,641
Ratio of: Actual contributions / employer covered covered payroll amount	5.23%	4.98%	4.67%	4.76%

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

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

The accompanying notes are an integral part of this schedule.

<u>2019**</u>	<u>2018**</u>	<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
\$ 370,775	\$ 367,476	\$ 329,473	\$ 318,304	\$ 57,829
<u>370,775</u>	<u>367,476</u>	<u>329,473</u>	<u>318,304</u>	<u>57,829</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,853,486	\$ 8,638,856	\$ 7,831,407	\$ 7,598,544	\$ 7,789,830
4.19%	4.25%	4.21%	4.19%	0.74%

Howard County Junior College District
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION RELATED TO NET PENSION LIABILITY
For the Year Ended August 31, 2023

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 percent to 7.00 percent.

Changes in Benefit Terms

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

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Howard County Junior College District
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
EMPLOYEE RETIREMENT SYSTEM OF TEXAS
STATE RETIREE HEALTH PLAN
Year ended August 31,
(unaudited)

Fiscal year ended August 31,*	2023**	2022**	2021**
District's proportion of collective net OPEB liability (%)	0.0712309%	0.0712109%	0.0723618%
District's proportionate share of collective net OPEB liability (\$)	\$ 20,291,519	\$ 25,547,270	\$ 23,911,698
State's proportionate share of net OPEB liability associated with District	13,692,980	17,579,189	16,188,430
Total	<u>\$ 33,984,499</u>	<u>\$ 43,126,459</u>	<u>\$ 40,100,128</u>
District's covered-employee payroll	\$ 13,357,231	\$ 13,465,159	\$ 13,851,033
District's proportionate share of collective net OPEB liability as a percentage of covered-employee payroll	151.91%	189.73%	172.63%
Plan fiduciary net position as percentage of the total OPEB liability	0.57%	0.38%	0.32%

* 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.

The accompanying notes are an integral part of this schedule.

<u>2020**</u>	<u>2019**</u>	<u>2018**</u>
0.0703637%	0.0730088%	0.0587283%
\$ 24,319,590	\$ 21,638,156	\$ 20,010,487
17,016,229	14,094,031	17,214,177
<u>\$ 41,335,819</u>	<u>\$ 35,732,187</u>	<u>\$ 37,224,664</u>
\$ 13,314,277	\$ 14,091,947	\$ 12,166,104
182.66%	153.55%	164.48%
0.17%	1.30%	2.00%

Howard County Junior College District
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
EMPLOYEE RETIREMENT SYSTEM OF TEXAS
STATE RETIREE HEALTH PLAN
Year ended August 31,
(unaudited)

Fiscal year ended August 31,*	2023**	2022**	2021**
Legally required contributions	\$ 724,863	\$ 695,381	\$ 613,737
Actual contributions	724,863	695,381	613,737
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll amount	\$ 14,554,267	\$ 13,357,231	\$ 13,465,159
Contributions as a percentage of covered-employee payroll	4.98%	5.21%	4.56%

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

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

The accompanying notes are an integral part of this schedule.

2020**	2019**	2018**
\$ 626,616	\$ 619,746	\$ 633,882
626,616	619,746	633,882
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,851,033	\$ 13,314,277	\$ 14,091,947
4.52%	4.65%	4.50%

Howard County Junior College District
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION RELATED OPEB
For the Year Ended August 31, 2023

Changes in Benefit Terms

Under Q/A #4.107 of GASB's *Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, this valuation reflects the minor benefit changes that became effective September 1, 2022, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. These changes, which are not expected to have a significant impact on plan costs for FY2023 are provided for in the FY2023 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is primary.

Changes in Assumptions

Demographic Assumptions

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

- 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 retirees assumed to cover dependent children.
- 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.
- Demographic assumptions for Highly Education members, including pre-retirement mortality and post-retirement mortality assumptions, termination, disability and retirement rate assumptions and assumed salary increases.

Economic Assumptions

The following assumptions or other inputs have been updated since the previous valuation:

- 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.
- Annual rate of increase in the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations.

Other Assumptions:

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.

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SUPPLEMENTARY INFORMATION

SCHEDULES

Howard County Junior College District
SCHEDULE OF OPERATING REVENUES

Schedule A

Year Ended August 31, 2023

(With Memorandum Totals for the Year Ended August 31, 2022)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises
Tuition				
State Funded Credit Courses				
In-District Resident Tuition	\$ 745,078	\$ -	\$ 745,078	\$ -
Out-of-District Resident Tuition	5,390,496	-	5,390,496	-
TPEG-credit (set aside)*	68,776	-	68,776	-
Non-Resident Tuition	605,607	-	605,607	-
State Funded Continuing Education				
TPEG-non-credit (set aside)*	18,136	-	18,136	-
Non-State Funded Continuing Education				
Total tuition	<u>7,109,230</u>	<u>-</u>	<u>7,109,230</u>	<u>-</u>
Fees				
Building use fee	-	-	-	831,238
General fees	31,531	-	31,531	-
Student service fee	-	-	-	194,455
Lab / course fees	915,117	-	915,117	15,665
Total fees	<u>946,648</u>	<u>-</u>	<u>946,648</u>	<u>1,041,358</u>
Scholarship allowances and discounts				
Scholarship allowances	(399,641)	(539,330)	(938,971)	(198,680)
Remissions and exemptions	(1,153,183)	-	(1,153,183)	57,512
TPEG allowances	-	(93,450)	(93,450)	-
Federal grants to students	-	(2,556,570)	(2,556,570)	-
Other state	-	(285,665)	(285,665)	-
Total scholarship allowances	<u>(1,552,824)</u>	<u>(3,475,015)</u>	<u>(5,027,839)</u>	<u>(141,168)</u>
Total net tuition and fees	<u>6,503,054</u>	<u>(3,475,015)</u>	<u>3,028,039</u>	<u>900,190</u>
Other operating revenues				
Federal grants and contracts	5,550	3,446,976	3,452,526	-
State grants and contracts	-	557,069	557,069	-
Local grants and contracts	-	8,375	8,375	-
Nongovernmental grants and contracts	2,250	1,243,695	1,245,945	1,750
Sales and services of educational activities	435,571	-	435,571	-
Investment income (program restricted)	-	3,974	3,974	-
Other operating revenues	28,235	6,164	34,399	-
Total other operating revenues	<u>471,606</u>	<u>5,266,253</u>	<u>5,737,859</u>	<u>1,750</u>
Auxiliary enterprises				
Intercollegiate athletics	-	-	-	42,617
Diagnostic center	-	-	-	75
Residential life, net of discounts of \$955,011 and \$818,537	-	-	-	127,699
Bookstore, net of discounts of \$67,000 and \$70,910**	-	-	-	829
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,220</u>
Total operating revenues (Exhibit 2)	<u>\$ 6,974,660</u>	<u>\$ 1,791,238</u>	<u>\$ 8,765,898</u>	<u>\$ 1,073,160</u>

* In accordance with Education Code 56.033, \$86,912 and \$85,071 of tuition was set aside for Texas Public Education Grants (TPEG)

** The bookstore auxiliary operations are outsourced.

2023 Total	2022 Total
\$ 745,078	\$ 764,967
5,390,496	5,151,214
68,776	69,545
605,607	555,889
259,214	245,791
18,136	15,526
21,923	46,505
<u>7,109,230</u>	<u>6,849,437</u>
831,238	911,571
31,531	24,987
194,455	215,889
930,782	907,679
<u>1,988,006</u>	<u>2,060,126</u>
(1,137,651)	(1,099,034)
(1,095,671)	(901,219)
(93,450)	(93,125)
(2,556,570)	(2,788,497)
(285,665)	(147,522)
<u>(5,169,007)</u>	<u>(5,029,397)</u>
<u>3,928,229</u>	<u>3,880,166</u>
3,452,526	5,062,990
557,069	398,510
8,375	15,290
1,247,695	1,716,540
435,571	379,753
3,974	2,914
34,399	155,030
<u>5,739,609</u>	<u>7,731,027</u>
42,617	50,430
75	1,543
127,699	125,233
829	4,852
<u>171,220</u>	<u>182,058</u>
<u>\$ 9,839,058</u>	<u>\$ 11,793,251</u>
(Exhibit 2)	(Exhibit 2)

Howard County Junior College District
SCHEDULE OF OPERATING EXPENSES BY OBJECT

Schedule B

Year ended August 31, 2023

(With Memorandum Totals for the Year ended August 31, 2022)

	Salaries and Wages	Benefits		Other Expenses	2023 Total	2022 Total
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 7,565,961	\$ -	\$ 1,255,055	\$ 991,730	\$ 9,812,746	\$ 8,453,076
Public service	600	-	(1,265)	1,703	1,038	140,895
Academic support	1,017,081	-	195,678	361,918	1,574,677	1,599,669
Student services	2,044,277	-	429,712	248,112	2,722,101	2,645,742
Institutional support	3,665,386	-	1,186,624	3,318,490	8,170,500	7,229,865
Operation and maintenance of plant	1,226,587	-	391,193	3,185,453	4,803,233	5,171,860
Scholarships and fellowships	-	-	-	31,012	31,012	40,174
Total Unrestricted - Educational Activities	15,519,892	-	3,456,997	8,138,418	27,115,307	25,281,281
Restricted - Educational Activities						
Instruction	108,415	491,663	14,883	51,847	666,808	634,814
Public service	590,732	-	133,564	72,764	797,060	767,930
Academic support	67,669	75,881	18,785	131,673	294,008	230,436
Student services	233,156	191,365	75,027	686,212	1,185,760	641,013
Institutional support	17,820	609,585	6,064	114,809	748,278	842,913
Operation and maintenance of plant	-	16,933	-	3,848	20,781	27,317
Scholarships and fellowships	-	-	-	2,195,106	2,195,106	3,936,398
Total Restricted - Educational Activities	1,017,792	1,385,427	248,323	3,256,259	5,907,801	7,080,821
Total Educational Activities	16,537,684	1,385,427	3,705,320	11,394,677	33,023,108	32,362,102
Auxiliary Enterprises	844,130	-	261,360	1,952,633	3,058,123	2,708,060
Depreciation Expense - Buildings, right- to-use assets, and other real estate improvements	-	-	-	1,924,096	1,924,096	1,784,437
Depreciation Expense - Equipment and furniture	-	-	-	710,639	710,639	697,299
Total Operating Expenses (Exhibit 2)	\$ 17,381,814	\$ 1,385,427	\$ 3,966,680	\$ 15,982,045	\$ 38,715,966 (Exhibit 2)	\$ 37,551,898 (Exhibit 2)

Howard County Junior College District
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
Schedule C
Year Ended August 31, 2023
(With Memorandum Totals for the Year Ended August 31, 2022)

	Unrestricted	Restricted	Auxiliary Enterprises	2023 Total	2022 Total
NON-OPERATING REVENUES					
State appropriations					
Education and general state support	\$ 9,503,860	\$ -	\$ -	\$ 9,503,860	\$ 9,503,861
State group insurance	-	918,547	-	918,547	1,258,229
State retirement matching	-	466,880	-	466,880	130,861
Professional nursing shortage reduction	-	109,218	-	109,218	100,159
Total state appropriations	9,503,860	1,494,645	-	10,998,505	10,993,110
Property taxes for operations	13,805,563	-	-	13,805,563	12,826,456
Property taxes for debt service	-	1,494,962	-	1,494,962	1,243,443
Payments in lieu of taxes	100,200	-	-	100,200	100,200
Federal revenue, non operating	-	4,380,665	-	4,380,665	4,394,801
Investment income (net of investment expenses)	574,616	4,565	-	579,181	104,505
Other non-operating revenue	508,228	162,330	10,468	681,026	1,159,542
Total non-operating revenues	24,492,467	7,537,167	10,468	32,040,102	30,822,057
NON-OPERATING EXPENSES					
Interest on capital related debt	(515,554)	-	-	(515,554)	(608,757)
Loss on disposal of fixed assets	(46,959)	-	-	(46,959)	(86,097)
Total non-operating expenses	(562,513)	-	-	(562,513)	(694,854)
Net non-operating revenues (Exhibit 2)	\$ 23,929,954	\$ 7,537,167	\$ 10,468	\$ 31,477,589 (Exhibit 2)	\$ 30,127,203 (Exhibit 2)

Howard County Junior College District
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
Schedule D
August 31, 2023
(With Memorandum Totals for August 31, 2022)

	Detail by Source				Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	
		Expendable	Non- Expendable		
Current:					
Unrestricted	\$ (6,136,308)	\$ -	\$ -	\$ -	\$ (6,136,308)
Restricted	-	2,440,625	-	-	2,440,625
Auxiliary enterprises	1,310,653	-	-	-	1,310,653
Endowment:					
True endowment	-	-	104,974	-	104,974
Plant:					
Debt service	-	2,085,867	-	-	2,085,867
Investment in plant	-	-	-	42,171,103	42,171,103
 Total Net Position, August 31, 2023	 \$ (4,825,655)	 \$ 4,526,492	 \$ 104,974	 \$ 42,171,103	 \$ 41,976,914 (Exhibit 1)
 Total Net Position, August 31, 2022	 (5,171,954)	 4,678,603	 104,974	 38,389,380	 38,001,003 (Exhibit 1)
Net Increase (Decrease) in Net Position	\$ 346,299	\$ (152,111)	\$ -	\$ 3,781,723	\$ 3,975,911 (Exhibit 2)

Available for
Current Operations

Yes	No
\$ (6,136,308)	\$ -
2,440,625	-
1,310,653	-
-	104,974
-	2,085,867
-	42,171,103
\$ (2,385,030)	\$ 44,361,944
(2,481,462)	40,482,465
\$ 96,432	\$ 3,879,479

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Schedule E
For the Year Ended August 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subre- cipients	Expenditures and Pass-Through Disbursements
U.S. Department of Education				
Direct Programs:				
Student Financial Aid Cluster				
Federal Supplemental Educational Opportunity Grants 22/23	84.007			\$ 93,308
Subtotal Federal Supplemental Educational Opportunity Grants				93,308
Federal College Workstudy Program 22/23	84.033			33,100
Federal College Workstudy Program (100%) 22/23	84.033			28,150
Subtotal Federal Work-Study Program				61,250
Federal Pell Grant Program 22/23	84.063			4,226,107
Subtotal Federal Pell Grant Program				4,226,107
Federal Direct Student Loans 22/23	84.268			1,871,780
Subtotal Federal Direct Student Loans				1,871,780
Total Student Financial Aid Cluster				6,252,445
Making Dreams Real (Reach, Empower, Apply, Launch) 20/21	84.031S	P031S200100		143,068
Making Dreams Real (Reach, Empower, Apply, Launch) 21/22	84.031S	P031S200100-21		137,688
Making Dreams Real (Reach, Empower, Apply, Launch) 22/23	84.031S	P031S200100-22		403,107
Subtotal Making Dreams Real (Reach, Empower, Apply, Launch)				683,863
Upward Bound Project 22/23	84.047A	P047A221199		205,327
Subtotal Upward Bound Project				205,327
ARPA COVID-19 Institution Emergency Solutions Project (HEERF III)	84.425F	P425F201960-20B		1,046,865
ARPA COVID-19 HSI Institution Emergency Relief Project (HEERF III)	84.425L	P425L200672		319,515
Subtotal American Rescue Plan Act COVID-19				1,366,380
CRRSAA COVID-19 Institution Emergency Solutions Project (HEERF II)	84.425L	P425L200672-20A		190,979
Subtotal Coronavirus Response and Relief Supplemental Appropriations Act COVID-19				190,979
Pass through from:				
Texas Workforce Commission				
Adult Education and Literacy Federal 231 - BS 22/23	84.002A	1118ALAE00		116,762
Adult Education and Literacy Federal 231 Admin - BS 22/23	84.002A	1118ALAE00		11,375
Adult Education and Literacy Federal 223 Admin - BS 22/23	84.002A	1118ALAE00		3,608
Adult Education and Literacy Federal 231 - BS 23/24	84.002A	1118ALAF00		17,485
Adult Education and Literacy Federal 231 Admin - BS 23/24	84.002A	1118ALAF00		2,260

(continued)

Howard County Junior College District
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Schedule E
 For the Year Ended August 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subre- cipients	Expenditures and Pass-Through Disbursements
Adult Education and Literacy Workforce Training - BS 23/24	84.002A	1118ALAF00		299
Adult Education and Literacy Federal 233 - BS 23/24	84.002A	1118ALAF00		699
Adult Education and Literacy Federal El Civics Career Services BS 23/24	84.002A	1118ALAF00		187
Adult Education and Literacy Federal Career Services BS 23/24	84.002A	1118ALAF00		1,313
Adult Education and Literacy Federal 231 - SA 21/22	84.002A	1218ALAD00		28,482
Adult Education and Literacy Federal 231 Admin - SA 21/22	84.002A	1218ALAD00		14,599
Adult Education and Literacy Federal 233 - SA 21/22	84.002A	1218ALAD00		1,213
Adult Education and Literacy Federal 231 - SA 22/23	84.002A	1218ALAE00		323,468
Adult Education and Literacy Federal 231 Admin - SA 22/23	84.002A	1218ALAE00		37,643
Adult Education and Literacy Federal 225 - SA 22/23	84.002A	1218ALAE00		5,557
Adult Education and Literacy Federal Workforce Training - SA 22/23	84.002A	1218ALAE00		25,331
Adult Education and Literacy Federal 223 - SA 22/23	84.002A	1218ALAE00		10,105
Subtotal Texas Workforce Commission				600,386
Texas Higher Education Coordinating Board Annual Perkins 22/23	84.048	23035		133,189
Subtotal Annual Perkins				133,189
Subtotal Texas Higher Education Coordinating Board				133,189
Total U.S. Department of Education				9,432,569
U.S. Department of Agriculture				
Pass through from:				
Texas Department of Agriculture				
Child & Adult Care Food Program	10.558	806780706		15,666
Subtotal Texas Department of Agriculture				15,666
Total U.S. Department of Agriculture				15,666
U.S. Department of Defense				
Direct Programs:				
Goodfellow AFB Scholarship 22/23	12.000			2,736
Military Spouse Career Advancement - SA 22/23	12.000			2,456
Total U.S. Department of Defense				5,192

(continued)

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Schedule E
For the Year Ended August 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subre- cipients	Expenditures and Pass-Through Disbursements
U.S. Department of Labor				
WIOA Cluster				
Pass through from:				
Permian Basin Workforce Development Board				
Workforce Innovation and Opportunity Act - San Angelo - 22/23	17.258			1,844
Workforce Innovation and Opportunity Act - Big Spring - 22/23	17.258			4,110
Subtotal Permian Basin Workforce Development Board				<u>5,954</u>
Concho Valley Workforce Development Board				
West Texas Opportunities	17.258			2,356
Subtotal Concho Valley Workforce Development Board				<u>2,356</u>
Total WIOA Cluster				<u>8,310</u>
Total U.S. Department of Labor				<u>8,310</u>
U.S. General Services Administration				
Pass through from:				
Texas Facilities Commission				
Donation of Federal Surplus Personal Property	39.003			2,275
Subtotal Texas Facilities Commission				<u>2,275</u>
Total U.S. General Services Administration				<u>2,275</u>
National Science Foundation				
Pass through from:				
University of Texas at El Paso				
Alliance for Minority Participation, Year 1 - 18/19	47.076	1826745		767
Subtotal University of Texas at El Paso				<u>767</u>
Total National Science Foundation				<u>767</u>
U.S. Department of Veterans Affairs				
Direct Programs:				
Veterans Annual Report Admin Funds				
	64.000			2,498
Vocational Rehab for Disabled Veterans - BS - 22/23				
	64.116			1,254
Vocational Rehab for Disabled Veterans - SA - 22/23				
	64.116			23,965
Subtotal Vocational Rehab for Disabled Veterans				<u>25,219</u>
Post 9/11 Veterans Education Assistance - BS - 22/23				
	64.130			19,516
Post 9/11 Veterans Education Assistance - SA - 22/23				
	64.130			126,736
Subtotal Post 9/11 Veterans Education Assistance				<u>146,252</u>
Total U.S. Department of Veterans Affairs				<u>173,969</u>

(continued)

Howard County Junior College District
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Schedule E
 For the Year Ended August 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subre- cipients	Expenditures and Pass-Through Disbursements
U.S. Department of Health and Human Services				
TANF Cluster				
Pass through from:				
Texas Workforce Commission				
Adult Education and Literacy Federal TANF - BS 22/23	93.558	1118ALAE00		14,340
Adult Education and Literacy Federal TANF - BS 23/24	93.558	1118ALAF00		304
Adult Education and Literacy Federal TANF - SA 21/22	93.558	1218ALAD00		25,441
Adult Education and Literacy Federal TANF - SA 22/23	93.558	1218ALAE00		26,656
Subtotal Texas Workforce Commission				<u>66,741</u>
Total TANF Cluster				<u>66,741</u>
Greater Opportunities of the Permian Basin				
Headstart Tuition Assistance - 22/23	93.600			1,757
Subtotal Greater Opportunities of the Permian Basin				<u>1,757</u>
Total U.S. Department of Health and Human Services				<u>68,498</u>
Total Expenditures of Federal Awards				<u>\$ 9,707,246</u>

The accompanying notes are an integral part of this schedule.

(continued)

Howard County Junior College District
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
 Schedule E
 For the Year Ended August 31, 2023

Note 1: Financial assistance reconciliation

Federal revenues per Schedule A:	
Federal grants and contracts	\$ 3,452,526
Add: Non-operating federal revenue from Schedule C	4,380,665
Add: Direct student loans	1,871,780
Add: Donation of federal surplus personal property	<u>2,275</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 9,707,246</u>

Note 2: Significant accounting policies used in preparing the schedule

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

Note 3: Expenditures not subject to federal single audit

All federal expenditures reported in the financial statements are subject to a federal single audit.

Note 4: Nonmonetary federal assistance received

The District received \$2,275 in federal surplus personal property under CFDA 39.003 from the General Services Commission passed through the Texas Facilities Commission.

Note 5: Amounts passed through by Howard County Junior College District

The District did not pass through any federal assistance during the fiscal year.

Howard County Junior College District
 SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
 Schedule F
 For the Year Ended August 31, 2023

State Grantor/Program Title	Contract/ Award Number	Expenditures
Texas Higher Education Coordinating Board		
Texas Education Opportunity Grant - Initial 22/23		\$ 208,254
Texas Education Opportunity Grant - Returning 22/23		80,229
Subtotal TEOG		<u>288,483</u>
Professional Nursing Shortage Reduction Program (Regular Program) 18/19		31,376
Professional Nursing Shortage Reduction Program (Under 70) 18/19		49,485
Professional Nursing Shortage Reduction Program (Over 70) 19/20		28,357
Subtotal Professional Nursing Shortage Reduction Program		<u>109,218</u>
Texas College Work Study Program 22/23		12,394
Subtotal Texas College Work Study Program		<u>12,394</u>
Total Texas Higher Education Coordinating Board		<u>410,095</u>
Department of Assistive and Rehabilitative Services		
DARS-Howard College BS - 22/23		24,162
DARS-Howard College SA - 22/23		27,646
DARS-SWCD - 22/23		33,855
Total Department of Assistive and Rehabilitative Services		<u>85,663</u>
Texas Workforce Commission		
Adult Education and Literacy State - BS 22/23	1118ALAE000	24,053
Adult Education and Literacy State - BS 23/24	1118ALAF000	724
Adult Education and Literacy State - SA 21/22	1218ALAD000	41,725
Adult Education and Literacy State - SA 22/23	1218ALAE000	44,830
Total Texas Workforce Commission		<u>111,332</u>
The University of Texas at Austin		
Accelerating Math Pathways 18/19		3,563
Accelerating Math Pathways 19/20		4,471
Accelerating Math Pathways 20/21		1,240
Total The University of Texas at Austin		<u>9,274</u>
Total State of Texas Financial Assistance		<u>\$ 616,364</u>

The accompanying notes are an integral part of this schedule.

(continued)

Howard County Junior College District
 SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS - CONTINUED
 Schedule F
 For the Year Ended August 31, 2023

Note 1: State assistance reconciliation

State Revenues – Per Schedule A:	
State of Texas Financial Assistance	
Per Schedule of Expenditures of State of Texas Awards	\$ 616,364
State Financial Assistance	
State appropriated funds not included in Schedule A	
Professional Nursing Shortage Reduction Program	(109,218)
State aid from other states not included as State of Texas	
financial assistance	
Vocational Rehabilitation – SWCD	<u>49,923</u>
Total State Grants and Contracts Revenues per Schedule A	<u>\$ 557,069</u>

Note 2: Significant accounting policies used in preparing the schedule

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

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
Howard County Junior College District
Big Spring, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Howard County Junior College District (the District) as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 28, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.

Purpose of this Report

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

Logan, Thomas + Johnson, LLC

Castle Rock, Colorado

February 28, 2024

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

The Board of Trustees
Howard County Junior College District
Big Spring, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Howard County Junior College District's (the District) 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 District's major federal programs for the year ended August 31, 2023. The District'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, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards); 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 District 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 District'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 District's federal 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 the District'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 GAAS, *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 District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 District'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 District'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 District's internal control over compliance. Accordingly, no such opinion is expressed

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Logan, Thomas + Johnson, LLC

Castle Rock, Colorado

February 28, 2024

Howard County Junior College District
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? __ yes X no
- Significant deficiency(ies) identified? __ yes X none reported

Noncompliance material to financial statements noted? __ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? __ yes X no
- Significant deficiency(ies) identified? __ yes X none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __ yes X no

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? __ yes X no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.033, 84.268, 84.007, 84.063	U.S. Department of Education, Student Financial Aid Programs

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

Auditee qualified as low-risk auditee? X yes __ no

Howard County Junior College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
For the Year Ended August 31, 2023

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Howard County Junior College District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2023

No matters were reported.