

**LEE COLLEGE DISTRICT  
ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**For the Year Ended August 31, 2023**





# LEE COLLEGE DISTRICT

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# LEE COLLEGE DISTRICT

## ORGANIZATIONAL DATA

For the Year Ended August 31, 2023

### BOARD OF REGENTS

	<u>OFFICERS</u>	<u>TERM EXPIRES</u>
Mr. Daryl Fontenot	Chairman	May 2025
Ms. Susan Moore-Fontenot	Vice Chairman	May 2025
Mr. Mark Himsel	Secretary	May 2027
Mr. Mark Hall	Assistant Secretary	May 2027

	<u>REGENTS</u>	<u>TERM EXPIRES</u>
Mr. Weston Cotton	Baytown, Texas	May 2027
Ms. Judy Jirrels	Baytown, Texas	May 2029
Ms. Gina Guillory	Baytown, Texas	May 2029
Mr. Gilbert Santana	Baytown, Texas	May 2029
Ms. Pam Warford	Baytown, Texas	May 2025

### PRINCIPAL ADMINISTRATIVE OFFICERS

Dr. Lynda Villanueva	President
Ms. Annette Ferguson, CPA	VP of Finance and Administration/Chief Financial Officer
Ms. Leslie Gallagher	Chief of Staff & Vice President, Strategic Initiatives
Dr. Douglas Walcerz	Provost & Vice President, Academic & Student Affairs
Mr. Scott Bennett	Associate Vice President, Student Affairs
Dr. Dometrius Hill	Associate Vice President, Academic Affairs
Dr. Carolyn Lightfoot	Chief Information Officer
Dr. Victoria Marron	Associate Vice President, Student Success and Chief Belonging Officer
Dr. Janena Norris	Associate Vice President, Healthcare Professions
Ms. Amanda Summers	Executive Director, Human Resources
Ms. Selah Tacconi	Executive Director, Lee College Foundation
Mr. Brian Waddle	Executive Director, Marketing & Public Affairs
Ms. Donna Zuniga	Associate Vice President, Huntsville Center
Ms. Renea Woodruff	Controller



## INDEPENDENT AUDITOR'S REPORT

To the Board of Regents  
Lee College District

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business-type activities of Lee 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, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit 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 year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Lee College Foundation (the "Foundation"). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards.

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 GAAS 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 GAAS 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 management’s discussion and analysis, pension information, and other-post employment benefit information, as listed in the table of contents, 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.



To the Board of Regents  
Lee College District

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Supplemental Schedules A through D, as required by the Texas Higher Education Coordinating Board's (THECB) *Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*; the Schedule of Expenditures of Federal Awards (Schedule E), as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the Schedule of Expenditures of State Awards (Schedule F), as required by the Texas Comptroller of Public Accounts *Texas Grant Management Standards* (TxGMS), are also presented for additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules A through F, as listed in the table of contents, are the responsibility of management and were 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, Supplemental Schedules A through F 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 December 15, 2023 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Houston, Texas  
December 15, 2023

**LEE COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Overview of the Financial Statements and Financial Analysis**

Lee College District (the "District") is proud to present its financial statements for Fiscal Year 2023 which are in conformance with Governmental Accounting Standards Board (GASB) standards. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements should be read in conjunction with the notes to the basic financial statements. The following summary and management's discussion and analysis of the results is intended to provide readers with an overview of the basic financial statements.

Some of the financial highlights of the Fiscal Year are as follows:

Assets and Deferred Outflows of Resources of the District exceeded Liabilities and Deferred Inflows of Resources at the close of the Fiscal Year on August 31, 2023, by \$70,132,287. This is an increase of \$10,566,209. Federal revenues decreased by \$14.2 million largely due to funds related to COVID-19 discontinuing in fiscal year 2023. Other operating revenues increased due to payments made by Texas Department of Criminal Justice of \$970 thousand. The overall operating expenses decreased \$2.4 million. Non-operating revenues increased in fiscal year 2023 primarily due to an increase of \$3.0 million in local property taxes because of increased property values, and an increase of \$2.0 million in federal grants. Other increases in nonoperating revenues consist of an increase in taxes in-lieu of in the amount of \$925 thousand and an increase in investment income of \$1.5 million.

**The Statement of Net Position**

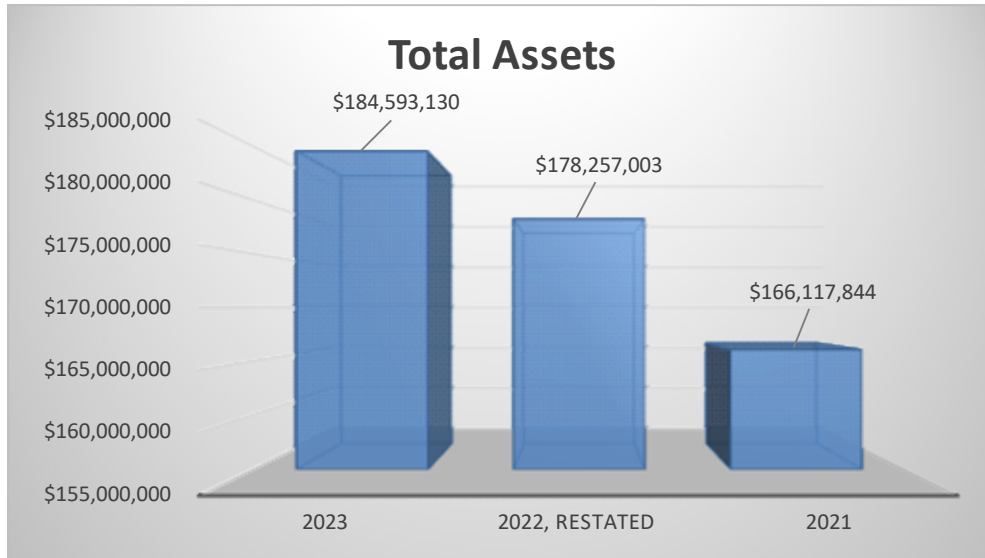
The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the Fiscal Year. It is a point-in-time financial statement. The purpose of the Statement of Net Position is to give the financial statement readers a snapshot of the fiscal condition of the District. It presents end-of-year data for Current and Noncurrent Assets, Deferred Outflows of Resources, Current and Noncurrent Liabilities, Deferred Inflows of Resources, and Net Position (Assets plus Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources).

From the information shown, financial statement readers are able to determine the assets available to continue the operations of the District. The reader can also determine how much the institution owes vendors and bondholders. The net position and its availability for expenditure can be determined as well.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the District's equity in property, plant and equipment it owns. The next net position category is restricted net position. These assets have external limitations on the way in which they may be used. The last category is unrestricted net position. It is available to use for any lawful purpose of the District.

**LEE COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Total assets of the District for Fiscal Year 2023 are \$184.6 million, an increase of \$6.3 million compared to Fiscal Year 2022 and an increase of \$18.5 million compared to Fiscal Year 2021. Changes in total assets over the past three years are depicted in the following chart:



Current assets are comprised of several categories. Cash and cash equivalents include the District’s cash deposits and investments in TexPool, Texas FIT, and Lone Star Pool. TexPool, Texas FIT, and Lone Star are statewide investment pools. In Fiscal Year 2023, cash, cash equivalents and short-term investments totaled \$29.4 million, a decrease of \$1.3 million from the Fiscal Year 2022 balance of \$30.7 million. Receivables include tuition and fees receivable, accounts receivable, and taxes receivable. Prepaid expenses and inventories are also assets of the District. Non-current assets consist of capital assets, long-term investments and land held for investments. Non-current assets increased \$6.6 million from fiscal year 2022. Capital assets include land, land improvements, buildings, equipment, right-to-use assets, SBITAs and library books. These items are reflected in the financial statements net of accumulated depreciation and amortization.

Summary data for the Statement of Net Position is provided in the table below for fiscal years 2023, 2022, and 2021.

	<b>2023</b>	<b>2022, restated</b>	<b>2021</b>
Current assets	\$ 40,067,535	\$ 40,343,071	\$ 49,844,219
Capital assets (net)	117,512,655	110,382,017	104,313,625
Other non-current assets	27,012,940	27,531,915	11,960,000
<b>Total Assets</b>	<u>184,593,130</u>	<u>178,257,003</u>	<u>166,117,844</u>
<b>Deferred Outflows of Resources</b>	<u>12,393,304</u>	<u>9,408,359</u>	<u>10,744,096</u>
Current liabilities	18,433,140	17,630,212	13,388,171
Non-current liabilities	94,817,029	97,835,567	103,355,603
<b>Total Liabilities</b>	<u>113,250,169</u>	<u>115,465,779</u>	<u>116,743,774</u>
<b>Deferred Inflows of Resources</b>	<u>13,603,978</u>	<u>12,633,505</u>	<u>12,560,473</u>
Net investment in capital assets	65,663,042	55,717,597	43,403,545
Restricted net position	402,188	385,292	383,350
Unrestricted net position	4,067,057	3,463,189	3,770,798
<b>Total Net Position</b>	<u>\$ 70,132,287</u>	<u>\$ 59,566,078</u>	<u>\$ 47,557,693</u>

**LEE COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Total liabilities of the District are \$113.3 million in Fiscal Year 2023 as compared to \$115.5 million in Fiscal Year 2022 and \$116.7 million in Fiscal Year 2021. Total liabilities include a current and non-current portion. Total liabilities decreased from Fiscal Year 2022 to Fiscal Year 2023 primarily due to a decrease in in the net OPEB liability, notes payable, leases payable and bonds payable. An additional bond principal payment of \$1.8 million was made in August 2023. Current liabilities include accounts payable and accrued liabilities, funds held for others, deferred revenue, accrued compensated absences payable and the current portion of bonds payable and leases payable. A liability is considered to be current if it is due within one year.

Net position represents the District's equity, some of which is restricted for certain uses and some of which is unrestricted.

**Statement of Revenues, Expenses, and Changes in Net Position**

The purpose of the Statement of Revenues, Expenses and Changes in Net Position is to present the revenues earned by the District, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District. Generally operating revenues are received for providing goods and services to the various customers of the District.

Operating expenses are those paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the District's mission. Non-operating revenues are funds received for which goods and services are not provided. Further details on tuition, fees, and related discounts can be found in Schedule A.

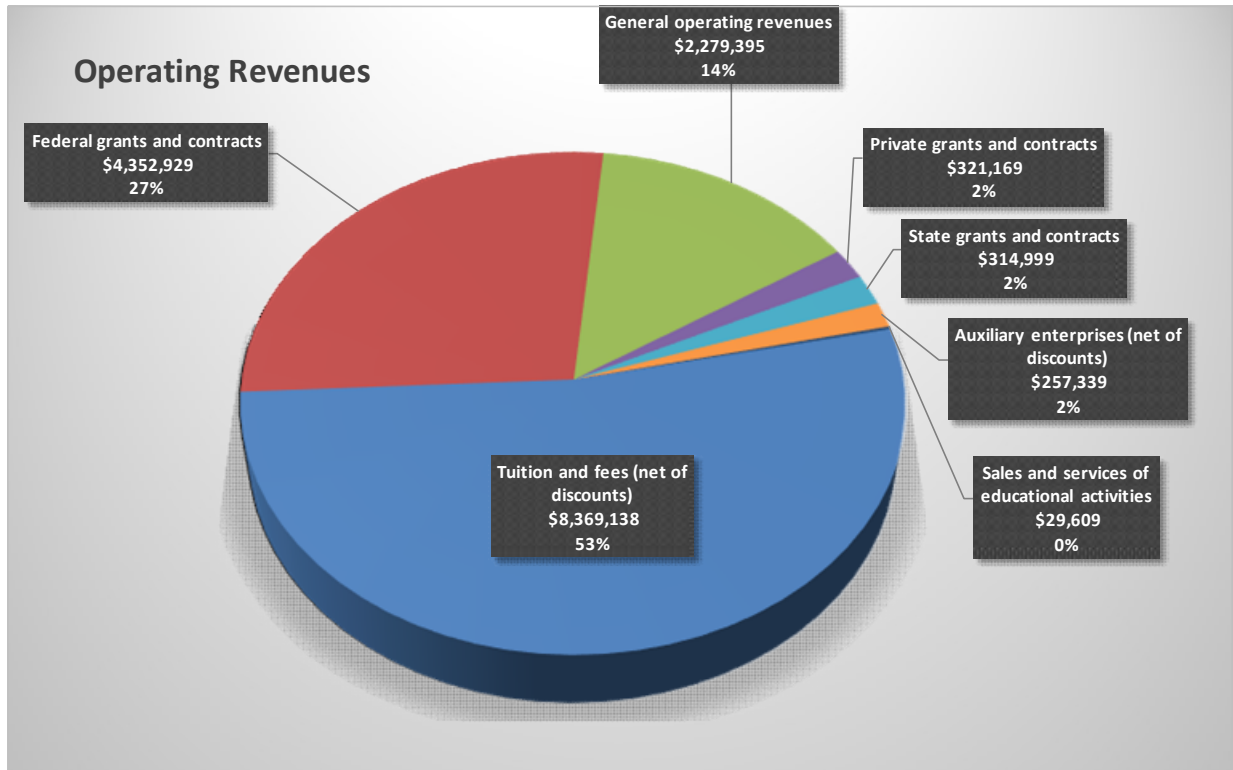
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Operating Revenues:</b>			
Tuition and fees (net of discounts)	\$ 8,369,138	\$ 7,078,028	\$ 9,387,758
Federal grants and contracts	4,352,929	18,569,959	13,167,625
State grants and contracts	314,999	627,959	488,931
Private grants and contracts	321,169	365,271	157,760
Sales and services of educational activities	29,609	38,003	-
Auxiliary enterprises (net of discounts)	257,339	259,525	90,052
General operating revenues	2,279,395	596,434	336,320
<b>Total Operating Revenues</b>	<b>15,924,578</b>	<b>27,535,179</b>	<b>23,628,446</b>
<b>Total Operating Expenses</b>	<b>70,757,044</b>	<b>73,154,415</b>	<b>68,161,148</b>
<b>Operating Income (Loss)</b>	<b>(54,832,466)</b>	<b>(45,619,236)</b>	<b>(44,532,702)</b>
<b>Non-Operating Revenues (Expenses):</b>			
State appropriations	13,656,070	13,201,447	14,140,606
Maintenance ad valorem taxes	34,172,914	32,938,617	33,878,548
General obligation bond taxes	5,103,515	3,351,789	3,131,773
Federal revenue, non-operating	10,265,864	8,180,970	8,174,844
Investment income	1,706,421	234,597	44,761
Gifts	911,814	946,265	6,194,856
Payment in lieu of taxes	2,274,966	1,349,710	1,343,550
Interest on capital related debt	(2,255,895)	(2,380,477)	(2,513,998)
Realized/unrealized gain on investments	149,287	(253,963)	2,869,364
Other non-operating revenues (expenses)	(586,281)	(180,108)	(230,853)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>65,398,675</b>	<b>57,388,847</b>	<b>67,033,451</b>
<b>Total Increase (Decrease) in Net Position</b>	<b>\$ 10,566,209</b>	<b>\$ 11,769,611</b>	<b>\$ 22,500,749</b>

**LEE COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Operating Revenues (Expenses)**

Operating revenues decreased by \$11.6 million from fiscal year 2022 to fiscal year 2023, primarily due to a decrease in federal funding as COVID funding began to decrease and ended in June 2023.

Operating revenue for 2023 is shown graphically below.



**Operating Expenses**

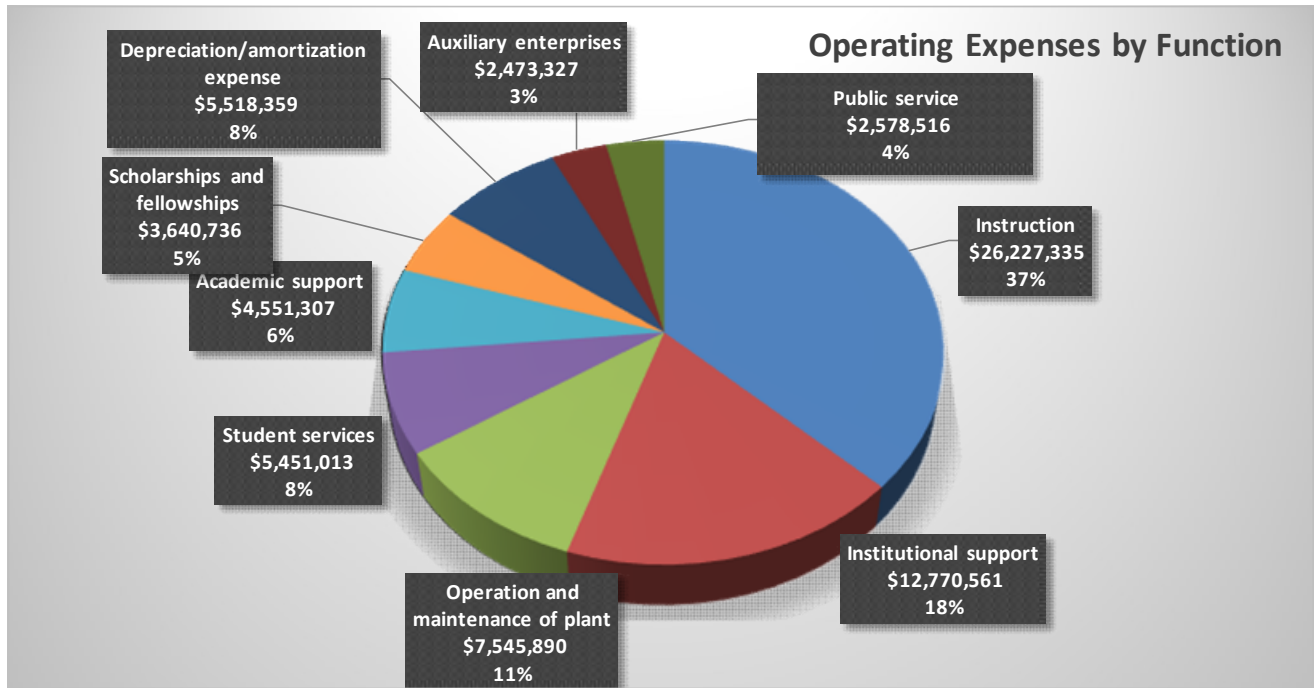
Operating expenses decreased by \$2.4 million compared to the prior year, primarily due to a decrease in student services and institutional support as student emergency aid was funded by federal COVID dollars.

Operating expenses are reported in the financial statement by functional classification and are presented below in the table for fiscal year 2023, 2022, and 2021.

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Instruction	\$ 26,227,335	\$ 24,963,155	\$ 25,465,325
Public service	2,578,516	1,864,191	1,725,406
Academic support	4,551,307	3,826,316	4,539,612
Student services	5,451,013	10,218,494	5,845,235
Institutional support	12,770,561	14,746,945	12,915,619
Operation and maintenance of plant	7,545,890	7,373,520	7,844,206
Scholarships and fellowships	3,640,736	4,961,589	5,595,962
Auxiliary enterprises	2,473,327	1,207,770	493,962
Depreciation/amortization expense	5,518,359	3,992,435	3,735,821
<b>Total Operating Expenses</b>	<b>\$ 70,757,044</b>	<b>\$ 73,154,415</b>	<b>\$ 68,161,148</b>

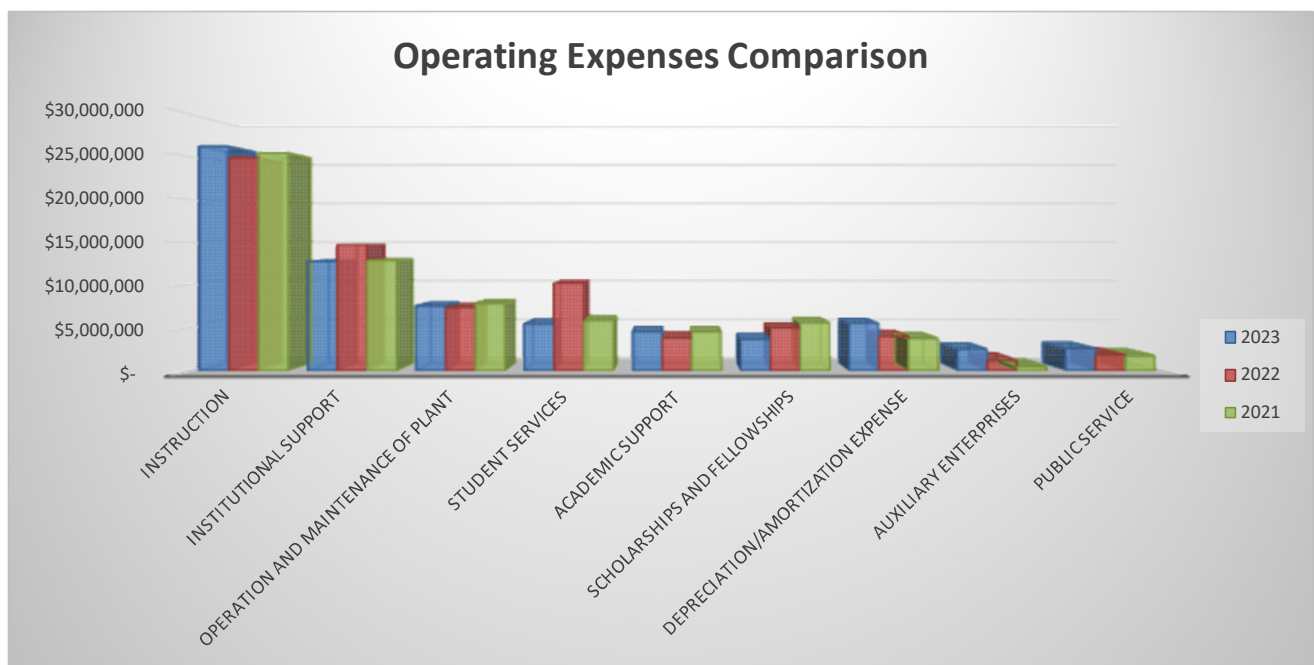
**LEE COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Operating expenses are shown graphically in the table below for fiscal year 2023.



**Operating Expenses by Functional Classification**

Functional classifications are the traditional categories that have been used to show expenses. They represent the type of programs and services provided. The chart below shows the District's 2023 operating expenses in comparison to 2022 and 2021:



**LEE COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Non-Operating Revenues (Expenses)**

Non-operating revenues consist of the following: state appropriations, tax revenue, gifts, net investment income, payments in lieu of taxes, federal non-operating grants, unrealized and realized gain on investments and other revenues. Non-operating expenses consist of interest on capital related debt. Non-operating revenues increased in fiscal year 2023 compared to 2022 primarily due to an increase in state appropriations, tax revenues, federal non-operating and investment income.

**Capital Assets and Debt Administration**

Below is a summary of the District's capital assets, net of depreciation.

	<u>2023</u>	<u>2022, restated</u>	<u>2021</u>
Land	\$ 1,771,508	\$ 1,771,508	\$ 1,516,551
Construction in Progress	7,226,449	4,139,433	42,135
Buildings	85,737,082	87,793,255	89,849,427
Land Improvements	12,414,274	8,909,728	6,410,655
Equipment	5,828,804	5,029,950	4,468,879
Right-to-use assets	657,489	779,897	753,587
SBITA assets	2,662,465	712,794	-
Library Books	1,214,584	1,245,452	1,272,391
	<u>\$ 117,512,655</u>	<u>\$ 110,382,017</u>	<u>\$ 104,313,625</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

**LEE COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Shown in the table below is the outstanding debt at the end of the Fiscal Year as compared to the end of the two previous fiscal years. The District's General Obligation bonds are currently rated Aa2 by Moody's Investor Service.

	<u>2023</u>	<u>2022, restated</u>	<u>2021</u>
General Obligation Bonds	\$ 29,965,000	\$ 36,245,000	\$ 37,890,000
Revenue Bonds	12,585,000	13,615,000	14,615,000
Bond Premium	3,861,024	1,387,104	1,479,577
Note Payable	4,804,642	5,801,683	6,747,755
Lease Payable	669,666	791,259	759,653
SBITA payable	1,963,314	474,020	-
Net Pension Liability	13,649,682	5,354,001	11,184,207
Net OPEB Liability	33,981,347	39,306,286	35,618,327
	<u>\$ 101,479,675</u>	<u>\$ 102,974,353</u>	<u>\$ 108,294,519</u>

Additional information on the District's long-term debt can be found in Note 8 of this report.

**Economic Factors for Next Year's Budget**

The College continues to make strides in record-breaking enrollment for the second year. Enrollment for Fall of 2023 is the highest in the 89-year history of the institution.

The Board of Regents approved an \$83 million operating budget for fiscal year 2024. The budget included a combined property tax rate of \$.2101 per \$100 of valuation, which is a decrease from \$.2201 per \$100 of valuation for tax year 2022. The Board voted to decrease both the maintenance and operating and interest and sinking tax rate from \$0.1909 to \$0.1832 and \$.0292 to \$.0269 respectively. In addition, the Board of Regents approved making an additional principal payment on outstanding bonds that will generate an interest savings of over \$1 million dollars over the remaining life of the bonds.

As a result of the 2023 Legislative Session, House Bill 8 (HB 8) was signed into law and the Financial Aid Swift Transfer (FAST) scholarship program for low-income dual credit students was created. HB 8 was designed to reform the funding model for community colleges in Texas and align the state's workforce needs with strategic funding and resources. The new model moves to an outcomes-based approach which will fund colleges for awards, degrees and certificates. The FAST program provides funding to participating institutions of higher education so they can offer dual credit courses to educationally disadvantaged students at no cost.

The surrounding community continues to expand in the industrial, logistic, and wholesale distribution enterprises. The new residential, multi-family and commercial development continues to be strong and thousands more are scheduled for construction over the next five years. This growth has contributed to an increase in our property values.

The financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the Lee College District Business Office via written request to P. O. Box 818, Baytown, Texas 77522-0818.



## **BASIC FINANCIAL STATEMENTS**

**LEE COLLEGE DISTRICT**  
**STATEMENTS OF NET POSITION**  
**August 31, 2023 and 2022**

**Exhibit 1**  
**Page 1 of 2**

	<u>2023</u>	<u>2022, restated</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 11,102,480	\$ 20,798,114
Investments - short term	15,498,926	5,936,433
Accounts receivable (net)	6,220,650	6,072,089
Inventories	519,780	2,176
Prepaid expenses	3,898,927	3,577,189
Restricted cash and cash equivalents:		
Construction	2,424,584	3,571,778
Endowment	402,188	385,292
<b>Total Current Assets</b>	<u>40,067,535</u>	<u>40,343,071</u>
<b>Noncurrent Assets:</b>		
Land Held for Investment	11,960,000	11,960,000
Investments - long term	15,052,940	15,571,915
Capital assets (net)	117,512,655	110,382,017
<b>Total Noncurrent Assets</b>	<u>144,525,595</u>	<u>137,913,932</u>
<b>Total Assets</b>	<u>184,593,130</u>	<u>178,257,003</u>
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	-	77,868
Deferred outflows related to pensions	6,099,400	3,182,397
Deferred outflows related to OPEB	6,293,904	6,148,094
<b>Total Deferred Outflows of Resources</b>	<u>12,393,304</u>	<u>9,408,359</u>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	1,476,470	2,836,807
Accrued liabilities	947,407	851,469
Interest payable	124,562	101,193
Funds held for others	400,845	399,402
Unearned revenue	7,830,746	7,306,754
Accrued compensated absences	990,464	995,801
Note payable - current portion	1,041,389	986,810
Lease payable - current portion	234,472	213,043
SBITA payable - current portion	1,503,343	371,124
Bonds payable - current portion	3,000,000	2,760,000
OPEB liability - current portion	883,442	807,809
<b>Total Current Liabilities</b>	<u>18,433,140</u>	<u>17,630,212</u>
<b>Noncurrent Liabilities:</b>		
Note payable - noncurrent portion	3,763,253	4,814,873
Lease payable - noncurrent portion	435,194	578,216
SBITA payable - noncurrent portion	459,971	102,896
Bonds payable - noncurrent portion	43,411,024	48,487,104
Net pension liability	13,649,682	5,354,001
Net OPEB liability	33,097,905	38,498,477
<b>Total Noncurrent Liabilities</b>	<u>94,817,029</u>	<u>97,835,567</u>
<b>Total Liabilities</b>	<u>113,250,169</u>	<u>115,465,779</u>
<b>Deferred Inflows of Resources</b>		
Deferred gain on refunding	425,551	-
Deferred inflows related to pensions	1,345,280	6,277,152
Deferred inflows related to OPEB	11,833,147	6,356,353
<b>Total Deferred Inflows of Resources</b>	<u>13,603,978</u>	<u>12,633,505</u>
<b>Net Position</b>		
Net Investment in capital assets	65,663,042	55,717,597
Restricted for:		
Non-Expendable - Endowment	402,188	385,292
Unrestricted	4,067,057	3,463,189
<b>Total Net Position</b>	<u>\$ 70,132,287</u>	<u>\$ 59,566,078</u>

**LEE COLLEGE FOUNDATION, INC.**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2023 and 2022**

**Exhibit 1**  
**Page 2 of 2**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,452,414	\$ 4,092,317
Contributions receivable, net	6,200	-
Prepaid expenses	13,632	5,935
Investments	13,637,035	12,226,406
<b>Total Assets</b>	<u>\$ 17,109,281</u>	<u>\$ 16,324,658</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 3,005	\$ 2,320
Due to affiliated organization	41,192	471,040
Deferred revenue	78,025	53,975
Funds Held for the benefit of others	-	1,500
<b>Total Liabilities</b>	<u>122,222</u>	<u>528,835</u>
<b>Net Assets:</b>		
Without donor restrictions:		
Board designated	121,091	122,871
Unrestricted	819,645	768,986
Total without donor restriction	<u>940,736</u>	<u>891,857</u>
With donor restrictions:		
Purpose restriction	1,354,604	1,309,647
Perpetual in nature	8,813,490	8,705,527
Accumulated investment gains available for spending policy	5,878,229	4,888,792
Total with donor restrictions	<u>16,046,323</u>	<u>14,903,966</u>
<b>Total Net Assets</b>	<u>16,987,059</u>	<u>15,795,823</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 17,109,281</u>	<u>\$ 16,324,658</u>

**LEE COLLEGE DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Years Ended August 31, 2023 and 2022**

**Exhibit 2**  
**Page 1 of 2**

	<u>2023</u>	<u>2022, restated</u>
<b>Operating Revenues</b>		
Tuition and fees (net of discounts)	\$ 8,369,138	\$ 7,078,028
Federal grants and contracts	4,352,929	18,569,959
State grants and contracts	314,999	627,959
Private grants and contracts	321,169	365,271
Sales and services of educational activities	29,609	38,003
Auxiliary enterprises (net of discounts)	257,339	259,525
Other operating revenues	2,279,395	596,434
<b>Total Operating Revenues (Schedule A)</b>	<u>15,924,578</u>	<u>27,535,179</u>
<b>Operating Expenses</b>		
Instruction	26,227,335	24,963,155
Public service	2,578,516	1,864,191
Academic support	4,551,307	3,826,316
Student services	5,451,013	10,218,494
Institutional support	12,770,561	14,746,945
Operation and maintenance of plant	7,545,890	7,373,520
Scholarships and fellowships	3,640,736	4,961,589
Auxiliary enterprises	2,473,327	1,207,770
Depreciation expense/amortization	5,518,359	3,992,435
<b>Total Operating Expenses (Schedule B)</b>	<u>70,757,044</u>	<u>73,154,415</u>
<b>Operating income (loss)</b>	<u>(54,832,466)</u>	<u>(45,619,236)</u>
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	13,656,070	13,201,447
Maintenance ad valorem taxes	34,172,914	32,938,617
General obligation bond taxes	5,103,515	3,351,789
Federal revenue, non-operating	10,265,864	8,180,970
Investment income	1,706,421	234,597
Gifts	911,814	946,265
Payments in lieu of taxes	2,274,966	1,349,710
Interest on capital related debt	(2,255,895)	(2,380,477)
Gain on sale of investment	-	(253,963)
Unrealized gain on investment	149,287	-
Other non-operating revenues (expenses)	(586,281)	(180,108)
<b>Net Non-Operating Revenues (Expenses) (Schedule C)</b>	<u>65,398,675</u>	<u>57,388,847</u>
Increase (decrease) in net position	10,566,209	11,769,611
<b>Net Position - Beginning of Year</b>	<u>59,566,078</u>	<u>47,796,467</u>
<b>Net Position - End of Year</b>	<u>\$ 70,132,287</u>	<u>\$ 59,566,078</u>

**LEE COLLEGE FOUNDATION, INC.**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**STATEMENTS OF ACTIVITIES**  
**For the Year Ended August 31, 2023 with Comparative Totals for 2022**

**Exhibit 2**  
**Page 2 of 2**

	<u>Year Ended August 31,</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023</u>	<u>2022</u>
<b>Revenue and Support:</b>				
Contributions of cash and other financial assets	\$ 21,527	\$ 473,973	\$ 495,500	\$ 2,166,730
Contributions of nonfinancial assets	464,329	296,632	760,961	-
Special events, net of fundraising expenses	117,261	-	117,261	97,152
Net investment income (loss)	254,004	1,317,397	1,571,401	(1,935,983)
Net assets released from restrictions	945,645	(945,645)	-	-
<b>Total Revenue and Other Support</b>	<u>1,802,766</u>	<u>1,142,357</u>	<u>2,945,123</u>	<u>327,899</u>
<b>Expenses:</b>				
Program Expenses:				
Scholarships	773,308	-	773,308	798,476
Capital facilities assistance	148	-	148	117,747
Emergency assistance expenses	173,969	-	173,969	59,825
Other Program Expenses	296,632	-	296,632	-
Management and general	509,830	-	509,830	420,720
<b>Total Expenses</b>	<u>1,753,887</u>	<u>-</u>	<u>1,753,887</u>	<u>1,396,768</u>
Change in Net Assets	48,879	1,142,357	1,191,236	(1,068,869)
<b>Net Assets, at Beginning of Year</b>	<u>891,857</u>	<u>14,903,966</u>	<u>15,795,823</u>	<u>16,864,692</u>
<b>Net Assets, at End of Year</b>	<u>\$ 940,736</u>	<u>\$ 16,046,323</u>	<u>\$ 16,987,059</u>	<u>\$ 15,795,823</u>

**LEE COLLEGE DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended August 31, 2023 and 2022

**Exhibit 3**  
**Page 1 of 2**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from students and other customers	\$ 8,049,873	\$ 7,475,457
Receipts from grants and contracts	5,978,127	24,582,981
Payments to suppliers for goods and services	(18,830,590)	(20,158,601)
Payments to or on behalf of employees	(41,517,886)	(39,903,371)
Payments for scholarships and fellowships	(3,640,736)	(4,961,589)
Other receipts	2,279,395	596,434
<b>Net Cash (Used) by Operating Activities</b>	<u>(47,681,817)</u>	<u>(32,368,689)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Receipts from state appropriations	10,739,311	10,308,124
Receipts from ad valorem taxes	36,451,553	34,222,723
Receipts from gifts	911,814	946,265
Receipts from Federal Grants	10,265,864	8,180,970
Receipts from (payments to) student organizations and other agency transactions	1,443	(4,920)
Other payments	(586,281)	(180,108)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>57,783,704</u>	<u>53,473,054</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds on issuance of capital debt and leases	31,958,144	-
Receipts from ad valorem taxes	5,103,515	3,351,789
Purchases of capital assets	(12,126,611)	(10,101,620)
Principal payments on capital debt and leases	(36,438,757)	(3,808,476)
Interest payments on debt and capital leases	(2,219,404)	(1,448,713)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(13,723,113)</u>	<u>(12,007,020)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(8,894,231)	(21,760,369)
Interest on investments	1,689,525	232,655
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(7,204,706)</u>	<u>(21,527,714)</u>
Increase (decrease) in cash and cash equivalents	(10,825,932)	(12,430,369)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>24,755,184</u>	<u>37,185,553</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 13,929,252</u>	<u>\$ 24,755,184</u>
<b>Components of Cash and Cash Equivalents:</b>		
Cash and cash equivalents	\$ 11,102,480	\$ 20,798,114
Restricted cash and cash equivalents	2,826,772	3,957,070
	<u>\$ 13,929,252</u>	<u>\$ 24,755,184</u>

**LEE COLLEGE DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended August 31, 2023 and 2022

*Exhibit 3*  
Page 2 of 2

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used)</b>		
<b>by Operating Activities:</b>		
Operating income (loss)	\$ (54,832,466)	\$ (45,619,236)
Adjustments:		
Depreciation/amortization expense	5,518,359	3,992,435
Payments made directly by state for benefits	2,916,759	2,893,323
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in receivables, net	(152,234)	2,898,052
(Increase) decrease in inventories	(517,604)	274
(Increase) decrease in prepaid expenses	(321,738)	174,490
(Increase) decrease in deferred outflows related to pensions	(2,917,003)	822,020
(Increase) decrease in deferred outflows related to OPEB	(145,810)	498,143
Increase (decrease) accounts payable	(1,360,337)	1,595,427
Increase (decrease) in accrued liabilities	95,938	42,563
Increase (decrease) in compensated absences	(5,337)	129,864
Increase (decrease) in unearned revenue	523,992	2,273,171
Increase (decrease) in deferred inflows related to pensions	(4,931,872)	4,032,206
Increase (decrease) in deferred inflows related to OPEB	5,476,794	(3,959,174)
Increase (decrease) in net pension liability	8,295,681	(5,830,206)
Increase (decrease) in net OPEB Liability	(5,324,939)	3,687,959
<b>Net Cash (Used) By Operating Activities</b>	<u>\$ (47,681,817)</u>	<u>\$ (32,368,689)</u>





**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 1 - Reporting Entity**

Lee College District (the "District") was established in 1934, in accordance with the laws of the State of Texas, to serve the educational needs of Baytown and the surrounding communities. As a public two-year college, the District has taxing authority and possesses attributes of a local governmental unit 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*. While the District receives funding from local, state and federal government 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 accompanying financial statements include the Lee College Foundation, Inc. (the "Foundation") as a component unit of the District. This component unit, which has a fiscal year-end of August 31, has been discretely presented on separate pages to emphasize that it is legally separate from the District. The Foundation was established to "... solicit and receive donations, gifts and grant... on behalf of Lee College, its departments and activities....". Although the Foundation is a legally separate, tax-exempt entity, it meets the criteria of GASB Statement No. 39 to be considered a component unit of the District. That is, the Foundation's economic resources are for the direct benefit of the District or its students. By the Foundation's charter, the District is entitled to a majority of the Foundation's economic resources, and such economic resources are material to the District. Historically, the Foundation has made no direct contributions to the District but has awarded scholarships to students attending the District. The Foundation is governed by a 22-member board of trustees, which includes two District regents.

Complete financial statements for the Foundation may be obtained at the entity's administrative offices:

Lee College Foundation  
511 South Whiting  
Baytown, Texas 77522

**Note 2 - Summary of Significant Accounting Policies**

**Reporting Guidelines**

The significant accounting policies followed by the 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 and Junior Colleges*. The District applies all applicable GASB pronouncements The District is reported as a special-purpose government engaged in business-type activities.

**Tuition Discounting**

**Texas Public Education Grants (TPEG)** - certain tuition amounts are required to be set aside for the use as scholarships by qualifying students. This set aside, called the TPEG, is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code Section 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 (HEA) 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 amounts are recorded as tuition discounts. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

## LEE COLLEGE DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Summary of Significant Accounting Policies (continued)

##### Basis of Accounting

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

##### Budgetary Data

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

##### Cash and Cash Equivalents

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

##### Investments

Short-term investments have an original maturity greater than three months, but less than one year at the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

The District reports all investments at fair value, except for investment pools. The District's investment pools are valued and reported at amortized cost, which approximates fair value. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement no. 79, *Certain Investment Pools and Pool Participants*.

##### Inventories

Inventories, consisting of food service supplies are valued at the lower of cost (under the "first-in, first-out" method) or market. The Bookstore inventory is valued at market value.

##### Capital Assets

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

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Capital Assets (continued)**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following estimated useful lives are used:

Buildings .....	50 years
Facilities and other improvements .....	20 years
Furniture, machinery, vehicles and other equipment .....	10 years
Telecommunications and peripheral equipment .....	5 years
Right-to-use-assets.....	5 years
Subscription based IT arrangements.....	5 years
Library books .....	15 years

**Unearned Revenues**

Tuition, fees, and other revenues received that are related to the period after August 31, 2023 are reported as unearned revenues.

**Deferred Outflows**

A *deferred outflow of resources* is a consumption of a government’s net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- ***Deferred outflows of resources for refunding*** – Reported in the statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- ***Deferred outflows of resources for pension*** –This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District’s proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- ***Deferred outflows of resources for other post-employment benefits*** –Reported in the statement of net position, this deferred outflow results from other post-employment benefit (OPEB) plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the District’s proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with other post-employment benefits through the other post-employment benefit plan.

## LEE COLLEGE DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Summary of Significant Accounting Policies (continued)

##### Deferred Inflows

A *deferred inflow of resources* is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- **Deferred inflows of resources for refunding** – these deferred inflows result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- **Deferred inflows of resources for pension** – These deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- **Deferred inflows of resources for other post-employment benefits** – These deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with other post-employment benefits through the other post-employment benefit plan.

##### Long-term Obligations

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

##### Pensions

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

##### 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.

## LEE COLLEGE DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Summary of Significant Accounting Policies (continued)

##### Net Position

The District's net position categories are classified as follows:

##### ***Net Investment in Capital Assets***

This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component net investment in capital assets.

##### ***Restricted Net Position – Non-Expendable***

Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

##### ***Unrestricted Net Position***

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. The pension and OPEB related items such as the deferred outflows and inflows of resources, net pension liability and net OPEB liability, are included in unrestricted net position.

##### Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a Business-Type Activity (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. 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, Federal Pell grants, all Title IV student financial aid grants, property tax collections and unrealized gain on investments. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

##### Presentation of State Benefit Payments on Cash Flow Statements

In response to guidance from the Texas Higher Education Coordinating Board, benefit payments made by the state directly to the Employees' Retirement System of Texas (ERS) on behalf of the District are excluded from cash flows from operating activities on the Statement of Cash Flows. Instead, these payments are now included as reconciling items in the reconciliation of operating loss to net cash used by operating activities.

##### 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, the District is aware that actual results could differ from those estimates.

**LEE COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Implementation of New Accounting Standards**

GASB Statement No. 96 Subscription-Based Information Technology Arrangements (SBITA), was issued in May 2020 and was effective for periods beginning after June 15, 2022. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The District has evaluated the effects of this standard and has determined that it does impact the financial statements. As such, the District has incorporated such SBITAs into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosure.

**Prior Year Restatement**

In accordance with GASB 96, the District made a prior year restated to recognize a subscription liability and an intangible right-to-use subscription asset which are included in the District’s Statement of Net Position with an improvement to net position of \$238,774.

**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) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

**Note 4 - Deposits and Investments**

At August 31, 2023 and 2022 the carrying amounts of the bank balances were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

	<u>2023</u>	<u>2022</u>
<b>Cash and Cash Equivalents:</b>		
Demand deposits - unrestricted	\$ 928,749	\$ 862,904
Investment Pools - unrestricted	10,167,359	19,928,738
Investment Pools - restricted	2,424,586	3,571,780
Investment Pools - endowment	402,188	385,292
Petty cash on hand	6,370	6,470
<b>Total Cash and Cash Equivalents:</b>	<u>\$ 13,929,252</u>	<u>\$ 24,755,184</u>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Deposits and Investments (continued)**

Reconciliation of Deposits and Investments to Exhibit 1:

<u>Type of Security</u>	<u>Amortized cost/Fair Value</u>	
	<u>2023</u>	<u>2022</u>
<b>Investments:</b>		
US Treasury Notes and Bills	\$ 4,183,977	\$ 2,953,710
US Agencies		
FHLB	10,373,084	9,698,006
FFCB	7,054,748	2,920,199
FHLMC	4,307,579	-
FNMA	703,320	-
Commercial Paper	3,929,158	5,936,433
<b>Total Investments</b>	<u>30,551,866</u>	<u>21,508,348</u>
<b>Total Cash and Cash Equivalents</b>	<u>13,929,252</u>	<u>24,755,184</u>
<b>Total Cash, Cash Equivalents and Investments</b>	<u>\$ 44,481,118</u>	<u>\$ 46,263,532</u>

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

<u>Investment Type</u>	<u>Amortized Cost/Fair Value</u>	<u>Investment Maturities (in Years)</u>		<u>Weighted Average Maturity (Days)</u>
		<u>Less than 1</u>	<u>1 to 5</u>	
Investment Pools:				
TexPool	\$ 2,826,775	\$ 2,826,775	\$ -	2
Lone Star	5,926,761	5,926,761	-	2
Texas FIT	4,240,597	4,240,597	-	1
US Treasury Notes and Bills	4,183,977	3,951,380	232,597	30
US Agencies:				
FHLB	10,373,084	-	10,373,084	95
FFCB	7,054,748	2,986,290	4,068,458	95
FHLMC	4,307,579	-	4,307,579	88
FNMA	703,320	-	703,320	16
Commercial Paper	3,929,158	3,929,158	-	10
<b>Total Investments</b>	<u>\$ 43,545,999</u>	<u>\$ 23,860,961</u>	<u>\$ 19,685,038</u>	<u>339</u>

**Interest Rate Risk**

In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 5 years.

## LEE COLLEGE DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 4 - Deposits and Investments (continued)

##### **Credit Risk**

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

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. 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. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated "AAAm" by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

The First Public (Lone Star Investment Pool) is a public funds investment pool established in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 225, Texas Government Code. First Public is governed by trustees comprised of active participants in First Public. The Board of Trustees for First Public has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. Lone Star Investment Pool is marked-to market daily to maintain an accurate net asset value. The District's fair value in Lone Star Investment Pool is the same as the value of the pool shares. First Public is rated "AAAf/S1+" by Standard & Poor's.

The Texas Fixed Income Trust Cash Pool ("Texas FIT") is a public funds investment pool established and created in pursuant to Chapter 2256 of the Texas Government Code, as amended. Texas FIT has its own Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust but are qualified to advise the Trust. Each Pool's investments are measured and reported at fair value. Texas FIT is rated "AAAf" by Fitch Ratings.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.



**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**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. The District does not have a concentration of credit risk.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from TexPool, Lone Star or Texas FIT are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entity to use for deposits or withdrawals by ACH. The Vice President of Finance and Administration must authorize any new or replacement direct deposit form that would alter or replace the depository bank. Limitations exist for wire transfers, a wire transfer to or from TexPool or Lone Star requires two signatures from authorized representatives in order to be processed.

Total Cash and Investments for the Foundation, Discretely Presented Component Unit of the District, consist of:

	<u>August 31, 2023</u>	<u>August 31, 2022</u>
<b>Bank Deposits</b>		
Cash and cash equivalents	\$ 3,452,414	\$ 4,092,317
<b>Type of Security</b>		
Investments, at market value:		
Mutual Funds	13,637,035	12,226,406
Total Investments	<u>13,637,035</u>	<u>12,226,406</u>
<b>Total Cash and Investments</b>	<u>\$ 17,089,449</u>	<u>\$ 16,318,723</u>

**Fair Value Measurements**

The District and the Foundation categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following fair value hierarchy of investments as of August 31:

	<u>August 31, 2023</u>			<u>August 31, 2022</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Total</u>
US Agency Obligations	\$ 22,438,731	\$ -	\$ -	\$ 22,438,731	\$ 12,618,205
US Treasury Obligations	4,183,977	-	-	4,183,977	2,953,710
Commercial Paper	-	3,929,158	-	3,929,158	5,936,433
<b>Total</b>	<u>\$ 26,622,708</u>	<u>\$ 3,929,158</u>	<u>\$ -</u>	<u>\$ 30,551,866</u>	<u>\$ 21,508,348</u>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Deposits and Investments (continued)**

**Fair Value Measurements (continued)**

The Foundation has the following fair value hierarchy of investments as of August 31:

	August 31, 2023			August 31, 2022
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 13,637,035	\$ -	\$ -	\$ 13,637,035
<b>Total</b>	<b>\$ 13,637,035</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,637,035</b>

**Note 5 - Land Held for Investment**

In February 2018 the District purchased a 127 acre tract of land to be held for sale as investment. The value of the land as of August 31 is as follows:

	2023	2022
Land held for sale	\$ 11,960,000	\$ 11,960,000

**Note 6 - Disaggregation of Receivables and Payables Balances**

Accounts receivable at August 31, 2023 and 2022, consisted of the following:

	2023	2022
<b>Receivables:</b>		
Student Receivables	\$ 6,977,291	\$ 5,655,895
Taxes Receivable	1,748,738	1,738,261
Federal Receivables	768,818	1,757,848
Accounts Receivable	606,056	426,150
Total	10,100,903	9,578,154
Allowance for Uncollectibles	(3,880,253)	(3,506,065)
<b>Total Receivables, Net</b>	<b>\$ 6,220,650</b>	<b>\$ 6,072,089</b>

Accounts receivable have been reflected net of an allowance for doubtful accounts in the accompanying statements of net assets. Generally, the allowances are based upon historical experience in collecting the applicable receivables. Allowances for doubtful accounts at year- end are as follows:

	2023	2022
Student Receivable	\$ 2,788,381	\$ 2,428,343
Taxes Receivable	1,091,872	1,077,722
<b>Total</b>	<b>\$ 3,880,253</b>	<b>\$ 3,506,065</b>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 6 - Disaggregation of Receivables and Payables Balances (continued)**

Payables at August 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Accrued wages payable	\$ 216,767	\$ 201,731
Vendor's payable	1,476,470	2,836,807
Accrued Interest	124,562	101,193
Other accrued liabilities	730,640	649,738
<b>Total</b>	<u>\$ 2,548,439</u>	<u>\$ 3,789,469</u>

**Note 7 - Capital Assets**

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

	<u>Balance, as restated 09/01/22</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 08/31/23</u>
<b>Not Depreciated:</b>				
Land	\$ 1,771,508	\$ -	\$ -	\$ 1,771,508
Construction in progress	4,139,433	7,053,731	(3,966,715)	7,226,449
<b>Total Not Depreciated Assets</b>	<u>5,910,941</u>	<u>7,053,731</u>	<u>(3,966,715)</u>	<u>8,997,957</u>
<b>Buildings and Other Capital Assets:</b>				
Buildings and building improvements	122,233,265	-	-	122,233,265
Improvements other than buildings	11,084,345	-	3,966,715	15,051,060
<b>Total Buildings and Other Real Estate Improvements</b>	<u>133,317,610</u>	<u>-</u>	<u>3,966,715</u>	<u>137,284,325</u>
Furniture, equipment and vehicles	25,994,435	1,379,574	-	27,374,009
Telecommunication equipment	10,927,268	729,426	-	11,656,694
Right-to-use lease assets	1,196,937	100,928	(195,981)	1,101,884
SBITA assets	935,596	3,298,236	(170,261)	4,063,571
Library books	3,621,663	87,102	-	3,708,765
<b>Total Buildings and Other Capital Assets</b>	<u>175,993,509</u>	<u>5,595,266</u>	<u>3,600,473</u>	<u>185,189,248</u>
<b>Accumulated Depreciation:</b>				
Buildings and building improvements	(34,440,010)	(2,056,173)	-	(36,496,183)
Improvements other than buildings	(2,174,617)	(462,169)	-	(2,636,786)
<b>Total Buildings and Other Real Estate Improvements</b>	<u>(36,614,627)</u>	<u>(2,518,342)</u>	<u>-</u>	<u>(39,132,969)</u>
Furniture, equipment and vehicles	(22,237,324)	(712,934)	-	(22,950,258)
Telecommunication equipment	(9,654,429)	(597,212)	-	(10,251,641)
Right-to-use leased assets	(417,040)	(223,336)	195,981	(444,395)
SBITA assets	(222,802)	(1,348,565)	170,261	(1,401,106)
Library books	(2,376,211)	(117,970)	-	(2,494,181)
<b>Total Accumulated Depreciation</b>	<u>(71,522,433)</u>	<u>(5,518,359)</u>	<u>366,242</u>	<u>(76,674,550)</u>
<b>Net Capital Assets</b>	<u>\$ 110,382,017</u>	<u>\$ 7,130,638</u>	<u>\$ -</u>	<u>\$ 117,512,655</u>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Capital Assets (continued)**

At August 31, 2023, the District has the following active construction and estimated construction commitments with contractors as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Estimated Remaining Commitment</u>
Storm Drain Repairs	\$ 665,290	\$ 398,389	\$ 266,901
Roofing Repairs	1,177,315	1,084,437	92,878
RAC	6,253,328	5,474,662	778,666
ADA Compliance	2,682,472	268,961	2,413,511
	<u>\$ 10,778,405</u>	<u>\$ 7,226,449</u>	<u>\$ 3,551,956</u>

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

	<u>Balance, as restated 09/01/21</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 08/31/22</u>
<b>Not Depreciated:</b>				
Land	\$ 1,516,551	\$ 254,957	\$ -	\$ 1,771,508
Construction in progress	42,135	4,139,433	(42,135)	4,139,433
<b>Total Not Depreciated Assets</b>	<u>1,558,686</u>	<u>4,394,390</u>	<u>(42,135)</u>	<u>5,910,941</u>
<b>Buildings and Other Capital Assets:</b>				
Buildings and building improvements	122,233,265	-	-	122,233,265
Improvements other than buildings	8,186,250	2,855,960	42,135	11,084,345
<b>Total Buildings and Other Real Estate Improvements</b>	<u>130,419,515</u>	<u>2,855,960</u>	<u>42,135</u>	<u>133,317,610</u>
Furniture, equipment and vehicles	25,202,969	791,466	-	25,994,435
Telecommunication equipment	9,967,125	960,143	-	10,927,268
Right-to-use lease assets	947,927	249,010	-	1,196,937
SBITA assets	-	935,596	-	935,596
Library books	3,524,601	97,062	-	3,621,663
<b>Total Buildings and Other Capital Assets</b>	<u>170,062,137</u>	<u>5,889,237</u>	<u>42,135</u>	<u>175,993,509</u>
<b>Accumulated Depreciation:</b>				
Buildings and building improvements	(32,383,838)	(2,056,172)	-	(34,440,010)
Improvements other than buildings	(1,775,595)	(399,022)	-	(2,174,617)
<b>Total Buildings and Other Real Estate Improvements</b>	<u>(34,159,433)</u>	<u>(2,455,194)</u>	<u>-</u>	<u>(36,614,627)</u>
Furniture, equipment and vehicles	(21,606,461)	(630,863)	-	(22,237,324)
Telecommunication equipment	(9,094,754)	(559,675)	-	(9,654,429)
Right-to-use leased assets	(194,340)	(222,700)	-	(417,040)
SBITA assets	-	(222,802)	-	(222,802)
Library books	(2,252,210)	(124,001)	-	(2,376,211)
<b>Total Accumulated Depreciation</b>	<u>(67,307,198)</u>	<u>(4,215,235)</u>	<u>-</u>	<u>(71,522,433)</u>
<b>Net Capital Assets</b>	<u>\$ 104,313,625</u>	<u>\$ 6,068,392</u>	<u>\$ -</u>	<u>\$ 110,382,017</u>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Capital Assets (continued)**

At August 31, 2022, the District has the following active construction and estimated construction commitments with contractors as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Estimated Remaining Commitment</u>
Storm Drain Repairs	\$ 1,100,000	\$ 25,576	\$ 1,074,424
Roofing Repairs	977,840	735,992	241,848
Air Quality Ductwork	1,279,100	1,010,028	269,072
RAC	5,222,828	920,611	4,302,217
McNair	2,530,516	1,447,226	1,083,290
	<u>\$ 11,110,284</u>	<u>\$ 4,139,433</u>	<u>\$ 6,970,851</u>

**Note 8 - Noncurrent Liabilities**

**Current Year Bond Issuances**

In June 2023, the District authorized the issuance of Limited Tax General Obligation Refunding Bonds, Series 2023 in the amount of \$26,150,000. The bonds were used to refund a portion of the Limited Tax General Obligation Bonds, Series 2013 for a net present value of savings of \$2,589,041.

Noncurrent liabilities activity for the year ended August 31, 2023, was as follows:

	<u>Balance, as Restated 09/01/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 08/31/23</u>	<u>Current Portion</u>
<b>Bonds and Leases</b>					
General Obligation Bonds	\$ 36,245,000	\$ 26,150,000	\$ (32,430,000)	\$ 29,965,000	\$ 1,940,000
Revenue Bonds	13,615,000	-	(1,030,000)	12,585,000	1,060,000
Bond Premiums	1,387,104	3,048,791	(574,871)	3,861,024	-
Note Payable	5,801,683	-	(997,041)	4,804,642	1,041,389
Lease Payable	791,259	95,336	(216,929)	669,666	234,472
SBITA Liabilities	474,020	3,254,081	(1,764,787)	1,963,314	1,503,343
<b>Total Bonds and Leases</b>	<u>58,314,066</u>	<u>32,548,208</u>	<u>(37,013,628)</u>	<u>53,848,646</u>	<u>5,779,204</u>
<b>Other Liabilities</b>					
Compensated absences payable	995,801	-	(5,337)	990,464	990,464
Net Pension Liability	5,354,001	8,295,681	-	13,649,682	-
Net OPEB Liability	39,306,286	-	(5,324,939)	33,981,347	883,442
<b>Total Other Liabilities</b>	<u>45,656,088</u>	<u>8,295,681</u>	<u>(5,330,276)</u>	<u>48,621,493</u>	<u>1,873,906</u>
<b>Total Noncurrent Liabilities</b>	<u>\$ 103,970,154</u>	<u>\$ 40,843,889</u>	<u>\$ (42,343,904)</u>	<u>\$ 102,470,139</u>	<u>\$ 7,653,110</u>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Noncurrent Liabilities (continued)**

Noncurrent liabilities activity for the year ended August 31, 2022, was as follows:

	Balance, as Restated 09/01/21	Additions	Retirements	Balance 08/31/22	Current Portion
<b>Bonds and Leases</b>					
General Obligation Bonds	\$ 37,890,000	\$ -	\$ (1,645,000)	\$ 36,245,000	\$ 1,730,000
Revenue Bonds	14,615,000	-	(1,000,000)	13,615,000	1,030,000
Bond Premiums	1,479,577	-	(92,473)	1,387,104	-
Notes Payable	6,747,755	-	(946,072)	5,801,683	986,810
Lease Payable	759,653	249,010	(217,404)	791,259	213,043
SBITA Liabilities		822,496	(348,476)	474,020	371,124
<b>Total Bonds and Leases</b>	<u>61,491,985</u>	<u>1,071,506</u>	<u>(4,249,425)</u>	<u>58,314,066</u>	<u>4,330,977</u>
<b>Other Liabilities</b>					
Compensated absences payable	865,937	129,864	-	995,801	995,801
Net Pension Liability	11,184,207	-	(5,830,206)	5,354,001	-
Net OPEB Liability	<u>35,618,327</u>	<u>3,687,959</u>	<u>-</u>	<u>39,306,286</u>	<u>807,809</u>
<b>Total Other Liabilities</b>	<u>47,668,471</u>	<u>3,817,823</u>	<u>(5,830,206)</u>	<u>45,656,088</u>	<u>1,803,610</u>
<b>Total Noncurrent Liabilities</b>	<u>\$ 109,160,456</u>	<u>\$ 4,889,329</u>	<u>\$ (10,079,631)</u>	<u>\$ 103,970,154</u>	<u>\$ 6,134,587</u>

General information related to bonds and notes payable as of August 31, 2023 is summarized below:

Issue	Issue Date	Original Issuance Amount	Interest Rate (%)	Maturity Date	Debt Outstanding 8/31/23
<b>General Obligation Bonds:</b>					
Limited Tax General Obligation Bonds, Series 2013	8/29/2013	\$ 39,460,000	3.875% to 5%	8/15/2037	\$ 3,815,000
Limited Tax General Obligation Bonds, Series 2023	6/30/2023	26,150,000	5.00%	8/15/2037	<u>26,150,000</u>
					<u>29,965,000</u>
<b>Revenue Bonds</b>					
New Revenue Financing System Bonds, Series 2015	10/8/2015	8,575,000	2.42%	8/15/2027	9,465,000
New Revenue Financing System Bonds, Series 2018	8/16/2018	10,320,000	3.25% to 5%	8/15/2037	<u>3,120,000</u>
					<u>12,585,000</u>
<b>Notes Payable:</b>					
Note Payable	12/23/2016	\$ 10,438,218	2.214%	12/23/2026	<u>4,804,642</u>
					<u>4,804,642</u>
					<u>\$ 47,354,642</u>

Source of revenue for debt service requirements for General Obligation Bonds are tax revenues and source of revenue for debt service requirements for Revenue Bonds are pledged revenues.

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Noncurrent Liabilities (continued)**

**Leases:**

The District has five leases outstanding as of August 31, 2023 for the right to use buildings and equipment.

Description	Start Date	End Date	Interest Rate	Original Amount	Lease Liability as of	
					August 31, 2023	August 31, 2022
Continuum Asset Holding, LLC	9/1/2018	8/31/2026	0.778%	\$ 691,320	\$ 256,161	\$ 340,214
Ricoh copiers 2022	2/15/2022	2/15/2025	1.896%	210,994	104,020	171,745
Shopping Center Lease	6/1/2021	8/31/2031	2.320%	227,759	188,344	207,893
Quadient - Digital Mailing System	10/21/2021	8/31/2026	1.446%	38,016	23,997	31,327
Enterprise - Vehicles	10/30/2019	10/30/2023	0.585%	157,872	97,144	40,080
					<u>\$ 669,666</u>	<u>\$ 791,259</u>

**General Obligation Bonds, Revenue Bonds and Notes Payable:**

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

Fiscal Year Ending August 31,	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 1,940,000	\$ 1,475,750	\$ 3,415,750	\$ 1,060,000	\$ 497,442	\$ 1,557,442
2025	2,035,000	1,378,750	3,413,750	1,095,000	463,921	1,558,921
2026	2,135,000	1,277,000	3,412,000	1,130,000	429,037	1,559,037
2027	1,680,000	1,192,750	2,872,750	3,995,000	1,611,040	5,606,040
2028	1,760,000	1,108,750	2,868,750	4,335,000	723,075	5,058,075
2029 - 2033	10,230,000	4,130,750	14,360,750	970,000	38,800	1,008,800
2034 - 2037	10,185,000	1,304,000	11,489,000	-	-	-
	<u>\$ 29,965,000</u>	<u>\$ 11,867,750</u>	<u>\$ 41,832,750</u>	<u>\$ 12,585,000</u>	<u>\$ 3,763,315</u>	<u>\$ 16,348,315</u>

Fiscal Year Ending August 31,	Notes Payable			Total Bonds and Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 1,041,389	\$ 98,246	\$ 1,139,635	\$ 4,041,389	\$ 2,071,438	\$ 6,112,827
2025	1,098,163	74,722	1,172,885	4,228,163	1,917,393	6,145,556
2026	1,157,211	49,923	1,207,134	4,422,211	1,755,960	6,178,171
2027	1,507,879	27,242	1,535,121	7,182,879	2,831,032	10,013,911
2028	-	-	-	6,095,000	1,831,825	7,926,825
2029 - 2033	-	-	-	11,200,000	4,169,550	15,369,550
2034 - 2037	-	-	-	10,185,000	1,304,000	11,489,000
	<u>\$ 4,804,642</u>	<u>\$ 250,133</u>	<u>\$ 5,054,775</u>	<u>\$ 47,354,642</u>	<u>\$ 15,881,198</u>	<u>\$ 63,235,840</u>

The District did not have any defeased bonds outstanding at August 31, 2023.

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Noncurrent Liabilities (continued)**

The future principal and interest lease payments as of August 31, 2023 were as follows:

Year Ending August 31,	Leases Payable		
	Principal	Interest	Total
2024	\$ 234,472	\$ 7,993	\$ 242,465
2025	186,643	5,537	192,180
2026	153,543	3,814	157,357
2027	35,807	2,669	38,476
2028	23,939	2,104	26,043
2029 - 2031	35,262	2,828	38,090
	<u>\$ 669,666</u>	<u>\$ 24,945</u>	<u>\$ 694,611</u>

The future principal and interest SBITA payments as of August 31, 2023 were as follows:

Year Ending August 31,	SBITA Payable		
	Principal	Interest	Total
2024	\$ 1,503,343	\$ 45,665	\$ 1,549,008
2025	272,903	10,353	283,256
2026	187,068	4,819	191,887
	<u>\$ 1,963,314</u>	<u>\$ 60,837</u>	<u>\$ 2,024,151</u>

**Note 9 - Compensated Absences**

**Sick Leave** - Employees of the District are awarded 108 hours of sick leave per year and may accumulate up to 960 hours leave; however, accumulated sick leave does not vest and employees are not paid for unused days at the time of termination of employment.

**Vacation Leave** - Employees of the District can earn between 108 and 216 hours per year paid vacation, depending on position and length of service. Earned vacation hours are credited to the employee on a monthly basis. The maximum accumulated vacation hours allowed are between 148 hours and 232 hours, depending on position and length of service. Accumulated vacation hours in excess of the maximums are forfeited.

At August 31, 2023 and 2022 the value of all accumulated vested employee vacation benefits was \$990,464 and \$995,801, respectively, and is included in accrued compensable absences on the balance sheet. The following is a summary of changes in vacation leave payable:

	2023	2022
Balance, September 1	\$ 995,801	\$ 865,937
Additions	-	129,864
Retirements	(5,337)	-
Balance, August 31	<u>\$ 990,464</u>	<u>\$ 995,801</u>
Current	\$ 990,464	\$ 995,801
	<u>\$ 990,464</u>	<u>\$ 995,801</u>



**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employees Retirement Plan**

**Defined Benefit Pension Plan**

**A. Plan Description**

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

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

**B. 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 may be obtained on the Internet at [www.trs.texas.gov/TRS%20Documents/acfr-2022.pdf](http://www.trs.texas.gov/TRS%20Documents/acfr-2022.pdf) (select About TRS, then Publications, then Financial Reports); or write to TRS at 1000 Red River Street, Austin, TX 78701- 2698

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

**D. Contributions**

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

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employees Retirement Plan (continued)**

**Defined Benefit Pension Plan (continued)**

**D. Contributions (continued)**

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

	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Member (Employee)	8.00%	8.00%
District (Employer)	7.50%	8.00%
Non-employer contributing agency (State)	7.75%	8.00%

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

	<u>Fiscal Year (2023)</u>
	<u>TRS</u>
	<u>Contributions</u>
Member (Employee)	\$ 2,027,340
Non-employer contributing agency (State)	810,670
District (Employer)	1,189,727

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. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) 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.

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employees Retirement Plan (continued)**

**Defined Benefit Pension Plan (continued)**

**E. Actuarial Assumptions**

The total pension liability in the August 31, 2022 actuarial valuation 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	Market Value
Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate*	1.95%
Inflation	2.30%
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 primarily the same assumptions used in the actuarial valuation as of August 31, 2021 with the exception of the decrease in the discount rate from 7.25% to 7.00%.

**F. Discount Rate**

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

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

**LEE COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employees Retirement Plan (continued)**

**Defined Benefit Pension Plans (continued)**

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

<u>Asset Class<sup>1</sup></u>	<u>Target Allocation<sup>2</sup></u>	<u>Long-term Expected Geometric Real Rate of Return<sup>3</sup></u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
<b>Global Equity</b>			
U.S.	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity	14.00%	7.70%	1.55%
<b>Stable Value</b>			
Government Bonds	16.00%	1.00%	0.22%
Stable Value Hedge Funds	5.00%	3.40%	0.00%
Absolute Return (Including Credit Sensitive Investments)	0.00%	3.70%	0.18%
<b>Real Return</b>			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
<b>Risk Parity</b>			
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation	0.00%	0.00%	2.70%
Volatility Drag <sup>4</sup>	0.00%	0.00%	-0.91%
<b>Expected Return</b>			<u>8.19%</u>
<b>Total</b>	<u>100.00%</u>		

<sup>1</sup> Absolute Return includes Credit Sensitive Investments

<sup>2</sup> Target allocations are based on the fiscal year 2022 policy model.

<sup>3</sup> Capital Market Assumptions come from Aon Hewitt as of August 31, 2022.

<sup>4</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employees Retirement Plan (continued)**

**Defined Benefit Pension Plans (continued)**

**G. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2022 net pension liability.

	<u>Discount Rate</u>		
	<u>1% Decrease (6.00%)</u>	<u>Current Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportional share of the net pension liability	\$ 21,233,730	\$ 13,649,682	\$ 7,502,455

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.250%) in measuring the 2021 net pension liability.

	<u>Discount Rate</u>		
	<u>1% Decrease (6.250%)</u>	<u>Current Rate (7.250%)</u>	<u>1% Increase (8.250%)</u>
District's proportional share of the net pension liability	\$ 11,699,341	\$ 5,354,001	\$ 206,003

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

At August 31, 2023, the District reported a liability of \$13,649,682 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:

District's proportion of the net pension liability	0.02299%
District's proportionate share of the net pension liability	\$ 13,649,682
State's proportionate share of the net pension liability associated with the District	<u>9,449,391</u>
<b>Total</b>	<u><u>\$ 23,099,073</u></u>

At August 31, 2022, the District reported a liability of \$5,354,001 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:

District's proportion of the net pension liability	0.02102%
District's proportionate share of the net pension liability	\$ 5,354,001
State's proportionate share of the net pension liability associated with the District	<u>3,989,448</u>
<b>Total</b>	<u><u>\$ 9,343,449</u></u>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employees Retirement Plan (continued)**

**Defined Benefit Pension Plans (continued)**

**H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The net pension liability was measured as of August 31, 2022 and 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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 and September 1, 2020 thru August 31, 2021, respectively.

At August 31, 2022 the employer’s proportion of the collective net pension liability was 0.02299% which was an increase from its proportion measured as of August 31, 2021 of 0.02102%.

At August 31, 2021, the employer’s proportion of the collective net pension liability was 0.02102%, which was an increase from its proportion measured as of August 31, 2020, of 0.02088%.

**Changes since the Prior Actuarial Valuation**

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The total pension liability as of August 31, 2022 was developed using a roll-forward method from the August 31, 2021 valuation.

For the year ended August 31, 2023, the District recognized pension expense of \$1,649,421 as well as on behalf revenue and pension expense of \$903,255 representing pension expense incurred by the State on behalf of the District.

For the year ended August 31, 2022, the District recognized pension expense of \$84,388 as well as on behalf revenue and pension expense of \$15,949 representing pension expense incurred by the State on behalf of the District.

At 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 197,919	\$ (297,589)
Changes in assumptions	2,543,380	(633,881)
Difference between projected and actual investment earnings	1,348,544	
Changes in proportion and differences between District contributions and proportionate share of contributions	819,830	(413,810)
District contributions subsequent to the measurement date	1,189,727	-
	<u>\$ 6,099,400</u>	<u>\$ (1,345,280)</u>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employees Retirement Plan (continued)**

**Defined Benefit Pension Plans (continued)**

**H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The \$1,189,727 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2024. 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:

<b>Year ended August</b>	<b>Amount</b>
<b>31,</b>	
2024	\$ 846,963
2025	435,325
2026	117,336
2027	1,552,322
2028	207,690
Thereafter	404,757
	<u>\$ 3,564,393</u>

At 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 8,960	\$ (376,926)
Changes in assumptions	1,892,535	(824,983)
Difference between projected and actual investment earnings	-	(4,489,260)
Changes in proportion and differences between District contributions and proportionate share of contributions	220,921	(585,983)
District contributions subsequent to the measurement date	1,059,981	-
<b>Total</b>	<u>\$ 3,182,397</u>	<u>\$ (6,277,152)</u>

The \$1,059,981 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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:

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Employees Retirement Plan (continued)**

**Defined Benefit Pension Plans (continued)**

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

Year ended August	Amount
31,	
2022	\$ (720,954)
2023	(775,374)
2024	(1,208,418)
2025	(1,408,467)
2026	(34,459)
Thereafter	(7,064)
	<u>\$ (4,154,736)</u>

**J. Optional Retirement Plan**

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

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. Since individual annuity contracts are purchased, the state and the District have no additional or unfunded liability for this program. Senate Bill 1812, effective September 1, 2013, limits the amount of the state’s contribution to 50% of eligible employees in the reporting district. The percentages of participant salaries currently contributed by the state and each participant are 6.60% and 6.65%, respectively. The District supplements an additional 1.9%. In certain instances, the District is required to make all or a portion of the state’s contribution.

Contribution rates as a percentage of compensation and contributions made for ORP for 2023, 2022, and 2021 are shown in the table below.

Year	Employee		District/State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2023	6.65%	\$ 349,428	6.6%	\$ 376,438	1.9%	\$ 66,439
2022	6.65%	420,304	6.6%	233,309	1.9%	42,711
2021	6.65%	486,455	6.6%	232,931	1.9%	50,957

The total payroll for all District employees was \$34,551,983 and \$33,280,897 for fiscal years 2023 and 2022, respectively. The total payroll of employees covered by the Teacher Retirement System was \$25,341,782 and \$23,225,980 for fiscal years 2023 and 2022, respectively. The total payroll of employees covered by the Optional Retirement System was \$5,703,614 and \$6,303,800 for fiscal years 2023 and 2022, respectively.

**Note 11 - 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 Government Code 609.001.



**LEE COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 12 - Other Post-Employment Benefit Plan (OPEB)**

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

**OPEB Plan Fiduciary Net Position.** Detailed information about the GBP’s fiduciary net position is available in the separately issued ERS Annual Comprehensive Financial Report (ACFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be on the Internet at <http://www.ers.texas.gov/about-ers/reports-and-studies/reports-on-overall-ers-operations-and-financial-ma/2022-acfr>; 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 ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

**Contributions.** Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

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

**Maximum Monthly Employer Contribution  
Retiree Health and Basic Life Premium  
For the Measurement Years Ended August 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Retiree only	\$ 624.82	\$ 624.82
Retiree and spouse	1,340.82	1,340.82
Retiree and children	1,104.22	1,104.22
Retiree and family	1,820.22	1,820.22

**LEE COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 12 - Other Post-Employment Benefit Plan (OPEB) (continued)**

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

<b>Premium Contributions by Source</b>		
<b>Group Benefits Program Plan</b>		
<b>For the Plan Years Ended August 31, 2022 and 2021</b>		
	<b>2022</b>	<b>2021</b>
Employer	\$ 835,011	\$ 840,008
Members (Employees)	227,433	210,829
Nonemployer Contributing Entity (State of Texas)	43,839	42,936

**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:

**Actuarial Assumptions**  
**ERS Group Benefits Program Plan**

Valuation Date	August 31, 2022
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	N/A, plan operates on a pay-as-you-go basis
Actuarial Assumptions:	
Discount Rate	3.59%
Projected Annual Salary Increase	2.30%
Healthcare cost trend rates:	
HealthSelect	5.6% for FY2024, 5.30% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2031 and later years
HealthSelect Medicare Advantage	66.67% for FY2024, 24% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028, decreasing 10 basis year to an ultimate rate of 4.30% for FY 2031 and later years
Pharmacy	10.00% for FY 2024 and FY 2025, decreasing 100 basis points per year to 5.00% for FY 2030 and 4.30% for FY2031 and later years
Inflation Assumption Rate	2.30%
Ad hoc Post-employment Benefit Changes	None

**LEE COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 12 - Other Post-Employment Benefit Plan (OPEB) (continued)**

**Actuarial Assumptions  
ERS Group Benefits Program Plan**

**Mortality Assumptions:**

Service retirees, survivors and other inactive members	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021.
Disability retirees	Tables based on TRS experience with Ultimate MP-2021 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 Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-2021 Projection Scale from the year 2010

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

**Changes to Actuarial Assumptions since prior Actuarial Valuation**

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

- Since the last valuation was prepared for this plan, demographic assumptions (including rates of preretirement and post-disability mortality for all State Agency members; assumed rates of termination and retirement for certain members who are Certified Peace Officers/Custodial Officers (CPO/CO); and assumed salary, aggregate payroll increases and the assumed rate of general inflation) have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.
- Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations. 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 female retirees assumed to be married and electing coverage for their spouse and (c) the proportion of future retirees assumed to cover dependent children have been updated to reflect recent plan experience and expected trends. Moreover, the PCORI fees payable under the ACA have been updated to reflect IRS Notice 2020-44.
- The discount rate assumption was decreased from 2.97% as of August 31, 2019 to 2.20% as of August 31, 2020 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.

**LEE COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 12 - Other Post-Employment Benefit Plan (OPEB) (continued)**

**Investment Policy.** The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System’s Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

**Discount Rate.** Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.97%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.20%, which amounted to a decrease of 0.77%. 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 2022 net OPEB Liability.

	<u>1% Decrease (2.59%)</u>	<u>Current Discount Rate (3.59%)</u>	<u>1% Increase (4.59%)</u>
District's proportional share of the net OPEB liability	\$ 39,632,522	\$ 33,981,347	\$ 29,461,769

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 (2.20%) in measuring the 2021 net OPEB Liability.

	<u>1% Decrease (1.20%)</u>	<u>Current Discount Rate (2.20%)</u>	<u>1% Increase (3.20%)</u>
District's proportional share of the net OPEB liability	\$ 46,815,282	\$ 39,306,286	\$ 33,431,624

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 12 - Other Post-Employment Benefit Plan (OPEB) (continued)**

*Healthcare Trend Rate Sensitivity Analysis.* 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 and 1 percent greater than the healthcare cost trend rate that was used (8.8% decreasing to 4.3%) in measuring the 2022 net OPEB Liability.

	<u>1% Decrease (4.25% decreasing to 3.30%)</u>	<u>Current Healthcare Cost Trend Rates (5.25% decreasing to 4.30%)</u>	<u>1% Increase (6.25% decreasing to 5.30%)</u>
District's proportional share of the net OPEB liability	\$ 35,835,729	\$ 33,981,347	\$ 51,912,757

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact on the District’s proportionate share of the collective 2017 net OPEB liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (7.3% decreasing to 4.5%) in measuring the 2021 net OPEB liability.

	<u>1% Decrease (7.8% decreasing to 3.3%)</u>	<u>Current Healthcare Cost Trend Rates (8.8% decreasing to 4.3%)</u>	<u>1% Increase (9.8% decreasing to 5.3%)</u>
District's proportional share of the net OPEB liability	\$ 29,810,199	\$ 39,306,286	\$ 43,232,182

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

At August 31, 2023, the District reported a liability of \$33,981,347 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:

District's proportion of the net OPEB liability	0.11928736%
District's proportionate share of the net OPEB liability	\$ 33,981,347
State's proportionate share of the net OPEB liability associated with the District	<u>18,569,675</u>
<b>Total</b>	<u>\$ 52,551,022</u>

At August 31, 2022, the District reported a liability of \$39,306,286 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:

District's proportion of the net OPEB liability	0.10956302%
District's proportionate share of the net OPEB liability	\$ 39,306,286
State's proportionate share of the net OPEB liability associated with the District	<u>23,993,471</u>
<b>Total</b>	<u>\$ 63,299,757</u>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 12 - Other Post-Employment Benefit Plan (OPEB) (continued)**

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)*

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 0.11928736%, which was an increase of 0.0097243% from its proportion measured as of August 31, 2021.

At the measurement date of August 31, 2021, the employer’s proportion of the collective net OPEB liability was 0.10956302%, which was an decrease of 0.0050926% from its proportion measured as of August 31, 2020.

For the year ended August 31, 2023, the District recognized OPEB expense of \$760,124 and an additional negative on-behalf revenue and expense of \$292,741 representing OPEB expense incurred by the State on behalf of the District.

For the year ended August 31, 2022, the District recognized OPEB expense of \$748,519 and an additional negative on-behalf revenue and expense of \$260,696 representing OPEB expense incurred by the State on behalf of the District.

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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (1,072,152)
Changes in assumptions	1,996,540	(10,503,957)
Difference between projected and actual investment earnings	5,861	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,687,035	(257,038)
District contributions subsequent to the measurement date	604,468	-
<b>Total</b>	<u>\$ 6,293,904</u>	<u>\$ (11,833,147)</u>

The **\$604,468** reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2024. 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:

<b>Year ended August 31,</b>	<b>Amount</b>
2024	\$ (1,413,670)
2025	(1,573,284)
2026	(1,313,947)
2027	(1,129,306)
2028	(713,504)
	<u>\$ (6,143,711)</u>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 12 - Other Post-Employment Benefit Plan (OPEB) (continued)**

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)*

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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (964,139)
Changes in assumptions	2,691,063	(4,377,841)
Difference between projected and actual investment earnings	6,961	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,918,613	(1,014,373)
District contributions subsequent to the measurement date	<u>531,457</u>	<u>-</u>
<b>Total</b>	<u>\$ 6,148,094</u>	<u>\$ (6,356,353)</u>

The \$531,457 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2023. The net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended August 31,</b>	<b>Amount</b>
2023	\$ (750,157)
2024	(11,501)
2025	(216,693)
2026	36,344
2027	<u>202,291</u>
	<u>\$ (739,716)</u>

**LEE COLLEGE DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 13 - Property Tax**

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.

	<u>2023</u>	<u>2022</u>
Assessed Valuation of the District:	\$ 22,905,493,289	\$ 19,485,436,594
Less: Exemptions	<u>(4,923,739,037)</u>	<u>(3,768,969,362)</u>
Net Assessed Valuation of the District	<u>\$ 17,981,754,252</u>	<u>\$ 15,716,467,232</u>

	<u>2023</u>			<u>2022</u>		
	<u>Maintenance and Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Maintenance and Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized Tax Rate per \$100 Valuation	\$ 0.19090	\$ 0.02920	\$ 0.22010	\$ 0.20850	\$ 0.02160	\$ 0.230100
Assessed Tax Rate per \$100 Valuation	\$ -	\$ -	\$ -	\$ 0.207100	\$ 0.023000	\$ 0.230100

Taxes levied for the year ended August 31, 2023 and 2022, amounted to 108.15% and 102.33%, 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.

Tax collections for the years ended August 31, 2023 and 2022 approximated of the current year levy for 2023 and for 2022. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

	<u>2023</u>			<u>2022</u>		
	<u>Maintenance and Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Maintenance and Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Taxes Collected	\$ 33,372,225	\$ 5,103,515	\$ 38,475,740	\$ 32,167,673	\$ 3,332,478	\$ 35,500,151
Delinquent Taxes Collected	582,477	-	582,477	242,479	27,637	270,116
Penalties & Interest Collected	<u>218,212</u>	<u>-</u>	<u>218,212</u>	<u>109,886</u>	<u>170,244</u>	<u>280,130</u>
<b>Total Collections</b>	<u>\$ 34,172,914</u>	<u>\$ 5,103,515</u>	<u>\$ 39,276,429</u>	<u>\$ 32,520,038</u>	<u>\$ 3,530,359</u>	<u>\$ 36,050,397</u>

**Note 14 - 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*. Funds received, but not expended during the reporting period, are unearned. Revenues are recognized on Exhibit 2 as funds are actually expended. For federal and state contract and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. At August 31, 2023, there were no contract or grant awards funds already committed e.g., multi-year awards, or funds awarded during fiscal year 2023 for which monies have not been received nor funds expended.



**LEE COLLEGE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 15 - Unearned Revenues**

Unearned revenues consists of the following at August 31, 2023 and 2022, respectively.

	<u>2023</u>	<u>2022</u>
Tuition and fees	\$ 7,451,134	\$ 6,594,345
Other	379,612	712,409
	<u>\$ 7,830,746</u>	<u>\$ 7,306,754</u>

**Note 16 - Commitments and Contingencies**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects any such amounts to be immaterial.

As of August 31, 2023, the District was not involved in any lawsuits or other legal actions which, in Administration's opinion (based on discussions with legal counsel) would result in any direct loss to the District which would be material to its financial position.

**Note 17 - 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**

**(RSI) SCHEDULES**

**LEE COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Teacher Retirement System of Texas**

**For the Last Nine Measurement Years Ended August 31**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.02299%	0.02102%	0.02088%	0.02132%	0.02320%
District's proportionate share of the net pension liability	\$ 13,649,682	\$ 5,354,001	\$ 11,184,207	\$ 11,082,243	\$ 12,771,701
State's proportionate share of the net pension liability associated with the District	<u>9,449,391</u>	<u>3,989,448</u>	<u>8,333,760</u>	<u>7,603,663</u>	<u>8,653,437</u>
<b>Total</b>	<b><u>\$ 23,099,073</u></b>	<b><u>\$ 9,343,449</u></b>	<b><u>\$ 19,517,967</u></b>	<b><u>\$ 18,685,906</u></b>	<b><u>\$ 21,425,138</u></b>
District's covered payroll (for Measurement Year)	\$ 23,225,980	\$ 20,501,421	\$ 19,646,796	\$ 18,369,764	\$ 19,092,692
District's proportionate share of the net pension liability as a percentage of it's covered payroll	58.77%	26.12%	56.93%	60.33%	66.89%
Plan fiduciary net position as a percentage of the total pension liability <sup>1</sup>	75.62%	88.79%	75.54%	75.24%	73.74%
Plan's net pension liability as a percentage of covered payroll <sup>1</sup>	112.72%	51.08%	110.36%	114.93%	126.11%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
District's proportion of the net pension liability	0.02376%	0.02203%	0.02155%	0.02359%	
District's proportionate share of the net pension liability	\$ 7,597,206	\$ 8,326,286	\$ 7,617,638	\$ 6,300,281	
State's proportionate share of the net pension liability associated with the District	<u>5,034,217</u>	<u>5,601,675</u>	<u>5,069,116</u>	<u>4,073,639</u>	
<b>Total</b>	<b><u>\$ 12,631,423</u></b>	<b><u>\$ 13,927,961</u></b>	<b><u>\$ 12,686,754</u></b>	<b><u>\$ 10,373,920</u></b>	
District's covered payroll (for Measurement Year)	\$ 18,635,605	\$ 16,825,244	\$ 15,191,023	\$ 14,140,263	
District's proportionate share of the net pension liability as a percentage of it's covered payroll	40.77%	49.49%	50.15%	44.56%	
Plan fiduciary net position as a percentage of the total pension liability <sup>1</sup>	82.17%	78.00%	78.43%	83.25%	
Plan's net pension liability as a percentage of covered payroll <sup>1</sup>	75.93%	92.75%	91.94%	72.89%	

<sup>1</sup> Per Teacher Retirement System of Texas' Annual Comprehensive Financial Report.

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

Net pension liability and related ratios will be presented prospectively as data becomes available.

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS**  
**Teacher Retirement System of Texas**  
**For the Last Nine Years Ended August 31**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 1,189,727	\$ 1,059,981	\$ 896,796	\$ 871,855	\$ 764,401
Contributions in relation to the contractually required contributions	<u>(1,189,727)</u>	<u>(1,059,981)</u>	<u>(896,796)</u>	<u>(871,855)</u>	<u>(764,401)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	25,341,782	\$ 23,225,980	\$ 20,501,421	\$ 19,646,796	\$ 18,369,764
Contributions as a percentage of covered payroll	4.69%	4.56%	4.37%	4.44%	4.16%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually required contributions	\$ 768,816	\$ 777,440	\$ 700,073	\$ 611,357	
Contributions in relation to the contractually required contributions	<u>(768,816)</u>	<u>(777,440)</u>	<u>(700,073)</u>	<u>(611,357)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered payroll	\$ 19,092,692	\$ 18,635,605	\$ 16,825,244	\$ 15,191,023	
Contributions as a percentage of covered payroll	4.03%	4.17%	4.16%	4.02%	

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2015.  
Net pension liability and related ratios will be presented prospectively as data becomes available.

**LEE COLLEGE DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION**

*For the Year Ended August 31, 2023*

**Changes of Assumptions**

The following changes to actuarial assumptions and other inputs affected the measurement of the amounts reported in the RSI schedules related to pensions:

- The discount rate changed from 7.25% to 7.00%

**Changes in Benefit Terms**

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

**LEE COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
Employee Retirement System of Texas – State Retiree Health Plan  
For the Last Six Measurement Years Ended August 31**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net OPEB liability	0.11929%	0.10956%	0.10779%	0.10686%
District's proportionate share of the net OPEB liability	\$ 33,981,347	\$ 39,306,286	\$ 35,618,327	\$ 36,934,168
State's proportionate share of the net OPEB liability associated with the District	<u>18,569,675</u>	<u>23,993,471</u>	<u>22,095,253</u>	<u>23,836,151</u>
<b>Total</b>	<u><u>\$ 52,551,022</u></u>	<u><u>\$ 63,299,757</u></u>	<u><u>\$ 57,713,580</u></u>	<u><u>\$ 60,770,319</u></u>
District's covered payroll (for Measurement Year)	\$ 23,225,980	\$ 20,501,421	\$ 19,646,796	\$ 18,369,764
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	146.31%	191.72%	181.29%	201.06%
Plan fiduciary net position as a percentage of the total OPEB liability <sup>1</sup>	0.57%	0.38%	0.32%	0.17%
Plan's net OPEB liability as a percentage of covered payroll <sup>1</sup>	223.71%	285.03%	261.11%	280.54%
	<u>2018</u>	<u>2017</u>		
District's proportion of the net OPEB liability	0.11195%	0.09244%		
District's proportionate share of the net OPEB liability	\$ 33,180,649	\$ 31,496,284		
State's proportionate share of the net OPEB liability associated with the District	<u>21,563,230</u>	<u>26,506,425</u>		
<b>Total</b>	<u><u>\$ 54,743,879</u></u>	<u><u>\$ 58,002,709</u></u>		
District's covered payroll (for Measurement Year)	\$ 19,092,692	\$ 18,635,605		
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	173.79%	169.01%		
Plan fiduciary net position as a percentage of the total OPEB liability <sup>1</sup>	1.27%	2.04%		
Plan's net OPEB liability as a percentage of covered payroll <sup>1</sup>	246.01%	290.10%		

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2017 Net OPEB liability and related ratios will be presented prospectively as data becomes available.

<sup>1</sup> Per Employees Retirement System of Texas' comprehensive annual financial report.

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**  
**Employee Retirement System of Texas – State Retiree Health Plan**  
**For the Last Eight Years Ended August 31**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contributions	\$ 835,011	\$ 840,008	\$ 580,033	\$ 680,366
Contributions in relation to the contractually required contributions	<u>(835,011)</u>	<u>(840,008)</u>	<u>(580,033)</u>	<u>(680,366)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 25,341,782	\$ 23,225,980	\$ 20,501,421	\$ 19,646,796
Contributions as a percentage of covered payroll	3.29%	3.62%	2.83%	3.46%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 311,592	\$ 845,567	\$ 729,108	\$ 671,540
Contributions in relation to the contractually required contributions	<u>(311,592)</u>	<u>(845,567)</u>	<u>(729,108)</u>	<u>(671,540)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,369,764	\$ 19,092,692	\$ 18,635,605	\$ 16,825,244
Contributions as a percentage of covered payroll	1.70%	4.43%	3.91%	3.99%

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2016.  
Net OPEB liability and related ratios will be presented prospectively as data becomes available.



## LEE COLLEGE DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB For the Year Ended August 31, 2023

#### Changes in Assumptions

##### Demographic Assumptions

Assumed rates of pre-retirement and post-disability mortality for all State Agency members, assumed rates of termination and retirement for certain CPO/CO members and assumed salary and aggregate payroll increases have been updated to reflect assumptions adopted by the ERS Trustees since the last valuation date. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary. In addition, 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 female retirees assumed to be married and electing coverage for their spouse.
- Proportion of future retirees assumed to cover dependent children.

##### Economic Assumptions

Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations. The Patient-Centered Outcome Research Institute (PCORI) fees payable under the ACA have been updated since the previous valuation to reflect IRS Notice 2020-44 published June 8, 2020. Assumed inflation has been updated to reflect an assumption adopted by the ERS Trustees since the last valuation date. This new assumption was adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

The discount rate was changed from 2.97% as of August 31, 2019 to 2.20% as of August 31, 2020 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.

Minor benefit changes have been reflected in the FY2021 Assumed Per Capita Health Benefits Costs.

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

- The valuation reflects the minor benefit changes that will become effective January 1, 2021, since these changes were communicated to plan members in advance of the preparation of this report. These changes, which are not expected to have a significant impact on plan costs for fiscal year 2021, are provided for in the fiscal year 2021 Assumed Per Capita Health Benefit Costs.

There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is primary.

**LEE COLLEGE DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB**

*For the Year Ended August 31, 2023*

**Changes in Demographic Assumptions**

The following assumptions have been updated since the previous valuation to reflect recent plant 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.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.
- Percentage of future retirees and future retiree spouses assumed to use tobacco

**Changes in Economic Assumptions**

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 effect on our short-term expectations.

The discount rate was changed from 2.97% to 2.20% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Minor benefit changes have been reflected in the FY 2021 Assumed Per Capita Health Benefits Costs.

## **SUPPLEMENTAL SCHEDULES**

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF OPERATING REVENUES**  
**For the Year Ended August 31, 2023**  
**With Memorandum Totals for the Year Ended August 31, 2022**

	<u>Educational Activities</u>			<u>Auxiliary Enterprises</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	
<b>Tuition</b>				
State funded credit courses:				
In-district resident tuition	\$ 3,231,684	\$ -	\$ 3,231,684	\$ -
Out-of-district resident tuition	6,080,237	-	6,080,237	-
TPEG- credit (set aside) <sup>1</sup>	434,012	-	434,012	-
Non-resident tuition	456,269	-	456,269	-
Non-state funded educational programs	2,794,328	-	2,794,328	-
<b>Total Tuition</b>	<u>12,996,530</u>	<u>-</u>	<u>12,996,530</u>	<u>-</u>
<b>Fees</b>				
Registration fees	579,786	-	579,786	-
Student service fees	275,103	-	275,103	-
Laboratory fees	483,029	-	483,029	-
General use fees	1,960,759	-	1,960,759	-
Other fees	3,025,415	-	3,025,415	-
<b>Total Fees</b>	<u>6,324,092</u>	<u>-</u>	<u>6,324,092</u>	<u>-</u>
<b>Scholarship Allowances and Discounts</b>				
Scholarship allowances	(596,225)	-	(596,225)	-
Remissions and exemptions	(1,705,844)	-	(1,705,844)	-
TPEG allowance	(246,598)	-	(246,598)	-
State Grants to Students	(7,418)	-	(7,418)	-
Federal Grants to students	(7,387,277)	-	(7,387,277)	-
Other	-	-	-	(1,008,122)
<b>Total Scholarship Allowances and Discounts</b>	<u>(9,943,362)</u>	<u>-</u>	<u>(9,943,362)</u>	<u>(1,008,122)</u>
<b>Total Net Tuition and Fees</b>	<u>9,377,260</u>	<u>-</u>	<u>9,377,260</u>	<u>(1,008,122)</u>
<b>Additional operating revenues</b>				
Federal grants and contracts	-	4,352,929	4,352,929	-
State grants and contracts	-	314,999	314,999	-
Private grants and contracts	321,169	-	321,169	-
Sales and services of educational activities	29,609	-	29,609	-
Other operating revenues	2,279,395	-	2,279,395	-
<b>Total Additional Operating Revenues</b>	<u>2,630,173</u>	<u>4,667,928</u>	<u>7,298,101</u>	<u>-</u>
<b>Auxiliary Enterprises</b>				
Other auxiliary	-	-	-	257,339
<b>Total Net Auxiliary</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,339</u>
<b>Total Operating Revenues</b>	<u>\$ 12,007,433</u>	<u>\$ 4,667,928</u>	<u>\$ 16,675,361</u>	<u>\$ (750,783)</u>

<sup>1</sup> In accordance with Education Code 56.033, \$434,012 and \$418,553 of tuition was set aside for Texas Public Education Grants (TPEG) for the current and prior year, respectively.

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF OPERATING REVENUES**  
**For the Year Ended August 31, 2023**  
**With Memorandum Totals for the Year Ended August 31, 2022**

	<u>Total</u>	
	<u>2023</u>	<u>2022</u>
<b>Tuition</b>		
State funded credit courses:		
In-district resident tuition	\$ 3,231,684	\$ 3,057,990
Out-of-district resident tuition	6,080,237	5,409,849
TPEG- credit (set aside) <sup>1</sup>	434,012	418,553
Non-resident tuition	456,269	306,168
Non-state funded educational programs	<u>2,794,328</u>	<u>2,103,195</u>
<b>Total Tuition</b>	<u>12,996,530</u>	<u>11,295,755</u>
<b>Fees</b>		
Registration fees	579,786	552,946
Student service fees	275,103	262,047
Laboratory fees	483,029	475,058
General use fees	1,960,759	1,859,545
Other fees	<u>3,025,415</u>	<u>1,218,543</u>
<b>Total Fees</b>	<u>6,324,092</u>	<u>4,368,139</u>
<b>Scholarship Allowances and Discounts</b>		
Scholarship allowances	(596,225)	(826,582)
Remissions and exemptions	(1,705,844)	(1,668,886)
TPEG allowance	(246,598)	(236,056)
State Grants to Students	(7,418)	(49,218)
Federal Grants to students	(7,387,277)	(5,564,360)
Other	<u>(1,008,122)</u>	<u>(240,764)</u>
<b>Total Scholarship Allowances and Discounts</b>	<u>(10,951,484)</u>	<u>(8,585,866)</u>
<b>Total Net Tuition and Fees</b>	<u>8,369,138</u>	<u>7,078,028</u>
<b>Additional operating revenues</b>		
Federal grants and contracts	4,352,929	18,569,959
State grants and contracts	314,999	627,959
Private grants and contracts	321,169	365,271
Sales and services of educational activities	29,609	38,003
Other operating revenues	<u>2,279,395</u>	<u>596,434</u>
<b>Total Additional Operating Revenues</b>	<u>7,298,101</u>	<u>20,197,626</u>
<b>Auxiliary Enterprises</b>		
Other auxiliary	<u>257,339</u>	<u>259,525</u>
<b>Total Net Auxiliary</b>	<u>257,339</u>	<u>259,525</u>
<b>Total Operating Revenues</b>	<u>\$ 15,924,578</u>	<u>\$ 27,535,179</u>
	(Exhibit 2)	(Exhibit 2)

<sup>1</sup> In accordance with Education Code 56.033, \$434,012 and \$418,553 of tuition was set aside for Texas Public Education Grants (TPEG) for the current and prior year, respectively

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES BY OBJECT**  
**For the Year Ended August 31, 2023**  
**With Memorandum Totals for the Year Ended August 31, 2022**

	<b>Operating Expenses</b>			
	<b>Salaries and Wages</b>	<b>Benefits</b>		
		<b>State</b>	<b>Local</b>	<b>Other expenses</b>
<b>Unrestricted - Educational Activities</b>				
Instruction	\$ 17,947,046	\$ -	\$ 3,834,718	\$ 2,479,592
Public service	1,515,637	-	323,365	604,232
Academic support	2,819,764	-	612,168	749,457
Student services	2,741,227	-	686,958	253,646
Institutional support	4,700,741	-	1,323,466	392,620
Operation and maintenance of plant	2,829,570	-	602,269	3,880,120
<b>Total Unrestricted Educational Activities</b>	<b>32,553,985</b>	<b>-</b>	<b>7,382,944</b>	<b>8,359,667</b>
<b>Restricted - Educational Activities</b>				
Instruction	121,862	1,489,468	-	354,649
Public service	3,590	125,600	-	6,092
Academic support	47,689	237,776	-	84,453
Student services	463,755	266,826	-	1,038,601
Institutional support	751,457	514,057	-	5,088,220
Operation and maintenance of plant	-	-	233,931	-
Scholarships and fellowships	-	-	-	3,640,736
<b>Total Restricted Educational Activities</b>	<b>1,388,353</b>	<b>2,633,727</b>	<b>233,931</b>	<b>10,212,751</b>
<b>Total Educational Activities</b>	<b>33,942,338</b>	<b>2,633,727</b>	<b>7,616,875</b>	<b>18,572,418</b>
<b>Auxiliary Enterprises</b>	<b>609,645</b>	<b>-</b>	<b>175,512</b>	<b>1,688,170</b>
<b>Depreciation Expense:</b>				
Building and other real estate improvements	-	-	-	2,518,342
Equipment, furniture and books	-	-	-	3,000,017
<b>Total Depreciation Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,518,359</b>
<b>Total Operating Expenses</b>	<b>\$ 34,551,983</b>	<b>\$ 2,633,727</b>	<b>\$ 7,792,387</b>	<b>\$ 25,778,947</b>

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES BY OBJECT**  
**For the Year Ended August 31, 2023**  
**With Memorandum Totals for the Year Ended August 31, 2022**

	<u>Total</u>	
	<u>2023</u>	<u>2022</u>
<b>Unrestricted - Educational Activities</b>		
Instruction	\$ 24,261,356	\$ 22,367,901
Public service	2,443,234	1,749,406
Academic support	4,181,389	3,386,870
Student services	3,681,831	3,190,611
Institutional support	6,416,827	9,516,835
Operation and maintenance of plant	<u>7,311,959</u>	<u>7,137,492</u>
<b>Total Unrestricted Educational Activities</b>	<u>48,296,596</u>	<u>47,349,115</u>
<b>Restricted - Educational Activities</b>		
Instruction	1,965,979	2,595,254
Public service	135,282	114,785
Academic support	369,918	439,446
Student services	1,769,182	7,027,883
Institutional support	6,353,734	5,230,110
Operation and maintenance of plant	233,931	236,028
Scholarships and fellowships	<u>3,640,736</u>	<u>4,961,589</u>
<b>Total Restricted Educational Activities</b>	<u>14,468,762</u>	<u>20,605,095</u>
<b>Total Educational Activities</b>	<u>62,765,358</u>	<u>67,954,210</u>
<b>Auxiliary Enterprises</b>	<u>2,473,327</u>	<u>1,207,770</u>
<b>Depreciation Expense:</b>		
Building and other real estate improvements	2,518,342	2,677,895
Equipment and furniture	<u>3,000,017</u>	<u>1,314,540</u>
<b>Total Depreciation Expense</b>	<u>5,518,359</u>	<u>3,992,435</u>
<b>Total Operating Expenses</b>	<u>\$ 70,757,044</u>	<u>\$ 73,154,415</u>
	(Exhibit 2)	(Exhibit 2)

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF NON- OPERATING REVENUES AND EXPENSES**  
**For the Year Ended August 31, 2023**  
**With Memorandum Totals for the Year Ended August 31, 2022**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Auxiliary Enterprises</u>
<b>Non-Operating Revenues</b>				
State appropriations:				
Education and general state support	\$ 10,739,311	\$ -	\$ 10,739,311	\$ -
State group insurance	-	1,922,076	1,922,076	-
State retirement matching	-	994,683	994,683	-
<b>Total state appropriations</b>	<u>10,739,311</u>	<u>2,916,759</u>	<u>13,656,070</u>	<u>-</u>
Maintenance and ad valorem taxes	34,172,914	-	34,172,914	-
General obligation bond taxes	-	5,103,515	5,103,515	-
Federal non-operating grants	-	10,265,864	10,265,864	-
Investment income	1,706,421	-	1,706,421	-
Gifts	911,814	-	911,814	-
Payments in lieu of taxes	2,274,966	-	2,274,966	-
Unrealized gain on investments	149,287	-	149,287	-
Other non-operating revenue	93,518	-	93,518	-
<b>Total Non-Operating Revenues</b>	<u>50,048,231</u>	<u>18,286,138</u>	<u>68,334,369</u>	<u>-</u>
<b>Non-Operating Expenses</b>				
Interest on capital-related debt	-	2,255,895	2,255,895	-
Other non-operating expenses	-	679,799	679,799	-
<b>Total Non-Operating Expenses</b>	<u>-</u>	<u>2,935,694</u>	<u>2,935,694</u>	<u>-</u>
<b>Net Non-Operating Revenues (Expenses)</b>	<u>\$ 50,048,231</u>	<u>\$ 15,350,444</u>	<u>\$ 65,398,675</u>	<u>\$ -</u>



**LEE COLLEGE DISTRICT**  
**SCHEDULE OF NON- OPERATING REVENUES AND EXPENSES**  
**For the Year Ended August 31, 2023**  
**With Memorandum Totals for the Year Ended August 31, 2022**

	<u>Total</u>	
	<u>2023</u>	<u>2022</u>
<b>Non-Operating Revenues</b>		
State appropriations:		
Education and general state support	\$ 10,739,311	\$ 10,308,124
State group insurance	1,922,076	1,922,076
State retirement matching	994,683	971,247
Total state appropriations	<u>13,656,070</u>	<u>13,201,447</u>
Maintenance and ad valorem taxes	34,172,914	32,938,617
General obligation bond taxes	5,103,515	3,351,789
Federal non-operating grants	10,265,864	8,180,970
Investment income	1,706,421	234,597
Gifts	911,814	946,265
Payments in lieu of taxes	2,274,966	1,349,710
Unrealized gain on investments	149,287	(253,963)
Other non-operating revenue	93,518	62,189
<b>Total Non-Operating Revenues</b>	<u>68,334,369</u>	<u>60,011,621</u>
<b>Non-Operating Expenses</b>		
Interest on capital-related debt	2,255,895	2,380,477
Other non-operating expenses	679,799	242,297
<b>Total Non-Operating Expenses</b>	<u>2,935,694</u>	<u>2,622,774</u>
<b>Net Non-Operating Revenues (Expenses)</b>	<u>\$ 65,398,675</u>	<u>\$ 57,388,847</u>
	(Exhibit 2)	(Exhibit 2)

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
**For the Year Ended August 31, 2023**

	<b>Detail by Source</b>			<b>Net Investment in Capital Assets</b>
	<b>Unrestricted</b>	<b>Restricted</b>		
		<b>Expendable</b>	<b>Non-Expendable</b>	
<b>Current</b>				
Unrestricted:				
Net Pension Liability	\$ (8,895,562)	\$ -	\$ -	\$ -
Net OPEB Liability	(39,520,590)	-	-	-
Land Held For Investment	(11,960,000)	-	-	-
Investments - Long-term	(15,052,940)	-	-	-
Other	79,496,149	-	-	-
Restricted	-	-	402,188	-
Plant:				
Investment in plant	-	-	-	65,663,042
<b>Total Net Position, End of Year</b>	<b>4,067,057</b>	<b>-</b>	<b>402,188</b>	<b>65,663,042</b>
<b>Total Net Position, Beginning of the Year, Restated</b>	<b>3,463,189</b>	<b>-</b>	<b>385,292</b>	<b>55,717,597</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>\$ 603,868</b>	<b>\$ -</b>	<b>\$ 16,896</b>	<b>\$ 9,945,445</b>

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
**For the Year Ended August 31, 2023**

*Schedule D*  
*Page 2 of 2*

	<u>Available for Current</u>		
	<u>Total</u>	<u>Yes</u>	<u>No</u>
<b>Current</b>			
Unrestricted:			
Net Pension Liability	\$ (8,895,562)	\$ -	\$ (8,895,562)
Net OPEB Liability	(39,520,590)	-	(39,520,590)
Auxiliary enterprises	(11,960,000)	-	(11,960,000)
Grants and donor restrictions	(15,052,940)	-	(15,052,940)
Other	79,496,149	79,496,149	-
Restricted	402,188	-	402,188
Plant:			
Investment in plant	65,663,042	-	65,663,042
<b>Total Net Position, End of Year</b>	<u>70,132,287</u>	<u>79,496,149</u>	<u>(9,363,862)</u>
	(Exhibit 1)		
<b>Total Net Position, Beginning of the Year, Restated</b>	<u>59,566,078</u>	<u>-</u>	<u>59,566,078</u>
	(Exhibit 1)		
<b>Net Increase (Decrease) in Net Position</b>	<u>\$ 10,566,209</u>	<u>\$ 79,496,149</u>	<u>\$ (68,929,940)</u>
	(Exhibit 2)		



**OVERALL COMPLIANCE, INTERNAL CONTROLS  
AND FEDERAL AND STATE AWARDS SECTION**



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

To the Board of Regents  
Lee College District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lee 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, and have issued our report thereon dated December 15, 2023. Our report includes a reference to other auditors who audited the financial statements of Lee College Foundation, Inc. (the “Foundation”), as described in our report on the District’s financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

***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 District’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 considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

To the Board of Regents  
Lee College District

### **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, including the *Public Funds Investment Act* (Chapter 2256, Texas Government Code), 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
December 15, 2023



## REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Regents  
Lee College District

### Report on Compliance for Each Major Federal Program

#### *Opinion On Each Major Program*

We have audited Lee College District (the "District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal program 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's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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, 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*, 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*, 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 the 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 the 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.

To the Board of Regents  
Lee College District

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.

*Whitley Penn LLP*

Houston, Texas  
December 15, 2023

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2023**

**I. Summary of Auditors' Results**

**Financial Statements**

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Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

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Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) ?	No

**Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
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**US Department of Education**

<i>Student Financial Assistance Cluster</i>	
<i>SEOG 2022-23</i>	84.007
<i>Federal College Workstudy Program 2022-23</i>	84.033
<i>Federal College Workstudy Program 2023-24</i>	84.033
<i>Federal PELL 2020-21</i>	84.063
<i>Federal PELL 2021-22</i>	84.063
<i>Federal PELL 2022-23</i>	84.063
<i>Direct Loan Program 2021-22</i>	84.268
<i>Direct Loan Program 2022-23</i>	84.268
<i>COVID-19 Higher Education Emergency Relief Fund for Direct Student Aid</i>	84.425E
<i>COVID-19 Higher Education Emergency Relief Fund -Institutional Portion</i>	84.425F
<i>COVID-19 Higher Education Emergency Relief Fund - Lee College CARES</i>	84.425L
<i>COVID-19 TX Completion Repayment (GEER)</i>	84.425C
<i>COVID-19 Texas Reskilling and Upskilling for Education (TRUE) Institutional Capacity Grant (GEER)</i>	84.425C
<i>COVID-19 Accelerating Credentials of Purpose and Value Grant (GEER)</i>	84.425C
<i>COVID-19 Accelerating Student Success Planning Grant (GEER)</i>	84.425C

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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Auditee qualified as low risk auditee?	Yes
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**LEE COLLEGE DISTRICT**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)***  
***For the Year Ended August 31, 2023***

**II. Financial Statement Findings**

None reported.

**III. Federal Award Findings and Questioned Costs**

None reported.

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2023**

*Schedule E*  
*Page 1 of 2*

Federal Grantor / Pass-through Grantor / Program Title	Federal ALN	Grant Award #	Expenditures
<b>U.S. Department of Education</b>			
<b>Direct Programs:</b>			
SEOG 2022-23	84.007	P007A224054	\$ 180,625
Federal College Workstudy Program 2022-23	84.033	P033A224054	125,321
Federal College Workstudy Program 2023-24	84.033	P033A234054	1,300
Federal PELL 2020-21	84.063	P063P202284	(753)
Federal PELL 2021-22	84.063	P063P212284	(1,090)
Federal PELL 2022-23	84.063	P063P222284	9,960,461
Direct Loan Program 2021-22	84.268	P268K222284	1,273
Direct Loan Program 2022-23	84.268	P268K232284	2,993,147
Total Student Financial Assistance Cluster (ALN 84.007, 84.033, 84.063, 84.268)			<u>13,260,284</u>
Title III - LC STEM Project	84.031C	P031C160135	68,173
Title V - Lee College Title V Pathways Project	84.031S	P031S190296	396,982
Total ALN 84.031			<u>465,155</u>
Student Support Services	84.042A	P042A201450	211,536
Educational Opportunity Center	84.066A	P066A210038	282,534
Total TRIO Cluster (ALN 84.042, 84.066)			<u>494,070</u>
COVID-19 Higher Education Emergency Relief Fund for Direct Student Aid	84.425E	P425E201421	896,011
COVID-19 Higher Education Emergency Relief Fund -Institutional Portion	84.425F	P425F201633	828,186
COVID-19 Higher Education Emergency Relief Fund - Lee College CARES	84.425L	P425L200498	75,829
<b>Passed through from Texas Higher Education Coordinating Board:</b>			
COVID-19 TX Completion Repayment (GEER)	84.425C	26172	36,369
COVID-19 Texas Reskilling and Upskilling for Education (TRUE) Institutional Capacity Grant (GEER)	84.425C	25729	8,354
COVID-19 Accelerating Credentials of Purpose and Value Grant (GEER)	84.425C	25907	37,493
COVID-19 Accelerating Student Success Planning Grant (GEER)	84.425C	27323	40,288
Total ALN 84.425			<u>1,922,530</u>
<b>Passed through from Harris County Department of Education:</b>			
HCDE Basic Ed Training	84.002A	H-GAC 212-22	33,351
<b>Passed through from Texas Higher Education Coordinating Board:</b>			
Carl Perkins Vocational Education - Basic 22-23	84.048	29715	854,421
Carl Perkins Vocational Education - Basic 20-21	84.048	23690	(1,200)
Total ALN 84.048			<u>853,221</u>
<b>Total U.S. Department of Education</b>			<u><b>17,028,611</b></u>
<b>U.S. Department of Agriculture</b>			
<b>Direct Program:</b>			
Hispanic Serving Institutions Education Grants Program	10.223	2017-38422-27110	(535)
<b>Total U.S. Department of Agriculture</b>			<u><b>(535)</b></u>
<b>U.S. Department of Commerce</b>			
<b>Passed through from General Land Office:</b>			
Coastal Management Program-Cycle 24	11.419	20-040-000-B748	9,713
<b>Pass-Through from National Fish and Wildlife Foundation:</b>			
Habitat Monitoring for Dollar Bay-Moses Lake Wetland Restoration Protection	11.473	0318.18.062661	8,291
<b>Total U.S. Department of Commerce</b>			<u><b>18,004</b></u>
<b>U.S. Department of Labor</b>			
<b>Direct Program:</b>			
Job Corps Experimental Projects and Technical Assistance	17.287	JC-34676-20-60-O-48	361,862
<b>Passed through from Alvin Community College:</b>			
TWC Wagner Peyser TX Talent 2022-2023	17.207	2822WPB005	60,472
TWC Wagner Peyser TX Talent 2023-2024	17.207	2822WPB005	37,101
Total Employment Service Cluster (ALN 17.207)			<u>97,573</u>
<b>Total U.S. Department of Labor</b>			<u><b>459,435</b></u>

**LEE COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2023**

Federal Grantor / Pass-through Grantor / Program Title	Federal ALN	Grant Award #	Expenditures
<b>National Endowment for the Humanities (NEH)</b>			
Passed -Through From:			
<b>Mid-America Arts Alliance:</b>			
<i>Mid-America Arts Alliance 2023</i>	45.025	FY2023-00114783	\$ 3,000
<b>Total National Endowment for the Humanities (NEH)</b>			<b>3,000</b>
<b>National Science Foundation</b>			
Passed -Through From:			
<b>Arizona State University</b>			
<i>NSF STEM KickStarter 2.0</i>	47.076	DUE-2142735/ Due 2142516	4,462
<i>Total Research and Development Cluster (ALN 47.076)</i>			4,462
<b>Total National Science Foundation</b>			<b>4,462</b>
<b>U.S. Small Business Administration</b>			
Passed through from University of Houston:			
<i>Small Business Development Center 2021-2022</i>	59.037	SBAHQ22B0029	12,762
<i>Small Business Development Center 2022-2023</i>	59.037	SBAOEDSB230019	62,113
<i>Total ALN 59.037</i>			74,875
<b>Total U.S. Small Business Administration</b>			<b>74,875</b>
<b>U.S. Environmental Protection Agency (EPA) National Estuary Program</b>			
Pass-Through From:			
<b>Texas Commission on Environmental Quality (TCEQ)</b>			
<i>TCEQ Long-term Monitoring of Living Shorelines</i>	66.456	582-23-40258	25,361
<b>Total Department of Homeland Security</b>			<b>25,361</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 17,613,213</b>

**LEE COLLEGE DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1 - Significant accounting policies used in preparing the schedule**

The expenditures included in Schedule E are reported for the District’s fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported on Schedule E represent funds that have been expended by the District for the purposes of the award. The expenditures reported on Schedule E may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule. The District did not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 2 - Federal Assistance Reconciliation**

Federal Grants and Contracts Revenues per Schedule A	\$	4,352,929
Federal Grants and Contracts Revenues per Schedule C		10,265,864
Add: Direct Student Loans		<u>2,994,420</u>
<b>Total Federal Revenues per Schedule of Expenditures of Federal Awards (Schedule E)</b>	<b>\$</b>	<b><u>17,613,213</u></b>



**LEE COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
*For the Year Ended August 31, 2023*

*Schedule F*

Grantor Agency / Program Title	Grantor / Project Number	Expenditures
<b>Texas Higher Education Coordinating Board</b>		
<i>Texas College Work Study 22-23</i>	N/A	\$ 29,650
<i>Texas Education Opportunity Grant 22-23</i>	N/A	282,849
<i>Open Educational Resources Grant Program 23-24</i>	N/A	2,500
<b>Total Texas Higher Education Coordinating Board</b>		<u>314,999</u>
<b>Total State Financial Assistance</b>		<u><u>\$ 314,999</u></u>

**LEE COLLEGE DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS**

**Note 1 - Significant accounting policies used in preparing the schedule**

The expenditures included in Schedule F are reported for the District’s fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported on Schedule F represent funds that have been expended by the District for the purposes of the award. The expenditures reported on Schedule F may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**Note 2 - State Assistance Reconciliation**

**State Revenues:**

State Financial Assistance

Per Schedule of Expenditures of State Awards (Schedule F) \$ 314,999

**Total State Revenues per Schedule A** \$ 314,999

**LEE COLLEGE DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended August 31, 2023**

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended August 31, 2023 has been prepared to address these requirements.

**I. Prior Audit Findings**

None

**LEE COLLEGE DISTRICT**  
***CORRECTIVE ACTION PLAN***  
***For the Year Ended August 31, 2023***

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

The Corrective Action Plan for the year ended August 31, 2023 has been prepared to address these requirements.

**I. Corrective Action Plan**

Not applicable

