

Annual Financial Report
August 31, 2019 and 2018



**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2019**

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**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2018-2019**

Board of Trustees

Officers

V. Bland Proctor	Chair
Luis A. Guerra	Vice Chair
John E. Zacek	Secretary

Members

		<u>Term Expires</u>
Daniel A. Cano, M.D.	Victoria, Texas	2020
Luis A. Guerra	Victoria, Texas	2024
Catherine McHaney	Victoria, Texas	2022
V. Bland Proctor	Victoria, Texas	2020
Dr. Josie Rivera	Bloomington, Texas	2024
Ronald B. Walker	Victoria, Texas	2020
John E. Zacek	Inez, Texas	2022

Principal Administrative Officers and Business and Financial Staff

David Hinds, Ph.D.	President
Cindy Buchholz, M.A.	Vice President Instruction
Keith Blundell, M.B.A., C.P.A., C.G.M.A.	Vice President Administrative Services
Jennifer Yancey, M.A.I.S.	Vice President College Advancement and External Affairs
Edrel Stoneham, Ed.D.	Dean Student Services
Tracey Bergstrom, M.B.A., C.P.A., C.G.M.A.	Director of Finance
Terri Kurtz, B.B.A.	Executive Director Human Resources



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Victoria County Junior College District
Victoria, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Victoria County Junior College District, as of and for the year ended August 31, 2019, and 2018, and the related notes to the financial statements, which collectively comprise Victoria County Junior College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Victoria County Junior College District Foundation, Inc. (the "Affiliated Organization"), which reflects total assets of \$16,444,995 and revenues of \$3,445,972. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Victoria County Junior College District Foundation, Inc. are based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Victoria County Junior College District, as of August 31, 2019, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Victoria County Junior College District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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), and the State of Texas Uniform Grant Management Standards (UGMS) and is not a required part of the basic financial statements.

The supplementary information, the schedule of expenditures of federal awards and the schedule of expenditures of state awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, the schedule of expenditures of federal awards and the schedule of expenditures of state awards, are fairly stated in all material respects in relation to the basic financial statements as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019 on our consideration of Victoria County Junior College 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 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 Victoria County Junior College 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 Victoria County Junior College District's internal control over financial reporting and compliance.



Cascos & Associates, PC
Brownsville, Texas
November 18, 2019

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

Management Discussion and Analysis is included to provide a narrative introduction, overview and analysis of the financial position and changes in financial position of the Victoria County Junior College District (Victoria College, District, or College) for the fiscal year ended August 31, 2019. The discussion is prepared by management and should be read in conjunction with the accompanying financial statements and notes.

The financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with reporting requirements as set by the Texas Higher Education Coordinating Board (THECB). The annual financial report is presented in a "business-type activity" format. The statements are prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided by the District and expenses and liabilities are recognized when services are provided to the District, regardless of when cash is exchanged. The notes to the financial statements are considered an integral part of the financial statements and should be read in conjunction with them. Management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of the financial statements and notes.

The District's annual financial report consists of three basic financial statements: the Statement of Net Position provides a summary of assets, liabilities and net position as of August 31, 2019; the Statement of Revenues, Expenses and Changes in Net Position provides a summary of operations for the fiscal year; and the Statement of Cash Flows provides categorized information about cash inflows and outflows for the fiscal year. Fiscal years ended August 31, 2019 and 2018 are presented in the audited financial statements. The discussion and analysis is limited to the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the primary government and is designed to focus on current activities, the resulting change, and currently known facts.

Statement of Net Position

The Statement of Net Position presents the District's financial position at the end of the fiscal year and includes all assets, liabilities, deferred outflows and inflows of resources, and the resulting net position. The focus is to report the total net resources available to finance future services. Assets and liabilities are presented in the order of their liquidity with noncurrent defined as greater than one year. Net positions are displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Increases or decreases in net position are one indicator of whether the overall financial condition has improved or deteriorated during the year when considered with other factors such as enrollment, contact hours of instruction, and other non-financial information. The Statement of Net Position is useful in determining the assets available to continue operations as well as how much the District owes to vendors, bondholders, and other entities at the end of the year.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

The following is prepared from the District's Statement of Net Position and provides a summary of its assets, liabilities, and net position for the years ended August 31:

Summary of Statement of Net Position - Exhibit 1

	<u>Fiscal Year</u>			<u>Change</u>	
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019 to 2018</u>	<u>2018 to 2017</u>
Assets					
Cash and Investments	\$ 13,714,475	\$ 13,431,181	\$ 11,659,872	\$ 283,294	\$ 1,771,309
Other Assets	15,871,594	6,203,126	7,480,973	9,668,468	(1,277,847)
Capital Assets, Net	<u>56,651,274</u>	<u>59,062,340</u>	<u>61,440,100</u>	<u>(2,411,066)</u>	<u>(2,377,760)</u>
Total Assets and Deferred Outflows	86,237,343	78,696,647	80,580,945	7,540,696	(1,884,298)
Liabilities					
Current Liabilities	8,799,120	8,088,635	9,275,255	710,485	(1,186,620)
Long-term Liabilities	<u>67,865,061</u>	<u>58,945,006</u>	<u>34,071,020</u>	<u>8,920,055</u>	<u>24,873,986</u>
Total Liabilities and Deferred Inflows	76,664,181	67,033,641	43,346,275	9,630,540	23,687,366
Net Position					
Invested in Capital Assets, Net of Related Debt	31,725,729	32,573,918	32,623,802	(848,189)	(49,884)
Unrestricted	(25,543,559)	(22,827,113)	2,654,474	(2,716,446)	(25,481,587)
Restricted	<u>3,390,992</u>	<u>1,916,201</u>	<u>1,956,394</u>	<u>1,474,791</u>	<u>(40,193)</u>
Total Net Position	<u>\$ 9,573,162</u>	<u>\$ 11,663,006</u>	<u>\$ 37,234,670</u>	<u>\$ (2,089,844)</u>	<u>\$ (25,571,664)</u>

Highlighted information from the Statement of Net Position:

- Total assets increased by \$7,540,696 or 9.58%.
- Total liabilities increased by \$9,630,540 or 14.37%.
- Total net position decreased by \$2,089,844 or 17.92%.

Significant changes in assets, liabilities and net position are attributable to GASB 75, which requires the District to record its proportionate share of the Employees Retirement System of Texas's (ERS) net OPEB liability and related deferred outflows and inflows of resources related to OPEB. GASB 68, as amended by GASB Statement No. 71, also impacts asset and liability balances due to changes in the District's proportionate share of Teacher Retirement System's (TRS's) net pension liability and related deferred outflows and inflows of resources related to pensions.

The District increased deferred outflows related to pensions (an asset) by \$3,233,363 for total deferred outflows related to pensions of \$4,223,137 (a 326.68% increase). Additionally, deferred inflows related to pensions (a liability) increased by \$135,050 (10.26%) for total deferred pension inflows of \$1,451,504. The net pension liability increased by 67.21% from \$5,073,513 to \$8,483,396.

Deferred inflows and outflows of resources for the pension plan are related to changes that occur at the plan level including changes in actuarial assumptions, differences between expected and actual economic experience, differences between projected and actual investment earnings, and changes in proportion and difference between the employers' contributions and the proportionate share of contributions. Contributions paid to the Teacher Retirement System of Texas (TRS) subsequent to the measurement date also impact deferred outflows of resources. The net pension liability of \$8,483,396 was measured at August 31, 2018 and was established per amounts recorded in TRS's *Comprehensive Annual Financial Statement* and TRS's *Audited 2018 GASB 68 Allocation Schedules*.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

OPEB deferred outflows are related to the difference between projected and actual investment earnings, changes in proportion and difference between the employers' contributions and the proportionate share of contributions, and contributions paid to ERS subsequent to the measurement date. Deferred inflows for OPEB are related to differences between expected and actual economic experience and changes in actuarial assumptions.

The net OPEB liability of \$25,390,394 was measured at August 31, 2018 and was established per amounts recorded in ERS's *Comprehensive Annual Financial Statement* and ERS's *Actuarial Valuation of the Other Post-Employment Benefits (OPEB) Provided Under the Texas Employees Group Benefits Program (GBP)*.

Information regarding net pension liability and deferred outflows and inflows or resources related to pensions can be found in note 16 in the accompanying Notes to the Financial Statements. The District's net OPEB liability and deferred outflows and inflows or resources related to OPEB are discussed in note 20 in the accompanying Notes to the Financial Statements.

Cash, unrestricted and restricted, decreased by \$1,377,155 (38.67%), while investments, including unrestricted and restricted, increased by \$1,660,449. The significant change in cash and investments is the result of the transfer of funds from the depository institution money market accounts to the TexPool Prime investment pool to increase investment returns. Overall, cash and investments increased by \$283,294 (2.11%) due to increased investment returns (\$103,934) and increased tax revenue (\$395,394).

Capital assets are discussed on pages 9 and 10 and in note 7 in the accompanying notes to the financial statements.

See discussion of long-term debt on page 10 and notes 8 through 13 in the accompanying notes to the financial statements.

At August 31, 2019, the District designated the entirety of expendable net position, restricted for unexpended bond proceeds in the amount of \$2,610,357 for the Wood Building renovation project (\$932,088), the comprehensive student center project (\$1,001,147) and the 2011-2020 master plan (\$677,122). This designation indicates management's anticipated future use of financial resources.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the District's results of operations for the fiscal year. The statement details how net position changed during the fiscal year and is divided into operating revenues and expenses and non-operating revenues and expenses. Operating revenues are received for providing goods and services to various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the District.

Tuition and auxiliary revenues are shown net of allowances and discounts, depreciation is provided for capital assets, and a subtotal is required for net operating income or loss. This required subtotal will generally reflect a "loss" for community colleges in Texas due to the way operating and non-operating items are defined by generally accepted accounting principles. For community colleges, State appropriations, ad valorem taxes, and Federal Title IV revenues, while budgeted for operations, are non-exchange transactions and, as such, are treated as non-operating revenues for financial statement purposes.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

The following is a summary prepared from the District's Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31:

Summary of Statement of Revenues, Expenses, and Changes in Net Position - Exhibit 2

	<u>Fiscal Year</u>			<u>Change</u>	
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019 to 2018</u>	<u>2018 to 2017</u>
Operating Revenues					
Tuition and Fees (net of discounts)	\$ 9,312,815	\$ 9,661,710	\$ 9,480,754	\$ (348,895)	\$ 180,956
Local, State and Federal Grants and Contracts	3,160,427	3,381,637	3,336,108	(221,210)	45,529
Auxiliary Enterprise	2,559,118	3,053,348	3,041,741	(494,230)	11,607
Other	682,688	984,326	755,061	(301,638)	229,265
Total Operating Revenues	15,715,048	17,081,021	16,613,664	(1,365,973)	467,357
Operating Expenses					
Instruction	13,394,543	13,792,269	13,363,775	(397,726)	428,494
Public Service	224,020	184,785	253,733	39,235	(68,948)
Academic Support	3,311,535	3,278,874	3,486,829	32,661	(207,955)
Student Services	2,876,053	2,649,711	2,755,388	226,342	(105,677)
Institutional Support	6,643,333	6,630,835	5,848,205	12,498	782,630
Operation and Maintenance of Plant	3,912,293	3,914,156	4,054,884	(1,863)	(140,728)
Scholarships and Fellowships	9,165,898	9,392,784	9,101,274	(226,886)	291,510
Auxiliary Enterprises	3,122,601	3,590,358	3,688,769	(467,757)	(98,411)
Depreciation	2,725,550	2,804,101	2,675,097	(78,551)	129,004
Total Operating Expenses	45,375,826	46,237,873	45,227,954	(862,047)	1,009,919
Operating Income (Loss)	(29,660,778)	(29,156,852)	(28,614,290)	(503,926)	(542,562)
Non-Operating Revenues (Expenses)					
State Appropriations	6,958,206	7,704,008	7,639,476	(745,802)	64,532
Taxes	14,675,660	14,280,266	13,553,551	395,394	726,715
Title IV	6,844,013	7,553,303	7,534,251	(709,290)	19,052
Gifts	396,312	984,152	1,334,149	(587,840)	(349,997)
Interest on Capital Related Debt	(1,505,062)	(737,612)	(812,612)	(767,450)	75,000
Investment Related Income	346,067	242,133	60,623	103,934	181,510
Total Non-Operating Revenues (Expenses)	27,715,196	30,026,250	29,309,438	(2,311,054)	716,812
Income Before Other Revenues, (Losses)	(1,945,582)	869,398	695,148	(2,814,980)	174,250
Other Revenues, (Expenses), Gains, (Losses)	(144,262)	(75,295)	1,672,531	(68,967)	(1,747,826)
Increase (Decrease) in Net Position	(2,089,844)	794,103	2,367,679	(2,883,947)	(1,573,576)
Beginning Net Position, as Adjusted	11,663,006	37,234,670	34,866,991	(25,571,664)	2,367,679
Adjustments to Net Position	-	(26,365,767)	-	26,365,767	(26,365,767)
Ending Net Position	\$ 9,573,162	\$ 11,663,006	\$ 37,234,670	\$ (2,089,844)	\$ (25,571,664)

Highlighted information from the summary of the Statement of Revenues, Expenses, and Changes in Net Position:

- Operating revenues decreased by \$1,365,973 or 8.00%.
- Operating expenses decreased by \$862,047 or 1.86%.
- Operating loss was increased by \$503,926 or 1.73%.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

- Non-operating revenue decreased by \$1,543,604, while non-operating expenses increased by \$767,450 for a net non-operating revenues (expenses) increase of \$2,311,054 or 7.70%.

For fiscal year ended August 31, 2019, net position from current year operations decreased by \$2,089,844.

The decrease in operating revenues (\$1,365,973 or 8.00%) was primarily attributable to a \$348,895 (3.61%) decrease in tuition and fee revenue, a \$221,210 (6.54%) decrease in local, state, federal and non-governmental grants and contracts, a \$494,230 (16.19%) decrease in auxiliary revenues (net of discounts), and a \$301,638 (58.76%) decrease in other operating revenues. Other operating revenues consists of sales and services of educational activities, which decreased by \$36,293 or 7.71%, and general operating revenues, which decreased by \$265,522 or 51.70%. The District received \$232,418 in insurance proceeds for damages caused by Hurricane Harvey during the prior fiscal year, which significantly impacted general operating revenues.

Operating expenses decreased by \$862,047 (1.86%). Operating expenses were impacted by decreases in expenses related to instruction (\$397,726 or 2.88%), operation and maintenance of plant (\$1,863 or 0.05%), scholarships and fellowships (\$226,886 or 2.42%), auxiliary enterprises (\$467,757 or 13.03%) and depreciation (\$78,551 or 2.80%). These decreases in operating expenses were partially offset by increases in public service (\$39,235 or 21.23%), academic support (\$32,661 or 1.00%), student services (\$226,342 or 8.54%), and institutional support (12,498 or 0.19%).

Overall non-operating revenue (expenses) decreased by \$2,311,054 (7.70%). Key elements in the increase are as follows:

- Tax revenue increased by \$395,394 and is the result of an increase in the tax rate adopted by the District's Board of Trustees (\$0.2235 per \$100 valuation for fiscal year 2019 versus \$0.2170 per \$100 valuation for fiscal year 2018). The tax rate was increased to fund planned operating activities of the District.
- Title IV disbursements decreased by \$709,290 (9.39%) due to fewer students meeting eligibility requirements, which required less funding from the Department of Education.
- Non-Operating gifts decreased by \$587,840 (59.73%) and is attributable to donations supporting programs offered by the college. A significant donation was received in fiscal year 2018 and is the cause of the large variance when compared to fiscal year 2019.
- Overall state allocations decreased by \$745,802 (9.68%), which included education and general state support remaining flat, a decrease in state group insurance of \$1,047,981 (60.06%), and an increase in state retirement matching of \$302,302 (90.35%). State retirement matching is also impacted by amortization of deferred inflows of resources and deferred outflows of resources related to pensions (GASB 68). The decrease in state group insurance is attributable to entries required by GASB 75 for amortization of deferred outflows and inflows of resources related to other post-employment benefits.
- Of additional impact for fiscal year 2019 was ERS' change in methodology for calculating the net OPEB liability, which now includes premiums for both active staff and retirees, allowance of only 5 of twelve months credit for contributions subsequent to the measurement date of August 31, 2018 (deferred outflows of resources), and the transfer of the remaining funds to pay ERS' administrative costs and to invest.
- Investment income (interest) increased by \$103,934 or 42.92%. The increase in investment income is attributable to maintaining investable funds into the TexPool Prime investment pool; this investment pool provides higher yields than the depository institution's money market rate and the regular TexPool investment pools.
- Interest on capital related debt increased by \$767,450 (104.05%). The increase is due to a one-time compounded interest payment due on the 2012 Limited Tax Refunding Bonds in the amount of \$835,000.

Tuition and fee revenue decreased by \$348,895 (3.61%) for the year ended August 31, 2019. Credit enrollment and contact hours declined by 1.79% and 8.62%, respectively. Fundable non-credit enrollment and contact hours decreased by 19.93% and 9.30%, respectively for the year ended August 31, 2019. An analysis of enrollment and contact hours is provided below.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

Tuition and fee rates per semester credit hour are shown below:

Fiscal Year	In-District Tuition	Non-Resident Tuition	Out of District Fee	General Fee	Technology Fee
2019	\$ 48	\$ 123	\$ 49	\$ 29	\$ 16
2018	\$ 46	\$ 113	\$ 47	\$ 27	\$ 15
2017	\$ 46	\$ 113	\$ 47	\$ 27	\$ 15

Differential Tuition by Program for Fiscal Year 2019:		Per Credit Hour
Associate Degree Nursing		\$ 75
Licensed Vocational Nursing		\$ 75
Respiratory Therapy Technology		\$ 75
Medical Laboratory Technology		\$ 75
Physical Therapy Assistant		\$ 75
Emergency Medical Services		\$ 75
Fire Technology		\$ 75
Process Technology		\$ 35
Electronics and Instrumentation		\$ 35
Welding		\$ 35
Machining		\$ 35
Industrial Maintenance Mechanic		\$ 35

Enrollment Highlights:

Credit Students	2018-2019	Fall	Spring	Summer	Annual *		
	Enrollment	3,860	3,408	1,268	4,932		
	Contact Hours	640,288	554,656	139,760	1,334,704		
	2017-2018	Fall	Spring	Summer	Annual *		
	Enrollment	3,983	3,549	1,393	5,022		
	Contact Hours	690,192	610,624	159,776	1,460,592		
	2016-2017	Fall	Spring	Summer	Annual *		
	Enrollment	4,039	3,667	1,532	5,332		
	Contact Hours	678,896	617,872	177,968	1,474,736		
	Non-Credit Students	2018-2019	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
		Enrollment	562	428	341	553	1,635
		Contact Hours	38,044	35,154	18,756	21,181	113,135
2017-2018		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *	
Enrollment		634	446	511	730	2,042	
Contact Hours		49,577	25,198	20,231	29,734	124,740	
2016-2017		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *	
Enrollment		479	385	441	484	1,531	
Contact Hours		44,716	34,306	23,887	18,530	121,439	

* Unduplicated

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management’s Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

Credit student enrollment decreased by 3.09%, while contact hours decreased by 7.23%, for the fall term. Headcount was 3,860 for the fall 2018-2019 term compared to 3,983 for the fall 2017-2018 term. Credit student enrollment and contact hours decreased by 3.97% and 9.17%, respectively for the spring term. Headcount was 3,408 for the spring 2018-2019 term compared to 3,549 for the spring 2017-2018 term. The summer term posted decreases in credit student enrollment and contact hours (8.97% and 12.53%, respectively). Annualized credit student enrollment and contact hours decreased by 1.79% and 8.62%, respectively.

Fundable non-credit enrollment and contact hours decreased by 11.36% and 23.26%, respectively, for Quarter 1 2018-2019 term (562 enrollment; 38,044 contact hours) compared to Quarter 1 2017-2018 term (634 enrollment; 49,577 contact hours). Fundable non-credit enrollment decreased by 4.04% and non-credit contact hours increased by 39.51%, respectively, for Quarter 2 2018-2019 term (428 enrollment; 35,154 contact hours) compared to Quarter 2 2017-2018 term (446 enrollment; 25,198 contact hours). Quarters 3 and 4 decreased enrollment and contact hours by 27.96% and 20.07%, respectively, (enrollment 894 and contact hours 39,937 for Quarters 3 and 4 in 2018-2019 term; enrollment 1,241 and contact hours 49,965 for Quarters 3 and 4 2017-2018 term). Annualized fundable non-credit enrollment and contact hours decreased by 19.93% and 9.30%, respectively.

Grants obtained through the Texas Workforce Commission (TWC) allow the District to offer specialized training to industry partners within its service area, thereby increasing the skill level of incumbent and new workers. Availability of funding, as well as grant begin and end dates impact enrollment and contact hours. Variances in the number enrolled and the associated contact hours from one year to the next are not unexpected. The District will continue to seek funding from the TWC in order to offer courses that enhance the quality of workers in its service area.

Certificates and Degrees Conferred:

Fiscal Year	Associate of Arts	Associate of Science	Associate of Applied Sciences	Work Force Certificates	Total Degrees and Certificates
2018-2019	86	156	216	300	758
2017-2018	83	144	233	345	805
2016-2017	110	175	205	295	785

Capital Assets and Long Term Debt Administration

Capital Assets

The District’s investment in capital assets as of August 31, 2019 was \$56,651,274 (net of accumulated depreciation). This amount represents a net decrease (including additions, dispositions, and depreciation expense) of \$2,411,066 over fiscal year 2018. Construction in progress decreased by \$602,095 due to completion of the campus safety and infrastructure project as well as the cell phone booster project at the Emerging Technology Complex. Several projects remain ongoing at August 31, 2019 including the facilities master plan, the Wood Building renovation, the comprehensive student center and other smaller projects. Additional information regarding the District’s capital assets can be found in note 7 to the financial statements.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

The District's capital assets, net of accumulated depreciation, as of August 31, 2019, 2018, and 2017 are summarized below:

	<u>Balance at 8/31/2019</u>	<u>Balance at 8/31/2018</u>	<u>Balance at 8/31/2017</u>	<u>\$ Change 2018-2017</u>	<u>\$ Change 2017-2016</u>
Land	\$ 128,942	\$ 263,792	\$ 263,792	\$ (134,850)	\$ -
Construction in Progress	468,744	1,070,839	945,287	(602,095)	125,552
Library Volumes and Periodicals	361,776	346,921	510,782	14,855	(163,861)
Buildings	72,471,558	71,643,216	71,945,220	828,342	(302,004)
Site Improvements	6,512,778	6,512,778	6,512,778	-	-
Machinery, Equipment, Furniture and Vehicles	<u>10,478,024</u>	<u>10,326,649</u>	<u>9,851,424</u>	<u>151,375</u>	<u>475,225</u>
Totals at Historical Costs	90,421,822	90,164,195	90,029,283	257,627	134,912
Total Accumulated Depreciation	<u>33,770,548</u>	<u>31,101,855</u>	<u>28,589,183</u>	<u>2,668,693</u>	<u>2,512,672</u>
Net Capital Assets	<u>\$ 56,651,274</u>	<u>\$ 59,062,340</u>	<u>\$ 61,440,100</u>	<u>\$ (2,411,066)</u>	<u>\$ (2,377,760)</u>
				<u>% Change 2017-2016</u>	<u>% Change 2016-2015</u>
Land				-51.1%	0.0%
Construction in Progress				-56.2%	13.3%
Library Volumes and Periodicals				4.3%	-32.1%
Buildings				1.2%	-0.4%
Site Improvements				0.0%	0.0%
Machinery, Equipment, Furniture and Vehicles				1.5%	4.8%
Totals at Historical Costs				0.3%	0.1%
Total Accumulated Depreciation				8.6%	8.8%
Net Capital Assets				-4.1%	-3.9%

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

Long-Term Debt

Long-term debt decreased by \$1,400,000 during the fiscal year. Additional information regarding the District's long-term debt can be found in Notes 8 through 13 to the accompanying financial statements.

The District's long-term debt outstanding at August 31, 2019, 2018, and 2017 is summarized in the following table:

	<u>Balance at</u> 8/31/2019	<u>Balance at</u> 8/31/2018	<u>Balance at</u> 8/31/2017	<u>\$ Change</u> 2018-2017	<u>\$ Change</u> 2017-2016
2010 Combined Fee Revenue					
Refunding Bonds	\$ -	\$ 425,000	\$ 835,000	\$ (425,000)	\$ (410,000)
2012 Limited Tax Refunding Bonds	7,055,000	7,155,000	7,910,000	(100,000)	(755,000)
2013 Limited Tax Bonds	<u>16,510,000</u>	<u>17,405,000</u>	<u>18,275,000</u>	<u>(895,000)</u>	<u>(870,000)</u>
Total Long-Term Debt	<u>\$ 23,565,000</u>	<u>\$ 24,985,000</u>	<u>\$ 27,020,000</u>	<u>\$ (1,420,000)</u>	<u>\$ (2,035,000)</u>
				<u>% Change</u> 2017-2016	<u>% Change</u> 2016-2015
2010 Combined Fee Revenue					
Refunding Bonds				-100.00%	-49.10%
2012 Limited Tax Refunding Bonds				-1.40%	-9.54%
2013 Limited Tax Bonds				-5.14%	-4.76%
Total Long-Term Debt				-5.68%	-7.53%

The District's revenue bond rating is A+/Stable and its general obligation bond rating is AA/Stable as rated by the bond rating agency Standard & Poor's. There are no known debt limitations that could affect the financing of facilities or services.

Strategic and Operational Planning

Victoria College remains committed to its institution-wide focus on strategic and operational planning. Completion of the fourth year of the 2015-2020 Strategic Plan revealed significant progress towards achieving the goals. Results indicated many of the activities were successful in improving processes and opportunities, making significant progress towards improving student success, meeting the needs of the community throughout the service area and furthering the mission of the College. Some of the activities have been accomplished and some have been institutionalized. The overall goals of the College's Strategic Plan are:

Student Success - Victoria College students will demonstrate increasing student engagement and will exceed comparative college benchmarks on student performance indicators, such as completion of coursework, attainment of educational transfer and career goals, marketable skills and manageable debt.

Community Needs - Through strategic partnerships, Victoria College will provide an appropriately trained and skilled workforce to meet growing economic demand, seamless transitions, increased educational attainment, and cultural enrichment opportunities.

Institutional Excellence - Victoria College will ensure high performance and high levels of student, employee and community satisfaction as indicated by appropriate benchmarking.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

To further facilitate the achievement of strategic goals, College administration and the Board of Trustees continues to refine the plans for the projects outlined in the 2016-2025 Facilities Master Plan and identify financial resources to complete the projects without a burden to students or taxpayers. The top priority of the plan remains a new comprehensive student center that will bring together all student services, including library resources, advising, counseling, tutoring, testing, financial aid and social wrap-around services. Additional projects include refurbishment of existing facilities to meet the training and educational needs for student success and employer demands for an educated workforce. The College was recently awarded a \$3.8 million grant from the U.S. Department of Commerce, Economic Development Administration to remodel and improve instructional capacity of an existing facility housing industrial training. Refinement of the specific programming and design of all components of the plan will continue over the next academic year with in cooperation with faculty and staff, architects and design firms. Implementation of some of the projects are estimated to begin in 2020.

Resource Management & Development

Victoria College remains committed to maintaining the affordability of higher education and works diligently to manage its resources in order to balance the needs of its students with the needs, requirements, and expectations of governing agencies, taxpayers, community members, transfer universities, and business and industry. As State financial support continues to decrease and the cost of doing business continues to increase, achieving this balance becomes progressively more difficult. Administration, faculty and staff are careful to control expenses while not sacrificing quality instructional delivery and student support services. State appropriations contribute less than 17% to the annual operating budget. The remainder comes primarily from ad valorem taxes and student tuition and fees. The Board of Trustees approved an increase in student tuition and fees in 2019. Slight increases in in-district, out-of-district and non-resident tuition, the general and technology fees and the differential tuition rate for allied health programs were implemented for the 2019-2020 academic year. In addition, the Board approved adoption of a \$.2206 per \$100 valuation tax rate, which is a slight decrease from the 2018 rate of \$.2235.

Victoria College strategically and aggressively seeks external support through donations and grants to help offset the cost of new program development, to enable the granting of student financial support, and to provide necessary funds for expansion and growth. The College strives to secure, for all area students seeking postsecondary education and training, the resources necessary to facilitate college enrollment and successful completion without accumulation of excessive financial debt. The 2018-2019 academic year was a record year for student scholarship awards. Generous community support and a strategic focus on investment management allowed the Victoria College Foundation to award over \$1,000,000 in student scholarships, a record amount, to nearly 1,700 students. Additionally, the Foundation injected over \$300,000 to enhance College programs, facilities and initiatives.

College Recognition

The steadfast commitment to institutional excellence, student and employee satisfaction, quality educational opportunities and meeting community needs continues to result in Victoria College being recognized nationwide. In its fourth year participating in the voluntary "Great Colleges to Work For" survey supported by the Chronicle of Higher Education and conducted by ModernThink LLC, the College saw even more improvement. This survey is one of the largest and most respected workplace recognition programs in the country. For the third year in a row, Victoria College was selected a "Great College to Work For". Improving on last year's performance, the College was again named to the "Honor Roll" for being one of the top four schools in the two-year institution category nationally and recognized in seven categories, up from the five categories in 2018. Over 235 institutions nationwide, including 84 two-year institutions, participated in 2019. The Chronicle of Higher Education identified Victoria College as excelling in the following: Respect and Appreciation, Teaching Environment, Job Satisfaction, Supervisor/ Department Chair Relationship, Collaborative Governance, Work/Life Balance, and Confidence in Senior Leadership.

Initiatives

In partnership with the Texas Success Center, Victoria College continues its work implementing the nationally recognized Pathways Model. This model is designed to provide a clear and coherent integration of academics and support services throughout the students' educational experience. Strategies and resources are aimed at ensuring students make informed decisions when entering an educational pathway, keep on the path and successfully reach their goal. The Pathways Framework was embraced by the campus as a whole and incorporated into the College's Strategic Plan. Several strategies were developed and continue to be refined. The College will continue its participation in the work.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2019**

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and demonstrate the District's accountability for the money it receives. Questions concerning any information provided in the report or requests for additional financial information should be addressed to the Victoria College, 2200 East Red River, Victoria, Texas 77901.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Net Position
August 31, 2019 and 2018

	<u>Current Year</u>	<u>Prior Year</u>
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 1,703,106	\$ 2,559,357
Restricted cash and cash equivalents	481,458	1,002,362
Short-term investments	8,742,935	9,083,130
Restricted short-term investments	2,786,976	786,332
Due from component unit	21,888	1,290
Accounts receivable (net)	3,765,997	3,699,886
Restricted accounts receivable	231,138	255,796
Inventories	445,602	599,537
Prepaid expenses	21,919	22,845
Total Current Assets	<u>18,201,019</u>	<u>18,010,535</u>
Noncurrent Assets		
Construction in progress	468,744	1,070,839
Land	128,942	263,792
Capital assets (net) (See note 7)	<u>56,053,588</u>	<u>57,727,709</u>
Total Noncurrent Assets	<u>56,651,274</u>	<u>59,062,340</u>
Total Assets	<u>74,852,293</u>	<u>77,072,875</u>
Deferred Outflow of Resources		
Deferred outflows related to pensions	4,223,137	989,774
Deferred outflows related to other post-employment benefits	<u>7,161,913</u>	<u>633,998</u>
Total Noncurrent Assets	<u>11,385,050</u>	<u>1,623,772</u>
LIABILITIES		
Current Liabilities		
Accounts payable	756,194	866,329
Accrued liabilities	766,135	795,146
Funds held for others	172,977	169,705
Unearned revenues	4,890,326	4,742,846
Bonds payable - current portion	1,840,000	1,400,000
Net other post-employment benefits liability - current	<u>373,488</u>	<u>114,609</u>
Total Current Liabilities	<u>8,799,120</u>	<u>8,088,635</u>
Noncurrent Liabilities		
Bonds payable	21,745,000	23,585,000
Net pension liability	8,483,396	5,073,513
Net other post-employment benefits liability - non-current	<u>25,016,906</u>	<u>22,472,500</u>
Total Noncurrent Liabilities	<u>55,245,302</u>	<u>51,131,013</u>
Total Liabilities	<u>64,044,422</u>	<u>59,219,648</u>
Deferred Inflows of Resources		
Unamortized premiums on bonds	1,340,545	1,503,421
Deferred inflows related to pensions	1,451,504	1,316,454
Deferred inflows related to other post-employment benefits	<u>9,827,710</u>	<u>4,994,118</u>
Total Deferred Inflows of Resources	<u>12,619,759</u>	<u>7,813,993</u>
NET POSITION		
Invested in capital assets, net of related debt	31,725,729	32,573,918
Restricted for		
Expendable		
Student aid	332,343	635,242
Unexpended bond proceeds		
designated for Wood Building renovation project	932,088	-
designated for comprehensive student center project	1,001,147	-
designated for 2011-2020 master plan	677,122	851,431
Debt service	448,292	429,528
Unrestricted	<u>(25,543,559)</u>	<u>(22,827,113)</u>
Total Net Position (Schedule D)	<u>\$ 9,573,162</u>	<u>\$ 11,663,006</u>

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Net Position
August 31, 2019 and 2018

	Current Year	Prior Year
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 3,911,697	\$ 2,241,711
Pledges receivable	106,030	8,154
Other current assets	159	350
Total Current Assets	4,017,886	2,250,215
Other Assets		
Restricted cash - endowment money market funds	156,988	125,793
Endowment investments	12,270,121	12,235,989
Total Other Assets	12,427,109	12,361,782
Total Assets	16,444,995	14,611,997
 LIABILITIES		
Current Liabilities		
Due to Victoria College	21,888	1,290
Total Liabilities	21,888	1,290
 NET POSITION		
Without donor restriction	687,973	7,403
With donor restriction	15,735,134	14,603,304
Total Net Position	16,423,107	14,610,707

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Revenues, Expenses and
Changes in Net Position
For The Year Ended August 31, 2019 and 2018

	<u>Current Year</u>	<u>Prior Year</u>
OPERATING REVENUES		
Tuition and fees (net)	\$ 9,312,815	\$ 9,661,710
Federal grants and contracts	1,401,693	1,638,924
State grants and contracts	383,138	403,594
Local grants and contracts	11,519	7,585
Non-governmental grants and contracts	1,364,077	1,331,357
Sales and services of educational activities	434,594	470,887
Auxiliary enterprises (net)	2,559,118	3,053,348
General operating revenues	<u>248,094</u>	<u>513,616</u>
Total Operating Revenues (Schedule A)	<u>15,715,048</u>	<u>17,081,021</u>
OPERATING EXPENSES		
Instruction	13,394,543	13,792,269
Public service	224,020	184,785
Academic support	3,311,535	3,278,874
Student services	2,876,053	2,649,711
Institutional support	6,643,333	6,630,835
Operation and maintenance of plant	3,912,293	3,914,156
Scholarships and fellowships	9,165,898	9,392,784
Auxiliary enterprises	3,122,601	3,590,358
Depreciation	<u>2,725,550</u>	<u>2,804,101</u>
Total Operating Expenses (Schedule B)	<u>45,375,826</u>	<u>46,237,873</u>
Operating (Loss)	<u>(29,660,778)</u>	<u>(29,156,852)</u>
Non-Operating Revenues (Expenses)		
State allocations	6,958,206	7,704,008
Title IV	6,844,013	7,553,303
Ad valorem taxes		
Taxes for maintenance and operations	11,588,962	11,180,687
Taxes for debt service	3,086,698	3,099,579
Gifts	396,312	984,152
Investment income (net of investment expenses)	346,067	242,133
Interest on capital related debt	<u>(1,505,062)</u>	<u>(737,612)</u>
Total Non-Operating Revenues (Expenses) (Schedule C)	<u>27,715,196</u>	<u>30,026,250</u>
Income Before Other Revenues, (Expenses), Gains and (Losses)	<u>(1,945,582)</u>	<u>869,398</u>
Other Revenues, (Expenses), Gains		
Gain/(Loss) on disposal of capital assets	(144,262)	(101,295)
Donation of capital assets	<u>-</u>	<u>26,000</u>
Total Other Revenues, (Expenses), Gains	<u>(144,262)</u>	<u>(75,295)</u>
Increase in Net Position	(2,089,844)	794,103
NET POSITION		
Net Position - Beginning of Year	11,663,006	37,234,670
Adjustment to Net Position	<u>-</u>	<u>(26,365,767)</u>
Net Position - End of Year	<u>\$ 9,573,162</u>	<u>\$ 11,663,006</u>

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended August 31, 2019 and 2018

	<u>Total Current Year</u>	<u>Total Prior Year</u>
OPERATING REVENUES		
Grants and contributions	\$ 2,796,334	\$ 1,275,697
In-kind donations	<u>148,429</u>	<u>151,892</u>
Total Revenue and Support	<u>2,944,763</u>	<u>1,427,589</u>
OPERATING EXPENSES		
Institutional support	1,407,525	1,947,493
Administration and collection	69,924	98,546
Other	<u>156,123</u>	<u>160,599</u>
Total Expenses	<u>1,633,572</u>	<u>2,206,638</u>
NON-OPERATING REVENUES		
Investment income	<u>501,209</u>	<u>860,784</u>
Change in Net Position	1,812,400	81,735
NET ASSETS		
Net Position, Beginning of Year	<u>14,610,707</u>	<u>14,528,972</u>
Net Position, End of Year	<u>\$16,423,107</u>	<u>\$14,610,707</u>

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Cash Flows
For The Year Ended August 31, 2019 and 2018

	Current Year	Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 12,454,007	\$ 12,973,994
Receipts from grants and contracts	3,118,974	4,035,041
Other receipts	227,496	680,344
Payments to suppliers for goods or services	(7,214,188)	(7,871,920)
Payments to or on behalf of employees	(25,557,703)	(24,581,400)
Payments of scholarships and fellowships	(9,165,898)	(9,392,784)
Net cash provided (used) by operating activities	(26,137,312)	(24,156,725)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state allocations	6,261,434	5,959,255
Receipts from federal (Title IV) allocations	6,844,013	7,553,303
Receipts from ad valorem tax revenues	11,588,962	11,180,687
Gifts and grants (other than capital)	396,312	984,152
Deferred inflows/outflows net	(4,792,636)	(3,120,599)
Net pensions	3,409,883	(714,591)
Net OPEB	2,803,285	4,399,683
Student organization and other agency transactions	3,272	12,796
Net cash provided by non-capital financing activities	26,514,525	26,254,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad valorem tax revenues	3,086,698	3,099,579
Contribution of capital assets	-	26,000
Purchases of capital assets	(314,484)	(900,595)
Proceeds from disposal of capital assets	-	373,014
(Gain) loss on disposal of capital assets	(144,262)	(101,295)
Bond premium amortization	(162,876)	(162,876)
Payments on capital debt - principal	(1,400,000)	(2,165,000)
Payments on capital debt - interest	(1,505,062)	(737,612)
Net cash provided (used) by capital and related financing activities	(439,986)	(568,785)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	346,067	242,133
Investment purchases	(1,660,449)	(9,869,012)
Net cash provided (used) by investing activities	(1,314,382)	(9,626,879)
Increase (decrease) in cash and cash equivalents	(1,377,155)	(8,097,703)
Cash and cash equivalents - September 1	3,561,719	11,659,422
Cash and cash equivalents - August 31	\$ 2,184,564	\$ 3,561,719
Cash & cash equivalents	\$ 1,703,106	\$ 2,559,357
Restricted cash and cash equivalents	481,458	1,002,362
Total cash and cash equivalents	\$ 2,184,564	\$ 3,561,719

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Cash Flows
For The Year Ended August 31, 2019 and 2018
(Continued)

	Current Year	Prior Year
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (29,660,778)	\$ (29,156,852)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	2,725,550	2,804,101
State group insurance	696,772	1,744,753
Changes in assets and liabilities:		
Receivables (net)	(41,453)	653,581
Due from component unit	(20,598)	166,728
Inventories	153,935	130,426
Prepaid expenses	926	49,563
Accounts payable	(110,135)	(362,610)
Accrued liabilities	(29,011)	25,536
Unearned revenue	147,480	(211,951)
Net cash provided (used) by operating activities	\$ (26,137,312)	\$ (24,156,725)

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to the Financial Statements
August 31, 2019 and 2018

1. Reporting Entity

Victoria County Junior College District (the “District”) was created by a vote of the electorate of Victoria County, Texas, at an election held on December 2, 1947, in accordance with the laws of the State of Texas to serve the educational needs of Victoria County and the surrounding communities. The Board of Trustees (the “Board”), a seven-member group, is the level of government which has governing responsibilities over all activities related to public junior colleges within the jurisdiction of the District. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters, including taxing authority. 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 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. Furthermore, all activities and organizations over which the Board exercises oversight responsibility have been included in the basic financial statements.

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 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 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 (TEC §56.033). When the award is used by the student for tuition and fees, the college records the amount 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 college 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 college records the amount as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

The District considers cash and cash equivalents as cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Deferred Outflows

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

Investments

In accordance with GASB 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the District reports investments at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. (The governing board has designated public funds investment pools comprised of \$11,529,911 and \$9,869,462 at August 31, 2019, and 2018, respectively, to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

Inventories consist of consumable office supplies, physical plant supplies, concession supplies, and bookstore stock. Inventories are valued at cost on a first in, first out basis for supplies and at retail method for bookstore stock. Inventories are charged to expense as consumed.

Capital Assets

The District records capital assets at cost at the date of acquisition, or fair value 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 college 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 college charges costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets; generally 50 years for buildings, 20 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment, and five years for telecommunications and peripheral equipment.

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.

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 purpose 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.

Unearned Revenues

Tuition and fees of \$4,479,887 and \$4,366,197, federal, state and local grants of \$315,619 and \$298,118, and other revenues of \$94,820 and \$78,531 have been reported as unearned revenues at August 31, 2019 and 2018, respectively.

Deferred Inflows

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

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.

Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA (business type activity) and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

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 tax 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, 2019 and 2018.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During its fiscal year ended August 31, 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year.

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.

4. **Deposits and Investments**

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

Cash and Deposits		
	8/31/2019	8/31/2018
Bank Deposits		
Demand Deposits	\$ 2,125,305	\$ 3,513,800
	2,125,305	3,513,800
Cash and Cash Equivalents		
Cash on Hand	59,259	47,919
	59,259	47,919
Total Cash and Deposits	\$ 2,184,564	\$ 3,561,719

Reconciliation of Cash, Deposits and Investments to Exhibit 1

Type of Security	Market Value	
	8/31/2019	8/31/2018
TexPool	\$ 11,529,911	\$ 9,869,462
Total Investments	<u>\$ 11,529,911</u>	<u>\$ 9,869,462</u>
Total Cash and Deposits	\$ 2,184,564	\$ 3,561,719
Total Investments	11,529,911	9,869,462
Total Deposits and Investments	<u>\$ 13,714,475</u>	<u>\$ 13,431,181</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 2,184,564	\$ 3,561,719
Investments (Exhibit 1)	11,529,911	9,869,462
Total Deposits and Investments	<u>\$ 13,714,475</u>	<u>\$ 13,431,181</u>

As of August 31, 2019 the District had the following investments and maturities:

Investment Type	2019 Fair Value	Investment Maturities (in Years)			S&P Rating
		Maturity Less than 1	1 to 2	2 to 3	
Uncategorized Investments					
TexPool Prime	\$ 11,529,911	\$ 11,529,911	\$ -	\$ -	AAAm
Total Uncategorized Investments	<u>\$ 11,529,911</u>	<u>\$ 11,529,911</u>	<u>\$ -</u>	<u>\$ -</u>	

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

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 as well.

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

Custodial Credit Risk – To control custody risk, State law and the District’s adopted Investment Policy require collateral for all time and demand deposits held in the College’s name. The custodian is required to provide original safekeeping receipts and reporting of positions and position descriptions including market value.

Deposits must be collateralized to 102% (with 110% on mortgaged-backed securities), and transactions are required to be executed under a written agreement.

The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis. As of August 31, 2019, the Portfolio did not contain any repurchase agreements or certificates of deposit. All bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

Fair Value of Financial Instruments - GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value for certain investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value hierarchy Pools of investments at August 31, 2019 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
External Investment Pools	\$ 11,529,911	\$ -	\$ -	\$ 11,529,911
Total	<u>\$ 11,529,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,529,911</u>

5. **Derivatives**

The District did not invest in derivative investment products or repurchase agreements during the fiscal year ended August 31, 2019.

6. **Disaggregation of Receivables and Payables Balances**

Accounts receivable consist of the following at August 31:

	<u>2019</u>	<u>2018</u>
Student receivables	\$ 5,026,264	\$ 4,765,844
Third-party contractor receivables	414,661	423,118
Ad valorem taxes receivables	981,680	1,163,330
Federal grant receivables	195,015	237,497
State grant receivables	24,604	18,225
Local grant receivables	11,519	7,136
Other receivables	<u>269,392</u>	<u>361,476</u>
Total accounts receivable	6,923,135	6,976,626
Allowance for doubtful accounts	<u>(2,926,000)</u>	<u>(3,020,944)</u>
Accounts receivable (net)	<u>\$ 3,997,135</u>	<u>\$ 3,955,682</u>
Accounts receivable (net)	\$ 3,765,997	\$ 3,699,886
Restricted accounts receivable	<u>231,138</u>	<u>255,796</u>
	<u>\$ 3,997,135</u>	<u>\$ 3,955,682</u>

Accounts payable and accrued liabilities consist of the following at August 31:

	<u>2019</u>	<u>2018</u>
Accounts payable:		
Vendor payables	\$ 370,249	\$ 375,050
Other payables	<u>385,945</u>	<u>491,279</u>
Total accounts payable	<u>756,194</u>	<u>866,329</u>
Accrued liabilities:		
Accrued payroll	225,249	230,585
Employee benefits payable	495,978	508,757
Sales tax payable	<u>44,908</u>	<u>55,804</u>
Total accrued liabilities	<u>766,135</u>	<u>795,146</u>
Total accounts payable and accrued liabilities	<u>\$ 1,522,329</u>	<u>\$ 1,661,475</u>

7. Capital Assets Activity

Capital asset activity for the years ended August 31, 2019 and 2018, was as follows:

	<u>2019</u>			Balance August 31, 2019
	Balance September 1, 2018	<u>Changes During the Year</u>		
		<u>Additions</u>	<u>Deletions</u>	
Not Depreciated:				
Land	\$ 263,792	\$ -	\$ (134,850)	\$ 128,942
Construction in Progress	<u>1,070,839</u>	<u>327,214</u>	<u>(929,309)</u>	<u>468,744</u>
Subtotal	<u>1,334,631</u>	<u>327,214</u>	<u>(1,064,159)</u>	<u>597,686</u>
Other Capital Assets:				
Library Volumes and Periodicals	346,921	32,461	(17,606)	361,776
Buildings	71,643,216	828,342	-	72,471,558
Site Improvements	6,512,778	-	-	6,512,778
Machinery, Equipment, Furniture and Vehicles	<u>10,326,649</u>	<u>200,038</u>	<u>(48,663)</u>	<u>10,478,024</u>
Subtotal	<u>88,829,564</u>	<u>1,060,841</u>	<u>(66,269)</u>	<u>89,824,136</u>
Accumulated Depreciations:				
Library Volumes and Periodicals	76,881	24,118	(8,194)	92,805
Buildings	19,501,122	1,435,218	-	20,936,340
Site Improvements	4,735,291	325,640	-	5,060,931
Machinery, Equipment, Furniture and Vehicles	<u>6,788,561</u>	<u>940,574</u>	<u>(48,663)</u>	<u>7,680,472</u>
Subtotal	<u>31,101,855</u>	<u>2,725,550</u>	<u>(56,857)</u>	<u>33,770,548</u>
Net Other Capital Assets	<u>57,727,709</u>	<u>(1,664,709)</u>	<u>(9,412)</u>	<u>56,053,588</u>
Net Capital Assets	<u>\$ 59,062,340</u>	<u>\$ (1,337,495)</u>	<u>\$ (1,073,571)</u>	<u>\$ 56,651,274</u>

	2018				
	Balance	Changes During the Year			Balance
	September 1, 2017	Additions	Deletions		August 31, 2018
Not Depreciated:					
Land	\$ 263,792	\$ -	\$ -	\$ 263,792	
Construction in Progress	945,287	241,968	(116,416)	1,070,839	
Subtotal	<u>1,209,079</u>	<u>241,968</u>	<u>(116,416)</u>	<u>1,334,631</u>	
Other Capital Assets:					
Library Volumes and					
Periodicals	510,782	89,125	(252,986)	346,921	
Buildings	71,945,220	116,416	(418,420)	71,643,216	
Site Improvements	6,512,778	-	-	6,512,778	
Machinery, Equipment, Furniture and Vehicles	9,851,424	569,501	(94,276)	10,326,649	
Subtotal	<u>88,820,204</u>	<u>775,042</u>	<u>(765,682)</u>	<u>88,829,564</u>	
Accumulated Depreciations:					
Library Volumes and					
Periodicals	127,643	94,600	(145,362)	76,881	
Buildings	18,037,231	1,518,282	(54,391)	19,501,122	
Site Improvements	4,551,342	183,949	-	4,735,291	
Machinery, Equipment, Furniture and Vehicles	5,872,967	1,007,270	(91,676)	6,788,561	
Subtotal	<u>28,589,183</u>	<u>2,804,101</u>	<u>(291,429)</u>	<u>31,101,855</u>	
Net Other Capital Assets	<u>60,231,021</u>	<u>(2,029,059)</u>	<u>(474,253)</u>	<u>57,727,709</u>	
Net Capital Assets	<u>\$ 61,440,100</u>	<u>\$ (1,787,091)</u>	<u>\$ (590,669)</u>	<u>\$ 59,062,340</u>	

8. Non-Current Liabilities

Long-term liability activity for the years ended August 31:

	2019				
	Balance September 1, 2018	Additions	Reductions	Balance August 31, 2019	
Bonds					
Revenue refunding bonds	\$ 425,000	\$ -	\$ 425,000	\$ -	\$ -
Limited tax refunding bonds	7,155,000	-	80,000	7,075,000	910,000
Limited tax bonds	17,405,000	-	895,000	16,510,000	930,000
Subtotal	<u>24,985,000</u>	<u>-</u>	<u>1,400,000</u>	<u>23,585,000</u>	<u>1,840,000</u>
Net pension liability	5,073,513	3,409,883	-	8,483,396	-
Net OPEB liability	22,587,109	2,803,285	-	25,390,394	373,488
	<u>\$ 52,645,622</u>	<u>\$ 6,213,168</u>	<u>\$ 1,400,000</u>	<u>\$57,458,790</u>	<u>\$2,213,488</u>

	2018				
	Balance September 1, 2017	Additions	Reductions	Balance August 31, 2018	Current Portion
Bonds					
General obligation bonds	\$ 130,000	\$ -	\$ 130,000	\$ -	\$ -
Revenue refunding bonds	835,000	-	410,000	425,000	425,000
Limited tax refunding bonds	7,910,000	-	755,000	7,155,000	80,000
Limited tax bonds	18,275,000	-	870,000	17,405,000	895,000
Subtotal	27,150,000	-	2,165,000	24,985,000	1,400,000
Net pension liability	5,788,104	-	714,591	5,073,513	-
	-	22,587,109	-	22,587,109	114,609
	<u>\$ 32,938,104</u>	<u>\$ 22,587,109</u>	<u>\$ 2,879,591</u>	<u>\$ 52,645,622</u>	<u>\$ 1,514,609</u>

9. **Bonds Payable**

General information related to bonds payable is summarized below:

Limited Tax Refunding Bonds, Series 2010

- Issued to refund Combined Fee Revenue Bonds, Series 1999 that were issued to construct General Services and Technology Buildings and associated improvements
- Issued October 29, 2010
- Amount authorized and issued - \$3,455,000
- Source of revenue for debt service – Tuition, general fee and general fund interest

Limited Tax Refunding Bonds, Series 2012

- Issued to refund a portion of Limited Tax Bonds, Series 2006 that were issued to construct Health Sciences Center, remodel existing Allied Health Building and associated improvements
- Issued May 9, 2012
- Amount authorized and issued - \$8,480,000
- Source of revenue for debt service – ad valorem taxes

Limited Tax Bonds, Series 2013

- Issued to construct Emerging Technology Complex
- Issued February 15, 2013
- Amount authorized and issued - \$21,200,000
- Source of revenue for debt service – ad valorem taxes

Bonds payable are due in annual installments varying from \$910,000 to \$1,425,000 with interest rates from 2.75% to 5.00% with the final installment due in 2033.

Debt Service for the 2010 Combined Fee Revenue Refunding Bonds was \$426,734 for the year ended August 31, 2019. Revenues totaling \$1,989,957 were available to meet this obligation.

10. **Refunding Bonds**

In previous years, the District issued refunding bonds to defease certain bond issues. The refunded obligations represent a legal defeasance and are no longer a liability of the District; therefore, they are not included in the District's financial statements.

Limited Tax Refunding Bonds, Series 2012

On May 9, 2012, the District issued \$8,480,000 of Limited Tax Refunding Bonds, Series 2012. The bonds mature serially through August 2026. The interest rates range from 2.0% to 3.5%. The bonds are to refund a portion of the Limited Tax Bonds, Series 2006. The par value of the refunding bonds was \$8,480,000 with a premium of \$1,445,958.

The total cash flows required to service the refunded bonds as of the effective date of the refunding were \$12,269,117.

The total cash flows required to service the refunded bonds as of the effective date of the refunding were \$12,269,117. The aggregate debt service payments of the refunded bonds of \$12,992,314 is \$723,197 less than the aggregate debt service payments of the refunding bonds of \$12,269,117.

11. Defeased Bonds Outstanding

The proceeds of the Districts Limited Tax Refunding Bonds, Series 2012 were placed in an escrow fund to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements.

For the fiscal years ended August 31, the District had the following defeased bonds outstanding:

Bond Issue	Year Refunded	Par Value Outstanding	
		2019	2018
Limited Tax Bonds, Series 2006	2012	\$ 7,075,000	\$ 7,155,000
Total		\$ 7,075,000	\$ 7,155,000

12. Short Term Debt

The District used no short-term debt for the year ended August 31, 2019.

13. Debt and Lease Obligation

Debt service requirements at August 31, 2019 were as follows:

Fiscal Year Ended August 31,	General Obligation Bonds 2012 Limited Tax Refunding Bonds			General Obligation Bonds 2013 Limited Tax Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 910,000	\$ 243,075	\$ 1,153,075	\$ 930,000	\$ 537,062	\$ 1,467,062
2021	940,000	215,775	1,155,775	970,000	499,863	1,469,863
2022	970,000	182,875	1,152,875	1,010,000	461,062	1,471,062
2023	1,010,000	148,925	1,158,925	1,050,000	420,663	1,470,663
2024	1,045,000	113,575	1,158,575	1,095,000	373,412	1,468,412
2025-2028	2,200,000	116,200	2,316,200	5,995,000	1,356,401	7,351,401
2030-2033	-	-	-	5,460,000	415,500	5,875,500
Totals	\$ 7,075,000	\$ 1,020,425	\$ 8,095,425	\$ 16,510,000	\$ 4,063,963	\$ 20,573,963

Fiscal Year Ended August 31,	Total Bonds		
	Principal	Interest	Total
2020	\$ 1,840,000	\$ 780,137	\$ 2,620,137
2021	1,910,000	715,638	2,625,638
2022	1,980,000	643,937	2,623,937
2023	2,060,000	569,588	2,629,588
2024	2,140,000	486,987	2,626,987
2025-2029	8,195,000	1,472,601	9,667,601
2030-2033	5,460,000	415,500	5,875,500
Totals	\$ 23,585,000	\$ 5,084,388	\$ 28,669,388

The District had no capital lease obligations at August 31, 2019.

14. Net Position Designations

At August 31, 2019, the District designated the entirety of expendable net position, restricted for unexpended bond proceeds in the amount of \$2,610,357, for the Wood Building renovation project (\$932,088), the comprehensive student center project (\$1,001,147) and the 2011-2020 master plan (\$677,122). These designations indicate management’s anticipated future use of financial resources.

15. Rental Agreement and Operating Lease Commitments

Operating Lease Commitments

The District negotiated a non-cancellable operating lease contract for copiers beginning August 1, 2019 and ending July 31, 2022.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 7,272
2020	90,866
2021	90,866
2022	<u>83,293</u>
	<u>\$ 272,297</u>

Rental expense paid for the years ended August 31, 2019 and 2018 for operating leases totaled \$154,031 and \$158,567, respectively.

16. Employees’ Retirement Plan

Defined Benefit Pension Plan

The State of Texas has joint contributory retirement plans for almost all its employees.

A. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and 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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf#search=2018%20Comprehensive%20Annual; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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 cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

Contribution Rates

	2019	2018
Member	7.70%	7.70%
Non-Employer contribution Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
FY 2019 District Contributions	\$ 519,207	
FY 2019 State of Texas On-behalf Contributions	\$ 339,782	
FY 2019 Member Contributions	\$ 1,011,839	

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).

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.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- 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.
- 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.

E. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2018	3.69%. 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."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.3%
Salary Increases	3.05% - 9.05% including inflation
Ad hoc Post-Employment Benefit Changes	None

Actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

F. Discount Rate

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

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	-	-
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.7%	0.0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	-	-
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag ³			-0.8%
Total	100.00%		7.2%

¹ Target allocations are based on the FY2016 policy model.

² Capital market assumptions come from Aon Hewitt (2017 Q4).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District proportionate share of the net pension liability:	\$ 12,803,478	\$ 8,483,396	\$ 4,986,032

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

At August 31, 2019, the District reported a liability of \$8,483,396 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 proportionate share of the collective net pension liability	\$ 8,483,396
State's proportionate share that is associated with District	<u>5,555,211</u>
Total	<u>\$ 14,038,607</u>

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

At August 31, 2018, the District's proportion of the collective net pension liability was .0154% which was a decrease of 2.53% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumption or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended August 31, 2019, the District recognized pension expense of \$549,818 and revenue of \$549,818 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 52,879	\$ 208,149
Changes in actuarial assumptions	3,058,673	95,584
Difference between projected and actual investment earnings	440,876	601,842
Changes in proportion and difference between the employers contributions and the proportionate share of contributions	133,894	545,929
Contributions paid to TRS subsequent to the measurement date	<u>536,815</u>	<u>-</u>
Total	<u>\$ 4,223,137</u>	<u>\$ 1,451,504</u>

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:

<u>For the Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2020	\$ 548,942
2021	210,206
2022	145,668
2023	506,237
2024	504,163
Thereafter	319,602

See the Required Supplementary Information section for the Schedule of District’s Proportionate Share of Net Pension Liability and the Schedule of District’s Contributions.

Optional Retirement Plan – Defined Contribution Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentage of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. SB 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state’s contribution to 50% of eligible employees in the reporting district.

The retirement expense to the state for the District was \$87,081 and \$89,582 for the fiscal years ended August 31, 2019 and 2018, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District.

The total payroll for all District employees was \$17,827,414 and \$17,586,326 for the fiscal years ended August 31, 2019 and 2018, respectively. The total payroll of employees covered by the state for ORP was \$2,676,593 and \$2,825,487 for the fiscal years ended August 31, 2019 and 2018, respectively.

17. 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.

At August 31, 2019 and 2018, the District had no employees electing to defer compensation.

18. Compensable Absences

Full-time employees of the District may accrue up to 640 hours of sick leave based on the length of their contract. No employee will receive compensation for sick leave upon termination of employment with the District. Since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Administrative, clerical, and maintenance personnel receive vacation time based on length of employment. Vacation must be taken by August 31; however, carry-over up to 40 hours of vacation time is permitted. In the opinion of the administration, the liability for compensable absences is not material to the basic financial statements of the District; therefore, no accrual for vacation leave has been made.

19. **Health Care and Life Insurance Benefits**

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing their benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$625 per month for the year ended August 31, 2019 (\$622 per month for fiscal year 2018) and totaled \$710,342 for the year ended August 31, 2019 (\$718,217 for the year ended August 31, 2018). The cost of providing those benefits for 136 retirees in the year ended August 31, 2019 was \$531,563 (retiree benefits for 144 retirees cost \$672,741 in fiscal year 2018). For 288 active employees, the cost of providing benefits was \$2,196,670 for the year ended August 31, 2019 (active employee benefits for 298 employees cost \$2,546,979 for the year ended August 31, 2018). SB 1812, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

20. **Other Post-Employment Benefits (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 Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2018-CAFR>; or by writing ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

Benefit Provisions. 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. An eligible retiree who has retired from full-time employment does not contribute toward the cost of coverage for himself/herself, but he/she pays a portion of the cost if he/she covers an eligible spouse or dependent child. An eligible retiree who has retired from part-time employment contributes toward the cost of coverage for himself/herself, as well as paying a portion of the cost if he/she covers an eligible spouse or dependent child. The GBP also provides life insurance benefits to eligible retirees via a minimum premium fund 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.

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

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

**Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Year 2018**

Retiree Only	\$ 621.90
Retiree & Spouse	1,334.54
Retiree & Children	1,099.06
Retiree & Family	1,811.70

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

**Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31, 2018 and 2017**

	FY 2018	FY 2017
Employers	\$ 307,028,461	\$ 890,735,173
Member (Employees)	203,123,120	195,806,162
Non-employer Contributing Entity (State of Texas)	16,585,270	44,433,743

Source: ERS FY 2018 Comprehensive Annual Financial Report

Actuarial Assumptions. The Total OPEB Liability was determined by an actuarial valuation as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

**Actuarial Assumption
ERS Group Benefits Program Plan**

Valuation date	August 31, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 Years
Asset valuation method	Not Applicable
Actuarial assumptions:	
Discount rate	3.96%
Projected annual salary increase	2.5% to 9.5%, including inflation
Annual healthcare trend rate	7.30% for FY 2020, 7.40% for FY 2021, 7.00% for FY 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 2027 and later years
Inflation assumption rate	2.5%
Ad hoc post-employment benefit changes	None
Mortality assumptions:	
Higher education members:	
Service retirees, survivors and other inactive members:	Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018.
Disability retirees:	Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018 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 RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Source: FY 2018 ERS CAFR

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

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

Discount Rate. Because the State Retiree Health Plan 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 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. The discount rate used to measure the Total OPEB Liability was 3.96%. The change in the discount rate since the OPEB plan's prior fiscal year-end is an increase of 0.45% (from 3.51% to 3.96%). 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 (PAYGO) 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. 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 (3.96%) in measuring the net OPEB Liability.

**Sensitivity of Net OPEB Liability to Changes in Discount Rate
State Retiree Health Plan**

	1% Decrease in Discount Rate (2.96%)	Discount Rate (3.96%)	1% Increase in Discount Rate (4.96%)
District's proportionate share of the net OPEB liability:	\$ 30,144,308	\$ 25,390,394	\$ 21,792,219

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 7.30% and the ultimate rate is 4.50%. 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 (3.96%) in measuring the net OPEB Liability.

**Sensitivity of Net OPEB Liability to Changes in Discount
and Healthcare Trend Rates
State Retiree Health Plan**

	1% Decrease in Discount Rate (2.96%)	Discount Rate (3.96%)	1% Increase in Discount Rate (4.96%)
District's proportionate share of the net OPEB liability:	\$ 21,502,384	\$ 25,390,394	\$ 30,405,941

OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2018, the District reported a liability of \$25,390,394 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 proportionate share of the collective net pension liability	\$ 25,390,394
State's proportionate share that is associated with District	13,365,285
Total	\$ 38,755,679

The net OPEB liability was measured as of August 31, 2018, 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 contribution to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At the measurement date of August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.08566%, which is an increase of 29.2332% over the proportionate share measured at August 31, 2017 (0.06629%).

For the year ended August 31, 2018, the Districted recognized OPEB expense of \$696,772 and revenue of \$696,772 for support provided by the State.

Changes Since the Previous Other Postemployment Benefits (OPEB) 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:

- Demographic assumptions (including rates of retirement, disability, termination and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the Trustees from the Teacher Retirement System of Texas.
- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipals bonds rated AA/As (or equivalent) or higher in effect on the measurement date.

Changes of Benefit Terms Since Previous Other Postemployment Benefits (OPEB) Valuation:

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

These minor benefit changes have been reflected in the fiscal year 2019 Assumed Per Capita Health Benefit Costs.

At August 31, 2018, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 930,222
Changes in actuarial assumptions	-	8,897,488
Difference between projected and actual investment earnings	12,024	-
Changes in proportion and difference between the employers contributions and the proportionate share of contributions	6,909,037	-
Contributions paid to ERS subsequent to the measurement date	<u>240,852</u>	<u>-</u>
Total	<u>\$ 7,161,913</u>	<u>\$ 9,827,710</u>

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

<u>For the Year Ended August 31,</u>	<u>OPEB Expense Amount</u>
2020	\$ (997,513)
2021	(997,513)
2022	(997,513)
2023	(185,648)
2024	271,538
Thereafter	-

21. Pending Lawsuits and Claims

The District may, on occasion, become party to litigation and claims arising in the normal course of operations. At August 31, 2019, the District is not involved in any litigation.

22. Contract and Grant Award

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99). For Federal Contract and Grant Awards, funds expended but not collected are reported as restricted accounts receivable on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected are reported as restricted accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial statements. Contract and grant awards funds already committed, e.g. multi-year awards, or funds awarded during fiscal year August 31, 2019, and 2018, for which monies have not been received nor funds expended totaled \$5,441,593 and \$1,416,946, respectively. Of these amounts \$5,326,198 and \$1,233,016 were from Federal Contracts and Grant Awards; \$91,566 and \$160,101 were from State Contracts and Grant Awards; and \$23,829 and \$23,829 were from Local Contracts and Grant Awards at August 31, 2019 and 2018, respectively.

23. Self-Insured Plans

The District has various self-insured arrangements for coverage in the areas of workers' compensation and unemployment compensation. Workers' compensation and unemployment compensation plans are on a pay-as-you-go basis, in which no assets are set aside. Accrued liabilities generally are based on actuarial valuations and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations.

24. Ad Valorem 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.

At August 31:

	<u>2019</u>	<u>2018</u>
Assessed Valuation of the District:	\$ 7,676,493,200	\$ 7,749,361,976
Less: Exemptions	<u>(804,567,236)</u>	<u>(773,145,464)</u>
Net Assessed Valuation of the District	<u>\$ 6,871,925,964</u>	<u>\$ 6,976,216,512</u>

	2019			2018		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 Valuation	\$ 0.500000	\$ 0.500000	\$ 1.000000	\$ 0.500000	\$ 0.500000	\$ 1.000000
Assessed Tax Rate per \$100 Valuation	\$ 0.182800	\$ 0.040700	\$ 0.223500	\$ 0.176900	\$ 0.040100	\$ 0.217000

Taxes levied for the years ended August 31, 2019 and 2018 were \$14,474,291 and \$14,214,287, 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.

<u>Taxes Collected</u>	2019			2018		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 9,502,009	\$ 2,620,074	\$12,122,083	\$ 9,145,069	\$ 2,653,071	\$11,798,140
Delinquent Taxes Collected	1,984,183	443,188	2,427,371	1,903,343	433,992	2,337,335
Penalties and Interest Collected	111,964	25,878	137,842	114,781	27,369	142,150
Discounts and Commissions	(9,194)	(2,442)	(11,636)	2,228	413	2,641
Total Collections	\$11,588,962	\$ 3,086,698	\$14,675,660	\$11,165,421	\$ 3,114,845	\$14,280,266

Tax collections for the years ended August 31, 2019 and 2018 were 98.22% and 97.89%, respectively, of current tax levy. Allowances for uncollected taxes are fully reserved at August 31. The use of tax proceeds is restricted to maintenance and operations and/or general obligation debt service.

25. Tax Abatement

For the fiscal year ended August 31, 2019, the District entered into a property tax abatement agreement with INVISTA S.a'r.l. (INVISTA) in keeping with Victoria County Junior College District's Policy on Tax Abatement Guidelines and Criteria adopted by the board on November 27, 2017. The Office of the Governor, Economic Development and Tourism designated the INVISTA PREMISES as a Single Enterprise Project under Chapter 2303 of the Texas Government Code and the PREMISES are designated a Reinvestment Zone for commercial/industrial tax under the Texas Property Redevelopment and Tax Abatement Act V.T.C.A., Texas Tax Code, Section 312.001 et. seq.

The agreement is dated July 22, 2019; however, the abatement period begins on January 1, 2022 and ends on December 31, 2025. The abatement is for 50% in each of the five years covered in the agreement. The actual abatement amounts will be based upon future tax rates and are, therefore, not known at August 31, 2019.

26. Discrete Component Unit

Victoria College Foundation, Inc. (the “Foundation”) was established as a separate nonprofit organization in 1978, to raise funds to provide student scholarships and assistance in the development and growth of the District. Under Governmental Accounting Standards Board (GASB) Statement 39 *Determining Whether Certain Organizations are Component Units*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit.

Accordingly, the Foundation financial statements are included in the District’s annual report as a discrete component unit (see table of contents). Complete financial statements of the Victoria College Foundation, Inc. can be obtained from the administrative office of the Foundation and/or the District.

27. Subsequent Events

The District’s administration has determined that no subsequent events require disclosure in these financial statements.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of the District's Proportionate Share of Net Pension Liability
For the Year Ended August 31, 2019

Measurement year ending August 31 *	2018 **	2017 **	2016 **	2015 **	2014 **
District's proportion of collective net pension liability	0.0154%	0.0158%	0.0153%	0.0156%	0.0182%
District's proportionate share of collective net pension liability	\$ 8,483,396	\$ 5,073,513	\$ 5,788,104	\$ 5,498,026	\$ 4,870,339
State's proportionate share of net pension liability associated with the District	<u>5,555,211</u>	<u>3,212,232</u>	<u>3,723,484</u>	<u>3,594,810</u>	<u>3,206,990</u>
Total	<u>\$ 14,038,607</u>	<u>\$ 8,285,745</u>	<u>\$ 9,511,588</u>	<u>\$ 9,092,836</u>	<u>\$ 8,077,329</u>
District's covered payroll amount	\$ 12,780,593	\$ 12,474,720	\$ 11,705,727	\$ 11,176,424	\$ 11,218,245
District's proportionate share of net pension liability as a percentage of covered payroll	66.38%	40.67%	49.45%	49.19%	43.41%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of the District's Contributions to TRS Pension Plan
For the Year Ended August 31, 2019

Fiscal year ending August 31 *	2019 **	2018 **	2017 **	2016 **	2015 **
Legally required contributions	\$ 536,815	\$ 522,353	\$ 518,778	\$ 484,815	\$ 462,000
Actual contributions	<u>(536,815)</u>	<u>(522,353)</u>	<u>(518,778)</u>	<u>(484,815)</u>	<u>(462,000)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll amount	\$ 13,192,885	\$ 12,780,593	\$ 11,705,727	\$ 11,176,424	\$ 11,192,750
Contributions as a percentage of covered payroll	4.07%	4.09%	4.43%	4.34%	4.13%

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

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to the Required Supplementary Information Schedules for Pensions
August 31, 2019

1. Employer Contributions

Employer contributions were taken from the TRS system called TRUST for the fiscal year ended August 31, 2018. The employer contributions are the basis of the related schedules and represent what participating employers reported to TRS for the fiscal year for their reporting entity. One year of historical reported contributions was used for purposes of preparing the Schedule of Employer's Proportionate Shares (Allocations).

There may be differences in the amount an employer has in their internal records as contributions reported to TRS and the amounts show in the allocation schedules as contributions. The reasons for those differences are explained below. The column titled "Fiscal 2018 Contributions per Trust (as adjusted (column 4) in the Schedule of Pension Amounts by Employer includes contributions owed which were extracted from TRUST plus (minus) any adjustments. The amounts best represent future contribution efforts.

Adjustments are made in the following circumstances with the treatment shown below. Not all situations noted below were applicable during the current fiscal year.

- | | |
|-------------|--|
| Situation: | An incomplete year (less than 12 months) of reports were filed as in the case of a new reporting entity. |
| Adjustment: | Amounts were annualized in accordance with prior GASB guidance. |
| Situation: | Negative adjustments were reported during the measurement year that pertained to a previous fiscal year. |
| Adjustment: | These amounts were excluded from contributions. Only negative adjustments pertaining to the current year were allowed. |
| Situation: | Errors were made by a reporting entity during the reporting period due to the conversion to the new TRUST system but were timely reported to TRS. |
| Adjustment: | Adjustments were made to report the appropriate contributions. |
| Situation: | A reporting entity was merged with another reporting entity during the current measurement period ending 08/31/18. |
| Adjustment: | Contributions are reported under both RE numbers as reported to TRS. |
| Situation: | A reporting entity is contributing for more than one entity under the same number in TRUST |
| Adjustment: | The reporting entities may need to prorate the liability for their audited financial statements between the entities using their internal records. To correct this situation in the future, additional RE numbers should be requested from TRS for each legally separate entity. |

TRS relies on the accuracy of the contributions reported by the reporting entities.

2. Changes in Measurement Date of the Total Pension Liability – Roll Forward

A change was made to the measurement date of the total pension liability (TPL) for the year ended August 31, 2018. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using the roll forward procedures.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**
Schedule of the District's Proportionate Share of Net OPEB Liability
For the Year Ended August 31, 2019

<u>Measurement year ending August 31</u> *	<u>2018**</u>	<u>2017 **</u>
District's proportion of the net OPEB liability as a percent	0.085669120%	0.066290320%
District's proportionate share of the net OPEB liability	\$ 25,390,393	\$ 22,587,109
State's proportionate share of the net OPEB liability associated with the District	<u>13,365,290</u>	<u>20,547,702</u>
Total	<u>\$ 38,755,683</u>	<u>\$ 43,134,811</u>
District's Covered Employee Payroll	\$ 14,432,673	\$ 14,163,080
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	66.38%	40.67%
Plan fiduciary net position as a percentage of the total OPEB liability	1.27%	2.04%

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

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

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of the District's Contributions for ERS OPEB
For the Year Ended August 31, 2019**

Fiscal year ending August 31 *	2019 **	2018 **
Legally required contributions	\$ 240,852	\$ 627,311
Actual contributions	(240,852)	(627,311)
Contributions deficiency (excess)	\$ -	\$ -
District's covered payroll amount	\$ 14,597,537	\$ 14,432,673
Contributions as a percentage of covered employee payroll	1.65%	4.35%

* The amounts presented above are as of the District's most recent fiscal year-end.
 ** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to the Required Supplementary Information Schedules for OPEB
August 31, 2019

1. Changes in Benefit Terms

Under A/A #4.107 of GASB's *Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2018, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect.

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

2. Changes in Assumptions

Since the last valuation of Other Postemployment Benefits (OPEB) was prepared, the following assumptions have been changed:

Demographic Assumptions

- Demographic assumptions (including rates of retirement, disability, termination and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the Trustees from the Teacher Retirement System of Texas.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.

Economic Assumptions

- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipals bonds rated AA/As (or equivalent) or higher in effect on the measurement date.

A current actuarial valuation is performed for the majority members in the Employees Retirement Fund, except those who are eligible to receive insurance coverage when combining their service credits from the Teachers Retirement System of Texas and the System. The actuarial valuation for this population is a roll-forward of the valuation that was performed for fiscal year 2017.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Revenues
For the Year Ended August 31, 2019 and 2018

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Current Year	Prior Year
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 3,461,258	\$ -	\$ 3,461,258	\$ -	\$ 3,461,258	\$ 3,549,498
Out-of-district resident tuition	2,637,602	-	2,637,602	-	2,637,602	2,621,256
Non-resident tuition	67,917	-	67,917	-	67,917	94,531
TPEG set aside (set aside)*	244,728	-	244,728	-	244,728	248,857
State funded continuing education	1,933,333	-	1,933,333	-	1,933,333	1,890,340
Non-state funded continuing education	233,293	-	233,293	-	233,293	237,638
Total Tuition	<u>8,578,131</u>	<u>-</u>	<u>8,578,131</u>	<u>-</u>	<u>8,578,131</u>	<u>8,642,120</u>
Fees:						
General fee	3,133,875	-	3,133,875	-	3,133,875	3,091,642
Technology fee	1,729,032	-	1,729,032	-	1,729,032	1,717,578
Out-of-district fees	2,184,513	-	2,184,513	-	2,184,513	2,207,481
Laboratory fee	229,833	-	229,833	-	229,833	245,240
Course fees	245,197	-	245,197	-	245,197	192,146
Total Fees	<u>7,522,450</u>	<u>-</u>	<u>7,522,450</u>	<u>-</u>	<u>7,522,450</u>	<u>7,454,087</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	(327,476)	-	(327,476)	-	(327,476)	(258,378)
Title IV federal grants	(4,508,682)	-	(4,508,682)	-	(4,508,682)	(4,633,867)
TPEG awards	(460,052)	-	(460,052)	-	(460,052)	(71,758)
Other state grants	(258,815)	-	(258,815)	-	(258,815)	(262,802)
Other local scholarships	(1,232,741)	-	(1,232,741)	-	(1,232,741)	(1,207,692)
Total Scholarship Allowances	<u>(6,787,766)</u>	<u>-</u>	<u>(6,787,766)</u>	<u>-</u>	<u>(6,787,766)</u>	<u>(6,434,497)</u>
Total Net Tuition and Fees	<u>9,312,815</u>	<u>-</u>	<u>9,312,815</u>	<u>-</u>	<u>9,312,815</u>	<u>9,661,710</u>
Additional Operating Revenues:						
Federal grants and contracts	21,997	1,379,696	1,401,693	-	1,401,693	1,638,924
State grants and contracts	2,754	380,384	383,138	-	383,138	403,594
Local grants and contracts	-	11,519	11,519	-	11,519	7,585
Nongovernmental grants and contracts	1,032,234	331,843	1,364,077	-	1,364,077	1,331,357
Sales and services of educational activities	434,594	-	434,594	-	434,594	470,887
General operating revenues	248,094	-	248,094	-	248,094	513,616
Total Additional Operating Revenues	<u>1,739,673</u>	<u>2,103,442</u>	<u>3,843,115</u>	<u>-</u>	<u>3,843,115</u>	<u>4,365,963</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	2,625,574	2,625,574	3,090,134
Title IV federal grants	-	-	-	(407,829)	(407,829)	(513,805)
TPEG awards	-	-	-	(41,614)	(41,614)	(7,956)
Other state grants	-	-	-	(23,411)	(23,411)	(29,139)
Other local scholarships	-	-	-	(111,507)	(111,507)	(133,909)
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,041,213</u>	<u>2,041,213</u>	<u>2,405,325</u>
Conference & Education Center	-	-	-	381,160	381,160	385,383
Facilities rentals	-	-	-	2,825	2,825	1,741
Food Service	-	-	-	-	-	164,195
Leo J. Welder Center for Performing Arts	-	-	-	133,920	133,920	96,704
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,559,118</u>	<u>2,559,118</u>	<u>3,053,348</u>
Total Operating Revenues	<u>\$ 11,052,488</u>	<u>\$ 2,103,442</u>	<u>\$ 13,155,930</u>	<u>\$ 2,559,118</u>	<u>\$ 15,715,048</u>	<u>\$ 17,081,021</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$244,728 and \$248,857 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2019 and 2018, respectively.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2019 and 2018

	Operating Expenses				Current Year Total	Prior Year Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 8,164,831	\$ -	\$ 2,672,260	\$ 902,833	\$ 11,739,924	\$ 11,539,065
Public service	25,575	-	6,560	191,885	224,020	182,369
Academic support	1,965,111	-	658,384	490,544	3,114,039	2,992,017
Student services	1,470,386	-	530,833	238,716	2,239,935	1,997,832
Institutional support	3,109,771	-	1,110,541	2,095,075	6,315,387	6,003,755
Operation and maintenance of plant	1,474,035	-	476,101	1,962,157	3,912,293	3,914,156
Scholarships and fellowships	127,950	-	-	1,032,235	1,160,185	1,016,644
Total Unrestricted Educational Activities	<u>16,337,659</u>	<u>-</u>	<u>5,454,679</u>	<u>6,913,445</u>	<u>28,705,783</u>	<u>27,645,838</u>
Restricted - Educational Activities						
Instruction	609,054	658,532	159,187	227,846	1,654,619	2,253,204
Public service	-	-	-	-	-	2,416
Academic support	-	178,143	-	19,353	197,496	286,857
Student services	253,772	170,150	57,511	154,685	636,118	651,879
Institutional support	-	326,846	-	1,100	327,946	627,080
Scholarships and fellowships	67,610	-	-	7,938,103	8,005,713	8,376,140
Total Restricted Educational Activities	<u>930,436</u>	<u>1,333,671</u>	<u>216,698</u>	<u>8,341,087</u>	<u>10,821,892</u>	<u>12,197,576</u>
Total Educational Activities	17,268,095	1,333,671	5,671,377	15,254,532	39,527,675	39,843,414
Auxiliary Enterprises	559,319	-	173,328	2,389,954	3,122,601	3,590,358
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	1,760,858	1,760,858	1,702,231
Equipment and furniture	-	-	-	940,574	940,574	1,007,270
Library volumes and periodicals	-	-	-	24,118	24,118	94,600
Total Operating Expenses	<u>\$ 17,827,414</u>	<u>\$ 1,333,671</u>	<u>\$ 5,844,705</u>	<u>\$ 20,370,036</u>	<u>\$ 45,375,826</u> (Exhibit 2)	<u>\$ 46,237,873</u> (Exhibit 2)

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS**

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

	Unrestricted	Restricted	Auxiliary Enterprises	Current Year	Prior Year
Non-Operating Revenues					
State Allocations:					
Education and general state support	\$ 5,624,535	\$ -	\$ -	\$ 5,624,535	\$ 5,624,658
State group insurance	-	696,772	-	696,772	1,744,753
State retirement matching	-	636,899	-	636,899	334,597
Total State Allocations	<u>5,624,535</u>	<u>1,333,671</u>	<u>-</u>	<u>6,958,206</u>	<u>7,704,008</u>
Ad valorem taxes:					
Taxes for maintenance and operations	11,588,962	-	-	11,588,962	11,180,687
Taxes for debt service	-	3,086,698	-	3,086,698	3,099,579
Title IV	-	6,844,013	-	6,844,013	7,553,303
Gifts	344,512	-	51,800	396,312	984,152
Investment income	302,619	43,159	289	346,067	242,133
Total Non-Operating Revenues	<u>17,860,628</u>	<u>11,307,541</u>	<u>52,089</u>	<u>29,220,258</u>	<u>30,763,862</u>
Non-Operating Expenses					
Interest on capital related debt	-	1,505,062	-	1,505,062	737,612
Total Non-Operating Expenses	<u>-</u>	<u>1,505,062</u>	<u>-</u>	<u>1,505,062</u>	<u>737,612</u>
Net Non-Operating Revenues	<u>\$ 17,860,628</u>	<u>\$ 9,802,479</u>	<u>\$ 52,089</u>	<u>\$ 27,715,196</u> (Exhibit 2)	<u>\$ 30,026,250</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Net Position by Source and Availability
 For the Year Ended August 31, 2019 and 2018

	Detail by Source				Current Year Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ (25,543,559)	\$ -	\$ -	\$ -	\$ (25,543,559)
Restricted for:					
Expendable:					
Student aid	-	332,343	-	-	332,343
Unexpended bond proceeds	-	-	-	2,610,357	2,610,357
Plant					
Debt service	-	448,292	-	-	448,292
Investment in plant	-	-	-	31,725,729	31,725,729
Total Net Position, August 31, 2019	<u>(25,543,559)</u>	<u>780,635</u>	<u>-</u>	<u>34,336,086</u>	<u>9,573,162</u> (Exhibit 1)
Total Net Position, August 31, 2018	<u>(22,827,113)</u>	<u>1,064,770</u>	<u>-</u>	<u>33,425,349</u>	<u>11,663,006</u> (Exhibit 1)
Adjustment to net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Position	<u>\$ (2,716,446)</u>	<u>\$ (284,135)</u>	<u>\$ -</u>	<u>\$ 910,737</u>	<u>\$ (2,089,844)</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Net Position by Source and Availability
 For the Year Ended August 31, 2019 and 2018
 (continued)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ (25,543,559)	\$ -	(22,827,113)	\$ (22,827,113)	\$ -
Restricted for:					
Expendable:					
Student aid	-	332,343	635,242	-	635,242
Unexpended bond proceeds	-	2,610,357	851,431	-	851,431
Plant					
Debt service	-	448,292	429,528	-	429,528
Investment in plant	-	31,725,729	32,573,918	-	32,573,918
Total Net Position, August 31, 2019	(25,543,559)	35,116,721	11,663,006 (Exhibit 1)	(22,827,113)	34,490,119
Total Net Position, August 31, 2018	(22,827,113)	34,490,119	37,234,670 (Exhibit 2)	2,654,474	34,580,196
Adjustment to net position	-	-	(26,365,767)	(26,365,767)	-
Net Increase (Decrease) in Net Position	\$ (2,716,446)	\$ 626,602	794,103 (Exhibit 2)	\$ 884,180	\$ (90,077)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number		Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Direct Programs:</i>				
Federal Supplemental Educational Opportunity Grants	84.007	*	P007A187874	\$ 105,000
Federal Work-Study Program	84.033	*	P033A187874	65,857
Federal Work-Study Program	84.033	*	P033A197874	1,753
TRIO - Student Support Services	84.042	*	P042A151187	276,137
Federal Pell Grant Program	84.063	*	P063P182339	4,811,511
Federal Pell Grant Program	84.063	*	P063Q182339	7,510
Federal Pell Grant Program	84.063	*	P063Q152339	5
Federal Pell Grant Program	84.063	*	P063Q162339	10
Federal Direct PLUS Loans	84.268	*	P268K192339	23,159
Federal Direct Student Loans - Subsidized	84.268	*	P268K192339	769,655
Federal Direct Student Loans - Unsubsidized	84.268	*	P268K192339	<u>1,067,078</u>
Total Direct Programs				<u>7,127,675</u>
<i>Pass Through From Texas Workforce Commission:</i>				
Adult Education - Basic Grants to States	84.002		1918ALA000	477,940
Adult Education - Basic Grants to States	84.002		1918ALAB00	98,223
Adult Education - Basic Grants to States	84.002		1917AEL000	181,040
Adult Education - Basic Grants to States	84.002		1919AEL000	43,357
Adult Education - Basic Grants to States	84.002		1919AEL001	<u>4,764</u>
Total Texas Workforce Commission				<u>805,324</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>				
Career and Technical Education - Basic Grants to States	84.048A		194264	<u>180,539</u>
Total Texas Higher Education Coordinating Board				<u>180,539</u>
Total U.S. Department of Education				<u>8,113,538</u>
U.S. DEPARTMENT OF HUMAN SERVICES				
<i>Pass Through Texas Workforce Commission:</i>				
Temporary Assistance for Needy Families (TANF)	93.558		1918ALA000	15,304
Temporary Assistance for Needy Families (TANF)	93.558		1919SMP001	<u>18,831</u>
Total TANF				<u>34,135</u>
<i>Passed through UTMB:</i>				
Area Health Education Centers Point of Service				
Maintenance and Enhancement Awards	93.107		5U77HP01066-16-00	<u>90,860</u>
Total UTMB				<u>90,860</u>
Total U.S. Department of Health and Human Services				<u>124,995</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES				
<i>Direct Programs:</i>				
Promotion of the Humanities				
Division of Preservation & Access	45.149		PB-260967-18	4,703
Division of Preservation & Access	45.149		PG-263491-19	<u>9,995</u>
Total National Endowment for the Humanities				<u>14,698</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 8,253,231</u>

* Direct Student Financial Aid Cluster

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

Direct federal grants and contracts revenue per Schedule A	\$ 1,401,693
Direct federal revenue, non-operating - Schedule C	6,844,013
Administration cost recovery (included in other revenue)	7,525
Total Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 8,253,231

Note 2: Significant Accounting Policies Used in Preparing the Schedule

See Note 2 of the notes to the basic financial statements for the District's significant accounting policies. The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. 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 3: Expenditures not Subject to Federal Single Audit

All expenditures are subject to Federal Single Audit

Note 4: Student Loans Processed and Administrative Costs Recovered - Included in Schedule

Federal Grantor/ CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed & Admin. Costs Recovered
Department of Education 84.268 Federal Direct Student Loans (includes PLUS, subsidized and unsubsidized)	\$ 1,859,892	\$ -	\$ 1,859,892

Note 5: Nonmonetary Federal Assistance Received

No nonmonetary federal assistance was received.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Expenditures of State Awards
 For the Year Ended August 31, 2019

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
Texas Educational Opportunity Grant Program	-	\$ 273,866
Texas Public Education Grant Program	-	547,631
Texas-Science, Technology, Engineering, and Math (T-STEM) Program	-	8,360
Law Enforcement Officer Standards & Education	-	1,100
2018 College Readiness and Success Models for 60x30TX (CRSM-2018)	20529	28,708
Nursing & Allied Health - Building Simulation & Skills Lab Capacity	18035	275
Total Direct Funding		<u>859,940</u>
Total Texas Higher Education Coordinating Board		<u>859,940</u>
DEPARTMENT OF STATE HEALTH SERVICES		
<i>Passed through Texas Workforce Commission:</i>		
GR - Adult Ed	1918ALA000	<u>67,658</u>
Total Passed Through Texas Workforce Commission		<u>67,658</u>
Total Department of State Health Services		<u>67,658</u>
TEXAS WORKFORCE COMMISSION		
<i>Direct:</i>		
FY 19 Skills for Small Business	1919SSD001	<u>3,171</u>
Total Texas Workforce Commission		<u>3,171</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 930,769</u>

Notes to the Schedule on the following page

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to Schedule of Expenditures of State Awards
For the Year Ended August 31, 2019

Note 1: State Assistance Reconciliation

State Assistance Reconciliation	
per Schedule of Expenditures of State Awards	\$ 930,769
Less: TPEG (included in "Tuition" section)	<u>(547,631)</u>
Total included in "Tuition and Fees"	<u>(547,631)</u>
Total State Revenues per Schedule A	<u>\$ 383,138</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

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

To the Board of Trustees
Victoria County Junior College District
Victoria, Texas

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 Standard* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Victoria County Junior College District, as of and for the year ended August 31, 2019, and 2018, and the related notes to the financial statements, which collectively comprise Victoria County Junior College District's basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Victoria County Junior College District's internal control over financial reporting (internal control) to determine 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 Victoria County Junior College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Victoria County Junior College District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cascos & Associates, PC

Cascos & Associates, PC
Brownsville, Texas
November 18, 2019



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Board of Trustees
Victoria County Junior College District
Victoria, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Victoria County Junior College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Uniform Grants Management Standards that could have a direct and material effect on each of Victoria County Junior College District's major federal programs for the year ended August 31, 2019. Victoria County Junior College District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Victoria County Junior College District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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) and the State of Texas Uniform Grant Management Standards (UGMS). Those standards and the Uniform Guidance and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Victoria County Junior College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Victoria County Junior College District's compliance.

Opinion on Each Major Federal and State Program

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

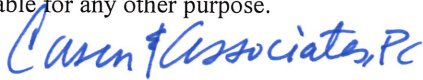
Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 and UGMS. Accordingly, this report is not suitable for any other purpose.



Cascos & Associates, PC
Brownsville, Texas
November 18, 2019

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019**

I. Summary of Auditors' Results

Type of auditors' report on financial statements:	Unmodified.
Internal control over financial reporting: Material weakness(es) identified?	No.
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported.
Internal control over major programs: Material weakness(es) identified?	No.
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported.
Noncompliance which is material to the basic financial statements	No.
Type of auditors' report on compliance with major programs	Unmodified.
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and the State of Texas Single Audit Circular	No.
Dollar threshold considered between Type A and Type B federal programs	\$750,000
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	No
Major federal programs	Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.063, and 84.268)
Major state programs	Texas Public Education Grant Program

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

The audit disclosed no finding required to be reported.

III. Findings and Questioned Costs for Federal Awards

None reported.

IV. Findings and Questioned Costs for State Awards

None reported.