

Annual Financial Report

August 31, 2021 and 2020



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

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2021**

TABLE OF CONTENTS

	<u>Page Number</u>
ORGANIZATIONAL DATA	
Names and Terms of the Board of Trustees & Principal Administrative Officers and Business and Financial Staff	ii
FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements	
Exhibits	
1 Statement of Net Position	13
Affiliated Organization Statement of Net Position	14
2 Statement of Revenues, Expenses and Changes in Net Position	15
Affiliated Organization Statement of Revenues, Expenses and Changes in Net Position	16
3 Statement of Cash Flows	17 - 18
Notes to the Financial Statements	19 - 42
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the District's Proportionate Share of Net Pension Liability	43
Schedule of the District's Contributions for Pensions	44
Notes to the Required Supplementary Information Schedules for Pensions	45
Schedule of the District's Proportionate Share of Net OPEB Liability	46
Schedule of the District's Contributions for OPEB	47
Notes to the Required Supplementary Information Schedules for OPEB	48 - 49
SUPPLEMENTAL INFORMATION AND FINANCIAL ASSISTANCE SECTION	
Schedules	
A Schedule of Operating Revenues	50
B Schedule of Operating Expenses by Object	51
C Schedule of Non-Operating Revenues and Expenses	52
D Schedule of Net Position by Source and Availability	53 - 54
E Schedule of Expenditures of Federal Awards	55 - 56
Notes to Schedule of Expenditures of Federal Awards	57
F Schedule of Expenditures of State Awards	58
Notes to Schedule of Expenditures of State Awards	59
OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION	
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	60 - 61
Report of Independent Certified Public Accountants on Compliance for Each Major Federal and State Program and on Internal Control over Compliance Required by OMB <i>Uniform Grant Guidance</i> and the State of Texas <i>Single Audit Circular</i>	62 - 63
Schedule of Findings and Questioned Costs	64

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

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2020-2021**

Board of Trustees

Officers

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

Members

		<u>Term Expires</u>
Dr. Daniel A. Cano	Victoria, Texas	2026
Mr. Luis A. Guerra	Victoria, Texas	2024
Ms. Catherine McHaney	Victoria, Texas	2022
Mr. V. Bland Proctor	Victoria, Texas	2026
Dr. Josie Rivera	Bloomington, Texas	2024
Mr. Ronald B. Walker	Victoria, Texas	2026
Mr. John E. Zacek	Inez, Texas	2022

Principal Administrative Officers and Business and Financial Staff

Dr. Jennifer Kent	President
Ms. Cindy Buchholz	Executive Vice President Chief Academic Officer
Mr. Keith Blundell, C.P.A.	Vice President Administrative Services
Dr. Edrel Stoneham	Vice President Student Services
Ms. Terri Kurtz	Executive Director Human Resources
Ms. Tracey Bergstrom, C.P.A.	Director of Finance



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
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 the Victoria County Junior College District (the District), as of and for the year ended August 31, 2021, and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 \$19,889,499 and revenues of \$4,487,132. 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 the District, as of August 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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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 listed in the table of contents 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 the District's basic financial statements. The accompanying schedule of expenditures of federal awards and the schedule of expenditures of state awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas Uniform Grant Management Standards (UGMS) and are not a required part of the basic financial statements.

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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Casco & Associates, PC
Brownsville, Texas
November 11, 2021

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2021**

Management's 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, 2021. 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, 2021; 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, 2021 and 2020 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 is a point in time financial statement and presents a fiscal snapshot of all assets owned by the District, all liabilities owed by the District to others, the 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, student retention 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, 2021**

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

	Fiscal Year			Change	
	2021	2020	2019	2021 to 2020	2020 to 2019
Assets					
Cash and Investments	\$ 21,427,977	\$ 14,097,394	\$ 13,714,475	\$ 7,330,583	\$ 382,919
Other Assets	16,134,720	16,154,512	15,871,594	(19,792)	282,918
Capital Assets, Net	<u>56,285,641</u>	<u>54,802,683</u>	<u>56,651,274</u>	<u>1,482,958</u>	<u>(1,848,591)</u>
Total Assets and Deferred Outflows	93,848,338	85,054,589	86,237,343	8,793,749	(1,182,754)
Liabilities					
Current Liabilities	10,037,193	9,259,053	8,799,120	778,140	459,933
Long-term Liabilities	<u>62,586,447</u>	<u>67,003,285</u>	<u>67,865,061</u>	<u>(4,416,838)</u>	<u>(861,776)</u>
Total Liabilities and Deferred Inflows	72,623,640	76,262,338	76,664,181	(3,638,698)	(401,843)
Net Position					
Invested in Capital Assets, Net of					
Related Debt	35,405,316	31,864,748	31,725,729	3,540,568	139,019
Unrestricted	(23,523,896)	(26,338,090)	(25,543,559)	2,814,194	(794,531)
Restricted	<u>9,343,278</u>	<u>3,500,098</u>	<u>3,390,992</u>	<u>5,843,180</u>	<u>109,106</u>
Total Net Position	<u>\$ 21,224,698</u>	<u>\$ 9,026,756</u>	<u>\$ 9,573,162</u>	<u>\$ 12,197,942</u>	<u>\$ (546,406)</u>

Highlighted information from the Statement of Net Position:

- Total assets increased by \$8,793,749 or 10.34%.
- Total liabilities decreased by \$3,638,698 or 4.77%.
- Total net position increased by \$12,197,942 or 135.13%.

Significant changes in assets, liabilities and net position are attributable to a significant donation from the Victoria College Foundation, completion of the Wood Building renovation, and GASBs 68 and 75.

Cash and investments increased by \$7,330,583, which includes \$6,000,000 from the Victoria College Foundation for the Comprehensive Student Center. The Wood Building renovation was complete at August 31, 2021 and is discussed below and in the Notes to the Financial Statements.

GASB 68, as amended by GASB Statement No. 71, 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. GASB 75 requires the District to record its proportionate share of the Employees Retirement System of Texas's (ERS) net Other Post-Employment Benefits (OPEB) liability and related deferred outflows and inflows of resources related to OPEB.

The District decreased deferred outflows related to pensions (an asset) by \$851,272 for total deferred outflows related to pensions of \$2,863,589 (a 22.92% decrease). Additionally, deferred inflows related to pensions (a liability) decreased by \$371,456 (17.71%) for total deferred pension inflows of \$1,726,082. The net pension liability decreased by \$219,861 (2.74%) from \$8,019,398 to \$7,799,537.

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.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2021**

The net pension liability of \$7,799,537 was measured at August 31, 2020 and was established per amounts recorded in TRS's *Comprehensive Annual Financial Statement* and TRS's *Audited 2020 GASB 68 Allocation Schedules*.

OPEB deferred outflows are related to changes in actuarial assumptions, 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, changes in actuarial assumptions, and changes in proportion and differences between employers' contributions and the proportionate share of contributions.

The net OPEB liability of \$26,475,286 was measured at August 31, 2020 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)*. Deferred outflows related to OPEB decreased by \$2,002,559 (25.41%) to \$5,878,998. Deferred inflows related to OPEB increased by \$248,748 (2.99%) to \$8,568,338.

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.

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 11 and Notes 8 through 13 in the accompanying Notes to the Financial Statements.

At August 31, 2021, the District designated the entirety of expendable net position, restricted for on-going projects in the amount of \$8,545,340. Designations are as follows: 1) Wood Building renovation project (\$127,370); 2) Allied Health building renovation (\$325,000); 3) comprehensive student center (\$6,648,897); and 4) 2016-2025 master plan (\$1,444,073). These designations indicate 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, 2021**

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

	Fiscal Year			Change	
	2021	2020	2019	2021 to 2020	2020 to 2019
Operating Revenues					
Tuition and Fees (net of discounts)	\$ 8,920,710	\$ 9,234,455	\$ 9,312,815	\$ (313,745)	\$ (78,360)
Local, State and Federal Grants and Contracts	12,033,494	4,835,198	3,160,427	7,198,296	1,674,771
Auxiliary Enterprise	3,082,040	2,124,136	2,559,118	957,904	(434,982)
Other	1,710,337	649,386	682,688	1,060,951	(33,302)
Total Operating Revenues	25,746,581	16,843,175	15,715,048	8,903,406	1,128,127
Operating Expenses					
Instruction	12,314,580	13,259,952	13,394,543	(945,372)	(134,591)
Public Service	333,836	250,254	224,020	83,582	26,234
Academic Support	3,262,479	3,280,478	3,311,535	(17,999)	(31,057)
Student Services	2,851,488	3,003,835	2,876,053	(152,347)	127,782
Institutional Support	9,323,925	7,128,930	6,643,333	2,194,995	485,597
Operation and Maintenance of Plant	3,881,603	4,290,483	3,912,293	(408,880)	378,190
Scholarships and Fellowships	10,404,394	9,671,938	9,165,898	732,456	506,040
Auxiliary Enterprises	2,850,077	3,002,787	3,122,601	(152,710)	(119,814)
Depreciation	2,483,647	2,634,115	2,725,550	(150,468)	(91,435)
Total Operating Expenses	47,706,029	46,522,772	45,375,826	1,183,257	1,146,946
Operating Income (Loss)	(21,959,448)	(29,679,597)	(29,660,778)	7,720,149	(18,819)
Non-Operating Revenues (Expenses)					
State Appropriations	6,851,010	7,237,084	6,958,206	(386,074)	278,878
Taxes	15,679,804	15,230,201	14,675,660	449,603	554,541
Title IV	5,671,652	6,761,192	6,844,013	(1,089,540)	(82,821)
Gifts	6,215,272	279,495	396,312	5,935,777	(116,817)
Interest on Capital Related Debt	(568,027)	(632,528)	(1,505,062)	64,501	872,534
Investment Related Income	308,466	254,687	346,067	53,779	(91,380)
Total Non-Operating Revenues (Expenses)	34,158,177	29,130,131	27,715,196	5,028,046	1,414,935
Income Before Other Revenues, (Expenses),	12,198,729	(549,466)	(1,945,582)	12,748,195	1,396,116
Other Revenues, (Expenses), Gains, (Losses)	(787)	3,060	(144,262)	(3,847)	147,322
Increase (Decrease) in Net Position	12,197,942	(546,406)	(2,089,844)	12,744,348	1,543,438
Beginning Net Position, as Adjusted	9,026,756	9,573,162	11,663,006	(546,406)	(2,089,844)
Ending Net Position	\$ 21,224,698	\$ 9,026,756	\$ 9,573,162	\$ 12,197,942	\$ (546,406)

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

- Operating revenues increased by \$8,903,406 or 52.86%.
- Operating expenses increased by \$1,183,257 or 2.54%.
- Operating loss was decreased by \$7,720,149 or 26.01%.
- Non-operating revenue increased by \$4,963,545, while non-operating expenses decreased by \$64,501 for a net non-operating revenues (expenses) increase of \$5,028,046 or 17.26%.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2021**

For fiscal year ended August 31, 2021, net position from current year operations increased by \$12,197,942.

The increase in operating revenues (\$8,903,406 or 52.86%) was primarily attributable to a \$7,198,296 (148.87%) increase in local, state, federal and non-governmental grants and contracts. Tuition and fee revenue (net of discounts) decreased by \$313,745 (3.40%), auxiliary revenues (net of discounts) increased by \$957,904 (45.10%), and other operating revenues increased by \$1,060,951 (163.38%). Of the \$7,293,748 increase in federal grants and contracts, \$6,107,195 was directly attributable to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The District utilized \$2,927,949 in direct aid to students impacted by COVID-19. The District recouped estimated lost revenue in the amount of \$2,208,800, of which \$1,159,709 and \$1,049,091 related to auxiliary services and unrestricted educational activities, respectively.

Operating expenses increased by \$1,183,257 (2.54%). Operating expenses were impacted by decreases in expenses related to instruction (\$945,372 or 7.13%), academic support (\$17,999 or 0.55%), student services (\$152,347 or 5.07%), operation and maintenance of plant (\$408,880 or 9.53%), auxiliary enterprises (\$152,710 or 5.09%) and depreciation (\$150,468 or 5.71%). These decreases in operating expenses were offset by increases in public service (\$83,582 or 33.40%), institutional support (\$2,194,995 or 30.79%) and scholarships and fellowships (\$732,456 or 7.57%).

Overall non-operating revenue (expenses) increased by \$5,028,046 (17.26%). Key elements in the increase are as follows:

- Overall state allocations decreased by \$386,074 (5.33%), which included a decrease in education and general state support of \$365 (0.01%), a decrease in state group insurance of \$191,957 (23.86%), and a decrease in state retirement matching of \$193,752 (21.63%). State retirement matching and state group insurance recorded revenues and expenditures are impacted by amortization of deferred inflows and outflows of resources related to pensions (GASB 68) and deferred inflows and outflows of resources related to other post-employment benefits (GASB 75).
- Tax revenue increased by \$449,603 due to an increase in valuation that was sufficient to offset a slight decrease in the tax rate adopted by the District's Board of Trustees (\$0.2203 per \$100 valuation for fiscal year 2021 versus \$0.2206 per \$100 valuation for fiscal year 2020).
- Title IV disbursements decreased by \$1,089,540 (16.11%). The decline in Title IV disbursements was offset with non-title IV funding from the Department of Education for coronavirus relief.
- Non-Operating gifts increased by \$5,935,777 (2123.75%) and is attributable to the \$6,000,000 received from the Victoria College Foundation for the Comprehensive Student Center.
- Investment income (interest) increased by \$53,779 or 21.12%. The increase in investment income is attributable to an increase in cash deposits. The District continued to take advantage of the rate floors provided in the depository contract. Investment income is expected to decline in fiscal year 2022 due to a reduction in the floor rate with the new depository contract that began September 1, 2021. The floor rate at present is in excess of the TexPool Prime rate.
- Interest on capital related debt decreased by \$64,501 (10.92%).

Tuition and fee revenue decreased by \$313,745 (3.40%) for the year ended August 31, 2021. Credit unduplicated enrollment and contact hours declined by 9.00% and 13.54%, respectively. Fundable unduplicated non-credit enrollment and contact hours increased by 9.74% and 3.56%, respectively for the year ended August 31, 2021. For fiscal year 2021 compared to fiscal year 2020, in-district tuition increased by \$1, non-resident tuition increased by \$10, the out of district fee increased by \$1, the general fee increased by \$1 and the technology fee increased by \$2. Below is an analysis of tuition and fee rates and enrollment and contact hours is provided below.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2021**

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
2021	\$ 51	\$ 143	\$ 52	\$ 34	\$ 19
2020	\$ 50	\$ 133	\$ 51	\$ 33	\$ 17
2019	\$ 48	\$ 123	\$ 49	\$ 29	\$ 16

Differential Tuition by Program for Fiscal Year 2021:		Per Credit Hour
Associate Degree Nursing		\$ 95
Licensed Vocational Nursing		\$ 95
Respiratory Therapy Technology		\$ 95
Physical Therapy Assistant		\$ 95
Emergency Medical Services		\$ 95
Process Technology		\$ 35
Electronics and Instrumentation		\$ 35
Welding		\$ 35

Enrollment Highlights:

Credit Students	2020-2021	Fall	Spring	Summer	Annual *	
	Enrollment	3,274	2,835	1,144	4,224	
	Contact Hours	529,776	468,648	137,648	1,136,072	
	2019-2020	Fall	Spring	Summer	Annual *	
	Enrollment	3,725	3,297	1,235	4,642	
	Contact Hours	612,592	556,600	144,800	1,313,992	
	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	
Non-Credit Students	2020-2021	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	392	272	378	368	1,194
	Contact Hours	31,607	18,346	23,076	18,759	91,788
	2019-2020	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	420	375	191	249	1,088
	Contact Hours	31,852	28,366	13,718	14,695	88,631
	2018-2019	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	562	428	341	553	1,680
	Contact Hours	38,044	35,154	18,756	21,181	113,135
* Unduplicated						

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

**Management’s Discussion and Analysis
(Unaudited)
Year Ended August 31, 2021**

Credit student enrollment and contact hours decreased by 12.11% and 13.52%, respectively, for the fall term. Headcount was 3,274 for the fall 2020-2021 term compared to 3,725 for the fall 2019-2020 term. Credit student enrollment and contact hours decreased by 14.01% and 15.80% for the spring term. Headcount was 2,835 for the spring 2020-2021 term compared to 3,297 for the spring 2019-2020 term. The summer term posted a decrease in both credit student enrollment (7.37%) and contact hours (7.94%). Annualized credit student enrollment and contact hours decreased by 9.00% and 13.54%, respectively.

Fundable non-credit enrollment and contact hours decreased by 6.67% and 0.77%, respectively, for Quarter 1 2020-2021 term (392 enrollment; 31,607 contact hours) compared to Quarter 1 2019-2020 term (420 enrollment; 31,852 contact hours). Fundable non-credit enrollment decreased by 27.47% and non-credit contact hours decreased by 35.32% for Quarter 2 2020-2021 term (272 enrollment 18,346 contact hours) compared to Quarter 2 2019-2020 term (375 enrollment; 28,366 contact hours). Quarters 3 and 4 increased enrollment and contact hours by 69.55% and 47.24%, respectively, (enrollment 746 and contact hours 41,835 for Quarters 3 and 4 in 2020-2021 term; enrollment 440 and contact hours 28,413 for Quarters 3 and 4 2019-2020 term). Annualized fundable non-credit enrollment and contact hours increased by 9.74% and 3.56%, respectively.

Grants obtained through the Texas Workforce Commission (TWC) allow the District to offer specialized training to industry partners as well as Adult Education 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
2020-2021	63	175	133	264	635
2019-2020	71	188	132	254	645
2018-2019	86	216	157	301	760

Capital Assets and Long Term Debt Administration

Capital Assets

The District’s investment in capital assets as of August 31, 2021 was \$56,285,641 (net of accumulated depreciation). This amount represents a net increase (including additions, dispositions, and depreciation expense) of \$1,482,958 over fiscal year 2020. Construction in progress decreased by \$146,948 due to completion of the Wood Building renovation (\$3,658,377 expended in fiscal year 2021), capitalization of the Wood Building Renovation (\$3,712,261 completed cost), capitalization of the prior year sewer project (\$93,064), progress toward the comprehensive student center (\$240,812), and start up activities related to the Museum of the Coastal Bend expansion (\$65,908). Buildings increased \$3,712,261 (Wood Building) and Site Improvements increase by \$97,064. Multiple projects are ongoing at August 31, 2021. 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, 2021**

The District's capital assets, net of accumulated depreciation, as of August 31, 2021, 2020, and 2019 are summarized below:

	<u>Balance at 8/31/2021</u>	<u>Balance at 8/31/2020</u>	<u>Balance at 8/31/2019</u>	<u>\$ Change 2021-2020</u>	<u>\$ Change 2020-2019</u>
Land	\$ 128,942	\$ 128,942	\$ 128,942	\$ -	\$ -
Construction in Progress	956,079	1,103,027	468,744	(146,948)	634,283
Library Volumes and Periodicals	371,891	370,790	361,776	1,101	9,014
Buildings	76,183,819	72,471,558	72,471,558	3,712,261	-
Site Improvements	6,609,842	6,512,778	6,512,778	97,064	-
Machinery, Equipment, Furniture and Vehicles	<u>10,370,190</u>	<u>10,182,529</u>	<u>10,478,024</u>	<u>187,661</u>	<u>(295,495)</u>
Totals at Historical Costs	94,620,763	90,769,624	90,421,822	3,851,139	347,802
Total Accumulated Depreciation	<u>38,335,122</u>	<u>35,966,941</u>	<u>33,770,548</u>	<u>2,368,181</u>	<u>2,196,393</u>
Net Capital Assets	<u>\$ 56,285,641</u>	<u>\$ 54,802,683</u>	<u>\$ 56,651,274</u>	<u>\$ 1,482,958</u>	<u>\$ (1,848,591)</u>
				<u>% Change 2021-2020</u>	<u>% Change 2020-2019</u>
Land				0.0%	0.0%
Construction in Progress				-13.3%	135.3%
Library Volumes and Periodicals				0.3%	2.5%
Buildings				5.1%	0.0%
Site Improvements				1.5%	0.0%
Machinery, Equipment, Furniture and Vehicles				1.8%	-2.8%
Totals at Historical Costs				4.2%	0.4%
Total Accumulated Depreciation				6.6%	6.5%
Net Capital Assets				2.7%	-3.3%

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2021**

Long-Term Debt

Long-term debt decreased by \$1,910,000 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, 2021, 2020, and 2019 is summarized in the following table:

	Balance at 8/31/2021	Balance at 8/31/2020	Balance at 8/31/2019	\$ Change 2021-2020	\$ Change 2020-2019
2012 Limited Tax Refunding Bonds	\$ 5,225,000	\$ 6,165,000	\$ 7,055,000	\$ (940,000)	\$ (890,000)
2013 Limited Tax Bonds	14,610,000	15,580,000	16,510,000	(970,000)	(930,000)
Total Long-Term Debt	<u>\$ 19,835,000</u>	<u>\$ 21,745,000</u>	<u>\$ 23,565,000</u>	<u>\$ (1,910,000)</u>	<u>\$ (1,820,000)</u>
				% Change 2021-2020	% Change 2020-2019
2012 Limited Tax Refunding Bonds				-15.25%	-12.62%
2013 Limited Tax Bonds				-6.23%	-5.63%
Total Long-Term Debt				-8.78%	-7.72%

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. With the conclusion of the strategic plan in 2020, the 2020-2021 academic year was spent with multiple groups of stakeholders contributing to town talk sessions conducted to gather feedback in the creation of a new strategic plan. Feedback was analyzed and the college is preparing to adopt formally the new overarching goals of Equity, Learning Environment, Community Enrichment, Ensuring Achievement, & Synergistic Culture.

To facilitate further the achievement of strategic goals, College administration and the Board of Trustees have worked to refine the plans for the projects outlined in the 2016-2025 Facilities Master Plan. At the center of the plan is a new comprehensive student center that will bring together all student services, including library resources, advising, tutoring, testing, financial aid and wrap-around services. Additionally, the plan includes refurbishment of existing facilities to meet training and educational needs essential for student success and to meet employer demands for an educated workforce. Renovations were recently completed in the Wood Building with other projects about to start.

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. In the 2020-2021 academic year, the Texas Association of Community Colleges published a report recognizing Victoria College as one of only seven community colleges in Texas considered to be balanced in its revenue sources.

As state appropriations continues to decrease, the majority of the operating budget comes primarily from ad valorem taxes and student tuition and fees. The Board approved adoption of the calculated effective tax rate of \$0.2076 per \$100 valuation. 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.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS

Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2021

Generous community support and a strategic focus on investment management allowed the Victoria College Foundation to award over \$1,000,000 in scholarships.

Initiatives

Victoria College continues its work implementing the nationally recognized Guided Pathways Model made possible through the TACC's Texas Success Institute. Pathways provides a clear and coherent integration of academics and support services throughout the 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. Victoria College earned the designation as a *Cadre 2* college, which means our efforts are either at scale or in the planning phase of scale.

COVID-19 Pandemic Efforts

Throughout the COVID-19 pandemic, Victoria College has prioritized the safety of students, employees, and visitors by adopting allowable precautions and recommendations. Deep cleaning practices were adopted as well as spacing considerations in classrooms and common areas. Improved technology infrastructures allowed students and the public to access Wi-Fi on campus. Additionally, Victoria College opened a clinic on campus in partnership with Citizen's Hospital and offered free COVID testing and vaccines on campus.

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 Victoria College, 2200 East Red River, Victoria, Texas 77901.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Net Position
August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 15,576,670	\$ 11,101,206
Restricted cash and cash equivalents	5,849,939	2,994,851
Short-term investments	884	883
Restricted short-term investments	454	454
Due from component unit	29,044	5,664
Accounts receivable (net)	2,479,199	3,319,841
Restricted accounts receivable	4,517,977	957,590
Inventories	359,373	452,479
Prepaid expenses	6,570	57,025
Total Current Assets	<u>28,820,110</u>	<u>18,889,993</u>
Noncurrent Assets		
Construction in progress	956,079	1,103,027
Land	128,942	128,942
Capital assets (net)	<u>55,200,620</u>	<u>53,570,714</u>
Total Noncurrent Assets	<u>56,285,641</u>	<u>54,802,683</u>
Total Assets	<u>85,105,751</u>	<u>73,692,676</u>
Deferred Outflow of Resources		
Deferred outflows related to pensions	2,863,589	3,714,861
Deferred outflows related to other post-employment benefits	<u>5,878,998</u>	<u>7,881,557</u>
Total Noncurrent Assets	<u>8,742,587</u>	<u>11,596,418</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,235,583	970,618
Accrued liabilities	753,945	745,496
Funds held for others	204,986	191,479
Unearned revenues	4,979,558	4,540,065
Bonds payable - current portion	1,980,000	1,910,000
Net other post-employment benefits liability - current	<u>883,121</u>	<u>901,395</u>
Total Current Liabilities	<u>10,037,193</u>	<u>9,259,053</u>
Noncurrent Liabilities		
Bonds payable	17,855,000	19,835,000
Net pension liability	7,799,537	8,019,398
Net other post-employment benefits liability - non-current	<u>25,592,165</u>	<u>27,538,824</u>
Total Noncurrent Liabilities	<u>51,246,702</u>	<u>55,393,222</u>
Total Liabilities	<u>61,283,895</u>	<u>64,652,275</u>
Deferred Inflows of Resources		
Unamortized premiums on bonds	1,045,325	1,192,935
Deferred inflows related to pensions	1,726,082	2,097,538
Deferred inflows related to other post-employment benefits	<u>8,568,338</u>	<u>8,319,590</u>
Total Deferred Inflows of Resources	<u>11,339,745</u>	<u>11,610,063</u>
NET POSITION		
Invested in capital assets, net of related debt	35,405,316	31,864,748
Restricted for		
Expendable		
Student aid	252,638	322,919
Unexpended bond proceeds		
designated for Wood Building renovation project	127,370	847,692
designated for Allied Health Building renovation	325,000	-
designated for Comprehensive Student Center project	6,648,897	725,332
designated for 2016-2025 Master Plan	1,444,073	1,126,574
Debt service	545,300	477,581
Unrestricted	<u>(23,523,896)</u>	<u>(26,338,090)</u>
Total Net Position (Schedule D)	<u>\$ 21,224,698</u>	<u>\$ 9,026,756</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, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 4,152,519	\$ 7,430,326
Pledges receivable	282,175	1,756,238
Other current assets	70,616	5,389
Total Current Assets	4,505,310	9,191,953
Other Assets		
Restricted cash - endowment money market funds	149,603	138,048
Endowment investments	15,234,586	13,477,363
Total Other Assets	15,384,189	13,615,411
Total Assets	19,889,499	22,807,364
 LIABILITIES		
Current Liabilities		
Accounts payable	21,078	-
Due to Victoria College	29,044	5,671
Total Liabilities	50,122	5,671
 NET POSITION		
Without donor restriction	37,920	24,411
With donor restriction	19,801,457	22,777,282
Total Net Position	\$ 19,839,377	\$ 22,801,693

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, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Tuition and fees (net)	\$ 8,920,710	\$ 9,234,455
Federal grants and contracts	10,464,777	3,171,029
State grants and contracts	321,031	300,881
Local grants and contracts	21,102	11,586
Non-governmental grants and contracts	1,226,584	1,351,702
Sales and services of educational activities	441,640	477,741
Auxiliary enterprises (net)	3,082,040	2,124,136
General operating revenues	1,268,697	171,645
Total Operating Revenues (Schedule A)	25,746,581	16,843,175
OPERATING EXPENSES		
Instruction	12,314,580	13,259,952
Public service	333,836	250,254
Academic support	3,262,479	3,280,478
Student services	2,851,488	3,003,835
Institutional support	9,323,925	7,128,930
Operation and maintenance of plant	3,881,603	4,290,483
Scholarships and fellowships	10,404,394	9,671,938
Auxiliary enterprises	2,850,077	3,002,787
Depreciation	2,483,647	2,634,115
Total Operating Expenses (Schedule B)	47,706,029	46,522,772
Operating (Loss)	(21,959,448)	(29,679,597)
Non-Operating Revenues (Expenses)		
State allocations	6,851,010	7,237,084
Title IV	5,671,652	6,761,192
Ad valorem taxes		
Taxes for maintenance and operations	12,986,447	12,580,777
Taxes for debt service	2,693,357	2,649,424
Gifts	6,215,272	279,495
Investment income (net of investment expenses)	308,466	254,687
Interest on capital related debt	(568,027)	(632,528)
Total Non-Operating Revenues (Expenses) (Schedule C)	34,158,177	29,130,131
Income Before Other Revenues, (Expenses), Gains and (Losses)	12,198,729	(549,466)
Other Revenues, (Expenses), Gains		
Gain/(Loss) on disposal of capital assets	(787)	3,060
Total Other Revenues, (Expenses), Gains	(787)	3,060
Increase in Net Position	12,197,942	(546,406)
NET POSITION		
Net Position - Beginning of Year	9,026,756	9,573,162
Net Position - End of Year	\$ 21,224,698	\$ 9,026,756

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Grants and contributions	\$ 2,109,703	\$ 6,247,932
In-kind donations	<u>161,716</u>	<u>145,972</u>
Total Revenue and Support	<u>2,271,419</u>	<u>6,393,904</u>
OPERATING EXPENSES		
Institutional support	7,149,336	1,323,797
Administration and collection	25,050	25,070
Other	<u>275,062</u>	<u>132,310</u>
Total Expenses	<u>7,449,448</u>	<u>1,481,177</u>
NON-OPERATING REVENUES		
Investment income	<u>2,215,713</u>	<u>1,465,859</u>
Change in Net Position	(2,962,316)	6,378,586
NET POSITION		
Net Position, Beginning of Year	<u>22,801,693</u>	<u>16,423,107</u>
Net Position, End of Year	<u>\$19,839,377</u>	<u>\$22,801,693</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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 12,883,883	\$ 11,486,071
Receipts from grants and contracts	9,313,749	4,554,902
Other receipts	1,245,317	187,869
Payments to suppliers for goods or services	(6,656,990)	(7,136,578)
Payments to or on behalf of employees	(27,131,580)	(26,123,939)
Payments of scholarships and fellowships	(10,404,394)	(9,671,938)
Net cash provided (used) by operating activities	(20,750,015)	(26,703,613)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state allocations	6,238,567	6,432,684
Receipts from federal (Title IV) allocations	5,671,652	6,761,192
Receipts from ad valorem tax revenues	12,986,447	12,580,777
Gifts and grants (other than capital)	6,215,272	279,495
Deferred inflows/outflows net	2,731,123	(1,073,454)
Net pensions	(219,861)	(463,998)
Net OPEB	(1,964,933)	3,049,825
Student organization and other agency transactions	13,507	18,502
Net cash provided (used) by non-capital financing activities	31,671,774	27,585,023
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad valorem tax revenues	2,693,357	2,649,424
Purchases of capital assets	(3,971,355)	(562,810)
Proceeds from disposal of capital assets	4,750	11,791
(Gain) loss on disposal of capital assets	(787)	3,060
Bond premium amortization	(147,610)	(147,610)
Payments on capital debt - principal	(1,910,000)	(1,840,000)
Payments on capital debt - interest	(568,027)	(632,528)
Net cash provided (used) by capital and related financing activities	(3,899,672)	(518,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	308,466	254,687
Investment purchases	(1)	11,528,574
Net cash provided (used) by investing activities	308,465	11,783,261
Increase (decrease) in cash and cash equivalents	7,330,552	12,145,998
Cash and cash equivalents - September 1	14,330,562	2,184,564
Cash and cash equivalents - August 31	\$ 21,661,114	\$ 14,330,562
Cash & cash equivalents	\$ 15,576,670	\$ 11,101,206
Restricted cash and cash equivalents	5,849,939	2,994,851
Total cash and cash equivalents	\$ 21,426,609	\$ 14,096,057

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Cash Flows
For The Year Ended August 31, 2021 and 2020
(Continued)

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (21,959,448)	\$ (29,679,597)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	2,483,647	2,634,115
State group insurance	612,443	804,400
Changes in assets and liabilities:		
Receivables (net)	(2,719,745)	(280,296)
Due from component unit	(23,380)	16,224
Inventories	93,106	(6,877)
Prepaid expenses	50,455	(35,106)
Accounts payable	264,965	214,424
Accrued liabilities	8,449	(20,639)
Unearned revenue	439,493	(350,261)
Net cash provided (used) by operating activities	\$ (20,750,015)	\$ (26,703,613)

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, 2021 and 2020

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 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 Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor’s Office of Budget and Planning by December 1.

Cash and Cash Equivalents

The District 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 \$1,338 and \$1,337 at August 31, 2021, and 2020, 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, excluding bookstore stock, are valued at cost on a first in, first out basis for supplies. Bookstore inventory is valued using the retail method. 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 District capitalizes renovations of \$100,000 to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure. The 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

Unearned revenue, primarily consisting of tuition and fees, relates to academic terms in the next fiscal year and, as such, have been deferred. At August 31, 2021 and 2020, unearned revenue was \$4,979,558 and \$4,540,065, 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.

Prior Year Restatement

A capital grant related to the Wood Building renovation was expensed in the prior year instead of being included in construction in progress. A restatement is required to record the completed building renovation as a capital asset at August 31, 2021. Prior year construction in progress was increased by \$234,505 to a total of \$1,103,027 and institutional support expenses were reduced by \$234,505.

Prior Year Restatement of Beginning Net Position

	<u>8/31/2020</u>
Beginning net position	\$ 8,792,251
Prior period adjustment:	
Capital grant reported in expense in prior year	<u>234,505</u>
Adjustment to beginning net position	<u>234,505</u>
Beginning net position	<u>\$ 9,026,756</u>

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, 2021 and 2020.

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, 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year.

3. Authorized Investments

District funds governed by this policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Government Code (Public Funds Investment Act). Such investments include (1) obligations of the United States and other direct obligations of the agencies and instrumentalities of the United State as permitted by Government Code 2256.009 (2) obligations of the states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent as permitted by Government Code 2256.009(a), (3) a securities lending program as permitted by Government Code 256.0115, (4) certificates of deposit and share certificates that are fully guaranteed or insured by the FDIC, through an authorized broker/dealer, to one or more than one depository institution, as permitted by Government Code 2256.010, (5) fully collateralized repurchase agreements and reverse repurchase agreements permitted by Government Code 2256.001, (6) no-load money market mutual funds as permitted by Government Code 2256.014, (7) public funds investment pools as permitted by Government Code 2256.016, (8) a guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015, (9) investments that are fully guaranteed or insured by the FDIC, and (10) commercial paper with a maximum maturity of 181 days, rated A1/P1 by a nationally recognized rating agency.

4. Deposits and Investments

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

Cash and Deposits

	<u>8/31/2021</u>	<u>8/31/2020</u>
Bank Deposits		
Demand Deposits	\$21,389,403	\$14,045,652
	<u>21,389,403</u>	<u>14,045,652</u>
Cash and Cash Equivalents		
Cash on Hand	37,206	50,405
	<u>37,206</u>	<u>50,405</u>
Total Cash and Deposits	<u>\$21,426,609</u>	<u>\$14,096,057</u>

Reconciliation of Cash, Deposits and Investments to Exhibit 1

<u>Type of Security</u>	<u>Market Value</u>	
	<u>8/31/2021</u>	<u>8/31/2020</u>
Tex Pool	\$ 1,338	\$ 1,337
Total Investments	<u>\$ 1,338</u>	<u>\$ 1,337</u>
Total Cash and Deposits	\$21,426,609	\$14,096,057
Total Investments	<u>1,338</u>	<u>1,337</u>
Total Deposits and Investments	<u>\$21,427,947</u>	<u>\$14,097,394</u>
Cash and Cash Equivalents (Exhibit 1)	\$21,426,609	\$14,096,057
Investments (Exhibit 1)	<u>1,338</u>	<u>1,337</u>
Total Deposits and Investments	<u>\$21,427,947</u>	<u>\$14,097,394</u>

As of August 31, 2021 the District had the following investments and maturities:

<u>2021</u> Investment Type	Fair Value	Investment Maturities (in Years)			S&P Rating
		Maturity Less than 1	1 to 2	2 to 3	
Uncategorized Investments					
Tex Pool Prime	\$ 1,338	\$ 1,338	\$ -	\$ -	AAAm
Total Uncategorized Investments	\$ 1,338	\$ 1,338	\$ -	\$ -	

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, commercial paper must be rated at least A1/P1; and investments in obligations from states, agencies, counties, cities, and other political subdivisions of any state must be rated at least AA.

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 custodial risk, State law and the District’s adopted investment policy require collateral for all time and demand deposits held in the District’s name. The custodian is required to provide original safekeeping receipts and reporting of positions and position descriptions including market value.

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the District to require full collateralization of all district funds on deposit with a depository bank, other than investments. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by FCIC.

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, 2021, 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, 2021 is as follows:

	Level 1	Level 2	Level 3	Total
External Investment Pools	\$ 1,338	\$ -	\$ -	\$ 1,338
Total	\$ 1,338	\$ -	\$ -	\$ 1,338

5. Derivatives

The District did not invest in derivative investment products or repurchase agreements during the fiscal year ended August 31, 2021.

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

Accounts receivable consist of the following at August 31:

	<u>2021</u>	<u>2020</u>
Student receivables	\$ 4,093,750	\$ 5,020,632
Third-party contractor receivables	214,475	290,083
Ad valorem taxes receivables	1,011,705	998,131
Federal grant receivables	4,469,462	923,208
State grant receivables	27,413	22,796
Local grant receivables	21,102	11,586
Other receivables	<u>181,435</u>	<u>139,476</u>
Total accounts receivable	10,019,342	7,405,912
Allowance for doubtful accounts	<u>(3,022,166)</u>	<u>(3,128,481)</u>
Accounts receivable (net)	<u>\$ 6,997,176</u>	<u>\$ 4,277,431</u>
Accounts receivable (net)	\$ 2,479,199	\$ 3,319,841
Restricted accounts receivable	<u>4,517,977</u>	<u>957,590</u>
	<u>\$ 6,997,176</u>	<u>\$ 4,277,431</u>

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

	<u>2021</u>	<u>2020</u>
Accounts payable:		
Vendor payables	\$ 895,893	\$ 596,368
Other payables	<u>339,690</u>	<u>374,250</u>
Total accounts payable	<u>1,235,583</u>	<u>970,618</u>
Accrued liabilities:		
Accrued payroll	218,324	205,705
Employee benefits payable	495,348	503,268
Sales tax payable	<u>40,273</u>	<u>36,523</u>
Total accrued liabilities	<u>753,945</u>	<u>745,496</u>
Total accounts payable and accrued liabilities	<u>\$ 1,989,528</u>	<u>\$ 1,716,114</u>

7. **Capital Assets Activity**

Capital asset activity for the years ended August 31, 2021 and 2020, was as follows:

	2021			Balance August 31, 2021
	Balance September 1, 2020	Changes During the Year		
		Additions	Deletions	
Not Depreciated:				
Land	\$ 128,942	\$ -	\$ -	\$ 128,942
Construction in Progress	<u>1,103,027</u>	<u>3,658,377</u>	<u>(3,805,325)</u>	<u>956,079</u>
Subtotal	<u>1,231,969</u>	<u>3,658,377</u>	<u>(3,805,325)</u>	<u>1,085,021</u>
Other Capital Assets:				
Library Volumes and Periodicals	370,790	11,346	(10,245)	371,891
Buildings	72,471,558	3,712,261	-	76,183,819
Site Improvements	6,512,778	97,064	-	6,609,842
Machinery, Equipment, Furniture and Vehicles	<u>10,182,529</u>	<u>298,419</u>	<u>(110,758)</u>	<u>10,370,190</u>
Subtotal	<u>89,537,655</u>	<u>4,119,090</u>	<u>(121,003)</u>	<u>93,535,742</u>
Accumulated Depreciation:				
Library Volumes and Periodicals	116,905	24,791	(6,592)	135,104
Buildings	22,365,533	1,458,105	-	23,823,638
Site Improvements	5,386,561	202,399	-	5,588,960
Machinery, Equipment, Furniture and Vehicles	<u>8,097,942</u>	<u>798,352</u>	<u>(108,874)</u>	<u>8,787,420</u>
Subtotal	<u>35,966,941</u>	<u>2,483,647</u>	<u>(115,466)</u>	<u>38,335,122</u>
Net Other Capital Assets	<u>53,570,714</u>	<u>1,635,443</u>	<u>(5,537)</u>	<u>55,200,620</u>
Net Capital Assets	<u>\$54,802,683</u>	<u>\$ 5,293,820</u>	<u>\$ (3,810,862)</u>	<u>\$56,285,641</u>

	2020			
	Balance	Changes During the Year		Balance
	September 1, 2019	Additions	Deletions	August 31, 2020
Not Depreciated:				
Land	\$ 128,942	\$ -	\$ -	\$ 128,942
Construction in Progress	468,744	634,283	-	1,103,027
Subtotal	<u>597,686</u>	<u>634,283</u>	<u>-</u>	<u>1,231,969</u>
Other Capital Assets:				
Library Volumes and Periodicals	361,776	10,170	(1,156)	370,790
Buildings	72,471,558	-	-	72,471,558
Site Improvements	6,512,778	-	-	6,512,778
Machinery, Equipment, Furniture and Vehicles	10,478,024	149,801	(445,296)	10,182,529
Subtotal	<u>89,824,136</u>	<u>159,971</u>	<u>(446,452)</u>	<u>89,537,655</u>
Accumulated Depreciation:				
Library Volumes and Periodicals	92,805	24,718	(618)	116,905
Buildings	20,936,340	1,429,193	-	22,365,533
Site Improvements	5,060,931	325,630	-	5,386,561
Machinery, Equipment, Furniture and Vehicles	7,680,472	854,574	(437,104)	8,097,942
Subtotal	<u>33,770,548</u>	<u>2,634,115</u>	<u>(437,722)</u>	<u>35,966,941</u>
Net Other Capital Assets	<u>56,053,588</u>	<u>(2,474,144)</u>	<u>(8,730)</u>	<u>53,570,714</u>
Net Capital Assets	<u>\$56,651,274</u>	<u>\$ (1,839,861)</u>	<u>\$ (8,730)</u>	<u>\$54,802,683</u>

8. Non-Current Liabilities

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

	2021				
	Balance	Additions	Reductions	Balance	Current Portion
	September 1, 2020			August 31, 2021	
Bonds					
Limited tax refunding bonds	\$ 6,165,000	\$ -	\$ 940,000	\$ 5,225,000	\$ 970,000
Limited tax bonds	15,580,000	-	970,000	14,610,000	1,010,000
Subtotal	<u>21,745,000</u>	<u>-</u>	<u>1,910,000</u>	<u>19,835,000</u>	<u>1,980,000</u>
Net pension liability	8,019,398	-	219,861	7,799,537	-
Net OPEB liability	28,440,219	-	1,964,933	26,475,286	883,121
	<u>\$ 58,204,617</u>	<u>\$ -</u>	<u>\$ 4,094,794</u>	<u>\$54,109,823</u>	<u>\$2,863,121</u>

	2020				
	Balance September 1, 2019	Additions	Reductions	Balance August 31, 2020	Current Portion
Bonds					
Limited tax refunding bonds	\$ 7,075,000	\$ -	\$ 910,000	\$ 6,165,000	\$ 940,000
Limited tax bonds	16,510,000	-	930,000	15,580,000	970,000
Subtotal	23,585,000	-	1,840,000	21,745,000	1,910,000
Net pension liability	8,483,396	-	463,998	8,019,398	-
Net OPEB liability	25,390,394	3,049,825	-	28,440,219	901,395
	<u>\$ 57,458,790</u>	<u>\$ 3,049,825</u>	<u>\$ 2,303,998</u>	<u>\$58,204,617</u>	<u>\$2,811,395</u>

9. **Bonds Payable**

General information related to bonds payable is summarized below:

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 \$970,000 to \$1,425,000 with interest rates from 2.75% to 4.50% with the final installment due in 2033.

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 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 District's 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	
		2021	2020
Limited Tax Bonds, Series 2006	2012	\$ 5,220,000	\$ 6,125,000
Total		\$ 5,220,000	\$ 6,125,000

12. Short Term Debt

The District used no short-term debt for the year ended August 31, 2021.

13. Debt and Lease Obligation

Debt service requirements at August 31, 2021 were as follows:

Fiscal Year Ended August 31,	General Obligation Bonds Limited Tax Refunding Bonds, Series 2012			General Obligation Bonds Limited Tax Refunding Bonds, Series 2013		
	Principal	Interest	Total	Principal	Interest	Total
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	1,080,000	77,000	1,157,000	1,130,000	340,563	1,470,563
2026	1,120,000	39,200	1,159,200	1,165,000	306,662	1,471,662
2027-2031	-	-	-	6,350,000	997,626	7,347,626
2032-2033	-	-	-	2,810,000	127,050	2,937,050
Totals	\$ 5,225,000	\$ 561,575	\$ 5,786,575	\$ 14,610,000	\$ 3,027,038	\$ 17,637,038

Fiscal Year Ended August 31,	Total Bonds		
	Principal	Interest	Total
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	2,210,000	417,563	2,627,563
2026	2,285,000	345,862	2,630,862
2027-2031	6,350,000	997,626	7,347,626
2032-2033	2,810,000	127,050	2,937,050
Totals	\$ 19,835,000	\$ 3,588,613	\$ 23,423,613

The District had no capital lease obligations at August 31, 2021.

14. Net Position Designations

At August 31, 2021, the District designated the entirety of expendable net position, restricted for on-going projects in the amount of \$8,545,340. Designations are as follows: 1) Wood Building renovation project (\$127,370); 2) Allied Health building renovation (\$325,000); 3) comprehensive student center (\$6,648,897); and 4) 2016-2025 master plan (\$1,444,073). 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, 2020 and ending July 31, 2022.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 83,294
	<u>\$ 83,294</u>

Rental expense paid for the years ended August 31, 2021 and 2020 for operating leases totaled \$136,771 and \$141,347, respectively.

16. **Employees' Retirement 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 Board of Trustees of the Teacher Retirement System of Texas (TRS). The TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefits.

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

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/Pages/about_archive_cafr.aspx (select *About TRS*, then *Publications*, then *Financial Reports*) or write to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formula use the three highest annual salaries.

The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

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.

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.

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

<u>Contribution Rates</u>		
	2021	2020
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	7.50%	7.50%
Employers	7.50%	7.50%
2020 Member Contributions	\$ 1,039,872	
2020 NECE On-behalf Contributions	\$ 393,297	
2020 District Contributions	\$ 600,865	

The District's contributions to the TRS pension plan in fiscal year 2020 were \$600,865 as reported in the Schedule of the District's Contribution for pensions in the Required Supplementary Information section of these financial statements. Estimated state of Texas on-behalf contributions for fiscal year 2020 were \$393,297.

- 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 employers.

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

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

E. Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.33%. 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)	2119
Inflation	2.3%
Salary Increases	3.05% - 9.05% including inflation
assumptions: Ad hoc Post-Employment Benefit Changes	None

F. Discount Rate

The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimated of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation % *	Long-Term Expected Geometric Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	-	1.80%	-
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Commodities	-	0.80%	-
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Asset Allocation Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
Expected Return	<u>100.00%</u>		<u>7.33%</u>

* Target allocation are based on the FY2020 policy model.

** Capital Market Assumptions come from Aon Hewitt (as of 08/31/20).

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

G. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District proportionate share of the net pension liability:	\$ 12,026,747	\$ 7,799,537	\$ 4,365,022

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

At August 31, 2020, the District reported a liability of \$7,799,537 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	\$ 7,799,537
State's proportionate share that is associated with District	<u>5,105,209</u>
Total	<u>\$ 12,904,746</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2020.

At August 31, 2020, the District's proportion of the collective net pension liability was .0146% which was a decrease of 5.6014% from its proportion measured as of August 31, 2019.

I. Changes Since the Prior Actuarial Valuation

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

The actuarial assumption used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019.

For the year ended August 31, 2021, the District recognized pension expense of \$614,043 and revenue of \$614,043 for support provided by the State.

At August 31, 2021, 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	\$ 14,241	\$ 217,664
Changes in actuarial assumptions	1,809,770	769,502
Difference between projected and actual investment earnings	347,449	189,555
Changes in proportion and difference between the employer contributions and the proportionate share of contributions	81,312	549,361
Contributions paid to TRS subsequent to the measurement date	<u>610,817</u>	<u>-</u>
Total	<u>\$ 2,863,589</u>	<u>\$ 1,726,082</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>
2022	\$ (20,327)
2023	325,885
2024	324,742
2025	51,125
2026	(135,170)
Thereafter	<u>(19,565)</u>
	\$ 526,690
Contributions paid to TRS subsequent to the measurement date	<u>610,817</u>
Total deferred outflows (inflows) of resources, net	<u>\$ 1,137,507</u>

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 percentages of participant salaries currently contributed by the state and each participant are 3.3% and 3.5%, respectively. The District contributes an additional 0.70% over and above the state mandated rate of 3.50%, bringing the overall rate to 7.50%. 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. Senate Bill (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 \$88,014 and \$87,201 for the fiscal years ended August 31, 2021 and 2020, respectively. This amount represents the portion of expended appropriations made by the Legislature on behalf of the District.

The total payroll for all District employees was \$17,619,656 and \$17,817,668 for the fiscal years ended August 31, 2021 and 2020, respectively. The total payroll of employees covered by the TRS was \$13,504,847 and \$13,192,885, and the total payroll of employees covered by the Optional Retirement Program was \$2,654,753 and \$2,705,184 for the fiscal years ended August 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 (\$625 per month for fiscal year 2020) and totaled \$789,838 for the year ended August 31, 2021 (\$786,025 for the year ended August 31, 2020). The cost of providing those benefits for 136 retirees in the year ended August 31, 2021 was \$693,520 (retiree benefits for 134 retirees cost \$666,448 in fiscal year 2020). For 285 active employees, the cost of providing benefits was \$2,454,597 for the year ended August 31, 2021 (active employee benefits for 290 employees cost \$2,536,424 for the year ended August 31, 2020). SB 1812, effective September 1, 2013, limits the amount of the State's contribution to 50% 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 by visiting <https://ers.texas.gov/about-ers/reports-and-studies/reports-on-overall-ers-operations-and-financial-management>; or by writing ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

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

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

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

**Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Year 2020 (Measurement Year)**

Retiree Only	\$	625
Retiree & Spouse		1,341
Retiree & Children		1,104
Retiree & Family		1,820

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, 2020 and 2019**

	<u>FY 2020</u>	<u>FY 2019</u>
Employers	\$ 599,592	\$ 330,201
Member (Employees)	184,397	172,666
Non-employer Contributing Entity (State of Texas)	30,235	16,608

Source: ERS FY 2020 Comprehensive Annual Financial Report

Actuarial Assumptions. The Total OPEB Liability was determined by an actuarial valuation as of August 31, 2020 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, 2020
Actuarial cost method	Entry age
Last experience study	
<u>Higher Education members</u>	7-year period from September 1, 2010 to August 31, 2017
Actuarial assumptions:	
Discount rate	2.20%
Projected annual salary increase	2.3% to 9.05%, including inflation
Annual healthcare trend rate	
<u>HealthSelect</u>	8.80% for FY2022, 5.25% for FY2023, 5.00% for FY2024, 4.75% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029
<u>HealthSelect Medicare Advantage</u>	-53.30% for FY2022, 0.00% for FY2023, 66.67% for FY2024, 24.00% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029
<u>Pharmacy</u>	10.00% for FY2022 and FY2023, decreasing 100 basis points per year to 5.00% for FY2028 and 4.30% for FY2029 and later years
Inflation assumption rate	2.3%
Ad hoc post-employment benefit changes	None
Mortality Rate	
<i>Service retirees, survivors and other inactive members:</i>	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.
<i>Disability retirees:</i>	Tables based on TRS 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.
<i>Active members:</i>	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Source: FY 2020 ERS CAFR

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

Discount Rate. Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. This discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.96%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.97%, which amounts to a decrease of 25.00%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds’ average credit quality is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA rating. Projected cash flows into the plan are equal to the projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets, and therefore, the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

The assumption of the discount rate is summarized below:

**Assumptions for Single Discount Rate
ERS Group Benefits Program Plan**

Expected investment rate of return	Not applicable because the plan operates on a pay-as-you-go basis
Municipal bond rate	2.20%
Year fiduciary net position depleted	2021
Single Discount Rate	2.20%

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% less than and 1% greater than the discount rate that was used (2.20%) in measuring the net OPEB Liability.

**Sensitivity of Net OPEB Liability to Changes in Discount Rate
ERS Group Benefits Program Plan**

	1% Decrease in Discount Rate (1.20%)	Discount Rate (2.20%)	1% Increase in Discount Rate (3.20%)
District's proportionate share of the net OPEB liability:	\$ 31,467,745	\$ 26,475,286	\$ 22,564,142

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 8.80% for HealthSelect and (53.3)% for HealthSelect Medicare Advantage and the ultimate rate is 4.30% for both. 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 (4.3%) in measuring the net OPEB Liability.

**Sensitivity of Net OPEB Liability to Changes in Discount
and Healthcare Trend Rates
ERS Group Benefits Program Plan**

	1% Decrease (HealthSelect: 7.80% decreasing to 3.30%; HealthSelect Medicare Advantage: - 54.30% to 3.30%; Pharmacy: 9.00% decreasing to 3.30%) in Discount Rate (3.30%)	1% Decrease (HealthSelect: 8.80% decreasing to 4.30%; HealthSelect Medicare Advantage: - 53.30% to 4.30%; Pharmacy: 10.00% decreasing to 4.30%) in Discount Rate (4.30%)	1% Decrease (HealthSelect: 9.80% decreasing to 5.30%; HealthSelect Medicare Advantage: - 52.30% to 5.30%; Pharmacy: 11.00% decreasing to 5.30%) in Discount Rate (5.30%)
District's proportionate share of the net OPEB liability:	\$ 22,158,073	\$ 26,475,286	\$ 32,134,702

OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2021, the District reported a liability of \$26,475,286 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for state support provided to the District for OPEB. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 26,475,286
State's proportionate share that is associated with District	<u>15,035,120</u>
Total	<u>\$ 41,510,406</u>

The net OPEB liability was measured as of August 31, 2020, 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, 2019 thru August 31, 2020.

At the measurement date of August 31, 2020, the employer's proportion of the collective net OPEB liability was 0.08012%, which is a decrease of 2.6325% over the proportionate share measured at August 31, 2019 (0.08228%).

For the year ended August 31, 2021, the District recognized OPEB expense of \$612,443 and revenue of \$612,443 for support provided by the State.

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

Demographic Assumptions

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Percentage of future female retirees assumed to be married and electing coverage for their spouse.
- Percentage of future retirees assumed to cover dependent children.

Economic Assumptions

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

Other Inputs

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

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2021, are provided in the FY2021 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Changes of Benefit Terms Since Prior Measurement Date: The following benefit revisions have been adopted since the prior 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, 2021, 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	\$ -	\$ 1,035,462
Changes in actuarial assumptions	1,532,735	5,704,333
Difference between projected and actual investment earnings	7,901	-
Changes in proportion and difference between the employers contributions and the proportionate share of contributions	3,905,110	1,828,543
Contributions paid to ERS subsequent to the measurement date	<u>433,252</u>	<u>-</u>
Total	<u>\$ 5,878,998</u>	<u>\$ 8,568,338</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>
2022	\$ (1,368,082)
2023	(608,807)
2024	(220,153)
2025	(609,795)
2026	(315,755)
Thereafter	<u>-</u>
	(3,122,592)
Contributions paid to ERS subsequent to the measurement date	<u>433,252</u>
Total deferred outflows (inflows) of resources, net	<u>\$ (2,689,340)</u>

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, 2021, 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, 2021, and 2020, for which monies have not been received nor funds expended totaled \$11,095,997 and \$5,609,862, respectively. Of these amounts \$10,574,329 and \$5,567,247 were from Federal Contracts and Grant Awards; \$416,316 and \$18,786 were from State Contracts and Grant Awards; and \$105,352 and \$23,829 were from Local Contracts and Grant Awards at August 31, 2021 and 2020, 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>2021</u>			<u>2020</u>		
Assessed Valuation of the District:			\$ 8,341,371,249			\$ 8,178,759,834
Less: Exemptions			(880,667,001)			(891,428,515)
Net Assessed Valuation of the District			<u>\$ 7,460,704,248</u>			<u>\$ 7,287,331,319</u>
	<u>2021</u>			<u>2020</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized Tax Rate per \$100 Valuation	<u>\$ 0.500000</u>	<u>\$ 0.500000</u>	<u>\$ 1.000000</u>	<u>\$ 0.500000</u>	<u>\$ 0.500000</u>	<u>\$ 1.000000</u>
Assessed Tax Rate per \$100 Valuation	<u>\$ 0.182800</u>	<u>\$ 0.037500</u>	<u>\$ 0.220300</u>	<u>\$ 0.182200</u>	<u>\$ 0.038400</u>	<u>\$ 0.220600</u>

Taxes levied for the years ended August 31, 2021 and 2020 were \$15,633,963 and \$15,261,853, 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>	<u>2021</u>			<u>2020</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Taxes Collected	\$ 12,715,560	\$ 2,638,425	\$ 15,353,985	\$ 10,647,926	\$ 2,243,105	\$ 12,891,031
Delinquent Taxes Collected	183,883	39,843	223,726	1,834,815	384,264	2,219,079
Penalties and Interest Collected	128,654	27,527	156,181	101,925	22,506	124,431
Discounts and Commissions	<u>(41,650)</u>	<u>(12,438)</u>	<u>(54,088)</u>	<u>(3,889)</u>	<u>(451)</u>	<u>(4,340)</u>
Total Collections	<u>\$ 12,986,447</u>	<u>\$ 2,693,357</u>	<u>\$ 15,679,804</u>	<u>\$ 12,580,777</u>	<u>\$ 2,649,424</u>	<u>\$ 15,230,201</u>

Tax collections for the years ended August 31, 2021 and 2020 were 97.73% and 97.74%, 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 INV Nylon Chemicals Americas LLC (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, 2020; 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, 2021.

The District did not enter into any tax abatement agreements during the fiscal year ended August 31, 2021.

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
Teacher Retirement System of Texas (TRS)
Last Seven Fiscal Years *
(Unaudited)

	Measurement Year						
	2020	2019	2018	2017	2016	2015	2014
District's proportion of collective net pension liability based on a measurement period of August 31 of the prior	0.0146%	0.0154%	0.0154%	0.0158%	0.0153%	0.0156%	0.0182%
District's proportionate share of collective net pension liability	\$ 7,799,537	\$ 8,019,398	\$ 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>5,105,209</u>	<u>5,147,553</u>	<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>\$ 12,904,746</u>	<u>\$ 13,166,951</u>	<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-employee payroll amount related to TRS	\$ 13,504,847	\$ 13,272,104	\$ 12,780,593	\$ 11,705,727	\$ 11,176,424	\$ 11,192,750	\$ 11,218,245
District's proportionate share of net pension liability / District's covered-employee payroll amount related to TRS	57.75%	60.42%	66.38%	43.34%	51.79%	49.12%	43.41%
TRS net pension as percentage of total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

* GASB Statement No. 68 and No. 71 were implemented during fiscal year 2015 and prior years were not restated. Ten year trend information will be presented prospectively.

See the accompanying notes to required supplemental schedules.

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

**Schedule of the District's Contributions for Pensions
Teacher Retirement System of Texas (TRS)**

Last Seven Fiscal Years *
(Unaudited)

	2020	2020	2019	2018	2017	2016	2015
Legally required contributions	\$ 600,865	\$ 539,961	\$ 536,815	\$ 522,353	\$ 518,778	\$ 484,815	\$ 462,000
Actual contributions	<u>(600,865)</u>	<u>(539,961)</u>	<u>(536,815)</u>	<u>(522,353)</u>	<u>(518,778)</u>	<u>(484,815)</u>	<u>(462,000)</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 13,504,847	\$ 13,272,104	\$ 13,192,885	\$ 12,780,593	\$ 11,705,727	\$ 11,176,424	\$ 11,192,750
Contributions as a percentage of covered payroll	4.45%	4.07%	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.

* GASB Statement No. 68 and No. 71 were implemented during fiscal year 2015 and prior years were not restated. Ten year trend information will be presented prospectively.

See the accompanying notes to required supplemental schedules.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to the Required Supplementary Information Schedules for Pensions
August 31, 2021

1. Changes in Benefit Terms

No changes in benefit terms occurred for the year ended August 31, 2021.

2. Changes in Actuarial Methods and Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

The actuarial assumption used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of the District's Proportionate Share of Net OPEB Liability *
Employee Retirement System of Texas (ERS)
State Retiree Health Plan
(Unaudited)

	Measurement Year		
	2020	2019	2018
District's proportionate share of collective net OPEB liability based on a measurement period of August 31 of the prior year	0.08011978%	0.08228593%	0.08566912%
District's proportionate share of the net OPEB liability	\$ 26,475,286	\$ 28,440,219	\$ 25,390,393
State's proportionate share of the net OPEB liability associated with the District	<u>15,035,120</u>	<u>15,805,313</u>	<u>13,365,290</u>
Total	<u>\$ 41,510,406</u>	<u>\$ 44,245,532</u>	<u>\$ 38,755,683</u>
District's covered-employee payroll amount related to ERS	\$ 14,919,298	\$ 14,597,537	\$ 14,432,673
District's proportionate share of collective net OPEB liability as a percentage of covered payroll related to ERS	177.46%	194.83%	175.92%
ERS plan fiduciary net position as a percentage of the total OPEB liability	0.32%	0.17%	1.27%
			159.48%
			<u>\$ 43,134,811</u>
			\$ 14,163,080
			20,547,702
			\$ 22,587,109
			0.06629032%

* GASB Statement No. 75 was implemented during fiscal year 2018 and prior years were not restated. Ten year trend information will be presented prospectively.

See the accompanying notes to required supplemental schedules.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of the District's Contributions for OPEB
Employee Retirement System of Texas (ERS)
State Retiree Health Plan
(Unaudited)

	2021	2020	2019	2018
Legally required contributions	\$ 433,252	\$ 534,231	\$ 240,852	\$ 627,311
Actual contributions	(433,252)	(534,231)	(240,852)	(627,311)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll amount related to ERS	\$ 14,919,298	\$ 14,797,769	\$ 14,597,537	\$ 14,432,673
Contributions as a percentage of covered payroll amounts related to ERS	2.90%	3.61%	1.65%	4.35%

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

* GASB Statement No. 75 was implemented during fiscal year 2018 and prior years were not restated. Ten year trend information will be presented prospectively.

See the accompanying notes to required supplemental schedules.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to the Required Supplementary Information Schedules for OPEB
August 31, 2021**

1. Significant Methods and Assumptions

Valuation Date:	August 31, 2020
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percent of payroll, open
Remaining amortization period	30 Years
Asset valuation method	Not applicable
Inflation assumption rate	2.3%
Healthcare cost trends	
<u>HealthSelect</u>	8.80% for FY2022, 5.25% for FY2023, 5.00% for FY2024, 4.75% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029 and later years
<u>HealthSelect Medicare Advantage</u>	-53.30% for FY2022, 0.00% for FY2023, 66.67% for FY2024, 24.00% for FY2025, 4.60% for FY2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2029 and later years
<u>Pharmacy</u>	10.00% for FY2022 and FY2023, decreasing 100 basis points per year to 5.00% for FY2028 and 4.30% for FY2029 and later years
Salary increases	2.3% to 9.05%, including inflation
Discount rate	2.20%
Aggregate payroll growth	2.70%
Retirement age	Experience-based tables of rates that are specific to the class of employee
Mortality Rate	
<i>Service retirees, survivors and other inactive members:</i>	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.
<i>Disability retirees:</i>	Tables based on TRS 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.
<i>Active members:</i>	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

2. Factors that Significantly Affect Trends in Amounts Reported

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

Demographic Assumptions

Assumed rates of pre-retirement and post-disability mortality for all State Agency members, assumed rate of termination and retirement for certain CPO/CO members and assumed salary and aggregate payroll increases have been updated to reflect assumption adopted by the ERS Trustees since the last valuation date. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future female retirees assumed to be married and electing coverage for their spouse.
- Proportion of future retirees assumed to cover dependent children.

Economic Assumptions

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

Minor benefit changes described below have been reflected in the FY20210 Assumed Per Capita Health Benefits Costs.

Other Inputs

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

See ERS' previous GASB No. 75 valuation report dated March 16, 2020 for a complete list of previous assumptions and other inputs.

- b. Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2021, are provided for in the FY2021 Assumed Per Capita Health Benefit Costs. There are no benefit changes for Health Select retirees and dependents from who Medicare is Primary.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Revenues
For the Year Ended August 31, 2021 and 2020

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Current Year	Prior Year
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 3,602,291	\$ -	\$ 3,602,291	\$ -	\$ 3,602,291	\$ 3,589,106
Out-of-district resident tuition	2,950,763	-	2,950,763	-	2,950,763	2,827,477
Non-resident tuition	51,184	-	51,184	-	51,184	92,867
TPEG set aside*	210,759	-	210,759	-	210,759	219,992
State funded continuing education	987,219	-	987,219	-	987,219	783,781
Non-state funded continuing education	351,444	-	351,444	-	351,444	207,180
Total Tuition	<u>8,153,660</u>	<u>-</u>	<u>8,153,660</u>	<u>-</u>	<u>8,153,660</u>	<u>7,720,403</u>
Fees:						
General fee	3,540,670	-	3,540,670	-	3,540,670	3,461,106
Technology fee	1,978,274	-	1,978,274	-	1,978,274	1,783,125
Out-of-district fees	2,347,705	-	2,347,705	-	2,347,705	2,252,210
Laboratory fee	242,948	-	242,948	-	242,948	239,260
Course fees	285,661	-	285,661	-	285,661	261,915
Total Fees	<u>8,395,258</u>	<u>-</u>	<u>8,395,258</u>	<u>-</u>	<u>8,395,258</u>	<u>7,997,616</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	(275,624)	-	(275,624)	-	(275,624)	(348,087)
Title IV federal grants	(3,995,275)	-	(3,995,275)	-	(3,995,275)	(4,504,992)
Other federal grants	(1,770,702)	-	(1,770,702)	-	(1,770,702)	-
TPEG awards	(196,358)	-	(196,358)	-	(196,358)	(141,356)
Other state grants	(241,842)	-	(241,842)	-	(241,842)	(245,456)
Other local scholarships	(1,148,407)	-	(1,148,407)	-	(1,148,407)	(1,243,673)
Total Scholarship Allowances	<u>(7,628,208)</u>	<u>-</u>	<u>(7,628,208)</u>	<u>-</u>	<u>(7,628,208)</u>	<u>(6,483,564)</u>
Total Net Tuition and Fees	<u>8,920,710</u>	<u>-</u>	<u>8,920,710</u>	<u>-</u>	<u>8,920,710</u>	<u>9,234,455</u>
Additional Operating Revenues:						
Federal grants and contracts	50,996	10,413,781	10,464,777	-	10,464,777	3,171,029
State grants and contracts	-	321,031	321,031	-	321,031	300,881
Local grants and contracts	-	21,102	21,102	-	21,102	11,586
Nongovernmental grants and contracts	927,329	299,255	1,226,584	-	1,226,584	1,351,702
Sales and services of educational activities	441,640	-	441,640	-	441,640	477,741
General operating revenues	1,268,697	-	1,268,697	-	1,268,697	171,645
Total Additional Operating Revenues	<u>2,688,662</u>	<u>11,055,169</u>	<u>13,743,831</u>	<u>-</u>	<u>13,743,831</u>	<u>5,484,584</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	2,901,286	2,901,286	2,013,538
Title IV federal grants	-	-	-	(291,640)	(291,640)	(396,789)
Other federal grants	-	-	-	(129,255)	(129,255)	-
TPEG awards	-	-	-	(12,498)	(12,498)	(11,346)
Other state grants	-	-	-	(15,393)	(15,393)	(19,702)
Other local scholarships	-	-	-	(73,093)	(73,093)	(99,827)
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,379,407</u>	<u>2,379,407</u>	<u>1,485,874</u>
Conference & Education Center	-	-	-	365,577	365,577	184,977
Facilities rentals	-	-	-	2,346	2,346	361
Leo J. Welder Center for Performing Arts	-	-	-	334,710	334,710	452,924
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,082,040</u>	<u>3,082,040</u>	<u>2,124,136</u>
Total Operating Revenues	<u>\$ 11,609,372</u>	<u>\$ 11,055,169</u>	<u>\$ 22,664,541</u>	<u>\$ 3,082,040</u>	<u>\$ 25,746,581</u>	<u>\$ 16,843,175</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$210,759 and \$219,992 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2021 and 2020, respectively.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Operating Expenses by Object
 For the Year Ended August 31, 2021 and 2020

	Operating Expenses				Current Year Total	Prior Year Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 7,900,872	\$ -	\$ 1,946,064	\$ 818,752	\$ 10,665,688	\$ 11,394,760
Public service	39,277	-	10,883	280,390	330,550	246,813
Academic support	2,065,699	-	537,465	422,753	3,025,917	3,010,982
Student services	1,509,085	-	458,189	232,402	2,199,676	2,324,999
Institutional support	3,057,635	-	907,707	1,870,739	5,836,081	6,313,857
Operation and maintenance of plant	1,515,037	-	795,215	1,571,351	3,881,603	4,290,483
Scholarships and fellowships	85,072	-	-	927,329	1,012,401	1,116,403
Total Unrestricted Educational Activities	<u>16,172,677</u>	<u>-</u>	<u>4,655,523</u>	<u>6,123,716</u>	<u>26,951,916</u>	<u>28,698,297</u>
Restricted - Educational Activities						
Instruction	597,331	648,191	192,109	211,261	1,648,892	1,865,192
Public service	-	3,286	-	-	3,286	3,441
Academic support	22,166	183,475	1,816	29,105	236,562	269,496
Student services	246,747	164,250	56,991	183,824	651,812	678,836
Institutional support	-	315,298	-	3,172,546	3,487,844	815,073
Scholarships and fellowships	57,190	-	-	9,334,803	9,391,993	8,555,535
Total Restricted Educational Activities	<u>923,434</u>	<u>1,314,500</u>	<u>250,916</u>	<u>12,931,539</u>	<u>15,420,389</u>	<u>12,187,573</u>
Total Educational Activities	17,096,111	1,314,500	4,906,439	19,055,255	42,372,305	40,885,870
Auxiliary Enterprises	523,545	-	222,255	2,104,277	2,850,077	3,002,787
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	1,660,504	1,660,504	1,754,823
Equipment and furniture	-	-	-	798,352	798,352	854,574
Library volumes and periodicals	-	-	-	24,791	24,791	24,718
Total Operating Expenses	<u>\$ 17,619,656</u>	<u>\$ 1,314,500</u>	<u>\$ 5,128,694</u>	<u>\$ 23,643,179</u>	<u>\$ 47,706,029</u> (Exhibit 2)	<u>\$ 46,522,772</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2021 and 2020

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Current Year</u>	<u>Prior Year</u>
Non-Operating Revenues					
State Allocations:					
Education and general state support	\$ 5,536,510	\$ -	\$ -	\$ 5,536,510	\$ 5,536,875
State group insurance	-	612,443	-	612,443	804,400
State retirement matching	-	702,057	-	702,057	895,809
Total State Allocations	<u>5,536,510</u>	<u>1,314,500</u>	<u>-</u>	<u>6,851,010</u>	<u>7,237,084</u>
Ad valorem taxes:					
Taxes for maintenance and operations	12,986,447	-	-	12,986,447	12,580,777
Taxes for debt service	-	2,693,357	-	2,693,357	2,649,424
Title IV	-	5,671,652	-	5,671,652	6,761,192
Gifts	215,272	6,000,000	-	6,215,272	279,495
Investment income	205,127	102,611	728	308,466	254,687
Total Non-Operating Revenues	<u>18,943,356</u>	<u>15,782,120</u>	<u>728</u>	<u>34,726,204</u>	<u>29,762,659</u>
Non-Operating Expenses					
Interest on capital related debt	-	568,027	-	568,027	632,528
Total Non-Operating Expenses	<u>-</u>	<u>568,027</u>	<u>-</u>	<u>568,027</u>	<u>632,528</u>
Net Non-Operating Revenues	<u>\$ 18,943,356</u>	<u>\$ 15,214,093</u>	<u>\$ 728</u>	<u>\$ 34,158,177</u> (Exhibit 2)	<u>\$ 29,130,131</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Net Position by Source and Availability
 For the Year Ended August 31, 2021 and 2020

	Detail by Source				Current Year Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ (23,523,896)	\$ -	\$ -	\$ -	\$ (23,523,896)
Restricted for:					
Expendable:					
Student aid	-	252,638	-	-	252,638
Designated funds	-	-	-	8,545,340	8,545,340
Plant					
Debt service	-	545,300	-	-	545,300
Investment in plant	-	-	-	35,405,316	35,405,316
Total Net Position, August 31, 2021	<u>(23,523,896)</u>	<u>797,938</u>	<u>-</u>	<u>43,950,656</u>	<u>21,224,698</u> (Exhibit 1)
Total Net Position, August 31, 2020	<u>(26,338,090)</u>	<u>800,500</u>	<u>-</u>	<u>34,564,346</u>	<u>9,026,756</u> (Exhibit 1)
Adjustment to net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Position	<u>\$ 2,814,194</u>	<u>\$ (2,562)</u>	<u>\$ -</u>	<u>\$ 9,386,310</u>	<u>\$ 12,197,942</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2021 and 2020
(continued)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ (23,523,896)	\$ -	(26,338,090)	\$ (26,338,090)	\$ -
Restricted for:					
Expendable:					
Student aid	-	252,638	322,919	-	322,919
Designated funds	-	8,545,340	2,699,598	-	2,699,598
Plant					
Debt service	-	545,300	477,581	-	477,581
Investment in plant	-	35,405,316	31,864,748	-	31,864,748
Total Net Position, August 31, 2021	(23,523,896)	44,748,594	9,026,756 (Exhibit 1)	(26,338,090)	35,364,846
Total Net Position, August 31, 2020	(26,338,090)	35,364,846	9,573,162 (Exhibit 2)	(25,543,559)	35,116,721
Adjustment to net position	-	-	-	-	-
Net Increase (Decrease) in Net Position	\$ 2,814,194	\$ 9,383,748	(546,406) (Exhibit 2)	\$ (794,531)	\$ 248,125

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number		Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. DEPARTMENT OF COMMERCE				
<i>Passed Through Economic Development Administration</i>				
Economic Adjustment Assistance - Disaster Supplemental 2018: Workforce Building Renovation and Equipment Project	11.307		08-79-05317 - URI: 113468	\$ 2,709,059
Total U.S. Department of Commerce				<u>2,709,059</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Direct Programs:</i>				
Federal Supplemental Educational Opportunity Grants	84.007	1	P007A207874	105,000
Federal Work-Study Program	84.033	1	P033A207874	56,197
Federal Work-Study Program	84.033	1	P033A217874	8,827
TRIO - Student Support Services	84.042		P042A151187	285,202
Federal Pell Grant Program	84.063	1	P063P202339	4,174,081
Federal Pell Grant Program	84.063	1	P063Q202339	6,940
Federal Direct PLUS Loans	84.268	1	P268K212339	28,787
Federal Direct Student Loans - Subsidized	84.268	1	P268K212339	495,234
Federal Direct Student Loans - Unsubsidized	84.268	1	P268K212339	803,526
COVID-19 Victoria College 2020 CARES Act Higher Education Emergency Relief Fund Grant for Direct Aid to Students	84.425E	2	P425E201251	2,808,953
COVID-19 Victoria College 2020 CARES Act Higher Education Emergency Relief Fund Institutional Portion	84.425F	2	P425F202034	3,040,674
COVID-19 Victoria College 2020 CARES Act Higher Education Emergency Relief Fund Grant for Minority-Serving Institutions	84.425L	2	P425L200275	257,568
Child Care Access Means Parents in School 2019-2023 Project	84.335A		P335A190346	<u>52,775</u>
Total Direct Programs				<u>12,123,764</u>
<i>Pass Through From Texas Workforce Commission:</i>				
Adult Education - Basic Grants to States	84.002		1918ALAB00	7,191
Adult Education - Basic Grants to States	84.002		1918ALAC00	516,873
Adult Education - Basic Grants to States	84.002		1918ALAD00	96,860
Adult Education - Basic Grants to States	84.002A		1919AEL000	220,181
Adult Education - Basic Grants to States	84.002A		1919AEL001	17,658
Adult Education and Literacy Workforce Integration Initiative	84.002A		1920AEL001	<u>23,693</u>
Total Texas Workforce Commission				<u>882,456</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>				
Career and Technical Education - Basic Grants to States	84.048A		23718	191,946
<i>U.S. Department of Education</i>				
<i>Education Stabilization Fund - Governor's Emergency Education Relief</i>				
COVID-19 Texas Reskilling Support Fund Grant Program:	84.425	2	2020-GE-84425C; 24310	2,843
COVID-19 Governor's Emergency Education Relief (GEER)	84.425C	2	2020-GE-84425C; 23559	<u>52,414</u>
Total Texas Higher Education Coordinating Board				<u>247,203</u>
Total U.S. Department of Education				<u>13,253,423</u>
U.S. DEPARTMENT OF HUMAN SERVICES				
<i>Passed through UTMB:</i>				
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107		5U77HP01066-16-00	<u>92,650</u>
Total U.S. Department of Health and Human Services				<u>92,650</u>
U.S. DEPARTMENT OF LABOR				
EMPLOYMENT AND TRAINING ADMINISTRATION				
<i>Passed through Texas Workforce Commission via Golden Crescent Workforce Development Board:</i>				
<i>Workforce Innovation and Opportunity Act Title I</i>				
High Demand Job Training	17.258		1921HJT001	<u>7,998</u>
Total U. S. Department of Labor				<u>7,998</u>

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
<i>Direct Programs:</i>			
Promotion of the Humanities			
Division of Preservation & Access	45.164	GA-274363-20	23,893
Division of Preservation & Access	45.130	CHA-268761-20	32,863
Division of Preservation & Access	45.301	MA-35-19-0202-19	<u>22,416</u>
Total Direct Programs			79,172
<i>Passed Through Humanities Texas:</i>			
Promotion of the Humanities	45.129	#2021-6233	<u>1,067</u>
Total Humanities Texas			<u>1,067</u>
Total National Endowment for the Humanities			<u>80,239</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 16,143,369</u>
1 Direct Student Financial Aid Cluster \$5,678,592			
2 Education Stabilization Fund Program \$6,162,452			

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

Direct federal grants and contracts revenue per Schedule A	\$ 10,464,777
Direct federal revenue, non-operating - Schedule C	5,671,652
Administration cost recovery (included in other revenue)	6,940
Total Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 16,143,369

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)	\$ 1,327,547	\$ -	\$ 1,327,547

Note 5: Nonmonetary Federal Assistance Received

No nonmonetary federal assistance was received.

Note 6: Indirect Costs

The District has not elected to use the 10% de minimis indirect cost rate.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Expenditures of State Awards
 For the Year Ended August 31, 2021

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
Texas Educational Opportunity Grant Program	-	\$ 257,235
Texas Public Education Grant Program	-	281,041
Law Enforcement Officer Standards & Education	-	1,135
2018 College Readiness and Success Models for 60x30TX (CRSM-2018)	20529	10,719
Nursing & Allied Health - Supporting Clinical Learning to Mitigate Impediments due to COVID-19	23816	<u>51,942</u>
Total Direct Funding		<u>602,072</u>
Total Texas Higher Education Coordinating Board		<u>602,072</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 602,072</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, 2021

Note 1: State Assistance Reconciliation

State Assistance Reconciliation	
per Schedule of Expenditures of State Awards	\$ 602,072
Less: TPEG (included in "Tuition" section)	<u>(281,041)</u>
Total included in "Tuition and Fees"	<u>(281,041)</u>
Total State Revenues per Schedule A	<u>\$ 321,031</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*

The Board of Trustees of
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 Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Victoria County Junior College District (the District), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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



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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.



Casco & Associates, PC
Brownsville, Texas
November 11, 2021



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

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

The Board of Trustees of
Victoria County Junior College District
Victoria, Texas

Report on Compliance for Each Major Federal Program

We have audited the Victoria County Junior College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. Accordingly, this report is not suitable for any other purpose.



Cascos & Associates, PC
Brownsville, Texas
November 11, 2021

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report on financial statements in accordance with GAAP: 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

Noncompliance material to the basic financial statements? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Type of auditors' report on compliance with major programs Unmodified

Any audit findings which are required to be reported in accordance with 2 CFR 200.516 (a): No

Dollar threshold considered between Type A and Type B federal programs \$750,000

Low risk auditee: Yes

Major federal programs:

Economic Adjustment Assistance - Disaster Supplemental 2018:
Workforce Building Renovation and Equipment Project 11.307

Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act: 84.425E, 84.425F, 84.425L, 84.425 & 84.425C

Adult Education - Basic Grants to States 84.002 & 84.002A

II. Financial Statement Findings

The audit disclosed no findings required to be reported.

III. Federal Award Findings and Questioned Costs

None reported.