

Annual Financial Report

August 31, 2020 and 2019



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

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2020**

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

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2019-2020**

Board of Trustees

Officers

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

Members

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

Principal Administrative Officers and Business and Financial Staff

Jennifer Kent, Ed.D.	President
Cindy Buchholz, M.A.	Vice President Instruction
Keith Blundell, M.B.A., C.P.A., C.G.M.A.	Vice President Administrative Services
Edrel Stoneham, Ed.D.	Dean Student Services
Tracey Bergstrom, M.B.A., C.P.A.	Director of Finance



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Victoria County Junior College District (the "District") as of and for the year ended August 31, 2020, and 2019, 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

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Victoria County Junior College District Foundation, Inc. (the "Affiliated Organization"), which reflects total assets of \$22,807,364 and revenues of \$7,859,763. 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, 2020, 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.

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 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 also not a required part of the basic financial statements.

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

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, 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.

Cascos & Associates, PC

Cascos & Associates, PC
Brownsville, Texas
November 16, 2020

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2020**

Management Discussion and Analysis is included to provide a narrative introduction, overview and analysis of the financial position and changes in financial position of the Victoria County Junior College District (Victoria College, District, or College) for the fiscal year ended August 31, 2020. 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, 2020; 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, 2020 and 2019 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, 2020**

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

Summary of Statement of Net Position - Exhibit 1

	<u>Fiscal Year</u>			<u>Change</u>	
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 to 2019</u>	<u>2019 to 2018</u>
Assets					
Cash and Investments	\$ 14,097,394	\$ 13,714,475	\$ 13,431,181	\$ 382,919	\$ 283,294
Other Assets	16,389,017	15,871,594	6,203,126	517,423	9,668,468
Capital Assets, Net	<u>54,568,178</u>	<u>56,651,274</u>	<u>59,062,340</u>	<u>(2,083,096)</u>	<u>(2,411,066)</u>
Total Assets and Deferred Outflows	85,054,589	86,237,343	78,696,647	(1,182,754)	7,540,696
Liabilities					
Current Liabilities	9,259,053	8,799,120	8,088,635	459,933	710,485
Long-term Liabilities	<u>67,003,285</u>	<u>67,865,061</u>	<u>58,945,006</u>	<u>(861,776)</u>	<u>8,920,055</u>
Total Liabilities and Deferred Inflows	76,262,338	76,664,181	67,033,641	(401,843)	9,630,540
Net Position					
Invested in Capital Assets, Net of					
Related Debt	31,630,243	31,725,729	32,573,918	(95,486)	(848,189)
Unrestricted	(26,338,090)	(25,543,559)	(22,827,113)	(794,531)	(2,716,446)
Restricted	<u>3,500,098</u>	<u>3,390,992</u>	<u>1,916,201</u>	<u>109,106</u>	<u>1,474,791</u>
Total Net Position	<u>\$ 8,792,251</u>	<u>\$ 9,573,162</u>	<u>\$ 11,663,006</u>	<u>\$ (780,911)</u>	<u>\$ (2,089,844)</u>

Highlighted information from the Statement of Net Position:

- Total assets decreased by \$1,182,754 or 1.37%.
- Total liabilities decreased by \$401,843 or 0.52%.
- Total net position decreased by \$780,911 or 8.16%.

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

The District decreased deferred outflows related to pensions (an asset) by \$508,276 for total deferred outflows related to pensions of \$3,714,861 (a 12.04% decrease). Additionally, deferred inflows related to pensions (a liability) increased by \$646,034 (44.51%) for total deferred pension inflows of \$2,097,538. The net pension liability decreased by \$463,998 (5.47%) from \$8,483,396 to \$8,019,398.

Deferred inflows and outflows of resources for the pension plan are related to changes that occur at the plan level including changes in actuarial assumptions, differences between expected and actual economic experience, differences between projected and actual investment earnings, and changes in proportion and difference between the employers' contributions and the proportionate share of contributions. Contributions paid to the Teacher Retirement System of Texas (TRS) subsequent to the measurement date also impact deferred outflows of resources. The net pension liability of \$8,019,398 was measured at August 31, 2019 and was established per amounts recorded in TRS's *Comprehensive Annual Financial Statement* and TRS's *Audited 2019 GASB 68 Allocation Schedules*.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2020**

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 \$28,440,219 was measured at August 31, 2019 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 increased by \$719,644 (10.05%) to \$7,881,557. Deferred inflows related to OPEB decreased by \$1,508,120 (15.35%) to \$8,319,590.

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

Cash, unrestricted and restricted, increased by \$11,911,493 (545.26%), while investments, including unrestricted and restricted, decreased by \$11,528,574. The significant change in cash and investments is the result of the transfer of funds from the TexPool Prime investment fund to the depository institution money market accounts to increase investment returns. Overall, cash and investments increased by \$382,919 (2.79%) due to increased tax revenue of \$554,541, which offset decreases in investment returns (\$91,380) and gifts (\$116,817).

Capital assets are discussed on pages 9 and 10 and in Note 7 in the accompanying Notes to the Financial Statements.

See discussion of long-term debt on page 10 and Notes 8 through 13 in the accompanying Notes to the Financial Statements.

At August 31, 2020, the District designated the entirety of expendable net position, restricted for unexpended bond proceeds in the amount of \$2,699,598 for the Wood Building renovation project (\$847,692), the comprehensive student center project (\$725,332) and the 2016-2025 master plan (\$1,126,574). This designation indicates management's anticipated future use of financial resources.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2020**

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

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

	<u>Fiscal Year</u>			<u>Change</u>	
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 to 2019</u>	<u>2019 to 2018</u>
Operating Revenues					
Tuition and Fees (net of discounts)	\$ 9,234,455	\$ 9,312,815	\$ 9,661,710	\$ (78,360)	\$ (348,895)
Local, State and Federal Grants and Contracts	4,835,198	3,160,427	3,381,637	1,674,771	(221,210)
Auxiliary Enterprise	2,124,136	2,559,118	3,053,348	(434,982)	(494,230)
Other	649,386	682,688	984,326	(33,302)	(301,638)
Total Operating Revenues	16,843,175	15,715,048	17,081,021	1,128,127	(1,365,973)
Operating Expenses					
Instruction	13,259,952	13,394,543	13,792,269	(134,591)	(397,726)
Public Service	250,254	224,020	184,785	26,234	39,235
Academic Support	3,280,478	3,311,535	3,278,874	(31,057)	32,661
Student Services	3,003,835	2,876,053	2,649,711	127,782	226,342
Institutional Support	7,363,435	6,643,333	6,630,835	720,102	12,498
Operation and Maintenance of Plant	4,290,483	3,912,293	3,914,156	378,190	(1,863)
Scholarships and Fellowships	9,671,938	9,165,898	9,392,784	506,040	(226,886)
Auxiliary Enterprises	3,002,787	3,122,601	3,590,358	(119,814)	(467,757)
Depreciation	2,634,115	2,725,550	2,804,101	(91,435)	(78,551)
Total Operating Expenses	46,757,277	45,375,826	46,237,873	1,381,451	(862,047)
Operating Income (Loss)	(29,914,102)	(29,660,778)	(29,156,852)	(253,324)	(503,926)
Non-Operating Revenues (Expenses)					
State Appropriations	7,237,084	6,958,206	7,704,008	278,878	(745,802)
Taxes	15,230,201	14,675,660	14,280,266	554,541	395,394
Title IV	6,761,192	6,844,013	7,553,303	(82,821)	(709,290)
Gifts	279,495	396,312	984,152	(116,817)	(587,840)
Interest on Capital Related Debt	(632,528)	(1,505,062)	(737,612)	872,534	(767,450)
Investment Related Income	254,687	346,067	242,133	(91,380)	103,934
Total Non-Operating Revenues (Expenses)	29,130,131	27,715,196	30,026,250	1,414,935	(2,311,054)
Income Before Other Revenues, (Expenses)	(783,971)	(1,945,582)	869,398	1,161,611	(2,814,980)
Other Revenues, (Expenses), Gains, (Losses)	3,060	(144,262)	(75,295)	147,322	(68,967)
Increase (Decrease) in Net Position	(780,911)	(2,089,844)	794,103	1,308,933	(2,883,947)
Beginning Net Position, as Adjusted	9,573,162	11,663,006	37,234,670	(2,089,844)	(25,571,664)
Adjustments to Net Position	-	-	(26,365,767)	-	26,365,767
Ending Net Position	\$ 8,792,251	\$ 9,573,162	\$ 11,663,006	\$ (780,911)	\$ (2,089,844)

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

- Operating revenues increased by \$1,128,127 or 7.18%.
- Operating expenses increased by \$1,381,451 or 3.04%.
- Operating loss was increased by \$253,324 or 0.85%.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2020**

- Non-operating revenue increased by \$542,401, while non-operating expenses decreased by \$872,534 for a net non-operating revenues (expenses) increase of \$1,414,935 or 5.11%.

For fiscal year ended August 31, 2020, net position from current year operations decreased by \$780,911.

The increase in operating revenues (\$1,128,127 or 7.18%) was primarily attributable to a \$1,674,771 (52.99%) increase in local, state, federal and non-governmental grants and contracts. Tuition and fee revenue, (net of discounts) decreased by \$78,360 (0.84%), auxiliary revenues (net of discounts) decreased by \$434,982 (17.00%), and other operating revenues decreased by \$33,302 (4.88%). Of the \$1,769,336 increase in federal grants and contracts, \$1,390,499 was directly attributable to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The District utilized \$919,000 in direct aid to students impacted by COVID-19. The remainder of the CARES Act funding is being utilized for technology to promote the multiple methods of instruction that became necessary during the COVID-19 closures.

Operating expenses increased by \$1,381,451 (3.04%). Operating expenses were impacted by decreases in expenses related to instruction (\$134,591 or 1.00%), academic support (\$31,057 or 0.94%), auxiliary enterprises (\$119,814 or 3.84%) and depreciation (\$91,435 or 3.35%). These decreases in operating expenses were partially offset by increases in public service (\$26,324 or 11.71%), student services (\$127,782 or 4.44%), institutional support (720,102 or 10.84%), operation and maintenance of plant (\$378,190 or 9.67%) and scholarships and fellowships (\$506,040 or 5.52%). Of the \$720,102 increase in institutional support, \$460,736 was directly attributable to CARES Act expenditures.

Overall non-operating revenue (expenses) increased by \$1,414,935 (5.11%). Key elements in the increase are as follows:

- Overall state allocations decreased by \$278,878 (4.01%), which included a decrease in education and general state support of \$87,660 (1.56%), an increase in state group insurance of \$107,628 (15.45%), and an increase in state retirement matching of \$258,910 (40.65%). 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 \$554,541 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 (\$0.2206 per \$100 valuation for fiscal year 2020 versus \$0.2235 per \$100 valuation for fiscal year 2019).
- Title IV disbursements decreased by \$82,821 (1.21%) due to fewer students meeting eligibility requirements, which required less funding from the Department of Education.
- Non-Operating gifts decreased by \$116,817 (29.48%) and is attributable to donations supporting programs offered by the college. Gifts are prone to cyclical variances and, considering COVID-19 closures during the latter part of the fiscal year, a decrease was not unexpected.
- Investment income (interest) decreased by \$91,380 or 26.41%. The decrease in investment income is attributable to declining interest rates. TexPool Prime rates declined during the fiscal year and District funds on hand were transferred to the depository institution to take advantage of the rate floors provided in the depository contract to limit the decline in investment revenue.
- Interest on capital related debt increased by \$872,534 (57.97%). Prior year financials included a one-time compounded interest payment due on the 2012 Limited Tax Refunding Bonds in the amount of \$835,000. Additionally, the Series 2010 Limited Tax Refunding Bonds were fully extinguished during fiscal year 2019.

Tuition and fee revenue decreased by \$78,360 (0.84%) for the year ended August 31, 2020. Credit unduplicated enrollment and contact hours declined by 5.86% and 1.55%, respectively. Fundable unduplicated non-credit enrollment and contact hours decreased by 33.52% and 15.93%, respectively for the year ended August 31, 2020. For fiscal year 2020 compared to fiscal year 2019, in-district tuition increased \$2, non-resident tuition increased by \$10, the out of district fee increased by \$2, the general fee increased by \$4 and the technology fee increased by \$1. 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, 2020**

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
2020	\$ 50	\$ 133	\$ 51	\$ 33	\$ 17
2019	\$ 48	\$ 123	\$ 49	\$ 29	\$ 16
2018	\$ 46	\$ 113	\$ 47	\$ 27	\$ 15

Differential Tuition by Program for Fiscal Year 2020:		Per Credit Hour
Associate Degree Nursing		\$ 85
Licensed Vocational Nursing		\$ 85
Respiratory Therapy Technology		\$ 85
Medical Laboratory Technology		\$ 85
Physical Therapy Assistant		\$ 85
Emergency Medical Services		\$ 85
Fire Technology		\$ 85
Process Technology		\$ 35
Electronics and Instrumentation		\$ 35
Welding		\$ 35
Machining		\$ 35
Industrial Maintenance Mechanic		\$ 35

Enrollment Highlights:

Credit Students	2019-2020	Fall	Spring	Summer	Annual *
	Enrollment	3,725	3,297	1,236	4,643
Contact Hours	612,592	556,600	144,848	1,314,040	
	2018-2019	Fall	Spring	Summer	Annual *
	Enrollment	3,860	3,408	1,268	4,932
Contact Hours	640,288	554,656	139,760	1,334,704	
	2017-2018	Fall	Spring	Summer	Annual *
	Enrollment	3,983	3,549	1,393	5,022
Contact Hours	690,192	610,624	159,776	1,460,592	

Non-Credit Students	2019-2020	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	420	375	191	553	1,087
Contact Hours	31,852	28,366	13,718	21,181	95,117	
	2018-2019	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	562	428	341	553	1,635
Contact Hours	38,044	35,154	18,756	21,181	113,135	
	2017-2018	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	634	446	511	730	2,042
Contact Hours	49,577	25,198	20,231	29,734	124,740	

* Unduplicated

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

**Management’s Discussion and Analysis
(Unaudited)
Year Ended August 31, 2020**

Credit student enrollment and contact hours decreased by 3.50% and 4.33%, respectively, for the fall term. Headcount was 3,725 for the fall 2019-2020 term compared to 3,860 for the fall 2018-2019 term. Credit student enrollment decreased by 3.26% and contact hours increased by 0.35% for the spring term. Headcount was 3,297 for the spring 2019-2020 term compared to 3,408 for the spring 2018-2019 term. The summer term posted a decrease in credit student enrollment (2.52%) and an increase in contact hours (3.64%). Annualized credit student enrollment and contact hours decreased by 5.86% and 1.55%, respectively.

Fundable non-credit enrollment and contact hours decreased by 25.27% and 16.28%, respectively, for Quarter 1 2019-2020 term (420 enrollment; 31,852 contact hours) compared to Quarter 1 2018-2019 term (562 enrollment; 38,044 contact hours). Fundable non-credit enrollment decreased by 12.38% and non-credit contact hours increased by 19.31%, respectively, for Quarter 2 2019-2020 term (375 enrollment 23,366 contact hours) compared to Quarter 2 2018-2019 term (428 enrollment; 35,154 contact hours). Quarters 3 and 4 decreased enrollment and contact hours by 16.78% and 12.61%, respectively, (enrollment 744 and contact hours 34,899 for Quarters 3 and 4 in 2019-2020 term; enrollment 894 and contact hours 39,937 for Quarters 3 and 4 2018-2019 term). Annualized fundable non-credit enrollment and contact hours decreased by 33.52% and 15.93%, respectively.

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

Certificates and Degrees Conferred:

Fiscal Year	Associate of Arts	Associate of Science	Associate of Applied Sciences	Work Force Certificates	Total Degrees and Certificates
2019-2020	71	132	187	251	641
2018-2019	86	156	216	300	758
2017-2018	83	144	233	345	805

Capital Assets and Long Term Debt Administration

Capital Assets

The District’s investment in capital assets as of August 31, 2020 was \$54,568,178 (net of accumulated depreciation). This amount represents a net decrease (including additions, dispositions, and depreciation expense) of \$2,083,096 over fiscal year 2019. Construction in progress increased by \$399,778 due to progress made on the Wood Building renovation (\$316,960), the comprehensive student center (\$316,960), and the facilities master plan (\$323,631). These projects, as well as some smaller projects, are ongoing at August 31, 2020. 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, 2020**

The District's capital assets, net of accumulated depreciation, as of August 31, 2020, 2019, and 2018 are summarized below:

	<u>Balance at 8/31/2020</u>	<u>Balance at 8/31/2019</u>	<u>Balance at 8/31/2018</u>	<u>\$ Change 2020-2019</u>	<u>\$ Change 2019-2018</u>
Land	\$ 128,942	\$ 128,942	\$ 263,792	\$ -	\$ (134,850)
Construction in Progress	868,522	468,744	1,070,839	399,778	(602,095)
Library Volumes and Periodicals	370,790	361,776	346,921	9,014	14,855
Buildings	72,471,558	72,471,558	71,643,216	-	828,342
Site Improvements	6,512,778	6,512,778	6,512,778	-	-
Machinery, Equipment, Furniture and Vehicles	<u>10,182,529</u>	<u>10,478,024</u>	<u>10,326,649</u>	<u>(295,495)</u>	<u>151,375</u>
Totals at Historical Costs	90,535,119	90,421,822	90,164,195	113,297	257,627
Total Accumulated Depreciation	<u>35,966,941</u>	<u>33,770,548</u>	<u>31,101,855</u>	<u>2,196,393</u>	<u>2,668,693</u>
Net Capital Assets	<u>\$ 54,568,178</u>	<u>\$ 56,651,274</u>	<u>\$ 59,062,340</u>	<u>\$ (2,083,096)</u>	<u>\$ (2,411,066)</u>
				<u>% Change 2020-2019</u>	<u>% Change 2019-2018</u>
Land				0.0%	-51.1%
Construction in Progress				85.3%	-56.2%
Library Volumes and Periodicals				2.5%	4.3%
Buildings				0.0%	1.2%
Site Improvements				0.0%	0.0%
Machinery, Equipment, Furniture and Vehicles				-2.8%	1.5%
Totals at Historical Costs				0.1%	0.3%
Total Accumulated Depreciation				6.5%	8.6%
Net Capital Assets				-3.7%	-4.1%

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2020**

Long-Term Debt

Long-term debt decreased by \$1,820,000 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, 2020, 2019, and 2018 is summarized in the following table:

	Balance at 8/31/2020	Balance at 8/31/2019	Balance at 8/31/2018	\$ Change 2020-2019	\$ Change 2019-2018
2010 Combined Fee Revenue					
Refunding Bonds	\$ -	\$ -	\$ 425,000	\$ -	\$ (425,000)
2012 Limited Tax Refunding Bonds	6,165,000	7,055,000	7,155,000	(890,000)	(100,000)
2013 Limited Tax Bonds	<u>15,580,000</u>	<u>16,510,000</u>	<u>17,405,000</u>	<u>(930,000)</u>	<u>(895,000)</u>
Total Long-Term Debt	<u>\$ 21,745,000</u>	<u>\$ 23,565,000</u>	<u>\$ 24,985,000</u>	<u>\$ (1,820,000)</u>	<u>\$ (1,420,000)</u>
				% Change 2020-2019	% Change 2019-2018
2010 Combined Fee Revenue					
Refunding Bonds				0.00%	-100.00%
2012 Limited Tax Refunding Bonds				-12.62%	-1.40%
2013 Limited Tax Bonds				-5.63%	-5.14%
Total Long-Term Debt				-7.72%	-5.68%

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

Strategic and Operational Planning

Victoria College remains committed to its institution-wide focus on strategic and operational planning. Completion of the final year of the 2015-2020 Strategic Plan saw great progress towards achieving the goals. Results indicated the activities were successful in improving processes and opportunities, making significant progress towards improving student success, meeting the needs of the service area and furthering the mission of the College. The overall goals of the College's Strategic Plan are Student Success, Community Needs, and Institutional Excellence.

To facilitate further the achievement of strategic goals, College administration and the Board of Trustees work 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 are underway in the Wood Building with plans for further construction underway.

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.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2020**

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 \$0.2206 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. The 2019-2020 academic year was a record year for student scholarship awards. Generous community support and a strategic focus on investment management allowed the Victoria College Foundation to award over \$1,000,000 in scholarships.

College Recognition

The steadfast commitment to institutional excellence, quality educational opportunities and meeting community needs continues to result in Victoria College being recognized nationwide. For the fourth consecutive year, Victoria College was selected a "Great College to Work For" by the Chronicle of Higher Education. Over 253 institutions nationwide, including 88 two-year institutions, participated in the survey conducted by Modern Think LLC.

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.

COVID-19 Pandemic Efforts

With the onset of the COVID-19 pandemic, Victoria College completed the second half of the spring semester in online classes and utilized available resources to increase safety procedures on campus. The College purchased additional technology devices, screening station devices, and sanitation supplies to ensure the safety of students and employees. Planning efforts include multiple modalities for teaching and learning to offer flexibility to student and faculty. CTE classes and science labs that require face-to-face instruction will require additional space considerations to allow for social distancing.

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, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 11,101,206	\$ 1,703,106
Restricted cash and cash equivalents	2,994,851	481,458
Short-term investments	883	8,742,935
Restricted short-term investments	454	2,786,976
Due from component unit	5,664	21,888
Accounts receivable (net)	3,319,841	3,765,997
Restricted accounts receivable	957,590	231,138
Inventories	452,479	445,602
Prepaid expenses	57,025	21,919
Total Current Assets	18,889,993	18,201,019
Noncurrent Assets		
Construction in progress	868,522	468,744
Land	128,942	128,942
Capital assets (net)	53,570,714	56,053,588
Total Noncurrent Assets	54,568,178	56,651,274
Total Assets	73,458,171	74,852,293
Deferred Outflow of Resources		
Deferred outflows related to pensions	3,714,861	4,223,137
Deferred outflows related to other post-employment benefits	7,881,557	7,161,913
Total Noncurrent Assets	11,596,418	11,385,050
LIABILITIES		
Current Liabilities		
Accounts payable	970,618	756,194
Accrued liabilities	745,496	766,135
Funds held for others	191,479	172,977
Unearned revenues	4,540,065	4,890,326
Bonds payable - current portion	1,910,000	1,840,000
Net other post-employment benefits liability - current	901,395	373,488
Total Current Liabilities	9,259,053	8,799,120
Noncurrent Liabilities		
Bonds payable	19,835,000	21,745,000
Net pension liability	8,019,398	8,483,396
Net other post-employment benefits liability - non-current	27,538,824	25,016,906
Total Noncurrent Liabilities	55,393,222	55,245,302
Total Liabilities	64,652,275	64,044,422
Deferred Inflows of Resources		
Unamortized premiums on bonds	1,192,935	1,340,545
Deferred inflows related to pensions	2,097,538	1,451,504
Deferred inflows related to other post-employment benefits	8,319,590	9,827,710
Total Deferred Inflows of Resources	11,610,063	12,619,759
NET POSITION		
Invested in capital assets, net of related debt	31,630,243	31,725,729
Restricted for		
Expendable		
Student aid	322,919	332,343
Unexpended bond proceeds		
designated for Wood Building renovation project	847,692	932,088
designated for comprehensive student center project	725,332	1,001,147
designated for 2011-2020 master plan	1,126,574	677,122
Debt service	477,581	448,292
Unrestricted	(26,338,090)	(25,543,559)
Total Net Position (Schedule D)	\$ 8,792,251	\$ 9,573,162

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, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 7,430,326	\$ 3,911,697
Pledges receivable	1,756,238	106,030
Other current assets	5,389	159
Total Current Assets	9,191,953	4,017,886
Other Assets		
Restricted cash - endowment money market funds	138,048	156,988
Endowment investments	13,477,363	12,270,121
Total Other Assets	13,615,411	12,427,109
Total Assets	22,807,364	16,444,995
 LIABILITIES		
Current Liabilities		
Due to Victoria College	5,671	21,888
Total Liabilities	5,671	21,888
 NET POSITION		
Without donor restriction	24,411	687,973
With donor restriction	22,777,282	15,735,134
Total net Position	22,801,693	16,423,107

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Tuition and fees (net)	\$ 9,234,455	\$ 9,312,815
Federal grants and contracts	3,171,029	1,401,693
State grants and contracts	300,881	383,138
Local grants and contracts	11,586	11,519
Non-governmental grants and contracts	1,351,702	1,364,077
Sales and services of educational activities	477,741	434,594
Auxiliary enterprises (net)	2,124,136	2,559,118
General operating revenues	<u>171,645</u>	<u>248,094</u>
Total Operating Revenues (Schedule A)	<u>16,843,175</u>	<u>15,715,048</u>
OPERATING EXPENSES		
Instruction	13,259,952	13,394,543
Public service	250,254	224,020
Academic support	3,280,478	3,311,535
Student services	3,003,835	2,876,053
Institutional support	7,363,435	6,643,333
Operation and maintenance of plant	4,290,483	3,912,293
Scholarships and fellowships	9,671,938	9,165,898
Auxiliary enterprises	3,002,787	3,122,601
Depreciation	<u>2,634,115</u>	<u>2,725,550</u>
Total Operating Expenses (Schedule B)	<u>46,757,277</u>	<u>45,375,826</u>
Operating (Loss)	<u>(29,914,102)</u>	<u>(29,660,778)</u>
Non-Operating Revenues (Expenses)		
State allocations	7,237,084	6,958,206
Title IV	6,761,192	6,844,013
Ad valorem taxes		
Taxes for maintenance and operations	12,580,777	11,588,962
Taxes for debt service	2,649,424	3,086,698
Gifts	279,495	396,312
Investment income (net of investment expenses)	254,687	346,067
Interest on capital related debt	<u>(632,528)</u>	<u>(1,505,062)</u>
Total Non-Operating Revenues (Expenses) (Schedule C)	<u>29,130,131</u>	<u>27,715,196</u>
Income Before Other Revenues, (Expenses), Gains and (Losses)	<u>(783,971)</u>	<u>(1,945,582)</u>
Other Revenues, (Expenses), Gains		
Gain/(Loss) on disposal of capital assets	<u>3,060</u>	<u>(144,262)</u>
Total Other Revenues, (Expenses), Gains	<u>3,060</u>	<u>(144,262)</u>
Increase in Net Position	(780,911)	(2,089,844)
NET POSITION		
Net Position - Beginning of Year	<u>9,573,162</u>	<u>11,663,006</u>
Net Position - End of Year	<u>\$ 8,792,251</u>	<u>\$ 9,573,162</u>

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Grants and contributions	\$ 6,247,932	\$ 2,796,334
In-kind donations	<u>145,972</u>	<u>148,429</u>
Total Revenue and Support	<u>6,393,904</u>	<u>2,944,763</u>
OPERATING EXPENSES		
Institutional support	1,323,797	1,407,525
Administration and collection	25,070	69,924
Other	<u>132,310</u>	<u>156,123</u>
Total Expenses	<u>1,481,177</u>	<u>1,633,572</u>
NON-OPERATING REVENUES		
Investment income	<u>1,465,859</u>	<u>501,209</u>
Change in Net Position	6,378,586	1,812,400
NET POSITION		
Net Position, Beginning of Year	<u>16,423,107</u>	<u>14,610,707</u>
Net Position, End of Year	<u><u>\$22,801,693</u></u>	<u><u>\$16,423,107</u></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, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 11,486,071	\$ 12,454,007
Receipts from grants and contracts	4,554,902	3,118,974
Other receipts	187,869	227,496
Payments to suppliers for goods or services	(7,371,083)	(7,214,188)
Payments to or on behalf of employees	(26,123,939)	(25,557,703)
Payments of scholarships and fellowships	(9,671,938)	(9,165,898)
Net cash provided (used) by operating activities	(26,938,118)	(26,137,312)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state allocations	6,432,684	6,261,434
Receipts from federal (Title IV) allocations	6,761,192	6,844,013
Receipts from ad valorem tax revenues	12,580,777	11,588,962
Gifts and grants (other than capital)	279,495	396,312
Deferred inflows/outflows net	(1,073,454)	(4,792,636)
Net pensions	(463,998)	3,409,883
Net OPEB	3,049,825	2,803,285
Student organization and other agency transactions	18,502	3,272
Net cash provided (used) by non-capital financing activities	27,585,023	26,514,525
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad valorem tax revenues	2,649,424	3,086,698
Purchases of capital assets	(562,810)	(314,484)
Proceeds from disposal of capital assets	11,791	-
(Gain) loss on disposal of capital assets	3,060	(144,262)
Bond premium amortization	(147,610)	(162,876)
Payments on capital debt - principal	(1,840,000)	(1,400,000)
Payments on capital debt - interest	(632,528)	(1,505,062)
Net cash provided (used) by capital and related financing activities	(518,673)	(439,986)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	254,687	346,067
Investment purchases	11,528,574	(1,660,449)
Net cash provided (used) by investing activities	11,783,261	(1,314,382)
Increase (decrease) in cash and cash equivalents	11,911,493	(1,377,155)
Cash and cash equivalents - September 1	2,184,564	3,561,719
Cash and cash equivalents - August 31	\$ 14,096,057	\$ 2,184,564
Cash & cash equivalents	\$ 11,101,206	\$ 1,703,106
Restricted cash and cash equivalents	2,994,851	481,458
Total cash and cash equivalents	\$ 14,096,057	\$ 2,184,564

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Cash Flows
For The Year Ended August 31, 2020 and 2019
(Continued)

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (29,914,102)	\$ (29,660,778)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	2,634,115	2,725,550
State group insurance	804,400	696,772
Changes in assets and liabilities:		
Receivables (net)	(280,296)	(41,453)
Due from component unit	16,224	(20,598)
Inventories	(6,877)	153,935
Prepaid expenses	(35,106)	926
Accounts payable	214,424	(110,135)
Accrued liabilities	(20,639)	(29,011)
Unearned revenue	(350,261)	147,480
Net cash provided (used) by operating activities	\$ (26,938,118)	\$ (26,137,312)

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, 2020 and 2019

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 \$1,337 and \$11,529,911 at August 31, 2020, and 2019, 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 District 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, 2020 and 2019, unearned revenue was \$4,540,065 and \$4,890,326, respectively.

Deferred Inflows

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

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income tax under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The District had no unrelated business income tax liability for the years ended August 31, 2020 and 2019.

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, 2020, 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>8/31/2020</u>	<u>8/31/2019</u>
Bank Deposits		
Demand Deposits	\$ 14,045,652	\$ 2,125,305
	14,045,652	2,125,305
Cash and Cash Equivalents		
Cash on Hand	50,405	59,259
	<u>50,405</u>	<u>59,259</u>
Total Cash and Deposits	<u>\$ 14,096,057</u>	<u>\$ 2,184,564</u>

Reconciliation of Cash, Deposits and Investments to Exhibit 1

<u>Type of Security</u>	<u>Market Value</u>	
	<u>8/31/2020</u>	<u>8/31/2019</u>
Tex Pool	\$ 1,337	\$ 11,529,911
Total Investments	<u>\$ 1,337</u>	<u>\$ 11,529,911</u>
Total Cash and Deposits	\$ 14,096,057	\$ 2,184,564
Total Investments	<u>1,337</u>	<u>11,529,911</u>
Total Deposits and Investments	<u>\$ 14,097,394</u>	<u>\$ 13,714,475</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 14,096,057	\$ 2,184,564
Investments (Exhibit 1)	<u>1,337</u>	<u>11,529,911</u>
Total Deposits and Investments	<u>\$ 14,097,394</u>	<u>\$ 13,714,475</u>

As of August 31, 2020 the District had the following investments and maturities:

<u>2020</u>	<u>Fair</u>	<u>Investment Maturities (in Years)</u>			<u>S&P</u>	
		<u>Value</u>	<u>Maturity</u>	<u>Less than 1</u>		<u>1 to 2</u>
Uncategorized Investments						
Tex Pool Prime	\$ 1,337	\$ 1,337	\$ -	\$ -	\$ -	AAAm
Total Uncategorized Investments	<u>\$ 1,337</u>	<u>\$ 1,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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

Credit Risk – In accordance with state law and the District’s investment policy, 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 custody 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, 2020, 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, 2020 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
External Investment Pools	\$ 1,337	\$ -	\$ -	\$ 1,337
Total	<u>\$ 1,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,337</u>

5. Derivatives

The District did not invest in derivative investment products or repurchase agreements during the fiscal year ended August 31, 2020.

6. Disaggregation of Receivables and Payables Balances

Accounts receivable consist of the following at August 31:

	<u>2020</u>	<u>2019</u>
Student receivables	\$ 5,020,632	\$ 5,026,264
Third-party contractor receivables	290,083	414,661
Ad valorem taxes receivables	998,131	981,680
Federal grant receivables	923,208	195,015
State grant receivables	22,796	24,604
Local grant receivables	11,586	11,519
Other receivables	<u>139,476</u>	<u>269,392</u>
Total accounts receivable	7,405,912	6,923,135
Allowance for doubtful accounts	<u>(3,128,481)</u>	<u>(2,926,000)</u>
Accounts receivable (net)	<u>\$ 4,277,431</u>	<u>\$ 3,997,135</u>
Accounts receivable (net)	\$ 3,319,841	\$ 3,765,997
Restricted accounts receivable	<u>957,590</u>	<u>231,138</u>
	<u>\$ 4,277,431</u>	<u>\$ 3,997,135</u>

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

	<u>2020</u>	<u>2019</u>
Accounts payable:		
Vendor payables	\$ 596,368	\$ 370,249
Other payables	<u>374,250</u>	<u>385,945</u>
Total accounts payable	<u>970,618</u>	<u>756,194</u>
Accrued liabilities:		
Accrued payroll	205,705	225,249
Employee benefits payable	503,268	495,978
Sales tax payable	<u>36,523</u>	<u>44,908</u>
Total accrued liabilities	<u>745,496</u>	<u>766,135</u>
Total accounts payable and accrued liabilities	<u>\$ 1,716,114</u>	<u>\$ 1,522,329</u>

7. Capital Assets Activity

Capital asset activity for the years ended August 31, 2020 and 2019, was as follows:

	<u>2020</u>			<u>Balance August 31, 2020</u>
	<u>Balance September 1, 2019</u>	<u>Changes During the Year</u>		
		<u>Additions</u>	<u>Deletions</u>	
Not Depreciated:				
Land	\$ 128,942	\$ -	\$ -	\$ 128,942
Construction in Progress	<u>468,744</u>	<u>399,778</u>	<u>-</u>	<u>868,522</u>
Subtotal	<u>597,686</u>	<u>399,778</u>	<u>-</u>	<u>997,464</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	<u>10,478,024</u>	<u>149,801</u>	<u>(445,296)</u>	<u>10,182,529</u>
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	<u>7,680,472</u>	<u>854,574</u>	<u>(437,104)</u>	<u>8,097,942</u>
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>\$ (2,074,366)</u>	<u>\$ (8,730)</u>	<u>\$ 54,568,178</u>

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

8. Non-Current Liabilities

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

	2020				
	Balance	Additions	Reductions	Balance	Current Portion
	September 1, 2019			August 31, 2020	
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	<u>23,585,000</u>	<u>-</u>	<u>1,840,000</u>	<u>21,745,000</u>	<u>1,910,000</u>
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>

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

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 \$910,000 to \$1,425,000 with interest rates from 2.75% to 5.00% 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 Districts Limited Tax Refunding Bonds, Series 2012 were placed in an escrow fund to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements.

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

Bond Issue	Year Refunded	Par Value Outstanding	
		2020	2019
Limited Tax Bonds, Series 2006	2012	\$ 6,125,000	\$ 6,990,000
Total		\$ 6,125,000	\$ 6,990,000

12. Short Term Debt

The District used no short-term debt for the year ended August 31, 2020.

13. Debt and Lease Obligation

Debt service requirements at August 31, 2020 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
2021	\$ 940,000	\$ 215,775	\$ 1,155,775	\$ 970,000	\$ 499,863	\$ 1,469,863
2022	970,000	182,875	1,152,875	1,010,000	461,062	1,471,062
2023	1,010,000	148,925	1,158,925	1,050,000	420,663	1,470,663
2024	1,045,000	113,575	1,158,575	1,095,000	373,412	1,468,412
2025	1,080,000	77,000	1,157,000	1,130,000	340,563	1,470,563
2026-2030	1,120,000	39,200	1,159,200	6,170,000	1,179,638	7,349,638
2031-2033	-	-	-	4,155,000	251,700	4,406,700
Totals	\$ 6,165,000	\$ 777,350	\$ 6,942,350	\$ 15,580,000	\$ 3,526,901	\$ 19,106,901

Fiscal Year Ended August 31,	Total Bonds		
	Principal	Interest	Total
2021	1,910,000	715,638	2,625,638
2022	1,980,000	643,937	2,623,937
2023	2,060,000	569,588	2,629,588
2024	2,140,000	486,987	2,626,987
2025	2,210,000	417,563	2,627,563
2026-2030	7,290,000	1,218,838	8,508,838
2031-2033	4,155,000	251,700	4,406,700
Totals	\$ 21,745,000	\$ 4,304,251	\$ 26,049,251

The District had no capital lease obligations at August 31, 2020.

14. Net Position Designations

At August 31, 2020, the District designated the entirety of expendable net position, restricted for unexpended bond proceeds in the amount of \$2,699,598, for the Wood Building renovation project (\$847,692), the comprehensive student center project (\$725,332) and the 2016-2025 master plan (\$1,126,574). 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>
2021	\$ 90,866
2022	<u>83,293</u>
	<u>\$ 174,159</u>

Rental expense paid for the years ended August 31, 2020 and 2019 for operating leases totaled \$141,347 and \$154,031, respectively.

16. **Employees' Retirement Plan**

Defined Benefit Pension Plan

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

A. Plan Description

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

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

B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

C. Benefits Provided

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

The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic 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 in (A) 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.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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. *Contribution Rates can be found in the TRS 2019 CAFR, Note 12, on page 76.*

	Contribution Rates	
	2019	2020
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	7.50%
Employers	6.80%	7.50%
2019 District Contributions	\$ 539,961	
2019 Member Contributions	\$ 1,021,952	
2019 NECE On-behalf Contributions	\$ 346,580	

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

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

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- 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, there is an additional surcharge an employer is subject to:

- 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
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	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.3%
Salary Increases	3.05% - 9.05% including inflation
Ad hoc Post-Employment Benefit Changes	None

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

F. Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. 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 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net positions 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 estimates of arithmetic real rates of return for each major asset class included in the TRS's target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation % *	New Target Allocation % **	Long-Term Expected Geometric Real Rate of Return ***
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries ****	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return (Including Credit Sensitive Investments)	-	-	-
Real Return			
Global Inflation Linked Bonds ****	3.00%	-	-
Real Assets	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	-	-	-
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5% *****
Asset Allocation Leverage			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	-6.00%	2.70%
Expected Return			7.23%

* FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018.

** New target allocation based on the Strategic Asset Allocation dated 10/1/2019.

*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

***** 5.8%(6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) 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:	\$ 12,326,980	\$ 8,019,398	\$ 4,529,426

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

At August 31, 2019, the District reported a liability of \$8,019,398 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 8,019,398
State's proportionate share that is associated with District	<u>5,147,553</u>
Total	<u>\$ 13,166,951</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019, the District’s proportion of the collective net pension liability was .0154% which was an increase of 0.0938% from its proportion measured as of August 31, 2018.

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive at \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumption.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended August 31, 2019, the District recognized pension expense of \$808,608 and revenue of \$808,608 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 33,689	\$ 278,446
Changes in actuarial assumptions	2,488,011	1,028,164
Difference between projected and actual investment earnings	482,129	401,605
Changes in proportion and difference between the employers contributions and the proportionate share of contributions	110,375	389,323
Contributions paid to TRS subsequent to the measurement date	<u>600,657</u>	<u>-</u>
Total	<u>\$ 3,714,861</u>	<u>\$ 2,097,538</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>
2021	\$ 111,896
2022	47,288
2023	408,101
2024	406,011
2025	116,915
Thereafter	<u>(73,545)</u>
	\$ 1,016,666
Contributions paid to TRS subsequent to the measurement date	<u>600,657</u>
Total deferred outflows (inflows) of resources, net	<u>\$ 1,617,323</u>

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

Optional Retirement Plan – Defined Contribution Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The State contribution percentages for fiscal years 2020 and 2019 was 3.30% of ORP related salaries. The District contribution percentages for fiscal years 2020 and 2019 was 3.50%. The combined rate was 6.80% per year. The District contributes an additional 0.70% over and above the state mandated rate of 3.50%, bringing the overall rate to 7.50%. The Employee contribution percentages were 6.65% for fiscal years 2020 and 2019. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, neither the State nor the District has any additional or unfunded liability for this program.

The retirement expense to the state for the District was \$87,201 and \$87,081 for the fiscal years ended August 31, 2020 and 2019, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District.

The total payroll for all District employees was \$17,817,668 and \$17,827,414 for the fiscal years ended August 31, 2020 and 2019, respectively. The total payroll of employees covered by the state for ORP was \$2,705,184 and \$2,676,593 for the fiscal years ended August 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 (\$625 per month for fiscal year 2019) and totaled \$786,025 for the year ended August 31, 2020 (\$710,342 for the year ended August 31, 2019). The cost of providing those benefits for 134 retirees in the year ended August 31, 2020 was \$666,448 (retiree benefits for 136 retirees cost \$531,563 in fiscal year 2019). For 290 active employees, the cost of providing benefits was \$2,536,424 for the year ended August 31, 2020 (active employee benefits for 288 employees cost \$2,196,670 for the year ended August 31, 2019). SB 1812, effective September 1, 2013, limits the amount of the State's contribution to 50 percent of eligible employees in the reporting district.

20. Other Post-Employment Benefits (OPEB)

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

OPEB Plan Fiduciary Net Position. Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2019-CAFR>; or by writing ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

Benefit Provisions. Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan. An eligible retiree who has retired from full-time employment does not contribute toward the cost of coverage for himself/herself, but he/she pays a portion of the cost if he/she covers an eligible spouse or dependent child. An eligible retiree who has retired from part-time employment contributes toward the cost of coverage for himself/herself, as well as paying a portion of the cost if he/she covers an eligible spouse or dependent child. The GBP also provides life insurance benefits to eligible retirees via a minimum premium fund arrangement.

The authority under which the obligations of the plan members and Employers are established and/or may be

amended is Chapter 1551, Texas Insurance Code.

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

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

**Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Year 2019 (Measurement Year)**

Retiree Only	\$	624.82
Retiree & Spouse		1,340.82
Retiree & Children		1,104.22
Retiree & Family		1,820.22

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, 2019 and 2018**

	FY 2019	FY 2018
Employers	\$ 330,201	\$ 263,029
Member (Employees)	172,666	174,014
Non-employer Contributing Entity (State of Texas)	16,608	14,208

Actuarial Assumptions. The Total OPEB Liability was determined by an actuarial valuation as of August 31, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

**Actuarial Assumption
State Retiree Health Plan**

Valuation date	August 31, 2019
Actuarial cost method	Entry age
Amortization method	Level percent of payroll, open
Remaining amortization period	30 Years
Asset valuation method	Not applicable because the plan operates on a pay-as-you-go basis
Last experience study	
<u>State Agency Members</u>	5-year period from September 1, 2011 to August 31, 2016
<u>Higher Education members</u>	7-year period from September 1, 2010 to August 31, 2017
Actuarial assumptions:	
Discount rate	2.97%
Projected annual salary increase	2.5% to 9.5%, including inflation
Annual healthcare trend rate	
<u>HealthSelect</u>	7.30% for FY21, 7.40% for FY22, 7.00% for FY23, decreasing 50 basis point per year to an ultimate rate of 4.50% for FY28 and later years
<u>HealthSelect Medicare Advantage</u>	10.80% for FY21, 7.40% for FY22, 7.00% for FY23, decreasing 50 basis point per year to an ultimate rate of 4.50% for FY28 and later years
Inflation assumption rate	2.5%
Ad hoc post-employment benefit changes	None
Mortality Rate	
<u>State Agency Members</u>	
<i>Service retirees, survivors and other inactive members (Regular, Elected, CPO/CO and JRS I and II Employee Classes):</i>	2017 State retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017.
<i>Disability retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes):</i>	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014.
<i>Active members:</i>	RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014.
<u>Higher Education Members</u>	
<i>Service retirees, survivors and other inactive members:</i>	Tables based on Teachers Retirement System of Texas 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 2019 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 State Retiree Health Plan does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate.

The assumption of the discount rate is summarized below:

**Assumptions for Singel Discount Rate
State Retiree Health Plan**

Expected investment rate of return	Not applicable because the plan operates on a pay-as-you-go basis
Municipal bond rate (<i>Note A</i>)	2.97%
Year ficuciary net position depleted	2020
Single Discount Rate	2.97%

Note A: The source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to matureity 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.

Discount Rate Sensitivity. The following schedule shows the impact on the District’s proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (2.97%) in measuring the net OPEB Liability.

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

	1% Decrease in Discount Rate (1.97%)	Discount Rate (2.97%)	1% Increase in Discount Rate (3.97%)
District's proportionate share of the net OPEB liability:	\$ 33,938,026	\$ 28,440,219	\$ 24,209,854

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 7.30% for HealthSelect and 10.8% for HealthSelect Medicare Advantage and the ultimate rate is 4.50% 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 (4.50%) in measuring the net OPEB Liability.

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

	1% Decrease in Discount Rate (3.50%)	Discount Rate (4.50%)	1% Increase in Discount Rate (5.50%)
District's proportionate share of the net OPEB liability:	\$ 23,881,000	\$ 28,440,219	\$ 34,398,073

OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2019, the District reported a liability of \$28,440,219 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 28,440,219
State's proportionate share that is associated with District	<u>15,805,313</u>
Total	<u><u>\$ 44,245,532</u></u>

The net OPEB liability was measured as of August 31, 2019, 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, 2018 thru August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.08228%, which is a decrease of 3.9491% over the proportionate share measured at August 31, 2018 (0.08566%).

For the year ended August 31, 2019, the Districted recognized OPEB expense of \$804,400 and revenue of \$696,772 for support provided by the State.

Changes Since the Previous Other Postemployment Benefits (OPEB) Valuation. The following assumptions have been changed since the previous valuation:

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 male retirees assumed to be married and electing coverage for their spouse.
- Percentage of future retirees and future retiree spouses assumed to use tobacco.

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 discount rate was changed from 3.96% to 2.97% 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.

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

Benefit revisions have been adopted since the prior valuation. The only benefit change for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the fiscal year 2020 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 740,040
Changes in actuarial assumptions	2,023,939	6,355,310
Difference between projected and actual investment earnings	11,693	-
Changes in proportion and difference between the employers contributions and the proportionate share of contributions	5,407,073	1,224,240
Contributions paid to ERS subsequent to the measurement date	<u>438,852</u>	<u>-</u>
Total	<u>\$ 7,881,557</u>	<u>\$ 8,319,590</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:

For the Year Ended August 31,	OPEB Expense Amount
2021	\$ (733,523)
2022	(733,523)
2023	46,280
2024	461,685
2025	82,196
Thereafter	<u>-</u>
	(876,885)
Contributions paid to ERS subsequent to the measurement date	<u>438,852</u>
Total deferred outflows (inflows) of resources, net	<u>\$ (438,033)</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, 2020, 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, 2020, and 2019, for which monies have not been received nor funds expended totaled \$5,609,862 and \$5,441,593, respectively. Of these amounts \$5,567,247 and \$5,326,198 were from Federal Contracts and Grant Awards; \$18,786 and \$91,566 were from State Contracts and Grant Awards; and \$23,829 and \$23,829 were from Local Contracts and Grant Awards at August 31, 2020 and 2019, 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>2020</u>		<u>2019</u>		
Assessed Valuation of the District:		\$ 8,178,759,834		\$ 7,676,493,200		
Less: Exemptions		<u>(891,428,515)</u>		<u>(804,567,236)</u>		
Net Assessed Valuation of the District		<u>\$ 7,287,331,319</u>		<u>\$ 6,871,925,964</u>		
		2020			2019	
	<u>Current</u>	<u>Debt</u>		<u>Current</u>	<u>Debt</u>	
	<u>Operations</u>	<u>Service</u>	<u>Total</u>	<u>Operations</u>	<u>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>	
Assessed Tax Rate						
per \$100 Valuation	<u>\$ 0.182200</u>	<u>\$ 0.038400</u>	<u>\$ 0.220600</u>	<u>\$ 0.182800</u>	<u>\$ 0.223500</u>	

Taxes levied for the years ended August 31, 2020 and 2019 were \$15,261,853 and \$14,474,291, 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>2020</u>			<u>2019</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	\$ 10,647,926	\$ 2,243,105	\$ 12,891,031	\$ 9,502,009	\$ 2,620,074	\$ 12,122,083
Delinquent Taxes Collected	1,834,815	384,264	2,219,079	1,984,183	443,188	2,427,371
Penalties and Interest Collected	101,925	22,506	124,431	111,964	25,878	137,842
Discounts and Commissions	<u>(3,889)</u>	<u>(451)</u>	<u>(4,340)</u>	<u>(9,194)</u>	<u>(2,442)</u>	<u>(11,636)</u>
Total Collections	<u>\$ 12,580,777</u>	<u>\$ 2,649,424</u>	<u>\$ 15,230,201</u>	<u>\$ 11,588,962</u>	<u>\$ 3,086,698</u>	<u>\$ 14,675,660</u>

Tax collections for the years ended August 31, 2020 and 2019 were 97.74% and 98.22%, 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, 2020.

The District did not enter into any tax abatement agreements during the fiscal year ended August 31, 2020.

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 Six Fiscal Years *
(Unaudited)

	Measurement Year					
	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 year	0.0154%	0.0154%	0.0158%	0.0153%	0.0156%	0.0182%
District's proportionate share of collective net pension liability	\$ 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>5,147,553</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>\$ 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	\$ 13,192,885	\$ 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	60.79%	66.38%	43.34%	51.79%	49.12%	43.41%
TRS net pension as percentage of total pension liability	73.74%	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 Six Fiscal Years *
(Unaudited)

	2020	2019	2018	2017	2016	2015
Legally required contributions	\$ 539,961	\$ 536,815	\$ 522,353	\$ 518,778	\$ 484,815	\$ 462,000
Actual contributions	<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 amount	\$ 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	4.07%	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, 2020

1. Comprehensive Annual Financial Report

The Teacher Retirement System of Texas (TRS) is a public employee retirement systems (PERS) that is a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. TRS issues a publicly-available, audited Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes and required supplementary information for the pension plan. That report is available online at www.trs.texas.gov, click “About TRS”, “Publications”, “Financial Reports”. The separately issued GASB 67 Reporting and Disclosure Information Report is available under “About TRS”, “Publications”, “Actuarial Valuation Reports.”

2. Deferred Outflows and Deferred Inflows of Resources by Source for the Pension Plan as a Whole

The recognition period for amortizing the deferred outflows and deferred inflows of resources is set forth by GASB 68, paragraph 71. Depending on the specific deferral, the period is defined as either a fixed, 5 year period or equal to the Average Expected Remaining Service Life (AERSL) of all member in the plan, measured as of the beginning of the measurement period. For the 2019 measurement period ending August 31, 2019, the AERSL was 6.3623 years.

The collective pension expense and collective deferred outflow of resources and collected deferred inflow or resources related to pensions are presented this year on the Schedule of Pension Amounts by Employer. Plan level details are shown in the following tables:

		Total Flow of Resources before Amortization			Current Amortization	Future Amortization		Net Deferred Outflows (Inflows) of Resources	
		Original Amount by Measurement Year - Outflow of Resources	Original Amount by Measurement Year - (Inflow) of Resources	Date Established	Recognition Period in Years	Amount Recognized in Expense in 2019	Balance of Deferred Outflows 08/31/19		Balance of Deferred Inflows 08/31/19
Liabilities	Differences between Actual and Expected Experience	\$ 482,638,639		8/31/2014	6.9406	\$ 69,538,461	\$ 65,407,873		
			\$ (1,588,618,832)	8/31/2015	6.9029	(230,137,889)		\$ (437,929,387)	
		373,668,629		8/31/2016	6.7724	55,175,216	152,967,765		
			(969,830,844)	8/31/2017	6.7496	(143,687,159)		(538,769,367)	
			(982,693,577)	8/31/2019	6.3623	(154,455,712)		(828,237,865)	
		Collective Plan Total				\$ (403,567,083)	\$ 218,375,638	\$ (1,804,936,619)	(1,586,560,981)
	Changes of Assumptions	\$ 2,028,541,342		8/31/2014	6.9406	\$ 292,271,755	\$ 274,910,812		
			\$ (1,474,723,994)	8/31/2015	6.9029	(213,638,325)		\$ (406,532,369)	
				8/31/2016	6.7724				
		700,880,288		8/31/2017	6.7496	103,840,271	389,359,475		
22,106,679			8/31/2018	6.6554	3,321,615,420	15,463,448,423			
	(7,425,278,607)	8/31/2019	6.3623	(1,167,074,581)		(6,258,204,026)			
	Collective Plan Total				\$ 2,337,014,540	\$ 16,127,718,710	\$ (6,664,736,395)	9,462,982,315	
Assets	Differences between Projected & Actual Investment Earnings		\$ (10,205,111,758)	8/31/2014	5				
		\$ 10,881,987,436		8/31/2015	5	\$ 2,176,397,488			
		940,881,965		8/31/2016	5	188,176,393	\$ 188,176,393.0		
			6,508,177,257	8/31/2017	5	(1,301,635,452)		\$ (2,603,270,901)	
		384,706,755		8/31/2018	5	76,941,351	230,824,053		
	3,382,801,237		8/31/2019	5	676,560,247	2,706,240,990			
		Collective Plan Total				\$ 1,816,440,027	\$ 3,125,241,436	\$ (2,603,270,901)	521,970,535
	Changes in % and Difference Between Employer Contributions & % Share of Contributions		\$ 2,730,505	8/31/2014	6.9406	\$ (393,410)		\$ (370,448)	
				8/31/2015	6.9029				
				8/31/2016	6.7724				
			8/31/2017	6.7496					
		(18,456,399)	8/31/2018	6.6554	(2,773,146)		(12,910,107)		
	446,116	8/31/2019	6.3623	70,119	375,997				
	Collective Plan Total				\$ (3,096,437.00)	\$ 375,997.00	\$ (13,280,555)	(12,904,558)	
Grand Total						\$ 3,746,791,047	\$ 19,471,711,781	\$ (11,086,224,470)	\$ 8,385,487,311

a*

Future Deferred Outflow (Inflow) Recognition					
	Difference between Expected & Actual Experiences	Changes in Assumptions	Differences between Projected & Actual Investment Earnings	Change in % and Difference between Actual Contribution & % Share	Net Deferred Outflows (Inflows) of Resources
2020	\$ (407,697,671)	\$ 2,319,653,597	\$ (359,957,461)	\$ (3,073,475)	\$ 1,548,924,990
2021	(450,759,153)	2,065,487,066	(548,133,851)	(2,703,027)	1,063,891,035
2022	(255,525,538)	2,258,381,110	753,501,598	(2,703,027)	2,753,654,143
2023	(262,163,602)	2,232,379,501	676,560,249	(2,703,027)	2,644,073,121
2024	(154,455,712)	1,009,912,162	-	(1,747,404)	853,709,046
2025	(55,959,305)	(422,831,121)	-	25,402	(478,765,024)
Total	\$ (1,586,560,981)	\$ 9,462,982,315	\$ 521,970,535	\$ (12,904,558)	\$ 8,385,487,311

b*

* Note: (a) Grand Total of Net Deferred Outflows (Inflows) of Resources equals (b) Future Deferred Outflow (Inflow) Recognition Total of Net Deferred Outflows (Inflows) of Resources.

3. Employer Contributions

Employer contributions were taken from the TRS system called TRUST for the fiscal year ended August 31, 2019. The employer contributions are the basis of the related schedules and represent what participating employers reported to TRS for the fiscal year. One year of historical reported contributions was used for purposes of preparing the Schedule of Employer's Proportionate Shares (Allocations).

There may be differences in the amount an employer has in their internal records as contributions reported to TRS and the amounts show in the allocation schedules as contributions. The reasons for those differences are explained below. The column titled "Fiscal 2019 Contributions per Trust (column 4) in the Schedule of Pension Amounts by Employer came from TRUST. These amounts best represent future contribution efforts.

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

Situation: An incomplete year (less than 12 months) of reports were submitted as in the case of a new reporting entity or a closed reporting entity.

Adjustment: Amounts were annualized in accordance with GASB guidance.

Situation: Negative adjustments were reported during the current year that pertained to a previous fiscal year.

Adjustment: These amounts were excluded from contributions. Only negative adjustments pertaining to the current year were allowed.

Situation: Positive adjustments were reported during the current year that pertained to a previous fiscal year.

Adjustment: These amounts were included in contributions.

Situation: A reporting entity was merged with another reporting entity during the fiscal year ending 08/31/19.

Adjustment: Contributions are reported under the RE number that was reported to TRS.

Situation: A reporting entity is contributing for more than one entity under the same number in TRUST.

Adjustment: These reporting entities may need to prorate the liability for their audited financial statements between the entities using their internal records. To correct this situation in the future, additional RE numbers should be requested from TRS for each legally separate entity.

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

4. Roll forward Method Used

The actuarial valuation dated August 31, 2018 was used to measure the total pension liability (TPL) as of August 31, 2019. Update procedures were used to roll forward the total pension liability to 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		
	2019	2018	2017
District's proportionate share of collective net OPEB liability based on a measurement period of August 31 of the prior year	0.082285930%	0.085669120%	0.066290320%
District's proportionate share of the net OPEB liability	\$ 28,440,219	\$ 25,390,393	\$ 22,587,109
State's proportionate share of the net OPEB liability associated with the District	<u>15,805,313</u>	<u>13,365,290</u>	<u>20,547,702</u>
Total	<u>\$ 44,245,532</u>	<u>\$ 38,755,683</u>	<u>\$ 43,134,811</u>
District's covered-employee payroll amount related to ERS	\$ 14,597,537	\$ 14,432,673	\$ 14,163,080
District's proportionate share of collective net OPEB liability as a percentage of covered payroll related to ERS	194.83%	175.92%	159.48%
ERS plan fiduciary net position as a percentage of the total OPEB liability	0.17%	1.27%	2.04%

* 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)**

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

1. Significant Methods and Assumptions

Valuation Date:	August 31, 2019
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	2.5%
Healthcare cost trends	
<u>HealthSelect</u>	7.30% for FY21, 7.40% for FY22, 7.00% for FY23, decreasing 50 basis point per year to an ultimate rate of 4.50% for FY28 and later years
<u>HealthSelect Medicare Advantage</u> (1)	10.80% for FY21, 7.40% for FY22, 7.00% for FY23, decreasing 50 basis point per year to an ultimate rate of 4.50% for FY28 and later years
	(1) The HealthSelect Medicare Advantage Trend is projected to be higher in FY2021 as a result of the reinstatement of the ACA Health Insurance Providers Fee in CY2020 following its suspension in CY2019.
Salary increases	2.5% to 9.5%, including inflation
Discount rate	2.97%
Aggregate payroll growth	3.00%
Retirement age	Experience-based tables of rates that are specific to the class of employee
Mortality Rate	
<u>State Agency Members</u>	
<i>Service retirees, survivors and other inactive members (Regular, Elected, CPO/CO and JRS I and II Employee Classes):</i>	2017 State retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017.
<i>Disability retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes):</i>	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014.
<i>Active members:</i>	RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014.
<u>Higher Education Members</u>	
<i>Service retirees, survivors and other inactive members:</i>	Tables based on Teachers Retirement System of Texas 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

The following assumptions have been changed since the previous valuation:

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 male retirees assumed to be married and electing coverage for their spouse.
- Percentage of future retirees and future retiree spouses assumed to use tobacco.

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 discount rate was changed from 3.96% to 2.97% 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 June 11, 2019 for a complete list of previous economic assumptions.

Benefit revisions have been adopted since the prior valuation. The only benefit change for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families in order to remain consistent with Internal Revenue Service maximums.

This minor benefit change is provided for in the fiscal year 2020 Assumed Per Capita Health Benefit Costs.

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Revenues
For the Year Ended August 31, 2020 and 2019

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Current Year	Prior Year
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 3,589,106	\$ -	\$ 3,589,106	\$ -	\$ 3,589,106	\$ 3,461,258
Out-of-district resident tuition	2,827,477	-	2,827,477	-	2,827,477	2,637,602
Non-resident tuition	92,867	-	92,867	-	92,867	67,917
TPEG set aside (set aside)*	219,992	-	219,992	-	219,992	244,728
State funded continuing education	783,781	-	783,781	-	783,781	1,933,333
Non-state funded continuing education	207,180	-	207,180	-	207,180	233,293
Total Tuition	<u>7,720,403</u>	<u>-</u>	<u>7,720,403</u>	<u>-</u>	<u>7,720,403</u>	<u>8,578,131</u>
Fees:						
General fee	3,461,106	-	3,461,106	-	3,461,106	3,133,875
Technology fee	1,783,125	-	1,783,125	-	1,783,125	1,729,032
Out-of-district fees	2,252,210	-	2,252,210	-	2,252,210	2,184,513
Laboratory fee	239,260	-	239,260	-	239,260	229,833
Course fees	261,915	-	261,915	-	261,915	245,197
Total Fees	<u>7,997,616</u>	<u>-</u>	<u>7,997,616</u>	<u>-</u>	<u>7,997,616</u>	<u>7,522,450</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	(348,087)	-	(348,087)	-	(348,087)	(327,476)
Title IV federal grants	(4,504,992)	-	(4,504,992)	-	(4,504,992)	(4,508,682)
TPEG awards	(141,356)	-	(141,356)	-	(141,356)	(460,052)
Other state grants	(245,456)	-	(245,456)	-	(245,456)	(258,815)
Other local scholarships	(1,243,673)	-	(1,243,673)	-	(1,243,673)	(1,232,741)
Total Scholarship Allowances	<u>(6,483,564)</u>	<u>-</u>	<u>(6,483,564)</u>	<u>-</u>	<u>(6,483,564)</u>	<u>(6,787,766)</u>
Total Net Tuition and Fees	<u>9,234,455</u>	<u>-</u>	<u>9,234,455</u>	<u>-</u>	<u>9,234,455</u>	<u>9,312,815</u>
Additional Operating Revenues:						
Federal grants and contracts	25,300	3,145,729	3,171,029	-	3,171,029	1,401,693
State grants and contracts	-	300,881	300,881	-	300,881	383,138
Local grants and contracts	-	11,586	11,586	-	11,586	11,519
Nongovernmental grants and contracts	997,920	353,782	1,351,702	-	1,351,702	1,364,077
Sales and services of educational activities	477,741	-	477,741	-	477,741	434,594
General operating revenues	171,645	-	171,645	-	171,645	248,094
Total Additional Operating Revenues	<u>1,672,606</u>	<u>3,811,978</u>	<u>5,484,584</u>	<u>-</u>	<u>5,484,584</u>	<u>3,843,115</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	2,013,538	2,013,538	2,625,574
Title IV federal grants	-	-	-	(396,789)	(396,789)	(407,829)
TPEG awards	-	-	-	(11,346)	(11,346)	(41,614)
Other state grants	-	-	-	(19,702)	(19,702)	(23,411)
Other local scholarships	-	-	-	(99,827)	(99,827)	(111,507)
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,485,874</u>	<u>1,485,874</u>	<u>2,041,213</u>
Conference & Education Center	-	-	-	184,977	184,977	381,160
Facilities rentals	-	-	-	361	361	2,825
Leo J. Welder Center for Performing Arts	-	-	-	452,924	452,924	133,920
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,124,136</u>	<u>2,124,136</u>	<u>2,559,118</u>
Total Operating Revenues	<u>\$ 10,907,061</u>	<u>\$ 3,811,978</u>	<u>\$ 14,719,039</u>	<u>\$ 2,124,136</u>	<u>\$ 16,843,175</u> (Exhibit 2)	<u>\$ 15,715,048</u> (Exhibit 2)

* In accordance with Education Code 56.003, \$219,992 and \$244,728 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2020 and 2019, respectively.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Operating Expenses by Object
 For the Year Ended August 31, 2020 and 2019

	Operating Expenses				Current Year Total	Prior Year Total
	Salaries and Wages	State Benefits	Local Benefits	Other Expenses		
Unrestricted - Educational Activities						
Instruction	\$ 8,113,589	\$ -	\$ 2,345,398	\$ 935,773	\$ 11,394,760	\$ 11,739,924
Public service	36,299	-	11,218	199,296	246,813	224,020
Academic support	1,872,957	-	602,237	535,788	3,010,982	3,114,039
Student services	1,510,828	-	583,527	230,644	2,324,999	2,239,935
Institutional support	3,156,189	-	1,135,684	2,021,984	6,313,857	6,315,387
Operation and maintenance of plant	1,501,142	-	935,978	1,853,363	4,290,483	3,912,293
Scholarships and fellowships	118,483	-	-	997,920	1,116,403	1,160,185
Total Unrestricted Educational Activities	16,309,487	-	5,614,042	6,774,768	28,698,297	28,705,783
Restricted - Educational Activities						
Instruction	644,655	826,973	182,558	211,006	1,865,192	1,654,619
Public service	-	3,441	-	-	3,441	-
Academic support	22,217	219,572	5,985	21,722	269,496	197,496
Student services	241,028	222,027	56,465	159,316	678,836	636,118
Institutional support	12,467	428,196	2,134	606,781	1,049,578	327,946
Scholarships and fellowships	62,734	-	-	8,492,801	8,555,535	8,005,713
Total Restricted Educational Activities	983,101	1,700,209	247,142	9,491,626	12,422,078	10,821,892
Total Educational Activities	17,292,588	1,700,209	5,861,184	16,266,394	41,120,375	39,527,675
Auxiliary Enterprises	525,080	-	267,168	2,210,539	3,002,787	3,122,601
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	1,754,823	1,754,823	1,760,858
Equipment and furniture	-	-	-	854,574	854,574	940,574
Library volumes and periodicals	-	-	-	24,718	24,718	24,118
Total Operating Expenses	\$ 17,817,668	\$ 1,700,209	\$ 6,128,352	\$ 21,111,048	\$ 46,757,277 (Exhibit 2)	\$ 45,375,826 (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2020 and 2019

	Unrestricted	Restricted	Auxiliary Enterprises	Current Year	Prior Year
Non-Operating Revenues					
State Allocations:					
Education and general state support	\$ 5,536,875	\$ -	\$ -	\$ 5,536,875	\$ 5,624,535
State group insurance	-	804,400	-	804,400	696,772
State retirement matching	-	895,809	-	895,809	636,899
Total State Allocations	<u>5,536,875</u>	<u>1,700,209</u>	<u>-</u>	<u>7,237,084</u>	<u>6,958,206</u>
Ad valorem taxes:					
Taxes for maintenance and operations	12,580,777	-	-	12,580,777	11,588,962
Taxes for debt service	-	2,649,424	-	2,649,424	3,086,698
Title IV	-	6,761,192	-	6,761,192	6,844,013
Gifts	279,495	-	-	279,495	396,312
Investment income	206,640	47,023	1,024	254,687	346,067
Total Non-Operating Revenues	<u>18,603,787</u>	<u>11,157,848</u>	<u>1,024</u>	<u>29,762,659</u>	<u>29,220,258</u>
Non-Operating Expenses					
Interest on capital related debt	-	632,528	-	632,528	1,505,062
Total Non-Operating Expenses	<u>-</u>	<u>632,528</u>	<u>-</u>	<u>632,528</u>	<u>1,505,062</u>
Net Non-Operating Revenues	<u>\$ 18,603,787</u>	<u>\$ 10,525,320</u>	<u>\$ 1,024</u>	<u>\$ 29,130,131</u> (Exhibit 2)	<u>\$ 27,715,196</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2020 and 2019

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total
	Unrestricted	Expendable	Non-Expendable		
Current					
Unrestricted	\$ (26,338,090)	\$ -	\$ -	\$ -	\$ (26,338,090)
Restricted for:					
Expendable:					
Student aid	-	322,919	-	-	322,919
Unexpended bond proceeds	-	-	-	2,699,598	2,699,598
Plant					
Debt service	-	477,581	-	-	477,581
Investment in plant	-	-	-	31,630,243	31,630,243
Total Net Position, August 31, 2020	<u>(26,338,090)</u>	<u>800,500</u>	<u>-</u>	<u>34,329,841</u>	<u>8,792,251</u> (Exhibit 1)
Total Net Position, August 31, 2019	<u>(25,543,559)</u>	<u>780,635</u>	<u>-</u>	<u>34,336,086</u>	<u>9,573,162</u> (Exhibit 1)
Adjustment to net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Position	<u>\$ (794,531)</u>	<u>\$ 19,865</u>	<u>\$ -</u>	<u>\$ (6,245)</u>	<u>\$ (780,911)</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2020 and 2019
(continued)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ (26,338,090)	\$ -	(25,543,559)	\$ (25,543,559)	\$ -
Restricted for:					
Expendable:					
Student aid	-	322,919	332,343	-	332,343
Unexpended bond proceeds	-	2,699,598	2,610,357	-	2,610,357
Plant					
Debt service	-	477,581	448,292	-	448,292
Investment in plant	-	31,630,243	31,725,729	-	31,725,729
Total Net Position, August 31, 2020	(26,338,090)	35,130,341	9,573,162 (Exhibit 1)	(25,543,559)	35,116,721
Total Net Position, August 31, 2019	(25,543,559)	35,116,721	11,663,006 (Exhibit 2)	(22,827,113)	34,490,119
Adjustment to net position	-	-	-	-	-
Net Increase (Decrease) in Net Position	\$ (794,531)	\$ 13,620	(2,089,844) (Exhibit 2)	\$ (2,716,446)	\$ 626,602

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2020

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	\$ 234,505
Total U.S. Department of Commerce				<u>234,505</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Direct Programs:</i>				
Federal Supplemental Educational Opportunity Grants	84.007	*	P007A197874	105,000
Federal Work-Study Program	84.033	*	P033A197874	83,247
Federal Work-Study Program	84.033	*	P033A207874	2,639
TRIO - Student Support Services	84.042		P042A151187	285,598
Federal Pell Grant Program	84.063	*	P063P192339	4,773,628
Federal Pell Grant Program	84.063	*	P063Q192339	7,345
Federal Direct PLUS Loans	84.268	*	P268K202339	44,492
Federal Direct Student Loans - Subsidized	84.268	*	P268K202339	718,690
Federal Direct Student Loans - Unsubsidized	84.268	*	P268K202339	1,033,495
COVID-19 - Victoria College 2020 CARES Act Higher Education Emergency Relief Fund Grant for Direct Aid to Students	84.425E	*	P425E201251	840,453
COVID-19 - Victoria College 2020 CARES Act Higher Education Emergency Relief Fund Institutional Portion	84.425F		P425F202034	487,842
COVID-19 - Victoria College 2020 CARES Act Higher Education Emergency Relief Fund Grant for Minority-Serving Institutions	84.425L		P425L200275	51,441
Child Care Access Means Parents in School 2019-2023 Project	84.335A		P335A190346	<u>26,985</u>
Total Direct Programs				<u>8,460,855</u>
<i>Pass Through From Texas Workforce Commission:</i>				
Adult Education - Basic Grants to States	84.002		1918ALAB00	506,994
Adult Education - Basic Grants to States	84.002		1918ALAC00	94,213
Adult Education - Basic Grants to States	84.002A		1919AEL000	195,848
Adult Education - Basic Grants to States	84.002A		1919AEL001	<u>127,418</u>
Total Texas Workforce Commission				<u>924,473</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>				
Career and Technical Education - Basic Grants to States	84.048A		204270	<u>179,771</u>
Total Texas Higher Education Coordinating Board				<u>179,771</u>
Total U.S. Department of Education				<u>9,565,099</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		5U77HP01066-17-00	<u>94,928</u>
Total UTMB				<u>94,928</u>
Total U.S. Department of Health and Human Services				<u>94,928</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through Texas Department of Public Safety:</i>				
Disaster Grants - Public Assistance Presidentially Declared Disasters	97.036		4332DR-TX (4332DR)	<u>6,695</u>
Total U. S. Department of Homeland Security				<u>6,695</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES				
<i>Direct Programs:</i>				
Promotion of the Humanities Division of Preservation & Access	45.164		GA-274363-20	10,763
Division of Preservation & Access	45.301		MA-35-19-0202-19	<u>27,576</u>
Total National Endowment for the Humanities				<u>38,339</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 9,939,566</u>

* Direct Student Financial Aid Cluster

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020**

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

Direct federal grants and contracts revenue per Schedule A	\$ 3,171,029
Direct federal revenue, non-operating - Schedule C	6,761,192
Administration cost recovery (included in other revenue)	7,345
Total Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 9,939,566

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)	\$ 1,796,677	\$ -	\$ 1,796,677

Note 5: Nonmonetary Federal Assistance Received

No nonmonetary federal assistance was received.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Expenditures of State Awards
 For the Year Ended August 31, 2020

<u>Grantor Agency/ Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
Texas Educational Opportunity Grant Program	-	\$ 265,158
Texas Public Education Grant Program	-	229,418
Law Enforcement Officer Standards & Education	-	165
2018 College Readiness and Success Models for 60x30TX (CRSM-2018)	20529	35,558
Total Direct Funding		<u>530,299</u>
Total Texas Higher Education Coordinating Board		<u>530,299</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 530,299</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, 2020

Note 1: State Assistance Reconciliation

State Assistance Reconciliation	
per Schedule of Expenditures of State Awards	\$ <u>530,299</u>
Less: TPEG (included in "Tuition" section)	<u>(229,418)</u>
Total included in "Tuition and Fees"	<u>(229,418)</u>
Total State Revenues per Schedule A	<u>\$ 300,881</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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, 2020, 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 16, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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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

Casco & Associates, PC
Brownsville, Texas
November 16, 2020



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**

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

Report on Compliance for Each Major Federal Program

We have audited 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, 2020. 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, 2020.

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.



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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

Cascos & Associates, PC
Brownsville, Texas
November 16, 2020

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report on financial statements:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
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
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	No
Major federal programs	Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.063, and 84.268)

II. Financial Statement Findings

The audit disclosed no finding required to be reported.

III. Federal Award Findings and Questioned Costs

None reported.