



ANNUAL FINANCIAL REPORT FY 2020



**ANNUAL
FINANCIAL REPORT**

TEXAS STATE TECHNICAL COLLEGE

FISCAL YEAR ENDED AUGUST 31, 2020

**Texas State Technical College
Annual Financial Report
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OFFICE OF THE CHANCELLOR

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November 16, 2020

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller of Public Accounts
Jerry McGinty, Director, Legislative Budget Board
Lisa Collier, First Assistant State Auditor

All:

We are pleased to submit the Annual Financial Report of Texas State Technical College for the year ended August 31, 2020, in compliance with Texas Government Code §2101.011 and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in **Governmental Accounting Standards Board (GASB) Statement No. 34**, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Anju Motwani at 254-867-3895. Christopher Greenwood may be contacted at 254-867-3931 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,



Michael L. Reeser
Chancellor & Chief Executive Officer

TEXAS STATE TECHNICAL COLLEGE

ORGANIZATIONAL DATA For the Fiscal Year Ended August 31, 2020

Board of Regents

Officers

John K. Hatchel	Woodway, Texas	Chairman of the Board
Curtis Cleveland	Waco, Texas	Vice Chairman
Tony Abad	Waco, Texas	Executive Committee
Tiffany Tremont	New Braunfels, Texas	Executive Committee

	<u>Members</u>	Term Expires
Alejandro “Alex” Meade, III	Mission, Texas	<u>August 31,</u>
Curtis Cleveland	Waco, Texas	2021
Tony Abad	Waco, Texas	2021
		<u>February 1,</u>
John K. Hatchel	Woodway, Texas	2023
Tiffany Tremont	New Braunfels, Texas	2023
Charles “Pat” McDonald	Richmond, Texas	2023
		<u>August 31,</u>
Keith Honey	Longview, Texas	2025
Kathy Powell	San Angelo, Texas	2025
Ron Widup	Arlington, Texas	2025

Key Officers

Michael L. Reeser	Chancellor & Chief Executive Officer
Gail Lawrence	Executive Vice Chancellor & Chief of Staff to the Chancellor & CEO
Roger Miller	Senior Vice Chancellor & Chief Government Affairs Officer
Jonathan Hoekstra	Vice Chancellor & Chief Financial Officer
Rick Herrera	Vice Chancellor & Chief Student Services Officer
Michael Bettersworth	Vice Chancellor & CEO of Center for Employability Outcomes
Jeff Kilgore	Vice Chancellor & Chief Academic Officer
Ray Rushing	Vice Chancellor & Chief Legal Officer & General Counsel

Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2020

Introduction

Texas State Technical College (TSTC) was established in 1965 as the James Connally Technical Institute (JCTI) of Texas A&M University to meet the state's evolving workforce needs. In 1969, the JCTI separated from Texas A&M and became an independent state system with a new name, Texas State Technical Institute (TSTI), and its own Board of Regents. As the demand for quality technical education continued to grow, extension centers and new campuses were established throughout the state of Texas. TSTI was renamed to Texas State Technical College in 1991.

TSTC has been in continuous operation for over 50 years, and has demonstrated stability and a strong financial base to support economic development in Texas. In 2015, TSTC's ten campuses were integrated to pursue single accreditation and align programs to better serve the state. TSTC is the only college in Texas to adopt a funding model based on student employment outcomes, aligning with its purpose of strengthening Texas with a highly skilled, technically competent workforce. TSTC is also the only state-supported multiple campus technical college in Texas. With a statewide role and mission, TSTC is efficiently and effectively helping Texas meet the high-tech challenges of today's global economy. To date, TSTC has graduated over 100,000 students into the State's workforce.

Overview of the Financial Statements

The objective of Management's Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of TSTC as of and for the years ended August 31, 2020 and 2019, with an emphasis on the current year. Management has prepared the financial statements and related footnote disclosures, along with this MD&A. The following discussion should be read in conjunction with the accompanying transmittal letter, financial statements, and note disclosures.

TSTC's financial report includes three primary financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The financial statements are prepared applying the following principles and standards:

- Reporting is on the full accrual basis of accounting and all current year revenues and expenses are recognized when earned and incurred, regardless of when the cash is received or disbursed.

Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2020

- Depreciation and amortization expense on capital assets is reported as an operating expense on the Statement of Revenues, Expenses and Changes in Net Position. The historical cost of capital assets, net of accumulated depreciation and amortization, is reported on the Statement of Net Position.
- Revenues and expenses are categorized as operating and non-operating. Revenues from state appropriations, gifts, and investment income are reported as non-operating revenue in accordance with GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, as amended.

Financial Highlights

- TSTC's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources in 2020, resulting in a net position of \$155.0 million. Unrestricted net position, which may be used for future obligations, was \$42.1 million, or 27.1%, of total net position as of August 31, 2020.
- TSTC ended the fiscal year with a decrease in net position of \$6.0 million, compared to a \$27.2 million positive change in 2019. The primary cause of the large positive change in 2019 was due to a supplemental appropriation of \$29.6 million received for the demolition and abatement of facilities on the Waco campus, which was offset with a \$6.2 million additional expense for Other Post-Employment Benefits (OPEB), and a surplus from operations of \$3.8 million. In 2020, a \$4.7 million surplus from operations was offset by OPEB expenses of \$8.7 million and \$2.0 million of expenditures from the supplemental appropriation.
- In 2020, TSTC added over \$18.5 million in capital assets, however this was offset by depreciation expense of approximately \$15.6 million. Additions include \$5.8 million of construction in progress, \$7.7 million in completed buildings and building improvement projects, and \$5.0 million in equipment and other improvements. TSTC continually makes new investments in capital assets.

Statement of Net Position

The Statement of Net Position presents the financial position of TSTC at fiscal year-end. Readers of this statement are able to determine the assets available to continue operations and the amount that TSTC owes to vendors, bond holders, and lending institutions. The Statement of Net Position provides an overview of the resources that are available to cover expenses. When revenues and other support exceed expenses, the result is an increase in net position. The change in net position is one indicator of whether the financial condition has improved or worsened during the fiscal year, but many other non-financial factors, such as enrollment, student retention, and condition of facilities must also be considered when assessing the overall health of TSTC.

Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2020

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows and net position of TSTC as of the end of the year. The net position section of the statement is reported by three major categories: Net Investment in Capital Assets, Restricted, and Unrestricted. The Net Investment in Capital Assets section presents TSTC's equity in property, plant, and equipment, net of accumulated depreciation and amortization, capital asset related bonds and other debt. Restricted Net Position is reported for amounts subject to constraints that are either externally imposed or imposed by law. Unrestricted Net Position is available for any lawful purpose of TSTC.

The following table reflects the Condensed Comparative Statement of Net Position for TSTC as of August 31, 2020 and 2019. The section below includes explanations and management's analysis of significant changes within the Statement of Net Position:

Texas State Technical College
Condensed Comparative Statements of Net Position
As of August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>% Increase (Decrease)</u>
Assets and Deferred Outflows of Resources			
Current Assets	\$ 145,725,788	\$ 121,479,334	20.0%
Non-Current Assets			
Capital Assets, Net	222,499,497	219,657,365	1.3%
Other Non-Current Assets	585,546	582,507	0.5%
Deferred Outflows of Resources	43,508,685	37,788,534	15.1%
Total Assets and Deferred Outflows of Resources	<u>412,319,516</u>	<u>379,507,740</u>	<u>8.6%</u>
Liabilities and Deferred Inflows of Resources			
Current Liabilities	52,701,897	48,299,770	9.1%
Non-Current Liabilities			
Long-term Debt	125,540,531	105,613,965	18.9%
Other Non-Current Liabilities	61,330,503	47,245,710	29.8%
Deferred Inflows of Resources	17,687,089	17,336,998	2.0%
Total Liabilities and Deferred Inflows of Resources	<u>257,260,020</u>	<u>218,496,444</u>	<u>17.7%</u>
Net Position			
Net investment in capital assets	110,897,237	107,111,531	3.5%
Restricted, expendable	1,485,891	1,579,013	-5.9%
Restricted, non-expendable	585,546	582,507	0.5%
Unrestricted	42,090,822	51,738,245	-18.6%
Total Net Position	<u>155,059,495</u>	<u>161,011,296</u>	<u>-3.7%</u>
Total Liabilities and Net Assets	<u>\$ 412,319,516</u>	<u>\$ 379,507,740</u>	<u>8.6%</u>

Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2020

Current Assets

Current assets increased by \$24.4 million, or 20.0%, in 2020 primarily due to restricted short-term investments, which includes bond proceeds from the issuance of a \$30.0 million revenue financing system improvement bond obtained for the expansion and improvement of facilities at the Waco, Harlingen, and Fort Bend County campuses. At August 31, 2020, approximately \$6.7 million of the bond proceeds had been spent. Additionally, current assets also include a legislative appropriation balance of \$38 million, of which approximately \$27.9 million is related to the supplemental appropriation received in 2019. The total appropriation received was \$29.6 million for the abatement and demolition of certain facilities on the Waco campus. This project is anticipated to be completed over a six year period. A majority of the project will be the abatement and demolition of World War II era military housing units, but it will also include site reclamation and realignment of the campus.

Non-Current Assets – Capital Assets, Net

Net Capital Assets increased by \$2.8 million in 2020. Additions to capital of approximately \$18.5 million were almost completely offset by the disposal of fully depreciated assets during the year of approximately \$2.3 million, and depreciation expense of \$15.6 million. Major additions to assets in 2020 included: \$5.8 million for various construction projects in progress including \$2.4 million for the expansion of the welding program in Fort Bend County, \$1.1 million for a new residence hall in Waco, and other expansion projects statewide that are expected to be completed by the end of the calendar year 2021. Additions to buildings and building improvements included: \$2.4 million for the Electrical Lineworker facility in Fort Bend County, \$1.0 million for the expansion of the welding program in Waco, \$1.7 million for the expansion of the welding program in Harlingen, \$1.0 million for the renovation of an airport hangar in Waco, and several smaller additions and improvements to buildings statewide totaling approximately \$1.6 million. Other capital additions in 2020 include \$3.2 million for various equipment including information technology servers and technical training tools, approximately \$1.4 million for vehicles and various improvements, and approximately \$386,000 for land purchases.

Other Non-Current Assets

Other non-current assets consists of cash and investments from endowment funds. No new endowments were received in 2020.

Deferred Outflows of Resources

Deferred outflows of resources increased by \$5.7 million, or 15.1%, in 2020 primarily due to the recognition of an additional \$6.8 million in deferred outflows of resources related to other post-employment benefits (OPEB). Material factors that impact the OPEB deferred outflows amount include changes in actuarial assumptions and a change in the proportion of the College's share of the State of Texas' total amount. The calculation for TSTC's

Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2020

share of the deferred outflows, deferred inflows, and related liability is calculated and provided by the State Comptroller's Office.

Current Liabilities

Current liabilities increased by \$4.4 million, or 9.1%, in 2020. The increase is due to amounts owed at fiscal year-end for several ongoing construction related projects.

Non-Current Liabilities

Non-current liabilities mainly consist of non-current portions of notes and loans payable, revenue bonds payable, net pension and other post-employment benefits liability, employees' compensable leave payable, and capital lease obligations. The increase in long-term debt of \$20.0 million, or 18.9% is primarily due to the issuance of a revenue financing system improvement bond of \$30.0 million for the renovation and expansion of several facilities in Waco, Harlingen, and Fort Bend County, which was offset by the FY 2020 amortization and debt service principal payments on existing debt. Other non-current liabilities increased \$14.1 million, or 29.8%, mainly due to a \$14.5 million increase in TSTC's OPEB liability as a result of the State's change in the calculation method.

Deferred Inflows of Resources

Deferred inflows of resources did not materially change in 2020. Both OPEB and pensions have a netting requirement to net deferred outflows and inflows across measurement periods arising from the difference between projected and actual investment return.

Total Net Position

Total net position represents the residual interest in TSTC's total assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Total net position decreased by \$6.0 million, or 3.7%, in 2020, as explained in the *Financial Highlights* section above.

Restricted Net Position

Restricted net position includes TSTC's grants subject to externally imposed restrictions governing their use as well as interest earned on proceeds from the issuance of bonds. In total, restricted net position decreased by approximately \$90,000 or 5.9%, in 2020 mainly due to the expenditure of interest received from bond proceeds.

Unrestricted Net Position

Unrestricted net position decreased by \$9.6 million, or 18.6%, in 2020 primarily due to the increase in OPEB expense and expenditures of the supplemental appropriation for the abatement and demolition at the Waco campus.

Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2020

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents TSTC's revenues earned and the expenses incurred, regardless of when cash is received or paid. Activities are reported as either operating or non-operating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal course of operations, including a provision for depreciation and amortization on capital assets. Additionally, TSTC relies heavily on revenue sources such as state appropriations and certain grants, which are required to be reported as non-operating revenues per GASB Statement No. 35. Revenues are reported by major source, and expenses are reported on the face of the statement by functional categories as defined by the National Association of College and University Business Officers (NACUBO).

The following table reflects TSTC's condensed comparative Statement of Revenues, Expenses, and Changes in Net Position for the years ended August 31, 2020 and 2019:

Texas State Technical College
Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position
As of August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>% Increase (Decrease)</u>
Operating Revenue	\$ 54,917,975	\$ 56,267,348	-2.4%
Operating Expenses	(204,199,957)	(187,431,405)	8.9%
Operating Income (Loss)	(149,281,982)	(131,164,057)	13.8%
Non-Operating Revenues (Expenses)	137,269,007	148,604,223	-7.6%
Income (Loss) Before Other Rev., Exp. and Transfers	(12,012,975)	17,440,166	-168.9%
Other Revenues, Expenses and Transfers	6,087,174	9,711,139	-37.3%
Change in Net Position	(5,925,801)	27,151,306	-121.8%
Net Position, Beginning of Year	161,011,296	133,861,376	20.3%
Restatement	(26,000)	(1,386)	1775.9%
Restated Net Position, Beginning of Year	160,985,296	133,859,990	20.3%
Net Position, End of Year	\$ 155,059,495	\$ 161,011,296	-3.7%

Operating Revenues

TSTC's primary sources of operating revenues are tuition and fees and federal, state, and local grants. Net tuition and fees represents over 50% of operating revenues, and are reflected in the financial statements with associated scholarship discounts and allowances shown separately. Operating revenues totaled \$54.9 million in 2020, a

Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2020

decrease of \$1.3 million, or 2.4%. Net auxiliary revenues, sales of other goods and services, and interest income were impacted by approximately \$4.2 million due to the Coronavirus pandemic. During the initial period of the pandemic from March to April of 2020, TSTC moved most student learning delivery to an online format which significantly impacted auxiliary and other workforce training related sales. Interest income was impacted due to the economic slowdown caused by the pandemic. In May 2020, the College began to bring back students, faculty, and limited staff to campus, however, only for those programs that were hands-on and could not be completed in an online format. After completion of the delayed Spring semester and an abbreviated Summer semester, net tuition for fiscal year 2020 was only \$200,000 less than fiscal year 2019 totals. The reduction in auxiliary revenues, interest income, and other sales was offset with an increase of about \$3.0 million in grants explained below.

Federal, state, local, and private grant revenues, representing 27.0% of operating revenues, are mainly received from governmental and private sources and are related to skills development and scholarship programs. In 2020, a slight decrease in typical grant activity was offset with approximately \$5.2 million recognized from The Coronavirus Aid, Relief, and Economic Security (CARES) Act Higher Education Emergency Relief Fund (HEERF). A total of \$10.6 million in CARES act grants were awarded to TSTC, however, only \$5.2 million was expended in 2020. Of the \$10.6 million, \$5.0 million was designated to be awarded directly to students and the remaining \$5.6 million was awarded to the College for expenses related to the change in instructional format and for the purchase of supplies and equipment needed to continue operations during the pandemic. The College expended \$4.6 million of the \$5.0 million student portion in 2020. The remainder of the funds will be expended by May 2021.

Operating Expenses

Operating expenses totaled \$204.2 million in 2020, an increase of \$16.8 million, or 8.95%, over 2019. Just over \$13.0 million of the increase is attributable to payroll and payroll related costs. At the beginning of fiscal year 2020, the College made broad investments to salaries and wages of faculty and staff to more closely align to the higher education employment market. Payroll related costs includes OPEB expense of about \$8.7 million, an increase of \$2.5 million over 2019. Scholarship expense increased by about \$4.1 million primarily due to the CARES act funding received that was passed through to students. Other areas of expenditures such as travel, materials and supplies, cost of goods sold, saw a decrease of about \$2.0 million due to the conservative approach taken in spending amidst the pandemic.

Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2020

The table below shows the amount and percentage change of operating expenses based on natural classification for the year ended August 31, 2020:

Texas State Technical College
Operating Expenses by Natural Classification
For the Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>% Increase (Decrease)</u>
Operating Expenses			
Cost of Goods Sold	\$ 1,939,114	\$ 3,135,538	-38.16%
Salaries and Wages	88,425,101	80,881,792	9.33%
Payroll Related Cost	43,189,860	37,332,524	15.69%
Professional Fees and Services	965,561	914,878	5.54%
Travel	848,629	1,338,854	-36.62%
Materials and Supplies	12,167,242	12,822,954	-5.11%
Communications and Utilities	5,476,417	6,049,974	-9.48%
Repairs and Maintenance	3,975,318	3,080,580	29.04%
Rentals and Leases	2,917,759	2,359,592	23.66%
Printing and Reproduction	120,190	145,604	-17.45%
Depreciation and Amortization	15,605,321	15,243,248	2.38%
Interest	69	463	-85.06%
Scholarships	20,893,735	16,759,668	24.67%
Other Operating Expenses	<u>7,675,639</u>	<u>7,365,737</u>	<u>4.21%</u>
Total Operating Expenses	\$ <u>204,199,957</u>	\$ <u>187,431,405</u>	<u>8.95%</u>

Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2020

The table below shows the amount and percentage change of operating expenses based on NACUBO functional (programmatic) classification for the year ended August 31, 2020:

Texas State Technical College
Operating Expenses by NACUBO Function
For the Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>% Increase (Decrease)</u>
Operating Expenses			
Instruction	\$ 70,932,187	\$ 66,081,682	7.34%
Research	374,228	306,868	21.95%
Public Service	20,555	13,261	55.00%
Academic Support	18,831,524	15,655,644	20.29%
Student Services	19,720,399	19,019,976	3.68%
Institutional Support	31,964,291	28,521,040	12.07%
Operations and Maintenance of Plant	17,030,655	15,644,507	8.86%
Scholarships and Fellowships	20,680,275	16,405,454	26.06%
Auxiliary Enterprises	9,040,524	10,539,726	-14.22%
Depreciation and Amortization	<u>15,605,321</u>	<u>15,243,248</u>	<u>2.38%</u>
Total Operating Expenses	\$ <u>204,199,957</u>	\$ <u>187,431,405</u>	<u>8.95%</u>

Non-operating Revenues and Expenses

Certain significant recurring revenues and expenses are considered non-operating. TSTC's primary non-operating revenues comes from state appropriations, federal Pell grant revenue, and gifts. TSTC's major non-operating expense consists of interest expense and fiscal charges and other non-operating expenses. Legislative revenue decreased by \$7.2 million, or 5.78% in 2020. However, in 2019, legislative revenue included \$29.6 million in supplemental appropriations received for the facilities demolition explained previously. Without considering the \$29.6 million supplemental appropriation in 2019, regular legislative appropriations increased by \$22.4 million in 2020.

Other Revenues, Expenses, and Transfers

Other revenues, expenses, and transfers is comprised of capital contributions, annual HEF capital appropriations, and net transfers for leased equipment from the Texas Public Finance Authority (TPFA). In 2020, a decrease in

Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2020

total other revenues, expenses, and transfers of \$3.6 million, or 37.32%, relates to a decrease in capital contributions by \$2.7 million due to several large capital donations in 2019, and a decrease of close to \$1.0 million in transfers due to fewer assets being transferred to the College from TPFA.

Debt Administration

As of August 31, 2020 and 2019, TSTC had \$136.7 million and \$115.7 million in outstanding debt, respectively. Bonds payable represents the largest portion of the College's liabilities. All bonds relate to the financing of capital building projects and program expansions. The General Obligation Bonds maintain a credit rating of "AAA" and "Aaa" from two major bond rating agencies, Fitch and Moody's, respectively. The Revenue Financing System Bonds maintain a credit rating of "A+" and "A1" from the same bond rating agencies. More detailed information regarding the College's bonded indebtedness is provided in Note 5, *Long-Term Liabilities*, and Note 6, *Bonded Indebtedness*, in the accompanying Notes to the Financial Statements.

The TSTC Foundation

TSTC receives financial support through The TSTC Foundation, a 501(c) (3) non-profit foundation created to support TSTC. The Foundation has financed several debt-related projects for the construction or purchase of buildings at various campuses. The Foundation also assists TSTC by providing funding for scholarships and investing gifts and donations.

TEXAS STATE TECHNICAL COLLEGE
(Agency 719)
Statement of Net Position
August 31, 2020

	<u>TOTAL</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	\$ 25,945.00
Cash in Bank	22,875,349.14
Cash in State Treasury	8,784,345.71
Short-term Investments	19,457,790.67
Restricted Cash and Cash Equivalents	
Cash in Bank	3,113,878.35
Short-term Investments	25,284,222.10
Legislative Appropriations	37,803,601.53
Accounts Receivable, Net	6,275,980.86
Federal Receivables	20,023,733.08
Accrued Interest Receivable	9,148.68
Due From Other Agencies	781,757.53
Consumable Inventories	10,155.44
Merchandise Inventories	1,279,880.23
Total Current Assets	<u>145,725,788.32</u>
Non-Current Assets:	
Restricted	
Cash and Cash Equivalents	
Cash in Bank	284,756.66
Short-term Investments	300,788.90
Capital Assets, Non-Depreciable or Non-Amortizable	
Land and Land Improvements	20,679,170.65
Other Capital Assets	1,248,093.83
Construction in Progress	4,842,962.62
Capital Assets, Depreciable or Amortizable	
Buildings and Building Improvements	293,691,994.67
Less Accumulated Depreciation	(138,039,202.12)
Infrastructure	26,469,733.05
Less Accumulated Depreciation	(10,230,758.10)
Facilities and Other Improvements	6,081,290.57
Less Accumulated Depreciation	(3,911,599.83)
Furniture and Equipment	58,457,080.21
Less Accumulated Depreciation	(41,923,663.75)
Vehicles, Boats, and Aircraft	13,203,628.88
Less Accumulated Depreciation	(9,194,497.43)
Other Capital Assets	3,188,123.45
Less Accumulated Depreciation	(2,062,859.78)
Computer Software	996,432.20
Less Accumulated Amortization	(996,432.20)
Total Non-Current Assets	<u>223,085,042.48</u>
TOTAL ASSETS	<u>\$ 368,810,830.80</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	\$ 5,536,325.00
Other Post Employment Benefits (OPEB)	36,362,716.00
Bond Refunding	1,609,643.77
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 43,508,684.77</u>

TEXAS STATE TECHNICAL COLLEGE
(Agency 719)
Statement of Net Position
August 31, 2020

	<u>TOTAL</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 8,154,271.70
Payroll Payables	7,583,913.53
Federal Payables	537,989.51
Interfund Payable (LoanStar Loan Program)	765,804.53
Unearned Revenue	19,730,469.34
Employees' Compensable Leave	1,066,087.18
Capital Lease Obligations - Direct Borrowings	2,280,985.62
Deposits Payable	917,221.99
Notes and Loans Payable - Direct Borrowings	120,000.00
General Obligation Bonds Payable, Net	2,687,239.36
Revenue Bonds Payable, Net	5,241,003.85
Revenue Bonds Payable - Direct Placements, Net	71,428.57
Revenue Bonds Payable - Direct Borrowings	-
Accrued Interest Payable-Bonds	1,366,925.54
Funds Held for Others	707,917.78
Net Other Post Employment Benefits (OPEB) Liability	1,406,878.00
Other Current Liabilities	63,760.68
Total Current Liabilities	<u>52,701,897.18</u>
Non-Current Liabilities:	
Employees' Compensable Leave	5,789,778.78
Interfund Payable (LoanStar Loan Program)	1,972,877.94
Capital Lease Obligations - Direct Borrowings	5,058,271.48
Notes and Loans Payable - Direct Borrowings	1,000,000.00
General Obligation Bonds Payable, Net	14,883,957.29
Revenue Bonds Payable, Net	72,553,996.15
Revenue Bonds Payable - Direct Placements, Net	71,428.59
Revenue Bonds Payable - Direct Borrowings	30,000,000.00
Net Other Post Employment Benefits (OPEB) Liability	42,982,003.00
Net Pension Liability	12,558,721.00
Total Non-Current Liabilities	<u>186,871,034.23</u>
TOTAL LIABILITIES	<u>\$ 239,572,931.41</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	\$ 6,612,819.00
Other Post Employment Benefits (OPEB)	11,074,270.00
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 17,687,089.00</u>
NET POSITION	
Net Investment in Capital Assets	\$ 110,897,236.66
Restricted for:	
Capital Projects	1,049,190.24
Other	436,700.36
True and Other Endowments	
Non-Expendable	585,545.56
Unrestricted	42,090,822.34
TOTAL NET POSITION	<u>\$ 155,059,495.16</u>

TEXAS STATE TECHNICAL COLLEGE
(Agency 719)
Statement of Revenues, Expenses, and Changes in Net Position
For The Fiscal Year Ended August 31, 2020

	<u>TOTAL</u>
OPERATING REVENUES:	
Sales of Goods and Services:	
Tuition and Fees	\$ 8,088,227.45
Tuition and Fees - Pledged	40,777,205.62
Discounts and Allowances	(20,313,577.38)
Auxiliary Enterprises	1,975,423.18
Auxiliary Enterprises - Pledged	8,538,916.71
Discounts and Allowances	(3,990,077.89)
Other Sales of Goods and Services - Pledged	4,713,628.38
Interest and Investment Income	8,319.32
Interest and Investment Income - Pledged	499,559.01
Federal Revenue	6,903,377.65
Federal Pass-Through Revenue	2,620,583.14
State Grant Pass-Through Revenue	3,469,094.71
Other Contracts and Grants	1,627,295.47
Total Operating Revenues	<u>54,917,975.37</u>
OPERATING EXPENSES:	
Instruction	70,932,186.51
Research	374,227.81
Public Service	20,554.68
Academic Support	18,831,523.77
Student Services	19,720,399.00
Institutional Support	31,964,290.83
Operations and Maintenance of Plant	17,030,654.55
Scholarships and Fellowships	20,680,274.77
Auxiliary Enterprises	9,040,523.70
Depreciation and Amortization	15,605,321.31
Total Operating Expenses	<u>204,199,956.93</u>
Operating Income (Loss)	<u>(149,281,981.56)</u>
NONOPERATING REVENUES (EXPENSES):	
Legislative Appropriation Revenue	117,673,339.61
Gifts	1,620,575.03
Contracts and Grants - Pledged	1,081,413.00
Investment Income	41,262.52
Investment Income - Pledged	156,963.40
Federal Revenue	26,324,163.66
Gain (Loss) on Disposal of Assets	(71,272.94)
Interest Expense and Fiscal Charges	(3,814,227.23)
Settlement of Claims	(333,081.27)
Other Nonoperating Revenues	88,452.20
Other Nonoperating (Expenses)	(5,498,581.31)
Total Nonoperating Revenues (Expenses)	<u>137,269,006.67</u>
Income (Loss) Before Other Revenues, Expenses, Gains/(Losses), and Transfers	<u>(12,012,974.89)</u>

TEXAS STATE TECHNICAL COLLEGE
 (Agency 719)
 Statement of Revenues, Expenses, and Changes in Net Position
 For The Fiscal Year Ended August 31, 2020

	<u>TOTAL</u>
OTHER REVENUES, EXPENSES, GAINS (LOSSES) AND TRANSFERS:	
Capital Contributions	675,351.16
Capital Appropriations (HEAF)	8,662,500.00
Transfers from Other State Agencies	43,277.00
Transfers to Other State Agencies	(3,367,591.01)
Legislative Transfers In	<u>73,637.00</u>
Total Other Revenues, Expenses, Gains/(Losses) and Transfers	<u>6,087,174.15</u>
CHANGE IN NET POSITION	<u>(5,925,800.74)</u>
Net Position - September 1, 2019	161,011,295.90
Restatements	<u>(26,000.00)</u>
Net Position - September 1, 2019 - As Restated	<u>160,985,295.90</u>
NET POSITION - August 31, 2020	\$ <u><u>155,059,495.16</u></u>

TEXAS STATE TECHNICAL COLLEGE

(Agency 719)

Matrix of Operating Expenses

Reported by Function

For the Fiscal Year Ended August 31, 2020

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services
Cost of Goods Sold	\$ (5,762.59)	\$ -	\$ -	\$ -	\$ -
Salaries and Wages	42,761,165.87	263,410.00	-	8,963,240.10	10,498,683.14
Payroll Related Cost	20,373,319.59	85,198.18	-	4,539,499.64	5,722,906.64
Professional Fees and Services	68,803.16	-	-	73,828.67	197,988.66
Travel	249,341.05	3,910.15	-	127,754.54	176,072.16
Materials and Supplies	5,686,980.00	2,414.76	240.00	1,525,667.61	1,036,166.89
Communications and Utilities	107,212.95	-	-	75,008.22	50,610.20
Repairs and Maintenance	320,470.50	-	-	974,881.34	26,181.13
Rentals and Leases	532,886.54	-	-	1,108,105.31	42,593.89
Printing and Reproduction	17,569.30	-	-	5,316.37	50,312.63
Depreciation and Amortization	-	-	-	-	-
Claim Settlements	7,100.00	-	-	-	-
Interest	4.31	-	-	14.43	-
Scholarships	74,796.18	-	-	23,176.00	92,730.05
Less: Tuition Discounting	-	-	-	-	-
Other Operating Expenses	738,299.65	19,294.72	20,314.68	1,415,031.54	1,826,153.61
Capital	2,387,343.88	-	-	494,879.58	-
Less: Capital Additions	(2,387,343.88)	-	-	(494,879.58)	-
Total Operating Expenses	\$ 70,932,186.51	\$ 374,227.81	\$ 20,554.68	\$ 18,831,523.77	\$ 19,720,399.00

UNAUDITED

<u>Institutional Support</u>	<u>Operation and Maintenance of Plant</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation and Amortization</u>	<u>Total Expenditures</u>
\$ -	\$ -	\$ -	\$ 1,944,876.77	\$ -	\$ 1,939,114.18
18,431,001.40	4,890,618.93	-	2,616,981.72	-	88,425,101.16
8,235,042.04	2,986,927.37	-	1,246,966.77	-	43,189,860.23
439,700.12	58,500.06	-	126,740.14	-	965,560.81
246,338.86	33,874.15	-	11,337.96	-	848,628.87
1,867,924.81	1,117,221.74	-	930,626.64	-	12,167,242.45
225,450.78	4,045,685.62	-	972,449.59	-	5,476,417.36
440,151.79	1,691,148.78	-	522,484.94	-	3,975,318.48
459,217.68	757,014.01	-	17,941.99	-	2,917,759.42
40,593.01	776.22	-	5,622.32	-	120,189.85
-	-	-	-	15,605,321.31	15,605,321.31
-	-	-	-	-	7,100.00
45.68	4.84	-	-	-	69.26
15,550.00	-	44,983,930.04	7,208.00	-	45,197,390.27
-	-	(24,303,655.27)	-	-	(24,303,655.27)
1,563,274.66	1,448,882.83	-	637,286.86	-	7,668,538.55
159,385.98	226,037.19	-	277,975.88	-	3,545,622.51
<u>(159,385.98)</u>	<u>(226,037.19)</u>	<u>-</u>	<u>(277,975.88)</u>	<u>-</u>	<u>(3,545,622.51)</u>
\$ <u>31,964,290.83</u>	\$ <u>17,030,654.55</u>	\$ <u>20,680,274.77</u>	\$ <u>9,040,523.70</u>	\$ <u>15,605,321.31</u>	\$ <u>204,199,956.93</u>

TEXAS STATE TECHNICAL COLLEGE

(Agency 719)

Statement of Cash Flows

For the Fiscal Year Ended August 31, 2020

	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Tuition and Fees	\$ 27,299,924.74
Proceeds from Customers (Other Sales and Services)	4,411,055.72
Proceeds from Grants and Contracts	14,489,651.63
Proceeds from Auxiliaries	4,978,700.64
Proceeds from a Defined Benefit Pension Plan	(49,489.00)
Proceeds from a Defined Benefit OPEB Plan	8,617,748.00
Payments to Suppliers for Goods and Services	(31,660,637.42)
Payments to Employees for Salaries and Wages	(88,111,847.60)
Payments to Employees for Benefits	(32,825,861.66)
Payments to Pension Benefits to Plan Members	49,489.00
Payments to OPEB Benefits to Plan Members	(8,617,748.00)
Payments for Other Expenses	<u>(22,056,834.65)</u>
Net Cash Provided (Used) by Operating Activities	<u>(123,475,848.60)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from State Appropriations	127,703,687.72
Proceeds from Grants and Contracts	26,324,163.66
Proceeds from Transfers from Other State Agencies	116,914.00
Proceeds from Other Revenues	86,552.20
Payments for Other Uses	<u>(5,397,671.23)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>148,833,646.35</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Grants and Contracts	1,081,413.00
Proceeds from Debt Issuance	30,000,000.00
Proceeds from Other Financing Activities	1,743,180.72
Proceeds from Sale of Capital Assets	5,000,000.00
Payments for Additions to Capital Assets	(16,768,525.46)
Payments of Other Costs on Debt Issuance	(65,650.00)
Payments of Principal on Debt Issuance	(8,301,070.94)
Payments of Interest on Debt Issuance	(4,563,026.61)
Payments of Principal on Interfund Payables (LoanStar Loan Program)	(802,830.94)
Payments of Transfers to Other State Agencies for Debt Retirement	<u>(3,367,591.01)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>3,955,898.76</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	5,939,688.14
Proceeds from Interest and Investment Income	722,959.24
Payments to Acquire Investments	<u>(35,138,827.15)</u>
Net Cash Provided (Used) by Investing Activities	<u>(28,476,179.77)</u>

TEXAS STATE TECHNICAL COLLEGE

(Agency 719)

Statement of Cash Flows

For the Fiscal Year Ended August 31, 2020

Increase (Decrease) in Cash and Cash Equivalents	\$	837,516.74
Cash and Cash Equivalents, September 1, 2019		<u>34,246,758.12</u>
Cash and Cash Equivalents, August 31, 2020	\$	<u><u>35,084,274.86</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$	(149,281,981.56)
Adjustments to Reconcile Operating Income		
to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation		15,605,321.31
Pension Expenses		1,081,953.00
OPEB Expenses		8,692,456.00
Operating Income and Cash Flow Categories		
Classification Differences		
Interest and Investment Income from Operating Activities		(507,878.33)
Operating Expenses Associated with Non Cash Acquisitions		706,557.31
OPEB Grant Revenue		1,900.00
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables		(1,719,675.29)
(Increase) Decrease in Inventories		(336,411.52)
(Increase) Decrease in Due from Other Agencies		296,302.32
(Increase) Decrease in Deferred Outflows of Resources - Pensions		884,786.00
(Increase) Decrease in Deferred Outflows of Resources - OPEB		(6,775,572.00)
Increase (Decrease) in Payables		4,136,320.44
Increase (Decrease) in Deposits Payable		(374,059.53)
Increase (Decrease) in Unearned Revenues		(1,435,382.54)
Increase (Decrease) in Funds Held for Others		(300,589.63)
Increase (Decrease) in Employees' Compensable Leave		1,172,030.58
Increase (Decrease) in Deferred Inflows of Resources - Pensions		457,949.00
Increase (Decrease) in Deferred Inflows of Resources - OPEB		(107,858.00)
Increase (Decrease) in Liabilities to Employees for Defined Benefit Pensions		(2,474,177.00)
Increase (Decrease) in Liabilities to Employees for Defined Benefit OPEB		6,806,822.00
Increase (Decrease) in Other Liabilities		<u>(4,661.16)</u>
Total Adjustments		<u>25,806,132.96</u>
Net Cash Provided (Used) by Operating Activities	\$	<u><u>(123,475,848.60)</u></u>
NON CASH TRANSACTIONS		
Donations of Capital Assets	\$	675,351.16
Borrowing Under Capital Lease Purchase		1,100,849.86
Other		<u>635,284.37</u>
Total Non Cash Transactions	\$	<u><u>2,411,485.39</u></u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020****Note 1: Summary of Significant Accounting Policies****Entity**

Texas State Technical College (TSTC/College) is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

TSTC has historically included four separately accredited colleges including TSTC Harlingen, TSTC Marshall, TSTC Waco, and TSTC West Texas. In June 2015, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) approved the merger of the four colleges into a single, statewide college. This new, statewide college operates in 10 locations throughout the State of Texas. TSTC is the only state-supported technical college in Texas with multiple campuses. With a statewide role and mission, TSTC is efficiently and effectively helping Texas meet the high-tech challenges of today's global economy, in partnership with business and industry, government agencies, and other educational institutions. TSTC has high graduation rates, exceptional postgraduate success rates, and an outstanding record in graduating individuals from diverse cultural and socioeconomic backgrounds.

Component Units

No component units have been identified that should have been blended into an appropriate fund or discretely presented within this financial report.

Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity. The fund designation for institutions of higher education is Business-Type Activity within the Proprietary Fund Type.

Proprietary Fund Types**Enterprise Funds**

Business type funds are used for activities that are financed through the charging of fees for goods or services to the ultimate user. Institutions of higher education are required to report their financial activities as business type because the predominance of their funding comes through charges to students, sales of goods and services, and grant revenues.

Agency Funds

Agency funds are used to account for assets the college holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Basis of Accounting and Presentation

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020**

The financial statements of TSTC have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary non-exchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary non-exchange transactions. Government-mandated or voluntary non-exchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in non-operating revenues and expenses.

Budget and Budgetary Accounting

The budget of the State of Texas is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**Assets****Cash and Cash Equivalents**

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents. As of August 31, 2020, cash equivalents consisted primarily of money market accounts.

Short-term Investments

Short-term investments consist of certificates of deposits (CD's) purchased from banks whose maturities do not exceed one year from date of purchase and investments in TexPool and TexasTERM (TexasDAILY), authorized AAAM rated government investment pools. The CD's are valued at cost. The fair value of the funds invested in TexPool and TexasTERM (TexasDAILY) are measured at amortized cost provided by the pool. The College may withdraw the funds from TexPool and TexasTERM (TexasDAILY) on demand.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020***Accounts Receivable*

Accounts receivable represent amounts owed to the College from private persons or organizations for goods and services provided. These consist primarily of amounts owed by students for tuition and fees, by sponsors, and by private organizations and federal and state government for grants and contracts. Accounts receivable is recorded net of estimated uncollectible amounts.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Equipment, vehicles and aircraft with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year is capitalized. Buildings, infrastructure, facilities and other assets are capitalized when they meet the following thresholds set by the state:

Capital Asset Category	Threshold
Buildings and Building Improvements	\$ 100,000
Infrastructure	500,000
Facilities and Other Improvements	100,000
Software (Purchased)	100,000
Software (Internally Developed)	1,000,000

These assets are capitalized at cost or, if donated, at appraised fair value as of the date of acquisition. Depreciation or amortization is reported on all “exhaustible” assets. “Inexhaustible” assets such as works of art and historical treasures are not depreciated or amortized. Assets are depreciated or amortized over the estimated useful life of the asset using the straight-line method. Depreciation or amortization of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation or amortization of capital assets is based on allocation methods and estimated lives as summarized below:

Capital Asset Category	Useful Life
Buildings and Building Improvements	15-30 years
Infrastructure	15-30 years
Facilities and Other Improvements	10-23 years
Furniture and Equipment	3-15 years
Vehicles/Airplanes	5-10 years
Software	5 years

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020****Deferred Outflows of Resources**

TSTC reports the consumption of net position that is applicable to a future period as deferred outflows of resources in a separate section of its statement of net position.

Liabilities**Accounts Payable**

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Unearned Revenues

Unearned revenues represent tuition and fees inflows as of the end of the fiscal year which will not be earned until the subsequent fiscal year.

Employees' Compensable Leave Balances

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net position. These obligations are normally paid from the same funding source(s) from which each employee's salary or wage compensation was paid.

Capital Lease Obligations – Direct Borrowings

Capital lease obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Liabilities are reported separately as either current or non-current in the statement of net position.

Bonds Payable – General Obligation Bonds

General obligation bonds are accounted for in proprietary funds for business-type activities. These payables are reported as either current or non-current in the statement of net position. The bonds are reported at par, net of unamortized premiums, discounts, and gains/(losses) on bond refunding activities.

Bonds Payable – Revenue Bonds

Revenue bonds are accounted for in proprietary funds for business-type activities. These payables are reported as either current or non-current in the statement of net position. The bonds are reported at par, net of unamortized premiums, discounts, and gains/(losses) on bond refunding activities.

Funds Held for Others

Funds held for others represent assets held by the College on behalf of others in a purely custodial capacity, including funds owned by various student organizations and temporary holdings of student loan funds prior to disbursing to the students.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

Deferred Inflows of Resources

TSTC reports the acquisition of net position that is applicable to a future period as deferred inflows of resources in a separate section of its statement of net position.

Net Position

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the proprietary fund statements.

Net Investment in Capital Assets

Net Investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position

Restricted net position results when constraints placed on the use of net resources are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Unrestricted net position consists of net resources that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

Interfund Activities and Balances

The College has the following types of transactions among funds:

- (1) **Transfers:** Legally required transfers that are reported when incurred as ‘transfers in’ by the recipient fund and as ‘transfers out’ by the disbursing fund.
- (2) **Reimbursements:** Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) **Interfund Receivables and Payables:** Interfund loans are reported as Interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as “current”. Balances for repayment due in two (or more) years are classified as “non-current”.
- (4) **Interfund Sales and Purchases:** Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund (interfund services provided) and expenditures or expenses of the disbursing fund(interfund services used).

The composition of TSTC’s interfund activities and balances is presented in Note 12, *Interfund Activity and Transactions*.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020****Cost-Sharing Defined Benefit Pension Plan**

TSTC participates in a cost-sharing multiple-employer defined benefit pension plan, Teachers Retirement System of Texas Plan (TRS/Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense and information about the fiduciary net position of the Plan and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cost-Sharing Defined Benefit Other Postemployment Benefit Plan

TSTC participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan, Employees Retirement System of Texas Plan (OPEB Plan). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Revenues and Expenses

Operating revenues include activities such as tuition and fees, net of discounts and allowances; sales and services of auxiliary enterprises; most federal, state, and local grants and contracts; and interest income earned from operating activities. Operating revenues are classified as pledged to the extent that they are pledged as security for the College's bonded debt service. Non-pledged revenues consist of revenues that are not lawfully available to the College to be used for payments on bonded debt service. Operating expenses include salaries and wages, payroll related costs, materials and supplies, depreciation and amortization and scholarships. Non-operating revenues include activities such as state appropriations, federal student financial aid, insurance recoveries on property claims, and investment income. Non-operating expenses include activities such as interest expense on capital asset financing and expenses on capital assets not meeting the capitalization thresholds set by the State.

The appropriations of revenues by the Texas Legislature (Legislature) is in the form of general revenues. The Legislature meets every odd numbered year and approves a two-year budget (biennial) for all State agencies. The general revenue appropriations to the College supports the instruction, research and operation of the College. Appropriations also include payments made by the State on behalf of the College for benefits related to salaries funded by State appropriations. There is no assurance that the Legislature will continue its appropriations to the College in future years; however, the College expects that the Legislature will continue to do so.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the college addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020**

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (student loans, funds provided to students as awarded by third parties, and Federal Direct Lending) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expense or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on an entity-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as non-operating revenues and other governmental grants are recorded as operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees and auxiliary enterprises for the year ended August 31, 2020, were \$20,313,577.38 and \$3,990,077.89, respectively.

Collections

The College has collections of rare manuscripts and art that it does not capitalize. These collections adhere to the College's policy to (a) maintain them for public exhibition, education or research, (b) protect, keep unencumbered, care for and preserve them, and (c) require proceeds from their sale to be used to acquire other collection items. Collections maintained in this manner are charged to operations at time of purchase rather than capitalized.

Income Taxes

As a state institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income.

Upcoming Accounting Pronouncements

- GASB Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. This statement was implemented in fiscal year 2020. There was no impact to the College's financial statements.
- GASB Statement No. 87, Leases, creates a single model for lease accounting. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement was initially going to be implemented in fiscal year 2021, however due to the current Coronavirus pandemic, GASB has postponed the

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020**

required implementation by 18 months. The College is in the process of analyzing current operating leases to assess the impact of this statement. The College anticipates a moderate impact to the financial statements.

- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, requires additional note disclosures relating to debt and clarifies which liabilities governments should include when disclosing information related to debt. Additional disclosures include unused lines of credit, assets pledged as collateral, and terms specified in debt agreements for significant events of default, termination, or subjective acceleration clauses with finance-related consequences. This statement was implemented in fiscal year 2019. The College saw a minimal impact to the financial statements. Additional disclosures were made to Note 5, Long-Term Liabilities.
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement will be implemented in fiscal year 2021, or earlier if the State chooses to implement the standard early. The College anticipates a minimal impact to the financial statements.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2020

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2020 is presented below:

	Balance 9/1/2019	Adjustments	Completed CIP	Additions	Deletions	Balance 8/31/2020
Non-Depreciable or Non-Amortizable Assets						
Land and Land Improvements	\$ 20,292,973.56	\$ -	\$ -	\$ 386,197.09	\$ -	\$ 20,679,170.65
Construction in Progress	446,503.19	(26,000.00)	(1,367,379.92)	5,789,839.35	-	4,842,962.62
Other Tangible Capital Assets	1,248,093.83					1,248,093.83
Total Non-Depreciable or Non-Amortizable Assets	\$ 21,987,570.58	\$ (26,000.00)	\$ (1,367,379.92)	\$ 6,176,036.44	\$ -	\$ 26,770,227.10
Depreciable Assets						
Buildings & Bldg. Improvements	\$ 285,660,733.37	\$ -	\$ 712,464.51	\$ 7,726,422.79	\$ (407,626.00)	\$ 293,691,994.67
Infrastructure	25,814,817.64		654,915.41			26,469,733.05
Facilities & Other Improvements	5,521,929.40			559,361.17		6,081,290.57
Furniture and Equipment	56,543,632.63			3,182,746.93	(1,269,299.35)	58,457,080.21
Vehicle, Boats & Aircraft	12,939,015.27			859,046.40	(594,432.79)	13,203,628.88
Other Capital Assets	3,185,333.19			41,112.75	(38,322.49)	3,188,123.45
Total Depreciable Assets at Historical Costs	\$ 389,665,461.50	\$ -	\$ 1,367,379.92	\$ 12,368,690.04	\$ (2,309,680.63)	\$ 401,091,850.83
Less Accumulated Depreciation for:						
Buildings & Bldg. Improvements	\$ (128,807,127.48)	\$ -	\$ -	\$ (9,619,319.34)	\$ 387,244.70	\$ (138,039,202.12)
Infrastructure	(9,359,556.17)			(871,201.93)		(10,230,758.10)
Facilities & Other Improvements	(3,757,528.17)			(154,071.66)		(3,911,599.83)
Furniture and Equipment	(39,052,201.71)			(4,099,200.91)	1,227,738.87	(41,923,663.75)
Vehicle, Boats & Aircraft	(9,057,793.06)			(722,386.56)	585,682.19	(9,194,497.43)
Other Capital Assets	(1,961,460.80)			(139,140.91)	37,741.93	(2,062,859.78)
Total Accumulated Depreciation	\$ (191,995,667.39)	\$ -	\$ -	\$ (15,605,321.31)	\$ 2,238,407.69	\$ (205,362,581.01)
Depreciable Assets, Net	\$ 197,669,794.11	\$ -	\$ 1,367,379.92	\$ (3,236,631.27)	\$ (71,272.94)	\$ 195,729,269.82
Amortizable Assets-Intangible						
Computer Software	\$ 996,432.20	\$ -	\$ -	\$ -	\$ -	\$ 996,432.20
Total Amortizable Assets - Intangible	\$ 996,432.20	\$ -	\$ -	\$ -	\$ -	\$ 996,432.20
Less Accumulated Amortization for:						
Computer Software	\$ (996,432.20)	\$ -	\$ -	\$ -	\$ -	\$ (996,432.20)
Total Accumulated Amortization	\$ (996,432.20)	\$ -	\$ -	\$ -	\$ -	\$ (996,432.20)
Amortizable Assets - Intangible, Net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-Type Activities Capital Assets, Net	\$ 219,657,364.69	\$ (26,000.00)	\$ -	\$ (2,939,405.17)	\$ (71,272.94)	\$ 222,499,496.92

(A)

(A)

(A) During FY 2020 a total of \$26,349.99 of adjustments pertaining to depreciation expense/accumulated depreciation for library book deletions has been reported in the "Additions" column above for Other Capital Assets. This differs from the "Capital Assets Note 2" generated by the State Property Accounting (SPA) system where this was reported in the "Adjustments" column only.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020****Note 3: Deposits, Investments and Repurchase Agreements**

Texas State Technical College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Tex. Gov't Code Ann. Sec 2256.001) and the Uniform Prudent Management of Institutional Funds Act (Tex. Property Code Sec. 163.001) following the "prudent person rule". Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposits, and (5) other instruments and obligations authorized by statute. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

As of August 31, 2020, the carrying amount of deposits was \$26,273,984.15 as presented below.

Cash in Bank - Carrying Amount	\$ 28,807,612.88
Less: Certificates of Deposit included in carrying amount and reported as Current Short-term Investments	(2,060,471.83)
Less: Certificates of Deposit included in carrying amount and reported as Current Restricted Short-term Investments	(172,368.00)
Less: Certificates of Deposit included in carrying amount and reported as Non-Current Restricted Short-term Investments	(300,788.90)
Cash in Bank per Statement of Net Position	\$ 26,273,984.15
Proprietary Funds Current Assets Cash in Bank	\$ 22,875,349.14
Proprietary Funds Current Assets Restricted Cash in Bank	3,113,878.35
Proprietary Funds Non-Current Assets Restricted Cash in Bank	284,756.66
Cash in Bank per Statement of Net Position	\$ 26,273,984.15

The carrying amount consists of all cash in local banks and is included on the Statement of Net Position as a portion of cash and cash equivalents. Assets classified as cash and cash equivalents include \$35,084,274.86 that is invested in cash equivalents. The remainder of the cash and cash equivalents balance of \$8,810,290.71 is comprised of cash on hand and cash in the State Treasury. As of August 31, 2020, the College's total bank balance was \$29,606,353.99.

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The College's policy is that all deposits are governed by a bank depository agreement between the College and respective banking institution. The agreement provides that the College's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation (FDIC), shall at all times be collateralized with government securities.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Texas; bonds of any city, county, school district or special road district of the state of Texas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020**

the deposits. As of August 31, 2020, the College had no bank balances that were exposed to custodial credit risk.

Investments

Chapter 2256 of the Texas Government Code, (the Public Funds Investment Act) authorizes the College to invest its funds under a written investment policy that ensures the safety of principal, provide liquidity and optimize return on investments within the constraints of safety and liquidity.

Certificates of Deposits - the College has assets held at various financial institutions throughout Texas in the form of CD's at rates ranging from 0.05-2.62 percent and maturities ranging from 12-24 months.

Pooled Investments - the College has assets held by TexPool and TexasTERM (TexasDAILY), authorized by AAAm rated government investment pools at rates ranging from 0.16-0.18 percent. These investments have no maturity and funds can be withdrawn on demand.

As of August 31, 2020, the College does not have any recurring fair value measurements. The following investments are measured at amortized cost, which is equivalent to the fair market value:

<u>8/31/2020</u>	<u>Amortized Cost</u>
Other Commingled Funds (TexasTERM – TexasDAILY) \$	17,397,318.84
Other Commingled Funds (TexPool)	25,111,854.10
Total Investments \$	<u>42,509,172.94</u>

Reconciliation of Investments to Statement of Net Position

Proprietary Funds Current Assets Short-term Investments	\$ 17,397,318.84
Proprietary Funds Current Assets Restricted Short-term Investments	25,111,854.10
Add: Certificates of Deposit disclosed as deposits but reported as Current Short-term Investments	2,060,471.83
Add: Certificates of Deposit disclosed as deposits but reported as Current Restricted Short-term Investments	172,368.00
Add: Certificates of Deposit disclosed as deposits but reported as Non-Current Restricted Short-term Investments	300,788.90
Total Investments Per Statement of Net Position	\$ <u>45,042,801.67</u>

Custodial Credit Risk - custodial credit risk for investments is the risk that the College will not be able to recover the value of its investments in the event of a counterparty failure. The College uses third-party banks' custody and safekeeping services for its investment securities. Securities are held in custody at third-party banks registered in the name of the College and are segregated from securities owned by those institutions or held in custody by those institutions.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020**

Credit Risk - the College's investment policy seeks to control credit risk by investing in compliance with the policy, qualifying the broker and financial institution with whom the College will transact, sufficient collateralization, portfolio diversification and limiting maturity. The College's investment policy limits the types of investment instruments that may be purchased by the College.

Concentration of Credit Risk - the College's investment policy requires the portfolio to be structured with diversification and securities that have a high credit rating and are liquid in nature. The College places no limit on the amount the College may invest in any one issuer, however, the College manages exposure to concentration of credit risk through diversification.

Interest Rate Risk - as a means of minimizing risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the College funds. This is accomplished by purchasing quality, short-to-medium term securities that will complement each other in a ladder or barbell maturity structure. Currently, all investments of the College mature within one year.

Foreign Currency Risk – the College does not engage in any deposit or investment transactions involving foreign currency.

Note 4: Short Term Debt

TSTC does not have any short term debt.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

Note 5: Long-Term Liabilities**Changes in Long-Term Liabilities**

During the year ended August 31, 2020, the following changes occurred in long-term liabilities:

	Balance 9/1/2019	Adjustments	Additions	Reductions	Balance 8/31/2020	Amounts Due Within One Year	Amounts Due Thereafter
General Obligation Bonds Payable	\$ 20,153,436.01	(402,239.36)	-	(2,180,000.00)	17,571,196.65	2,687,239.36	14,883,957.29
Revenue Bonds Payable	82,986,003.85	(591,003.85)	-	(4,600,000.00)	77,795,000.00	5,241,003.85	72,553,996.15
Revenue Bonds – Direct Borrowings	-	-	30,000,000.00	-	30,000,000.00	-	30,000,000.00
Revenue Bonds - Direct Placements	214,285.73	-	-	(71,428.57)	142,857.16	71,428.57	71,428.59
Total Bonds Payable	103,353,725.59	(993,243.21)	30,000,000.00	(6,851,428.57)	125,509,053.81	7,999,671.78	117,509,382.03
Capital Lease - Direct Borrowings	7,568,049.61	-	1,100,849.86	(1,329,642.37)	7,339,257.10	2,280,985.62	5,058,271.48
Employees' Compensable Leave	5,683,835.38	-	3,927,986.44	(2,755,955.86)	6,855,865.96	1,066,087.18	5,789,778.78
Notes and Loans - Direct Borrowings	1,240,000.00	-	-	(120,000.00)	1,120,000.00	120,000.00	1,000,000.00
Net Pension Liability	13,950,945.00	-	-	(1,392,224.00)	12,558,721.00	-	12,558,721.00
Net OPEB Liability	28,889,603.00	-	15,499,278.00	-	44,388,881.00	1,406,878.00	42,982,003.00
Total Long-Term Liabilities	\$ 160,686,158.58	(993,243.21)	50,528,114.30	(12,449,250.80)	197,771,778.87	12,873,622.58	184,898,156.29

The adjustments in the above table include the amortization of bond premiums.

Revenue Bonds Payable – Direct Placements

Scheduled principal and interest payments for revenue bonds payable – direct placements outstanding as of August 31, 2020 are as follows:

Year	Principal	Interest	Total
2021	\$ 71,428.57	\$ 1,071.43	\$ 72,500.00
2022	71,428.59	357.14	71,785.73
Total	\$ 142,857.16	\$ 1,428.57	\$ 144,285.73

Revenue Bonds Payable – Direct Borrowings

Scheduled principal and interest payments for revenue bonds payable – direct borrowings outstanding as of August 31, 2020 are as follows:

Year	Principal	Interest	Total
2021	\$ -	\$ 628,283.33	\$ 628,283.33
2022	2,670,000.00	725,224.50	3,395,224.50
2023	2,740,000.00	656,788.00	3,396,788.00
2024	2,810,000.00	586,580.50	3,396,580.50
2025	2,880,000.00	514,602.00	3,394,602.00
2026-2030	15,550,000.00	1,427,173.00	16,977,173.00
2031	3,350,000.00	42,377.50	3,392,377.50
Total	\$ 30,000,000.00	\$ 4,581,028.83	\$ 34,581,028.83

See further information on these bonds in Note 6, *Bonded Indebtedness*.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020****Revenue Bonds Payable and General Obligation Bonds Payable**

Revenue Bonds payable and General Obligation Bonds payable obligations are described in Note 6, *Bonded Indebtedness*.

Capital Lease – Direct Borrowings

Texas State Technical College has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases – direct borrowings for accounting purposes and are recorded at the present value of the future minimum lease payments at the inception of the lease. The future minimum lease payments under these capital leases as of August 31, 2020 are as follows:

<u>Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2021	\$	2,280,985.62	\$	251,258.72	\$	2,532,244.34
2022		1,212,372.90		207,271.67		1,419,644.57
2023		1,243,347.30		162,125.19		1,405,472.49
2024		856,510.13		81,057.31		937,567.44
2025		860,118.77		52,381.23		912,500.00
2026		885,922.38		26,577.67		912,500.05
Total	\$	7,339,257.10	\$	780,671.79	\$	8,119,928.89

The financing leases are secured by the underlying assets being leased.

Claims and Judgments

TSTC has no outstanding liabilities for claims or judgments as of August 31, 2020.

Pollution Remediation Obligations

Under Section 45 of Senate Bill 500, TSTC was granted a supplemental appropriation for the Abatement and Demolition of certain facilities on the Waco campus. As these facilities are demolished, the College will incur expenses for the abatement of asbestos. During fiscal year 2020, TSTC incurred expenses totaling \$486,616.00 for the abatement of asbestos. \$176,868.00 of the total expense is included in accounts payable as of August 31, 2020. For fiscal year 2021 TSTC estimates additional expenses of \$5,843,615.00 for asbestos abatement related to the demolition of facilities. The fiscal year 2021 expenses are based on contractor estimates and bids, and the college will become responsible for the abatement of asbestos as the demolition of certain facilities takes place.

Employees' Compensable Leave

Full-time State employees earn annual leave from eight to twenty one hours per month depending on the respective employee's years of State employment. The State's policy is that an employee may carry his/her accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of State service. Employees with at least six months of State service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognizes the accrued liability for the unpaid annual leave in the Statement of Net Position. This obligation is usually paid from the same funding source(s) from which

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020**

the employee's salary or wage compensation was paid. For the year ended August 31, 2020, the accrued liability totaled \$6,855,865.96.

The College made lump sum payments totaling \$930,675.68 for accrued vacation and/or compensatory time to employees who separated from state service during fiscal year ending August 31, 2020.

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The College's policy is to recognize the cost of sick leave when paid and the liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

Notes and Loans Payable – Direct Borrowings

Notes and loans payable – direct borrowings consists of an amount used to finance a portion of the renovation costs of the 11-1 hangar at the TSTC Waco airport. The loan is secured by all the revenues derived from the airport and two certificates of deposits amounting to \$511,496.00. In the event of a default, the overdue amount, including principal and accrued interest, shall bear interest at a default rate and continue as an obligation until such overdue amount and such interest shall be paid in full. In such an event, TSTC will also have to pay all reasonable out of pocket expenses and internal charges in connection with the collection and enforcement of the loan documents.

The future debt service requirements for notes and loans payable as of August 31, 2020 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	120,000.00	33,720.32	153,720.32
2022	120,000.00	29,857.24	149,857.24
2023	120,000.00	26,065.24	146,065.24
2024	120,000.00	22,289.83	142,289.83
2025	120,000.00	18,467.67	138,467.67
2026-2030	520,000.00	36,271.13	556,271.13
	<u>1,120,000.00</u>	<u>166,671.43</u>	<u>1,286,671.43</u>

The above loan has a variable interest rate which equaled 3.16 percent at August 31, 2020. The rate charged is 3.00 percent plus LIBOR.

As of August 31, 2020, TSTC has no unused lines of credit.

Net Pension Liability

See Note 1, *Summary of Accounting Policies*, and Note 9, *Defined Benefit Pension Plan and Defined Contribution Plan*, for more information on the Net Pension Liability.

Net OPEB Liability

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020**

See Note 1, *Summary of Accounting Policies*, and Note 11, *Postemployment Benefits Other Than Pensions*, for more information on the Net OPEB Liability.

Note 6: Bonded Indebtedness

Detailed supplemental bond information is disclosed in: Schedule 2A, Miscellaneous Bond Information; Schedule 2B, Changes in Bonded Indebtedness; Schedule 2C, Debt Service Requirements; and Schedule 2D, Analysis of Funds Available for Debt Service.

General information related to general obligation bonds and revenue bonds outstanding as of August 31, 2020, is summarized below.

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2016

- To pay costs of issuance and to acquire, purchase, construct, improve, renovate, enlarge or equip property, buildings structures, facilities, and related infrastructure at some or all of the System's campuses, including (1) replace the chiller plant at the Harlingen campus; (2) replace water and sewer infrastructure at the Waco campus; (3) renovate the third floor of the J. B. Connally Building for System administration at the Waco campus; (4) make HVAC improvements (including certain replacements) at most or all campuses; (5) make communication infrastructure and IT network infrastructure improvements at most or all campuses; and (6) renovate buildings at some or all campuses including at the Sweetwater campus to expand the welding and diesel programs.
- Issued 04-27-2016
- \$23,680,000.00, all authorized bonds have been issued
- Source of revenues for debt service – General Revenue Funds (HEAF) Appropriations
- Interest rates range between 4.00-5.00 percent
- Future debt service requirements on General Obligation Bonds is summarized in the table below:

<u>Year</u>	<u>General Obligation Bonds Principal</u>	<u>General Obligation Bonds Interest</u>	<u>Total</u>
2021	\$ 2,285,000.00	\$ 691,725.00	\$ 2,976,725.00
2022	2,400,000.00	574,600.00	2,974,600.00
2023	2,520,000.00	451,600.00	2,971,600.00
2024	2,655,000.00	322,225.00	2,977,225.00
2025	2,785,000.00	186,225.00	2,971,225.00
2026-2030	2,915,000.00	58,300.00	2,973,300.00
Total	\$ 15,560,000.00	\$ 2,284,675.00	\$ 17,844,675.00

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020****Revenue Bonds**Revenue Financing System Bonds (Clean Renewable Energy Bonds), Series 2008A – Direct Placements

- To repay the principal and interest on the commercial paper notes issued by the Texas Public Finance Authority to finance the acquisition, construction and installation of a wind turbine as a renewable energy project at the System's campus located in Sweetwater, Texas, to achieve energy efficiencies and establish a program to teach and train students to become technicians to operate and maintain wind turbines.
- Issued 12-03-08
- \$1,000,000.00, all authorized bonds have been issued
- Source of revenues for debt service – pledged revenues of the System, subject to the payment of debt service on any prior encumbered obligations.
- Interest rate is 1.00 percent

Revenue Financing System Improvement and Refunding Bonds, Series 2011

- To refund \$6,355,000.00 of outstanding Series 2002 Revenue Bonds; to finance the costs of acquiring, purchasing, constructing, improving, enlarging and equipping the property and facilities within the System; and paying the costs of issuing the bonds.
- Issued 09-14-2011
- \$26,015,000.00, all authorized bonds have been issued
- Source of revenues for debt service – General Revenue Funds specifically appropriated for debt service and all legally available non-General Revenue Funds of the System.
- Interest rates range between 3.75-5.00 percent

Revenue Financing System Bonds, Series 2011A

- To finance the costs of acquiring, purchasing, constructing, improving, enlarging and equipping the property and facilities within the System and paying the costs of issuing the bonds.
- Issued 12-15-2011
- \$5,160,000.00, all authorized bonds have been issued
- Source of revenues for debt service – all legally available non-General Revenue Funds of the System.
- Interest rates range between 3.00-4.00 percent

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020**Revenue Financing System Improvement and Refunding Bonds, Series 2016

- (1) To finance the costs of acquiring, purchasing, constructing, improving, enlarging and equipping the following projects within the TSTC System: (A) construction of an industrial technology center associated with the System's Abilene campus, (B) Phase II of the Engineering Technology Center renovation at the System's Harlingen campus, (C) construction of the Fort Bend Campus Building #2 at the System's Fort Bend campus, and (D) purchase and renovation of the North Texas Technology Center at the System's North Texas Campus; (2) to refund \$1,250,000.00 of outstanding Series 2008 Revenue Bonds and \$19,190,000.00 of outstanding Series 2009 Revenue Bonds; and (3) to pay the costs of issuing the bonds.
- Issued 04-28-2016
- \$56,915,000.00, all authorized bonds have been issued
- Sources of revenues for debt service – General Revenue Funds specifically appropriated for debt service and all legally available non-General Revenue Funds of the System.
- Interest rates noted below in the "Advance Refunding Bonds" section

Revenue Financing System Improvement Bonds, Series 2020

- To finance the costs of acquiring, purchasing, constructing, improving, enlarging and equipping the property and facilities within the System and paying the costs of issuing the bonds.
- Issued 06-01-2020
- \$30,000,000.00, all authorized bonds have been issued
- Source of revenues for debt service – all legally available non-General Revenue Funds of the System.
- Interest rate is 2.53 percent

Future debt service requirements on Total Revenue Bonds is summarized in the table below:

<u>Year</u>	<u>Revenue Financing Bonds Principal</u>	<u>Revenue Financing Bonds Interest</u>	<u>Total</u>
2021	\$ 4,721,428.57	\$ 3,781,104.78	\$ 8,502,533.35
2022	7,616,428.59	3,661,231.66	11,277,660.25
2023	7,100,000.00	3,349,413.02	10,449,413.02
2024	7,120,000.00	3,077,468.02	10,197,468.02
2025	7,400,000.00	2,798,008.28	10,198,008.28
2026-2030	41,740,000.00	9,300,104.32	51,040,104.32
2031-2035	21,620,000.00	2,848,083.80	24,468,083.80
2036	4,025,000.00	109,640.63	4,134,640.63
Total	\$ 101,342,857.16	\$ 28,925,054.51	\$ 130,267,911.67

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020****Advance Refunding Bonds**

Refunded \$1,250,000.00 of Revenue Bonds, Series 2008 and \$19,190,000.00 of Revenue Bonds, Series 2009:

- Issued Revenue Bonds – Refunding portion of Series 2016 on 04-28-2016
- \$19,330,000.00 – all authorized bonds have been issued. \$1,220,000.00 pertained to the Series 2008 Bonds and \$18,110,000.00 pertained to the Series 2009 Bonds
- Average interest rate of bonds refunded – 4.56 percent combined
- Series 2008 Bonds – 4.45 percent
- Series 2009 Bonds – 4.56 percent
- Net proceeds from Refunding Portion of Series 2016 – \$22,902,819.87 – after payment of \$236,971.53 in underwriting fees, issuance and other costs. The net proceeds were used to purchase \$22,902,548.69 of U. S. Government securities, with the remaining \$271.18 held in cash. These net proceeds were deposited in a special escrow account with an escrow agent to provide for all remaining future debt payments on the refunded Series 2008 and Series 2009 bonds.
- Advance refunding of the callable portions of the Series 2008 and Series 2009 Revenue Bonds reduced the System's debt service payments during fiscal years 2016 through 2030 by \$2,105,675.15. Of this amount, a total of \$98,134.72 pertained to the Series 2008 bonds and a total of \$2,007,540.43 pertained to the Series 2009 Bonds.
- Economic Gain - \$1,340,960.00 difference between the net present value of the old and new debt service payments. Of this amount, a total of \$65,385.65 pertained to the Series 2008 bonds and a total of \$1,275,574.35 pertained to the Series 2009 bonds.
- Accounting Gain - \$2,105,675.15 accounting gain resulted from the advance refunding. Of this amount, a total of \$98,134.72 pertained to the Series 2008 bonds and a total of \$2,007,540.43 pertained to the Series 2009 bonds.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

Pledged Future Revenues

GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*, makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing), on the other. The following table provides the pledged future revenue information for TSTC revenue bonds:

Pledged revenue required for future principal and interest on existing revenue bonds (1)	\$	130,267,911.67
Term of commitment year ending August 31 (2)		2036
Percentage of revenue pledged (3)		100%
Current year pledged revenue	\$	55,767,686.12
Current year principal and interest paid	\$	8,049,164.31

Pledged revenue sources: Business-type activities – tuition and fees, auxiliary enterprises, sales and services of educational activities, contracts and grants for debt service retirement, and interest and investment income.

(1) Schedule 2C.

(2) Year of final revenue bond maturity.

(3) For gross pledge, this is 100 percent (gross pledged revenue divided by gross pledged revenue). See Schedule 2D.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020****Note 8: Leases****Operating Leases**

Included in the expenditures reported in the Matrix is \$2,917,759.42 for rents paid or due under operating lease obligations. The leases have various maturities ranging from 2 to 25 years. Future minimum lease rental payments under non-cancellable operating leases having an initial term in excess of one year are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 1,695,235.38
2022	214,871.55
2023	216,260.67
2024	218,283.67
2025	76,333.00
2026-2030	381,665.00
2031-2035	381,665.00
2036	76,333.00
Total Future Minimum Lease Rental Payments	\$ <u><u>3,260,647.27</u></u>

Capital Leases

TSTC's long-term capital leases are finance-type leases, therefore classified as Capital Lease Obligations – Direct Borrowings, with the implementation of GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. See Note 5, *Long-Term Liabilities*, for disclosures relating to finance-type capital leases.

Note 9: Defined Benefit Pension Plan and Defined Contribution Plan**Teacher Retirement System (Defined Benefit Pension Plan)**Plan Description

TSTC participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation for certain employers whereby the State contributes to the plan on behalf of those specific employers. The College is not one of those employers and is therefore not subject to the special funding situation provisions of GASB 68. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan 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 IRC. 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 College.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

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 above.

Contributions

For the fiscal year ended August 31, 2020, TSTC's contributions recognized by the plan were \$845,602.00. The contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the state and the members in the measurement period are presented in the table below:

	TRS Plan
Employer	6.8%
Employees	7.7%

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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the College during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

At August 31, 2020, the College reported a liability of \$12,558,721.00 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date. The College's proportion of the net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2018 through August 31, 2019. At August 31, 2020, the College's proportion was 0.024%, which was a decrease of 0.001% from its proportion measured as of August 31, 2019.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020**

For the year ended August 31, 2020, the College recognized pension expense of \$1,081,953.00. At August 31, 2020, the College reported deferred outflows or 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>
Difference between expected and actual experience	\$ 52,758.00	\$ 436,059.00
Changes of assumptions	3,896,332.00	1,610,149.00
Net difference between projected and actual investment return	126,104.00	-
Change in proportion & contribution difference	483,218.00	4,566,611.00
Contributions subsequent to the measurement date	977,913.00	-
Total	\$ <u>5,536,325.00</u>	\$ <u>6,612,819.00</u>

At August 31, 2020, the College reported \$977,913.00 as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending August 31, 2021.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount*</u>
2021	\$ (769,441.00)
2022	(840,611.00)
2023	5,534.00
2024	(5,182.00)
2025	(303,452.00)
Thereafter	(141,255.00)
	\$ <u>(2,054,407.00)</u>

* Positive amounts indicate increase in pension expense; negative amounts indicate decrease in pension expense.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

Actuarial Assumptions*

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of August 31, 2019 measurement date.

	TRS Plan
Actuarial valuation date	August 31, 2018 rolled forward to August 31, 2019
Actuarial cost method	Individual entry age normal
Amortization method	Level percentage of payroll, floating
Asset valuation method	Market value
Actuarial Assumptions:	
discount rate	7.25%
investment rate of return	7.25%
long-term expected rate of return	7.25%
municipal bond rate as of August 2019	2.63% **
inflation	2.30%
salary increase	3.05% to 9.05% including inflation
Mortality	
active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality using Scale BB.
post-retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale BB.
Ad Hoc Post-Employment Benefit Changes	None

* The assumptions used to determine the ADC are those in effect for the Aug. 31, 2018 actuarial valuation. Due to the lag between valuation data and the measurement date, they may not be the same assumptions used to measure the Net Pension Liability.

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

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the three-year period ending August 31, 2017 and adopted in July 2018. The mortality rates were based on 90% of the RP 2014 employee Mortality Tables for males and females. The post-retirement mortality rates were based on 2018 TRS Healthy Pensioner Mortality Tables.

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, except for the following:

- The single discount rate as of August 31, 2018 was a blended rate of 6.907%, changed to the long-term rate of return of 7.25% as of August 31, 2019; and,
- The enactment of Senate Bill 3 by the 2019 Legislature impacted future salaries by giving eligible active members a \$2,700.00 increase in the fiscal year 2020 in addition to the salary increases expected.

There have been no changes to the benefit provisions of the plan since the prior measurement date.

The long-term expected rate of return on plan investments was developed using a building-block method in which best estimate ranges of expected future real rates of return (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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio are presented below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Global Equity		
U.S.	18.00%	6.40%
Non-U.S. Developed	13.00%	6.30%
Emerging Markets	9.00%	7.30%
Private Equity	14.00%	8.40%
Stable Value		
U.S. Treasury	16.00%	3.10%
Stable Value Hedge Funds	5.00%	4.50%
Real Return		
Real Assets	15.00%	8.50%
Energy, Natural Resources and Infrastructure	6.00%	7.30%
Risk Parity		
Risk Parity	8.00%	5.80%/6.50%
Asset Allocation Leverage Cash	2.00%	2.50%
Asset Allocation Leverage	-6.00%	2.70%
Total	<u>100.00%</u>	

Discount Rate

The discount rate of 7.25% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% over the next several years. This includes a factor for all employer and state contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The College's proportionate share of the net pension liability has been calculated using a discount rate of 7.25%. The following presents the College's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
College's proportionate share of the net pension liability	\$ 19,304,578.00	\$ 12,558,721.00	\$ 7,093,274.00

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020***Pension Plan Fiduciary Net Position*

The pension plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2019 CAFR.

Optional Retirement Program (Defined Contribution Plan)

The State has also established the Optional Retirement Program (ORP), a defined contribution plan, for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS Plan and is available to certain eligible employees who hold faculty positions and other professional positions including but not limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds and is administered by a variety of investment firms. Employees are immediately vested in their own contributions and earnings on those contributions, and become vested in the employer contributions after one year and one day of service.

The employee and employer contribution rates are established by the Legislature each biennium. Depending upon the source of funding for the employee's compensation, the College may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the College have no additional or unfunded liability for this program. The contributions made by participants (6.65% of annual compensation) and the employer (6.60% of annual compensation, plus 1.90% for employees in service as of September 1, 1995) for the year ended August 31, 2020, is provided in the following table:

Member Contributions	\$	897,105.05
Employer Contributions		936,488.01
Total	\$	<u>1,833,593.06</u>

Note 11: Postemployment Benefits Other Than Pensions**Employees Retirement System***Plan Description*

Employees Retirement System (ERS) is the administrator of the State Retiree Health Plan (SRHP or ERS Plan), a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation. TSTC participates in this plan.

The Legislature has the authority to establish and amend the benefits and contribution rates within the guidelines of the Texas Constitution. The SRHP's Board of Trustees does not have the authority to establish or amend benefit terms. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020**

The employers of SRHP include state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Employees of state of Texas agencies, colleges, universities and medical schools are members of this Plan.

Detailed information about the SRHP'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 in writing to ERS at 200 E. 18th Street, Austin, TX, 78701-1400.

Benefits Provided

The SRHP provides postemployment health care, life and dental insurance benefits to retirees. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments (COLAs).

Contributions

During the measurement period of 2019 for fiscal 2020 reporting, the amount of TSTC's contributions recognized by the plan was \$3,805,684.66. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Employer Contribution Rates	
Retiree Health and Basic Life Premium	
Retiree Only	\$ 624.82
Retiree & Spouse	\$ 1,340.82
Retiree & Children	\$ 1,104.22
Retiree & Family	\$ 1,820.22

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

At August 31, 2020, TSTC reported a liability of \$44,388,881.00 for its proportionate share of the collective net OPEB liability. The non-current portion of the liability was \$42,982,003.00 and the current portion was \$1,406,878.00. The collective 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. TSTC's proportion at August 31, 2020 was 0.13 percent. TSTC's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2018 through August 31, 2019.

For the year ending August 31, 2020, TSTC recognized OPEB expense of \$8,692,456.00. At August 31, 2020, TSTC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

NOTES TO THE FINANCIAL STATEMENTS

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,155,038.00
Changes of assumptions	3,158,920.00	9,919,232.00
Net difference between projected and actual investment return	18,249.00	-
Effect of change in proportion and contribution difference	33,110,839.00	-
Contributions subsequent to the measurement date	<u>74,708.00</u>	<u>-</u>
Total	\$ <u><u>36,362,716.00</u></u>	\$ <u><u>11,074,270.00</u></u>

The \$74,708.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2021.

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

	<u>OPEB Expense Amount</u>
2021	\$ 5,577,681.00
2022	5,577,681.00
2023	6,794,781.00
2024	5,812,419.00
2025	<u>1,451,175.00</u>
	\$ <u><u>25,213,737.00</u></u>

Actuarial Assumptions

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2019 measurement date.

	<u>SRHP</u>
Actuarial valuation date	August 31, 2019
Actuarial cost method	Entry Age
Amortization method	Level Percent of Payroll, Open
Remaining amortization period	30 Years
Actuarial Assumptions:	
discount Rate	2.97% *
inflation	2.50%
salary increase	2.50% to 9.50%, including inflation
healthcare cost and trend rate for HealthSelect	7.30% for FY 2021, 7.40% for FY 2022, 7.00% for FY 2023, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 2028 and later years
healthcare cost and trend rate for HealthSelect Medicare Advantage	10.80% for FY 2021, 7.40% for FY 2022, 7.00% for FY 2023, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 2028 and later years
aggregate payroll growth	3.00%
retirement age	Experience-based tables of rates that are specific to the class of employee

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

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Mortality

State Agency Members	
service retirees, survivors and other inactive members	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
disabled retirees	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014
active members	RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014
Higher Education Members	
service retirees, survivors and other inactive members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
disabled retirees	Tables based on TRS experience with Ultimate MP Projection Scale from year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014
Ad Hoc Post-Employment Benefit Changes	None

** The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.*

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2011 to August 31, 2016 for state agency members and for the period September 1, 2010 to August 31, 2017 for higher education members. The mortality rates were based on the tables identified in the table above.

The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the results of the valuation:

- assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and expense trends have been updated to reflect recent experience and its effects on our short-term expectations;
- percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
- percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends; and,
- discount rate assumption was decreased from 3.96 percent to 2.97 percent to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The only benefit revisions that have been adopted since the prior valuation for 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 plans in order to remain consistent with Internal Revenue Service maximums.

Discount Rate

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 2.97 percent as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.96 percent. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay as you go basis

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and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4 percent. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.96 percent.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of TSTC's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate							
		1% Decrease (2.96%)		Current Discount Rate (3.96%)		1% Increase (4.96%)	
College's proportionate share of the net OPEB liability		\$	52,969,742.00	\$	44,388,881.00	\$	37,786,220.00

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of the College's net OPEB liability. The result of the analysis is presented in the table below:

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate					
		1% Decrease (6.30% decreasing to 3.50%)	Current Discount Rate (7.30% decreasing to 4.50%)		1% Increase (8.30% to 5.50%)
College's proportionate share of the net OPEB liability	\$	37,272,951.00	\$	44,388,881.00	\$ 53,687,772.00

OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance to the terms of the plan. Investments are reported at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2019 Comprehensive Annual Financial Report.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

Note 12: Interfund Activity and Transactions

The College experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer, and as a result of various grants and contract activities. Receipt of interfund receivables and repayment of interfund payables will normally occur within one year from the date of the financial statements except for the loan from the State Energy Conservation Office (SECO) for which repayment of the principal and interest will be completed over a period not to exceed 10.75 years. Grant and contract activities are recognized as revenues or expenses on the financial statements.

Interfund balances and activity during August 31, 2020 are as follows:

Name of State Agency	Agency No.	Interfund Receivable	Interfund Payable	Purpose
Current Portion:				
State Energy Conservation Office (General Revenue (01) D23 Fund 2370)	907	\$ -	765,804.53	Loan for energy retrofit projects
Non-Current Portion:				
State Energy Conservation Office (General Revenue (01) D23 Fund 2370)	907	-	1,972,877.94	Loan for energy retrofit projects
Total Interfund Payable per Statement of Net Position		\$ -	\$ 2,738,682.47	

Name of State Agency	Agency No.	Due From Other State Agencies	Source
Texas Workforce Commission D23 Fund 0001	320	\$ 11,305.20	State Pass-Through Grant
Texas Department of Transportation D23 Fund 0006	601	2,153.33	State Pass-Through Grant
Texas Higher Education Coordinating Board D23 Fund 0001	781	768,299.00	Federal Pass-Through Grant
Total Due from Other Agencies per Statement of Net Position		\$ 781,757.53	

The detailed Federal and State Grant Pass Through Information is provided on Schedule 1A – *Schedule of Expenditures of Federal Awards*, and Schedule 1B – *Schedule of State Grant Pass Through From/To State Agencies*, respectively.

Note 14: Adjustments to Net Position

During fiscal year 2020, the correction of a prior period capital asset balance required the restatement of the amount in net position as shown in the table below:

Net Position at August 31, 2019 as Previously Reported	\$ 161,011,295.90
Capital Assets Adjustment	(26,000.00)
Net Position at August 31, 2019 as Restated	<u>\$ 160,985,295.90</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020****Note 15: Contingencies and Commitments**

At August 31, 2020, two lawsuits involving the College were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College's financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by such agencies, principally the U.S. government. Any disallowed claims may constitute a liability of the College. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the College expects any such amounts to be immaterial.

Note 16: Subsequent Events

Subsequent events have been evaluated through the issuance of this report. The College has no subsequent events to report.

Note 17: Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to worker's compensation and natural disasters. Settled claims have not exceeded commercial coverage in any of the three preceding years.

TSTC's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. Changes in the balances of TSTC's claims liabilities during fiscal years 2019 and 2020 were:

	Beginning Balance	Increases	Decreases	Ending Balance
2019	0.00	0.00	0.00	0.00
2020	0.00	7,100.00	7,100.00	0.00

Note 18: Management Discussion & Analysis

See introduction for detailed Management Discussion & Analysis.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)**NOTES TO THE FINANCIAL STATEMENTS****August 31, 2020****Note 22: Donor Restricted Endowments**

The College is subject to the Uniform Prudent Management of Institutional Funds Act, Chapter 163 of the Texas Property Code. This act provides guidance and authority for the management and investment of charitable funds and for endowment spending by institutions organized for a charitable purpose, including educational purposes. The legal authority for the College to accept gifts, including endowments, is found in Chapter 135 of the Texas Education Code. The College's policy for authorizing and spending endowment earnings is addressed in Statewide Operating Standard No. FA.3.1, Acceptance of Gifts and Bequests.

At August 31, 2020, the College had \$585,545.56 of donor restricted endowments which were classified as Non-Expendable True Endowments on the Statement of Net Position. These endowment funds are invested in cash accounts or certificates of deposits. Per donor restrictions, the investment income earned on these endowments is to be used for scholarship purposes. For the year ended August 31, 2020, the endowments earned \$3,038.93 in investment income.

Note 24: Disaggregation of Receivable Balances

Balances of receivables reported on the Statement of Net Position may be aggregations of different components. GASB Statement 38, *Certain Financial Statement Note Disclosures*, requires that the College provide details in the Notes to the Financial Statements when significant components have been obscured by aggregation.

Accounts receivable at August 31, 2020, is compromised as follows:

Campus Billing	\$	726,473.46
Sponsor Receivables		1,578,104.27
Tuition & Fees		(2,281,540.40)
Auxiliary Receivables		998,441.88
Local Grants		458,687.23
Reimbursement from State for Payroll Payable		4,690,040.92
Other		105,773.50
Total	\$	<u><u>6,275,980.86</u></u>

Note 28: Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the College's deferred outflows of resources and deferred inflows of resources as of August 31, 2020 is presented below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions	\$ 5,536,325.00	\$ 6,612,819.00
OPEB	36,362,716.00	11,074,270.00
Unamortized losses on refunding of debt	1,609,643.77	-
	<u><u>\$ 43,508,684.77</u></u>	<u><u>\$ 17,687,089.00</u></u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2020

See Note 1, *Summary of Significant Accounting Policies*, Note 9, *Defined Benefit Pension Plan and Defined Contribution Plan*, and Note 11, *Postemployment Benefits Other Than Pensions*, for more information regarding deferred outflows of resources and deferred inflows of resources related to debt refunding, pensions, and OPEB.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 1A - Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2020

Certified

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	NSE Name / Identifying Number	Agy Univ No	Pass-through From	
				Agencies or Universities Amount	Non-State Entities Amount
U.S. Department of Education					
Direct Programs:					
Migrant Education_High School Equivalency Program	84.141			\$ -	\$ -
COVID-19 - Education Stabilization Fund	84.425			-	-
TRIO Cluster					
TRIO_Talent Search	84.044			-	-
TRIO_Upward Bound	84.047			-	-
Totals - TRIO Cluster				-	-
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007			-	-
Federal Work-Study Program	84.033			-	-
Federal Pell Grant Program	84.063			-	-
Federal Direct Student Loans	84.268			-	-
Totals - Student Financial Assistance Custer				-	-
Pass-Through Programs:					
Career and Technical Education - Basic Grants to States					
Pass-Through From:					
Texas Higher Education Coordinating Board	84.048		781	2,615,055.00	-
Adult Education - Basic Grants to States					
Pass-Through From:					
Brownsville Independent School District	84.002	BISD		-	7,500.00
Totals - U.S. Department of Education				\$ 2,615,055.00	\$ 7,500.00

UNAUDITED

Direct Program Amount	Total PT From and Direct Program Amount	Agy Univ No	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
			Agencies or Universities Amount	Non-State Entities Amount		
\$ 445,060.93	\$ 445,060.93		\$ -	\$ -	\$ 445,060.93	\$ 445,060.93
5,241,823.83	5,241,823.83		-	-	5,241,823.83	5,241,823.83
340,382.48	340,382.48		-	-	340,382.48	340,382.48
334,284.77	334,284.77		-	-	334,284.77	334,284.77
<u>674,667.25</u>	<u>674,667.25</u>		<u>-</u>	<u>-</u>	<u>674,667.25</u>	<u>674,667.25</u>
412,257.29	412,257.29		-	-	412,257.29	412,257.29
488,585.87	488,585.87		-	-	488,585.87	488,585.87
25,911,906.37	25,911,906.37		-	-	25,911,906.37	25,911,906.37
19,929,887.00	19,929,887.00		-	-	19,929,887.00	19,929,887.00
<u>46,742,636.53</u>	<u>46,742,636.53</u>		<u>-</u>	<u>-</u>	<u>46,742,636.53</u>	<u>46,742,636.53</u>
-	2,615,055.00		-	-	2,615,055.00	2,615,055.00
-	7,500.00		-	-	7,500.00	7,500.00
<u>\$ 53,104,188.54</u>	<u>\$ 55,726,743.54</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,726,743.54</u>	<u>\$ 55,726,743.54</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 1A - Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2020

Certified

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	NSE Name / Identifying Number	Agy Univ No	Pass-through From	
				Agencies or Universities Amount	Non-State Entities Amount
U.S. Department of Labor					
<u>Pass-Through Programs:</u>					
WIOA Dislocated Worker Formula Grants					
<i>Pass-Through From:</i>					
<i>Texas Workforce Commission</i>	17.278		320	5,528.14	-
Totals - U.S. Department of Labor				\$ 5,528.14	\$ -
National Science Foundation					
Education and Human Resources	47.076			-	-
Totals - National Science Foundation				\$ -	\$ -
Total Expenditures of Federal Awards				\$ 2,620,583.14	\$ 7,500.00

UNAUDITED

Direct Program Amount	Total PT From and Direct Program Amount	Agy Univ No	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
			Agencies or Universities Amount	Non-State Entities Amount		
-	5,528.14		-	-	5,528.14	5,528.14
<u>\$ -</u>	<u>\$ 5,528.14</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,528.14</u>	<u>\$ 5,528.14</u>
45,739.77	45,739.77		-	-	45,739.77	45,739.77
<u>\$ 45,739.77</u>	<u>\$ 45,739.77</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,739.77</u>	<u>\$ 45,739.77</u>
<u>\$ 53,149,928.31</u>	<u>\$ 55,778,011.45</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,778,011.45</u>	<u>\$ 55,778,011.45</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 1A - Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2020

Note 2: Reconciliation:

<u>Federal Revenue</u>		
Federal Grants and Contracts Operating		\$ 6,903,377.65
Federal Grants and Contracts Non-operating		26,324,163.66
Total Federal Revenue		<u>33,227,541.31</u>
<u>Federal Pass-Through Revenue from Other State Agencies -</u>		
Federal Pass-Through Revenue Operating		2,620,583.14
Federal Pass-Through Revenue Non-operating		-
Total Federal Pass-Through Revenue from Other State Agencies		<u>2,620,583.14</u>
Total Federal Revenue and Federal Pass-Through Revenue		<u>35,848,124.45</u>
<u>Reconciliation Items:</u>		
Non-monetary Assistance		-
New Loans Processed:		
Federal Direct Student Loans		19,929,887.00
Total Reconciliation Items		<u>19,929,887.00</u>
Total Per Note 2		55,778,011.45
Total Pass-Through To and Expenditures per Federal Schedule		55,778,011.45
Difference		<u>\$ -</u>

Note 3a: Student Loans Processed and Administrative Costs Recovered

<u>Federal Grantor/ CFDA Number/Program Name</u>	<u>New Loans Processed</u>	<u>Admin Costs</u>	<u>Total Loans Processed & Admin Costs</u>	<u>Ending Bal. of Prev. Yr. Loan</u>
U.S. Department of Education				
84.268 Federal Direct Student Loans	\$ 19,929,887.00	-	\$ 19,929,887.00	-
Total	<u>\$ 19,929,887.00</u>	<u>-</u>	<u>\$ 19,929,887.00</u>	

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 1B - State Grant Pass Throughs From/To State Agencies
For the Fiscal Year Ended August 31, 2020

Pass Through From:

Grantor Agency	Grant ID	Grant Title	Amount
320-Texas Workforce Commission	320.0003	Skills Development	\$ 653,579.32
		State Assisted Airport Routine	
601-Texas Department of Transportation	601.0030	Maintenance at the TSTC Waco Airport	28,829.85
781-Texas Higher Education Coordinating Board	781.0008	Texas Grant Program	(120,581.22)
781-Texas Higher Education Coordinating Board	781.0013	Professional Nursing Shortage Reduction Program	169,191.69
781-Texas Higher Education Coordinating Board	781.0023	College Work Study Program	68,378.00
781-Texas Higher Education Coordinating Board	781.0029	Work Study Mentorship Program	57,459.00
781-Texas Higher Education Coordinating Board	781.0040	Developmental Education Program	(0.93)
781-Texas Higher Education Coordinating Board	781.0074	TEOG Public State/Tech Colleges	2,612,239.00
Total Pass Through From Other Agencies			\$ 3,469,094.71

Pass Through To:

Total Pass Through To Other Agencies	\$ -
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TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2020

Business-Type Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates	Scheduled Maturities		First Call Date
					First Year	Last Year	
General Obligation Bonds							
Constitutional Appropriation Bonds Series 2016	\$ 23,680,000.00	4.0000%	5.0000%		2016	2025	N/A
Revenue Bonds							
Revenue Financing System Bonds Taxable Series 2008A	1,000,000.00	1.0000%	1.0000%		2008	2021	12/15/2008
Revenue Financing System Bonds Series 2009	31,555,000.00	3.0000%	5.0000%		2011	2030	08/01/2019
Revenue Financing System Improvement and Refunding Bonds Series 2011	26,015,000.00	3.7500%	5.0000%		2013	2036	08/01/2021
Revenue Financing System Bonds Series 2011A	5,160,000.00	3.0000%	4.0000%		2012	2031	08/01/2021
Revenue Financing System Improvement and Refunding Bonds Series 2016	56,915,000.00	2.0000%	5.0000%		2016	2035	10/15/2026
Revenue Financing System Improvement Bonds Series 2020	30,000,000.00	2.5300%	2.5300%		2020	2031	10/15/2030
Total	\$ 174,325,000.00						

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2020

Business-Type Activities

Description of Issue	Bonds Outstanding 09/01/2019	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Par Value Adjustments
General Obligation Bonds					
Constitutional Appropriation Bonds, Series 2016	\$ 17,740,000.00	\$	\$ 2,180,000.00	\$	\$
Revenue Bonds					
Revenue Financing System Bonds, Taxable Series 2008A	214,285.73		71,428.57		
Revenue Financing System Bonds, Series 2009	1,495,000.00		1,495,000.00		
Revenue Financing System Improvement and Refunding Bonds, Series 2011	18,360,000.00		1,315,000.00		
Revenue Financing System Bonds, Series 2011A	3,555,000.00		235,000.00		
Revenue Financing System Improvement and Refunding Bonds, Series 2016	52,390,000.00		1,555,000.00		
Revenue Financing System Improvement Bonds, Series 2020	-	30,000,000.00	-		
Total	\$ 93,754,285.73	\$ 30,000,000.00	\$ 6,851,428.57	\$ -	\$ -

UNAUDITED

Bonds Outstanding 08/31/2020	Reconciliation			Net Bonds Outstanding 08/31/2020	Amounts Due Within One Year	Bonds Outstanding 08/31/2020
	Unamortized Premium	Unamortized Discount	Adjustments			
\$ 15,560,000.00	\$ 2,011,196.65	\$	\$	\$ 17,571,196.65	\$ 2,687,239.36	\$ 15,560,000.00
142,857.16				142,857.16	71,428.57	142,857.16
-				-	-	-
17,045,000.00	650,551.85			17,695,551.85	1,477,791.50	17,045,000.00
3,320,000.00				3,320,000.00	245,000.00	3,320,000.00
50,835,000.00	5,944,448.15			56,779,448.15	3,518,212.35	50,835,000.00
30,000,000.00				30,000,000.00		30,000,000.00
<u>\$ 116,902,857.16</u>	<u>\$ 8,606,196.65</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,509,053.81</u>	<u>\$ 7,999,671.78</u>	<u>\$ 116,902,857.16</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2020

Business-Type Activities

Description of Issue	Year	Principal	Interest
General Obligation Bonds			
Constitutional Appropriation Bonds Series 2016	2021	\$ 2,285,000.00	\$ 691,725.00
	2022	2,400,000.00	574,600.00
	2023	2,520,000.00	451,600.00
	2024	2,655,000.00	322,225.00
	2025	2,785,000.00	186,225.00
	2026	2,915,000.00	58,300.00
Total		<u>\$ 15,560,000.00</u>	<u>\$ 2,284,675.00</u>

Revenue Bonds

Revenue Financing System Bonds Taxable Series 2008A	2021	\$ 71,428.57	\$ 1,071.43
	2022	71,428.59	357.14
Total		<u>\$ 142,857.16</u>	<u>\$ 1,428.57</u>

Revenue Financing System Improvement and Refunding Bonds Series 2011	2021	\$ 1,380,000.00	\$ 819,581.26
	2022	1,450,000.00	750,581.26
	2023	750,000.00	678,081.26
	2024	780,000.00	649,956.26
	2025	810,000.00	618,756.26
	2026-2030	4,625,000.00	2,520,106.26
	2031-2035	5,890,000.00	1,252,250.00
	2036	1,360,000.00	68,000.00
Total		<u>\$ 17,045,000.00</u>	<u>\$ 7,357,312.56</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2020

Business-Type Activities

Description of Issue	Year	Principal	Interest
Revenue Bonds			
Revenue Financing System Bonds			
Series 2011A	2021	\$ 245,000.00	\$ 120,787.50
	2022	255,000.00	113,437.50
	2023	265,000.00	105,787.50
	2024	275,000.00	97,175.00
	2025	285,000.00	87,893.76
	2026-2030	1,625,000.00	272,343.76
	2031	370,000.00	14,800.00
Total		<u>\$ 3,320,000.00</u>	<u>\$ 812,225.02</u>
Revenue Financing System			
Improvement and Refunding Bonds			
Series 2016	2021	\$ 3,025,000.00	\$ 2,211,381.26
	2022	3,170,000.00	2,071,631.26
	2023	3,345,000.00	1,908,756.26
	2024	3,255,000.00	1,743,756.26
	2025	3,425,000.00	1,576,756.26
	2026-2030	19,940,000.00	5,080,481.30
	2031-2035	12,010,000.00	1,538,656.30
	2036	2,665,000.00	41,640.63
Total		<u>\$ 50,835,000.00</u>	<u>\$ 16,173,059.53</u>
Revenue Financing System			
Improvement Bonds			
Series 2020	2021	\$ -	\$ 628,283.33
	2022	2,670,000.00	725,224.50
	2023	2,740,000.00	656,788.00
	2024	2,810,000.00	586,580.50
	2025	2,880,000.00	514,602.00
	2026-2030	15,550,000.00	1,427,173.00
	2031	3,350,000.00	42,377.50
Total		<u>\$ 30,000,000.00</u>	<u>\$ 4,581,028.83</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 2D - Analysis of Funds Available for Debt Service
For the Fiscal Year Ended August 31, 2020

Business-Type Activities

Description of Issue	Application of Funds	
	Principal	Interest
General Obligation Bonds		
Constitutional Appropriation Bonds Series 2016	\$ 2,180,000.00	\$ 803,350.00
Total	\$ 2,180,000.00	\$ 803,350.00

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2020			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay		
			Principal	Interest
Revenue Bonds				
Revenue Financing System Bonds, Taxable Series 2008A	55,767,686.12	(A)	71,428.57	1,785.72
Revenue Financing System Bonds, Series 2009	(B)	(B)	1,495,000.00	59,800.00
Revenue Financing System Improvement and Refunding Bonds, Series 2011	(B)	(B)	1,315,000.00	885,331.26
Revenue Financing System Bonds, Series 2011A	(B)	(B)	235,000.00	127,837.50
Revenue Financing System Improvement and Refunding Bonds, Series 2016	(B)	(B)	1,555,000.00	2,302,981.26
Total	\$ 55,767,686.12	\$ 0.00	\$ 4,671,428.57	\$ 3,377,735.74

(A) Expenditures associated with pledged sources were approximately \$53,633,168.04 (Footnote disclosure for Gross Revenue Pledges only.)

(B) The Revenue Financing System Bonds, Series 2009; Revenue Financing System Improvement and Refunding Bonds, Series 2011; Revenue Financing System Bonds, Series 2011A; and Revenue Financing System Improvement and Refunding Bonds, Series 2016; were issued as parity obligations with the Revenue Financing System Bonds, Taxable Series 2008A. As such, the Series 2009, Series 2011, Series 2011A, and Series 2016 issues have an equal claim to the pledged sources reported above for the Taxable Series 2008A issue and share the same expenditures that are associated with the pledged sources disclosed in footnote (A) above.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 3 - Reconciliation of Cash in State Treasury
 For the Fiscal Year Ended August 31, 2020

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue Fund 0237	\$ 8,784,345.71	\$ -	\$ 8,784,345.71
Departmental Suspense Fund Fund 0900			
Total Cash in State Treasury (Stmt of Net Position)	\$ <u>8,784,345.71</u>	\$ <u>-</u>	\$ <u>8,784,345.71</u>

