

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023





**Annual Financial Report and Independent Accountants' Review
Report**

For the Year Ended August 31, 2023

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University of Houston - Victoria
Organizational Data

For the Fiscal Year Ended August 31, 2023

Board of Regents

Doug H. Brooks, Dallas	Term Expires August 31, 2023
Jack B. Moore, Houston	Term Expires August 31, 2023
Gregory C. King, San Antonio	Term Expires August 31, 2023
Durga D. Agrawal, Houston	Term Expires August 31, 2025
Alonzo Cantu, McAllen	Term Expires August 31, 2025
John A. McCall, Jr., Crockett	Term Expires August 31, 2025
Tilman J. Fertitta, Houston	Term Expires August 31, 2027
Beth Madison, Houston	Term Expires August 31, 2027
Ricky Raven, Sugarland	Term Expires August 31, 2027
Mielad Ziaee (Student), Houston	Term Expires May 31, 2024

Officers of the Board (Fiscal Year 2023):

Tilman J. Fertitta	Chairman
Jack B. Moore	Vice President
Durga D. Agrawal	Secretary

UH System Administrative Officers

Rena Khator	Chancellor
Diane Z. Chase	Senior Vice Chancellor for Academic Affairs
Raymond S. Bartlett	Senior Vice Chancellor for Administration and Finance
Claudia Neuhauser	Interim Vice Chancellor for Research
Dona H. Cornell	Vice Chancellor for Legal Affairs and General Counsel
Eloise Dunn Brice	Vice Chancellor for University Advancement
Daniel M. Maxwell	Interim Vice Chancellor for Student Affairs
Jason Smith	Vice Chancellor for Government and Community Relations
Lisa K. Holdeman	Vice Chancellor for Marketing and Communications

UHV Administrative Officers

Robert K. Glenn	President
Chance Glenn	Provost
Beverly Shuford	Vice President for Administration and Finance
Jay Lambert	Vice President for Student Affairs
Amber Countis	Vice President for Advancement and External Relations
Karla DeCuir	Interim Vice President for Enrollment Management



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Regents of
University of Houston System:

We have reviewed the accompanying Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows of the University of Houston - Victoria (UHV), an agency of the State of Texas (the "State"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise UHV's basic financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of UHV and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

While the results of our review are not modified with respect to this matter, the financial statements of UHV are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the State that are attributable to the transactions of UHV, as discussed in Note 1. Transactions associated with pensions, and other postemployment benefits related to UHV's activities in the name of the University of Houston System (UHS) are reported by UHS and not UHV. The financial statements do not purport to, and do not, present fairly the financial position of the State or UHS as of August 31, 2023, or the changes in financial position, or, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

UHV adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Restatement was not necessary. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Amounts

UHV has elected to present prior year comparative amounts on its financial statements, but related disclosures are included and, accordingly, the financial statements are not intended to be complete comparative financial statements. We were not engaged to review the financial statements for the year ended August 31, 2022 and, accordingly, take no responsibility for them. However, in performing our procedures, nothing came to our attention which would indicate that the comparative financial amounts were not fairly presented.

Required Supplementary Information and Additional Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management.

The Organizational Data and the Matrix of Operating Expenses Reported by Function are additional supplementary information presented for purposes of additional analysis and are not required parts of the basic financial statements.

We have not audited, reviewed, or compiled the Required Supplementary Information or additional supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

The logo for Belt Harris Pechacek, LLLP features the names 'BELT HARRIS PECHACEK, LLLP' in a stylized, cursive font. The letters are intertwined and have a decorative, flowing appearance.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 12, 2024

University of Houston - Victoria
Management's Discussion and Analysis
For the Fiscal Year Ended August 31, 2023

Introduction

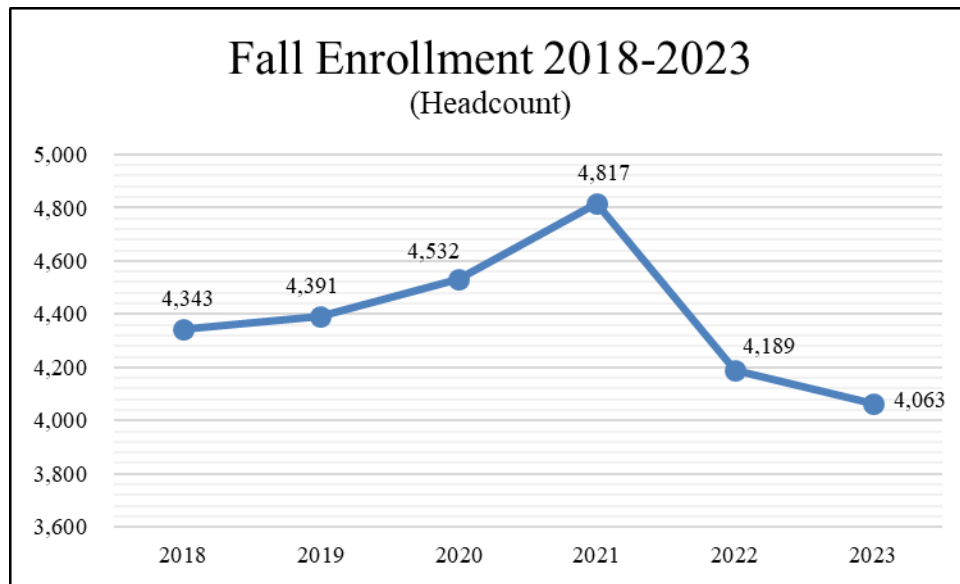
The following Management's Discussion and Analysis (MD&A) section of the University of Houston - Victoria's (UHV) annual financial report has been prepared to provide an overview of the activities and the financial performance of UHV for the fiscal year ended August 31, 2023. This presentation is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts. This analysis should be read in conjunction with UHV's basic financial statements and the notes to the statements.

Background

UHV is one of four universities included in the University of Houston System (UH System) and is part of the state-supported system of higher education in Texas. The main campus is located in Victoria, Texas, approximately two hours southwest of Houston. UHV is an undergraduate and master's-level institution that, for the first time in fall 2010, began enrolling freshmen and sophomores as it emerged as a destination university in the Coastal Bend region of Texas. The presence of freshmen and sophomores profoundly changed the nature of UHV from a commuter campus into a residential campus; therefore, UHV opened the doors to the first residential facility, Jaguar Hall, in fall of the same year. With steady growth enrollment trends, UHV opened its second residential facility, Jaguar Court, in 2012. Jaguar Suites opened in fall 2013, and a fourth residence hall, Don and Mona Smith Hall, opened in fall 2020.

UHV also has a large presence in southwest and west Houston, reaching many students in Houston and beyond through extensive online programs and classes taught at the System learning center in Katy. UHV was an early pioneer in providing distance learning classes online and through Interactive Television. By the first decade of the 21st century, UHV had become a national leader in making entire degree programs available online. During that same decade, new programs were developed, and additional faculty members were hired as enrollment climbed. UHV provides a wide range of academic choices as well as some of the lowest tuition rates in the state.

UHV's enrollment was on a steady upward trend until the Coronavirus Pandemic (COVID-19) hit the nation. Declining enrollment is largely attributed to the effects that COVID-19 has had on higher education. UHV experienced an unexpected decline in enrollment starting in fall of 2022. At the peak of the pandemic, enrollment spiked in fiscal year 2021 as people were confined to their homes and federal relief aid was made available to the public and students. As the nation started returning to work and resumed normal everyday activities, enrollment started to decline. Many students have started considering alternatives to higher education as a growing body of data highlights earning potential through alternative avenues. During this time, inflation also hit causing expenses to rise as enrollment and revenues declined. UHV quickly implemented austerity measures to help combat the decline in enrollment and rising prices to ensure adequate resources are available to support the mission of UHV. UHV will continue to monitor enrollment each semester and adjust accordingly.



To address the declining enrollment, in fiscal year 2024, UHV is placing an emphasis on student retention and ramping up recruitment efforts to bring in new students. To assist in student retention and recruitment, UHV has been expanding its programs offered to students and adding new facilities to ensure that our students have the resources they need to flourish both inside and outside the classroom.

COVID-19 had a tremendous impact on the aviation industry as well, which created a growing demand for new pilots. In 2023, UHV requested and secured funding from the Texas Legislature to create a new aviation program that is expected to attract students to UHV and the region from far and wide. In the same year, UHV began construction on a new Health and Wellness Center. The 38,864 square-foot building will offer UHV students, faculty, and staff a place to safely participate in fitness and wellness activities. It also will be home to a 5,500 square-foot walk-in clinic run by DeTar Healthcare System. Campus expansion is necessary to recruit and retain students. In doing so, UHV continues its plans to become a destination university bringing in students from all over the world.

Overview of the Financial Statements

The financial statements for fiscal year 2023 have been prepared in accordance with accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB). Additionally, these statements conform to reporting requirements of the Texas Comptroller of Public Accounts and guidelines issued by the National Association of College and University Business Officers. The information contained in the financial statements of UHV is part of and included in the State of Texas Annual Comprehensive Financial Report.

The financial statements of UHV are presented for the fiscal year ended August 31, 2023, with financial data for the fiscal year ended August 31, 2022 provided for comparative purposes. Prior year totals have been reclassified, when necessary, to reflect current year changes in reporting

procedures and to enhance comparability of reported totals. The financial operations of UHV are considered a business-type activity because UHV charges a fee, in the form of tuition, to customers in order to pay for a significant percentage of the cost of the services provided. Under this classification, UHV's financial statements conform to the guidelines and presentation formats prescribed for proprietary funds; revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of when cash is exchanged.

Statement of Net Position

The first schedule presented is the Statement of Net Position. This statement represents UHV's financial position as of the conclusion of the fiscal year. This is a point in time financial presentation and presents a snapshot view of the financial status as of August 31, 2023. Comparative data for the previous fiscal year has also been presented as of August 31, 2022. Assets and liabilities are presented as either current or non-current to provide an indication of their anticipated liquidation. Net position is equal to total assets less total liabilities. Net position is divided into three major categories. The first, invested in capital assets, net of related debt, provides UHV's equity in property, plant, and equipment owned by UHV. The restricted net position category is subdivided into non-expendable and expendable classifications. Restricted non-expendable net position consists solely of UHV's permanent endowment funds and is only available for investment purposes. Restricted expendable net position is available for expenditure by UHV but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final major category, unrestricted net position, is available to UHV for any lawful purpose.

Condensed Statement of Net Position

	2022	2023	Increase/ (Decrease)
Assets			
Current Assets	\$ 29,968,080.02	30,010,840.05	42,760.03
Non-Current Assets			
Capital Assets, Net	132,620,004.47	131,396,264.29	(1,223,740.18)
Other Assets	68,835,584.43	64,508,077.06	(4,327,507.37)
Total Assets	\$ 231,423,668.92	225,915,181.40	(5,508,487.52)
Liabilities			
Current Liabilities	\$ 32,761,998.60	36,648,177.83	3,886,179.23
Non-Current Liabilities	150,634,740.36	143,752,674.55	(6,882,065.81)
Total Liabilities	\$ 183,396,738.96	180,400,852.38	(2,995,886.58)
Net Position			
Invested in Capital Assets, Net of Related Debt	\$ 19,630,634.98	19,079,527.34	(551,107.64)
Restricted, Non-Expendable	10,150,357.98	10,381,225.92	230,867.94
Restricted, Expendable	14,437,157.36	14,392,584.02	(44,573.34)
Unrestricted	3,808,779.64	1,660,991.74	(2,147,787.90)
Total Net Position	\$ 48,026,929.96	45,514,329.02	(2,512,600.94)

Unrestricted Net Position Exclusive of Plant (UNAEP)

When evaluating Unrestricted Net Position analysis will often make certain adjustments to Unrestricted Net Position to determine operational resources available to carry out institutional goals. This benchmark is often described using a previous acronym UNAEP. Typically, adjustments include removing compensated absences (current and non-current), OPEB liabilities, and pension liabilities, if applicable. As indicated by the pattern of UNAEP from 2019 to 2023, UHV's unrestricted resources have fluctuated over the years as UHV has utilized and replenished these resources to continue to invest in the strategic plan of UHV and as we navigate through recovery from the pandemic. UHV's UNAEP as of August 31, 2023 amounted to \$2,859,722; as an agency of the State of Texas and part of UHS, UHV has traditionally operated with modest reserves. Management's goal is to gradually increase unrestricted reserves. Furthermore, the net change in UNAEP reveals that the changes in the compensated absences over the same period were not significant; and thereby had minimal impact to unrestricted resources.

Analysis will compare UNAEP to operating expenses to determine how the institution compares to an industry standard strong reserve benchmark of 25%. UHV monitors its UNAEP and while its ratio to expenses is less than the 25% benchmark, UHV continues to invest heavily in the development of UHV operations. UHV as part of the UH System and the State of Texas has additional resources to rely upon in an emergency but continues to strive to maintain its reserves with the eye of building reserves in conjunction with its development plans.

Unrestricted Net Assets, Excluding Plant (UNAEP)					
	2019	2020	2021	2022	2023
Unrestricted Net Position	2,000,903.22	1,627,278.30	4,149,803.52	3,808,779.64	1,660,991.74
(Add) Employees' Compensable Leave	1,050,495.97	1,293,216.56	1,339,269.92	1,324,651.88	1,198,729.96
Unrestricted Net Assets, Excluding Plant (UNAEP)	3,051,399.19	2,920,494.86	5,489,073.44	5,133,431.52	2,859,721.70
Operating Expenses	59,632,628.58	63,693,807.72	70,517,272.06	72,388,454.57	69,114,327.19
Ratio UNAEP to Operating Expenses	5.12%	4.59%	7.78%	7.09%	4.14%

Statement of Revenues, Expenses, and Changes in Net Position

The next statement comprising the primary financial statements is the Statement of Revenues, Expenses, and Changes in Net Position. This statement identifies operating and non-operating revenues received by UHV. Additionally, both the operating and non-operating expenses incurred by UHV during the fiscal year are displayed. Finally, any other gains and losses or other forms of revenue and expense are reported. Revenues and expenses are classified as either operating or non-operating in the financial statements. Operating revenues are received and recognized as a result of providing services to UHV's customers. Tuition and fee revenues are reported net of any scholarship discounts and allowances. A scholarship allowance is the difference between the stated charge for services provided by UHV and the amount that is paid by the student or third parties making payments on behalf of the student. Funds received to satisfy student tuition and fee charges are reported as revenue only once. Institutional resources provided to students as financial aid are reported as scholarship allowances in amounts up to and equal to amounts owed by the students to UHV. Operating expenses are the costs necessary to provide services to customers and to fulfill the mission of UHV. Operating expenses are displayed in the statement using the natural method

of classification. The natural method of presentation displays the operating expenses in a manner that categorizes the objects of expenditure within various cost centers. Non-operating revenues are those received for which no services are directly provided. State appropriations are classified as non-operating revenues because they are provided by the State Legislature to UHV without the State Legislature directly receiving goods or services for those revenues. Significant portions of UHV's recurring resources are classified as non-operating.

UHV's operating revenues decreased \$4.8 million largely due to the absence of Higher Education Emergency Relief Funds (HEERF) received in fiscal year 2022 not present in fiscal year 2023. Operating expenses decreased roughly \$3.3 million as a result of austerity measures put in place to reduce operating expenses while we work through recovery from the pandemic. In a continued effort to further reduce expenses in the coming years, in fiscal year 2023, the decision was made to pull one residence hall, Jaguar Court, offline. In doing so, this will allow UHV to utilize a portion of their Higher Education Funds (HEF) to pay for the debt service, further reduce operating costs, and increase UHV's net position.

Statement of Cash Flows

The third primary statement included in the financial statements is the Statement of Cash Flows. This statement explains the change during the fiscal year in cash and cash equivalents, regardless of whether there are restrictions on their use. The Statement of Cash Flows should be used in conjunction with related disclosures and information in the other financial statements. The statement can provide relevant information about an entity, such as the ability to generate future net cash flows, the ability to meet obligations when due, or reasons for differences between operating income and associated cash receipts and payments. The statement is comprised of five sections. The first section recognizes the cash flows from operating activities as well as the net cash used by operating activities. The second section identifies the cash flows from noncapital financing activities. The third section reflects the cash flows from capital and related financing activities. The next section details the cash flows from investing activities. The final section reconciles net cash provided or used to the operating loss or income reflected on the Statement of Revenues, Expenses, and Changes in Net Position. The cash and cash equivalents balance at the conclusion of the 2023 fiscal year totaled \$6.2 million, which reflected a net decrease in cash of \$7.3 million from the prior year largely due to a decrease of \$5.5 million federal revenue received in fiscal year 2022.

Capital Assets

As fundamental as instruction and research are to UHV, these endeavors cannot take place without the land, buildings, facilities, equipment, and information technology infrastructure needed to support them. Sustaining these assets requires a significant investment in renovations, improvements, and maintenance. The steady enrollment growth experienced by UHV over the past decade, along with the current state of enrollment, has created the need for steady expansion of its capital assets to retain and recruit students. The goal of expending resources for these investments is achieving a safe, modern, and efficient campus environment that is conducive to learning, teaching, research, and community service. UHV continues to implement its long-range capital plans. At the end of the 2023 fiscal year, UHV had \$131.4 million of capital assets, net of accumulated depreciation and amortization, compared to \$132.6 million at the end of the 2022

fiscal year, a decrease of \$1.2 million. These assets included land, buildings, infrastructure and improvements, furniture and equipment, library books, computer year systems software, and works of art. The cumulative investment in major capital construction projects in various stages of completion is reported as construction in progress. As required by GASB reporting standards, UHV reports accumulated depreciation and amortization on its capital assets. Additionally, UHV recognizes a current year charge for depreciation and amortization expense.

Building on a strategic planning process, UHV has developed a campus master planning process designed to identify facilities needs congruent with enrollment and research projections that are consistent with their missions and academic master plans. During fiscal year 2023, UHV implemented the capital projects construction element of its master plan by starting construction on a new \$29.3 million, 30,881 square-foot Health & Wellness Center, continued construction of the Ben Wilson Street project, and kicked off the design phases of building out the 2nd and 3rd floors of UHV North building. All projects are financed with state construction bonds and other state funding.

Debt Administration

UHV engages in the prudent use of debt to finance capital projects, as a means of maximizing the management of financial and physical resources. A combination of variable and fixed rate debt, consistent with UHV's debt management policy, is maintained. UHV has sufficient debt capacity to finance planned capital improvements and facilities. Detailed information concerning UHV's long-term debt is found in the Notes to the Financial Statements. UHV is authorized by statute to issue long-term debt in the form of revenue bonds. Each series of revenue bonds issued is backed by a pledged revenue source specified in the bond resolution. Additionally, each issue is designed to be self-supporting from the primary revenue source. A portion of debt service is funded by biennial state appropriations. At August 31, 2023, UHV had \$150 million of long-term bonded debt outstanding, \$7 million of which will be retired during the 2024 fiscal year. No additional long-term debt was issued during the 2023 fiscal year.

Economic Outlook

The recent Coronavirus Pandemic (COVID-19) that the country experienced starting in 2020 has had a huge impact on not only the economy but higher education as well. The economy and UHV are still in recovery mode from the pandemic, but the pandemic has not had any impact on the quality of academic programs or student support services and has not slowed the level of growth of UHV. As economic prosperity returns, it is usual for university enrollment to drop as some in the student population return to work. To help combat uncertainty during these times, UHV quickly implemented austerity measures to ensure adequate resources are available to support the mission of UHV.

The Texas economy is recovering, and the long-term outlook is positive; according to the State Comptroller, Glenn Hegar anticipated slower growth in revenues, but the Texas' economy is better positioned than other state economies and the national economy to absorb slower growth rates. Despite the uncertainty, Texas is buoyed by strengths "from both natural advantages and policy." Texas' business-friendly policies have brought more businesses to the state which in turn creates more jobs. Texas has continued its steady post-pandemic expansion, regaining all of the jobs lost since the start of the pandemic in 2020 and added 58,200 positions in February 2023, leading the

nation in jobs added over the month. The unemployment rate in Texas improved from a series high 12.8 percent for April 2020 to 4.1 percent in June of 2023. The population in Texas grew by 4% from January 2020 to January 2023, including new births as well as new residents moving to the area. According to the U.S. Census Bureau, individuals between 18 and 34 years of age make up the highest percentage of people moving to Texas both domestically and from abroad. A younger population can be an advantage for the growth of the economy if adequate investments in education, health care, housing, and job training are made. The robust economic conditions, especially during a slower national recovery, has resulted in an influx of residents into Texas coming from other states and abroad seeking economic and other opportunities. Texas is well positioned to deal with challenges and capitalize on opportunities and remain a growth leader in the years ahead. The combination of a diverse mix of high-impact sectors, a young and expanding population, and a favorable cost environment position Texas well for ongoing success.

As good as the overall Texas economy is, the argument can be made that the local Victoria area regional economy may be better. UHV is located in the Golden Crescent area of Texas, which makes it the only four-year residential destination university within a one-hundred-mile radius of the campus in Victoria, fulfilling unmet regional needs within and even beyond its service area. Victoria's premium location in the state of Texas puts the city in the geographic center (within two-hour drive) of Austin, Houston, and San Antonio, three of the fastest growing cities in the United States, and less than two hours from Corpus Christi. UHV is located in the Victoria Crossroads area. The Crossroads area has significant infrastructure that attracts economic development; major highways U.S. 59, U.S. 77, and U.S. 87 physically intersect the city and there is easy access to I-10, I-35, and I-37. Victoria's location is key in the development of the proposed national interstate, I-69, stretching from Canada to Mexico. This "high-priority" project designated by the U. S. Congress, will span Victoria before reaching the Texas-Mexico border at Brownsville and Laredo. Interstate-quality highways U.S. Hwy. 59 and U.S. Hwy. 77 in Victoria County will carry the designation of I-69. There is major railroad access to Union Pacific and two other rail providers. There is motor freight access to more than fifty trucking companies. Victoria Regional Airport offers daily commercial flights. Water transport needs are served by the Port of Victoria, the Victoria Barge Canal and deep-water port access is located in nearby Calhoun County. In addition to these assets, Victoria is home to the largest medical community in the region with a medical network that provides state-of-the-art care on five hospital campuses offering services and access that one would only expect to find in a larger metropolitan area.

Large national corporate locations (Caterpillar), chemical plant expansions (Invista, Formosa Plastics), and the announcement of two major projects at the Port of Victoria and two in Calhoun County represent a total of \$7 billion in capital investments and over 500 new primary jobs which are reshaping local area economies within the service area, enhancing growth through direct stimulus and multiplier effects. Looking forward, the Victoria Economic Development Corporation (VEDC) anticipates potential announcements of an additional \$13 billion in investments between 2024 and 2025. The Matagorda Bay Ship Channel widening project is expected to bring more ships to port and bolster the local economy in the coming years.

UHV has a major presence in the Houston suburban area at the System's learning center in Katy, offering undergraduate and graduate degrees along with two other System universities. Katy is

part of the Houston- Sugar Land- Baytown metropolitan statistical area. The City of Katy itself is 29 miles west of downtown Houston and 22 miles east of Sealy. Katy has a strong local economy through focused economic development relationships with Fort Bend County, Waller County, Greater Houston and is a member of the Texas Economic Development Council. The Katy area's economy has always been dynamic and focused on energy. The city is home to high-profile regional and international corporations including BP America, Shell Exploration and Production, and Wood. Over 200 companies have chosen Katy for headquarters locations. Recently, Saudi Basic Industries Corp. (SABIC), the Middle East's largest petrochemicals maker, developed a Katy headquarters for its operations in the western hemisphere.

Katy has also positioned itself as a hub for premium shopping, dining, and entertainment. Venues such as the Katy Mills Mall, La Centerra at Cinco Ranch, as well as a future entertainment complex to be located near the intersection of I-10 and the Grand Parkway. Cinco Ranch is next to Katy, another fast-growing community with upscale neighborhoods, quality public schools, strong economy, and highly educated citizens.

CONTACTING UHV'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of UHV's finances. General information regarding UHV can be found at <https://www.uhv.edu>. Questions concerning this report or requests for additional financial information should be directed to:

Erin Goodwin, Senior Director, Finance
University of Houston - Victoria
3007 N. Ben Wilson St.
Victoria, TX 77901
P: 361-570-4815
E-mail: GoodwinEM1@uhv.edu

University of Houston-Victoria
Statement of Net Position
For the Year Ended August 31, 2023

	2022	2023
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Cash on Hand	\$ 1,934.00	\$ 1,934.00
Cash in Bank	(826,611.80)	2,706,631.35
Cash in Transit/Reimburse From Treasury	1,441,898.27	1,800,177.45
Cash in State Treasury	1,186,100.51	1,689,584.00
Cash Equivalents	9,277,749.86	94,516.01
Restricted:		
Cash In Bank	2,384,000.49	(96,322.57)
Legislative Appropriation	4,735,630.76	4,521,815.94
Receivables:		
Federal Receivables	2,603,559.34	3,321,230.97
UHS Intercampus Receivables	1,649,590.36	5,253,786.24
Accounts Receivable	490,476.83	3,144,075.25
Gifts	493,885.12	595,782.34
Other	10,311.86	5,436.86
Due From Other Agencies	28,554.16	26,876.68
Prepaid Costs	4,518,350.90	4,500,001.47
Loans and Contracts	1,972,649.36	2,445,314.06
Total Current Assets	30,794,691.82	30,010,840.05
Non-Current Assets		
Restricted:		
Receivables	937,707.76	541,144.87
UHS Intercampus Receivables	64,447,447.37	60,593,141.16
Investments	156,250.00	-
UHS Intercampus Receivables	3,294,179.29	3,373,791.03
Capital Assets		
Non-Depreciable or Non-Amortizable	20,865,372.32	23,825,358.46
Depreciable or Amortizable, Net	111,754,632.15	107,304,943.56
Right to Use Subscriptions - Amortizable, Net	-	265,962.27
Total Non-Current Assets	201,455,588.89	195,904,341.35
Total Assets	232,250,280.71	225,915,181.40

University of Houston-Victoria
Statement of Net Position (Continued)
For the Year Ended August 31, 2023

	2022	2023
LIABILITIES		
Current Liabilities:		
Payables:		
Accounts Payable	1,611,599.87	1,074,661.57
Accrued SBITA Interest Payable	-	3,567.84
Federal Payable	23,393.54	1,480.00
Payroll Payable	3,953,771.71	3,944,796.99
UHS Intercampus Payable	3,170,905.27	5,490,997.93
Other Payable	311,410.30	277,819.93
Due to Other Agencies	31,975.53	97,566.17
Unearned Revenues	15,546,831.08	16,861,882.33
Revenue Bonds Payable	6,492,159.78	7,001,877.85
Claims and Judgments Payable	23,645.96	29,336.98
Employees' Compensable Leave	662,855.82	601,882.31
Right to Use Subscription Obligations	-	39,789.47
Funds Held for Others	933,449.74	1,222,518.46
Total Current Liabilities	32,761,998.60	36,648,177.83
Non Current-Liabilities		
Revenue Bonds Payable	149,972,944.30	143,019,208.17
Employees' Compensable Leave	661,796.06	596,847.65
Right to Use Subscription Obligations	-	136,618.73
Total Non-Current Liabilities	150,634,740.36	143,752,674.55
Total Liabilities	183,396,738.96	180,400,852.38
NET POSITION		
Invested in Capital Assets, Net of Related Debt	19,630,634.98	19,079,527.34
Restricted for:		
Capital Projects	8,274,582.77	8,184,580.93
Non-Expendable		
True Endowments, Annuities	10,150,357.98	10,381,225.92
Expendable		
Funds Functioning as Endowments	1,101,922.25	1,119,553.78
Other	5,060,652.33	5,088,449.31
Unrestricted	3,808,779.64	1,660,991.74
Total Net Position	\$ 48,026,929.95	\$ 45,514,329.02

See Independent Accountants' Review Report and Notes to Financial Statements.

University of Houston-Victoria
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended August 31, 2023

	2022	2023
Operating Revenues		
Tuition and Fees-Pledged	33,409,151.40	32,273,643.16
Discounts and Allowances	(8,730,643.29)	(8,426,423.21)
Auxiliary Enterprise-Pledged	2,752,335.84	3,111,695.67
Discounts and Allowances	(719,253.90)	(812,442.04)
Other Sales of Goods and Services-Pledged	393,314.08	384,721.38
Federal Revenue-Operating (PR-OP Grants/Contributions)	6,053,245.45	860,178.89
Federal Pass Through Revenue (PR-OP Grants/Contributions)	252,207.25	204,285.80
State Grant Revenue (PR-OP Grants/Contributions)	136,780.19	663,011.88
State Grant Pass Through Revenue (PR-OP Grants/Contributions)	2,027,323.70	2,655,750.93
Other Grants and Contracts-Operating (PR-OP Grants/Contributions)	426,199.62	309,890.31
Total Operating Revenues	36,000,660.34	31,224,312.77
Operating Expenses		
Instruction	21,613,154.72	20,854,083.89
Research	551,954.30	765,515.50
Public Service	829,496.67	809,879.50
Academic Support	10,803,465.63	10,641,234.76
Student Services	8,050,458.47	7,765,296.47
Institutional Support	6,807,081.89	6,209,119.07
Physical Plant	3,524,798.65	3,535,183.42
Scholarships & Fellowships	8,963,504.44	7,331,871.95
Auxiliary Enterprises	3,174,890.15	2,973,434.61
Depreciation and Amortization	8,069,649.65	8,228,708.02
Total Operating Expenses	72,388,454.57	69,114,327.19

University of Houston-Victoria
Statement of Revenues, Expenses and Changes in Net Position (Continued)
For the Year Ended August 31, 2023

	2022	2023
Non-Operating Revenues (Expenses)		
Legislative Revenue (GR)	15,481,288.00	15,480,730.00
Additional Appropriations (GR)	3,876,150.89	3,941,511.29
Federal Revenue Non-Operating (PR-OP Grants/Contributions)	7,056,918.37	7,906,631.28
Gifts (PR-OP Grants/Contributions)	813,097.27	1,239,954.70
Interest and Investment Income (PR-Chgs for Services)	1,198,516.38	829,527.09
Interest Expense and Fiscal Charges	(3,718,227.34)	(5,646,313.62)
Net Incr (Decr) in Fair Value of Investments (PR-OP)	(2,497,459.50)	617,303.02
Other Nonoperating Revenues	39,656.78	137,124.93
Other Nonoperating Expenses	(626,449.69)	(379,119.05)
Total Nonoperating Revenues (Expenses)	21,623,491.16	24,127,349.64
<hr/>		
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(14,764,303.07)	(13,762,664.78)
<hr/>		
Other Revenues, Expenses, Gains, Losses and Transfers		
Capital Contributions		
Capital Appropriation (HEAF)	3,542,817.00	3,542,817.00
Additions to Permanent and Term Endowments	86,368.00	61,165.00
UHS Funds Transfers-In	145,847,492.82	113,893,574.35
UHS Funds Transfers-Out	(145,847,492.82)	(113,893,574.35)
UHS Intercampus Transfers-In	7,371,235.45	8,121,245.39
UHS Intercampus Transfers-Out	(126,834.00)	(534,023.96)
Transfers-In	944,114.86	23,930.42
Transfers-Out	(978,707.49)	-
Legislative Transfers-In	36,785.00	34,930.00
Total Other Rev, Exp, Gains, Losses and Transfers	10,875,778.82	11,250,063.85
<hr/>		
Changes in Net Position	(3,888,524.25)	(2,512,600.93)
Net Position Beginning	51,915,454.20	48,026,929.95
Net Position, Ending	48,026,929.95	45,514,329.02

See Independent Accountants' Review Report and Notes to Financial Statements.

University of Houston-Victoria
Matrix of Operating Expenses
For the Year Ended August 31, 2023

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total
Salaries and Wages	15,364,345.48	473,004.02	498,376.44	4,429,298.43	3,968,498.53	3,272,018.99	746,805.65	265,213.98	588,896.23	-	29,606,457.75
Payroll Related Costs	4,107,700.62	120,859.60	176,791.34	1,275,819.84	1,347,635.69	1,075,093.31	303,391.69	1,550.71	171,320.87	-	8,580,163.67
Professional Fees and Services	273,694.38	11,326.70	27,022.12	1,643,700.18	853,329.91	963,747.88	845,854.66	28,315.03	1,074,446.25	-	5,721,437.11
Travel	37,706.72	11,028.50	14,987.48	132,020.21	396,584.98	44,710.20	2,315.61	-	47,296.25	-	686,649.95
Materials and Supplies	555,057.34	7,450.76	10,601.04	194,824.08	221,413.20	319,206.64	202,868.39	-	145,632.54	-	1,657,053.99
Communication and Utilities	28,871.90	21.71	505.03	514,775.96	80,051.17	143,192.03	905,597.70	-	468,571.62	-	2,141,587.12
Repairs and Maintenance	82,339.31	149.00	-	41,565.87	48,189.58	177,143.44	371,617.94	-	257,256.18	-	978,261.32
Rentals and Leases	198,622.12	-	7,192.44	236,685.73	172,506.07	172,998.93	123,073.33	-	27,612.35	-	938,690.97
Printing and Reproduction	2,709.90	815.48	860.94	25,929.93	78,554.24	9,945.34	224.84	-	19,352.00	-	138,392.67
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	8,228,708.02	8,228,708.02
Interest	1,040.21	-	14.08	343.30	1,082.60	492.32	18,658.29	-	15,715.95	-	37,346.75
Scholarships	92,508.29	6,095.71	-	14,846.85	80,006.98	1,244.48	12,385.07	7,028,674.80	98,287.56	-	7,334,049.74
Claims and Judgments	-	-	-	-	-	29,325.51	-	-	-	-	29,325.51
Other Operating Expenses	109,487.62	134,764.02	73,528.59	2,131,424.38	517,443.52	0.00	2,390.25	8,117.43	59,046.81	-	3,036,202.62
Total Operating Expenses	\$ 20,854,083.89	\$ 765,515.50	\$ 809,879.50	\$ 10,641,234.76	\$ 7,765,296.47	\$ 6,209,119.07	\$ 3,535,183.42	\$ 7,331,871.95	\$ 2,973,434.61	\$ 8,228,708.02	\$ 69,114,327.19

See Independent Accountants' Review Report and Notes to Financial Statements.

University of Houston-Victoria
Matrix of Operating Expenses
For the Year Ended August 31, 2022

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total
Salaries and Wages	15,793,343.93	305,330.24	482,510.63	4,511,762.55	4,100,127.48	3,461,029.99	749,924.94	147,136.08	529,099.29	-	30,080,265.13
Payroll Related Costs	4,183,486.23	94,660.04	186,152.24	1,377,104.47	1,456,308.30	1,036,924.85	295,310.80	0.00	171,206.63	-	8,801,153.56
Professional Fees and Services	331,341.10	22,628.14	49,298.80	1,607,635.72	803,623.25	962,900.37	889,103.42	31,982.45	1,193,535.42	-	5,892,048.67
Travel	26,954.13	7,359.93	5,927.76	70,486.09	375,530.95	13,226.33	1,737.39	-	11,981.77	-	513,204.35
Materials and Supplies	751,232.00	2,638.58	10,722.04	294,698.32	227,026.77	450,747.92	339,174.56	-	142,517.25	-	2,219,356.27
Communication and Utilities	12,837.25	1,303.58	2,738.92	453,729.68	74,995.78	125,339.92	847,843.22	-	438,375.72	-	1,957,164.07
Repairs and Maintenance	99,068.75	0.00	-	37,808.13	53,535.69	359,703.16	351,064.44	-	436,966.80	-	1,338,146.97
Rentals and Leases	163,759.86	-	4,426.31	108,417.45	230,117.72	274,422.83	30,115.17	-	31,732.98	-	843,365.77
Printing and Reproduction	15,415.55	567.65	697.35	12,479.11	56,366.34	21,736.58	35.30	-	21,589.94	-	128,887.82
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	8,069,649.65	8,069,649.65
Interest	269.18	-	29.69	304.19	535.74	1,264.32	18,126.63	-	16,818.67	-	37,348.42
Scholarships	79,631.83	22,280.06	-	32,802.22	48,914.36	5,764.37	900.00	8,779,256.54	133,811.59	-	9,103,360.97
Claims and Judgments	-	-	-	-	-	34,802.90	-	-	-	-	34,802.90
Other Operating Expenses	155,814.91	94,927.63	86,992.93	2,296,237.70	623,376.09	59,218.35	1,462.78	4,415.54	47,254.09	-	3,369,700.02
Total Operating Expenses	\$ 21,613,154.72	\$ 551,954.30	\$ 829,496.67	\$ 10,803,465.63	\$ 8,050,458.47	\$ 6,807,081.89	\$ 3,524,798.65	\$ 8,963,504.44	\$ 3,174,890.15	\$ 8,069,649.65	\$ 72,388,454.57

University of Houston-Victoria
Statement of Cash Flows
For the Year Ended August 31, 2023

	2022	2023
Cash Flows From Operating Activities		
Receipts from Customers	383,002.22	389,596.38
Proceeds from Tuition and Fees	24,199,376.16	25,162,271.20
Proceeds from Research Grants and Contracts	14,976,200.52	1,357,626.94
Proceeds from Loan Programs	2,888,172.28	3,360,638.29
Proceeds from Auxiliaries	2,600,775.68	2,308,829.03
Payments to Suppliers for Goods and Services	(14,409,773.90)	(13,213,739.77)
Payments to Employees for Salaries	(29,946,985.81)	(27,056,349.96)
Payments to Employees for Benefits	(8,815,771.60)	(8,706,085.59)
Payments for Loans Provided	(2,692,735.34)	(3,833,302.99)
Payments for Other Expenses	(12,609,407.20)	(10,142,164.88)
Net Cash Provided (Used) by Operating Activities	(23,427,146.99)	(30,372,681.35)
Cash Flows from Noncapital Financing Activities		
Proceeds from State Appropriations	22,509,282.55	23,213,803.11
Proceeds from Gifts	1,260,201.91	1,534,620.37
Proceeds from Endowments	86,368.00	61,165.00
Proceeds of Transfers from Other Funds	8,355,007.09	8,282,300.74
Proceeds from Grants	7,056,918.37	7,906,631.28
Payments for Transfers to Other Funds	(1,655,672.30)	(913,143.01)
Net Cash Provided (Used) by Noncapital Financing Activities	37,612,105.62	40,085,377.49
Cash Flows from Capital and Related Financing Activities		
Proceeds from Debt Issuance	41,775,000.00	-
Proceeds from Other Financing Activities	11,970,185.02	176,408.20
Payments for Additions to Capital Assets	(9,428,659.53)	(6,601,912.60)
Payments of Principal on Debt Issuance	(7,174,505.08)	(5,515,000.00)
Payments of Interest on Debt Issuance	(3,706,926.53)	(5,646,313.62)
Payments of Other Costs on Debt Issuance	(42,233,569.16)	3,859,709.96
Net Cash Provided (Used) by Capital and Related Financing	(8,798,475.28)	(13,727,108.06)
Cash Flows From Investing Activities		
Proceeds from Sales of Investments	39,250.00	35,750.00
Proceeds from Investment Income	1,198,516.38	829,527.09
Payments to Acquire Investments	(1,615,617.23)	(4,119,416.26)
Net Cash Provided (Used) by Investing Activities	(377,850.85)	(3,254,139.17)

University of Houston-Victoria
Statement of Cash Flows (Continued)
For the Year Ended August 31, 2023

	2022	2023
Net Increase (Decrease) in Cash and Cash Equivalents	5,008,632.50	(7,268,551.09)
Cash and Cash Equivalents, September 1	8,456,438.83	13,465,071.33
Cash and Cash Equivalents, August 31	13,465,071.33	6,196,520.24
Operating Income (Loss)	(36,387,794.23)	(37,890,014.42)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization Expense	8,069,649.65	8,228,708.02
Operating Income and Cash Flow Categories: Classification Differences	195,436.94	(472,664.70)
Changes in Assets and Liabilities:		
(Increase) Decrease In Receivables	6,609,071.09	(3,366,395.05)
(Increase) Decrease in Prepaid Expenses	143,942.87	18,349.43
(Increase) Decrease in Other Assets	1,908.78	1,677.48
Increase (Decrease) in Payables	(1,661,542.85)	(995,497.45)
Increase (Decrease) in Deferred Income	(479,118.69)	1,315,051.25
Increase (Decrease) in Compensated Absences	(14,618.04)	(125,921.92)
Increase (Decrease) in Benefits Payable	133,279.32	2,550,107.79
Increase (Decrease) in Other Liabilities	(37,361.83)	363,918.22
Total Adjustments	12,960,647.24	7,517,333.07
Net Cash Provided (Used) by Operating Activities	(23,427,146.99)	(30,372,681.35)
Non Cash Transactions		
Net Change in Fair Value of Investments	(2,497,459.50)	617,303.02
Non Cash Transactions	(2,497,459.50)	617,303.02

See Independent Accountants' Review Report and Notes to Financial Statements.

**University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023**

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity

These financial statements are for the reporting entity University of Houston – Victoria (UHV), which is an academic institution of the University of Houston System (UH System). UH System is an agency of the State of Texas (the State) and is reported as one of the university systems and independent universities that are presented as a major enterprise fund in the State of Texas' Comprehensive Annual Financial Report.

The UH System is comprised of four academic institutions, which includes the University of Houston (UH), University of Houston - Clear Lake (UHCL), University of Houston - Downtown (UHD), and UHV. The academic entities are under the direction, management, and control of the UH System Board of Regents (the Board). which acts separately and independently on all matters. The Board consists of ten members, nine of whom are appointed by the governor of the State and a student regent elected by the student body. In some instances, shared services and management are provided for the entities by the UH System Administration (UHSA).

UH System serves the State as the primary provider of educational and cultural opportunities, skilled employers and leaders, technical knowledge, and innovative research to the Houston metropolitan area and the Gulf Coast region. Houston and the upper Gulf Coast region represent approximately one fourth of the State's population and economy. UHV prime campus is located in Victoria, Texas approximately two hours southwest of Houston and operates a satellite campus in Katy, Texas, just west of Houston.

UH System and UHV have elected to define UHV's reporting entity to include only activities in UHV's name. UHV's proportional share of liabilities in the name of UH System is reported by UH System. Transactions associated with pensions, and other postemployment benefits related to UHV's activities in the name of UH System are not reported by UHV. However, UHV has elected to make limited disclosures with respect to these matters in Notes 9, and 11. The associated financial activities related to these items and required disclosures are made within UH System's Annual Financial Report.

The accounting policies followed by UHV in maintaining accounts and in the preparation of the financial statements are in accordance with the Texas Comptroller of Public Accounts' Reporting Requirement for the Annual Financial Reports of State Agencies and Universities (Comptroller's AFR requirements) and with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. The Comptroller's AFR Requirements are designed to assist the Texas Comptroller of Public Accounts in compiling and preparing a CAFR for the State and, accordingly, have some untraditional elements, such as the prohibition of rounding, unique ordering and specific numbering of footnotes, and the inclusion of footnote titles when the subject matter does not apply.

No entities have been identified meeting GASB's definition of component units, which are legally separate entities and, accordingly, none are included within the reporting entity. As previously noted, UHV is considered by the State as one of the academic entities that consist of the UH System, however, each entity is considered an agency of the State.

**University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023**

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2023

GASB Statement No. 94, Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs), implemented in FY23, is an arrangement in which a government (the transferor) contracts with a governmental or nongovernmental entity (the operator) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets, for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, implemented in FY23, established a model of accounting for contracts that conveys control of the right to use another party's IT software alone or in combination with tangible capital assets. This required a recognition of a right to use subscription intangible asset and a corresponding liability.

While GASB 94 and 96 were implemented during the 2023 fiscal year no restatements were required as the impact on beginning balances were immaterial.

Reporting Consideration for COVID-19 Response

The CARES Act establishes and funds the Higher Education Emergency Relief Fund (HEERF). Sections 18004(a)(1) and 18004(c) of the CARES Act, which address the HEERF, allow institutions of higher education to use up to 50 percent of the funds they receive to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.

Basis of Accounting

For financial reporting purposes, institutions of higher education are considered proprietary funds, which are used to account for business-type activities. Business-type activities are defined as those that are financed in whole or in part by fees charged to external parties for goods and services. 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. Proprietary funds use the flow of economic resources measurement focus (whether or not the entity is economically better off as a result of the events and transactions that occurred during the fiscal period reported) and the full accrual basis of accounting, meaning revenues are recognized when earned and expenses are recorded when an obligation has occurred.

Budget and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act). Additionally, UHV prepares an annual budget which represents anticipated sources of revenues and authorized uses. This budget is approved by the University of Houston – Victoria's Board of Regents. Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

Assets, Liabilities, and Net Position

ASSETS

Current and Non-Current Assets

Current assets are those that are readily available to meet current operational requirements. Non-current assets are those that are not readily available to meet current operational requirements and, instead, are intended to support long-term institutional needs.

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund 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.

Legislative Appropriations This item represents the balance of General Revenue funds at August 31 as calculated in the Texas State Comptroller's General Revenue Reconciliation.

Investments

Investments are generally stated at fair value with certain exceptions in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Fair value, which is determined based on quoted market prices, is the amount at which an investment could be exchanged in a current transaction between parties other than in a forced or liquidation sale. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the accompanying Comparative Statement of Revenues, Expenses, and Changes in Net Position.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund 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 and Prepaid Items

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 and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

Capital Assets

Assets such as furniture, equipment, and vehicles with an aggregate cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds are also utilized for buildings and building improvements (\$100,000), infrastructure (\$500,000), and facilities and other improvements (\$100,000). Capital assets are recorded at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are reported at acquisition value. For fabricated assets financed by debt, construction period interest is capitalized as part of the capital asset cost. The capitalized interest is combined with the other costs associated

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

with constructing the asset and depreciated over the appropriate useful life beginning when the asset is placed into service. Right-of-Use (ROU) intangible assets are recognized at the lease commencement date and represent the System's right to use an underlying asset for the lease term. ROU assets are measured at the initial value of the lease liability plus any payments made to the lessor at or before commencement and initial direct costs.

Capital assets are depreciated over the estimated useful life of the asset using the straight-line method based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system. Depreciation is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation expense is not allocated to functional categories for this Annual Financial Report. Amortization for ROU intangible assets is computed using the straight-line method over the shorter of the lease term or estimated useful lives of the assets; but if the underlying lease contains a purchase option determined to be reasonably certain of being exercised, the ROU intangible asset is amortized over the estimated useful life of the asset.

Intangible capital assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. These assets are required to be reported if they are identifiable. Land use rights are capitalized if the cost meets or exceeds \$100,000. Purchased computer software is capitalized if the aggregate cost of the purchase meets or exceeds \$100,000. Internally generated computer software has a capitalization threshold of \$1,000,000, and other intangible capital assets must be capitalized if the cost meets or exceeds \$100,000. Intangible assets are amortized based on the estimated useful life of the asset using the straight-line method.

Current Receivables - Other

Other receivables include year-end revenue accruals. This account can appear in governmental and proprietary fund types.

Non-Current Receivables - Other

Receivable balances not expected to be collected within one year of fiscal year end.

LIABILITIES

Accounts Payable

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

Current Payables - Other

Payables are the accrual at year-end of expenditure transactions. Payables may be included in either the governmental or proprietary fund types.

Unearned Revenues

Unearned revenues include amounts for tuition and fees, certain auxiliary activities, and amounts from grant and contract sponsors received prior to the end of the fiscal year but related to the subsequent accounting period.

Non-Current Payables - Other

Payable balances not expected to be paid within one year of fiscal year end.

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

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.

Lease Liabilities

Lease liability represents the amount recognized by a lessee on its financial statements regarding its leases. It is initially measured at the present value of lease payments and is remeasured whenever there is a change in lease payments or lease modification. Liabilities are reported separately as either current or noncurrent.

Bonds Payable - General Obligation Bonds

The unmatured principal of general obligations bonds is accounted for in the Long-term Liabilities column. Payables are reported separately as either current or non-current in the Statement of Net Position.

Bonds Payable are recorded at par. The bond proceeds are accounted for as an Other Financing Source in the governmental funds when received, and expenditures for payment of principal and interest are recorded in debt service funds when paid. These amounts are adjusted in the Long-Term Liabilities column.

Bonds Payable - Revenue Bonds

Revenue bonds are generally accounted for in the proprietary funds. The Bonds Payable are reported at par, less unamortized discount, or plus unamortized premium. Interest expense is reported on the accrual basis with amortization of discount or premium. Payables are reported separately as either current or non-current in the Statement of Net Position.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The Statement of Net Position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period, and have a positive effect on net position, similar to assets. Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period, and have a negative effect on net position, similar to liabilities. Additional details are provided in Note 28 - Deferred Outflows of Resources and Deferred Inflows of Resources

NET POSITION

Invested In Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, 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 result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

Unrestricted Net Position

Unrestricted net position consist of net position, which do not meet the definition of the two preceding categories. Unrestricted net position often have constraints on resources, which are imposed by management, but can be removed or modified.

INTERFUND ACTIVITIES AND BALANCES

UHV has the following types of transactions between funds:

Transfers

Legally required transfers that are reported when incurred as Transfers In by the recipient fund and as Transfers Out by the disbursing fund.

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.

Interfund Receivables and Payables

Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, it is classified as Current. Repayment for two (or more) years is classified as Non-Current.

Interfund Sales and Purchases

Charges or collections for services rendered by one fund to another are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of the University of Houston – Victoria’s interfund activities and balances are presented in Note 12.

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

NOTE 2: Capital Assets

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ending August 31, 2023 is presented in Table 2.

Table 2 - Capital Assets

Business-Type Activities:	University of Houston - Victoria				Balance 08/31/23
	Balance 09/01/22	Completed CIP	Additions	Deletions	
Non-Depreciable/Non-Amortizable Assets					
Land & Land Improvements	\$ 18,365,892.72	\$ -	\$ 680,059.96	\$ -	\$ 19,045,952.68
Construction in Progress	2,256,814.82	(2,589,027.23)	4,868,953.41	-	4,536,741.00
Other Tangible Capital Assets	242,664.78	-	-	-	242,664.78
Total Non-Depreciable and Non-Amortizable Assets	20,865,372.32	(2,589,027.23)	5,549,013.37	-	23,825,358.46
Depreciable Assets					
Buildings & Building Improvements	151,773,869.81	1,868,666.73	669,874.00	-	154,312,410.54
Facilities & Other Improvements	796,701.76	720,360.50	-	-	1,517,062.26
Furniture & Equipment	7,144,565.27	-	267,477.68	(508,566.83)	6,903,476.12
Vehicle, Boats & Aircraft	925,360.20	-	-	-	925,360.20
Other Capital Assets	2,215,003.87	-	223,070.27	(167,352.96)	2,270,721.18
Total Depreciable Assets	162,855,500.91	2,589,027.23	1,160,421.95	(675,919.79)	165,929,030.30
Less Accumulated Depreciation For:					
Buildings & Building Improvements	(43,484,673.59)	-	(7,456,468.15)	-	(50,941,141.74)
Facilities & Other Improvements	(140,405.19)	-	(64,381.34)	-	(204,786.53)
Furniture & Equipment	(5,192,504.61)	-	(497,258.96)	508,566.83	(5,181,196.74)
Vehicle, Boats & Aircraft	(569,809.73)	-	(80,704.77)	-	(650,514.50)
Other Capital Assets	(1,713,475.64)	-	(100,324.55)	167,352.96	(1,646,447.23)
Total Accumulated Depreciation	(51,100,868.76)	-	(8,199,137.77)	675,919.79	(58,624,086.74)
Depreciable Assets, Net	111,754,632.15	2,589,027.23	(7,038,715.82)	-	107,304,943.56
Total Business-Type Activities - Capital Assets, Net	\$ 132,620,004.47	\$ -	\$ (1,489,702.45)	\$ -	\$ 131,130,302.02

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

NOTE 3: Deposits, Investments, & Repurchase Agreements

Deposits of Cash in Bank

As of August 31, 2023, the carrying amount of deposits was \$2,610,308.78 as presented below:

<u>Governmental and Business-Type Activities</u>	
Cash in Bank-Carrying Amount	\$ 2,610,308.78
Total Cash in Bank per Annual Financial Report	\$ <u>2,610,308.78</u>
<u>Reconciliation of Cash per Annual Financial Report</u>	
Proprietary Funds, Current Assets, Cash in Bank	2,706,631.35
Proprietary Funds, Current Assets, Restricted Cash in Bank	\$ <u>(96,322.57)</u>
Cash in Bank per Annual Financial Report	\$ <u>2,610,308.78</u>

These amounts consist of all cash in local banks. These amounts are included on the Statement of Net Position as part of the “Cash and Cash Equivalents” accounts.

As of August 31, 2023, the total bank balance was as follows:

Governmental and Business-Type Activities	\$ 0.00
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Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, UHV will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Pledged collateral must conform to Chapter 2257 of the Texas Government Code, Collateral for Public Funds. At August 31, 2021, all deposits were insured or collateralized by securities held in UHV’s name.

Foreign Currency Risk – UHV maintains no foreign bank accounts.

Investments

UHV is authorized by statute to make investments following the “prudent person rule”. There were no significant violations of legal provisions during the period.

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management’s assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the hierarchy of inputs used to measure fair value are as follows:

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

- Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 – inputs are inputs (other than quoted prices included within Level 1) are observable for an asset or liability, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information).
- Level 3 – inputs are unobservable inputs for an asset or liability.

Beyond these three levels, net asset value may be used to categorize investments without a readily determinable fair value. As of August 31, 2023, fair value of investments were categorized as follows:

	Fair Value Hierarchy				Net position Value	Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs			
Fixed Income Money Market & Bond	\$94,516.01	-	-	-	-	\$94,516.01
Total Investments	\$94,516.01	-	-	-	-	\$94,516.01

Reconciliation of Investments per Annual Financial Statements

Proprietary Funds, Current Assets, Cash Equivalents	\$94,516.01
Investments per Annual Financial Statements	\$94,516.01

Custodial Credit Risk (Investments) – UHV has no direct investments held by its custodians that are not covered by insurance.

Foreign Currency Risk (Investments) – UHV has no direct investments subject to foreign currency risk, nor any denominated in a foreign currency.

Credit Risk (Investments) – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of UHV limits investments in debt securities that are not in the top three investment grade ratings issued by nationally recognized statistical rating organizations to 5% of total investments. As of August 31, 2023, UHV had no direct investment in securities with credit risk exposure that exceeded its policy limit. As of August 31, 2023, UHV had no investment which required disclosure of investment ratings.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2023, the University of Houston – Victoria’s concentration of credit risk in any single issuer did not exceed 5% of total investment assets as reported on the Statement of Net Position.

Reverse Repurchase Agreements

UHV has no investments in reverse repurchase agreements.

Securities Lending

UHV does not participate in a security-lending program.

NOTE 4: Short-Term Debt

UHV did not have any short-term debt.

**University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023**

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

During the year ended August 31, 2023, the following changes, presented in Table 5.1, occurred in liabilities:

Table 5.1 – Long-Term Liabilities

Business-Type Activities	Balance 9/1/22	Additions	Reductions	Balance 8/31/23	Due Within 1 Year	Due Thereafter
Claims and Judgments	\$ 23,645.96	\$ 35,016.53	\$ 29,325.51	\$ 29,336.98	\$ 29,336.98	\$ -
Right to Use Subscription Obligations	-	295,532.52	119,124.32	176,408.20	39,789.47	136,618.73
Employee Compensable Leave	1,324,651.88	628,119.71	754,041.63	1,198,729.96	601,882.31	596,847.65
Revenue Bonds Payable	<u>156,465,104.08</u>	<u>-</u>	<u>6,444,018.06</u>	<u>150,021,086.02</u>	<u>7,001,877.85</u>	<u>143,019,208.17</u>
Total	\$ <u>157,813,401.92</u>	\$ <u>958,668.76</u>	\$ <u>7,346,509.52</u>	\$ <u>151,425,561.16</u>	\$ <u>7,672,886.61</u>	\$ <u>143,752,674.55</u>

Claims and Judgments

At August 31, 2023, various lawsuits and claims involving UHV were pending. While the ultimate liability, if any, with respect to litigation and other claims asserted against UHV cannot be reasonably estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is not expected to have a material effect on UHV accounts.

Capital Lease-Direct Placement

See Note 8 for detailed capital lease note disclosure requirements.

Notes and Loans Payable

As of August 31, 2023, UHV had no notes and loans payable.

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Position. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Full-time state employees earn annual leave from eight to twenty-one hours per month depending on the respective employees' years of State employment. The State's policy is that an employee may carry his 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. Accrued leave in excess of the normal maximum was converted to sick leave at the conclusion of fiscal year 2023. 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.

Non-debt liability obligations are usually paid from the same funding source from which the employee's salary or wage compensation was paid.

Lump sum payments made to employees, who separated from state service during the 2023 fiscal year, for accrued vacation and compensatory leave totaled \$ 181,014.09.

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

Revenue Bonds Payable

See Note 6 for required Revenue Bond disclosures.

NOTE 6: Bonded Indebtedness

Principal and interest payable on long term debt through maturity is as follows:

Years	Principal	Interest	Total
2023	\$ 6,073,000.00	\$ 6,053,994.32	\$ 12,126,994.32
2024	6,377,000.00	5,750,169.32	12,127,169.32
2025	6,686,000.00	5,435,843.92	12,121,843.92
2026	7,019,000.00	5,105,471.27	12,124,471.27
2027	7,342,000.00	4,758,884.52	12,100,884.52
2028-2032	38,012,000.00	18,519,951.10	56,531,951.10
2033-2037	40,140,000.00	9,183,287.55	49,323,287.55
2038-2042	18,010,000.00	2,632,525.00	20,642,525.00
2043-2047	4,520,000.00	370,800.00	4,890,800.00
	134,179,000.00	57,810,927.00	191,989,927.00

Series	Principal	Interest	Total
2016A	21,140,000.00	10,718,375.00	31,858,375.00
2017A	47,325,000.00	18,449,375.00	65,774,375.00
2017C	10,980,000.00	3,665,787.75	14,645,787.75
2020A	12,300,000.00	3,445,650.00	15,745,650.00
2020B	330,000.00	59,179.75	389,179.75
2021A	1,033,000.00	186,010.00	1,219,010.00
2021B	391,000.00	19,924.50	410,924.50
2022A	40,680,000.00	21,266,625.00	61,946,625.00
	134,179,000.00	57,810,927.00	191,989,927.00

**University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023**

The following is information related to UH System bonds which UH - Victoria has a proportional share of the outstanding obligation. *Information presented is for the total UH System bond with the exception of the UHV proportion of the bond outstanding.*

Refunding Bonds

- **Consolidated Revenue and Refunding Bonds, Series 2013-B**
 - To (a) defease certain outstanding commercial paper notes of the System and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the commercial paper note above, the proceeds were used to finance the construction of a Football Stadium (UH), a Multidisciplinary Research and Engineering Building (UH), UH Energy Research Park renovations and improvements (UH), and Jaguar Court Residence Facility (UHV).
 - Issued 9-17-2013.
 - \$102,420,000; all bonds authorized have been issued (UH – \$101,200,000 and UHV – \$1,220,000).
 - Source of revenue for debt service – Designated tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations.
 - Sufficient funds from proceeds of advance refunding bonds were deposited in FY20 with an escrow agent to provide for full payment of certain outstanding obligations related to the 2013B series bonds that mature subsequent to 02-15-2029 totaling \$37,805,000, after they are called for early redemption on 02-15-2022.

- **Consolidated Revenue and Refunding Bonds, Series 2016-A**
 - To (a) refund and defease \$67,525,000 of Consolidated Revenue and Refunding Bonds, Series 2008; and (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
 - In addition to the defeasement of the bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of Sophomore housing facilities – 3200 N. Ben Wilson Residence Facility (UHV), and (b) to defease certain outstanding commercial paper notes of the System.
 - Issued 2-16-2016.
 - \$100,650,000; all bonds authorized have been issued (\$63,605,000 refunding bonds: UHSA - \$10,260,000, UH – \$49,480,000, and UHV – \$3,865,000; and \$37,045,000 revenue bonds: UH – \$21,290,000, UHSA – \$6,910,000, and UHV – \$8,845,000).
 - Source of revenue for debt service – Designated Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations.
 - Average interest rate of bonds refunded - 5.106634%.
 - Net proceeds from refunding series - \$73,326,358.81 after receipt of bond premium of \$10,146,107.80 and payment of \$424,748.99 in underwriting fees, insurance, and other issuance costs.
 - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2008 series bonds maturing subsequent to 02-15-2019, after they are called for early redemption on 02-15-2018.
 - The advance refunded 2008 series bonds maturing subsequent to 02-15-2019 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
 - Refunding of the 2008 series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$11,368,241.94.
 - Economic gain - \$9,431,071.76; the difference between the net present value of the old and new debt service payments.
 - Accounting loss (deferred outflow of resources) - \$3,725,515.23; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

- **Consolidated Revenue and Refunding Bonds, Series 2017-A**
 - To (a) advance refund and defease \$38,400,000 of Consolidated Revenue Refunding Bonds, Series 2008; \$50,325,000 of Consolidated Revenue and Refunding Bonds, Series 2009; and \$12,840,000 of Consolidated Revenue and Refunding Bonds, Series 2009A; (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System; and (c) to defease certain outstanding commercial paper notes of the System.
 - In addition to the defeasement of the notes and bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of various properties, buildings, and facilities at the University of Houston – System Administration, University of Houston, University of Houston – Clear Lake, University of Houston – Downtown, and University of Houston – Victoria.
 - Issued 2-16-2018.
 - \$379,450,000; all bonds authorized have been issued; (a) \$93,460,000 refunding bonds: Series 2008: UHSA – \$265,000, UH – \$35,300,000, and UHV – \$95,000; Series 2009: UH – \$41,990,000, and UHCL – \$4,165,000; and Series 2009A: UH - \$11,645,000; and (b) \$285,990,000 new money revenue bonds: UHSA – \$40,920,000, UH – \$47,180,000, UHCL – \$53,830,000, UHD – \$84,750,000 and UHV – \$59,310,000.
 - Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2021 partially from Legislative Appropriation-Tuition Revenue Bonds.)
 - Average interest rate of bonds refunded - 4.971035%.
 - Net proceeds from refunding series - \$108,438,040.58, after receipt of \$93,460,000 par value, plus receipt of the bond premium of \$15,956,653, and payment of \$978,612.42 in underwriting fees, insurance, and other issuance costs.
 - Refunding of the 2008, 2009, and 2009A series' bonds reduced the System's debt service payments over the life of the bond issues by approximately \$14,322,761.90.
 - Economic gain - \$10,020,739.63; the difference between the net present value of the old and new debt service payments.
 - Accounting loss (deferred outflow of resources) - \$2,300,255.73; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.
- **Consolidated Revenue and Refunding Bonds, Series 2017-C**
 - To (a) advance refund and defease \$9,925,000 of Consolidated Revenue Refunding Bonds, Series 2009; \$22,095,000 of Consolidated Revenue and Refunding Bonds, Series 2009A; and \$121,595,000 of Consolidated Revenue and Refunding Bonds, Series 2011A; (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System and (c) to defease certain outstanding commercial paper notes of the System.
 - In addition to the defeasement of the commercial paper noted above, the proceeds were used to finance the Quad new residential housing and new Parking Garage 5 (UH), Freshman new residential housing (UHCL), and campus expansion (UHV).
 - Issued 12-21-2017.
 - \$320,635,000; all bonds authorized have been issued; (a) \$150,685,000 refunding bonds: Series 2009: , UH – \$9,130,000, and UHCL – \$525,000; Series 2009A: UH – \$22,720,000; and Series 2011A: UH – \$111,720,000; and UHV – \$6,590,000 and (b) \$169,950,000 new money revenue bonds: UH – \$142,940,000, UHCL – \$21,320,000, and UHV – \$5,690,000.
 - Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2023 partially from Legislative Appropriation-Tuition Revenue Bonds.)
 - Average interest rate of bonds refunded - 3.69%.
 - Net proceeds from refunding series - \$165,811,307.74 after receipt of \$150,685,000 par value, plus receipt of

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

the bond premium of \$16,137,005.30, and payment of \$1,010,697.56 in underwriting fees, insurance, and other issuance costs.

- Refunding of the 2009, 2009A, and 2011A series' bonds reduced the System's debt service payments over the life of the bond issues by approximately \$24,628,909.00.
- Economic gain - \$17,123,196.00; the difference between the net present value of the old and new debt service payments.
- Accounting loss (deferred outflow of resources) - \$744,303.44; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

- **Consolidated Revenue and Refunding Bonds, Series 2020-A**

- To (a) advance refund and defease \$13,230,000 of Consolidated Revenue Refunding Bonds, Series 2008; \$1,950,000 of Consolidated Revenue and Refunding Bonds, Series 2009A; and \$63,275,000 of Consolidated Revenue and Refunding Bonds, Series 2010B; (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System; and (c) to defease certain outstanding commercial paper notes of the System.
- In addition to the defeasement of the notes and bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of various properties, buildings, and facilities at the University of Houston, University of Houston – Downtown, and University of Houston – Victoria.
- Issued 2-19-2020.
- \$320,635,000; all bonds authorized have been issued; (a) \$68,255,000 refunding bonds: Series 2008: UHSA – \$375,000, UH – \$11,070,000, and UHV – \$135,000; Series 2009A: UH – \$1,640,000; and Series 2010B: UH - \$51,500,000 and UHV – \$3,535,000; and (b) \$252,380,000 new money revenue bonds: UH – \$210,615,000, UHD – \$31,545,000, and UHV – \$10,220,000.
- Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2023 partially from Legislative Appropriation-Tuition Revenue Bonds.)
- Average interest rate of bonds refunded – 3.968953%.
- Net proceeds from refunding series - \$78,788,387.21, after receipt of \$68,255,000 par value, plus receipt of the bond premium of \$10,758,186.25, and payment of \$224,799.04 in underwriting fees, insurance, and other issuance costs.
- Refunding of the 2008, 2009A, and 2010B series' bonds reduced the System's debt service payments over the life of the bond issues by approximately \$15,204,230.00.
- Economic gain - \$12,862,320.00; the difference between the net present value of the old and new debt service payments.
- Accounting gain (deferred inflow of resources) - \$434,718.51; the accounting gain (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

- **Consolidated Revenue and Refunding Bonds, Series 2020-B**

- To (a) refund and defease \$3,955,000 of outstanding Consolidated Revenue Bonds, Series 2008; \$16,285,000 of Consolidated Revenue Bonds, Series 2010A; \$10,710,000 of Consolidated Revenue Bonds, Series 2011B; and \$37,805,000 of Consolidated Revenue Bonds, Series 2013B; (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System.
- In addition to the defeasement of the bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of the Fertitta Center, Hilton Expansion, and the Auxiliary Retail Center (UH).
- Issued 2-19-2020.
- \$162,625,000; all bonds authorized have been issued (\$71,835,000 refunding bonds: UH – \$71,490,000 and UHV – \$345,000; and \$90,790,000 revenue bonds: UH - \$90,790,000).
- Source of revenue for debt service – Designated tuition and various other fees and revenues and balances that

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

may be legally available for payment of debt obligations.

- Average interest rate of bonds refunded – 2.511015%.
 - Net proceeds from refunding series – \$71,807,589.51, after receipt of \$71,835,000 par value plus receipt of the bond premium of \$427,770.55, and payment of \$455,181.04 in underwriting fees, insurance, and other issuance costs.
 - Refunding of the 2008, 2010-A, 2011-B, and 2013-B series bonds reduced the System’s debt service payments over the life of the bond issues by approximately \$17,709,151.
 - Economic gain - \$14,089,063; the difference between the net present value of the old and new debt service payments.
 - Accounting loss (deferred outflow of resources) - \$2,536,780.29; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.
- **Consolidated Revenue Refunding Bonds, Series 2021-A**
 - To refund \$16,605,000 of Consolidated Revenue and Refunding Bonds, Series 2011A.
 - Issued 04-07-2021.
 - \$16,425,000; all bonds authorized have been issued (UH – \$15,392,000, and UHV – \$1,033,000).
 - Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations.
 - Average interest rate of bonds refunded – 2.000000%.
 - Net proceeds from refunding series - 16,803,337.50, after receipt of bond premium of \$643,722.85 and payment of \$265,385.35 in underwriting fees, insurance, and other issuance costs.
 - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2011A series bonds, after they were called for early redemption on 05-11-2021.
 - The advance refunded 2011A series bonds maturing subsequent to 02-15-2031 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
 - Refunding of the 2011A series bonds reduced the System's debt service payments over the life of the bond issues by approximately \$6,004,800.
 - Economic gain - \$5,448,107.01; the difference between the net present value of the old and new debt service payments.
 - Accounting gain (deferred inflow of resources) - \$3,083,859.57; the accounting gain (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.
 - **Consolidated Revenue Refunding Bonds, Series 2021-B**
 - To refund \$2,870,000 of Consolidated Revenue and Refunding Bonds, Series 2011B; and \$28,920,000 of Consolidated Revenue and Refunding Bonds, Series 2013B.
 - Issued 04-07-2021.
 - \$33,120,000; all bonds authorized have been issued (UH – \$32,709,000, and UHV – \$411,000).
 - Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations.
 - Average interest rate of bonds refunded – 1.529290%.
 - Net proceeds from refunding series - \$33,091,838.54, after receipt of bond premium of \$490,391.40 and payment of \$518,552.86 in underwriting fees, insurance, and other issuance costs.
 - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2011B series bonds, after they were called for early redemption on 05-11-2021.
 - Sufficient funds were deposited with an escrow agent to provide for full payment of all outstanding obligations related to the 2013B series bonds, after they were called for early redemption on 02-15-2022.
 - The advance refunded 2011B series bonds maturing subsequent to 02-15-2022 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
 - The advance refunded 2013B series bonds maturing subsequent to 02-15-2023 are considered fully defeased and the obligation for those bonds has been removed from the reported liabilities of the System.
 - Refunding of the 2011B and 2013B series bonds reduced the System's debt service payments over the life of

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For the year ended August 31, 2023

the bond issues by approximately \$3,876,517.59.

- Economic gain - \$3,599,289.94; the difference between the net present value of the old and new debt service payments.
- Accounting loss (deferred inflow of resources) - \$1,108,401.98; the accounting loss (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

- **Consolidated Revenue and Refunding Bonds, Series 2022-A**

- To (a) advance refund and defease \$18,160,000 of Consolidated Revenue and Refunding Bonds, Series 2013A; (b) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System; and (c) to refund and defease certain outstanding commercial paper notes and bonds of the System.
- In addition to the defeasement of the notes and bonds noted above, the proceeds were used to finance the acquisition, construction, or renovation of various properties, buildings, and facilities at the University of Houston – System Administration, University of Houston, University of Houston – Clear Lake, and University of Houston – Victoria.
- Issued 6-29-2022.
- \$385,680,000; all bonds authorized have been issued; (a) \$16,690,000 refunding bonds: Series 2013A: UH – \$10,715,000, UHD – \$3,600,000, and UHV – \$2,375,000; and (b) \$368,990,000 new money revenue bonds: UHSA – \$52,535,000, UH - \$198,250,000, UHD – \$39,405,000, UHCL – \$39,400,000, and UHV – \$39,400,000.
- Source of revenue for debt service – Tuition and various other fees and revenues and balances that may be legally available for payment of debt obligations. (Funding for fiscal year 2023 partially from Legislative Appropriation-Tuition Revenue Bonds.)
- Average interest rate of bonds refunded – 5.000000%.
- Net proceeds from refunding series - \$18,496,372.22, after receipt of \$16,690,000 par value, plus receipt of the bond premium of \$1,875,958.80, and payment of \$69,586.58 in underwriting fees, insurance, and other issuance costs.
- Refunding of the 2013A series' bonds reduced the System's debt service payments over the life of the bond issues by approximately \$1,453,207.02.
- Economic gain - \$1,334,975.36; the difference between the net present value of the old and new debt service payments.
- Accounting gain (deferred inflow of resources) - \$647,097.54; the accounting gain (the difference between the reacquisition price and the net carrying value of the refunded bonds) resulted from the advance refunding.

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Notes to the Financial Statements
For the year ended August 31, 2023**

Pledged Future Revenues

The following table provides the pledged future revenue information for UHV’s revenue bonds:

	<u>Business-Type Activities</u>
Pledged revenue required for future principal and interest on existing revenue bonds	\$ 191,989,927.00
Term of commitment year ending 08/31	2047
Percentage of revenue pledged	100%
Current year pledged revenue	\$ 1,033,179,552.06
Current year principal and interest paid	\$ 12,120,354.21

Pledged revenue sources include operating income from tuition and fees, and sales and service revenue from auxiliary and non-auxiliary activities including intercollegiate athletics, residential life, parking, rental of facilities, continuing education, royalties, publications, clinics, bookstores, and vending commissions.

NOTE 7: Derivative Instruments

Derivatives are financial instruments the value of which is derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivatives include swap contracts, futures contracts, options, options on futures contracts, and forward contracts. As of August 31, 2023, UHV had no investments in Derivative Instruments.

NOTE 8: Leases/SBITAs

Lease Liability

UHV presently does not have any material non-cancellable leases of buildings and equipment. A summary of the UHV’s right to use lease asset activity during the year is disclosed separately in Note 2.

Lease Income

UHV is not a lessor for any material non-cancellable leases of buildings, land, office space and equipment to outside parties.

Subscription Liability

UHV has various non-cancellable subscriptions of information technology. Included in the expenditures reported in the financial statements are the following amounts of subscription fees paid under subscription liability:

<u>Fund Type</u>	<u>Amount</u>
Proprietary Fund	\$ 838,068.60

University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023

Future Subscription Payments

Year Ended August 31, 2023

<u>Primary Government - Business-Type Activities</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future Minimum Subscription Payments</u>
2024	\$ 39,789.47	\$ 6,403.23	\$ 46,192.70
2025	41,430.79	4,728.72	46,159.51
2026	46,643.70	2,935.15	49,578.85
2027	48,544.24	996.17	49,540.41
Total	\$ 176,408.20	\$ 15,063.27	\$ 191,471.47

NOTE 9: Defined Benefit Pension Plans and Defined Contribution Plan

As discussed in Note 1, UHV’s proportionate share of pension liabilities in the name of UH System are reported by UH System and not UHV. UHV has elected to make limited disclosures with respect to this matter.

The State has joint contributory retirement plans for substantially all its employees. UHV participates in the plans administered by the Teachers Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The Retirement System does not account for each State agency separately. Annual financial reports prepared by the Retirement System include audited financial statements and actuarial assumptions and conclusions.

The state has also established an Optional Retirement Program for institutions of higher education. Participation in the Optional Retirement Program is available to certain eligible employees and is in lieu of participation in the Teacher Retirement System. Since contributions are invested in individual annuity contracts, neither the State nor UHV have any additional or unfunded liability for this program.

The contributions made by plan members and employers for the fiscal year ended August 31, 2023 are:

	<u>TRS Participants</u>	<u>ORP Participants</u>	<u>Total Contributions</u>
Member Contributions	\$ 1,603,129.25	\$ 482,997.00	\$ 2,086,126.25
Employer Contributions	1,616,384.63	500,875.00	2,117,259.63
Total	\$ 3,219,513.88	\$ 983,872.00	\$ 4,203,385.88

The state of Texas has three retirement systems in its financial reporting entity – Employees Retirement System (ERS), Teacher Retirement System (TRS), and Texas Emergency Services Retirement System (TESRS). These three retirement systems administer the following six defined benefit pension plans:

- ERS – the Employees Retirement System of Texas Plan (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS), the Judicial Retirement System of Texas Plan One (JRS1) and Judicial Retirement System of Texas Plan Two (JRS2).
- TRS – the Teacher Retirement System of Texas (TRS) plan.
- TESRS – the Texas Emergency Services Retirement System (TESRS) plan.

ERS, LECOS, JRS2, TRS, and TESRS plans are administered through trust; JRS1 plan is on a pay-as-you-go basis.

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Notes to the Financial Statements
For the year ended August 31, 2023**

TRS Plan

Teacher Retirement System is the administrator of the TRS plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation.

The employers of the TRS Plan include the state of Texas, TRS, the state’s public schools, education service centers, charter schools, and community and junior colleges. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS plan.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members’ average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments (COLAs).

Audited Comprehensive Annual Financial Report (CAFR) for Teacher Retirement System may be obtained from their website at www.trs.state.tx.us and searching for financial reports.

During the measurement period of 2022 for fiscal 2023 reporting, the amount of the UHV’s contributions recognized by the plan was \$1,005,918. 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:

Required Contribution Rates

	<u>TRS Plan</u>
Contribution Rates	
Employer	7.75%
Employees	8.00%

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Notes to the Financial Statements
For the year ended August 31, 2023

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 the August 31, 2022 measurement date.

Actuarial Methods and Assumptions*

	TRS Plan
Actuarial Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.00%
Long-term Expected Rate of Return	7.00%
Municipal Bond Rate as of August 2020	3.91% *
Inflation	2.30%
Salary Increase	2.95% to 8.95% including inflation
Mortality:	
Active	PUB (2010) Mortality Tables for males and females with full generational mortality.
Post-Retirement	2021 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP.
Ad Hoc Post-Employment Benefit Changes	None

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the four-year period ending Aug. 31, 2021 and adopted in July 2022. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

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

The discount rate of 7.00% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.00%. 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 all projected benefit payments to determine the total pension liability.

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.

**University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Global Equity		
U.S.A.	18.00%	4.60%
Non-U.S. Developed	13.00%	4.90%
Emerging Markets	9.00%	5.40%
Private Equity	14.00%	7.70%
Stable Value		
Government Bonds	16.00%	1.00%
Absolute Return	0.00%	3.70%
Stable Value Hedge Funds	5.00%	3.40%
Real Return		
Real Estate	15.00%	4.10%
Energy and Natural Resources and Infrastructure	6.00%	5.10%
Commodities	0.00%	3.60%
Risk Parity		
Risk Parity	8.00%	4.60%
Asset Allocation Leverage		
Asset Allocation Leverage Cash	2.00%	3.00%
Asset Allocation Leverage	-6.00%	3.60%
Total	<u>100.00%</u>	

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

**Sensitivity of the UHV’s Proportionate Share of the Net Pension Liability to Changes
in the Discount Rate**

<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$ 19,908,669	\$ 13,323,251	\$ 7,034,275

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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 2022 ACFR.

UHV’s proportionate share of pension liabilities in the name of UH System are reported by UH System, therefore, not present in UHV’s annual financial report. At August 31, 2023, UH System reported \$13,323,251 for UHV’s proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. UHV’s proportion at August 31, 2023 was 0.0215571% percent which was a decrease from the 0.0263535% percent measured at the prior measurement date. UHV’s proportion of the collective 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, 2021 through August 31, 2022.

For the year ending August 31, 2023, UH System recognized \$1,337,985 for UHV’s calculated portion of pension expense. At August 31, 2023, UH System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 185,568	\$ 279,018
Changes of assumptions	2,384,664	594,325
Net difference between projected and actual investment return	4,972,495	3,708,104
Change in proportion and contribution difference	1,131,384	2,984,976
Contributions subsequent to the measurement date	<u>1,066,476</u>	<u>0</u>
Total	<u>\$ 9,740,587</u>	<u>\$ 7,566,423</u>

The \$1,066,476 reported by UH System as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2024. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense by UH System in the following years:

<u>Year Ending August 31,</u>	<u>Amount</u>
2024	\$ 576,891
2025	27,265
2026	(467,619)
2027	1,052,908
2028	(83,758)
Thereafter	0

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Notes to the Financial Statements
For the year ended August 31, 2023**

NOTE 10: Deferred Compensation

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the Texas Government Code Annotated, Section 609.001. Multiple plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The State's 457 plan complies with the Internal Revenue Code Section 457. The State also administers another plan; "TexaSaver" created in accordance with Internal Revenue Code Sec. 401(k). The assets of this plan do not belong to the state. The state has no liability related to this plan.

The tax deferred investment program permits benefits-eligible employees of UHV to purchase qualified tax deferred investments with a portion of their salaries. Participation in the program is voluntary and is a supplement to the Teacher Retirement System or the Optional Retirement Program. It is however, separate and apart from either.

NOTE 11: Postemployment Benefits Other Than Pensions

As discussed in Note 1, UHV's proportionate share of post-employment benefits other than pension liabilities in the name of UH System are reported by UH System and not UHV. UHV has elected to make limited disclosures with respect to this matter.

In addition to providing pension benefits, the State contributes to a plan that provides health care and life insurance benefits for retired employees of UHV, their spouses, and beneficiaries. These other postemployment benefits (OPEB), authorized by statute and contributions, are established by the General Appropriations Act. ERS administers a program that provides postemployment health care, life, and dental insurance benefits to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551. ERS implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, in fiscal year 2017. Complete disclosure of the State's OPEB can be found in the State's Annual Comprehensive Financial Report.

NOTE 12: Interfund Activity and Transactions

UHV experienced routine transfers with other state agencies that were consistent with the activities of the fund making the transfer. UHV has no interfund activity to report.

NOTE 13: Continuance Subject to Review

UHV is not subject to the provisions of the Texas Sunset Act (Chapter 325, Texas Government Code Annotated). The Act provides for the regular assessment of the continuing need for state agencies to exist. Certain agencies, such as institutions of higher education and courts, are not subject to the Sunset Act.

NOTE 14: Adjustments to Fund Balances and Net Position

During fiscal year 2023, there were no restatements.

NOTE 15: Contingencies and Commitments

Unpaid Claims and Lawsuits

As mentioned in Note 5, various lawsuits and claims involving the UHV were pending. While the ultimate liability, if any, remains uncertain, management does not expect any possible adverse ruling to have a material effect on the UHV accounts.

Federal Assistance

UHV has received several federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

**University of Houston – Victoria
Notes to the Financial Statements
For the year ended August 31, 2023**

Arbitrage

Rebatable arbitrage is defined by Internal Revenue Code, Section 148, as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investment were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government.

UHV monitors its investments to restrict earnings to a yield less than the bond issue and, therefore, limit any arbitrage liability. UHV estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

Construction Commitments

UHV has several contractual agreements with various external housing management entities to construct, maintain, and manage off-campus student housing complexes. Under certain circumstances, UHV may have contingent liabilities to these entities. Based on prior experience, previous years' liabilities have been immaterial, and management believes no such liabilities currently exist. Additional information is provided in Note 19.

NOTE 16: Subsequent Events

There have been no additional events since August 31, 2023 that had a significant financial impact and require disclosure.

NOTE 17: Risk Management

UHV is exposed to a variety of civil claims resulting from the performance of its duties. It is UHV policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

UHV assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, there is the purchase of some commercial insurance, and the UHV is not involved in any risk pools with other government entities.

The University of Houston – Victoria'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 the agency's claims liabilities during fiscal 2022 and 2023 were:

Table 17.1 – Balance of Claims Activity

	Beginning Balance	Increase	Decrease	Ending Balance
2023	\$23,645.96	\$35,016.53	\$29,325.51	\$29,336.98
2022	\$ 99.99	\$58,348.87	\$34,802.90	\$23,645.96

Liabilities include an amount for estimated future workers' compensation and unemployment claims that have been incurred as of the fiscal year end, but that have not been reported. 2023 increases and decreases also include current year assessments and payments of legal settlements in the amount of \$0.00. Payments for worker's compensation claims of \$28,035.51 and for unemployment claims of \$1,290.00 make up the remainder of the decrease total of \$29,325.51.

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Notes to the Financial Statements
For the year ended August 31, 2023

NOTE 18: Management’s Discussion and Analysis (MD&A)

See Management’s Discussion and Analysis Section.

NOTE 19: The Financial Reporting Entity

See Financial Reporting Entity in Note 1.

NOTE 20: Stewardship, Compliance, and Accountability

These statements are prepared in compliance with the guidelines provided by the Texas Comptroller of Public Accounts. There were no material violations of finance related legal or contractual provisions, no deficit net position, no changes in reporting of loans, and no changes in accounting principles.

NOTE 21: N/A

Note 21 is not applicable to the Annual Financial Reporting requirements process.

NOTE 22: Donor Restricted Endowments

Expenditure of endowed funds is not permitted without the express consent of the donor. The majority of the University of Houston – Victoria’s endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as specified by the donor. In other cases, endowment earnings are reinvested.

The Regents of UHV have established an endowment policy which attempts to balance the long-term objective of maintaining the purchasing power of the endowment with the goal of providing a reasonable, predictable, stable, and sustainable level of income to support current needs. Payout is derived from interest, dividends, and realized gains net of portfolio management fees. The historical rate of payout has been 4 to 5 percent, with any change to this range to be approved by the Board.

The net appreciation (cumulative and unexpended) on donor-restricted endowments, presented below in Table 22.1, is available for authorization and expenditure by UHV:

Table 22.1 – Net Appreciation of Endowments

Donor-Restricted Endowments	Amount of Net Appreciation/(Depreciation)	Reported in Net Position
True Endowments	\$ 4,225,026.90	Restricted Expendable
Term Endowments	0.00	Restricted Expendable
Total	<u>4,225,026.90</u>	

(A fair market value increase of \$0.00 was recognized for endowments at or above historical cost, and a fair market value increase of \$0.00 was recognized for endowments below historical cost.)

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For the year ended August 31, 2023

Variances from prior year-end for expendable and nonexpendable balances are shown in Table 22.2:

Table 22.2 - Changes from Prior Year Balances:

<u>Endowment Funds</u>	<u>Increase/(Decrease)</u>	<u>Reason for Change</u>
Expendable Balances		
True Endowments	\$ 184,966.55	Fair value increase in portfolio
True Endowments	(523,276.00)	Spending distribution from endowment

NOTE 23: Extraordinary and Special Items

No items have been identified which should have been presented in the financial statements.

NOTE 24: Disaggregation of Receivable & Payable Balances

Balances of receivables and payables reported on the Statement of Net Position may be aggregations of different components. GASB Statement 38, *Certain Financial Statement Note Disclosures*, requires that UHV provide details in the notes to the financial statements when significant components have been obscured by aggregation. The Statement of Net Position is presented in the classified format, and therefore, the current and non-current portions of receivables and payables are separately disclosed. Significant balances in various classifications of receivables and payables are disclosed below:

Receivables Current:

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Federal	\$ 3,321,230.97	\$ -	\$ 3,321,230.97
Intercampus	5,253,786.24	-	5,253,786.24
Accounts	4,325,341.33	1,181,266.08	3,144,075.25
Gifts	595,782.34	-	595,782.34
Other	5,436.86	-	5,436.86
	<u>\$ 13,501,577.74</u>	<u>\$ 1,181,266.08</u>	<u>\$ 12,320,311.66</u>

Receivables Non-Current:

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Intercampus	\$ 63,997,385.41	\$ -	\$ 63,997,385.41
Pledges	\$ 561,144.87	\$ 20,000.00	\$ 541,144.87
	<u>\$ 64,558,530.28</u>	<u>\$ 20,000.00</u>	<u>\$ 64,538,530.28</u>

Payables Current:

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Federal	\$ 1,480.00	\$ -	\$ 1,480.00
Intercampus	5,490,997.93	-	5,490,997.93
Accounts	1,074,661.57	-	1,074,661.57
Payroll	3,944,796.99	-	3,944,796.99
Accrued Subscription Interest	3,567.84	-	3,567.84
Other	277,819.93	-	277,819.93
	<u>\$ 10,793,324.26</u>	<u>\$ -</u>	<u>\$ 10,793,324.26</u>

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Notes to the Financial Statements
For the year ended August 31, 2023

NOTE 25: Termination Benefits

UHV has no retiring members of the Employees Retirement System of Texas (ERS) eligible for a temporary retirement incentive payment. UHV does not offer terminated employees any non-health care benefits such as severance packages, one-time incentive bonuses, or other benefits. COBRA, handled directly by ERS, is the only benefit offered to retiring or terminated employees.

NOTE 26: Segment Information

UHV has no segment activity that requires separate disclosure in the notes to the financial statements. A segment is an identifiable activity, or group of activities, reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately.

NOTE 27: Public-Private and Public-Public Partnerships and Availability Payment Arrangements

As of August 31, 2023, UHV has no agreements that are qualified as Public-Private and Public-Public Partnerships and Availability Payment Arrangements.

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

In fiscal 2023, UHV reported no deferred outflows of resources nor deferred inflows of resources in connection with the TRS pension plan and GASB 87 Leases.

NOTE 29: Troubled Debt Restructuring

As of August 31, 2023, no debts have been identified that fall under the troubled debt restructuring guidelines of GASB 62, *Codification Accounting and Reporting*.

NOTE 30: Non-Exchange Financial Guarantees

As of August 31, 2023, UHV has no non-exchange financial guarantees; therefore, there are no balances to be reported.

NOTE 31: Tax Abatements

As of August 31, 2023, UHV has no tax abatement agreements entered into to reduce the reporting revenues nor agreements with other governments that reduce the tax revenues.

NOTE 32: Governmental Fund Balances

As of August 31, 2023, UHV does not have any fund balance reporting of obligations or requirements as established by GASB 54, *Fund Balance*, because the University of Houston – Victoria's fund balances are reported as proprietary funds and not governmental funds.



50 UHV

1973  2023

UHV AWARDS
\$38M
IN FINANCIAL AID
TO STUDENTS
ANNUALLY

UHV OFFERS MORE THAN
50 ACADEMIC
PROGRAMS
AS WELL AS A WIDE RANGE OF
CONCENTRATIONS & CERTIFICATES

THE TEXAS
LEGISLATURE APPROVED
\$3M
FOR UHV TO CREATE
A NEW AVIATION
PROGRAM