



BORGER JUNIOR COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

AUGUST 31, 2025 and 2024

BORGER JUNIOR COLLEGE DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024
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BORGER JUNIOR COLLEGE DISTRICT
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2024-2025

Board of Regents

	<u>Officers</u>	<u>Term Expires</u>
Marlene McKinney	Chair	May 1, 2028
Dr. Shad Goldston	Vice-Chairman	May 1, 2030
David Speed	Secretary	May 1, 2028

Members

Colin Archer	May 1, 2026
Jesus Heredia, Jr.	May 1, 2030
Jud Hicks	May 1, 2026
Kenny Morrison	May 1, 2026
Patrick Nonhof	May 1, 2028
Dr. Stephanie Palmer	May 1, 2030

Executive Administration

Dr. Glendon Forgey – President
Dr. Shannon Carroll – Executive Vice President of Academic Affairs/CAO
Jackie Brand – Vice President of Administrative Services/CFO
Cassi Laxton – Provost of Allen Campus - Perryton
Christy Dovel – Provost of Rahll Campus - Dalhart
Jody Nolen – Executive Assistant to the President/Director of HR

Financial Section



December 3, 2025

To the Board of Regents
Borger Junior College District
Borger, Texas

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Borger Junior College District (the "College"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of August 31, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

The financial statements of the College as of and for the year ended August 31, 2024, were audited by another auditor, who expressed unmodified opinions on those statements on November 18, 2024.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-11, Schedule of College's Proportionate Share of the Net Pension Liability, Schedule of College's Contributions for Pensions, Schedule of College's Proportionate Share of Net OPEB Liability and Schedule of College's Contributions for OPEB on pages 50-53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supporting schedules (Schedules A-F), including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial

statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory (organizational data) and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2025, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Condley and Company, L.L.P.".

Certified Public Accountants

Management's Discussion and Analysis
Required Supplementary Information

Management's Discussion and Analysis

This section of Borger Junior College District's (the "College") annual financial report presents a discussion and analysis of the College's financial performance during the fiscal year ended August 31, 2025. Please read it in conjunction with the College's basic financial statements and notes, which follow this section. Responsibility for the completeness and fairness of the information in this section rests with the College's management.

Financial and Enrollment Highlights

The institution's net position at year-end was \$11,440,763, an increase of \$1,668,003 or 17.1% for the year. This increase was primarily due to an increase in state appropriations in FY 2025. The College had a decrease in cash and cash equivalents of \$2,023,176, an increase in capital assets of \$2,264,551, a decrease in total liabilities of \$1,052,099, an increase in deferred outflows of \$150,578, and a decrease in deferred inflows of \$278,563.

Credit hours enrollment was up 5.75% overall with an increase from 36,680 total credit hours in 2024 to 38,788 total credit hours in 2025. Much of the increase in career and technical hours had to do with increased dual credit enrollment.

Overview of the Financial Statements

The financial statement presentation is mandated by Governmental Accounting Standards Board (GASB) Statement No. 34. For financial statement purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of the College are presented using the economic measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized as obligations are incurred. Discussion of the College's basic financial statement follows.

The Statement of Net Position presents information on the College's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the College's financial position is improving or deteriorating.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current Assets			
Cash and cash equivalents	\$ 4,226,357	\$ 6,249,533	\$ 1,245,783
Accounts receivable – net	995,062	1,049,674	2,513,942
Inventories	20,241	20,241	34,097
Other assets	-	-	13,383
Total Current Assets	<u>5,241,660</u>	<u>7,319,448</u>	<u>3,807,205</u>
Noncurrent Assets			
Capital assets – net	20,232,589	17,968,038	13,549,875
Other noncurrent assets	-	-	2,183
Total Noncurrent Assets	<u>20,232,589</u>	<u>17,968,038</u>	<u>13,552,058</u>
Total Assets	<u>25,474,249</u>	<u>25,287,486</u>	<u>17,359,263</u>
Deferred Outflows of Resources	1,781,872	1,631,294	2,182,868

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current Liabilities			
Accounts payable	1,435,669	2,347,966	766,897
Accrued liabilities	188,109	184,836	206,490
Funds held for others	69,094	62,692	440,632
Unearned revenues	537,057	540,492	2,190,263
Lease liabilities – current	59,268	64,343	69,629
Subscription liabilities – current	133,622	143,529	137,583
Total Current Liabilities	2,422,819	3,343,858	3,811,494
Noncurrent Liabilities			
Net Pension Obligation	2,700,551	3,100,549	2,571,220
Net OPEB Obligation	7,005,138	6,621,494	7,018,547
Lease liabilities – noncurrent	87,295	94,623	158,966
Subscription liabilities – noncurrent	620,655	728,033	871,562
Total Noncurrent Liabilities	10,413,639	10,544,699	10,620,295
Total Liabilities	12,836,458	13,888,557	14,431,789
Deferred Inflows of Resources	2,978,900	3,257,463	3,929,683
Net Position			
Net investment in capital assets	19,331,749	16,937,510	12,312,135
Restricted for student aid	366,704	638,063	635,198
Unrestricted	(8,257,690)	(7,802,813)	(11,766,674)
Net Position	\$ 11,440,763	\$ 9,772,760	\$ 1,180,659

Cash and cash equivalents consist of cash in the local financial institution's accounts and TexPool. Unrestricted cash and cash equivalents decreased by \$2,023,176 or 32.4%.

Capital assets have increased each year due to construction of new dorms in 2024 and 2025.

Due to the implementation of GASB 68 related to recognition of the College's proportionate share of the TRS pension liability, and GASB 75 related to recognition of the College's proportionate share of Other Post-Employment Benefits (OPEB) the College recorded deferred outflows and inflows of resources related to actuarial assumptions and contributions made.

Current liabilities decreased \$921,039 from 2024 to 2025, primarily caused by a decrease in accounts payable from the prior year related to roof repairs.

Net position represents the difference between the College's assets and deferred outflows of resources and liabilities and deferred inflows of resources. Total net position at August 31, 2025, was \$11,440,763. Compared to the prior year, net position increased \$1,668,003 for the current year.

Restricted expendable net position consists of \$366,704 set aside for student aid. These balances have specific restrictions placed on them by parties external to the College, such as donors and grant agencies.

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the College. Unrestricted net position totals \$(8,257,690) which was a decrease of \$454,877.

The *Statement of Revenues, Expenses, and Changes in Net Position* is a statement of activities. Revenues are presented as operating (program) revenue and non-operating (general) revenue. Expenses are reported by function. Functional expenses are defined as the “direct” expense specifically associated with a function and would not include allocations of indirect expenses. The functional categories for expenses are instruction, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, and depreciation expense.

	2025	2024	2023
OPERATING REVENUES AND EXPENSES			
Revenues:			
Tuition and fees (net of discounts)	\$ 2,261,308	\$ 2,422,011	\$ 3,165,393
Federal grants and contracts	416,930	444,279	1,278,550
State grants and contracts	639,282	322,808	231,890
Local grants and contracts	1,469,344	1,537,554	1,758,312
Auxiliary enterprises	779,439	755,018	704,759
General operating revenues	52,766	98,618	12,370
Total Operating Revenues	5,619,069	5,580,288	7,151,274
Expenses:			
Instruction	6,333,268	5,865,495	5,656,672
Academic support	27,937	70,391	134,365
Student services	981,024	913,363	1,019,669
Institutional support	3,687,071	4,144,475	3,546,767
Operation and maintenance of plant	1,546,101	1,207,843	924,478
Scholarships and fellowships	524,300	333,681	535,290
Auxiliary enterprises	3,517,111	3,031,604	2,646,949
Depreciation	1,426,692	1,169,435	1,215,047
Total Operating Expenses	18,043,504	16,736,287	15,679,237
Operating Loss	(12,424,435)	(11,155,999)	(8,527,963)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	8,036,872	6,876,583	3,340,230
Maintenance ad valorem taxes	2,964,645	3,049,106	2,889,930
Federal revenue, non-operating	2,859,041	2,416,861	2,316,625
Gifts	64,655	370,740	501,813
Insurance proceeds	-	7,070,889	-
Investment income	184,776	246,253	47,325
Gain/Loss on disposal of assets	(17,541)	(228,813)	-
Other non-operating expenses, net	(10)	(53,519)	147,580
Net Non-Operating Revenues	14,092,438	19,748,100	9,243,503
Change in Net Position	\$ 1,668,003	\$ 8,592,101	\$ 715,540

Operating Revenues

Tuition and fees, net of discounts, was \$2,261,308 for the year and represents a decrease of \$160,703 or 6.6% compared to the previous year balance of \$2,422,011.

Federal grants to students totaled \$416,930 for the current year, compared to the prior year balance of \$639,282, a decrease of \$27,349 or 6.2%.

Grants and contracts totaled \$2,525,556 for the year. This includes all restricted revenues made available by government agencies. Grant revenues are recorded only to the extent the funds have been expended for the designated purpose. Total grants and contracts increased \$220,915 or 9.6% over the previous year balance of \$2,304,641.

Auxiliary enterprises consist of various enterprise entities that provide goods or services to students, faculty, staff or the general public and charge a fee directly related to the cost of those goods or services. Auxiliary revenue was \$779,439 (net of discounts) for the year, an increase of \$24,421 from the prior year balance of \$755,018.

Operating Expenses

Instruction includes expenses for all activities that are part of the College's instructional programs - academic, workforce, and technical. Instruction expenses of \$6,333,268 increased \$467,773 or 8% compared to the previous year balance of \$5,865,495. Instruction continues to be the largest of expense classifications, accounting for 35% of the total expenses by function.

Academic support includes expenses to provide support services for the College. This includes costs associated with libraries, academic administration, curriculum development, and technical support including computer service. Academic support totaled \$27,937, representing a 60% decrease from the prior year balance of \$70,391.

Student services consists of expenses related to providing the office of admissions and records and activities that primarily contribute to student's emotional and physical well-being and their intellectual, cultural, and social development outside the context of the formal instructional programs. Student services expenses of \$981,024 increased by \$67,661 or 7.4% compared to the previous year-end total of \$913,363.

Institutional support consists of expenses incurred for central executive-level management, fiscal operations, administrative data processing, employee and records, support services (excluding auxiliary enterprises), and community and alumni relations (including development and fund raising). Institutional support totaling \$3,687,071 decreased by \$457,404 or 11% from the prior year total of \$4,144,475.

Operations and maintenance of plant consists of all expenses of operations and maintenance of the physical plant. Included are maintenance and repairs to buildings, utilities, and salaries and benefits for maintenance and custodial staffs. Operational and maintenance totaling \$1,546,101 increased by \$338,258 or 28% from the prior year total of \$1,207,843.

Scholarships and fellowships include amounts awarded for scholarships, which the College grants to students, by the College's own selection process, or from an entitlement program, equaled \$524,300 an increase of \$190,619 or 57.1%.

Auxiliary enterprises include all costs to operate the activity center, resident halls, and food service. Auxiliary enterprises totaled \$3,517,111, an increase of \$485,507 or 16% as compared to the prior year total of \$3,031,604.

The primary purpose of the *Statement of Cash Flows* is to provide relevant information about the cash receipts and cash payments of an entity during the fiscal period. The statement explains the changes during the period in cash and cash equivalents regardless of whether there are restrictions on their use. The total amount of cash and cash equivalents at the beginning and end of the period shown in the statement are easily traceable to similarly titled items or subtotals shown on the Statement of Net Position. First, the statement reports the effects during the period of operations, capital financing, non-capital financing, and investing transactions. Secondly, related information reports the investing, capital, and financing transactions that affect financial position but do not directly affect cash flows during the period. Finally, a reconciliation of operating income to net cash from operating activities is provided.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Cash Flows From:			
Operating activities	\$ (12,269,241)	\$ (8,941,329)	\$ (7,545,341)
Noncapital financing activities	13,899,861	19,645,949	9,193,724
Capital and related financing activities	(3,838,572)	(5,947,123)	(1,473,311)
Investing activities	<u>184,776</u>	<u>246,253</u>	<u>47,325</u>
Net increase (decrease) in Cash	(2,023,176)	5,003,750	222,397
Cash and cash equivalents – beginning of year	<u>6,249,533</u>	<u>1,245,783</u>	<u>1,023,386</u>
Cash and cash equivalents – end of year	<u><u>4,226,357</u></u>	<u><u>6,249,533</u></u>	<u><u>1,245,783</u></u>

The primary cash receipts from operating activities consist of tuition, fees, grants and contracts. Cash outlays include payment of wages, benefits, supplies, and scholarships.

State appropriations and ad valorem tax revenues are the primary sources of noncapital financing. Other noncapital financing activity includes gifts and endowments. Although the local tax rate is capped at its current level as a result of Board action in 1965, the College is the benefactor of increased values through the expansion of industry. Gifts from private donations continue to be an important revenue source.

The main financing activities include the purchase of capital assets primarily related to facilities, equipment, and technology enhancements. The reinvesting in the infrastructure of the College continues to be emphasized.

Cash and equivalents (restricted and unrestricted) balance of \$4,266,357 for FY 2025, decreased \$2,023,176. The balance was comprised of unrestricted cash and cash equivalents.

Reporting of Component Unit

Reported within this report is Exhibit 1.1, 2.1, 2.2, and 3.1. Frank Phillips College Development Corporation is a separate nonprofit organization reported as a discretely presented component unit. The unit raises funds to provide student scholarships and departmental grants. Exhibit 2.1 reports net assets increased by \$139,219 bringing the total assets to \$3,015,605 at the close of 2025. Gifts and contributions, realized gains, and unrealized gains or losses on investments are the major sources of revenue. Operating expense, investment advisory fees, and transfers to Borger Junior College District are the main expenses.

Factors That Will Affect the Future for Frank Phillips College

Frank Phillips College continues to be uniquely positioned to play a key role in addressing the skills gap challenge in the Texas panhandle by helping more Texans earn the credentials required for high-demand, well-paying jobs.

One of the most significant accomplishments from the 88th Texas Legislature was the passage of House Bill 8 (HB 8), which Governor Abbott signed into law in June 2024. This bill brings innovative reform to community college funding, thanks to the years of work, collaboration, and recommendations by the Texas Commission on Community College Finance.

The result of HB 8 is a groundbreaking new funding model that moves community colleges from a static system based primarily on students' time in class to a modern and dynamic outcomes-based formula that supports the critical role community colleges play in driving our economy. For the first time, the state will support community colleges based primarily on specific outcomes that are aligned with the state's higher education strategic plan, Building a Talen Strong Texas, as well as regional and state workforce needs.

The outcomes driving this new model include:

- the number of high school students who complete 15 semester credit hours in dual credit or dual enrollment courses;
- the number of community college students who transfer successfully to public four-year universities or complete 15 semester credit hours in a structured co-enrollment program; and
- the number of community college students who earn credentials of value, which offer purpose in the economy, value in the labor market, and opportunities for good jobs and meaningful careers.

The full impact of the legislation to Frank Phillips College can be found on the Texas Higher Education Coordinating Board (THECB) website at:

<https://www.highered.texas.gov/our-work/supporting-our-institutions/community-college-finance/>

For FY24-25, the legislature increased Texas community college funding by \$31 million. Frank Phillips College received an additional \$1.7 million of the additional appropriations or double what the college had been receiving. The total appropriations received were \$7,508,270. For FY25-26, the college is scheduled to receive an additional \$503,160 due to exceeding THECB performance outcomes. The total appropriations scheduled to be received for FY25-26 is \$8,011,430.

One of the major changes of House Bill 8 was the introduction of the Financial Aid for Swift Transfer (FAST) program for educationally disadvantaged students. This program has resulted in a significant demographic change in the student population of the college. Since Fall 2022, dual credit enrollment has grown by 17% because of the program and outreach efforts by the college.

The college CDL program has been implemented at all campuses and continues to grow. A Diesel Mechanics Program was started at the Perryton and Dalhart campuses in FY23-24. Additional opportunities for future enrollment growth include but are not limited to: industrial equipment operator specialist, culinary arts, building construction, and automotive technician. In addition, the college entered into a contract with the Texas Department of Criminal Justice to offer academic programs at the Dalhart prison unit beginning in the Fall 2026.

Gene and Louise Rahll generously donated funds to construct an additional workforce building at the Dalhart Rahll Campus. The new building was opened in January 2025 and focuses on opportunities in diesel mechanics, CDL, and other programs.

The college began construction of a new residential hall in October 2025. It is anticipated that the new residential hall will assist in the recruitment and retention of future students.

The college continues to partner with Borger High School to implement the Boomtown Scholarship Program and the Pathways Scholarship with Perryton High School. These two scholarship programs will cover the 60 hours of tuition and fees toward seeking an associate's degree. The college has also partnered with Dalhart High School to implement the Rahl Endowed Scholarship for the Future of Dalhart Fund which will provide similar scholarship opportunities. These programs have had a positive impact on helping to increase enrollment numbers.

Federal economic policy and geopolitical factors are always a concern and could negatively affect the college. Fortunately, federal funds and philanthropic efforts have continued to provide funding to assist students and to alleviate and detrimental enrollment effects resulting from the tuition and fee increases.

Basic Financial Statements

BORGER JUNIOR COLLEGE DISTRICT
STATEMENTS OF NET POSITION
AUGUST 31, 2025 AND 2024
EXHIBIT 1

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,226,357	\$ 6,249,533
Accounts receivable (net)	995,062	1,049,674
Inventories	20,241	20,241
Total Current Assets	<u>5,241,660</u>	<u>7,319,448</u>
Noncurrent Assets:		
Capital assets, net	20,232,589	17,968,038
TOTAL ASSETS	<u>25,474,249</u>	<u>25,287,486</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on net pension liability	1,257,497	1,172,818
Deferred outflows of resources related OPEB	524,375	458,476
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,781,872</u>	<u>1,631,294</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	1,435,669	2,347,966
Accrued liabilities	188,109	184,836
Funds held for others	69,094	62,692
Unearned revenues	537,057	540,492
Right-to-use lease liabilities - current portion	59,268	64,343
Subscription liabilities - current portion	133,622	143,529
Total Current Liabilities	<u>2,422,819</u>	<u>3,343,858</u>
Noncurrent Liabilities:		
Right-to-use lease liabilities - noncurrent portion	87,295	94,623
Subscription liabilities - noncurrent portion	620,655	728,033
Net pension liability	2,700,551	3,100,549
Net OPEB liability	7,005,138	6,621,494
Total Noncurrent Liabilities	<u>10,413,639</u>	<u>10,544,699</u>
TOTAL LIABILITIES	<u>12,836,458</u>	<u>13,888,557</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of net pension liability	873,480	438,877
Deferred inflows of resources related to OPEB	2,105,420	2,818,586
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,978,900</u>	<u>3,257,463</u>
NET POSITION		
Net investment in capital assets	19,331,749	16,937,510
Restricted:		
Nonexpendable for:		
Student aid	366,704	638,063
Unrestricted	(8,257,690)	(7,802,813)
TOTAL NET POSITION	<u>\$ 11,440,763</u>	<u>\$ 9,772,760</u>

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

FRANK PHILLIPS COLLEGE DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT
AUGUST 31, 2025 AND 2024
EXHIBIT 1.1

		Component Unit	
		2025	2024
	<u>ASSETS</u>		
ASSETS			
Cash and cash equivalents	\$	182,194	\$ 473,549
Investments		2,810,653	2,515,560
Due from others		22,758	22,758
TOTAL ASSETS		3,015,605	3,011,867
	<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES			
Due to others		17,209	152,690
TOTAL LIABILITIES		17,209	152,690
NET ASSETS			
Without donor restrictions		2,998,396	2,859,177
With donor restrictions		-	-
TOTAL NET ASSETS		2,998,396	2,859,177
TOTAL LIABILITIES AND NET ASSETS	\$	3,015,605	\$ 3,011,867

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

BORGER JUNIOR COLLEGE DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024
EXHIBIT 2

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Tuition and fees (net of discounts of \$2,711,570, and \$2,676,004, respectively)	\$ 2,261,308	\$ 2,422,011
Federal grants and contracts	416,930	444,279
State grants and contracts	639,282	322,808
Local grants and revenues	1,469,344	1,537,554
Auxiliary enterprises, net of discounts of \$289,943 and \$275,276, respectively)	779,439	755,018
General operating revenues	<u>52,766</u>	<u>98,618</u>
Total Operating Revenues (Schedule A)	<u>5,619,069</u>	<u>5,580,288</u>
Operating Expenses:		
Instruction	6,333,268	5,865,495
Academic support	27,937	70,391
Student services	981,024	913,363
Institutional support	3,687,071	4,144,475
Operation and maintenance of plant	1,546,101	1,207,843
Scholarships and fellowships	524,300	333,681
Auxiliary enterprises	3,517,111	3,031,604
Depreciation and amortization	<u>1,426,692</u>	<u>1,169,435</u>
Total Operating Expenses (Schedule B)	<u>18,043,504</u>	<u>16,736,287</u>
Operating Loss	<u>(12,424,435)</u>	<u>(11,155,999)</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	8,036,872	6,876,583
Ad valorem property taxes	2,964,645	3,049,106
Federal revenue, non-operating	2,859,041	2,416,861
Gifts	64,655	370,740
Insurance proceeds	-	7,070,889
Investment income	184,776	246,253
Loss on capital assets	(17,541)	(228,813)
Other nonoperating expenses, net	<u>(10)</u>	<u>(53,519)</u>
Net Non-Operating Revenues (Schedule C)	<u>14,092,438</u>	<u>19,748,100</u>
Increase in Net Position	<u>1,668,003</u>	<u>8,592,101</u>
NET POSITION		
Net position - beginning of year	9,772,760	1,180,659
Net position - end of year	<u>\$ 11,440,763</u>	<u>\$ 9,772,760</u>

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

FRANK PHILLIPS COLLEGE DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED AUGUST 31, 2025
EXHIBIT 2.1

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Gifts	\$ 2,000	\$	\$ 2,000
Investment income, net of investment expenses	<u>270,532</u>		<u>270,532</u>
TOTAL REVENUE	<u>272,532</u>	<u>-</u>	<u>272,532</u>
EXPENSE			
Institutional support	11,721		11,721
Scholarships and fellowships	<u>121,592</u>		<u>121,592</u>
TOTAL EXPENSE	<u>133,313</u>	<u>-</u>	<u>133,313</u>
INCREASE IN NET ASSETS	<u>139,219</u>	<u>-</u>	<u>139,219</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,859,177</u>	<u>-</u>	<u>2,859,177</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,998,396</u>	<u>\$ -</u>	<u>\$ 2,998,396</u>

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

FRANK PHILLIPS COLLEGE DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED AUGUST 31, 2024
EXHIBIT 2.2

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Gifts	\$ 41,474	\$	\$ 41,474
Investment income, net of investment expenses	<u>562,607</u>	<u></u>	<u>562,607</u>
TOTAL REVENUE	<u>604,081</u>	<u>-</u>	<u>604,081</u>
EXPENSE			
Institutional support	21,177		21,177
Scholarships and fellowships	<u>135,481</u>	<u></u>	<u>135,481</u>
TOTAL EXPENSE	<u>156,658</u>	<u>-</u>	<u>156,658</u>
INCREASE IN NET ASSETS	<u>447,423</u>	<u>-</u>	<u>447,423</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,411,754</u>	<u>-</u>	<u>2,411,754</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,859,177</u>	<u>\$ -</u>	<u>\$ 2,859,177</u>

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

BORGER JUNIOR COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024
EXHIBIT 3

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 3,129,205	\$ 3,505,271
Receipts of appropriations, grants, and contracts	2,525,556	2,292,245
Payments to or on behalf of employees	(9,759,727)	(8,141,172)
Payments to suppliers for goods or services	(7,638,090)	(6,282,343)
Payments of scholarships	(524,300)	(333,681)
Other payments or receipts	(1,885)	18,351
Net cash used in operating activities	<u>(12,269,241)</u>	<u>(8,941,329)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	8,036,872	6,876,583
Property taxes for maintenance and operations	2,939,293	3,040,895
Federal Title IV Grants	2,859,041	2,416,861
Gifts and grants (other than capital)	64,655	294,240
Settlement proceeds	-	7,070,889
Other	-	(53,519)
Net cash provided by non-capital financing activities	<u>13,899,861</u>	<u>19,645,949</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases and construction of capital assets	(3,708,884)	(5,740,811)
Principal paid on capital debt	(129,688)	(207,212)
Proceeds from sale of fixed assets	-	900
Net cash used in capital and related financing activities	<u>(3,838,572)</u>	<u>(5,947,123)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	184,776	246,253
Net cash provided by investing activities	<u>184,776</u>	<u>246,253</u>
 Increase (Decrease) in cash and cash equivalents	 (2,023,176)	 5,003,750
Cash and cash equivalents - September 1	<u>6,249,533</u>	<u>1,245,783</u>
Cash and cash equivalents - August 31	<u>\$ 4,226,357</u>	<u>\$ 6,249,533</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (12,424,435)	\$ (11,155,999)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation/amortization expense	1,426,692	1,169,435
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Deferred outflows of resources	(150,578)	551,574
Deferred inflows of resources	(278,473)	(672,220)
Accounts receivable, net (adjusted for non-operating items)	79,964	(245,739)
Inventory	-	13,856
Other assets	-	15,566
Accounts payable	(909,024)	992,704
Unearned revenue	(3,435)	68,447
Funds held for others	6,402	188,771
Net pension liability	(399,998)	(397,053)
Net OPEB liability	<u>383,644</u>	<u>529,329</u>
Net cash used in operating activities	<u>\$ (12,269,241)</u>	<u>\$ (8,941,329)</u>
Noncash donation of capital assets	<u>\$ -</u>	<u>\$ 76,497</u>

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

FRANK PHILLIPS COLLEGE DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024
EXHIBIT 3.1

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers for goods or services	\$ (11,721)	\$ (26,390)
Payments of scholarships	(121,592)	-
Net cash used in operating activities	<u>(133,313)</u>	<u>(26,390)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions	2,000	41,474
Purchase of investments	(1,620,565)	(852,197)
Proceeds from sale of investments	1,300,338	810,000
Investment earnings	160,185	319,950
Net cash provided by (used in) investing activities	<u>(158,042)</u>	<u>319,227</u>
Increase (decrease) in cash and cash equivalents	(291,355)	292,837
Cash and cash equivalents - September 1	<u>473,549</u>	<u>180,712</u>
Cash and cash equivalents - August 31	<u>\$ 182,194</u>	<u>\$ 473,549</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Increase in net assets	\$ 139,219	\$ 447,423
Adjustments to reconcile increase in net assets to net cash used in		
Unrealized and realized gains on investments	(260,839)	(466,060)
Investment income reinvested	(11,693)	(7,753)
Net cash used in operating activities	<u>\$ (133,313)</u>	<u>\$ (26,390)</u>

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

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Note 1: Reporting Entity

Borger Junior College District ("Frank Phillips College" or the "College") was established in 1948, in accordance with the laws of the State of Texas, to serve the educational needs of Borger, Texas and surrounding communities. The College is considered a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. While the College receives funding from local, state, and federal sources and must comply with spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any governmental entity.

Component Unit

Using the criteria established by GASB Statement No. 14, as amended, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* – an amendment of GASB Statement No. 14, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB statements No. 14 and No. 23, the College's management has determined that the Frank Phillips College Development Corporation (the "Foundation") should be reported as a discrete component unit of the College because of the nature and significance of its financial relationship with the College.

The Foundation is a nonprofit organization with the sole purpose of supporting the educational and other activities of the College. The College does not appoint a voting majority, nor does it fund or is it obligated to pay debt related to the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of the College by the donors. Under GASB Statement 39, the Foundation is a component unit of the College because:

- The College provides financial support to the Foundation, and the economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the College,
- The College is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the Foundation and
- The economic resources held by the Foundation that the College is entitled to or can otherwise access, are significant to the College.

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents).

Note 2: Summary of Significant Accounting Policies

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community Colleges. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set-aside called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set-aside amount (Texas Education Code 56.033). When the student uses the award for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Title IV, Higher Education Act Program Funds

Certain Title IV HEA Program funds are received by the College to pass through to students. These funds are initially received by the College and recorded as revenue. When the student uses the award for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

The College's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Restricted cash and cash equivalents are held for federal programs and endowment purposes.

Receivables

Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal, state, and local governments. Receivables are recorded net of estimated uncollectible amounts. The allowance for estimated uncollectible amounts totaled \$300,986 and \$326,844 as of August 31, 2025 and 2024, respectively.

Deferred Outflows

In addition to assets, the College is aware that the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt. The college has deferred outflows related to its pension and other post-employment benefits (OPEB) liabilities.

Investments

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

The Foundation investments are carried at fair value. Realized and unrealized gains and losses on marketable equity securities are recorded monthly and are added to or subtracted from the applicable category of net assets.

Inventories

Inventories consist of consumable office supplies, food, and pro shop. Inventories are valued at the lower of cost or net realizable value under the first-in, first out (FIFO) method and are charged to expense as consumed.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to operating expenses in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

<u>Asset Type</u>	<u>Years</u>
Buildings	50
Facility and other improvements	20
Library books	15
Furniture, machinery, vehicles, and other equipment	10
Telecommunications and peripheral equipment	5

Right-of-use lease assets resulting from public-private and/or public-public partnership (PPP) arrangements that qualify as leases are amortized over the shorter of the lease term or the useful life of the underlying asset.

Right-of-use subscription assets resulting from qualifying subscription-based information technology arrangements (SBITAs) are amortized over the subscription term.

Other Postemployment Benefits (OPEB)

The College participates in the Employee's Retirement System of Texas (ERS) post-employment health care plan, a multiple-employer cost-sharing defined benefit plan with a special funding situation. The fiduciary net position of ERS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from ERS's fiduciary net position. Benefit payments (including refunds of employer contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pensions

The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost-sharing defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus on the full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Unearned Revenues

Tuition and fees of \$537,057 and \$263,496 have been reported as unearned revenues as of August 31, 2025 and 2024, respectively. Auxiliary enterprise revenues, including meal and dorm rent and other revenues reported as unearned revenues, totaled \$0 and \$276,996 as of August 31, 2025 and 2024, respectively.

Deferred Inflows

In addition to liabilities, the College is aware that the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenues) until that time. Governments are permitted to report deferred inflows in circumstances specifically authorized by the GASB. The College has deferred inflows related to the net pension and other post-employment benefit (OPEB) liabilities.

Income Taxes

The College is exempt from federal income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.", although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), "Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations". The College had no unrelated business tax liability for the years ended August 31, 2025 and 2024.

The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

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

The operations of the bookstore and food service are not performed by the College. When both restricted and unrestricted resources are available for use, it is the College's practice to use restricted resources first and then unrestricted resources as they are needed.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Leases

The College has implemented GASB 87. GASB 87 has adopted a single model that all leases represent financings of the right to use an underlying asset. It, therefore, provides for three accounting treatments: (1) short-term leases of 12 months or less, (2) contracts that transfer ownership, and (3) contracts that do not transfer ownership.

All leases not falling into the first two categories listed above are treated as “contracts that do not transfer ownership.”

For leases where the College is a lessee, a lease payable and a right-of-use asset are recognized. The lease liability is initially measured at the present value of fixed minimum lease payments expected to be made during the lease term. The lease payable is subsequently reduced by the principal payments made. The College must recognize interest expense over time based on the current balance of the lease and the implicit interest rate. The right-of-use asset is classified as an intangible and is initially measured as the lease payable with adjustments for payments made at or before the lease commencement date and certain initial direct costs. The College is required to amortize the value of the right-of-use asset systematically over the shorter period of the lease term or the useful life of the asset. Right-of-use assets are reported as capital assets, while lease payables are reported as long-term liabilities in the statement of net position.

Key estimates and judgments related to leases include how the College determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The College uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the College generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the College is reasonably certain to exercise.

The College monitors changes in circumstances that would require a re-measurement of its leases and will re-measure the components if certain changes occur that are expected to significantly affect the amount of the lease receivable or lease payable.

Subscription-Based Information Technology Arrangements (SBITA)

The College recognizes a subscription liability, reported with long-term debt, and a right-of-use subscription asset (an intangible asset), reported with capital assets, in the statements of net position. The College recognizes subscription liabilities on agreements with total annual payments of over \$5,000. At the commencement of a SBITA, the College initially measures the subscription liability at the present value of payments expected to be made during the subscription term. The subscription liability is subsequently reduced by the principal portion of SBITA payments. Interest expense is recognized over time based on the current balance of the SBITA and the implicit interest rate. The subscription asset is initially measured as the subscription liability adjusted for SBITA payments made at or before the commencement date and certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter subscription term or the useful life of the underlying assets.

Key estimates and judgments related to SBITAs include how the College determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) subscription payments.

- The College uses its incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the non-cancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the College is reasonably certain to exercise such option, subscription

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

contract incentives receivable from the vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The College monitors changes in circumstances that would require a re-measurement of its SBITAs and will re-measure the components if certain changes occur that are expected to significantly affect the amount of the subscription asset or subscription liability.

Fiduciary Activities

Effective for fiscal year 2021, the College implemented GASB Statement No. 84 *Fiduciary Activities* and Implementation Guide 2019-2. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. It was concluded that the total fiduciary activities in the years ended August 31, 2025 and 2024 and the asset and liability balances at August 31, 2025 and 2024 are immaterial and the College has chosen not to present the fiduciary statements separately. The liability of \$69,094 and \$62,692, respectively, are presented in the Funds Held for Others in the current liabilities section of Exhibit 1.

Net Position

The College's Net Position includes the following:

Net investment in capital assets – This item consists of capital assets, including restricted capital assets net of accumulated depreciation that is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – nonexpendable net position – This is net position that is required to be retained in perpetuity, such as permanent endowments or permanent fund principal amounts. Some examples of nonexpendable assets are scholarships, fellowships, and research.

Restricted – expendable net position – This is a net position that is restricted due to constraints placed on the assets either by external creditors such as debt covenants or grantors or imposed by laws or regulations of other governments. This does not include net position restricted by the College's governing board. Some examples are scholarships and fellowships, research, instructional department uses, loans, capital projects, and debt service.

Unrestricted net position – This item consists of a net position not meeting the definition of "restricted" or "net investment in capital assets." The distribution of this net position must not be presented on the face of the financial statement but may be presented in the notes. When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

It is the College's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Net Assets – Foundation

The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Net assets with donor restrictions – Net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to those without donor restrictions in the Statements of Activities. It is the Foundation's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 3: Authorized Investments

The College is authorized to invest in obligations and instruments as defined in the Public Funds Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

The College is required to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits. The Public Funds Investment Act requires an annual audit of investment practices.

We have performed tests designed to verify the College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2025, no instances of noncompliance were found.

Note 4: Deposits and Investments

The College's funds are required to be deposited and invested under the terms of the Texas Public Funds Investment Act. The College's depository bank deposits for safekeeping and trust with the College's agent bank-approved pledged securities in an amount sufficient to protect College funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The College also utilizes the Texas Local Government Investment Pool, which was authorized under and created pursuant to the Act.

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Cash and Deposits

The College Cash and Deposits included in Exhibit 1 and Exhibit 1.1, Statement of Net Position and Statement of Financial Position, consist of the items reported below:

	Primary Institution		Component Unit	
	2025	2024	2025	2024
Bank Deposits				
Demand deposits	\$ 2,052,435	\$ 2,088,325	\$ 42,748	\$ 473,549
Time deposits	100,000	-	-	-
Total Bank Deposits	2,152,435	2,088,325	42,748	473,549
Cash and Cash Equivalents				
Petty cash on hand	4,800	4,405	-	-
Cash equivalents – investment pools	2,069,122	4,156,803	139,446	-
Total cash and cash Equivalents	2,073,922	4,161,208	139,446	-
Total Cash and Deposits	\$ 4,226,357	\$ 6,249,533	\$ 182,194	\$ 473,549

The College is required by Government Code Chapter 2256, The Public Funds Investment Act (Act) to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that the College adhered to the requirements of the Act in the areas of investment practices, management reports, and establishment of appropriate policies. Additionally, the College's investment practices were in accordance with local policies.

The Act determines the types of investments that are allowable for the College. These include, with certain restrictions, (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit and (5) other instruments and obligations authorized by statute.

The College's cash deposits at August 31, 2025 and 2024 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

The College held no investments as of August 31, 2025 and 2024.

The Foundation's investments at August 31, 2025 and 2024 are shown below:

	2025	2024
Equities	\$ 978,816	\$ -
Exchange traded funds	15,903	-
Mutual funds	1,815,934	2,515,560
Total fair market value	\$ 2,810,653	\$ 2,515,560

BORGER JUNIOR COLLEGE DISTRICT
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Reconciliation of Investments to Exhibit 1 and Exhibit 1.1:

	Primary Institution		Component Unit	
	August 31, 2025	August 31, 2024	August 31, 2025	August 31, 2024
Type of Security:				
Equities	\$ -	\$ -	\$ 978,816	\$ -
Exchange traded funds	-	-	15,903	-
Mutual funds	-	-	1,815,934	2,515,560
Total Investments	\$ -	\$ -	\$ 2,810,653	\$ 2,515,560
Per Exhibit 1 and Exhibit 1.1:				
Investments	\$ -	\$ -	\$ 2,810,653	\$ 2,515,560
Total	\$ -	\$ -	\$ 2,810,653	\$ 2,515,560

As of August 31, 2025, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Investment in Maturities (in Years)		
		Less than 1	1 to 2	2 to 3
Equities	\$ 978,816	\$ N/A	\$ N/A	\$ N/A
Exchange traded funds	15,903	N/A	N/A	N/A
Mutual funds	1,815,934	N/A	N/A	N/A
Total Fair Value	\$ 2,810,653	\$ N/A	\$ N/A	\$ N/A

The Foundation held the no investments in a continuous unrealized loss position at August 31, 2025.

Unrealized losses are considered temporary and are generally caused by market fluctuations. The Foundation has the intent and ability to hold the investments until they recover their fair value.

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or A/M-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The College, on occasion, participates in the TexPool Investment Pool, further described as follows:

The TexPool Prime Investment Pool (TexPool) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other people who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average of \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

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Credit Risk

This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. In accordance with state law and the College's investment policy, investment in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations other than states, municipalities, counties, etc. must be rated at least A as well.

The College did not carry any investments as of August 31, 2025 or 2024 and as such was not exposed to credit risk. The Foundation's investments were within policy ranges as of August 31, 2025.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name.

As of August 31, 2025, the carrying amount of the College's bank balances was \$2,052,435. Bank balances of \$250,000 were covered by Federal Depository Insurance. Bank balances in the amount of \$3,980,440 were covered by securities held by the bank in the College's name. The remainder of the bank balance was covered under a *Deposit Insurance Program* that allocates the deposits between different financial institutions at all times such that all deposits are, in effect, covered by Federal Depository Insurance.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the College's investment in a single issuer (i.e., lack of diversification). The College does not place a limit on the amount the College may invest in any one issuer. Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. At year end, the College was not exposed to a concentration of credit risk.

More than 5% of the Foundation's investments are in Vanguard Global Equity Fund (7%) and Vanguard 500 index Fund ADM (39%).

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the College does not purchase any investments with maturities greater than 10 years.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The College is not exposed to foreign currency risk.

Investment Accounting Policy

The College's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists that guarantees a higher value. The term "short-term" refers to investments that have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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Fair Value of Financial Instruments

The College has adopted Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, as guidance on fair value measurements. The standard established a three-level valuation hierarchy for disclosure based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's fair value measurement level within the hierarchy is based on the lowest level of input that is significant to the valuation.

The three levels of the fair value of hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The application of valuation techniques to similar assets has been consistent, and there were no transfers between levels during the year. The following is a description of the valuation methodologies used for instruments measured at fair value:

Equities: valued at the closing price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

Exchange traded funds: valued at the closing price reported on the active market on which the funds are traded.

Mutual funds: valued at the net asset value of shares held at year end at the closing price reported on the active market.

The fair value hierarchy of Foundation investments at August 31, 2025 follows:

Investment Type	Fair Value Measurements at Reporting Date Using				FY 24
	(Level 1)	(Level 2)	(Level 3)	Total	
Equities	\$ 978,816	\$ -	\$ -	\$ 978,816	\$ -
Exchange					
traded funds	15,903	-	-	15,903	-
Mutual funds	1,815,934	-	-	1,815,934	2,515,560
Total	\$ 2,810,653	\$ -	\$ -	\$ 2,810,653	\$ 2,515,560

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Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the College is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Note 5: Disaggregation of Receivables and Payables Balances

Receivables as of August 31, 2025 and 2024 were as follows:

	2025	2024
Student receivables	\$ 379,880	\$ 468,221
Taxes receivable	113,644	88,292
Others	501,538	493,161
Total	\$ <u>995,062</u>	\$ <u>1,049,674</u>

Payables and accrued expenses as of August 31, 2025 and 2024 were as follows:

	2025	2024
Vendor payable and other	\$ 891,382	\$ 1,781,255
Scholarships payable	544,287	566,711
Total	\$ <u>1,435,669</u>	\$ <u>2,347,966</u>

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Note 6: Capital Assets

Capital assets activity for the year ended August 31, 2025, was as follows:

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 495,144	\$ -	\$ -	\$ 495,144
Construction in process	629,844	284,676	(629,844)	284,676
Total capital assets not being depreciated	<u>1,124,988</u>	<u>284,676</u>	<u>(629,844)</u>	<u>779,820</u>
Capital assets being depreciated:				
Buildings	15,600,239	7,150	(17,641)	15,589,748
Improvements	10,588,982	3,442,824	-	14,031,806
Right-of-use assets buildings	244,471	-	-	244,471
Right-of-use assets equipment	127,238	60,386	(77,605)	110,019
Right-of-use assets subscriptions	1,267,508	26,244	(59,253)	1,234,499
Furniture, machinery, vehicles and other equipment	4,106,481	517,448	-	4,623,929
Telecommunications and peripheral equipment	2,056,350	-	-	2,056,350
Library books	1,191,714	-	-	1,191,714
Total capital assets being depreciated	<u>35,182,983</u>	<u>4,054,052</u>	<u>(154,499)</u>	<u>39,082,536</u>
	<u>Ending Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Less accumulated depreciation for:				
Buildings	(8,231,414)	(216,994)	-	(8,448,408)
Improvements	(4,685,407)	(455,318)	-	(5,140,725)
Right-of-use assets buildings	(128,056)	(34,924)	-	(162,980)
Right-of-use assets equipment	(86,259)	(37,742)	77,605	(46,396)
Right-of-use assets subscriptions	(443,496)	(148,262)	59,253	(532,505)
Furniture, machinery, vehicles and other equipment	(1,798,487)	(385,571)	-	(2,184,058)
Telecommunications and peripheral equipment	(1,785,056)	(145,995)	-	(1,931,051)
Library books	(1,181,758)	(1,886)	-	(1,183,644)
Total accumulated depreciation	<u>(18,339,933)</u>	<u>(1,426,692)</u>	<u>136,858</u>	<u>(19,629,767)</u>
Net other capital assets	<u>16,843,050</u>	<u>2,627,360</u>	<u>(17,641)</u>	<u>19,452,769</u>
Capital assets, net	<u>\$ 17,968,038</u>	<u>\$ 2,912,036</u>	<u>\$ (647,485)</u>	<u>\$ 20,232,589</u>

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Capital asset activity for the year ended August 31, 2024, was as follows:

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 495,144	\$ -	\$ -	\$ 495,144
Construction in process	-	1,930,864	(1,301,020)	629,844
Total capital assets not being depreciated	495,144	1,930,864	(1,301,020)	1,124,988
Capital assets being depreciated:				
Buildings	15,940,747	-	(340,508)	15,600,239
Improvements	5,912,031	4,700,790	(23,839)	10,588,982
Right-of-use assets buildings	244,471	-	-	244,471
Right-of-use assets equipment	127,238	-	-	127,238
Right-of-use assets subscriptions	1,267,508	-	-	1,267,508
Furniture, machinery, vehicles and other equipment	3,942,995	433,001	(269,515)	4,106,481
Telecommunications and peripheral equipment	2,002,677	53,673	-	2,056,350
Library books	1,191,714	-	-	1,191,714
Total capital assets being depreciated	30,629,381	5,187,464	(633,862)	35,182,983
<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation for:				
Buildings	(8,129,181)	(225,660)	123,427	(8,231,414)
Improvements	(4,514,397)	(191,393)	20,383	(4,685,407)
Right-of-use assets buildings	(93,132)	(34,924)	-	(128,056)
Right-of-use assets equipment	(50,907)	(35,352)	-	(86,259)
Right-of-use assets subscriptions	(295,664)	(147,832)	-	(443,496)
Furniture, machinery, vehicles and other equipment	(1,722,703)	(336,126)	260,342	(1,798,487)
Telecommunications and peripheral equipment	(1,588,878)	(196,178)	-	(1,785,056)
Library books	(1,179,788)	(1,970)	-	(1,181,758)
Total accumulated depreciation	(17,574,650)	(1,169,435)	404,152	(18,339,933)
Net other capital assets	13,054,731	4,018,029	(229,710)	16,843,050
Capital assets, net	\$ 13,549,875	\$ 5,948,893	\$ (1,530,730)	\$ 17,968,038

As of August 31, 2025 and 2024, the College recognized a loss of \$17,541 and \$228,813, respectively, on the disposal of capital assets.

During 2022, the College retained legal counsel in relation to a storm-damage claim against Public Educators of Texas. An engineering firm was engaged to analyze the claim and scope of damages. During 2024, the College received settlement checks totaling \$7,070,889, net of attorney and public adjusters' fees of \$1,829,250. The settlement proceeds related to the Borger and Perryton campuses.

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Note 7: Long-Term Obligations

Long-term liability activity for the year ended August 31, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Right-to-use lease liability	\$ 158,966	\$ 60,386	\$ (72,789)	\$ 146,563	\$ 59,268
Right-to-use subscription liability	871,562	26,244	(143,529)	754,277	133,622
Net pension liability	3,100,549	-	(399,998)	2,700,551	-
Net OPEB liability	6,621,494	383,644	-	7,005,138	-
Totals	\$ 10,752,571	\$ 470,274	\$ (616,316)	\$ 10,606,529	\$ 192,890

Long-term liability activity for the year ended August 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Right-to-use lease liability	\$ 228,595	\$ -	\$ (69,629)	\$ 158,966	\$ 64,343
Right-to-use subscription liability	1,009,145	-	(137,583)	871,562	143,529
Net pension liability	2,571,220	529,329	-	3,100,549	-
Net OPEB liability	7,018,547	-	(397,053)	6,621,494	-
Totals	\$ 10,827,507	\$ 529,329	\$ (604,265)	\$ 10,752,571	\$ 207,872

Note 8: Debt and Lease Obligations

Obligations under leases as of August 31, 2025 were as follows:

<u>Fiscal Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2026	\$ 59,268	\$ 2,018	\$ 61,286
2027	50,100	1,151	51,251
2028	25,882	530	26,412
2029	11,313	143	11,456
	<u>\$ 146,563</u>	<u>\$ 3,842</u>	<u>\$ 150,405</u>

Lease's obligations consisted of the following as of August 31, 2025:

- Monthly (60 months) copier lease maturing in January 2026; monthly payments of \$198; discount rate of 0.42%.
- Monthly (48 months) copier lease maturing in September 2026; monthly payments of \$841; discount rate of 3.23%.
- Monthly (48 months) copier lease maturing in February 2029; monthly payments of \$455; discount rate of 3.03%.

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- Monthly (48 months) copier lease maturing in July 2029; monthly payments of \$227; discount rate of 2.43%.
- Monthly (60 months) copier lease maturing in August 2029; monthly payments of \$519; discount rate of 2.45%.
- Monthly (84 months) facility lease maturing in December 2028; monthly payments of \$3,000; discount rate of 0.88%.

The College does not capitalize any lease obligations with an original term of less than one year.

Obligations under subscription-based information technology arrangements as of August 31, 2025 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2026	\$ 133,622	\$ 8,365	\$ 141,987
2027	145,423	7,525	152,948
2028	151,773	5,764	157,537
2029	316,332	5,740	322,072
2030	7,127	189	7,316
	<u>\$ 754,277</u>	<u>\$ 27,583</u>	<u>\$ 781,860</u>

Subscription-based leases consisted of the following as of August 31, 2025:

- Annual (9 years) software lease maturing in October 2029; annual payments ranging from \$133,622 to \$309,589; discount rate of 1.15%.
- Annual (5 years) software lease maturing in August 2030; annual payments ranging from \$6,007 to \$7,127; discount rate of 2.65%.

The College does not capitalize any subscription-based leases with an original term of less than one year.

As of August 31, 2025 and 2024, the College was in compliance with all material aspects of the bond indentures and other debt covenants.

Note 9: Compensated Absences

Vacation Leave

Fulltime employees earn annual leave from 6 to 13 hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued vacation leave forward from one fiscal year to another with a maximum carry forward of 80 to 160 hours depending on the number of years employed with the College. Employees with at least three months of service who terminate their employment are entitled to payment of all accumulated vacation leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$28,885 at August 31, 2025.

Sick Leave

Sick leave, which can accumulate up to 320 hours, is typically earned at the rate of 10 hours per month. It is paid to an employee who misses work due to illness. A liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal, and accrued balances are not payable to an employee who terminates employment.

BORGER JUNIOR COLLEGE DISTRICT
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Note 10: Employee's Retirement Plan

The State of Texas has joint contributory retirement plans for almost all its employees. TRS issues suggested footnote disclosures for pension plans resulting from the implementation of GASB Statement No. 68. The TRS sample footnotes are displayed below and can also be obtained from the TRS website. Certain revisions, including additions and deletions, have been made to the TRS suggested footnote disclosures below to achieve appropriate disclosures for community colleges.

Teacher Retirement System of Texas

Plan Description

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

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

Pension Plan Fiduciary Net Pension

Detailed information about the TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. A copy of the report can be obtained on the internet at the following address: <https://www.trs.texas.gov/sites/default/files/migrated/TRS-Documents-trs-acfr-2024.pdf>, or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using a 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefits changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description above.

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Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

	<u>Contribution Rates</u>	
	<u>2025</u>	<u>2024</u>
Member	8.25%	8.25%
Non-employer contributing entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
FY2024 District or member contributions	\$ 249,159	
FY2024 State of Texas on-behalf contributions	\$ 434,993	
FY2024 District or college contributions	\$ 165,501	

College contributions to the TRS pension plan in 2025 were \$266,775 as reported in the Schedule of College's Contributions for Pensions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2025 were \$230,465. The on-behalf payments are reflected in the accompanying financial statements as both revenue and expenses.

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

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

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

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Net Pension Liability (Asset)

Actuarial Assumptions

The total Pension Liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2024
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Fair Value
Actuarial assumptions:	
Single discount rate	7.00%
Long-term expected investment rate of return*	7.00%
Municipal bond rate*	3.87%
Last year ending August 31 in the projection period (100 years)	2123
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95%
Payroll growth rate	2.90%
Ad hoc post-employment benefit changes	None
Ad hoc post-employment benefit changes	

**The municipal bond rate used is 4.13% as of August 2023 (i.e., the rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

The actuarial methods and assumptions were selected by the Board of Trustees based on analysis and recommendations by the system's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the four-year period ending August 31, 2021 and were adopted in July 2022.

The actuarial assumptions used in the determination of the total pension liability are the same as those used in the actuarial valuation as of August 31, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50% of payroll in fiscal year 2025 gradually increasing to 9.56% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of geometric real rates of return for each major asset class included in the TRS' target asset allocation as of August 31, 2024, is summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S	18.00%	4.40%	1.00%
Non-U.S. developed	13.00%	4.20%	0.80%
Emerging markets	9.00%	5.20%	0.70%
Private equity	14.00%	6.70%	1.20%
Stable Value			
Government bonds	16.00%	2.50%	0.40%
Absolute return	0.00%	3.60%	0.00%
Stable value hedge funds	5.00%	4.10%	0.20%
Real Return			
Real estate	15.00%	6.60%	1.20%
Energy, natural resources, and infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity			
Risk parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Inflation Expectation	0.00%	0.00%	2.40%
Volatility Drag	0.00%	0.00%	(0.70%)
Asset allocation leverage	(6.00%)	1.30%	(0.10%)
Total	100%	51.70%	7.90%

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of the net pension liability (asset)	\$ 4,313,464	\$ 2,700,551	\$ 1,364,138

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

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

As of August 31, 2025, the College reported a liability of \$2,700,551 for its proportionate share of the TRS net pension liability that reflected a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

	<u>2025</u>
College's proportionate share of the collective net pension liability	\$ 2,700,551
State's proportionate share that is associated with the College	<u>1,971,483</u>
Total	<u>\$ 4,672,034</u>

The net pension liability was measured as of August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At the measurement date of August 31, 2024, the employer's proportion of the collective net pension liability was 0.0044210315%, a decrease of 0.0000927748% from its proportion measured as of August 31, 2023.

For the year ended August 31, 2025, the College recognized pension expense of \$235,625 and revenue of \$235,625 for support provided by the State.

As of August 31, 2025, the College reported its proportion share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 148,851	\$ 21,085
Changes in actuarial assumptions	139,435	18,693
Difference between projected and actual investment earnings	648,422	632,006
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	54,014	201,696
Contributions paid to TRS subsequent to the measurement date	<u>266,775</u>	<u>-</u>
Total	<u>\$ 1,257,497</u>	<u>\$ 873,480</u>

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense below as follows:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2026	\$ 188,801
2027	247,799
2028	11,850
2029	(68,001)
2030	3,568
Total	<u>\$ 384,017</u>

Optional Retirement Plan – Defined Contribution Plan

Plan Description

Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.60% and 6.60% for 2025 and 2024. The College contributes 1.31% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amounts of the state's contribution to 50% of eligible employees in the reporting College.

The retirement expense to the state for the College was \$204,178 and \$447,326, for the fiscal years ended August 31, 2025 and 2024, respectively.

The total payroll for all College employees was \$6,893,137 and \$6,419,765 for fiscal years 2025 and 2024, respectively. The total payroll for employees covered by the Teacher Retirement System was \$5,352,728 and \$5,272,493, and the total payroll for employees covered by the Optional Retirement Program was \$501,069 and \$455,721 for fiscal years 2025 and 2024, respectively.

Note 11: Deferred Compensation Program

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.

The College has a defined contribution plan qualified under Section 401(k) of the IRC. Under the provisions of the plan, employees are eligible to participate when they have attained the age of 18 and have been credited with one year of service. Employee deferral contributions are not limited by the plan. The College's contributions are discretionary. The related expense was \$139,573 and \$123,566 for the years ended August 31, 2025 and 2024, respectively.

The College has a voluntary employee defined contribution 403(b) plan administered by the Plan's trustee. The Plan is funded by employee deferrals of compensation. Plan funds are held in trust and are administered by the College's with oversight by the Board of Regents. Full-time employees and certain part-time employees are eligible to participate and are fully vested at all times. There were 6 participants in this plan at August 31, 2025 and 2024.

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Note 12: Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's total contributions for the years ended August 31, 2025 and 2024 were \$434,184 and \$434,185, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for active employees.

Note 13: Other Post-Employment Benefits (OPEB)

Plan Description

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

OPEB Plan Fiduciary Net Position

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Annual Comprehensive Financial Report (ACFR), which includes financial statements, notes to the financial statements, and required supplementary information.

That report may be obtained on the internet at <https://www.ers.texas.gov/about-ers/reports-and-studies/reports-on-overall-ers-operations-and-financials/2024-acfr>, or by writing to ERS at: 200 East 18th Street, Austin, Texas 78701; or by calling (877) 275-4377.

Benefits Provided

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

Contributions

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated, and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefits and administrative costs with the revenue expected to be generated by the appropriated funds.

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

Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium Fiscal Years Ended August 31, 2025 and 2024			
	<u>2025</u>		<u>2024</u>
Retiree only	\$ 624.82	\$	624.82
Retiree & spouse	\$ 1,340.82	\$	1,340.82
Retiree & children	\$ 1,104.22	\$	1,104.22
Retiree & family	\$ 1,820.22	\$	1,820.22

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

Premium Contributions by Source Group Benefits Program Plan For the Years Ended August 31, 2025 and 2024			
	<u>2025</u>		<u>2024</u>
Employers	\$ 800,581,831	\$	801,018,586
Members (Employees)	\$ 187,288,403	\$	181,951,869
Nonemployer contributing entity (State of Texas)	\$ 43,071,186	\$	42,250,455
<i>Source: ERS 2024 Annual Comprehensive Financial Report</i>			

Actuarial Assumptions

The total OPEB Liability was determined by an actuarial valuation as of August 31, 2024 using the following actuarial assumptions:

Valuation date	August 31, 2024
Actuarial cost method	Entry Age
Amortization method	Level Percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.87%
Projected annual salary increase (includes inflation)	2.30% to 8.95%
Annual healthcare trend rate	
HealthSelect	5.60% for 2026, 5.60% for 2027, 5.25% for 2028, 5.00% for 2029, 4.75% for 2030, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2033 and later years
HealthSelect Medicare Advantage	36.00% for 2026, 8.00% for 2027, 5.25% for 2028, 5.00% for 2029, 4.75% for 2030, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2033 and later years
Pharmacy	11.50% for 2026, 11.00% for 2027, 10.00% for 2028, 8.50% for 2029, 7.00% for 2030, decreasing 100 basis points per year to an ultimate rate of 5.00% for 2032 and 4.30% for 2033 and later years.
Inflation assumption rate	2.30%

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Ad hoc postemployment benefit changes

None

Mortality assumptions:

Service retirees, survivors, and other inactive members

Tables based on TRS experience Ultimate MP Projection Scale from year 2021.

Disability retirees

Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.

Active members

Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010.

Source: ERS 2024 Annual Comprehensive Financial Report

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuary as of August 31, 2024 and the TRS retirement plan actuary as of August 31, 2024.

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

- The percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The proportion of future retirees assumed to cover dependent children.
- The proportion of future retirees assumed to elect health coverage at retirement and proportions of future retirees expected to receive the Opt-Out Credit at retirement.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- The discount rate assumption was changed from 3.81% to 3.87% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds before retirement. The System's Board of Trustees adopted an amendment to the investment policy in August 2022 to require that all funds in the plan be invested in cash and equivalent securities.

Discount Rate

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.81%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.87%, which amounted to an increase of 0.06%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bond's average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating.

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Discount Rate Sensitivity Analysis

The following schedules show the impact of the College's proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.59%) in measuring the net OPEB liability.

	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
College's proportionate share of the net OPEB liability (asset)	\$ 8,150,518	\$ 7,005,138	\$ 6,085,957

Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 5.60%, and the ultimate rate is 4.30%. The following schedule shows the impact of the college's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1 percent less than 1 percent greater than the healthcare cost trend rate that was used (5.60%) in measuring the net OPEB liability.

	1% Decrease in Healthcare Cost Trend Rates 4.60% decreasing to 3.30%	Current Healthcare Cost Trend Rates 5.60% decreasing to 4.30%	1% Increase in Healthcare Cost Trend Rates 6.60% decreasing to 5.30%
College's proportionate share of the net OPEB liability (asset)	\$ 6,010,761	\$ 7,005,138	\$ 8,272,701

OPEB Liabilities, OPEB Expense, and Deferred outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2025, the College reported a liability of \$7,005,138 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the College. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective net OPEB liability	\$ 7,005,138
State's proportionate share that is associated with the college	<u>4,172,343</u>
Total	<u>\$ 11,177,481</u>

The net OPEB liability was measured as of August 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At the measurement date August 31, 2024, the College's proportion of the collective net OPEB liability was 0.02390376%, which is a decrease of 0.00087957% from its proportion measured as of August 31, 2023.

For the year ended August 31, 2025, the College recognized total OPEB expense of \$504,606 and revenue for support provided by state and federal sources of \$860.

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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As of August 31, 2025, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 115,577
Changes in actuarial assumptions	383,528	1,395,477
Difference between projected and actual investment earnings	-	268
Effect of change in proportion and contribution difference	-	594,098
Contributions paid subsequent to the measurement date	140,847	-
Total	\$ 524,375	\$ 2,105,420

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

Year ended August 31:	OPEB Expense Amount
2026	\$ (586,109)
2027	(562,160)
2028	(360,288)
2029	(67,984)
2030	(4,504)
Thereafter	-
Total	\$ (1,581,045)

Note 14: Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA industry Audit Guide, Audits of Colleges and Universities, Revenues are recognized on Exhibit 2A and Schedules A and C. For federal and non-federal contract and grant awards, funds expended, but not collected, are reported as accounts receivable on Exhibit 1A. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

Note 15: Risk Management

The College is exposed to various risks of loss related to liability, property, and errors and omissions. These exposures to loss are handled by commercial insurance. The College has self-insured arrangements for coverage in the areas of unemployment compensation and workers' compensation. Unemployment compensation is on a pay-as-you-go basis, and workers' compensation is handled by a risk management fund that specializes in handling college and school College workers' compensation claims. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage.

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Note 16: Commitments, Contingencies, and Lawsuits

The College participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the College, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

On September 13, 2016, the College received a letter from the Texas Higher Education Coordinating Board (THECB) summarizing the findings from their on-site Methods of Administration (MOA) Civil Rights Compliance Review. The College responded to the THECB on November 11, 2016 and developed a five-year plan to address the findings with evidence of completion required by September 30, 2022. The College received an extension and entered into construction and remodeling commitments of approximately \$192,000 to comply with the findings. In FY 2023, the College completed the requirements and submitted the information to the THECB for approval.

On May 14, 2024, the THECB notified the College that it had fulfilled all obligations of the Voluntary Compliance Plan and completed all required actions set forth in the THECB's MOA report.

On September 24, 2025, the College entered into a contract related to the construction of a new residence hall. The College has committed to pay the cost of construction work on this project with a maximum price of \$11,196,495. As of August 31, 2025, the college has already paid a portion of the cost that has been recorded as construction in progress. The remainder of this commitment is expected to be paid with the issuance of bonds in the subsequent year. See Note 24.

Note 17: Concentration of Revenue

During the years ended August 31, 2025 and 2024, the College received approximately 20% and 12%, respectively, of Net Non-Operating Revenues from the federal student financial aid cluster (Title IV programs). The College's eligibility to participate in these programs is subject to compliance with federal regulations and continued certification by the Department of Education.

Changes to federal funding levels and eligibility requirements for Title IV programs could have a substantial impact on the College's ability to provide student financial assistance at current levels and, consequently, on its overall enrollment and financial position.

The College will continue to monitor federal legislative developments and assess their potential impact on the College's operations and financial position.

During the years ended August 31, 2025 and 2024, the College received approximately 57% and 35%, respectively, of Net Non-Operating Revenues from state appropriations in both a base tier and performance tier. The College will continue to monitor key metrics used by the state in determining these appropriations.

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Note 18: Ad Valorem Tax

The following are additional disclosures related to property taxes for the years ended August 31, 2025 and 2024:

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College.

Fiscal Year Ending August 31,	2025	2024
Assessed Valuation of the District	\$ 1,401,756,573	\$ 1,342,260,430
Less: Exemptions and abatements	<u>(1,113,220)</u>	<u>(4,224,740)</u>
Net Assessed Valuation of the District	<u>\$ 1,400,643,353</u>	<u>\$ 1,338,035,690</u>

Fiscal Year Ending August 31,	2025			2024		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.2200	\$ 0.5000	\$ 0.7200	\$ 0.2200	\$ 0.5000	\$ 0.7200
Assessed tax rate per \$100 valuation	\$ 0.2200	\$ 0.0000	\$ 0.2200	\$ 0.2200	\$ 0.0000	\$ 0.2200

Taxes levied for the years ended August 31, 2025 and 2024, were \$2,964,645 and \$3,053,869, respectively.

Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Taxes Collected	2025 Current Operations	2024 Current Operations
Current taxes collected	\$ 2,841,494	\$ 2,958,964
Delinquent taxes collected	57,643	42,392
Penalties and interest collected	<u>35,793</u>	<u>33,123</u>
Total Collections	<u>\$ 2,934,930</u>	<u>\$ 3,034,479</u>

Tax collections for the years ended August 31, 2025 and 2024, were 95.85% and 97.61%, respectively, of the current tax levy. Allowance for uncollectible taxes is based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

Note 19: Branch Campus Maintenance Tax

A branch campus maintenance tax that is established by election is levied by Ochiltree County. It is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. Collections are transferred to the College to be used for operation of a branch campus in Perryton, Texas. This revenue is reported under local grant contracts. Collections in fiscal years 2025 and 2024 (including penalties and interest) from Ochiltree County totaled \$614,227 and \$602,000, respectively.

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

A branch campus maintenance tax that is established by election is levied by Dallam and Hartley Counties. It is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. Collections are transferred to the College to be used for operation of a branch campus in Dalhart, Texas. This revenue is reported under local grant contracts. Collections in fiscal years 2025 and 2024 (including penalties and interest) from Dallam and Hartley Counties totaled \$873,753 and \$828,000, respectively.

Note 20: Liquidity and Availability – Foundation

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of August 31:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 182,194	\$ 473,549
Investments	2,810,653	2,515,560
Due from others	22,758	22,758
Total Financial assets	<u>3,015,605</u>	<u>3,011,867</u>
Less:		
Donor restricted net assets	<u>-</u>	<u>-</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 3,015,605</u>	<u>\$ 3,011,867</u>

The Foundation's liquidity goal is to maintain financial assets at a sufficient level to cover operating expenses (other than scholarships) for a full year.

Note 21: Expenses by Nature and Function – Foundation

The table below presents expenses by both their nature and their function for the year ended August 31, 2025.

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships	\$ 121,592	\$ -	\$ -	\$ 121,592
Other expenses	<u>5,861</u>	<u>5,860</u>	<u>-</u>	<u>11,721</u>
	<u>\$ 127,453</u>	<u>\$ 5,860</u>	<u>\$ -</u>	<u>\$ 133,313</u>

The table below presents expenses by both their nature and their function for the year ended August 31, 2024.

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships	\$ 135,481	\$ -	\$ -	\$ 135,481
Other expenses	<u>10,589</u>	<u>10,588</u>	<u>-</u>	<u>21,177</u>
	<u>\$ 146,070</u>	<u>\$ 10,588</u>	<u>\$ -</u>	<u>\$ 156,658</u>

BORGER JUNIOR COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Note 22: Pending Lawsuits and Claims

None as of the report date.

Note 23: New Pronouncements

Accounting pronouncements adopted

In June 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, which requires entities to provide disclosures related to certain risks that could significantly affect their financial position, including concentrations of risk and constraints on the availability of resources. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. See Note 18.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Adopting this standard did not impact the College's financial statements.

Other recent pronouncements are not expected to have an impact to the College's financial statements.

Note 24: Subsequent Events

Management has evaluated subsequent events through December 3, 2025, the date on which the financial statements were available for distribution.

The College has initiated a plan to pursue the issuance of \$12 million in bonds to cover the cost of the construction of a new residence hall. Construction has begun on the hall and is partially capitalized as construction in progress as of August 31, 2025. The bonds are expected to be issued in January 2026.

Required Supplementary Information

BORGER JUNIOR COLLEGE DISTRICT
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2025 *
EXHIBIT 4

Fiscal Year Ending August 31, *	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of collective net pension liability (%)	0.0044210	0.0045138	0.0043310	0.0047288	0.0047714	0.0053293	0.0063827	0.0073384	0.0060714	0.0055977
College's proportionate share of collective net pension liability (\$)	\$ 2,700,551	\$ 3,100,549	\$ 2,571,220	\$ 1,204,270	\$ 2,555,461	\$ 2,770,323	\$ 3,513,193	\$ 2,346,416	\$ 2,294,307	\$ 1,978,712
State's proportional share of net pension liability associated with College	1,971,483	2,211,635	1,761,920	807,104	1,744,060	1,672,866	1,147,738	334,122	778,780	976,625
Total	\$ 4,672,034	\$ 5,312,184	\$ 4,333,140	\$ 2,011,374	\$ 4,299,521	\$ 4,443,189	\$ 4,660,931	\$ 2,680,538	\$ 3,073,087	\$ 2,955,337
College's covered payroll (for measured year)	\$ 5,272,493	\$ 4,791,057	\$ 4,400,289	\$ 4,529,308	\$ 4,890,074	\$ 5,331,167	\$ 4,969,240	\$ 4,043,089	\$ 3,783,595	\$ 3,633,564
College's proportionate share of collective net pension liability as a percentage of covered payroll	51.22%	64.72%	58.43%	26.59%	52.26%	51.96%	70.70%	58.04%	60.64%	54.46%
Plan fiduciary net position as percentage of total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

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

BORGER JUNIOR COLLEGE DISTRICT
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR PENSIONS
LAST TEN FISCAL YEARS
EXHIBIT 5

Fiscal Year Ending August 31, *	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Legally required contributions	\$ 266,775	\$ 249,159	\$ 223,098	\$ 201,659	\$ 199,414	\$ 204,285	\$ 180,709	\$ 211,858	\$ 240,549	\$ 193,555
Actual contributions	266,775	249,159	223,098	201,659	199,414	204,285	198,727	211,858	240,549	193,555
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (18,018)	\$ -	\$ -	\$ -
College's covered payroll amount	\$ 5,352,728	\$ 5,272,493	\$ 4,791,057	\$ 4,400,289	\$ 4,529,308	\$ 4,890,074	\$ 5,331,167	\$ 4,969,240	\$ 4,043,089	\$ 3,783,595
Contributions as a percentage of covered payroll (%)	4.98%	4.73%	4.66%	4.58%	4.40%	4.18%	3.39%	4.26%	5.95%	5.12%

*The amounts presented above are as of the College's respective fiscal year-end.

BORGER JUNIOR COLLEGE DISTRICT
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY (ERS)**
FOR THE YEAR ENDED AUGUST 31, 2025
EXHIBIT 6

Fiscal Year Ending August 31, *	2024**	2023**	2022**	2021**	2020**	2019**	2018**	2017**
College's proportionate share of collective net OPEB liability (%)	0.02390376	0.02478333	0.02463775	0.02497568	0.02588702	0.02854288	0.02846416	0.01702442
College's proportionate share of collective net OPEB liability (\$)	\$ 7,005,138	\$ 6,621,494	\$ 7,018,547	\$ 8,960,152	\$ 8,554,270	\$ 9,865,183	\$ 8,436,134	\$ 5,800,733
State's proportional share of net OPEB liability associated with College (\$)	4,172,343	3,700,890	3,990,950	6,726,461	3,882,550	4,377,624	3,747,416	4,926,195
Total	<u>\$ 11,177,481</u>	<u>\$ 10,322,384</u>	<u>\$ 11,009,497</u>	<u>\$ 15,686,613</u>	<u>\$ 12,436,820</u>	<u>\$ 14,242,807</u>	<u>\$ 12,183,550</u>	<u>\$ 10,726,928</u>
College's covered payroll	\$ 5,272,493	\$ 4,791,057	\$ 4,400,289	\$ 4,529,308	\$ 4,890,074	\$ 5,331,167	\$ 4,969,240	\$ 4,043,089
College's proportionate share of collective net OPEB liability as a percentage of covered payroll	132.86%	138.21%	159.50%	197.83%	174.93%	185.05%	169.77%	143.47%
Plan fiduciary net position as percentage of total OPEB liability	0.47%	0.63%	0.57%	0.38%	0.32%	0.17%	1.27%	2.04%

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

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

BORGER JUNIOR COLLEGE DISTRICT
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR OPEB PLAN**
FOR THE YEAR ENDED AUGUST 31, 2025
EXHIBIT 7

Fiscal Year Ending August 31, *	2025**	2024**	2023**	2022**	2021**	2020**	2019**	2018**
Contractually required contributions	\$ 140,847	\$ 173,902	\$ 184,541	\$ 188,858	\$ 182,755	\$ 178,928	\$ 127,399	\$ 164,508
Contributions In relation to the contractually required contributions	140,847	173,902	184,541	188,858	182,755	178,928	159,890	164,508
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (32,491)	\$ -
College's covered payroll amount	\$ 5,352,728	\$ 5,272,493	\$ 4,791,057	\$ 4,400,289	\$ 4,529,308	\$ 4,890,074	\$ 5,331,167	\$ 4,969,240
Contributions as a percentage of covered payroll	2.63%	3.30%	3.85%	4.29%	4.03%	3.66%	2.39%	3.31%

*The amounts presented above are as of the College's respective fiscal year-end.

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

BORGER JUNIOR COLLEGE DISTRICT
SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
SCHEDULE A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals	
					Fiscal Year 2025	Fiscal Year 2024
Tuition						
State-funded courses						
In-district resident tuition	\$ 1,564,190	\$ -	\$ 1,564,190	\$ -	\$ 1,564,190	\$ 1,594,652
Out-of-district resident tuition	631,270	-	631,270	-	631,270	613,522
Non-resident tuition	174,660	-	174,660	-	174,660	172,264
TPEG - credit (set aside)*	44,967	-	44,967	-	44,967	45,215
Non-state funded educational programs	446,493	-	446,493	-	446,493	498,625
Total Tuition	<u>2,861,580</u>	<u>-</u>	<u>2,861,580</u>	<u>-</u>	<u>2,861,580</u>	<u>2,924,278</u>
Fees						
General fee	845,582	-	845,582	-	845,582	856,311
Student service fee	176,163	-	176,163	-	176,163	178,518
Laboratory fee	134,250	-	134,250	-	134,250	127,291
Other fees	955,303	-	955,303	-	955,303	1,011,617
Total Fees	<u>2,111,298</u>	<u>-</u>	<u>2,111,298</u>	<u>-</u>	<u>2,111,298</u>	<u>2,173,737</u>
Scholarship Allowances and Discounts						
Remissions and exemptions - state	(275,541)	-	(275,541)	-	(275,541)	(20,000)
Scholarship allowances	-	-	-	(353,083)	(353,083)	(326,983)
Title IV federal grants	(2,082,946)	-	(2,082,946)	-	(2,082,946)	(2,329,021)
Total Scholarship Allowances and Discounts	<u>(2,082,946)</u>	<u>-</u>	<u>(2,082,946)</u>	<u>(353,083)</u>	<u>(2,711,570)</u>	<u>(2,676,004)</u>
Total Net Tuition and Fees	<u>2,889,932</u>	<u>-</u>	<u>2,889,932</u>	<u>(353,083)</u>	<u>2,261,308</u>	<u>2,422,011</u>
Other Operating Revenues						
Federal grants and contracts	-	416,930	416,930	-	416,930	444,279
State grants and contracts	-	639,282	639,282	-	639,282	322,808
Local grants and contracts	1,469,344	-	1,469,344	-	1,469,344	1,537,554
General Operating revenues	46,331	-	52,766	-	52,766	98,618
Total Other Operating Revenues	<u>1,515,675</u>	<u>1,056,212</u>	<u>2,578,322</u>	<u>-</u>	<u>2,578,322</u>	<u>2,403,259</u>
Auxiliary Enterprises						
Bookstore	-	-	-	-	-	-
Less: Discounts	-	-	-	(4,057)	(4,057)	(3,812)
Residential	-	-	-	816,746	816,746	747,510
Less: Discounts	-	-	-	(285,886)	(285,886)	(271,464)
Other Auxiliary Enterprise	-	-	-	252,636	252,636	282,784
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>779,439</u>	<u>779,439</u>	<u>755,018</u>
Total Operating Revenues	<u>\$ 4,405,607</u>	<u>\$ 1,056,212</u>	<u>\$ 5,468,254</u>	<u>\$ 426,356</u>	<u>\$ 5,619,069</u>	<u>\$ 5,580,288</u>
					(Exhibit 2)	(Exhibit 2)

* - In accordance with Education Code 56.033, \$44,967 and \$45,215 for years August 31, 2025 and 2024, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

BORGER JUNIOR COLLEGE DISTRICT
STATEMENT OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
SCHEDULE B

	Operating Expenses				Totals	
	Salaries And Wages	Benefits		Other Expenses	Fiscal Year 2025	Fiscal Year 2024
		State	Local			
Unrestricted - Educational and General						
Instruction	\$ 3,496,216	\$ -	\$ 977,323	\$ 1,644,293	\$ 6,117,832	\$ 5,421,066
Academic support	9,556	-	5,681	10,124	25,361	65,031
Student services	474,122	-	167,642	52,615	694,379	583,229
Institutional support	1,608,317	-	16,927	1,451,862	3,077,106	3,004,158
Operation and maintenance of plant	286,909	-	176,961	1,038,487	1,502,357	1,175,989
Total Unrestricted	<u>5,875,120</u>	<u>-</u>	<u>1,344,534</u>	<u>4,197,381</u>	<u>11,417,035</u>	<u>10,249,473</u>
Restricted - Educational and General						
Instruction	-	215,436	-	-	215,436	444,429
Academic support	-	2,576	-	-	2,576	5,360
Student services	194,634	34,730	14,821	42,460	286,645	330,134
Institutional support	-	609,965	-	-	609,965	1,140,317
Operation and maintenance of plant	-	43,744	-	-	43,744	31,854
Scholarships and fellowships	-	-	-	524,300	524,300	333,681
Total Restricted	<u>194,634</u>	<u>906,451</u>	<u>14,821</u>	<u>566,760</u>	<u>1,682,666</u>	<u>2,285,775</u>
Total Educational and General	<u>6,069,754</u>	<u>906,451</u>	<u>1,359,355</u>	<u>4,764,141</u>	<u>13,099,701</u>	<u>12,535,248</u>
Auxiliary Enterprises	823,383	-	204,503	2,489,225	3,517,111	3,031,604
Depreciation expense - buildings and other real estate	-	-	-	672,312	672,312	417,054
Depreciation expense - equipment and furniture	-	-	-	754,380	754,380	752,381
Total Operating Expenses	<u>\$ 6,893,137</u>	<u>\$ 906,451</u>	<u>\$ 1,563,858</u>	<u>\$ 8,680,058</u>	<u>\$ 18,043,504</u> (Exhibit 2)	<u>\$ 16,736,287</u> (Exhibit 2)

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

BORGER JUNIOR COLLEGE DISTRICT
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
SCHEDULE C

					Totals	
	Unrestricted	Restricted	Auxiliary Enterprises	Fiscal Year 2025	Fiscal Year 2024	
NON-OPERATING REVENUES:						
State Appropriations:						
Education and general state support	\$ 7,594,811	\$ -	\$ -	\$ 7,594,811	\$ 5,799,197	
State group insurance	-	237,883	-	237,883	630,060	
State retirement matching	-	204,178	-	204,178	447,326	
Total State Appropriations	<u>7,594,811</u>	<u>442,061</u>	<u>-</u>	<u>8,036,872</u>	<u>6,876,583</u>	
Maintenance ad valorem taxes	2,964,645	-	-	2,964,645	3,049,106	
Federal revenue, non-operating	-	2,859,041	-	2,859,041	2,416,861	
Gifts	64,655	-	-	64,655	370,740	
Insurance proceeds	-	-	-	-	7,070,889	
Investment income	-	184,776	-	184,776	246,253	
Total Non-Operating Revenues	<u>10,624,111</u>	<u>3,485,878</u>	<u>-</u>	<u>14,109,989</u>	<u>20,030,432</u>	
NON-OPERATING EXPENSES:						
Loss on impairment of capital assets	17,541	-	-	17,541	228,813	
Other nonoperating expenses	10	-	-	10	53,519	
Total Non-Operating Expenses	<u>17,551</u>	<u>-</u>	<u>-</u>	<u>17,551</u>	<u>282,332</u>	
NET NON-OPERATING REVENUES	<u>\$ 10,606,560</u>	<u>\$ 3,485,878</u>	<u>\$ -</u>	<u>\$ 14,092,438</u>	<u>\$ 19,748,100</u>	
				(Exhibit 2)	(Exhibit 2)	

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

BORGER JUNIOR COLLEGE DISTRICT
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
SCHEDULE D

	Detail by Source					Available for Current Operations	
	Restricted			Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
	Unrestricted	Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (8,257,690)	\$	\$	\$	\$ (8,257,690)	\$ (8,257,690)	\$
Endowment:							
Restricted							
Student Aid - True		366,704			366,704		366,704
Plant:							
Investment in Plant				19,331,749	19,331,749		19,331,749
Total Net Position, August 31, 2025	<u>(8,257,690)</u>	<u>366,704</u>	<u>-</u>	<u>19,331,749</u>	<u>11,440,763</u>	<u>(8,257,690)</u>	<u>19,698,453</u>
Total Net Position, August 31, 2024	<u>(7,802,813)</u>	<u>638,063</u>	<u>-</u>	<u>16,937,510</u>	<u>9,772,760</u>	<u>(7,802,813)</u>	<u>17,575,573</u>
Net Increase (Decrease) in Net Position	\$ <u>(454,877)</u>	\$ <u>(271,359)</u>	\$ <u>-</u>	\$ <u>2,394,239</u>	\$ <u>1,668,003</u> (Exhibit 2)	\$ <u>(454,877)</u>	\$ <u>2,122,880</u>

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

BORGER JUNIOR COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025
Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Direct Awards	Pass-Through Awards	Total Expenditures
<u>U.S. Department of Education</u>					
Direct Programs:					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	N/A	\$ 39,612	\$	\$ 39,612
Federal Work-Study Program	84.033	N/A	30,311		30,311
Federal Pell Grant Program	84.063	N/A	2,316,971		2,316,971
Federal Direct Student Loans	84.268	N/A	250,663		250,663
Total Student Financial Aid Cluster			2,637,557		2,637,557
 Title III - Strengthening Institutional Programs	84.031A	N/A	361,802		361,802
TRIO Cluster					
Title IV - TRIO	84.042	N/A	221,484		221,484
Pass-Through From:					
Texas Higher Education Coordinating Board					
Carl Perkins Vocational Education Annual Grant	84.048			55,128	55,128
Total U.S. Department of Education			3,220,843	55,128	3,275,971
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 3,275,971
<u>Note 1: Federal Assistance Reconciliation</u>					
Federal Grants and Contracts From Schedule A					\$ 416,930
Federal Grants, Non-Operating From Schedule C					2,859,041
Total Federal Revenues Per Schedule A and C					3,275,971
Direct Student Loans					-
Total Federal Revenues per Schedule of Expenditures of Federal Awards					\$ 3,275,971

Note 2: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has an agency-approved Indirect Recovery Rate it has elected to not use the 10% (15% for grants awarded after October 1, 2024) de minimis cost rate as permitted in the UG, section 200.414.

Note 3: Student Loans Processed and Administrative Cost Recovery

Federal Grantor CFDA Number/Program Name	Total Loans Processed
U.S. Department of Education CFDA 84.268 Federal Direct Student Loans	\$ 250,663
Total U.S. Department of Education	\$ 250,663
(There were no administrative costs recovered and included in above amount)	

Note 4: Pass through amounts included in program expenditures:

None.

BORGER JUNIOR COLLEGE DISTRICT
Schedule of Expenditures of State of Texas Awards
For the Year Ended August 31, 2025
Schedule F

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
<u>Texas Higher Education Coordinating Board</u>		
Texas Education Opportunities Grant	N/A	\$ 219,241
TRUE Grant	N/A	102,442
Jet Grant	N/A	300,114
Small Skills Grant	N/A	1,800
Nursing Grant	N/A	<u>15,685</u>
Subtotal Texas Higher Education Coordinating Board		<u>639,282</u>
Total State Financial Assistance		<u>\$ 639,282</u>

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A:	\$ <u>639,282</u>
State Financial Assistance per Schedule of Expenditures of State Awards	<u>\$ 639,282</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Overall Compliance and Internal Control Section



December 3, 2025

**To the Board of Regents
Borger Junior College District
Borger, Texas**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Borger Junior College District (the "College"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 3, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements (including the Public Funds Investment Act Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

Purpose of This Report

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

A handwritten signature in cursive script that reads "Condly and Company, L.L.P.".

Certified Public Accountants

Federal Awards Section



December 3, 2025

**To the Board of Regents
Borger Junior College District
Borger, Texas**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Borger Junior College District's (the "College") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2025. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise reasonable judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the College's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. the College's response was not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Condley and Company, L.L.P.

Certified Public Accountants

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	No

Federal Awards

Internal controls over major program:	
• Material weakness identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major program:	
<u>Assistance Listing Number (s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000 (Federal)
Did the auditee qualify as a low-risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

The results of our audit procedures disclosed no findings to be reported for the year ended August 31, 2025.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

Identifying number: 2024-001

Status: This finding has been fully corrected.

Identifying number: 2024-002

Status: This finding has been fully corrected.

Identifying number: 2024-003

Status: This finding has been fully corrected