

**VICTORIA COUNTY
JUNIOR COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2015 AND 2014

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

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2015**

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

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2014-2015**

Board of Trustees

Officers

Ronald B. Walker	Chair
Luis A. Guerra	Vice Chair
V. Bland Proctor	Secretary

Members

		<u>Term Expires</u>
Robby Burdge	Victoria, Texas	2016
Luis A. Guerra	Victoria, Texas	2018
Catherine McHaney	Victoria, Texas	2016
V. Bland Proctor	Victoria, Texas	2020
John A. Villafranca	Victoria, Texas	2020
Ronald B. Walker	Victoria, Texas	2020
Michelle A. Yates	Victoria, Texas	2018

Principal Administrative Officers

David Hinds, Ph.D.	President
Keith Blundell, M.B.A., C.P.A., C.G.M.A.	Vice President of Administrative Services
Florinda Correa, Ed. D.	Vice President of Student Services
Patricia Vandervoort, Ed. D.	Vice President of Instruction
Jennifer Yancey, M.A.I.S.	Vice President of College Advancement and External Affairs
Tracey Bergstrom, M.B.A., C.P.A., C.G.M.A.	Director of Finance

FINANCIAL SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Victoria County Junior College District, as of and for the year ended August 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Victoria County Junior College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Victoria County Junior College District Foundation, Inc. (the "Affiliated Organization", which reflects total assets of \$11,477,417 and revenues of \$1,541,072. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Victoria County Junior College District Foundation, Inc., are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Victoria County Junior College District, as of August 31, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements in 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Victoria County Junior College District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of State Awards is presented for purposes of additional analysis as required by the State of Texas Single Audit Circular, and is also not a required part of the basic financial statements of the Victoria County Junior College District.

The supplementary information and financial assistance section, which includes the schedule of expenditures of federal awards and the schedule of expenditures of state awards, are 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2015 on our consideration of the Victoria County Junior College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Victoria County Junior College District's internal control over financial reporting and compliance.



Brownsville, Texas
November 12, 2015

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2015**

Management Discussion and Analysis is included to provide a narrative introduction, overview and analysis of the financial position and changes in financial position of the Victoria County Junior College District (Victoria College, District, or College) for the fiscal year ended August 31, 2015. The discussion is prepared by management and should be read in conjunction with the accompanying financial statements and notes.

The financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with reporting requirements as set by the Texas Higher Education Coordinating Board (THECB). The annual financial report is presented in a "business type activity" format. The statements are prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided by the District and expenses and liabilities are recognized when services are provided to the District, regardless of when cash is exchanged. The notes to the financial statements are considered an integral part of the financial statements and should be read in conjunction with them. Management is responsible for both the accuracy for the data and the completeness and fairness of the presentation of the financial statements and notes.

The District's annual financial report consists of three basic financial statements: the Statement of Net Position provides a summary of assets, liabilities and net position as of August 31, 2015; the Statement of Revenues, Expenses and Changes in Net Position provides a summary of operations for the fiscal year; and the Statement of Cash Flows provides categorized information about cash inflows and outflows for the fiscal year. Fiscal years ended August 31, 2015 and 2014 are presented in the audited financial statements. The discussion and analysis is limited to the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the primary government and is designed to focus on current activities, the resulting change, and currently known facts.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for financial statements beginning after December 15, 2012. The District adopted GASB Statement No. 65 for the fiscal year ended August 31, 2014.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for financial statements for periods beginning after December 15, 2012. Adoption of this Statement had no impact on the financial reporting of the District.

For the year ended August 31, 2015, the District implemented the provision of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date*. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This included for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the year of implementation of GASB 68, as amended by GASB 71, a restatement to beginning net position was required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and beginning of the reporting entity's fiscal year. See note 26 in the accompanying Notes to Financial Statements.

Since the District does not have all the audited beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions required to properly restate fiscal year 2014 financial statements, the restatement will be made directly to the beginning net position in the fiscal year 2015 financial statements as a cumulative effect of a change in accounting principle. Due to this method of recording pension amounts, comparability between fiscal years is impacted.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2015**

Statement of Net Position

The Statement of Net Position presents the District's financial position at the end of the fiscal year and includes all assets, liabilities, deferred outflows and inflows of resources, and the resulting net position. The focus is to report the total net resources available to finance future services. Assets and liabilities are presented in the order of their liquidity with noncurrent defined as greater than one year. Net positions are displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Increases or decreases in net position are one indicator of whether the overall financial condition has improved or deteriorated during the year when considered with other factors such as enrollment, contact hours of instruction, and other non-financial information. The Statement of Net Position is useful in determining the assets available to continue operations as well as how much the District owes to vendors, bondholders, and other entities at the end of the year.

Implementation of GASB 68, as amended by GASB Statement No. 71, impacts the comparability of current year and prior years' Statement of net Position.

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

Summary of Statement of Net Position - Exhibit 1

	<u>Fiscal Year</u>			<u>Change</u>	
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015 to 2014</u>	<u>2014 to 2013</u>
Assets					
Cash and Investments	\$ 11,692,735	\$ 15,691,837	\$ 28,409,267	\$ (3,999,102)	\$ (12,717,430)
Other Assets	5,640,245	4,920,531	6,077,524	719,714	(1,156,993)
Capital Assets, Net	<u>63,522,364</u>	<u>58,858,402</u>	<u>45,214,306</u>	<u>4,663,962</u>	<u>13,644,096</u>
Total Assets	80,855,344	79,470,770	79,701,097	1,384,574	(230,327)
Liabilities					
Current Liabilities	9,552,580	9,238,420	8,397,499	314,160	840,921
Long-term Liabilities	<u>37,597,240</u>	<u>33,424,925</u>	<u>35,532,801</u>	<u>4,172,315</u>	<u>(2,107,876)</u>
Total Liabilities	47,149,820	42,663,345	43,930,300	4,486,475	(1,266,955)
Net Position					
Invested in Capital Assets, Net of Related Debt	30,260,315	23,488,477	8,904,074	6,771,838	14,584,403
Unrestricted	(34,860)	5,241,205	5,182,349	(5,276,065)	58,856
Restricted	<u>3,480,069</u>	<u>8,077,743</u>	<u>21,684,374</u>	<u>(4,597,674)</u>	<u>(13,606,631)</u>
Total Net Position	<u>\$ 33,705,524</u>	<u>\$ 36,807,425</u>	<u>\$ 35,770,797</u>	<u>\$ (3,101,901)</u>	<u>\$ 1,036,628</u>

Highlighted information from the Statement of Net Position:

- Total assets increased by \$1,384,574 or 1.74%.
- Total liabilities increased by \$4,486,475 or 10.52%.
- Total net position decreased by \$3,101,901 or 8.43%.

Significant changes in assets, liabilities and net position are attributable to implementation of GASB 68, as amended by GASB Statement No. 71. The District recorded deferred inflows related to pensions (an asset) of \$853,899 and deferred outflows related to pensions of \$1,489,852 and a net pension liability of \$4,870,339, for a total impact on liabilities of \$6,360,191.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2015**

Deferred outflows on the pensions plan are related to changes in actuarial assumptions that occur at the plan level, differences in expected and actual economic experience at the plan level, contributions made to the Teacher Retirement System (TRS) after the measurement date, and the difference between the employer's contributions and their proportionate share of contributions. Deferred inflows for the pension plan are related to the difference between projected and actual investment earnings and the difference between the employer's contributions and their proportionate share of contributions. The net pension of \$4,870,339 was measured at August 31, 2014 and was established per amounts recorded in TRS' *Comprehensive Annual Financial Statement* and TRS' *Audited 2014 GASB 68 Allocation Schedules*.

Information regarding the recording of deferred outflows related to pensions, deferred inflows related to pensions, and the net pension liability can be found in note 15 in the accompanying Notes to the Financial Statements.

Total assets were also impacted by a decrease in cash and cash equivalents of \$3,999,101, which is attributable to an increase in capital assets, net of depreciation (\$4,663,962 or 7.92%). Construction in process increased by \$5,753,395 (36.96%) for the ongoing Emerging Technology Complex (Conference and Education Center) building project.

Capital assets are discussed below and in note 7 in the accompanying financial statements.

See discussion of long-term debt below and notes 8 through 12 in the accompanying financial statements.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2015**

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

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

	Fiscal Year			Change	
	2015	2014	2013	2015 to 2014	2014 to 2013
Operating Revenues					
Tuition and Fees (net of discounts)	\$ 9,477,859	\$ 9,344,057	\$ 8,934,439	\$ 133,802	\$ 409,618
Local, State and Federal Grants and Contracts	3,990,751	5,462,692	3,698,565	(1,471,941)	1,764,127
Auxiliary Enterprise	3,190,481	3,730,870	3,707,504	(540,389)	23,366
Other	694,892	920,777	789,356	(225,885)	131,421
Total Operating Revenues	17,353,983	19,458,396	17,129,864	(2,104,413)	2,328,532
Operating Expenses					
Instruction	12,713,498	14,478,253	13,385,681	(1,764,755)	1,092,572
Public Service	264,044	300,930	226,446	(36,886)	74,484
Academic Support	3,082,527	2,962,852	3,170,188	119,675	(207,336)
Student Services	2,554,674	2,702,862	2,749,354	(148,188)	(46,492)
Institutional Support	6,408,468	5,780,510	5,019,535	627,958	760,975
Operation and Maintenance of Plant	3,657,879	3,197,949	3,391,400	459,930	(193,451)
Scholarships and Fellowships	9,774,398	11,261,535	11,773,322	(1,487,137)	(511,787)
Auxiliary Enterprises	3,412,365	3,594,443	3,592,178	(182,078)	2,265
Depreciation	1,982,790	1,844,191	1,840,148	138,599	4,043
Total Operating Expenses	43,850,643	46,123,525	45,148,252	(2,272,882)	975,273
Operating Income (Loss)	(26,496,660)	(26,665,129)	(28,018,388)	168,469	1,353,259
Non-Operating Revenues (Expenses)					
State Appropriations	7,886,241	7,807,907	7,553,650	78,334	254,257
Taxes	12,260,238	11,138,235	9,115,455	1,122,003	2,022,780
Title IV	8,027,070	9,483,109	10,129,281	(1,456,039)	(646,172)
Gifts	1,718,263	1,256,743	1,195,432	461,520	61,311
Interest on Capital Related Debt	(956,249)	(1,348,630)	(722,734)	392,381	(625,896)
Investment Related Income	72,356	115,570	133,677	(43,214)	(18,107)
Total Non-Operating Revenues (Expenses)	29,007,919	28,452,934	27,404,761	554,985	1,048,173
Income Before Other Revenues, (Expenses),	2,511,259	1,787,805	(613,627)	723,454	2,401,432
Other Revenues, (Expenses), Gains, (Losses)	(95,044)	(28,608)	(155,376)	(66,436)	126,768
Increase (Decrease) in Net Position	2,416,215	1,759,197	(769,003)	657,018	2,528,200
Beginning Net Position, as Adjusted	36,807,425	35,770,797	36,586,149	1,036,628	(815,352)
Adjustments to Net Position	(5,518,116)	(722,569)	(46,349)	(4,795,547)	(676,220)
Ending Net Position	\$ 33,705,524	\$ 36,807,425	\$ 35,770,797	\$ (3,101,901)	\$ 1,036,628

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2015**

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

- Operating revenues decreased by \$2,104,413 or 10.81%.
- Operating expenses decreased by \$2,272,882 or 4.93%.
- Operating loss was reduced by \$168,469 or 0.63%.
- Non-operating revenue increased by \$162,604, while non-operating expenses decreased by \$392,381 for a net non-operating revenues and expenses increase of \$554,985 or 1.95%.

For fiscal year ended August 31, 2015, net position from current year operations increased by \$2,416,215; however, the ending net position decreased \$4,138,529 (11.24%) from \$36,807,425 to \$33,705,524 due to implementation of GASB 68, as amended by GASB Statement 71. Implementation required a decrease of \$5,518,116 in beginning net position. Information regarding the restatement of beginning net position is found in note 26 in the accompanying Notes to Financial Statements.

A significant portion of the decrease in operating revenues (2,104,413 or 10.81%) was due to a \$1,471,941 (26.95%) decline in local, state, and federal grants and gifts. Auxiliary enterprise revenue decreased by \$540,389 or 14.48%. Decreases in food service revenue (\$144,568) and bookstore revenue (\$452,865) were partially offset by Conference and Education Center revenue-generating activities (\$77,747). There were no significant changes in revenues associated with operations of the Leo J. Welder Center for the Performing Arts and facilities rental activities.

Operating expenses decreased by \$2,272,882 (4.93%). Operating expenses were impacted by a decline in scholarships and fellowship expenditures of \$1,574,137 (13.98%), which is attributable to reductions in Title IV awards (1,482,287 decrease).

The District's Board of Trustees set the tax rate at \$0.1875 per \$100 valuation, an increase from the prior year rate of \$0.1823. The increase in the tax rate was to fund planned operating activities of the District. Increased tax revenues (\$1,122,003) are in part due to the increase in tax rate, but are also a result of property values under protest during the process to set the tax rate coming onto the rolls.

Interest and related investment income decreased by \$43,214, or 37.39%. Persisting poor market conditions and reduction in cash balances as bond funds are expended for on-going construction resulted in lower investment income.

Tuition and fee revenue increased by \$133,802 (1.4%) for the year ended August 31, 2015. Declines in credit enrollment and contact hours were offset by increases in non-credit instruction tuition for specialized training made possible by grant awards and an increase of \$5 per credit hour for general fees for the fiscal year ended August 31, 2015. An analysis of enrollment and contact hours is provided immediately below.

Tuition and fee rates per semester credit hour are shown below:

Fiscal Year	In-District Tuition	Non-Resident Tuition	Out of District Fee	General Fee	Technology Fee
2015	\$ 46	\$ 100	\$ 47	\$ 27	\$ 15
2014	\$ 46	\$ 100	\$ 47	\$ 22	\$ 15
2013	\$ 43	\$ 100	\$ 47	\$ 22	\$ 15

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2015**

Enrollment Highlights:

Credit student enrollment and contact hours decreased by 5.5% and 9.0%, respectively, for the fall term. Headcount was 4,165 for the fall 2014-2015 term compared to 4,406 for the fall 2013-2014 term. Credit student enrollment and contact hours decreased by 8.5% and 9.2%, respectively, for the spring term. Headcount was 3,588 for the spring 2014-2015 term compared to 3,922 for the spring 2013-2014 term. The spring term posted modest increases in credit student enrollment and contact hours (3.3% and 13.4%, respectively). Overall credit student enrollment and contact hours decreased by 6.1% and 6.8%, respectively due to a drop in enrollment and contact hours during the fall and spring terms.

Fundable non-credit enrollment decreased by 1.8%, while contact hours increased 0.6% for Quarter 1 2014-2015 term (1,124 enrollment; 60,004 contact hours) compared to Quarter 1 2013-2014 term (1,145 enrollment; 59,624 contact hours). Fundable non-credit enrollment decreased by 0.7% and contact hours increased by 29.9% for Quarter 2 2014-2015 term (716 enrollment; 50,815 contact hours) compared to Quarter 2 2013-2014 term (721 enrollment; 39,119 contact hours). Quarters 3 and 4 decreased enrollment and contact hours by 5.1% and 15.4%, respectively (enrollment 1,593; contact hours 59,074). Overall, fundable non-credit enrollment decreased by 8.2% and contact hours increased by 0.8%. Fluctuations in fundable non-credit enrollment is due, in part, from timing related to Skills Development Grants received from the Texas Workforce Commission (TWC). Grants obtained through the TWC allow the District to offer specialized training to industry partners within its service area, thereby increasing the skill level of incumbent and new workers. The impact of on enrollment and contact hour levels is dependent upon grant begin and end dates and availability of funding. The District will continue to seek funding from the TWC in order to offer courses that enhance the quality of workers in its service area.

	2014-2015	Fall	Spring	Summer	Annual *	
Credit Students	Enrollment	4,165	3,588	1,515	5,270	
	Contact Hours	705,952	624,912	193,456	1,524,320	
		2013-2014	Fall	Spring	Summer	Annual *
	Enrollment	4,406	3,922	1,466	5,611	
	Contact Hours	775,904	688,288	170,640	1,634,832	
		2012-2013	Fall	Spring	Summer	Annual *
	Enrollment	4,445	4,076	1,706	5,889	
Contact Hours	791,392	748,208	212,608	1,752,208		

	2014-2015	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *	
Non-Credit Students	Enrollment	1,124	716	484	1,109	2,852	
	Contact Hours	60,004	50,815	19,995	39,079	169,893	
		2013-2014	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	1,145	721	757	1,174	3,107	
	Contact Hours	59,624	39,119	34,395	35,395	168,533	
		2012-2013	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	832	799	778	1,252	3,247	
Contact Hours	50,562	43,458	24,617	40,797	159,434		

* Unduplicated

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2015**

Certificates and Degrees Conferred:

Fiscal Year	Associate of Arts	Associate of Science	Associate of Applied Sciences	Work Force Certificates	Total Degrees and Certificates
2014-2015	91	200	183	272	746
2013-2014	65	143	192	269	669
2012-2013	50	86	203	333	672

Capital Assets and Long Term Debt Administration

Capital Assets

The District's investment in capital assets as of August 31, 2015 was \$63,522,364 (net of accumulated depreciation). This amount represents a net increase (including additions, dispositions, and depreciation expense) of \$4,663,962 over fiscal year 2014. During the fiscal year, construction in process increased by \$5,753,395. Additional information regarding the District's capital assets can be found in note 7 to the financial statements.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2015**

The following table summarizes the District's capital assets, net of accumulated depreciation, as of August 31, 2015, 2014, and 2013.

	Balance at 8/31/2015	Balance at 8/31/2014	Balance at 8/31/2013	\$ Change 2015-2014	\$ Change 2014-2013
Land	\$ 460,387	\$ 460,387	\$ 460,387	\$ -	\$ -
Construction in Progress	21,319,133	15,565,738	1,556,733	5,753,395	14,009,005
Library Volumes and Periodicals	856,839	902,570	928,302	(45,731)	(25,732)
Buildings	50,183,854	50,183,854	49,649,093	-	534,761
Site Improvements	6,512,778	6,512,778	6,512,778	-	-
Telecommunications and Peripheral Equipment	1,881,334	1,731,653	1,416,796	149,681	314,857
Machinery, Equipment, Furniture and Vehicles	6,634,193	5,868,588	5,301,866	765,605	566,722
Totals at Historical Costs	87,848,518	81,225,568	65,825,955	6,622,950	15,399,613
Total Accumulated Depreciation	24,326,154	22,367,166	20,611,649	1,958,988	1,755,517
Net Capital Assets	<u>\$ 63,522,364</u>	<u>\$ 58,858,402</u>	<u>\$ 45,214,306</u>	<u>\$ 4,663,962</u>	<u>\$ 13,644,096</u>
				% Change 2014-2013	% Change 2013-2012
Land				0.0%	0.0%
Construction in Progress				37.0%	899.9%
Library Volumes and Periodicals				-5.1%	-2.8%
Buildings				0.0%	1.1%
Site Improvements				0.0%	0.0%
Telecommunications and Peripheral Equipment				8.6%	22.2%
Machinery, Equipment, Furniture and Vehicles				13.0%	10.7%
Totals at Historical Costs				8.2%	23.4%
Total Accumulated Depreciation				8.8%	8.5%
Net Capital Assets				7.9%	30.2%

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2015**

Long-Term Debt

Long-term debt decreased by \$1,945,000 during the fiscal year. Additional information regarding the District's long-term debt can be found in Notes 8 through 12 to the accompanying financial statements.

The table below summarizes the District's long-term debt outstanding at August 31, 2015, 2014, and 2013:

	<u>Balance at 8/31/2015</u>	<u>Balance at 8/31/2014</u>	<u>Balance at 8/31/2013</u>	<u>\$ Change 2015-2014</u>	<u>\$ Change 2014-2013</u>
2006 Tax Bonds Payable	\$ 1,605,000	\$ 2,290,000	\$ 2,945,000	\$ (685,000)	\$ (655,000)
2010 Combined Fee Revenue					
Refunding Bonds	1,625,000	2,000,000	2,370,000	(375,000)	(370,000)
2012 Limited Tax Refunding Bonds	8,100,000	8,190,000	8,280,000	(90,000)	(90,000)
2013 Limited Tax Bonds	<u>19,940,000</u>	<u>20,735,000</u>	<u>21,120,000</u>	<u>(795,000)</u>	<u>(385,000)</u>
 Total Long-Term Debt	 <u>\$ 31,270,000</u>	 <u>\$ 33,215,000</u>	 <u>\$ 34,715,000</u>	 <u>\$ (1,945,000)</u>	 <u>\$ (1,500,000)</u>
				 <u>% Change 2014-2013</u>	 <u>% Change 2013-2012</u>
2006 Tax Bonds Payable				-29.9%	-22.2%
2010 Combined Fee Revenue					
Refunding Bonds				-18.8%	-15.6%
2012 Limited Tax Refunding Bonds				-1.1%	N/A
2013 Limited Tax Bonds				100.0%	N/A
 Total Long-Term Debt				 -5.9%	 -4.3%

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

Strategic and Operational Planning

Victoria College is committed to an institution-wide focus on strategic and operational planning. Year Three results of the 2012-2015 Strategic Plan indicate significant progress within each priority goal.

Three teams, composed of a cross-functional representation of administration, faculty and staff worked to address the three priority goals of Fostering Student Success, Meeting Community Needs and Ensuring Institutional Excellence.

Key performance indicators have been evaluated against the base year of 2011-2012. These indicators suggest that the initiatives implemented are having a significant positive impact on student and institutional success. Some highlights of the strategies implemented include:

- Fostering Student Success:
 - Improved student engagement through evaluation and implementation of a revised faculty advising plan; an Early Alert System; expanded childcare opportunities through a partnership with the local YMCA; implementation of Degree Works to assist students in navigating their educational pathways; and full operation of the Center for Academic and Professional Excellence to ensure faculty and staff are equipped with the knowledge and resources necessary to guarantee student success
- Meeting Community Needs:
 - Targeted recruitment to areas of high need; processes to communicate effectively with potential and existing students to keep them informed of important dates and milestones in their journey for educational attainment; enhanced retention programs and services for students; development of new career pathways; increased partnerships with area high schools to offer additional dual credit opportunities in career and technical education programs; and the completion of the Emerging Technology Complex to meet the educational and training needs of students and the community.

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

**Management's Discussion and Analysis
(Unaudited)
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- Ensuring Institutional Excellence:
 - Final reaffirmation from the Southern Association of Colleges and Schools Commission on Colleges; completion of the Campus Safety and Emergency Management Plan; a focus on employee professional development; and the implementation of the Campus Connect committee to better communicate and engage faculty and staff.

A committee comprised of College administrators, staff, faculty, students, board members and community members is meeting to develop the next strategic plan for the institution. Priority goals and outcome measurements are in development to ensure the College meets the needs of the service area. The 2015-2020 plan will be formally adopted as the existing plan expires.

Resource Management & Development

Victoria College remains committed to maintaining the affordability of higher education and works diligently to manage its resources in order to balance the needs of its students with the needs and expectations of its entire constituency of taxpayers, community members, and business and industry. As State financial support continues to decrease and the cost of doing business continues to increase, achieving this balance becomes progressively more difficult. Administration, faculty and staff are careful to control expenses while not permitting services to suffer.

The Board of Trustees approved two fiscal changes in 2015. The Board increased the property tax rate from \$0.1875 to \$0.1925, per \$100 valuation. The new tax rate reflects the total anticipated increase projected when a \$22 million general obligation bond was passed by voters in 2012 with a 66% approval rate. This increase was implemented over several years as the new Emerging Technology Complex was constructed. In addition, a differential tuition structure was adopted for allied health and industrial trade courses. Some courses are more expensive to offer, yet the mechanism for calculating State appropriations does not fully account for this difference. The increase in tuition was adopted to offset the direct expenses of these more costly programs. Student financial aid through scholarships has been adjusted to assist students in these programs.

Victoria College strategically and aggressively seeks external support through donations and grants to help offset the cost of new program development, to enable the granting of student financial support, and to provide necessary funds for expansion and growth. The College strives to secure, for all area students seeking postsecondary education and training, the resources necessary to facilitate college enrollment and successful completion without accumulation of excessive financial debt. Generous community support and a strategic focus on investment management allowed the VC Foundation to award over \$750,000 in student scholarships and inject nearly \$890,000 to enhance College programs, facilities, and initiatives during the 2014-2015 academic year. In addition, numerous private, State and Federal grants, totaling nearly \$2.63 million, were awarded to Victoria College during the year to support students' financial needs and programs. The largest of these, a U.S. Department of Education Student Support Services grant, was awarded to the College for the fourth time. This five-year, \$1.2 million grant allows the College to continue the Knowledge, Exploration and You (K.E.Y.) Center program which provides targeted academic and student support resources to first-generation, low-income and disabled students. Victoria College has operated the KEY Center since 2001 and has received state and national recognition for its successful outcomes.

Expanded Educational and Training Programs and Facilities

Construction of the new Emerging Technology Complex was completed in summer 2015, on time and on budget; this was made possible by the passage of the aforementioned bond. An additional \$2.8 million in private donations was secured to provide state-of-the-art technology and training equipment. The 120,000 square-foot facility consists of two buildings; the Conference and Education Center and the Industrial Training Center. It includes specialized training labs for industrial applications, rapid response labs that can be configured to meet emerging needs, computer labs and traditional classrooms for instruction, and flexible-use rooms for large-scale corporate training events. The Conference Center has been certified by the International Association of Conference Centers (IACC). To receive this designation, the Center was required to meet strict physical room designs, food and beverage, furnishings and service related standards. In addition to supporting the training needs of current and future students and employers, VC's Emerging Technology Complex provides space for corporate and industrial training programs. A new degree program in Industrial Maintenance was developed and the first

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2015**

cohort of students began in August 2015. Another degree in Machining is slated to begin in 2016. Each of these program, along with customized training opportunities, position the college to meet economic development growth in the region.

Through the continued partnership with the City of Gonzales, Texas, the Gonzales Economic Development Corporation and numerous area donors, the College expanded program offerings at its Gonzales Center. A new science lab, expanded space in the industrial training space, a new student resource room and additional classroom space have been added. Student enrollment remains steady and interest in expanded programs for dual-credit high school programs continues. The Center's strategic focus is aimed at meeting the academic and workforce training needs of the residents and business and industry.

With a new president hired in 2015, only the fifth in its ninety year history, Victoria College is positioned to positively address the educational attainment level of the region.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and demonstrate the District's accountability for the money it receives. Questions concerning any information provided in the report or requests for additional financial information should be addressed to the Victoria County Junior College District, 2200 East Red River, Victoria, Texas 77901.

BASIC FINANCIAL STATEMENTS

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Net Position
August 31, 2015

	<u>Current Year</u>	<u>Prior Year</u>
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 8,196,230	\$ 7,007,708
Restricted cash and cash equivalents	3,496,055	8,683,679
Short-term investments	214	214
Restricted short-term investments	236	236
Due from component unit	1,878	12,665
Accounts receivable (net)	3,529,352	3,396,492
Restricted accounts receivable	484,583	636,903
Inventories	738,206	872,321
Prepaid expenses	32,327	2,150
Total Current Assets	<u>16,479,081</u>	<u>20,612,368</u>
Noncurrent Assets		
Construction in progress	21,319,133	15,565,738
Investments in real estate	460,387	460,387
Capital assets (net) (See note 6)	41,742,844	42,832,277
Total Noncurrent Assets	<u>63,522,364</u>	<u>58,858,402</u>
Total Assets	<u>80,001,445</u>	<u>79,470,770</u>
Deferred Outflow of Resources		
Deferred outflows related to pensions	853,899	-
Total Noncurrent Assets	<u>853,899</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,732,085	1,949,118
Accrued liabilities	701,408	736,065
Funds held for others	166,620	147,226
Unearned revenues	4,927,467	4,461,011
Bonds payable - current portion	2,025,000	1,945,000
Total Current Liabilities	<u>9,552,580</u>	<u>9,238,420</u>
Noncurrent Liabilities		
Bonds payable	29,245,000	31,270,000
Net pension liability	4,870,339	-
Total Noncurrent Liabilities	<u>34,115,339</u>	<u>31,270,000</u>
Total Liabilities	<u>43,667,919</u>	<u>40,508,420</u>
Deferred Inflows of Resources		
Unamortized premiums on bonds	1,992,049	2,154,925
Deferred inflows related to pensions	1,489,852	-
Total Deferred Inflows of Resources	<u>3,481,901</u>	<u>2,154,925</u>
NET POSITION		
Invested in capital assets, net of related debt	30,260,315	23,488,477
Restricted for		
Expendable		
Student aid	251,024	78,821
Unexpended bond proceeds	2,726,668	7,672,848
Debt service	378,439	326,074
Unrestricted	89,078	5,241,205
Total Net Position (Schedule D)	<u>\$ 33,705,524</u>	<u>\$ 36,807,425</u>

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Financial Position
August 31, 2015

	Current Year	Prior Year
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 1,119,425	\$ 1,242,361
Tuition assistance receivable	300	1,942
Pledges receivable		
Temporarily restricted	73,275	53,487
Total Current Assets	1,193,000	1,297,790
Other Assets		
Endowment Investments - money market funds	120,817	383,597
Endowment Investments - equity securities	7,002,858	7,428,078
Total Endowment Investments	7,123,675	7,811,675
Endowment Investments - temporarily restricted	3,160,742	2,752,076
Total Other Assets	10,284,417	10,563,751
Total Assets	\$ 11,477,417	\$ 11,861,541
LIABILITIES		
Current Liabilities		
Due to Victoria College	\$ 1,878	\$ 12,665
Deferred grant revenue	110,612	125,688
Total Current Liabilities	112,490	138,353
Total Liabilities	112,490	138,353
NET ASSETS		
Unrestricted net assets	126,666	120,872
Temporarily restricted net assets	4,114,586	3,790,641
Permanently restricted net assets	7,123,675	7,811,675
Total Net Assets	11,364,927	11,723,188
Total Liabilities and Net Assets	\$ 11,477,417	\$ 11,861,541

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Revenues, Expenses and
Changes in Net Position
For The Year Ended August 31, 2015

	Current Year	Prior Year
OPERATING REVENUES		
Tuition and fees (net)	\$ 9,477,859	\$ 9,344,057
Federal grants and contracts	1,368,878	1,477,196
State grants and contracts	1,464,127	2,787,071
Local grants and contracts	79,646	142,974
Non-governmental grants and contracts	1,078,100	1,055,451
Sales and services of educational activities	427,841	640,563
Auxiliary enterprises (net)	3,190,481	3,730,870
General operating revenues	267,051	280,214
Total Operating Revenues (Schedule A)	17,353,983	19,458,396
OPERATING EXPENSES		
Instruction	12,713,498	14,478,253
Public service	264,044	300,930
Academic support	3,082,527	2,962,852
Student services	2,554,674	2,702,862
Institutional support	6,408,468	5,780,510
Operation and maintenance of plant	3,657,879	3,197,949
Scholarships and fellowships	9,774,398	11,261,535
Auxiliary enterprises	3,412,365	3,594,443
Depreciation	1,982,790	1,844,191
Total Operating Expenses (Schedule B)	43,850,643	46,123,525
Operating (Loss)	(26,496,660)	(26,665,129)
Non-Operating Revenues (Expenses)		
State allocations	7,886,241	7,807,907
Title IV	8,027,070	9,483,109
Ad valorem taxes		
Taxes for maintenance and operations	9,143,748	8,131,921
Taxes for debt service	3,116,490	3,006,314
Gifts	1,718,263	1,256,743
Investment income (net of investment expenses)	72,356	115,570
Interest on capital related debt	(956,249)	(1,348,630)
Total Non-Operating Revenues (Expenses) (Schedule C)	29,007,919	28,452,934
Income Before Other Revenues, (Expenses), Gains and (Losses)	2,511,259	1,787,805
Other Revenues, (Expenses), Gains, (Losses)		
Loss on disposal of capital assets	(95,044)	(33,608)
Donation of capital assets	-	5,000
Total Other Revenues, (Expenses), Gains, (Losses)	(95,044)	(28,608)
Increase in Net Position	2,416,215	1,759,197
NET POSITION		
Net Position - Beginning of Year	36,807,425	35,770,797
Adjustment to Net Position	(5,518,116)	(722,569)
Net Position - End of Year	\$ 33,705,524	\$ 36,807,425

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Activities
For The Year Ended August 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Current Year</u>	<u>Total Prior Year</u>
Support and revenues					
Grants and contributions	\$ 45,957	\$ 1,119,648	\$ 198,273	\$ 1,363,878	\$ 1,197,542
In-kind donations	192,548	-	-	192,548	193,924
Interest and dividends	2,480	367,176	-	369,656	285,650
Net increase in fair value of investments	-	80,370	(465,080)	(384,710)	926,615
Total unrestricted support and revenues	<u>240,985</u>	<u>1,567,194</u>	<u>(266,807)</u>	<u>1,541,372</u>	<u>2,603,731</u>
Net assets released from restrictions	1,625,232	(1,204,039)	(421,193)	-	-
Net assets returned to donors	-	(300)	-	(300)	(3,200)
Other changes in net assets	-	-	-	-	(249)
Total unrestricted support and revenues And reclassifications	<u>1,866,217</u>	<u>362,855</u>	<u>(688,000)</u>	<u>1,541,072</u>	<u>2,600,282</u>
Expenses					
Program	1,638,682	-	-	1,638,682	914,759
Management and general	23,898	38,910	-	62,808	57,843
Fundraising	197,843	-	-	197,843	192,498
Total unrestricted expenses	<u>1,860,423</u>	<u>38,910</u>	<u>-</u>	<u>1,899,333</u>	<u>1,165,100</u>
Increase in net assets	<u>5,794</u>	<u>323,945</u>	<u>(688,000)</u>	<u>(358,261)</u>	<u>1,435,182</u>
NET ASSETS					
Net Assets - Beginning of Year	<u>120,872</u>	<u>3,790,641</u>	<u>7,811,675</u>	<u>11,723,188</u>	<u>10,288,006</u>
Net Assets - End of Year	<u>\$ 126,666</u>	<u>\$ 4,114,586</u>	<u>\$ 7,123,675</u>	<u>\$ 11,364,927</u>	<u>\$ 11,723,188</u>

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Cash Flows
For The Year Ended August 31, 2015

	<u>Current Year</u>	<u>Prior Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 13,562,637	\$ 13,342,796
Receipts from grants and contracts	4,010,211	5,675,386
Other receipts	277,838	291,155
Payments to suppliers for goods or services	(7,447,383)	(6,080,352)
Payments to or on behalf of employees	(23,639,361)	(24,597,720)
Payments of scholarships and fellowships	(9,687,398)	(11,261,535)
Net cash provided (used) by operating activities	<u>(22,923,456)</u>	<u>(22,630,270)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state allocations	6,644,778	6,651,228
Receipts from federal (Title IV) allocations	8,027,070	9,483,109
Receipts from ad valorem tax revenues	9,143,748	8,131,921
Gifts and grants (other than capital)	1,718,263	1,256,743
Deferred inflows/outflows net	635,953	-
Net pensions	4,870,339	-
Student organization and other agency transactions	19,394	(203,644)
Net cash provided by non-capital financing activities	<u>31,059,545</u>	<u>25,319,357</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad valorem tax revenues	3,116,490	3,006,314
Contribution of capital assets	-	5,000
Purchases of capital assets	(6,741,795)	(15,521,894)
Proceeds from disposal of capital assets	95,044	33,608
Loss on disposal of capital assets	(95,044)	(33,608)
Bond premium amortization	(162,877)	(162,877)
Payments on capital debt - principal	(1,945,000)	(1,500,000)
Payments on capital debt - interest	(956,249)	(1,348,630)
Net cash provided (used) by capital and related financing activities	<u>(6,689,431)</u>	<u>(15,522,087)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	72,356	3,121,840
Prior period adjustment	(5,518,116)	-
Net cash provided (used) by investing activities	<u>(5,445,760)</u>	<u>3,121,840</u>
Increase (decrease) in cash and cash equivalents	(3,999,102)	(9,711,160)
Cash and cash equivalents - September 1	<u>15,691,387</u>	<u>25,402,547</u>
Cash and cash equivalents - August 31	<u>\$ 11,692,285</u>	<u>\$ 15,691,387</u>
Cash & cash equivalents	\$ 8,196,230	\$ 7,007,708
Restricted cash and cash equivalents	<u>3,496,055</u>	<u>8,683,679</u>
Total cash and cash equivalents	<u>\$ 11,692,285</u>	<u>\$ 15,691,387</u>

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Cash Flows
For The Year Ended August 31, 2015
(Continued)

	Current Year	Prior Year
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (26,496,660)	\$ (26,665,129)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	1,982,790	1,844,191
State group insurance	1,241,463	1,156,679
Changes in assets and liabilities:		
Receivables (net)	19,460	212,694
Due from component unit	10,787	10,941
Inventories	134,115	273
Prepaid expenses	(30,177)	210,516
Accounts payable	(217,033)	802,181
Accrued liabilities	(34,657)	170,078
Deferred revenue	466,456	(372,694)
Net cash provided (used) by operating activities	\$ (22,923,456)	\$ (22,630,270)

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to the Financial Statements
August 31, 2015

1. Reporting Entity

Victoria County Junior College District (the “District”) was created by a vote of the electorate of Victoria County, Texas, at an election held on December 2, 1947, in accordance with the laws of the State of Texas to serve the educational needs of Victoria County and the surrounding communities. The Board of Trustees (the “Board”), a seven-member group, is the level of government which has governing responsibilities over all activities related to public junior colleges within the jurisdiction of the District. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters, including taxing authority. The District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. While the District receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity. Furthermore, all activities and organizations over which the Board exercises oversight responsibility have been included in the basic financial statements.

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was effective for financial statement periods beginning after December 15, 2011, established reporting standards for deferred outflows and inflows and changed the presentation and titles of the financial statements accordingly during the prior year. With the implementation of GASB Statement No. 63, the Statement of Net Assets has been renamed to the Statement of Net Position and net assets now becomes net position. Additionally, the Statement of Net Position now includes two new classifications, deferred outflows and deferred inflows of resources, separate from assets and liabilities. Amounts reported as deferred outflows of resources are required to be reported in the Statement of Net Position in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are required to be reported in the Statement of Net Position in a separate section following liabilities. The totals of these new classifications are added to the total for assets and liabilities, respectively, to arrive at net position. During fiscal years 2015 and 2014, the District reports unamortized premium on bonds as deferred inflows of resources.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for financial statements beginning after December 15, 2012. The District adopted GASB Statement No. 65 for the fiscal year ended August 31, 2014. A prior period adjustment (note 26) was required to remove bond issuance costs from the Statement of Net Position.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for financial statements for periods beginning after December 15, 2012. Adoption of this Statement had no impact on the financial reporting of the District.

For the year ended August 31, 2015, the District implemented the provision of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date*. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This included for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the year of implementation of GASB 68, as amended by GASB 71, a restatement to beginning net position will be required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and beginning of the reporting entity's fiscal year.

Basis of Accounting

The financial statements of the District have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's Board adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget 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 District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, 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 time of purchase. [The governing board has designated public funds investment pools comprised of \$450 and \$450 at August 31, 2015, and 2014, respectively, to be short-term investments.] Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

Inventories consist of consumable office supplies, physical plant supplies, concession supplies, and bookstore stock. Inventories are valued at cost on a first in, first out basis for supplies and at retail method for bookstore stock. Inventories 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 District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 to buildings, infrastructure and land improvements that significantly increase the value or extend the useful 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 assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment, and five years for telecommunications and peripheral equipment.

Deferred Revenues

Tuition and fees of \$4,476,231 and \$4,117,785, federal, state and local grants of \$295,116 and \$246,708, and other revenues of \$156,120 and \$96,518 have been reported as deferred revenues at August 31, 2015 and 2014, respectively.

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 award is used by the student for tuition and fees, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program Funds – Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the District and recorded as non-operating restricted revenue. When the award is used by the student for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts – The District awards tuition and fee scholarships from institutional funds to qualifying students. When these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Management Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income tax under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The District had no unrelated business income tax liability for the years ended August 31, 2015 and 2014.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During its fiscal year ended August 31, 2015, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year.

Reclassifications

Certain 2015 and 2014 amounts have been reclassified to conform to current year presentation.

3. Authorized Investments

The Board of Trustees of the District has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). The investments of the District are in compliance with the Board of Trustees' Investment Policy and the Public Funds Investment Act. 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.

4. Deposits and Investments

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

Cash and Deposits		8/31/2015	8/31/2014
Bank Deposits			
Demand Deposits		\$ 11,617,159	\$ 15,611,739
		11,617,159	15,611,739
Cash and Cash Equivalents			
Cash on Hand		75,126	79,648
		75,126	79,648
Total Cash and Deposits		\$ 11,692,285	\$ 15,691,387

Reconciliation of Cash, Deposits and Investments to Exhibit 1

Type of Security	Market Value	
	8/31/2015	8/31/2014
TexPool	\$ 450	\$ 450
Total Investments	\$ 450	\$ 450
Total Cash and Deposits	\$ 11,692,285	\$ 15,691,387
Total Investments	450	450
Total Deposits and Investments	\$ 11,692,735	\$ 15,691,837
Cash and Temporary Investments (Exhibit 1)	\$ 11,692,285	\$ 15,691,387
Investments (Exhibit 1)	450	450
Total Deposits and Investments	\$ 11,692,735	\$ 15,691,837

As of August 31, 2015 the District had the following investments and maturities:

<u>2015</u> Investment Type	Fair Value	Investment Maturities (in Years)			S&P Rating
		Maturity Less than 1	1 to 2	2 to 3	
Uncategorized Investments					
TexPool	\$ 450	\$ 450	\$ -	\$ -	AAAm
Total Uncategorized Investments	\$ 450	\$ 450	\$ -	\$ -	

Interest Rate Risk – In accordance with state law and District investment policy, the District does not purchase any investments with maturities greater than 5 years.

Credit Risk – In accordance with state law and the District’s investment policy, investments 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 from other states, municipalities, counties, etc. must be rated at least A. All Tex Pool investments of the District are rated AAAM.

Concentration of Credit Risk – The District does not place a limit on the amount the District may invest in any one issuer.

5. Derivatives

The District did not invest in derivative investment products or repurchase agreements during the fiscal year ended August 31, 2015.

6. Disaggregation of Receivables and Payables Balances

Accounts receivable consist of the following at August 31:

	<u>2015</u>	<u>2014</u>
Student receivables	\$ 4,572,130	\$ 4,166,152
Third-party contractor receivables	270,305	158,032
Ad valorem taxes receivables	823,718	702,603
Federal grant receivables	143,659	184,796
State grant receivables	265,316	379,475
Local grant receivables	50,097	92,317
Other receivables	<u>198,308</u>	<u>466,442</u>
Total accounts receivable	6,323,533	6,149,817
Allowance for doubtful accounts	<u>(2,309,598)</u>	<u>(2,116,422)</u>
Accounts receivable (net)	<u>\$ 4,013,935</u>	<u>\$ 4,033,395</u>
Accounts receivable (net)	\$ 3,529,352	\$ 3,396,492
Restricted accounts receivable	<u>484,583</u>	<u>636,903</u>
	<u>\$ 4,013,935</u>	<u>\$ 4,033,395</u>

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

	<u>2015</u>	<u>2014</u>
Accounts payable:		
Vendor payables	\$ 1,498,572	\$ 1,832,433
Other payables	<u>233,513</u>	<u>116,685</u>
Total accounts payable	<u>1,732,085</u>	<u>1,949,118</u>
Accrued liabilities:		
Accrued payroll	195,139	183,431
Employee benefits payable	421,979	460,547
Sales tax payable	<u>84,290</u>	<u>92,087</u>
Total accrued liabilities	<u>701,408</u>	<u>736,065</u>
Total accounts payable and accrued liabilities	<u>\$ 2,433,493</u>	<u>\$ 2,685,183</u>

7. **Capital Assets Activity**

Capital asset activity for the years ended August 31, 2015:

	2015			Balance August 31, 2015
	Balance September 1, 2014	<u>Changes During the Year</u>		
		<u>Additions</u>	<u>Deletions</u>	
<u>Not Depreciated:</u>				
Land	\$ 460,387	\$ -	\$ -	\$ 460,387
Construction in Progress	15,565,738	5,753,395	-	21,319,133
Subtotal	<u>16,026,125</u>	<u>5,753,395</u>	<u>-</u>	<u>21,779,520</u>
Other Capital Assets:				
Library Volumes and				
Periodicals	902,570	35,026	(80,757)	856,839
Buildings	50,183,854	-	-	50,183,854
Site Improvements	6,512,778	-	-	6,512,778
Telecommunications and				
Peripheral Equipment	1,731,653	172,244	(22,563)	1,881,334
Machinery, Equipment,				
Furniture and Vehicles	<u>5,868,588</u>	<u>781,131</u>	<u>(15,526)</u>	<u>6,634,193</u>
Subtotal	<u>65,199,443</u>	<u>988,401</u>	<u>(118,846)</u>	<u>66,068,998</u>
Accumulated Depreciations:				
Library Volumes and				
Periodicals	433,230	52,489	(1,239)	484,480
Buildings	14,508,222	988,995	-	15,497,217
Site Improvements	3,999,495	183,949	-	4,183,444
Telecommunications and				
Peripheral Equipment	1,177,620	169,230	(22,563)	1,324,287
Machinery, Equipment,				
Furniture and Vehicles	<u>2,248,599</u>	<u>588,127</u>	<u>-</u>	<u>2,836,726</u>
Subtotal	<u>22,367,166</u>	<u>1,982,790</u>	<u>(23,802)</u>	<u>24,326,154</u>
Net Other Capital Assets	<u>42,832,277</u>	<u>(994,389)</u>	<u>(95,044)</u>	<u>41,742,844</u>
Net Capital Assets	<u>\$ 58,858,402</u>	<u>\$ 4,759,006</u>	<u>\$ (95,044)</u>	<u>\$ 63,522,364</u>

	2014			
	Balance	Changes During the Year		Balance
	September 1, 2013	Additions	Deletions	August 31, 2014
Not Depreciated:				
Land	\$ 460,387	\$ -	\$ -	\$ 460,387
Construction in Progress	1,556,733	14,543,766	(534,761)	15,565,738
Subtotal	<u>2,017,120</u>	<u>14,543,766</u>	<u>(534,761)</u>	<u>16,026,125</u>
Other Capital Assets:				
Library Volumes and				
Periodicals	928,302	40,697	(66,429)	902,570
Buildings	49,649,093	534,761	-	50,183,854
Site Improvements	6,512,778	-	-	6,512,778
Telecommunications and				
Peripheral Equipment	1,416,796	370,710	(55,853)	1,731,653
Machinery, Equipment,				
Furniture and Vehicles	5,301,866	566,722	-	5,868,588
Subtotal	<u>63,808,835</u>	<u>1,512,890</u>	<u>(122,282)</u>	<u>65,199,443</u>
Accumulated Depreciations:				
Library Volumes and				
Periodicals	406,222	59,829	(32,821)	433,230
Buildings	13,532,366	975,856	-	14,508,222
Site Improvements	3,812,725	186,770	-	3,999,495
Telecommunications and				
Peripheral Equipment	1,113,026	120,447	(55,853)	1,177,620
Machinery, Equipment,				
Furniture and Vehicles	1,747,310	501,289	-	2,248,599
Subtotal	<u>20,611,649</u>	<u>1,844,191</u>	<u>(88,674)</u>	<u>22,367,166</u>
Net Other Capital Assets	<u>43,197,186</u>	<u>(331,301)</u>	<u>(33,608)</u>	<u>42,832,277</u>
Net Capital Assets	<u>\$ 45,214,306</u>	<u>\$ 14,212,465</u>	<u>\$ (568,369)</u>	<u>\$ 58,858,402</u>

8. Non-Current Liabilities

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

	2015				
	Balance	Additions	Reductions	Balance	Current Portion
	September 1, 2014			August 31, 2015	
Bonds					
General obligation bonds	\$ 2,290,000	\$ -	\$ 685,000	\$ 1,605,000	\$ 720,000
Revenue refunding bonds	2,000,000	-	375,000	1,625,000	390,000
Limited tax refunding bonds	8,190,000	-	90,000	8,100,000	95,000
Limited tax bonds	20,735,000	-	795,000	19,940,000	820,000
Subtotal	<u>33,215,000</u>	<u>-</u>	<u>1,945,000</u>	<u>31,270,000</u>	<u>2,025,000</u>
Net pension liability	-	4,870,339	-	4,870,339	N/A
	<u>\$ 33,215,000</u>	<u>\$ 4,870,339</u>	<u>\$ 1,945,000</u>	<u>\$ 36,140,339</u>	<u>\$ 2,025,000</u>

	2014				
	Balance September 1, 2013	Additions	Reductions	Balance August 31, 2014	Current Portion
Bonds					
General obligation bonds	\$ 2,945,000	\$ -	\$ 655,000	\$ 2,290,000	\$ 685,000
Revenue refunding bonds	2,370,000	-	370,000	2,000,000	375,000
Limited tax refunding bonds	8,280,000	-	90,000	8,190,000	90,000
Limited tax bonds	<u>21,120,000</u>	<u>-</u>	<u>385,000</u>	<u>20,735,000</u>	<u>795,000</u>
Notes	<u>\$ 34,715,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 33,215,000</u>	<u>\$ 1,945,000</u>

9. Bonds Payable

General information related to bonds payable is summarized below:

Limited Tax Bonds, Series 2006

- Issued to construct Health Sciences Center, remodel existing Allied Health Building and associated improvements
- Issued August 1, 2006
- Amount authorized and issued - \$14,500,000
- Source of revenue for debt service – ad valorem taxes

Combined Fee Revenue Refunding Bonds, Series 2010

- Issued to refund Combined Fee Revenue Bonds, Series 1999 that were issued to construct General Services and Technology Buildings and associated improvements
- Issued October 29, 2010
- Amount authorized and issued - \$3,455,000
- Source of revenue for debt service – Tuition, general fee and general fund interest

Limited Tax Refunding Bonds, Series 2012

- Issued to refund a portion of Limited Tax Bonds, Series 2006 that were issued to construct Health Sciences Center, remodel existing Allied Health Building and associated improvements
- Issued May 9, 2012
- Amount authorized and issued - \$8,480,000
- Source of revenue for debt service – ad valorem taxes

Limited Tax Bonds, Series 2013

- Issued to construct Emerging Technology Center
- Issued February 15, 2013
- Amount authorized and issued - \$21,200,000
- Source of revenue for debt service – ad valorem taxes

Bonds payable are due in annual installments varying from \$90,000 to \$1,425,000 with interest rates from 2.00% to 5.00% with the final installment due in 2033.

Debt Service for the 2010 Combined Fee Revenue Refunding Bonds was \$441,350 for the year ended August 31, 2015. Revenues totaling \$2,089,897 were available to meet this obligation.

10. Refunding Bonds

In previous years, the District issued refunding bonds to defease certain bond issues. The refunded obligations represent a legal defeasance and are no longer a liability of the District; therefore, they are not included in the District's financial statements.

Combined Fee Revenue Refunding Bonds, Series 2010

On October 29, 2010, the District issued \$3,455,000 of Combined Fee Revenue Refunding Bonds, Series 2010. The bonds mature serially through August 2019. The interest rates range from 2.0% to 4.0%. The bonds are to refund the Combined Fee Revenue Bonds, Series 1999. The par value of the refunding bonds was \$3,455,000 with a premium of \$137,395.

The total cash flows required to service the refunded bonds as of the effective date of the refunding were \$3,984,488. The aggregate debt service payments of the refunded bonds of \$4,284,479 is \$299,991 less than the aggregate debt service payments of the refunding bonds of \$3,984,488.

Limited Tax Refunding Bonds, Series 2012

On May 9, 2012, the District issued \$8,480,000 of Limited Tax Refunding Bonds, Series 2012. The bonds mature serially through August 2026. The interest rates range from 2.0% to 3.5%. The bonds are to refund a portion of the Limited Tax Bonds, Series 2006. The par value of the refunding bonds was \$8,480,000 with a premium of \$1,445,958.

The total cash flows required to service the refunded bonds as of the effective date of the refunding were \$12,269,117. The aggregate debt service payments of the refunded bonds of \$12,992,314 is \$723,197 less than the aggregate debt service payments of the refunding bonds of \$12,269,117.

11. Defeased Bonds Outstanding

The proceeds of the Districts Limited Tax Refunding Bonds, Series 2012 were placed in an escrow fund to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements.

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

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>	
		<u>2015</u>	<u>2014</u>
Limited Tax Bonds, Series 2006	2012	<u>\$ 8,100,000</u>	<u>\$ 8,190,000</u>
Total		<u><u>\$ 8,100,000</u></u>	<u><u>\$ 8,190,000</u></u>

12. Debt and Lease Obligation

Debt service requirements at August 31, 2015 were as follows:

Fiscal Year Ended August 31,	General Obligation Bonds 2006 Limited Tax Bonds			General Obligation Bonds 2012 Limited Tax Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 720,000	\$ 79,925	\$ 799,925	\$ 95,000	\$ 265,750	\$ 360,750
2017	755,000	43,925	798,925	95,000	263,850	358,850
2018	130,000	6,175	136,175	755,000	261,950	1,016,950
2019	-	-	-	80,000	243,075	323,075
2020	-	-	-	910,000	243,075	1,153,075
2021-2030	-	-	-	5,045,000	738,150	5,783,150
2026-2033	-	-	-	1,120,000	39,200	1,159,200
Totals	<u>\$ 1,605,000</u>	<u>\$ 130,025</u>	<u>\$ 1,735,025</u>	<u>\$ 8,100,000</u>	<u>\$ 2,055,050</u>	<u>\$ 10,155,050</u>

Fiscal Year Ended August 31,	General Obligation Bonds 2013 Limited Tax Bonds			Revenue Bonds 2010 Combined Fee Revenue Refunding		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 820,000	\$ 648,913	\$ 1,468,913	\$ 390,000	\$ 55,100	\$ 445,100
2017	845,000	624,312	1,469,312	400,000	43,400	443,400
2018	870,000	598,963	1,468,963	410,000	33,400	443,400
2019	895,000	572,862	1,467,862	425,000	17,000	442,000
2020	930,000	537,062	1,467,062	-	-	-
2021-2025	5,255,000	2,095,563	7,350,563	-	-	-
2026-2030	6,170,000	1,179,638	7,349,638	-	-	-
2031-2033	4,155,000	251,700	4,406,700	-	-	-
Totals	<u>\$ 19,940,000</u>	<u>\$ 6,509,013</u>	<u>\$ 26,449,013</u>	<u>\$ 1,625,000</u>	<u>\$ 148,900</u>	<u>\$ 1,773,900</u>

Fiscal Year Ended August 31,	Total Bonds		
	Principal	Interest	Total
2016	\$ 2,025,000	\$ 1,049,688	\$ 3,074,688
2017	2,095,000	975,487	3,070,487
2018	2,165,000	900,488	3,065,488
2019	1,400,000	832,937	2,232,937
2020	1,840,000	780,137	2,620,137
2021-2025	10,300,000	2,833,713	13,133,713
2026-2030	7,290,000	1,218,838	8,508,838
2031-2033	4,155,000	251,700	4,406,700
Totals	<u>\$ 31,270,000</u>	<u>\$ 8,842,988</u>	<u>\$ 40,112,988</u>

The District had no capital lease obligations at August 31, 2015.

13. **Short Term Debt**

The District used no short-term debt for the year ended August 31, 2015.

14. **Rental Agreement and Operating Lease Commitments**

Operating Lease Commitments

The District negotiated a non-cancellable operating lease contract for copiers beginning November 27, 2012 and ending November 26, 2015.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 16,013
	<u>\$ 16,013</u>

Rental expense paid for the years ended August 31, 2015 and 2014 for operating leases totaled \$154,982 and \$167,669, respectively.

15. **Employees' Retirement Plan**

Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 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 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 COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. 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 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates

	<u>2015</u>	<u>2014</u>
Member	6.40%	6.70%
Non-Employer contribution Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
FY 2014 District Contributions	\$ 462,262	\$ -
FY 2014 State of Texas On-behalf Contributions	\$ 303,740	\$ -

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, 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.

Actuarial Assumptions. The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 Year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% - 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	5.55%

* Includes Inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those 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. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014, as amended October 1, 2014, are 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%	4.60%	1.00%
Non-U.S. Developed	13.00%	5.10%	0.80%
Emerging Markets	9.00%	5.90%	0.70%
Directional Hedge Funds	4.00%	3.20%	0.10%
Private Equity	13.00%	7.00%	1.10%
Stable Value			
U.S. Treasuries	11.00%	0.70%	0.10%
Absolute Return	0.00%	1.80%	0.00%
Stable Value Hedge Funds	4.00%	3.00%	0.10%
Cash	1.00%	-0.20%	0.00%
Real Return			
Global Inflation Lined Bonds	3.00%	0.90%	0.00%
Real Assets	16.00%	5.10%	1.10%
Energy and Natural Resources	3.00%	6.60%	0.20%
Commodities	0.00%	1.20%	0.00%
Risk Parity			
Risk Parity	5.00%	6.70%	0.30%
Inflation Expectation			2.20%
Alpha			1.00%
Total	<u>100.00%</u>		<u>8.70%</u>

*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Source: Teacher Retirement System of Texas 2014 Comprehensive Annual Financial Report

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 (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District proportionate share of the net pension liability:	\$ 8,703,002	\$ 4,870,339	\$ 2,004,222

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, the District reported a liability of \$4,870,339 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 4,870,339
State's proportionate share that is associated with District	<u>3,206,990</u>
Total	<u>\$ 8,077,329</u>

The net pension liability was measured as of August 31, 2014 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, 2013 thru August 31, 2014.

At the measurement date of August 31, 2014 the employer's proportion of the collective net pension liability was .0182%. The change in proportion was immaterial and therefore disregarded this year. There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$296,480 and revenue of \$296,480 for support provided by the State.

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 75,321	\$ -
Changes in actuarial assumptions	316,578	-
Difference between projected and actual investment earnings	-	1,488,575
Changes in proportion and difference between in the employers contributions and the proportionate share of contributions	462,262	1,277
Contributions paid to TRS subsequent to the measurement date	(262)	-
Total	<u>\$ 853,899</u>	<u>\$ 1,489,852</u>

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

For the Year Ended August 31,	Pension Expense Amount
2016	\$ (306,246)
2017	(306,246)
2018	(306,246)
2019	(306,246)
2020	65,898
Thereafter	61,133

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

Optional Retirement Plan

Plan Description. The state has also established an optional retirement program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the TRS. ORP provides for the purchase of individual annuity contracts and operates under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentage of participant salaries currently contributed by the state for each participant are 6.6% for fiscal years 2015 and 2014. Employee contributions percentage was 6.65% for fiscal years 2015 and 2014. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, neither the state nor the District has any additional or unfunded liability for this program. Senate Bill (S.B.) 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense related to ORP contributions paid by the state for the District was \$102,980 and \$106,487 for the fiscal years ended August 31, 2015 and 2014, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District. On-behalf payments of these benefits were recognized as restricted revenues and restricted expenses during the period.

The total payroll for all District employees was \$16,746,874 and \$16,707,495 for the fiscal years ended August 31, 2015 and 2014, respectively. The total payroll of employees covered by the state for ORP was \$3,120,606 and \$3,226,878 for the fiscal years ended August 31, 2015 and 2014, respectively.

16. Deferred Compensation Program

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. This plan is essentially an unfunded promise to pay by the employer to each of the plan participants.

At August 31, 2015 and 2014, the District had no employees electing to defer compensation.

17. Compensable Absences

Full-time employees of the District accrue sick leave based on the length of their contract. Sick leave may be accumulated up to eighty days, but no employee will receive compensation for sick leave upon termination of employment with the District. Since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. Administrative, clerical, and maintenance personnel receive vacation time based on length of employment. Vacation must be taken by August 31; carry-over of 40 hours of vacation time is permitted. In the opinion of the administration, the liability for compensable absences is not material to the basic financial statements of the District.

18. Pending Lawsuits and Claims

On occasion, the District may become party to litigation and claims arising in the normal course of operations. The District is currently involved in litigation. The parties to the lawsuit are currently negotiating settlement.

19. Funds Held in Trust by Others

No funds are held in trust by others on behalf of the District.

20. Contract and Grant Award

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 2 and Schedule A. For federal contract and grant awards, funds expended but not collected are reported as restricted accounts receivable on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected are reported as restricted accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the District has not yet performed services are not included in the financial statements. Contract and grant award funds already committed, e.g. multi-year awards, or funds awarded during fiscal year August 31, 2015, and 2014, for which monies have not been received nor funds expended totaled \$1,541,943 and \$2,544,017, respectively. Of these amounts \$1,096,645 and \$1,274,892 were from Federal Contracts and Grant Awards; \$434,289 and \$1,246,557 were from State Contracts and Grant Awards; and \$11,009 and \$22,568 were from Local Contract and Grant Awards at August 31, 2015 and 2014, respectively.

21. Self-Insured Plans

The District has a self-insured arrangement for coverage of workers' compensation. Workers' compensation plans are on a pay-as-you-go basis, in which no assets are set aside. Estimated future payments for incurred claims are charged to current operations.

22. Postretirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state.

Those and similar 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 contribution per full-time employee with individual coverage was \$538 per month for the year ended August 31, 2015 (\$503 per month for fiscal year 2014) and totaled \$949,644 for the year ended August 31, 2015 (\$690,936 for the year ended August 31, 2014). The state's contribution per full-time employee with individual and children coverage was \$744 per month for the year ended August 31, 2015 (\$696 per month for fiscal year 2014) and totaled \$345,516 for the year ended August 31, 2015 (\$338,832 for the year ended August 31, 2014). The state's contribution for a full-time employee with individual and spouse coverage was \$846 per month for the year ended August 31, 2015 (\$791 per month for fiscal year 2014) and totaled \$273,924 for the year ended August 31, 2015 (\$180,386 for the year ended August 31, 2014).

The state's contribution for a full-time employee with family coverage was \$1,052 per month for the year ended August 31, 2015 (\$984 per month for fiscal year 2014) and totaled \$422,748 for the year ended August 31, 2015 (\$354,240 for the year ended August 31, 2014).

The cost of providing those benefits for 141 retirees in the year ended August 31, 2015 was \$948,092 (retiree benefits for 133 retirees cost \$926,930 in fiscal year 2014). For 291 active employees, the cost of providing benefits was \$2,156,733 for the year ended August 31, 2015 (active employee benefits for 288 employees cost \$2,052,881 for the year ended August 31, 2014).

23. Postemployment Benefits Other than Pensions

Plan Description. The District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Texas Legislature.

ERS issues a publically available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.stsate.tx.us/>.

Funding Policy. 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. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees set the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB statement 45.

The employers contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The District's contributions to SRHP for the years ending August 31, 2015, 2014, and 2013 were \$55,310, \$57,277 and \$60,668, respectively, which equaled the required contributions each year.

24. Ad Valorem Tax

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

At August 31:

	<u>2015</u>	<u>2014</u>
Assessed Valuation of the District:	\$ 7,461,298,138	\$ 7,047,052,738
Less: Exemptions	<u>(740,710,102)</u>	<u>(686,704,557)</u>
Net Assessed Valuation of the District	<u>\$ 6,720,588,036</u>	<u>\$ 6,360,348,181</u>

	<u>2015</u>			<u>2014</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized Tax Rate per \$100 Valuation	<u>\$ 0.500000</u>	<u>\$ 0.500000</u>	<u>\$ 1.000000</u>	<u>\$ 0.500000</u>	<u>\$ 0.500000</u>	<u>\$ 1.000000</u>
Assessed Tax Rate per \$100 Valuation	<u>\$ 0.146500</u>	<u>\$ 0.041000</u>	<u>\$ 0.187500</u>	<u>\$ 0.140100</u>	<u>\$ 0.042200</u>	<u>\$ 0.182300</u>

Taxes levied for the years ended August 31, 2015 and 2014 were \$11,998,341 and \$11,117,025, respectively. Penalties and interest are not assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Property becomes subject to lien at July 1 of the year in which taxes become delinquent.

Tax collections for the years ended August 31, 2015 and 2014 were 97.70% and 97.74%, respectively, of current tax levy. Uncollected taxes are fully reserved at August 31. The use of tax proceeds is restricted to maintenance and operations and/or general obligation debt service.

<u>Taxes Collected</u>	2015			2014		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Taxes Collected	\$ 7,562,616	\$ 2,688,247	\$ 10,250,863	\$ 6,765,221	\$ 2,609,617	\$ 9,374,838
Delinquent Taxes Collected	1,516,749	411,268	1,928,017	1,282,350	375,046	1,657,396
Penalties and Interest Collected	81,994	21,342	103,336	77,142	19,217	96,359
Less Discounts and Commissions	<u>(17,611)</u>	<u>(4,367)</u>	<u>(21,978)</u>	<u>7,208</u>	<u>2,434</u>	<u>9,642</u>
Total Collections	<u>\$ 9,143,748</u>	<u>\$ 3,116,490</u>	<u>\$ 12,260,238</u>	<u>\$ 8,131,921</u>	<u>\$ 3,006,314</u>	<u>\$ 11,138,235</u>

25. Discrete Component Unit

Victoria College Foundation, Inc. (the “Foundation”) was established as a separate nonprofit organization in 1978, to raise funds to provide student scholarships and assistance in the development and growth of the District. Under Governmental Accounting Standards Board (GASB) Statement 39 *Determining Whether Certain Organizations are Component Units*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit.

Accordingly, the Foundation financial statements are included in the District’s annual report as a discrete component unit (see table of contents). Complete financial statements of the Victoria College Foundation, Inc. can be obtained from the administrative office of the Foundation and/or the District.

26. Prior Year Restatement

Unamortized bond premium, previously reported as a component of non-current liabilities, has been reclassified to deferred inflows of resources. The effect of this change decreases non-current liabilities by \$2,154,925 for the fiscal year ended August 31, 2014. The change does not impact net position.

During the implementation of GASB Statement No. 68, as amended by GASB 71, the District was required to restate beginning net position as a result of the recording of beginning net pension liability and for the recording of deferred outflows of resources for contribution made after the measurement date of the beginning net pension liability and beginning of the reporting entity’s fiscal year.

Beginning net position as of September 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Since the District does not have all the audited beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions required to properly restate fiscal year 2014 financial statements, the restatement will be made directly to the beginning net position in the fiscal year 2015 financial statements as a cumulative effect of a change in accounting principle.

Prior Year Restatement of Beginning Net Position

	<u>8/31/2015</u>
Beginning net position	\$ 36,807,425
Prior period adjustment - implementation of GASB 68:	
Net pension liability (measurement date as of August 31, 2014)	(4,870,339)
Deferred outflows - District contributions made during fiscal year 2014	853,899
Deferred inflows - the District's proportionate share of dferred inflows for net difference between projected and actual investment earnings (plan level)	(1,489,852)
Reduction in pension expense for timing differences	<u>(11,824)</u>
Adjustment to beginning net position	<u>(5,518,116)</u>
Beginning net position, as restated	<u><u>\$ 31,289,309</u></u>

29. Subsequent Events

The District's administration has determined that no subsequent events require disclosure in these financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of the District's Share of Net Pension Liability
For the Year Ended August 31, 2015

Fiscal year ending August 31 *	2015 **
Total TRS pension liability	\$ 159,496,075,886
TRS net position	<u>132,779,243,085</u>
TRS net position liability	<u>\$ 292,275,318,971</u>
TRS net position as percentage of total pension liability	83.25%
District's proportionate share of collective net pension liability	0.0182%
District's proportionate share of collective net pension liability	\$ 4,870,339
Portion of NECE's total proportionate share of NPL associated with District	<u>3,206,990</u>
Total	<u>\$ 8,077,329</u>
District's covered payroll amount	\$ 11,264,735
Ratio of employer proportionate share of collective NPL / ER's covered payroll amount	43.2353%

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

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of the District's Contributions
For the Year Ended August 31, 2015

Fiscal year ending August 31 *	2015 **
Legally required contributions	\$ 462,000
Actual contributions	<u>462,000</u>
Contributions deficiency (excess)	<u>\$ -</u>
District's covered payroll amount	\$ 11,192,750
Ratio of employer proportionate share of collective NPL / ER's covered payroll amount	4.13%

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

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to the Required Supplementary Information
August 31, 2015

1. Changes of Benefit Terms include:

District employees were given a 3% cost of living raise effective September 1, 2015.

2. Changes in Assumptions

There were no changes of assumptions for the year ended August 31, 2015.

**SUPPLEMENTAL INFORMATION
AND
FINANCIAL ASSISTANCE SECTION**

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Revenues
For the Year Ended August 31, 2015

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Current Year	Prior Year
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 2,981,454	\$ -	\$ 2,981,454	\$ -	\$ 2,981,454	\$ 3,925,620
Out-of-district resident tuition	2,282,700	-	2,282,700	-	2,282,700	2,826,096
Non-resident tuition	59,297	-	59,297	-	59,297	93,924
TPEG set aside (set aside)*	305,858	-	305,858	-	305,858	281,579
State funded continuing education	2,044,749	-	2,044,749	-	2,044,749	1,239,963
Non-state funded continuing education	284,654	-	284,654	-	284,654	324,814
Total Tuition	<u>7,958,712</u>	<u>-</u>	<u>7,958,712</u>	<u>-</u>	<u>7,958,712</u>	<u>8,691,996</u>
Fees:						
General fee	3,129,921	-	3,129,921	-	3,129,921	3,245,299
Technology fee	1,738,831	-	1,738,831	-	1,738,831	2,213,544
Out-of-district fees	2,365,400	-	2,365,400	-	2,365,400	2,896,833
Laboratory fee	245,009	-	245,009	-	245,009	155,241
Other fees	-	-	-	-	-	-
Course fees	320,612	-	320,612	-	320,612	165,611
Total Fees	<u>7,799,773</u>	<u>-</u>	<u>7,799,773</u>	<u>-</u>	<u>7,799,773</u>	<u>8,676,528</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	(313,626)	-	(313,626)	-	(313,626)	(433,272)
Title IV federal grants	(4,610,598)	-	(4,610,598)	-	(4,610,598)	(5,972,813)
Other federal grants	(22,191)	-	(22,191)	-	(22,191)	(25,343)
TPEG awards	(64,061)	-	(64,061)	-	(64,061)	(206,699)
Other state grants	(315,048)	-	(315,048)	-	(315,048)	(389,667)
Other local scholarships	(955,102)	-	(955,102)	-	(955,102)	(996,673)
Total Scholarship Allowances	<u>(6,280,626)</u>	<u>-</u>	<u>(6,280,626)</u>	<u>-</u>	<u>(6,280,626)</u>	<u>(8,024,467)</u>
Total Net Tuition and Fees	<u>9,477,859</u>	<u>-</u>	<u>9,477,859</u>	<u>-</u>	<u>9,477,859</u>	<u>9,344,057</u>
Additional Operating Revenues:						
Federal grants and contracts	23,374	1,345,504	1,368,878	-	1,368,878	1,469,180
State grants and contracts	9,627	1,454,500	1,464,127	-	1,464,127	2,795,087
Local grants and contracts	-	79,646	79,646	-	79,646	142,974
Nongovernmental grants and contracts	735,495	342,605	1,078,100	-	1,078,100	1,055,451
Sales and services of educational activities	427,841	-	427,841	-	427,841	640,563
General operating revenues	267,051	-	267,051	-	267,051	280,214
Total Additional Operating Revenues	<u>1,463,388</u>	<u>3,222,255</u>	<u>4,685,643</u>	<u>-</u>	<u>4,685,643</u>	<u>6,383,469</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	3,476,545	3,476,545	3,915,068
Title IV federal grants	-	-	-	(589,506)	(589,506)	(654,106)
Other federal grants	-	-	-	(2,836)	(2,836)	(1,834)
TPEG awards	-	-	-	(8,192)	(8,192)	(18,131)
Other state grants	-	-	-	(40,280)	(40,280)	(28,086)
Other local scholarships	-	-	-	(122,119)	(122,119)	(46,434)
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,713,612</u>	<u>2,713,612</u>	<u>3,166,477</u>
Conference & Education Center	-	-	-	77,747	77,747	-
Food service	-	-	-	223,794	223,794	368,362
Facilities rentals	-	-	-	20,382	20,382	47,867
Leo J. Welder Center for Performing Arts	-	-	-	154,946	154,946	148,164
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,190,481</u>	<u>3,190,481</u>	<u>3,730,870</u>
Total Operating Revenues	<u>\$ 10,941,247</u>	<u>\$ 3,222,255</u>	<u>\$ 14,163,502</u>	<u>\$ 3,190,481</u>	<u>\$ 17,353,983</u>	<u>\$ 19,458,396</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$305,858 and \$281,597 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2015 and 2014, respectively.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2015

	Operating Expenses				Current Year Total	Prior Year Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 8,005,014	\$ -	\$ 1,321,164	\$ 858,329	\$ 10,184,507	\$ 10,868,532
Public service	38,937	-	3,188	221,884	264,009	300,761
Academic support	1,940,675	-	393,925	549,430	2,884,030	2,792,449
Student services	1,438,695	-	289,353	235,194	1,963,242	2,118,191
Institutional support	2,531,610	-	1,023,324	2,047,856	5,602,790	5,084,573
Operation and maintenance of plant	1,175,159	-	460,924	2,021,796	3,657,879	3,197,949
Scholarships and fellowships	132,992	-	49	735,164	868,205	601,600
Total Unrestricted Educational Activities	<u>15,263,082</u>	<u>-</u>	<u>3,491,927</u>	<u>6,669,653</u>	<u>25,424,662</u>	<u>24,964,055</u>
Restricted - Educational Activities						
Instruction	806,701	568,975	210,580	942,735	2,528,991	3,609,721
Public service	-	35	-	-	35	169
Academic support	-	194,064	-	4,433	198,497	170,403
Student services	207,881	138,397	44,772	200,382	591,432	584,671
Institutional support	-	739,452	-	66,226	805,678	695,937
Scholarships and fellowships	109,507	-	-	8,796,686	8,906,193	10,659,935
Total Restricted Educational Activities	<u>1,124,089</u>	<u>1,640,923</u>	<u>255,352</u>	<u>10,010,462</u>	<u>13,030,826</u>	<u>15,720,836</u>
Total Educational Activities	16,387,171	1,640,923	3,747,279	16,680,115	38,455,488	40,684,891
Auxiliary Enterprises	359,703	-	123,068	2,929,594	3,412,365	3,594,443
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	1,172,944	1,172,944	1,162,626
Equipment and furniture	-	-	-	757,357	757,357	621,736
Library volumes and periodicals	-	-	-	52,489	52,489	59,829
Total Operating Expenses	<u>\$ 16,746,874</u>	<u>\$ 1,640,923</u>	<u>\$ 3,870,347</u>	<u>\$ 21,592,499</u>	<u>\$ 43,850,643</u> (Exhibit 2)	<u>\$ 46,123,525</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2015

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Current Year</u>	<u>Prior Year</u>
Non-Operating Revenues					
State Allocations:					
Education and general state support	\$ 6,245,318	\$ -	\$ -	\$ 6,245,318	\$ 6,245,318
State group insurance	-	1,241,463	-	1,241,463	1,156,679
State retirement matching	-	399,460	-	399,460	405,910
Total State Allocations	<u>6,245,318</u>	<u>1,640,923</u>	<u>-</u>	<u>7,886,241</u>	<u>7,807,907</u>
Ad valorem taxes:					
Taxes for maintenance and operations	9,143,748	-	-	9,143,748	8,131,921
Taxes for debt service	-	3,116,490	-	3,116,490	3,006,314
Title IV	-	8,027,070	-	8,027,070	9,483,109
Gifts	423,071	1,244,078	51,114	1,718,263	1,256,743
Equity transfer in	-	-	-	-	-
Other revenue	-	-	-	-	-
Investment income	41,203	30,991	162	72,356	115,570
Total Non-Operating Revenues	<u>15,853,340</u>	<u>14,059,552</u>	<u>51,276</u>	<u>29,964,168</u>	<u>29,801,564</u>
Non-Operating Expenses					
Interest on capital related debt	-	956,249	-	956,249	1,348,630
Total Non-Operating Expenses	<u>-</u>	<u>956,249</u>	<u>-</u>	<u>956,249</u>	<u>1,348,630</u>
Net Non-Operating Revenues	<u>\$ 15,853,340</u>	<u>\$ 13,103,303</u>	<u>\$ 51,276</u>	<u>\$ 29,007,919</u> (Exhibit 2)	<u>\$ 28,452,934</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2015

	Detail by Source				
	Unrestricted	Restricted		Capital Assets	Current Year
		Expendable	Non-Expendable	Net of Depreciation and Related Debt	Total
Current					
Unrestricted	\$ (34,860)	\$ -	\$ -	\$ -	\$ (34,860)
Restricted for:					
Expendable:					
Student aid	-	374,962	-	-	374,962
Unexpended bond proceeds	-	-	-	2,726,668	2,726,668
Auxiliary enterprises	-	-	-	-	-
Plant					
Debt service	-	378,439	-	-	378,439
Investment in plant	-	-	-	30,260,315	30,260,315
Total Net Position, August 31, 2015	<u>(34,860)</u>	<u>753,401</u>	<u>-</u>	<u>32,986,983</u>	<u>33,705,524</u>
Total Net Position, August 31, 2014	<u>5,241,205</u>	<u>404,895</u>	<u>-</u>	<u>31,161,325</u>	<u>36,807,425</u>
Adjustment to net position	<u>(5,518,116)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,518,116)</u>
Net Increase (Decrease) in Net Position	<u>\$ (242,051)</u>	<u>\$ 348,506</u>	<u>\$ -</u>	<u>\$ 1,825,658</u>	<u>\$ 2,416,215</u>
					(Exhibit 2)

SCHEDULE D

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ (34,860)	\$ -	\$ 708,953	\$ 708,953	\$ -
Restricted for:					
Expendable:					
Student aid	-	374,962	78,821	-	78,821
Unexpended bond proceeds	-	2,726,668	7,672,848	-	7,672,848
Auxiliary enterprises	-	-	4,532,252	4,532,252	-
Plant					
Debt service	-	378,439	326,074	-	326,074
Investment in plant	-	30,260,315	23,488,477	-	23,488,477
Total Net Position, August 31, 2015	<u>(34,860)</u>	<u>33,740,384</u>	<u>36,807,425</u>	<u>5,241,205</u>	<u>31,566,220</u>
Total Net Position, August 31, 2014	<u>5,182,349</u>	<u>30,588,448</u>	<u>35,770,797</u>	<u>5,182,349</u>	<u>30,588,448</u>
Adjustment to net position	<u>(5,518,116)</u>	<u>-</u>	<u>(722,569)</u>	<u>-</u>	<u>(722,569)</u>
Net Increase (Decrease) in Net Position	<u>\$ 300,907</u>	<u>\$ 3,151,936</u>	<u>\$ 1,759,197</u>	<u>\$ 58,856</u>	<u>\$ 1,700,341</u>
			(Exhibit 2)		

SCHEDULE E

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Programs:</i>			
Federal Supplemental Educational Opportunity Grants	84.007	P007A147874	\$ 107,000
Higher Education Institutional Aid	84.031	P031S090139	96,425
Federal Work-Study Program	84.033	P033A147874	87,000
TRIO - Student Support Services	84.042	P042A101246	256,296
Federal Pell Grant Program	84.063	P063P142339	5,093,103
Federal Pell Grant Program	84.063	P063Q142339	8,570
Federal Direct Student Loans - Subsidized	84.268	P268K152339	1,288,877
Federal Direct Student Loans - Unsubsidized	84.268	P268K152339	<u>1,451,090</u>
Total Direct Programs			<u>8,388,361</u>
<i>Pass Through From Texas Workforce Commission:</i>			
Adult Education - Basic Grants to States	84.002	1914ABE000	17,628
Adult Education - Basic Grants to States	84.002	1914AELA00	<u>500,626</u>
Total Texas Workforce Commission			<u>518,254</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>			
Career and Technical Education - Basic Grants to States	84.048	142074	250,549
Statewide Data Systems	84.372	13840	<u>69,157</u>
Total Texas Higher Education Coordinating Board			<u>319,706</u>
Total U.S. Department of Education			<u>9,226,321</u>
U.S. DEPARTMENT OF HUMAN SERVICES			
<i>Pass Through Texas Workforce Commission:</i>			
Temporary Assistance for Needy Families (TANF)	93.558	1914AELA00	<u>15,849</u>
Temporary Assistance for Needy Families (TANF)	93.558	1914SSF000	<u>50,106</u>
Total TANF			<u>65,955</u>
<i>Passed through UTMB:</i>			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	U77HP01066-11-00	92,417
Geriatric Education Centers	93.969	5UB4HP19213-05-00	<u>18,325</u>
Total UTMB			<u>110,742</u>
Total U.S. Department of Health and Human Services			<u>176,697</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
<i>Direct:</i>			
Promotion of the Humanities Division of Preservation and Access	45.149	PG-52226-14	<u>1,500</u>
Total National Endowment			<u>1,500</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,404,518</u>

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2015

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

Direct federal grants and contracts revenue per Schedule A	\$ 1,368,878
Direct federal revenue, non-operating - Schedule C	8,027,070
Administration cost recovery (included in other revenue)	8,570
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$ 9,404,518

Note 2: Significant Accounting Policies Used in Preparing the Schedule

See Note 2 of the notes to the basic financial statements for the District's significant accounting policies. The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures not Subject to Federal Single Audit

All expenditures are subject to Federal Single Audit.

Note 4: Student Loans Processed and Administrative Costs Recovered - Included in Schedule

Federal Grantor/ CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed & Admin. Costs Recovered
Department of Education 84.268 Federal Direct Student Loans (includes PLUS, subsidized and unsubsidized)	\$ 2,739,967	\$ -	\$ 2,739,967

Note 5: Nonmonetary Federal Assistance Received

No nonmonetary federal assistance was received.

SCHEDULE F

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2015**

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
College Work-study Program	-	\$ 22,507
Texas Educational Opportunity Grant Program	-	313,902
Texas Public Education Grant Program	-	133,655
Texas Grant Program	-	38,426
Law Enforcement Officer Standards & Education	-	362
Higher Education Performance Incentive Scholarship	-	3,000
Total Direct Funding		<u>511,852</u>
<i>Passed through Alamo Community College District:</i>		
Adult Basic Education Innovation Grant: VAST Consortium	ABEIG 10790	<u>158,149</u>
Total passed through UTMB at Galveston		<u>158,149</u>
Total Texas Higher Education Coordinating Board		<u>670,001</u>
UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON		
Pecan Valley Area Health Education Center	UTMBG 0000581136	127,994
MHGP Retention and Recruitment	UTMBG 0000584491	19,979
		<u>147,973</u>
DEPARTMENT OF STATE HEALTH SERVICES		
<i>Passed through Victoria County via Community Mother and Child Health Center:</i>		
EXEC/PPH Potentially Preventable Hospitalizations Initiative	-	<u>84,081</u>
<i>Passed through Texas Workforce Commission:</i>		
Temporary Assistance for Needy Families	1914ABE000/1914AELB000	6,237
GR - Adult Ed	1914ABE000/1914AELB000	80,578
Total Passed Through Texas Education Agency		<u>86,815</u>
Total Department of State Health Services		<u>170,896</u>
TEXAS STATE PRESERVATION BOARD		
<i>Direct</i>		
Museum of the Coastal Bend Award	-	<u>146</u>
TEXAS WORKFORCE COMMISSION		
<i>Direct:</i>		
Victoria College in Partnership with Detar Hospital, LLC	1914SDF000	65,169
Skill Development Fund Veteran and Industry Partnership	1914ADF001	8,800
Victoria College in Partnership with Caterpillar, Inc.	1913SDF002	266,472
Skill Development Small Business Initiative	1915SSD000	738
Victoria College in Partnership with a Petrochemical Consortium	1913SDF000	267,587
Total Texas Workforce Commission		<u>608,766</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u><u>\$ 1,597,782</u></u>

Notes to the Schedule on the following page.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to Schedule of Expenditures of State Awards
For the Year Ended August 31, 2015

Note 1: State Assistance Reconciliation

State Assistance Reconciliation	
per Schedule of Expenditures of State Awards	\$ <u>1,597,782</u>
Less: TPEG (included in "Tuition" section)	<u>(133,655)</u>
Total included in "Tuition and Fees"	<u>(133,655)</u>
Total State Revenues per Schedule A	\$ <u><u>1,464,127</u></u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

**OVERALL COMPLIANCE
AND
INTERNAL CONTROL SECTION**



PATTILLO, BROWN & HILL, L.L.P.
 CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Victoria County Junior College District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Victoria County Junior College District’s basic financial statements and have issued our report thereon dated November 12, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Victoria County Junior College District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Victoria County Junior College District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Victoria County Junior College District’s internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

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



Brownsville, Texas
November 12, 2015



PATTILLO, BROWN & HILL, L.L.P.
 CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGEL AUDIT CIRCULAR

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

Report on Compliance for Compliance for Each Major Federal and State Program

We have audited the compliance of Victoria County Junior College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Victoria County Junior College District's major federal and state programs for the year ended August 31, 2015. Victoria County Junior College District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Victoria County Junior College District's major federal and state programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Victoria County Junior College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However our audit does not provide a legal determination of the Victoria County Junior College District's compliance.

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Opinion on Each Major Federal and State Program

In our opinion, the Victoria County Junior College District 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 and state programs for the year ended August 31, 2015.

Report on Internal Control over Compliance

Management of the Victoria County Junior College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Victoria County Junior College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Victoria County Junior College District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state 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 or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Patricia Barr & Hillier

Brownsville, Texas
November 12, 2015

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015**

I. Summary of Auditors' Results

Type of auditors' report on financial statements:	Unmodified.
Internal control over financial reporting: Material weakness(es) identified?	No.
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported.
Internal control over major programs: Material weakness(es) identified?	No.
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported.
Noncompliance which is material to the basic financial statements	No.
Type of auditors' report on compliance with major programs	Unmodified.
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and the State of Texas Single Audit Circular	No.
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	Yes
Major federal programs	The Student Financial Aid Cluster (CFDA #84.007, #84.033, #84.063, and #84.268) Adult Education Grant (CFDA #84.002) Career and Technical Education (CFDA #84.048)
Major state programs	Texas Educational Opportunity Grant Program Victoria College Partnership with Caterpillar Inc.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

The audit disclosed no finding required to be reported.

III. Findings and Questioned Costs for Federal Awards

None reported.

IV. Findings and Questioned Costs for State Awards

None reported.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2015**

There were no findings in the prior year for either federal or state programs.