

**VICTORIA COUNTY  
JUNIOR COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT**

**AUGUST 31, 2017 and 2016**

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

**ANNUAL FINANCIAL REPORT  
AUGUST 31, 2017**

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

**ORGANIZATIONAL DATA  
FOR THE FISCAL YEAR 2016-2017**

**Board of Trustees**

**Officers**

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

**Members**

		<u>Term Expires</u>
Daniel A. Cano	Victoria, Texas	2020
Luis A. Guerra	Victoria, Texas	2018
Catherine McHaney	Victoria, Texas	2022
V. Bland Proctor	Victoria, Texas	2020
Ronald B. Walker	Victoria, Texas	2020
Michelle A. Yates	Victoria, Texas	2018
John E. Zacek	Victoria, Texas	2022

**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
Jacquelyn Mikesh, M. Ed.	Interim Vice President of Student Services
Cindy Buchholz, M.A.	Interim 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**



P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business type activities of Victoria County Junior College District, as of and for the year ended August 31, 2017, and 2016, and the related notes to the financial statements, which collectively comprise Victoria County Junior College District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 \$14,696,990 and revenues of \$3,340,574. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Victoria County Junior College District Foundation, Inc. are based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Victoria County Junior College District, as of August 31, 2017 and 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension information on pages as listed in the table of contents to 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 Victoria County Junior College District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Uniform Grant Management Standards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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, the supplementary information and financial assistance section, are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017 on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Victoria County Junior College District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Victoria County Junior College District's internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, C.P.A.*

Brownsville, Texas  
November 17, 2017

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

**Management's Discussion and Analysis  
(Unaudited)  
Year Ended August 31, 2017**

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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, 2017. The discussion is prepared by management and should be read in conjunction with the accompanying financial statements and notes.

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

The District's annual financial report consists of three basic financial statements: the Statement of Net Position provides a summary of assets, liabilities and net position as of August 31, 2017; 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, 2017 and 2016 are presented in the audited financial statements. The discussion and analysis is limited to the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the primary government and is designed to focus on current activities, the resulting change, and currently known facts.

**Statement of Net Position**

The Statement of Net Position 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.

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

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

**Management's Discussion and Analysis  
(Unaudited)  
Year Ended August 31, 2017**

**Summary of Statement of Net Position - Exhibit 1**

	<u>Fiscal Year</u>			<u>Change</u>	
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017 to 2016</u>	<u>2016 to 2015</u>
<b>Assets</b>					
Cash and Investments	\$ 11,659,872	\$ 10,095,866	\$ 11,692,735	\$ 1,564,006	\$ (1,596,869)
Other Assets	7,480,973	7,195,958	5,640,245	285,015	1,555,713
Capital Assets, Net	<u>61,440,100</u>	<u>63,059,551</u>	<u>63,522,364</u>	<u>(1,619,451)</u>	<u>(462,813)</u>
Total Assets	80,580,945	80,351,375	80,855,344	229,570	(503,969)
<b>Liabilities</b>					
Current Liabilities	9,275,255	8,803,701	9,552,580	471,554	(748,879)
Long-term Liabilities	<u>34,071,020</u>	<u>36,680,683</u>	<u>37,597,240</u>	<u>(2,609,663)</u>	<u>(916,557)</u>
Total Liabilities	43,346,275	45,484,384	47,149,820	(2,138,109)	(1,665,436)
<b>Net Position</b>					
Invested in Capital Assets, Net of Related Debt	32,623,802	31,985,378	30,260,315	638,424	1,725,063
Unrestricted	2,654,474	714,564	(34,860)	1,939,910	749,424
Restricted	<u>1,956,394</u>	<u>2,167,049</u>	<u>3,480,069</u>	<u>(210,655)</u>	<u>(1,313,020)</u>
Total Net Position	<u>\$ 37,234,670</u>	<u>\$ 34,866,991</u>	<u>\$ 33,705,524</u>	<u>\$ 2,367,679</u>	<u>\$ 1,161,467</u>

Highlighted information from the Statement of Net Position:

- Total assets increased by \$229,570 or 0.29%.
- Total liabilities decreased by \$2,135,109 or 4.70%.
- Total net position increased by \$2,367,679 or 6.79%.

Significant changes in assets, liabilities and net position are partially attributable to GASB 68, as amended by GASB Statement No. 71. The District reduced deferred outflows related to pensions (an asset) by \$308,710 for a total deferred outflows related to pensions of \$1,901,321 (a 13.97% decrease). Additionally, deferred inflows related to pensions (a liability) decreased by \$571,865 (25.95%) for total deferred pension inflows of \$1,631,619. The net pension liability increased by 5.28% from \$5,498,026 to \$5,788,104.

Deferred outflows on the pension 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 \$5,788,104 was measured at August 31, 2016 and was established per amounts recorded in TRS's *Comprehensive Annual Financial Statement* and TRS's *Audited 2016 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 16 in the accompanying Notes to the Financial Statements.

Cash increased by \$2,137,652 (24.22%) due to the sale of property (\$1,866,570 or 87.32%) and operations (\$270,962 or 12.68%). Restricted cash decreased by \$573,647 or 45.17%, of which \$333,224 (58.09%) represented expenditures related to construction projects.

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 13 in the accompanying financial statements.



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

**Management's Discussion and Analysis  
(Unaudited)  
Year Ended August 31, 2017**

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At August 31, 2017, the District designated the entirety of expendable net position, restricted for unexpended bond proceeds, for the 2011-2020 master plan (\$1,075,754). \$1,359,927 of unrestricted net position is designated for the 2011-2020 master plan. These designations indicate management's anticipated future use of financial resources.

**Statement of Revenues, Expenses, and Changes in Net Position**

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

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

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

**Management's Discussion and Analysis  
(Unaudited)  
Year Ended August 31, 2017**

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

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

	<u>Fiscal Year</u>			<u>Change</u>	
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017 to 2016</u>	<u>2016 to 2015</u>
<b>Operating Revenues</b>					
Tuition and Fees (net of discounts)	\$ 9,480,754	\$ 9,440,784	\$ 9,477,859	\$ 39,970	\$ (37,075)
Local, State and Federal Grants and Contracts	3,336,108	2,890,620	3,990,751	445,488	(1,100,131)
Auxiliary Enterprise	3,041,741	3,403,903	3,190,481	(362,162)	213,422
Other	755,061	807,713	694,892	(52,652)	112,821
<b>Total Operating Revenues</b>	<b>16,613,664</b>	<b>16,543,020</b>	<b>17,353,983</b>	<b>70,644</b>	<b>(810,963)</b>
<b>Operating Expenses</b>					
Instruction	13,363,775	12,103,345	12,800,498	1,260,430	(697,153)
Public Service	253,733	201,425	264,044	52,308	(62,619)
Academic Support	3,486,829	3,366,488	3,082,527	120,341	283,961
Student Services	2,755,388	2,757,264	2,554,674	(1,876)	202,590
Institutional Support	5,848,205	6,187,585	6,408,468	(339,380)	(220,883)
Operation and Maintenance of Plant	4,054,884	3,745,572	3,657,879	309,312	87,693
Scholarships and Fellowships	9,101,274	9,132,715	9,687,398	(31,441)	(554,683)
Auxiliary Enterprises	3,688,769	3,408,417	3,412,365	280,352	(3,948)
Depreciation	2,675,097	2,128,759	1,982,790	546,338	145,969
<b>Total Operating Expenses</b>	<b>45,227,954</b>	<b>43,031,570</b>	<b>43,850,643</b>	<b>2,196,384</b>	<b>(819,073)</b>
<b>Operating Income (Loss)</b>	<b>(28,614,290)</b>	<b>(26,488,550)</b>	<b>(26,496,660)</b>	<b>(2,125,740)</b>	<b>8,110</b>
<b>Non-Operating Revenues (Expenses)</b>					
State Appropriations	7,639,476	7,655,944	7,886,241	(16,468)	(230,297)
Taxes	13,553,551	12,943,733	12,260,238	609,818	683,495
Title IV	7,534,251	7,574,784	8,027,070	(40,533)	(452,286)
Gifts	1,334,149	305,167	1,718,263	1,028,982	(1,413,096)
Interest on Capital Related Debt	(812,612)	(886,811)	(956,249)	74,199	69,438
Investment Related Income	60,623	57,200	72,356	3,423	(15,156)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>29,309,438</b>	<b>27,650,017</b>	<b>29,007,919</b>	<b>1,659,421</b>	<b>(1,357,902)</b>
<b>Income Before Other Revenues, (Expenses)</b>	<b>695,148</b>	<b>1,161,467</b>	<b>2,511,259</b>	<b>(466,319)</b>	<b>(1,349,792)</b>
<b>Other Revenues, (Expenses), Gains, (Losses)</b>	<b>1,672,531</b>	<b>-</b>	<b>(95,044)</b>	<b>1,672,531</b>	<b>95,044</b>
<b>Increase (Decrease) in Net Position</b>	<b>2,367,679</b>	<b>1,161,467</b>	<b>2,416,215</b>	<b>1,206,212</b>	<b>(1,254,748)</b>
Beginning Net Position, as Adjusted	34,866,991	33,705,524	36,807,425	1,161,467	(3,101,901)
Adjustments to Net Position	-	-	(5,518,116)	-	5,518,116
<b>Ending Net Position</b>	<b>\$ 37,234,670</b>	<b>\$ 34,866,991</b>	<b>\$ 33,705,524</b>	<b>\$ 2,367,679</b>	<b>\$ 1,161,467</b>

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

**Management's Discussion and Analysis  
(Unaudited)  
Year Ended August 31, 2017**

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

- Operating revenues increased by \$70,644 or 0.43%.
- Operating expenses increased by \$2,196,384 or 5.10%.
- Operating loss was increased by \$2,125,740 or 8.03%.
- Non-operating revenue increased by \$1,585,222, while non-operating expenses decreased by \$74,199 for a net non-operating revenues (expenses) increase of \$1,659,421 or 6.00%.

For fiscal year ended August 31, 2017, net position from current year operations increased by \$2,367,679.

The increase in operating revenues (\$70,644 or 0.43%) was primarily attributable to a \$445,488 (15.41%) increase in local, state, and federal grants and gifts and an increase in tuition and fee revenue (\$39,970 or 0.42%). Downswings in sales and services of educational activities (\$12,255 or 2.47%), auxiliary enterprises, net of discounts (\$362,162 or 10.64%) and general operating revenues (\$40,397 or 12.95%) offset the increase in local, state and federal gifts and grants.

Operating expenses increased by \$2,196,384 (5.10%). Operating expenses were impacted by increases in expenses related to instruction (\$1,260,430 or 10.41%), public service (\$52,308 or 25.97%), academic support (\$120,341 or 3.57%), operation and maintenance of plant (\$309,312 or 8.26%), auxiliary enterprises (\$280,352 or 8.23%), and depreciation (\$546,338 or 25.66%). These increases in expenses were partially offset by decreases in expenses related to student services (\$1,876 or 0.07%), institutional support (\$339,380 or 5.48%) and scholarships and fellowships (\$31,441 or 0.34%).

Overall non-operating revenue (expenses) increased by \$1,659,421 (6.00%). Key elements in the decrease are as follows:

- Tax revenue increased by \$609,818 and is the result of an increase in the tax rate adopted by the District's Board of Trustees (\$0.2065 per \$100 valuation for fiscal year 2017 versus \$0.1925 per \$100 valuation for fiscal year 2016). The tax rate was increased to fund planned operating activities of the District.
- Title IV disbursements declined by \$40,533 (0.54%) due to reduced funding by the Department of Education.
- Non-Operating gifts increased by \$1,028,982 (337.19%) and is attributable to donations supporting programs offered by the college.
- Overall state allocations declined by \$16,468 (0.22%), which included a slight increase in education and general state support of \$8,625 (0.15%), an increase in state group insurance of \$92,225 (7.16%), and an decrease in state retirement matching of \$117,318 (19.78%). The decrease in retirement matching is due, in part, to growth limitation factors implemented by the state. State retirement matching is also impacted by amortization of deferred inflows of resources and deferred outflows of resources related to pensions (GASB 68).
- Investment income (interest) increased by \$3,423 or 5.98%. Increased cash balances due to the disposition of property attributed to the increase in investment income.
- Interest on capital related debt decreased by \$74,199 (8.37%).

Tuition and fee revenue increased by \$39,970 (0.42%) for the year ended August 31, 2017. While credit enrollment declined by 0.56%, contact hours increased by 0.51%. The District implemented differential tuition during the previous fiscal year (2016) for programs that are more costly to offer. An analysis of enrollment and contact hours is provided below.

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

<b>Fiscal Year</b>	<b>In-District Tuition</b>	<b>Non-Resident Tuition</b>	<b>Out of District Fee</b>	<b>General Fee</b>	<b>Technology Fee</b>
2017	\$ 46	\$ 113	\$ 47	\$ 27	\$ 15
2016	\$ 46	\$ 113	\$ 47	\$ 27	\$ 15
2015	\$ 46	\$ 113	\$ 47	\$ 27	\$ 15

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

**Management's Discussion and Analysis  
(Unaudited)  
Year Ended August 31, 2017**

<b>Differential Tuition by Program for Fiscal Year 2016:</b>	<b>Per Credit Hour</b>
Associate Degree Nursing	\$ 70
Licensed Vocational Nursing	\$ 70
Respiratory Therapy Technology	\$ 70
Medical Laboratory Technology	\$ 70
Physical Therapy Assistant	\$ 70
Emergency Medical Services	\$ 70
Fire Technology	\$ 70
Process Technology	\$ 35
Electronics and Instrumentation	\$ 35
Welding	\$ 35
Machining	\$ 35
Industrial Maintenance Mechanic	\$ 35

Enrollment Highlights:

	<b>2016-2017</b>	<b>Fall</b>	<b>Spring</b>	<b>Summer</b>	<b>Annual *</b>	
<b>Credit Students</b>	Enrollment	4,039	3,667	1,532	5,289	
	Contact Hours	678,896	617,824	177,920	1,474,640	
	<hr/>					
		<b>2015-2016</b>	<b>Fall</b>	<b>Spring</b>	<b>Summer</b>	<b>Annual *</b>
	Enrollment	4,085	3,638	1,429	5,319	
	Contact Hours	694,128	607,520	165,440	1,467,088	
	<hr/>					
		<b>2014-2015</b>	<b>Fall</b>	<b>Spring</b>	<b>Summer</b>	<b>Annual *</b>
	Enrollment	4,165	3,588	1,515	5,270	
Contact Hours	705,952	624,912	193,456	1,524,320		

	<b>2016-2017</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Annual *</b>	
<b>Non-Credit Students</b>	Enrollment	479	385	441	484	1,531	
	Contact Hours	44,716	34,306	23,887	18,530	121,439	
	<hr/>						
		<b>2015-2016</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Annual *</b>
	Enrollment	748	570	491	585	2,064	
	Contact Hours	64,272	47,781	21,859	13,889	147,801	
	<hr/>						
		<b>2014-2015</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Annual *</b>
	Enrollment	1,124	716	484	1,109	2,852	
Contact Hours	60,004	50,815	19,995	39,079	169,893		

\* Unduplicated

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

**Management’s Discussion and Analysis  
(Unaudited)  
Year Ended August 31, 2017**

Credit student enrollment and contact hours decreased by 1.1% and 2.2%, respectively, for the fall term. Headcount was 4,039 for the fall 2016-2017 term compared to 4,085 for the fall 2015-2016 term. Credit student enrollment and contact hours increased by 0.8% and 1.7%, respectively for the spring term. Headcount was 3,667 for the spring 2016-2017 term compared to 3,638 for the spring 2015-2016 term. The summer term posted increases in credit student enrollment and contact hours (7.2% and 7.5%, respectively). Annualized credit student enrollment decreased by 0.6%; however, annualized contact hours increased by 0.5%.

Fundable non-credit enrollment and contact hours decreased by 36.0% and 30.4%, respectively, for Quarter 1 2016-2017 term (479 enrollment; 44,716 contact hours) compared to Quarter 1 2015-2016 term (748 enrollment; 64,272 contact hours). Fundable non-credit enrollment and contact hours decreased by 32.5% and 28.2%, respectively, for Quarter 2 2016-2017 term (385 enrollment; 34,306 contact hours) compared to Quarter 2 2015-2016 term (570 enrollment; 47,781 contact hours). Quarters 3 and 4 decreased enrollment by 14.0% while contact hours increased by 18.7% (enrollment 925 and contact hours 42,417 for Quarters 3 and 4 in 2016-2017 term; enrollment 1,076 and contact hours 35,748 for Quarters 3 and 4 2015-2016 term). Annualized fundable non-credit enrollment and contact hours decreased by 25.8% and 17.8%, respectively.

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

Certificates and Degrees Conferred:

<b>Fiscal Year</b>	<b>Associate of Arts</b>	<b>Associate of Science</b>	<b>Associate of Applied Sciences</b>	<b>Work Force Certificates</b>	<b>Total Degrees and Certificates</b>
2016-2017	110	176	205	309	800
2015-2016	113	202	188	323	826
2014-2015	91	200	183	272	746

**Capital Assets and Long Term Debt Administration**

Capital Assets

The District’s investment in capital assets as of August 31, 2017 was \$61,440,100 (net of accumulated depreciation). This amount represents a net decrease (including additions, dispositions, and depreciation expense) of \$1,619,451 over fiscal year 2016. During the fiscal year, the District approved the sale of real property. Construction in process increased by \$284,291 due to ongoing activities related to the campus safety plan and other projects in progress. 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, 2017**

The District's capital assets, net of accumulated depreciation, as of August 31, 2017, 2016, and 2015 are summarized below:

	<u>Balance at 8/31/2017</u>	<u>Balance at 8/31/2016</u>	<u>Balance at 8/31/2015</u>	<u>\$ Change 2017-2016</u>	<u>\$ Change 2016-2015</u>
Land	\$ 263,792	\$ 460,387	\$ 460,387	\$ (196,595)	\$ -
Construction in Progress	945,287	660,996	21,319,133	284,291	(20,658,137)
Library Volumes and Periodicals	510,782	652,845	856,839	(142,063)	(203,994)
Buildings	71,945,220	71,896,287	50,183,854	48,933	21,712,433
Site Improvements	6,512,778	6,512,778	6,512,778	-	-
Telecommunications and Peripheral Equipment	1,881,334	1,881,334	1,881,334	-	-
Machinery, Equipment, Furniture and Vehicles	<u>7,970,090</u>	<u>7,177,679</u>	<u>6,634,193</u>	<u>792,411</u>	<u>543,486</u>
Totals at Historical Costs	90,029,283	89,242,306	87,848,518	786,977	1,393,788
Total Accumulated Depreciation	<u>28,589,183</u>	<u>26,182,755</u>	<u>24,326,154</u>	<u>2,406,428</u>	<u>1,856,601</u>
Net Capital Assets	<u><u>\$ 61,440,100</u></u>	<u><u>\$ 63,059,551</u></u>	<u><u>\$ 63,522,364</u></u>	<u><u>\$ (1,619,451)</u></u>	<u><u>\$ (462,813)</u></u>
				<u>% Change 2017-2016</u>	<u>% Change 2016-2015</u>
Land				-42.7%	0.0%
Construction in Progress				43.0%	-96.9%
Library Volumes and Periodicals				-21.8%	-23.8%
Buildings				0.1%	43.3%
Site Improvements				0.0%	0.0%
Telecommunications and Peripheral Equipment				0.0%	0.0%
Machinery, Equipment, Furniture and Vehicles				11.0%	8.2%
Totals at Historical Costs				0.9%	1.6%
Total Accumulated Depreciation				9.2%	7.6%
Net Capital Assets				-2.6%	-0.7%

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

**Management's Discussion and Analysis  
(Unaudited)  
Year Ended August 31, 2017**

Long-Term Debt

Long-term debt decreased by \$2,095,000 during the fiscal year. Additional information regarding the District's long-term debt can be found in Notes 8 through 13 to the accompanying financial statements.

The District's long-term debt outstanding at August 31, 2017, 2016, and 2015 is summarized in the following table:

	Balance at 8/31/2017	Balance at 8/31/2016	Balance at 8/31/2015	\$ Change 2017-2016	\$ Change 2016-2015
2006 Tax Bonds Payable	\$ 130,000	\$ 885,000	\$ 1,605,000	\$ (755,000)	\$ (720,000)
2010 Combined Fee Revenue					
Refunding Bonds	835,000	1,235,000	1,625,000	(400,000)	(390,000)
2012 Limited Tax Refunding Bonds	7,910,000	8,005,000	8,100,000	(95,000)	(95,000)
2013 Limited Tax Bonds	<u>18,275,000</u>	<u>19,120,000</u>	<u>19,940,000</u>	<u>(845,000)</u>	<u>(820,000)</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 27,150,000</u></b>	<b><u>\$ 29,245,000</u></b>	<b><u>\$ 31,270,000</u></b>	<b><u>\$ (2,095,000)</u></b>	<b><u>\$ (2,025,000)</u></b>
				<b>% Change 2017-2016</b>	<b>% Change 2016-2015</b>
2006 Tax Bonds Payable				-85.3%	-44.9%
2010 Combined Fee Revenue					
Refunding Bonds				-32.4%	-24.0%
2012 Limited Tax Refunding Bonds				-1.2%	N/A
2013 Limited Tax Bonds				100.0%	N/A
<b>Total Long-Term Debt</b>				<b>-7.2%</b>	<b>-6.5%</b>

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. Completion of the second year of the 2015-2020 Strategic Plan saw great progress towards achieving the goals. Results indicated the activities were successful in improving processes and opportunities, making significant progress towards improving student success, meeting the needs of the service area and furthering the mission of the College. The overall goals of the College's Strategic Plan are:

**Student Success-** Victoria College students will demonstrate increasing student engagement and will exceed comparative college benchmarks on student performance indicators, such as completion of coursework, attainment of educational transfer and career goals, marketable skills and manageable debt.

**Community Needs -** Through strategic partnerships, Victoria College will provide: an appropriately trained and skilled workforce to meet growing economic demand; seamless transitions; increased educational attainment; and cultural enrichment opportunities.

**Institutional Excellence -** Victoria College will ensure high performance and high levels of student, employee and community satisfaction as indicated by appropriate benchmarking.

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

**Management's Discussion and Analysis  
(Unaudited)  
Year Ended August 31, 2017**

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To further facilitate the achievement of strategic goals, the Board of Trustees approved the new 2016-2025 Facilities Master Plan. The development of the plan included a six-month process of bringing together students, administrators, faculty, staff and community members to assess the current facilities and establish needs for the next decade. Included in the plan is a Comprehensive Student Center which will bring together all student services, including such things as library services, advising, tutoring, testing, financial aid and social wrap-around services. In addition, the plan includes refurbishment of existing facilities to meet training and educational needs necessary for student success and to meet employer demands for an educated workforce.

### **Resource Management & Development**

Victoria College remains committed to maintaining the affordability of higher education and works diligently to manage its resources in order to balance the needs of its students with the needs, requirements and expectations of governing agencies, taxpayers, community members, and business and industry. As State financial support continues to decrease and the cost of doing business continues to increase, achieving this balance becomes progressively more difficult. Administration, faculty and staff are careful to control expenses while not sacrificing quality instructional delivery and student support services. State appropriations contribute less than 17% to the annual operating budget. The remainder comes mostly from ad valorem taxes and student tuition and fees. No change in the tuition rate was made during 2016-2017, but the Board of Trustees did approve a slight change to the tax rate from \$0.2065 to \$0.2170, per \$100 valuation.

Victoria College strategically and aggressively seeks external support through donations and grants to help offset the cost of new program development, 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 nearly \$700,000 in student scholarships and inject nearly \$1.2 million to enhance College programs, facilities, and initiatives during the 2016-2017 academic year. In addition, numerous State and Federal grants, totaling \$2.3 million, were awarded to Victoria College during the year to support students' financial needs and programs aimed at increasing student success.

### **College Recognition & Accomplishments**

The steadfast commitment to institutional excellence, quality educational opportunities and meeting community needs continues to result in Victoria College being recognized nationwide. The Community College Survey of Student Engagement (CCSSE) was administered to students in spring 2017. This survey is a national survey used by community colleges to understand student perceptions of active learning, student effort, academic challenge, student/faculty interaction, and overall learner support. All of these have been associated with improved learning outcomes and increased student success. The CCSSE puts Victoria College in competition with other colleges in a peer group, and for the first time, all five measures place the college in the top half of its peer group. Of particular note: these gains happened even as student perception of academic rigor increased over 3%.

Victoria College experienced gains in student persistence and success in 2016-2017, in direct alignment with the student perceptions on the CCSSE. First Time in College (FTIC) students enrolling in fall 2016 experienced Fall-to-Spring persistence increases of 4.3%. Fall-to-Fall persistence rates for these students also increased by almost 2%. Student success rates (grades of ABC) were up over 1%. The ABC metric is used to understand success of all students officially enrolled in courses for the semester. These success measures are important, because they are a direct indication of continuing successful enrollment to completion.

This year, VC was recognized as a 2017 "Great Colleges to Work For" institution by the Chronicle of Higher Education. Over 230 institutions nationwide, including 77 two-year institutions, participated in the survey conducted by Modern Think LLC. Victoria College was one of 22 community colleges recognized in the country and one of three community colleges recognized in Texas.

The Chronicle of Higher Education identified Victoria College as excelling in the following four categories: Overall Job Satisfaction; Supervisor or Department Chair Relationship; Facilities, Workplace and Security; and Confidence in Senior Leadership. Victoria College was recognized as one of the top four colleges in each category within its peer group, which consisted of 36 colleges of similar size from across the country.



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

**Management's Discussion and Analysis  
(Unaudited)  
Year Ended August 31, 2017**

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**New Initiatives**

In an effort to provide a more solid framework for improving the student experience and student success, Victoria College has joined a nationwide effort and adopted the Pathways Model. This well-researched model is widely accepted as a means to formulate communications and processes to ensure students make informed decisions to enter an educational pathway, keep on the path and successfully reach their goal of completion, workforce, and/or transfer. Participation in Pathways has received broad input and support from the college community and it is on track for implementation in 2018.

**Hurricane Harvey Relief and Recovery Efforts**

The Victoria region was heavily affected by Hurricane Harvey in August 2017. Just days after the fall semester began, the college was forced to close due to damages. But college officials worked diligently to resume operations as quickly as possible and find ways to assist students and employees who were most affected by the storm. Nearly 200 volunteers came together to help remove debris and repair the infrastructure. Through emergency financial assistance of nearly \$53,000 and the opening of a food, supply and clothing pantry, hundreds of VC students, employees and their families were able to resume classes and begin to rebuild their lives. The ultimate goal was to help students stay on track to completion of their educational journey. The college saw only a 1% decrease in the original fall enrollment numbers due to the storm.

**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, 2017 and 2016**

	Current Year	Prior Year
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash & cash equivalents	\$ 10,963,138	\$ 8,825,486
Restricted cash and cash equivalents	696,284	1,269,931
Short-term investments	214	214
Restricted short-term investments	236	235
Due from component unit	168,018	16,629
Accounts receivable (net)	3,831,490	3,546,476
Restricted accounts receivable	777,773	589,700
Inventories	729,963	756,444
Prepaid expenses	72,408	76,678
Total Current Assets	17,239,524	15,081,793
<b>Noncurrent Assets</b>		
Construction in progress	945,287	660,996
Investments in real estate	263,792	460,387
Capital assets (net) (See note 7)	60,231,021	61,938,168
Total Noncurrent Assets	61,440,100	63,059,551
Total Assets	78,679,624	78,141,344
<b>Deferred Outflow of Resources</b>		
Deferred outflows related to pensions	1,901,321	2,210,031
Total Noncurrent Assets	1,901,321	2,210,031
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	1,228,939	1,159,080
Accrued liabilities	769,610	723,220
Funds held for others	156,909	156,410
Unearned revenues	4,954,797	4,669,991
Bonds payable - current portion	2,165,000	2,095,000
Total Current Liabilities	9,275,255	8,803,701
<b>Noncurrent Liabilities</b>		
Bonds payable	24,985,000	27,150,000
Net pension liability	5,788,104	5,498,026
Total Noncurrent Liabilities	30,773,104	32,648,026
Total Liabilities	40,048,359	41,451,727
<b>Deferred Inflows of Resources</b>		
Unamortized premiums on bonds	1,666,297	1,829,173
Deferred inflows related to pensions	1,631,619	2,203,484
Total Deferred Inflows of Resources	3,297,916	4,032,657
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	32,623,802	31,985,378
Restricted for		
Expendable		
Student aid	485,205	373,869
Unexpended bond proceeds	-	-
designated for campus safety project	-	197,371
designated for 2011-2020 master plan	1,075,754	1,212,676
Debt service	395,435	383,133
Unrestricted - designated for 2011-2020 master plan	2,359,927	689,953
Unrestricted	294,547	24,611
Total Net Position (Schedule D)	\$ 37,234,670	\$ 34,866,991

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

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT**  
**VICTORIA, TEXAS**  
**Affiliated Organization**  
**Statement of Net Position**  
**August 31, 2017 and 2016**

	Current Year	Prior Year
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash & cash equivalents	\$ 3,000,987	\$ 2,296,477
Pledges receivable	35,220	34,970
Other current assets	150	200
Total Current Assets	3,036,357	2,331,647
<b>Other Assets</b>		
Endowment investments - money market funds	113,207	113,948
Endowment investments - mutual funds	7,449,216	7,321,238
Total Investments - Permanently Restricted	7,562,423	7,435,186
Endowment investments - temporarily restricted mutual funds	4,098,210	3,532,431
Total Other Assets	11,660,633	10,967,617
Total Assets	14,696,990	13,299,264
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Due to Victoria College	168,018	16,629
Total Liabilities	168,018	16,629
<b>NET POSITION</b>		
Permanently restricted for		
Non-expendable endowments	7,562,423	7,435,186
Temporarily restricted for		
Scholarships, fellowships, and operations	6,801,178	5,710,263
Unrestricted	165,371	137,186
Total Net Position	\$ 14,528,972	\$ 13,282,635

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, 2017 and 2016**

	<u>Current Year</u>	<u>Prior Year</u>
<b>OPERATING REVENUES</b>		
Tuition and fees (net)	\$ 9,480,754	\$ 9,440,784
Federal grants and contracts	1,216,998	1,205,407
State grants and contracts	1,131,219	735,385
Local grants and contracts	10,074	40,305
Non-governmental grants and contracts	977,817	909,523
Sales and services of educational activities	483,546	495,801
Auxiliary enterprises (net)	3,041,741	3,403,903
General operating revenues	<u>271,515</u>	<u>311,912</u>
Total Operating Revenues (Schedule A)	<u>16,613,664</u>	<u>16,543,020</u>
<b>OPERATING EXPENSES</b>		
Instruction	13,363,775	12,103,345
Public service	253,733	201,425
Academic support	3,486,829	3,366,488
Student services	2,755,388	2,757,264
Institutional support	5,848,205	6,187,585
Operation and maintenance of plant	4,054,884	3,745,572
Scholarships and fellowships	9,101,274	9,132,715
Auxiliary enterprises	3,688,769	3,408,417
Depreciation	<u>2,675,097</u>	<u>2,128,759</u>
Total Operating Expenses (Schedule B)	<u>45,227,954</u>	<u>43,031,570</u>
Operating (Loss)	<u>(28,614,290)</u>	<u>(26,488,550)</u>
<b>Non-Operating Revenues (Expenses)</b>		
State allocations	7,639,476	7,655,944
Title IV	7,534,251	7,574,784
Ad valorem taxes		
Taxes for maintenance and operations	10,470,761	9,864,352
Taxes for debt service	3,082,790	3,079,381
Gifts	1,334,149	305,167
Investment income (net of investment expenses)	60,623	57,200
Interest on capital related debt	<u>(812,612)</u>	<u>(886,811)</u>
Total Non-Operating Revenues (Expenses) (Schedule C)	<u>29,309,438</u>	<u>27,650,017</u>
Income Before Other Revenues, (Expenses), Gains and (Losses)	<u>695,148</u>	<u>1,161,467</u>
<b>Other Revenues, (Expenses), Gains</b>		
Gain on disposal of capital assets	<u>1,672,531</u>	<u>-</u>
Total Other Revenues, (Expenses), Gains	<u>1,672,531</u>	<u>-</u>
Increase in Net Position	2,367,679	1,161,467
<b>NET POSITION</b>		
Net Position - Beginning of Year	<u>34,866,991</u>	<u>33,705,524</u>
Net Position - End of Year	<u>\$ 37,234,670</u>	<u>\$ 34,866,991</u>

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

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT**  
**VICTORIA, TEXAS**  
**Affiliated Organization**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For The Year Ended August 31, 2017 and 2016**

	<u>Total Current Year</u>	<u>Total Prior Year</u>
<b>OPERATING REVENUES</b>		
Grants and contributions	\$ 2,185,895	\$ 2,108,439
In-kind donations	209,752	201,044
Other changes in net assets	<u>-</u>	<u>103</u>
Total Revenue and Support	<u>2,395,647</u>	<u>2,309,586</u>
<b>OPERATING EXPENSES</b>		
Institutional support	1,824,723	866,411
Administration and collection	62,427	60,540
Other	<u>207,087</u>	<u>202,432</u>
Total Expenses	<u>2,094,237</u>	<u>1,129,383</u>
<b>NON-OPERATING REVENUES</b>		
Investment income	<u>944,927</u>	<u>737,505</u>
Change in Net Position	1,246,337	1,917,708
<b>NET ASSETS</b>		
Net Position, Beginning of Year	<u>13,282,635</u>	<u>11,364,927</u>
Net Position, End of Year	<u>\$ 14,528,972</u>	<u>\$ 13,282,635</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, 2017 and 2016**

	Current Year	Prior Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 13,290,847	\$ 13,083,012
Receipts from grants and contracts	2,863,021	2,768,379
Other receipts	120,126	297,161
Payments to suppliers for goods or services	(7,896,776)	(7,991,008)
Payments to or on behalf of employees	(24,027,542)	(23,104,830)
Payments of scholarships and fellowships	(9,101,274)	(9,132,715)
Net cash provided (used) by operating activities	(24,751,598)	(24,080,001)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state allocations	6,259,211	6,367,904
Receipts from federal (Title IV) allocations	7,534,251	7,574,784
Receipts from ad valorem tax revenues	10,470,761	9,864,352
Gifts and grants (other than capital)	1,334,149	305,167
Deferred inflows/outflows net	(263,155)	(642,500)
Net pensions	290,078	627,687
Student organization and other agency transactions	499	(10,210)
Net cash provided by non-capital financing activities	25,625,794	24,087,184
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts from ad valorem tax revenues	3,082,790	3,079,381
Purchases of capital assets	(1,252,241)	(1,665,946)
Proceeds from disposal of capital assets	196,595	-
(Gain) loss on disposal of capital assets	1,672,531	-
Bond premium amortization	(162,876)	(162,876)
Payments on capital debt - principal	(2,095,000)	(2,025,000)
Payments on capital debt - interest	(812,612)	(886,811)
Net cash provided (used) by capital and related finan	629,187	(1,661,252)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	60,622	57,201
Net cash provided (used) by investing activities	60,622	57,201
Increase (decrease) in cash and cash equivalents	1,564,005	(1,596,868)
Cash and cash equivalents - September 1	10,095,417	11,692,285
Cash and cash equivalents - August 31	\$ 11,659,422	\$ 10,095,417
Cash & cash equivalents	\$ 10,963,138	\$ 8,825,486
Restricted cash and cash equivalents	696,284	1,269,931
Total cash and cash equivalents	\$ 11,659,422	\$ 10,095,417

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT**  
**VICTORIA, TEXAS**  
**Statement of Cash Flows**  
**For The Year Ended August 31, 2017 and 2016**  
(Continued)

	Current Year	Prior Year
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating (loss)	\$ (28,614,290)	\$ (26,488,550)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	2,675,097	2,128,759
State group insurance	1,380,265	1,288,040
Changes in assets and liabilities:		
Receivables (net)	(473,087)	(122,241)
Due from component unit	(151,389)	(14,751)
Inventories	26,481	(18,238)
Prepaid expenses	4,270	(44,351)
Accounts payable	69,859	(573,005)
Accrued liabilities	46,390	21,812
Unearned revenue	284,806	(257,476)
Net cash provided (used) by operating activities	\$ (24,751,598)	\$ (24,080,001)

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, 2017**

**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.

Tuition Discounting

***Texas Public Education Grants (TPEG)***. Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the TPEG, is shown with tuition and fee revenue amounts as a separate set aside amount (TEC §56.033). When the award is used by the student for tuition and fees, the college records the amount as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

***Title IV, Higher Education Act (HEA) Program Funds***. Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the college and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

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

Basis of Accounting

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

Budgetary Data

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

### Cash and Cash Equivalents

The District considers cash and cash equivalents as cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### Deferred Outflows

In addition to assets, the District is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt.

### Investments

In accordance with GASB 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the District reports investments at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. (The governing board has designated public funds investment pools comprised of \$450 and \$449 at August 31, 2017, and 2016, 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

The District records capital assets at cost at the date of acquisition, or fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. The college capitalizes renovations of \$100,000 to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure. The college charges costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives to operating expense in the year in which the expense is incurred.

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

### Pensions

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

### Unearned Revenues

Tuition and fees of \$4,489,628 and \$4,261,248, federal, state and local grants of \$325,204 and \$207,579, and other revenues of \$139,965 and \$201,164 have been reported as unearned revenues at August 31, 2017 and 2016, respectively.

### Deferred Inflows

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

### Estimates

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

### Operating and Non-Operating Revenue and Expense Policy

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

### Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income tax under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The District had no unrelated business income tax liability for the years ended August 31, 2017 and 2016.

### 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, 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year.

### **3. Authorized Investments**

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

### **4. Deposits and Investments**

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

	<u>8/31/2017</u>	<u>8/31/2016</u>
Bank Deposits		
Demand Deposits	\$ 11,601,768	\$ 10,006,569
	11,601,768	10,006,569
Cash and Cash Equivalents		
Cash on Hand	57,654	88,848
	<u>57,654</u>	<u>88,848</u>
Total Cash and Deposits	<u>\$ 11,659,422</u>	<u>\$ 10,095,417</u>

Reconciliation of Cash, Deposits and Investments to Exhibit 1

Type of Security	Market Value	
	8/31/2017	8/31/2016
Tex Pool	\$ 450	\$ 449
Total Investments	\$ 450	\$ 449
Total Cash and Deposits	\$ 11,659,422	\$ 10,095,417
Total Investments	450	449
Total Deposits and Investments	\$ 11,659,872	\$ 10,095,866
Cash and Cash Equivalents (Exhibit 1)	\$ 11,659,422	\$ 10,095,417
Investments (Exhibit 1)	450	449
Total Deposits and Investments	\$ 11,659,872	\$ 10,095,866

As of August 31, 2017 the District had the following investments and maturities:

Investment Type	2017 Fair Value	Investment Maturities (in Years)			S&P Rating
		Maturity Less than 1	1 to 2	2 to 3	
Uncategorized Investments					
Tex Pool	\$ 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 10 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 as well.

**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, 2017.

**6. Disaggregation of Receivables and Payables Balances**

Accounts receivable consist of the following at August 31:

	<u>2017</u>	<u>2016</u>
Student receivables	\$ 4,699,354	\$ 4,414,675
Third-party contractor receivables	601,296	482,482
Ad valorem taxes receivables	1,123,907	980,879
Federal grant receivables	248,942	434,090
State grant receivables	504,540	112,598
Local grant receivables	24,291	21,786
Other receivables	<u>270,421</u>	<u>306,649</u>
Total accounts receivable	7,472,751	6,753,159
Allowance for doubtful accounts	<u>(2,863,488)</u>	<u>(2,616,983)</u>
Accounts receivable (net)	<u>\$ 4,609,263</u>	<u>\$ 4,136,176</u>
Accounts receivable (net)	\$ 3,831,490	\$ 3,546,476
Restricted accounts receivable	<u>777,773</u>	<u>589,700</u>
	<u>\$ 4,609,263</u>	<u>\$ 4,136,176</u>

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

	<u>2017</u>	<u>2016</u>
Accounts payable:		
Vendor payables	\$ 906,584	\$ 937,800
Other payables	<u>322,355</u>	<u>221,280</u>
Total accounts payable	<u>1,228,939</u>	<u>1,159,080</u>
Accrued liabilities:		
Accrued payroll	219,585	203,352
Employee benefits payable	492,275	442,316
Sales tax payable	<u>57,750</u>	<u>77,552</u>
Total accrued liabilities	<u>769,610</u>	<u>723,220</u>
Total accounts payable and accrued liabilities	<u>\$ 1,998,549</u>	<u>\$ 1,882,300</u>

7. **Capital Assets Activity**

Capital asset activity for the years ended August 31, 2017, was as follows:

	2017			Balance August 31, 2017
	Balance September 1, 2016	Changes During the Year		
		Additions	Deletions	
<b><u>Not Depreciated:</u></b>				
Land	\$ 460,387	\$ -	\$ (196,595)	\$ 263,792
Construction in Progress	660,996	333,224	(48,933)	945,287
Subtotal	<u>1,121,383</u>	<u>333,224</u>	<u>(245,528)</u>	<u>1,209,079</u>
<b>Other Capital Assets:</b>				
Library Volumes and Periodicals	652,845	36,961	(179,024)	510,782
Buildings	71,896,287	48,933	-	71,945,220
Site Improvements	6,512,778	-	-	6,512,778
Telecommunications and Peripheral Equipment	1,881,334	-	-	1,881,334
Machinery, Equipment, Furniture and Vehicles	7,177,679	882,056	(89,645)	7,970,090
Subtotal	<u>88,120,923</u>	<u>967,950</u>	<u>(268,669)</u>	<u>88,820,204</u>
<b>Accumulated Depreciations:</b>				
Library Volumes and Periodicals	267,546	39,121	(179,024)	127,643
Buildings	16,509,443	1,527,788	-	18,037,231
Site Improvements	4,367,393	183,949	-	4,551,342
Telecommunications and Peripheral Equipment	1,499,512	137,101	-	1,636,613
Machinery, Equipment, Furniture and Vehicles	3,538,861	787,138	(89,645)	4,236,354
Subtotal	<u>26,182,755</u>	<u>2,675,097</u>	<u>(268,669)</u>	<u>28,589,183</u>
Net Other Capital Assets	<u>61,938,168</u>	<u>(1,707,147)</u>	<u>-</u>	<u>60,231,021</u>
Net Capital Assets	<u>\$ 63,059,551</u>	<u>\$ (1,373,923)</u>	<u>\$ (245,528)</u>	<u>\$ 61,440,100</u>

	2016			
	Balance	Changes During the Year		Balance
	September 1, 2015	Additions	Deletions	August 31, 2016
<b>Not Depreciated:</b>				
Land	\$ 460,387	\$ -	\$ -	\$ 460,387
Construction in Progress	21,319,133	1,131,079	(21,789,216)	660,996
Subtotal	<u>21,779,520</u>	<u>1,131,079</u>	<u>(21,789,216)</u>	<u>1,121,383</u>
<b>Other Capital Assets:</b>				
Library Volumes and				
Periodicals	856,839	60,667	(264,661)	652,845
Buildings	50,183,854	21,712,433	-	71,896,287
Site Improvements	6,512,778	-	-	6,512,778
Telecommunications and				
Peripheral Equipment	1,881,334	-	-	1,881,334
Machinery, Equipment,				
Furniture and Vehicles	6,634,193	550,983	(7,497)	7,177,679
Subtotal	<u>66,068,998</u>	<u>22,324,083</u>	<u>(272,158)</u>	<u>88,120,923</u>
<b>Accumulated Depreciations:</b>				
Library Volumes and				
Periodicals	484,480	47,727	(264,661)	267,546
Buildings	15,497,217	1,012,226	-	16,509,443
Site Improvements	4,183,444	183,949	-	4,367,393
Telecommunications and				
Peripheral Equipment	1,324,287	175,225	-	1,499,512
Machinery, Equipment,				
Furniture and Vehicles	2,836,726	709,632	(7,497)	3,538,861
Subtotal	<u>24,326,154</u>	<u>2,128,759</u>	<u>(272,158)</u>	<u>26,182,755</u>
Net Other Capital Assets	<u>41,742,844</u>	<u>20,195,324</u>	<u>-</u>	<u>61,938,168</u>
Net Capital Assets	<u>\$ 63,522,364</u>	<u>\$ 21,326,403</u>	<u>\$ (21,789,216)</u>	<u>\$ 63,059,551</u>

## 8. **Non-Current Liabilities**

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

	2017				
	Balance	Additions	Reductions	Balance	Current Portion
	September 1, 2016			August 31, 2017	
<b>Bonds</b>					
General obligation bonds	\$ 885,000	\$ -	\$ 755,000	\$ 130,000	\$ 130,000
Revenue refunding bonds	1,235,000	-	400,000	835,000	410,000
Limited tax refunding bonds	8,005,000	-	95,000	7,910,000	755,000
Limited tax bonds	19,120,000	-	845,000	18,275,000	870,000
Subtotal	<u>29,245,000</u>	<u>-</u>	<u>2,095,000</u>	<u>27,150,000</u>	<u>2,165,000</u>
Net pension liability	5,498,026	290,078	-	5,788,104	-
	<u>\$ 34,743,026</u>	<u>\$ 290,078</u>	<u>\$ 2,095,000</u>	<u>\$ 32,938,104</u>	<u>\$ 2,165,000</u>

	2016				
	Balance September 1, 2015	Additions	Reductions	Balance August 31, 2016	Current Portion
Bonds					
General obligation bonds	\$ 1,605,000	\$ -	\$ 720,000	\$ 885,000	\$ 755,000
Revenue refunding bonds	1,625,000	-	390,000	1,235,000	400,000
Limited tax refunding bonds	8,100,000	-	95,000	8,005,000	95,000
Limited tax bonds	19,940,000	-	820,000	19,120,000	845,000
Subtotal	31,270,000	-	2,025,000	29,245,000	2,095,000
Net pension liability	4,870,339	627,687	-	5,498,026	-
	<u>\$ 36,140,339</u>	<u>\$ 627,687</u>	<u>\$ 2,025,000</u>	<u>\$ 34,743,026</u>	<u>\$ 2,095,000</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 Complex
- Issued February 15, 2013
- Amount authorized and issued - \$21,200,000
- Source of revenue for debt service – ad valorem taxes

Bonds payable are due in annual installments varying from \$80,000 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 \$428,134 for the year ended August 31, 2017. Revenues totaling \$2,045,161 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>2017</u>	<u>2016</u>
Limited Tax Bonds, Series 2006	2012	<u>\$ 8,480,000</u>	<u>\$ 8,480,000</u>
Total		<u><u>\$ 8,480,000</u></u>	<u><u>\$ 8,480,000</u></u>

**12. Short Term Debt**

The District used no short-term debt for the year ended August 31, 2017.

**13. Debt and Lease Obligation**

Debt service requirements at August 31, 2017 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
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	-	-	-	940,000	215,775	1,155,775
2022	-	-	-	970,000	182,875	1,152,875
2023-2027	-	-	-	4,255,000	378,700	4,633,700
2028-2031	-	-	-	-	-	-
Totals	<u>\$ 130,000</u>	<u>\$ 6,175</u>	<u>\$ 136,175</u>	<u>\$ 7,910,000</u>	<u>\$ 1,525,450</u>	<u>\$ 9,435,450</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
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	970,000	499,863	1,469,863	-	-	-
2022	1,010,000	461,062	1,471,062	-	-	-
2023-2027	5,640,000	1,713,013	7,353,013	-	-	-
2028-2032	6,535,000	810,213	7,345,213	-	-	-
2033	1,425,000	42,750	1,467,750	-	-	-
Totals	<u>\$ 18,275,000</u>	<u>\$ 5,235,788</u>	<u>\$ 23,510,788</u>	<u>\$ 835,000</u>	<u>\$ 50,400</u>	<u>\$ 885,400</u>

Fiscal Year Ended August 31,	Total Bonds		
	Principal	Interest	Total
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	1,910,000	715,638	2,625,638
2022	1,980,000	643,937	2,623,937
2023-2027	9,895,000	2,091,713	11,986,713
2028-2032	6,535,000	810,213	7,345,213
2033	1,425,000	42,750	1,467,750
Totals	<u>\$ 27,150,000</u>	<u>\$ 6,817,813</u>	<u>\$ 33,967,813</u>

The District had no capital lease obligations at August 31, 2017.

**14. Net Position Designations**

At August 31, 2017, the District designated the entirety of expendable net position, restricted for unexpended bond proceeds, for the 2011-2020 master plan (\$1,075,754). \$2,359,927 of unrestricted net position is designated for the 2011-2020 master plan. These designations indicate management’s anticipated future use of financial resources.

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

Operating Lease Commitments

The District negotiated a non-cancellable operating lease contract for copiers beginning January 21, 2016 and ending January 20, 2019.

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 85,731
2019	<u>28,577</u>
	<u>\$ 114,308</u>

Rental expense paid for the years ended August 31, 2017 and 2016 for operating leases totaled \$160,003 and \$172,317, respectively.

**16. Employees’ Retirement Plan**

Defined Benefit Pension Plan

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

*Plan Description.* The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.gov/TRS%20Documents/cafr\\_2016.pdf](http://www.trs.state.tx.gov/TRS%20Documents/cafr_2016.pdf); 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, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

*Contributions.* 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. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2015	2016
Member	6.70%	7.20%
Non-Employer contribution Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
FY 2016 District Contributions	\$ 486,663	
FY 2016 State of Texas On-behalf Contributions	\$ 313,693	

The District's contribution to the TRS pension plan in FY 2016 were \$486,663 as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for FY 2016 were \$313,693.

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

Public junior colleges or junior college districts are required to pay the employer 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Municipal Bond Rate*	
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2115
Inflation	2.5%
Salary Increases Including Inflation	3.5% - 9.5%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

*\*If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the bond buyer index of general obligation bonds with 20 years to maturity and an average AA credit rating.*

Actuarial methods and assumptions were updated based on a study of actual experience for the four-year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

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

*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, 2016, 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 2016 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 2016 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:	\$ 8,958,035	\$ 5,788,104	\$ 3,099,361

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2017, the District reported a liability of \$5,788,104 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	\$ 5,788,104
State's proportionate share that is associated with District	<u>3,723,484</u>
Total	<u>\$ 9,511,588</u>

The net pension liability was measured as of August 31, 2016 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, 2015 thru August 31, 2016.

At the measurement date of August 31, 2016 the employer's proportion of the collective net pension liability was .0153%, which was a decrease of 1.9% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017, the District recognized pension expense of \$386,409 and revenue of \$386,409 for support provided by the State.

At August 31, 2017, 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	\$ 90,756	\$ 172,829
Changes in actuarial assumptions	176,411	160,439
Difference between projected and actual investment earnings	1,115,376	625,251
Changes in proportion and difference between in the employers contributions and the proportionate share of contributions	-	673,100
Contributions paid to TRS subsequent to the measurement date	518,778	-
Total	<u>\$ 1,901,321</u>	<u>\$ 1,631,619</u>

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

<u>For the Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2018	\$ (86,849)
2019	(86,849)
2020	225,777
2021	(110,863)
2022	(174,938)
Thereafter	(15,353)

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 – Defined Contribution Plan**

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

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentage of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. SB 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 to the state for the District was \$89,317 and \$80,841 for the fiscal years ended August 31, 2017 and 2016, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District.

The total payroll for all District employees was \$17,604,155 and \$16,762,026 for the fiscal years ended August 31, 2017 and 2016, respectively. The total payroll of employees covered by the state for ORP was \$3,103,086 and \$2,802,708 for the fiscal years ended August 31, 2017 and 2016, respectively.

**17. Deferred Compensation Program**

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

At August 31, 2017 and 2016, the District had no employees electing to defer compensation.

**18. Compensable Absences**

Full-time employees of the District may accrue up to 640 hours of sick leave based on the length of their contract. No employee will receive compensation for sick leave upon termination of employment with the District. Since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Administrative, clerical, and maintenance personnel receive vacation time based on length of employment. Vacation must be taken by August 31; however, carry-over up to 40 hours of vacation time is permitted. In the opinion of the administration, the liability for compensable absences is not material to the basic financial statements of the District; therefore, no accrual for vacation leave has been made.

**19. Pending Lawsuits and Claims**

The District may, on occasion, become party to litigation and claims arising in the normal course of operations. At August 31, 2017, the District is not involved in any litigation.

**20. Funds Held in Trust by Others**

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

**21. Contract and Grant Award**

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99). For Federal Contract and Grant Awards, funds expended but not collected are reported as restricted accounts receivable on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected are reported as restricted accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial statements. Contract and grant awards funds already committed, e.g. multi-year awards, or funds awarded during fiscal year August 31, 2017, and 2016, for which monies have not been received nor funds expended totaled \$1,730,603 and \$1,489,040, respectively. Of these amounts \$1,626,808 and \$1,170,681 were from Federal Contracts and Grant Awards; \$89,545 and \$304,226 were from State Contracts and Grant Awards; and \$14,250 and \$14,133 were from Local Contracts and Grant Awards at August 31, 2017 and 2016, respectively.

**22. Self-Insured Plans**

The District has self-insured arrangements for coverage of workers' compensation and unemployment compensation. Workers' compensation and unemployment compensation plans are on a pay-as-you-go basis, in which no assets are set aside. Accrued liabilities generally are based on actuarial valuations and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations.



**23. Health Care and Life Insurance Benefits**

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing their benefits by expending the annual insurance premiums. The state’s contribution per full-time employee was \$617 per month for the year ended August 31, 2017 (\$577 per month for fiscal year 2016) and totaled \$816,994 for the year ended August 31, 2017 (\$772,236 for the year ended August 31, 2016). The cost of providing those benefits for 144 retirees in the year ended August 31, 2017 was \$563,270 (retiree benefits for 141 retirees cost \$515,804 in fiscal year 2016). For 293 active employees, the cost of providing benefits was \$2,530,795 for the year ended August 31, 2017 (active employee benefits for 293 employees cost \$2,322,765 for the year ended August 31, 2016). SB 1812, effective September 1, 2013, limits the amount of the state’s contribution to 50 percent of eligible employees in the reporting district.

**24. Postemployment Benefits Other than Pensions**

*Plan Description.* In addition to providing pension benefits, the state provides certain healthcare and life insurance benefits for retired employees. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the state. The District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit post-employment 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.

The 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 and 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 employer 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 30 years.

Beginning September 1, 2013, SB 1812 limited the state’s contribution to 50 percent of eligible employees for community colleges.

The District’s contributions to SRHP for the years ending August 31, 2017, 2016, and 2015 were \$56,097, \$54,698 and \$55,310, respectively, which equaled the required contributions each year.

**25. 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:

	2017	2016
Assessed Valuation of the District:	\$ 7,677,245,245	\$ 7,870,361,221
Less: Exemptions	(748,517,575)	(797,455,602)
Net Assessed Valuation of the District	\$ 6,928,727,670	\$ 7,072,905,619

	2017			2016		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 Valuation	\$ 0.500000	\$ 0.500000	\$ 1.000000	\$ 0.500000	\$ 0.500000	\$ 1.000000
Assessed Tax Rate per \$100 Valuation	\$ 0.166300	\$ 0.040200	\$ 0.206500	\$ 0.153300	\$ 0.039200	\$ 0.192500

Taxes levied for the years ended August 31, 2017 and 2016 were \$13,495,394 and \$12,957,259, 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.

Tax collections for the years ended August 31, 2017 and 2016 were 97.39% and 97.55%, respectively, of current tax levy. Allowances for uncollected taxes are fully reserved at August 31. The use of tax proceeds is restricted to maintenance and operations and/or general obligation debt service.

<u>Taxes Collected</u>	2017			2016		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 8,427,194	\$2,586,706	\$ 11,013,900	\$ 7,791,839	\$2,550,272	\$ 10,342,111
Delinquent Taxes Collected	1,943,176	471,331	2,414,507	1,959,729	500,393	2,460,122
Penalties and Interest Collected	100,967	24,938	125,905	111,518	28,353	139,871
Less Discounts and Commissions	(576)	(185)	(761)	1,266	363	1,629
Total Collections	\$ 10,470,761	\$3,082,790	\$ 13,553,551	\$ 9,864,352	\$3,079,381	\$ 12,943,733

## 26. Tax Abatement

GASB Statement 77, *Tax Abatement Disclosures*, defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the government or the citizens of those governments.

At August 31, 2017, the District has not entered into tax abatement agreements with any individuals or entities that reduce tax revenues to which the college is entitled. At August 31, 2017 no other governments have tax abatement agreements that impact the tax revenues to which the college is entitled.

**27. 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 organization 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.

**28. 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, 2017

	2016 **	2015 **	2014 **
<b>Fiscal year ending August 31 *</b>			
Total TRS pension liability	\$ 171,797,150,487	\$ 163,887,375,172	\$ 159,496,075,886
TRS net position	(134,008,637,473)	(128,538,706,212)	(132,779,243,085)
TRS net position liability	<u>\$ 37,788,513,014</u>	<u>\$ 35,348,668,960</u>	<u>\$ 26,716,832,801</u>
TRS net position as percentage of total pension liability	78.00%	78.43%	83.25%
District's proportionate share of collective net pension liability	0.0153%	0.0156%	0.0182%
District's proportionate share of collective net pension liability	\$ 5,788,104	\$ 5,498,026	\$ 4,870,339
Portion of NECE's <sup>(1)</sup> total proportionate share of NPL <sup>(2)</sup> associated with District	<u>3,723,484</u>	<u>3,594,810</u>	<u>3,206,990</u>
Total	<u>\$ 9,511,588</u>	<u>\$ 9,092,836</u>	<u>\$ 8,077,329</u>
District's covered payroll amount	\$ 11,705,727	\$ 11,176,424	\$ 11,218,245
Ratio of employer proportionate share of collective NPL / ER's <sup>(3)</sup> covered payroll amount	49.4468%	49.1931%	43.4144%

\* 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.

(1) Non-Employer Contributing Entity

(2) Net Pension Liability

(3) Employer

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT**  
**VICTORIA, TEXAS**  
**Schedule of the District's Contributions to TRS Pension Plan**  
**For the Year Ended August 31, 2017**

<b>Fiscal year ending August 31 *</b>	<b>2016 **</b>	<b>2015 **</b>	<b>2014 **</b>
Legally required contributions	\$ 486,663	\$ 460,552	\$ 462,000
Actual contributions	486,663	460,552	462,000
Contributions deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll amount	\$ 11,705,727	\$ 11,176,424	\$ 11,192,750
Ratio of employer proportionate share of collective NPL / ER's covered payroll amount	4.16%	4.12%	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, 2017**

**1. Changes of Benefit Terms include:**

The District transitioned to a new pay scale beginning September 1, 2016 that is based upon steps, which is impacted by employee-specific length of employment and time in position. The scales include a 1.5% inflation factor.

**2. Changes in Assumptions**

There were no changes of assumptions for the year ended August 31, 2017.

**SUPPLEMENTAL INFORMATION  
AND  
FINANCIAL ASSISTANCE SECTION**



**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT**  
**VICTORIA, TEXAS**  
**Schedule of Operating Revenues**  
**For the Year Ended August 31, 2017 and 2016**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Current Year	Prior Year
<b>Tuition:</b>						
State funded credit courses						
In-district resident tuition	\$ 3,952,629	\$ -	\$ 3,952,629	\$ -	\$ 3,952,629	\$ 3,962,140
Out-of-district resident tuition	2,006,430	-	2,006,430	-	2,006,430	1,972,103
Non-resident tuition	84,826	-	84,826	-	84,826	90,712
TPEG set aside (set aside)*	247,115	-	247,115	-	247,115	244,024
State funded continuing education	1,412,062	-	1,412,062	-	1,412,062	1,368,753
Non-state funded continuing education	297,164	-	297,164	-	297,164	206,023
Total Tuition	<u>8,000,226</u>	<u>-</u>	<u>8,000,226</u>	<u>-</u>	<u>8,000,226</u>	<u>7,843,755</u>
<b>Fees:</b>						
General fee	3,033,913	-	3,033,913	-	3,033,913	3,012,348
Technology fee	1,685,508	-	1,685,508	-	1,685,508	1,673,522
Out-of-district fees	2,154,271	-	2,154,271	-	2,154,271	2,128,033
Laboratory fee	232,636	-	232,636	-	232,636	225,176
Course fees	233,527	-	233,527	-	233,527	283,442
Total Fees	<u>7,339,855</u>	<u>-</u>	<u>7,339,855</u>	<u>-</u>	<u>7,339,855</u>	<u>7,322,521</u>
<b>Scholarship Allowances and Discounts:</b>						
Remissions and exemptions - state	(310,381)	-	(310,381)	-	(310,381)	(298,528)
Title IV federal grants	(4,340,292)	-	(4,340,292)	-	(4,340,292)	(4,274,738)
TPEG awards	(98,256)	-	(98,256)	-	(98,256)	(51,816)
Other state grants	(286,685)	-	(286,685)	-	(286,685)	(324,840)
Other local scholarships	(823,713)	-	(823,713)	-	(823,713)	(775,570)
Total Scholarship Allowances	<u>(5,859,327)</u>	<u>-</u>	<u>(5,859,327)</u>	<u>-</u>	<u>(5,859,327)</u>	<u>(5,725,492)</u>
Total Net Tuition and Fees	<u>9,480,754</u>	<u>-</u>	<u>9,480,754</u>	<u>-</u>	<u>9,480,754</u>	<u>9,440,784</u>
<b>Additional Operating Revenues:</b>						
Federal grants and contracts	25,421	1,191,577	1,216,998	-	1,216,998	1,205,407
State grants and contracts	4,317	1,126,902	1,131,219	-	1,131,219	735,385
Local grants and contracts	-	10,074	10,074	-	10,074	40,305
Nongovernmental grants and contracts	664,512	313,305	977,817	-	977,817	909,523
Sales and services of educational activities	483,546	-	483,546	-	483,546	495,801
General operating revenues	271,515	-	271,515	-	271,515	311,912
Total Additional Operating Revenues	<u>1,449,311</u>	<u>2,641,858</u>	<u>4,091,169</u>	<u>-</u>	<u>4,091,169</u>	<u>3,698,333</u>
<b>Auxiliary Enterprises:</b>						
Bookstore	-	-	-	2,947,466	2,947,466	3,324,964
Title IV federal grants	-	-	-	(525,330)	(525,330)	(539,823)
TPEG awards	-	-	-	(11,893)	(11,893)	(6,543)
Other state grants	-	-	-	(34,699)	(34,699)	(41,022)
Other local scholarships	-	-	-	(99,699)	(99,699)	(97,940)
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,275,845</u>	<u>2,275,845</u>	<u>2,639,636</u>
Conference & Education Center	-	-	-	403,314	403,314	368,145
Facilities rentals	-	-	-	3,149	3,149	1,677
Food Service	-	-	-	223,294	223,294	229,903
Leo J. Welder Center for Performing Arts	-	-	-	136,139	136,139	164,542
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,041,741</u>	<u>3,041,741</u>	<u>3,403,903</u>
Total Operating Revenues	<u>\$ 10,930,065</u>	<u>\$ 2,641,858</u>	<u>\$ 13,571,923</u>	<u>\$ 3,041,741</u>	<u>\$ 16,613,664</u>	<u>\$ 16,543,020</u>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.003, \$247,115 and \$244,024 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2017 and 2016, respectively.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT**  
**VICTORIA, TEXAS**  
**Schedule of Operating Expenses by Object**  
**For the Year Ended August 31, 2017 and 2016**

	Operating Expenses				Current Year Total	Prior Year Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ 8,065,870	\$ -	\$ 1,746,881	\$ 1,359,302	\$ 11,172,053	\$ 10,118,891
Public service	29,409	-	3,733	219,229	252,371	199,888
Academic support	2,033,355	-	504,827	678,097	3,216,279	3,071,370
Student services	1,566,762	-	414,314	260,884	2,241,960	2,050,808
Institutional support	2,811,358	-	761,444	1,826,842	5,399,644	5,701,329
Operation and maintenance of plant	1,339,487	-	546,922	2,168,475	4,054,884	3,745,572
Scholarships and fellowships	117,742	-	-	664,512	782,254	668,566
Total Unrestricted Educational Activities	<u>15,963,983</u>	<u>-</u>	<u>3,978,121</u>	<u>7,177,341</u>	<u>27,119,445</u>	<u>25,556,424</u>
<b>Restricted - Educational Activities</b>						
Instruction	772,425	957,970	215,456	245,871	2,191,722	1,984,454
Public service	-	1,362	-	-	1,362	1,537
Academic support	-	270,483	-	67	270,550	295,118
Student services	214,764	217,816	56,689	24,159	513,428	706,456
Institutional support	7,144	408,360	547	32,510	448,561	486,256
Scholarships and fellowships	96,999	-	-	8,222,021	8,319,020	8,464,149
Total Restricted Educational Activities	<u>1,091,332</u>	<u>1,855,991</u>	<u>272,692</u>	<u>8,524,628</u>	<u>11,744,643</u>	<u>11,937,970</u>
Total Educational Activities	17,055,315	1,855,991	4,250,813	15,701,969	38,864,088	37,494,394
<b>Auxiliary Enterprises</b>	548,840	-	194,403	2,945,526	3,688,769	3,408,417
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	1,711,737	1,711,737	1,196,175
Equipment and furniture	-	-	-	924,239	924,239	884,857
Library volumes and periodicals	-	-	-	39,121	39,121	47,727
Total Operating Expenses	<u>\$ 17,604,155</u>	<u>\$ 1,855,991</u>	<u>\$ 4,445,216</u>	<u>\$ 21,322,592</u>	<u>\$ 45,227,954</u> (Exhibit 2)	<u>\$ 43,031,570</u> (Exhibit 2)

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT**  
**VICTORIA, TEXAS**  
**Schedule of Non-Operating Revenues and Expenses**  
**For the Year Ended August 31, 2017 and 2016**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Current Year</u>	<u>Prior Year</u>
<b>Non-Operating Revenues</b>					
<b>State Allocations:</b>					
Education and general state support	\$ 5,783,485	\$ -	\$ -	\$ 5,783,485	\$ 5,774,860
State group insurance	-	1,380,265	-	1,380,265	1,288,040
State retirement matching	-	475,726	-	475,726	593,044
Total State Allocations	<u>5,783,485</u>	<u>1,855,991</u>	<u>-</u>	<u>7,639,476</u>	<u>7,655,944</u>
Ad valorem taxes:					
Taxes for maintenance and operations	10,470,761	-	-	10,470,761	9,864,352
Taxes for debt service	-	3,082,790	-	3,082,790	3,079,381
Title IV	-	7,534,251	-	7,534,251	7,574,784
Gifts	1,171,221	113,737	49,191	1,334,149	305,167
Investment income	54,296	6,086	241	60,623	57,200
Total Non-Operating Revenues	<u>17,479,763</u>	<u>12,592,855</u>	<u>49,432</u>	<u>30,122,050</u>	<u>28,536,828</u>
<b>Non-Operating Expenses</b>					
Interest on capital related debt	-	812,612	-	812,612	886,811
Total Non-Operating Expenses	<u>-</u>	<u>812,612</u>	<u>-</u>	<u>812,612</u>	<u>886,811</u>
Net Non-Operating Revenues	<u>\$ 17,479,763</u>	<u>\$ 11,780,243</u>	<u>\$ 49,432</u>	<u>\$ 29,309,438</u> (Exhibit 2)	<u>\$ 27,650,017</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT  
 VICTORIA, TEXAS  
 Schedule of Net Position by Source and Availability  
 For the Year Ended August 31, 2017 and 2016

	Detail by Source			Capital Assets Net of Depreciation and Related Debt	Current Year Total
	Unrestricted	Restricted Expendable	Non-Expendable		
Current					
Unrestricted	\$ 2,654,474	\$ -	\$ -	\$ -	\$ 2,654,474
Restricted for:					
Expendable:					
Student aid	-	485,205	-	-	485,205
Unexpended bond proceeds	-	-	-	1,075,754	1,075,754
Auxiliary enterprises	-	-	-	-	-
Plant					
Debt service	-	395,435	-	-	395,435
Investment in plant	-	-	-	32,623,802	32,623,802
Total Net Position, August 31, 2017	<u>2,654,474</u>	<u>880,640</u>	<u>-</u>	<u>33,699,556</u>	<u>37,234,670</u> (Exhibit 1)
Total Net Position, August 31, 2016	<u>714,564</u>	<u>757,002</u>	<u>-</u>	<u>33,395,425</u>	<u>34,866,991</u> (Exhibit 1)
Net Increase (Decrease) in Net Position	<u>\$ 1,939,910</u>	<u>\$ 123,638</u>	<u>\$ -</u>	<u>\$ 304,131</u>	<u>\$ 2,367,679</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT  
 VICTORIA, TEXAS  
 Schedule of Net Position by Source and Availability  
 For the Year Ended August 31, 2017 and 2016  
 (continued)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ 2,654,474	\$ -	\$ 714,564	\$ 714,564	\$ -
Restricted for:					
Expendable:					
Student aid	-	485,205	373,869	-	373,869
Unexpended bond proceeds	-	1,075,754	1,410,047	-	1,410,047
Auxiliary enterprises	-	-	-	-	-
Plant					
Debt service	-	395,435	383,133	-	383,133
Investment in plant	-	32,623,802	31,985,378	-	31,985,378
Total Net Position, August 31, 2017	2,654,474	34,580,196	34,866,991 (Exhibit 1)	714,564	34,152,427
Total Net Position, August 31, 2016	714,564	34,152,427	33,705,524 (Exhibit 2)	(34,860)	33,740,384
Net Increase (Decrease) in Net Position	\$ 1,939,910	\$ 427,769	\$ 1,161,467 (Exhibit 2)	\$ 749,424	\$ 412,043

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT**  
**VICTORIA, TEXAS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2017**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>		<b>Pass-Through Grantor's Number</b>	<b>Pass-Through Disbursements and Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Direct Programs:</i>				
Federal Supplemental Educational Opportunity Grants	84.007	*	P007A167874	\$ 104,016
Federal Work-Study Program	84.033	*	P033A167874	85,228
TRIO - Student Support Services	84.042		P042A151187	249,649
Federal Pell Grant Program	84.063	*	P063P162339	4,761,606
Federal Pell Grant Program	84.063	*	P063Q162339	8,110
Federal Direct PLUS Loans	84.268	*	P268K172339	32,001
Federal Direct Student Loans - Subsidized	84.268	*	P268K172339	1,086,271
Federal Direct Student Loans - Unsubsidized	84.268	*	P268K172339	<u>1,465,129</u>
Total Direct Programs				<u>7,792,010</u>
<i>Pass Through From Texas Workforce Commission:</i>				
Adult Education - Basic Grants to States	84.002		1916AELB02	430,813
Adult Education - Basic Grants to States	84.002		1916AELB02	53,380
Adult Education - Basic Grants to States	84.002		1916AEL001	37,745
Adult Education - Basic Grants to States	84.002		1916AEL000	93,194
Adult Education - Basic Grants to States	84.002		1917PQI000	<u>2,966</u>
Total Texas Workforce Commission				<u>618,098</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>				
Career and Technical Education - Basic Grants to States	84.048A		174266	151,960
Career and Technical Education - Basic Grants to States	84.048A		171112	<u>39,725</u>
Total Texas Higher Education Coordinating Board				<u>191,685</u>
Total U.S. Department of Education				<u>8,601,793</u>
<b>U.S. DEPARTMENT OF HUMAN SERVICES</b>				
<i>Pass Through Texas Workforce Commission:</i>				
Temporary Assistance for Needy Families (TANF)	93.558		1916AEL002	14,487
Temporary Assistance for Needy Families (TANF)	93.558		1916AELB02	2,270
Temporary Assistance for Needy Families (TANF)	93.558		1917SMP000	<u>46,809</u>
Total TANF				<u>63,566</u>
<i>Passed through UTMB:</i>				
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107		5U77HP01066-14-00	<u>94,000</u>
Total UTMB				<u>94,000</u>
Total U.S. Department of Health and Human Services				<u>157,566</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b><u>\$ 8,759,359</u></b>

\* Direct Student Financial Aid Cluster

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT  
VICTORIA, TEXAS  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2017**

**Note 1: Federal Assistance Reconciliation**

**Federal Assistance Reconciliation**

Direct federal grants and contracts revenue per Schedule A	\$ 1,216,998
Direct federal revenue, non-operating - Schedule C	7,534,251
Administration cost recovery (included in other revenue)	<u>8,110</u>
Total Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 8,759,359</u>

**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)	<u>\$ 2,583,401</u>	<u>\$ -</u>	<u>\$ 2,583,401</u>

**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, 2017**

<u>Grantor Agency/ Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
<b>TEXAS HIGHER EDUCATION COORDINATING BOARD</b>		
<i>Direct funding:</i>		
College Work-study Program	-	\$ 11,771
Texas Educational Opportunity Grant Program	-	246,384
Texas Public Education Grant Program	-	135,779
Texas-Science, Technology, Engineering, and Math (T-STEM) Program	-	25,000
Law Enforcement Officer Standards & Education	-	2,367
TG Charley Wootan Scholarship Grant	-	50,000
Accelerate TX CC Grants	15134	38,847
Nursing & Allied Health - Building Simulation & Skills Lab Capacity	18035	178,609
Certified Educational Aide Program	-	<u>2,597</u>
Total Direct Funding		<u>691,354</u>
Total Texas Higher Education Coordinating Board		<u>691,354</u>
<b>UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON</b>		
Pecan Valley Area Health Education Center	UTMBG 0000664663	<u>110,000</u>
Total Texas Medical Branch at Galveston		<u>110,000</u>
<b>DEPARTMENT OF STATE HEALTH SERVICES</b>		
<i>Passed through Victoria County via Community Mother and Child Health Center:</i>		
EXEC/PPH Potentially Preventable Hospitalizations Initiative	2016-049340-001	65,520
Texas Healthy Communities (TXHX) Priority Indicators	-	<u>25,942</u>
Total passed through Victoria County via CMCHC		<u>91,462</u>
<i>Passed through Texas Workforce Commission:</i>		
GR - Adult Ed	1916AEL002	67,770
GR - Adult Ed	1916AELB02	<u>6,306</u>
Total Passed Through Texas Workforce Commission		<u>74,076</u>
Total Department of State Health Services		<u>165,538</u>
<b>TEXAS EDUCATION AGENCY</b>		
<i>Direct:</i>		
CTE Career Exploration Website	3602	35,000
		<u>35,000</u>
<b>TEXAS WORKFORCE COMMISSION</b>		
<i>Direct:</i>		
Jobs and Education for Texans	1917JET000	265,106
Total Texas Workforce Commission		<u>265,106</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<u>\$ 1,266,998</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, 2017**

**Note 1: State Assistance Reconciliation**

<b>State Assistance Reconciliation</b>	
per Schedule of Expenditures of State Awards	<u>\$ 1,266,998</u>
Less: TPEG (included in "Tuition" section)	<u>(135,779)</u>
Total included in "Tuition and Fees"	<u>(135,779)</u>
Total State Revenues per Schedule A	<u>\$ 1,131,219</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 CONTROLS SECTION**



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Victoria County Junior College District, as of and for the year ended August 31, 2017, 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 17, 2017.

***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.

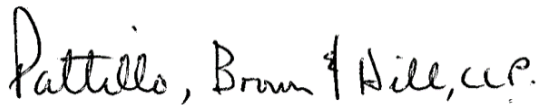
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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.

### ***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 17, 2017



P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND STATE OF TEXAS UNIFORM  
GRANT MANAGEMENT STANDARDS**

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

**Report on Compliance for Each Major Federal Program**

We have audited Victoria County Junior College District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement and State of Texas Uniform Grants Management Standards* that could have a direct and material effect on each of Victoria County Junior College District's major federal programs for the year ended August 31, 2017. 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 programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas *Uniform Grant Management Standards (UGMS)*. Those standards and the Uniform Guidance and UGMS 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 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 programs. However, our audit does not provide a legal determination of Victoria County Junior College District's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, Victoria County Junior College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2017.

### **Report on Internal Control over Compliance**

Management of 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 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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, 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 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 program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 were not identified.

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



Brownsville, Texas  
November 17, 2017

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT**  
**VICTORIA, TEXAS**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended August 31, 2017**

**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.
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and the State Uniform Grant Management Standards	No.
Dollar threshold considered between Type A and Type B federal programs	\$750,000
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	Yes
Major federal programs	The Student Financial Aid Cluster (CFDA 84.007, 84.033, 84.063, and 84.268) Adult Education-Basic Grants to States
Major state programs	Jobs and Education for Texans Texas-Science, Technology, Engineering, and Math (T-Stem) Program

**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.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT**  
**VICTORIA, TEXAS**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended August 31, 2017**

**III. Findings and Questioned Costs for Federal Awards**

None reported.

**IV. Findings and Questioned Costs for State Awards**

None reported.



**(Last page.)**