

**VICTORIA COUNTY
JUNIOR COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2014

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

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2014**

TABLE OF CONTENTS

	<u>Page Number</u>
ORGANIZATIONAL DATA	
Names and Terms of the Board of Trustees	
Principal Administrative Officers	
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Exhibits	
1 Statement of Net Position	13
Affiliated Organization Statement of Financial Position	14
2 Statement of Revenues, Expenses and Changes in Net Position	15
Affiliated Organization Statement of Activities	16
3 Statement of Cash Flows	17
Notes to Financial Statements	19
SUPPLEMENTAL INFORMATION AND FINANCIAL ASSISTANCE SECTION	
Schedules	
A Schedule of Operating Revenues	34
B Schedule of Operating Expenses by Object	35
C Schedule of Non-Operating Revenues and Expenses	36
D Schedule of Net Position by Source and Availability	37
E Schedule of Expenditures of Federal Awards	39
Notes to Schedule of Expenditures of Federal Awards	40
F Schedule of Expenditures of State Awards	41
Notes to Schedule of Expenditures of State Awards	42
OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and the State of Texas Single Audit Circular	43
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State of Texas Single Audit Circular	45
Schedule of Findings and Questioned Costs	47
Summary Schedule of Prior Audit Findings	48

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

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2013-2014**

Board of Trustees

Officers

Ronald B. Walker	Chair
Luis A. Guerra	Vice Chair
Dr. Josie Rivera	Secretary

Members

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

Principal Administrative Officers

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



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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Victoria County Junior College District, as of and for the year ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Victoria County Junior College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 College Foundation, Inc. (the "Affiliated Organization"), which reflects total assets of \$11,861,541 and revenues of \$2,600,282. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Victoria College Foundation, Inc., are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Victoria County Junior College District, as of August 31, 2014 and 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2014 the District adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory section 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of the Victoria County Junior College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Victoria County Junior College District's internal control over financial reporting and compliance.

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

Brownsville, Texas
December 5, 2014

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2014**

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, 2014. 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 Statements of Net Position provide a summary of assets, liabilities and net position as of August 31, 2014; the Statements of Revenues, Expenses and Changes in Net Position provide a summary of operations for the fiscal year; and the Statements of Cash Flows provide categorized information about cash inflows and outflows for the fiscal year. Fiscal years ended August 31, 2014 and 2013 are presented in the audited financial statements. The discussion and analysis is limited to the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position for the primary government and is designed to focus on current activities, the resulting change, and currently known facts.

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

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

Statements of Net Position

The Statements of Net Position present 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.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2014**

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

Summary of Statements of Net Position - Exhibit 1

	<u>Fiscal Year</u>			<u>Change</u>	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014 to 2013</u>	<u>2013 to 2012</u>
Assets					
Cash and Investments	\$ 15,691,837	\$ 28,409,267	\$ 9,323,692	\$ (12,717,430)	\$ 19,085,575
Other Assets	4,920,531	6,077,524	6,202,829	(1,156,993)	(125,305)
Capital Assets, Net	<u>58,858,402</u>	<u>45,214,306</u>	<u>44,873,394</u>	<u>13,644,096</u>	<u>340,912</u>
Total Assets	79,470,770	79,701,097	60,399,915	(230,327)	19,301,182
Liabilities					
Current Liabilities	9,238,420	8,397,499	8,617,190	840,921	(219,691)
Long-term Liabilities	<u>33,424,925</u>	<u>35,532,801</u>	<u>15,196,576</u>	<u>(2,107,876)</u>	<u>20,336,225</u>
Total Liabilities	42,663,345	43,930,300	23,813,766	(1,266,955)	20,116,534
Net Position					
Invested in Capital Assets, Net of Related Debt	23,488,477	8,904,074	29,325,685	14,584,403	(20,421,611)
Unrestricted	5,241,205	5,182,349	6,087,427	58,856	(905,078)
Restricted	<u>8,077,743</u>	<u>21,684,374</u>	<u>1,173,037</u>	<u>(13,606,631)</u>	<u>20,511,337</u>
Total Net Position	<u>\$ 36,807,425</u>	<u>\$ 35,770,797</u>	<u>\$ 36,586,149</u>	<u>\$ 1,036,628</u>	<u>\$ (815,352)</u>

Highlighted information from the Summary Statements of Net Position:

- Total assets decreased by \$230,327 or 0.3%.
- Total liabilities decreased by \$1,266,955 or 2.9%.
- Total net position increased by \$1,036,628 or 2.9%.

Total assets decreased by \$230,327 or 0.3% due primarily to a reduction in cash and cash equivalents of \$12,717,430 and a reduction in other assets of \$1,156,993. Of the \$1,156,993 reduction in other assets, \$722,569 was attributable to a change in accounting treatment for unamortized bond issuance costs. A prior period adjustment was required to remove unamortized bond issuance costs from the financial statements in order to comply with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These reductions were offset by an increase of \$13,644,096 in capital assets, net of depreciation. A significant portion of the increase in capital assets (and the offsetting reduction in cash and cash equivalents) represents recognition of construction in progress on the Emerging Technology Complex, an on-going construction project. Capital assets are discussed below and in note 7 in the accompanying financial statements.

Total liabilities decreased by \$1,266,955 or 2.9%. Reduction in liabilities is due to principal payments made on outstanding bond issues. See discussion of long-term debt below and notes 8 through 12 in the accompanying financial statements.

Statements of Revenues, Expenses, and Changes in Net Position

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

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2014**

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.

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 Revenues, Expenses, and Changes in Net Position - Exhibit 2

	Fiscal Year			Change	
	2014	2013	2012	2014 to 2013	2013 to 2012
Operating Revenues					
Tuition and Fees (net of discounts)	\$ 9,344,057	\$ 8,934,439	\$ 9,631,402	\$ 409,618	\$ (696,963)
Local, State and Federal Grants and Contracts	5,462,692	3,698,565	3,333,638	1,764,127	364,927
Auxiliary Enterprise	3,730,870	3,707,504	3,810,826	23,366	(103,322)
Other	920,777	789,356	1,056,288	131,421	(266,932)
Total Operating Revenues	19,458,396	17,129,864	17,832,154	2,328,532	(702,290)
Operating Expenses					
Instruction	14,478,253	13,385,681	12,765,707	1,092,572	619,974
Public Service	300,930	226,446	233,150	74,484	(6,704)
Academic Support	2,962,852	3,170,188	2,579,496	(207,336)	590,692
Student Services	2,702,862	2,749,354	2,439,030	(46,492)	310,324
Institutional Support	5,780,510	5,019,535	5,207,318	760,975	(187,783)
Operation and Maintenance of Plant	3,197,949	3,391,400	3,934,548	(193,451)	(543,148)
Scholarships and Fellowships	11,261,535	11,773,322	13,946,538	(511,787)	(2,173,216)
Auxiliary Enterprises	3,594,443	3,592,178	3,548,458	2,265	43,720
Depreciation	1,844,191	1,840,148	1,827,272	4,043	12,876
Total Operating Expenses	46,123,525	45,148,252	46,481,517	975,273	(1,333,265)
Operating Income (Loss)	(26,665,129)	(28,018,388)	(28,649,363)	1,353,259	630,975
Non-Operating Revenues (Expenses)					
State Appropriations	7,807,907	7,553,650	7,414,789	254,257	138,861
Taxes	11,138,235	9,115,455	8,375,917	2,022,780	739,538
Title IV	9,483,109	10,129,281	12,601,061	(646,172)	(2,471,780)
Gifts	1,256,743	1,195,432	384,219	61,311	811,213
Equity transfer in	-	-	580,000	-	(580,000)
Interest on Capital Related Debt	(1,348,630)	(722,734)	(610,345)	(625,896)	(112,389)
Investment Related Income	115,570	133,677	99,096	(18,107)	34,581
Other income	-	-	1,689	-	(1,689)
Total Non-Operating Revenues (Expenses)	28,452,934	27,404,761	28,846,426	1,048,173	(1,441,665)
Income Before Other Revenues, (Expenses),	1,787,805	(613,627)	197,063	2,401,432	(810,690)
Other Revenues, (Expenses), Gains, (Losses)	(28,608)	(155,376)	(121,961)	126,768	(33,415)
Increase (Decrease) in Net Position	1,759,197	(769,003)	75,102	2,528,200	(844,105)
Beginning Net Position, as Adjusted	35,770,797	36,586,149	37,186,687	(815,352)	(600,538)
Adjustments to Net Position	(722,569)	(46,349)	(675,640)	(676,220)	629,291
Ending Net Position	\$ 36,807,425	\$ 35,770,797	\$ 36,586,149	\$ 1,036,628	\$ (815,352)

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2014**

Highlighted information from the Summary Statements of Revenues, Expenses, and Changes in Net Position:

- Operating revenues increased by \$2,328,532 or 13.6%.
- Operating expenses increased by \$975,273 or 2.2%.
- Operating loss was reduced by \$1,353,259 or 4.8%.
- Non-operating revenue increased by \$1,674,069, while non-operating expenses decreased by \$625,896 for a net non-operating revenues and expenses increase of \$1,048,173 or 3.8%.

For fiscal year ended August 31, 2014, net position increased by \$1,036,628 (2.9%) from \$35,770,797 to \$36,807,425. Operating revenues increased by \$2,328,532 or 13.6%. A significant portion of the increase was due to a \$1,764,127 (47.7%) in local, state, and federal grants and gifts. Tuition and fees (net of discounts) increased by \$409,618 or 4.6% due to an increase in the per credit hour rate from \$43 to \$46 and due to non-credit instruction tuition for specialized training made possible by grant awards.

Operating expenses increased by \$975,273 (2.2%). The increase in operating expenses was offset by increases in operating and non-operating revenues (\$2,328,532 and \$1,674,127, respectively) and a reduction in non-operating expenses (\$625,896 in interest on capital related debt). A substantial portion of the increase in non-operating revenue was due to an increase in ad valorem tax revenue (\$2,022,780) and a reduction in Title IV revenue (\$646,172).

The Victoria College Board of Trustees set the tax rate at \$0.1823 per \$100 valuation, an increase from the prior year rate of \$0.1606. The increase in the tax rate was to accommodate debt service on bonds issued during fiscal year 2013 to construct the Emerging Technology Complex.

Interest and related investment income decreased by \$18,107, or 13.6%. Poor market conditions and reduction in cash balances as bonds funds are expended for on-going construction resulted in lower investment income.

Tuition and fee revenue increased by \$409,618 (4.6%) for the year ended August 31, 2014. Increased per hour credit tuition rates (from \$43 per credit hour in fiscal year 2013 to \$46 per credit hour in fiscal year 2014) and specialized training tuition provided by grant awards offset enrollment and contact hours declines for the fiscal year ended August 31, 2014. An analysis of enrollment and contact hours is provided immediately below.

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

Fiscal Year	In-District Tuition	Non-Resident Tuition	Out of District Fee	General Fee	Technology Fee
2014	\$ 46	\$ 100	\$ 47	\$ 22	\$ 15
2013	\$ 43	\$ 100	\$ 47	\$ 22	\$ 15
2012	\$ 43	\$ 100	\$ 47	\$ 22	\$ 15

Enrollment Highlights:

Credit student enrollment and contact hours decreased by 0.9% and 2.0%, respectively, for the fall term. Headcount was 4,406 for the fall 2013-2014 term compared to 4,445 for the fall 2012-2013 term. Credit student enrollment and contact hours decreased by 3.8% and 8.0%, respectively, for the spring term. Headcount was 3,922 for the spring 2013-2014 term compared to 4,076 for the spring 2012-2013 term. Overall credit student enrollment and contact hours decreased by 4.7% and 6.7%, respectively due to a drop in enrollment and contact hours during each semester of fiscal year 2014: reduction in headcount and contact hours of 39 and 15,488 for fall; reduction in headcount and contact hours of 154 and 59,920 for spring; and reduction in headcount and contact hours of 240 and 41,968, respectively, for the summer term.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2014**

Fundable non-credit enrollment and contact hours increased 37.6% and 17.9%, respectively from Quarter 1 2012-2013 term (832 enrollment; 50,562 contact hours) to the Quarter 1 2013-2014 term (1,145 enrollment; 59,624 contact hours). Fundable non-credit enrollment and contact hours decreased 9.8% and 10.0%, respectively from Quarter 2 2012-2013 term (799 enrollment; 43,458 contact hours) to the Quarter 2 2013-2014 term (721 enrollment; 39,119 contact hours). Quarters 3 and 4 increased enrollment and contact hours by 6.7% (enrollment 137; contact hours 4,376). Overall, fundable non-credit enrollment decreased by 4.3% and contact hours increased by 5.7%. Fluctuations in fundable non-credit enrollment is due, in part, from timing related to Skills Development Grants received from the Texas Workforce Commission (TWC). Grants obtained through the TWC allow the District to offer specialized training to industry partners within its service area, thereby increasing the skill level of incumbent and new workers. The impact on enrollment and contact hour levels is dependent upon grant begin and end dates and availability of funding. The District will continue to seek funding from the TWC in order to offer courses that enhance the quality of workers in its service area.

Credit Students	2013-2014	Fall	Spring	Summer		Annual *
	Enrollment	4,406	3,922	1,466		5,611
	Contact Hours	775,904	688,288	170,640		1,634,832
	2012-2013	Fall	Spring	Summer		Annual *
	Enrollment	4,445	4,076	1,706		5,889
	Contact Hours	791,392	748,208	212,608		1,752,208
	2011-2012	Fall	Spring	Summer		Annual *
	Enrollment	4,575	4,260	1,605		5,991
	Contact Hours	844,464	789,040	189,248		1,822,752
Non-Credit Students	2013-2014	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	1,145	721	757	1,174	3,107
	Contact Hours	59,624	39,119	34,395	35,395	168,533
	2012-2013	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	832	799	778	1,252	3,247
	Contact Hours	50,562	43,458	24,617	40,797	159,434
	2011-2012	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	696	750	684	1,209	2,976
	Contact Hours	30,631	38,286	30,723	31,127	130,767

Certificates and Degrees Conferred:

Fiscal Year	Associate of Arts	Associate of Science	Associate of Applied Sciences	Work Force Certificates	Total Degrees and Certificates
2013-2014	65	143	192	269	669
2012-2013	50	86	203	333	672
2011-2012	45	69	214	205	533

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2014**

Capital Assets and Long Term Debt Administration

Capital Assets

The District's investment in capital assets as of August 31, 2014 was \$58,858,402 (net of accumulated depreciation). This amount represents a net increase (including additions, dispositions, and depreciation expense) of \$13,644,096 over fiscal year 2013. During the fiscal year, construction in progress increased by \$14,009,005. Additional information regarding the District's capital assets can be found in Note 7 to the financial statements.

The following table summarizes the District's capital assets, net of accumulated depreciation, as of August 31, 2014, 2013, and 2012.

	Balance at 08/31/14	Balance at 08/31/13	Balance at 08/31/12	\$ Change 2014-2013	\$ Change 2013-2012
Land	\$ 460,387	\$ 460,387	\$ 460,387	\$ -	\$ -
Construction in Progress	15,565,738	1,556,733	2,648,322	14,009,005	(1,091,589)
Library Volumes and Periodicals	902,570	928,302	945,265	(25,732)	(16,963)
Buildings	50,183,854	49,649,093	46,572,187	534,761	3,076,906
Site Improvements	6,512,778	6,512,778	6,512,779	-	(1)
Telecommunications and Peripheral Equipment	1,731,653	1,416,796	1,465,470	314,857	(48,674)
Machinery, Equipment, Furniture and Vehicles	5,868,588	5,301,866	5,231,458	566,722	70,408
Totals at Historical Costs	81,225,568	65,825,955	63,835,868	15,399,613	1,990,087
Total Accumulated Depreciation	22,367,166	20,611,649	18,962,474	1,755,517	1,649,175
Net Capital Assets	<u>\$ 58,858,402</u>	<u>\$ 45,214,306</u>	<u>\$ 44,873,394</u>	<u>\$ 13,644,096</u>	<u>\$ 340,912</u>
				% Change 2014-2013	% Change 2013-2012
Land				0.0%	0.0%
Construction in Progress				899.9%	-41.2%
Library Volumes and Periodicals				-2.8%	-1.8%
Buildings				1.1%	6.6%
Site Improvements				0.0%	0.0%
Telecommunications and Peripheral Equipment				22.2%	-3.3%
Machinery, Equipment, Furniture and Vehicles				10.7%	1.3%
Totals at Historical Costs				23.4%	3.1%
Total Accumulated Depreciation				8.5%	8.7%
Net Capital Assets				30.2%	0.8%

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2014**

Long-Term Debt

Long-term debt decreased by \$1,500,000 during the fiscal year. Additional information regarding the District's long-term debt can be found in Notes 8 through 12 to the accompanying financial statements.

The table below summarizes the District's long-term debt outstanding at August 31, 2014, 2013, and 2012.

	<u>Balance at 08/31/14</u>	<u>Balance at 08/31/13</u>	<u>Balance at 08/31/12</u>	<u>\$ Change 2014-2013</u>	<u>\$ Change 2013-2012</u>
2006 Tax Bonds Payable	\$ 2,290,000	\$ 2,945,000	\$ 3,575,000	\$ (655,000)	\$ (630,000)
2008 Maintenance Tax Notes	-	-	550,000	-	(550,000)
2010 Combined Fee Revenue					
Refunding Bonds	2,000,000	2,370,000	2,730,000	(370,000)	(360,000)
2012 Limited Tax Refunding Bonds	8,190,000	8,280,000	8,365,000	(90,000)	(85,000)
2013 Limited Tax Bonds	<u>20,735,000</u>	<u>21,120,000</u>	<u>-</u>	<u>(385,000)</u>	<u>21,120,000</u>
 Total Long-Term Debt	 <u>\$ 33,215,000</u>	 <u>\$ 34,715,000</u>	 <u>\$ 15,220,000</u>	 <u>\$ (1,500,000)</u>	 <u>\$ 19,495,000</u>
				<u>% Change 2014-2013</u>	<u>% Change 2013-2012</u>
2006 Tax Bonds Payable				-22.2%	-17.6%
2008 Maintenance Tax Notes				N/A	-100.0%
2010 Combined Fee Revenue					
Refunding Bonds				-15.6%	-13.2%
2012 Limited Tax Refunding Bonds				-1.1%	N/A
2013 Limited Tax Bonds				100.0%	N/A
 Total Long-Term Debt				 -4.3%	 128.1%

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

Strategic and Operational Planning

Victoria College is committed to an institution-wide focus on strategic and operational planning. Year Two results of the 2012-2015 Strategic Plan indicate a significant percentage of the plan has been fully implemented and the remaining action items are on target for completion by the end of the 2014-2015 academic year. Three teams, composed of a cross-functional representation of administration, faculty and staff continue the work developed to address the three priority goals of Fostering Student Success, Meeting Community Needs and Ensuring Institutional Excellence.

Key performance indicators are evaluated against the base year of 2011-2012. Early indicators suggest that the initiatives implemented are having a significant positive outcome. Some highlights of the strategies implemented include:

- Fostering Student Success
 - Improved student engagement through evaluation and implementation of a revised faculty advising plan, an Early Alert System, expanded childcare opportunities through a partnership with the local YMCA and full operation of the Center for Academic and Professional Excellence
- Meeting Community Needs
 - Targeted recruitment to areas of high need, enhanced retention programs and services for students, development of new career pathways, and increased partnerships with area high schools to offer additional dual credit opportunities in career and technical education programs

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2014**

- Ensuring Institutional Excellence
 - Final reaffirmation from the Southern Association of Colleges and Schools Commission on Colleges, completion of the Campus Safety and Emergency Management Plan, and a focus on employee professional development

As the college enters the final year of the plan, teams will begin working on developing the next plan in early spring 2015. Priority Goals will be established based on results of the current plan and the identified needs of the college constituents.

Reaffirmation of Accreditation

The Southern Association of College and Schools Commission on Colleges reaffirmed Victoria College's accreditation and approved its Quality Enhancement Plan in June 2014. This approval acknowledges and reaffirms the high standards, institutional effectiveness and quality of Victoria College's programs and services.

Resource Management & Development

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

To offset the loss in state funding, the college increased the property tax rate from \$0.1606 to \$0.1823, per \$100 valuation and increased the general fee per semester credit hour from \$22 to \$27 for fiscal year 2014-2015. The tax rate increase was less than the anticipated increase projected when the \$22 million general obligation bond was passed by voters in 2012.

Victoria College strategically and aggressively seeks external support through donations and grants to help offset the cost of new program development, to enable the granting of student financial support, and to provide necessary funds for expansion and growth. The College strives to secure, for all area students seeking postsecondary education and training, the resources necessary to facilitate college enrollment and successful completion without accumulation of excessive financial burden. Generous community support and a strategic focus on investment management allowed the VC Foundation to award over \$476,000 in student scholarships and inject nearly \$438,000 to enhance College programs, facilities, and initiatives. In addition, numerous private, State and Federal grants, totaling nearly \$1.3 million, were awarded to Victoria College during the year to support students' financial needs and programs.

Expanded Educational and Training Programs and Facilities

Construction continues on the Emerging Technology Complex. In 2012, Victoria County voters approved by 66% a \$22 million general obligation bond to support VC's master plan, which included construction of the facility. The 119,000 square-foot facility will include specialized training labs for industrial applications and rapid response labs that can be configured to meet emerging needs. Additionally, the facility will include computer labs for instruction, traditional classrooms and flexible-use rooms for large-scale corporate training events. In addition to supporting the training needs of current and future students and employers, VC's Emerging Technology Complex will provide additional space for corporate and industrial training programs. It will also allow VC to develop new, in-demand certificate and degree programs that support regional economic development while freeing up space on VC's main campus for growing academic programs. Nearly \$3 million in private donations has been secured to provide funding for state-of-the art technology and training equipment. The building project is on time and on budget, with expected opening spring 2015.

Through a partnership with the City of Gonzales, the Gonzales Economic Development Corporation and numerous area donors, the College expanded program offerings at its Gonzales Center. A new science lab and an Industrial Training Center allows new certificates and degrees to be offered to residents and address the workforce training needs of business and industry in the area.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2014**

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.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Net Position
August 31, 2014

	Current Year	Prior Year
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 7,007,708	\$ 6,716,974
Restricted cash and cash equivalents	8,683,679	18,685,573
Short-term investments	214	653
Restricted short-term investments	236	3,006,067
Due from component unit	12,665	23,606
Accounts receivable (net)	3,396,492	3,560,566
Restricted accounts receivable	636,903	685,523
Inventories	872,321	872,594
Prepaid expenses	2,150	212,666
Total Current Assets	20,612,368	33,764,222
Noncurrent Assets		
Unamortized bond issuance costs	-	722,569
Construction in progress	15,565,738	1,556,733
Investments in real estate	460,387	460,387
Capital assets (net) (See note 6)	42,832,277	43,197,186
Total Noncurrent Assets	58,858,402	45,936,875
Total Assets	79,470,770	79,701,097
LIABILITIES		
Current Liabilities		
Accounts payable	1,949,118	1,146,937
Accrued liabilities	736,065	565,987
Funds held for others	147,226	350,870
Unearned revenues	4,461,011	4,833,705
Bonds payable - current portion	1,945,000	1,500,000
Total Current Liabilities	9,238,420	8,397,499
Noncurrent Liabilities		
Bonds payable	31,270,000	33,215,000
Total Noncurrent Liabilities	31,270,000	33,215,000
Total Liabilities	40,508,420	41,612,499
Deferred Inflows of Resources		
Unamortized premiums on bonds	2,154,925	2,317,801
Total Deferred Inflows of Resources	2,154,925	2,317,801
NET POSITION		
Invested in capital assets, net of related debt	23,488,477	8,904,074
Restricted for		
Expendable		
Student aid	78,821	65,618
Unexpended bond proceeds	7,672,848	21,287,489
Debt service	326,074	331,267
Unrestricted	5,241,205	5,182,349
Total Net Position (Schedule D)	\$ 36,807,425	\$ 35,770,797

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Financial Position
August 31, 2014

	Current Year	Prior Year
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 1,242,361	\$ 1,253,054
Tuition assistance receivable	1,942	1,942
Pledges receivable		
Temporarily restricted	53,487	3,699
Total Current Assets	1,297,790	1,258,695
Other Assets		
Endowment Investments - money market funds	383,597	291,131
Endowment Investments - equity securities	7,428,078	6,459,631
Total Endowment Investments	7,811,675	6,750,762
Endowment Investments - temporarily restricted	2,752,076	2,302,154
Total Other Assets	10,563,751	9,052,916
Total Assets	\$ 11,861,541	\$ 10,311,611
LIABILITIES		
Current Liabilities		
Due to Victoria College	\$ 12,665	\$ 23,605
Deferred grant revenue	125,688	-
Total Current Liabilities	138,353	23,605
Total Liabilities	138,353	23,605
NET ASSETS		
Unrestricted net assets	120,872	109,994
Temporarily restricted net assets	3,790,641	3,427,249
Permanently restricted net assets	7,811,675	6,750,763
Total Net Assets	11,723,188	10,288,006
Total Liabilities and Net Assets	\$ 11,861,541	\$ 10,311,611

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, 2014

	<u>Current Year</u>	<u>Prior Year</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$8,024,467 & \$4,232,489, respectively)	\$ 9,344,057	\$ 8,934,439
Federal grants and contracts	1,477,196	1,498,120
State grants and contracts	2,787,071	1,486,897
Local grants and contracts	142,974	30,131
Non-governmental grants and contracts	1,055,451	683,417
Sales and services of educational activities	640,563	519,159
Auxiliary enterprises (net of discounts of \$748,591 & \$1,902,931, respectively)	3,730,870	3,707,504
General operating revenues	<u>280,214</u>	<u>270,197</u>
Total Operating Revenues (Schedule A)	<u>19,458,396</u>	<u>17,129,864</u>
OPERATING EXPENSES		
Instruction	14,478,253	13,385,681
Public service	300,930	226,446
Academic support	2,962,852	3,170,188
Student services	2,702,862	2,749,354
Institutional support	5,780,510	5,019,535
Operation and maintenance of plant	3,197,949	3,391,400
Scholarships and fellowships	11,261,535	11,773,322
Auxiliary enterprises	3,594,443	3,592,178
Depreciation	<u>1,844,191</u>	<u>1,840,148</u>
Total Operating Expenses (Schedule B)	<u>46,123,525</u>	<u>45,148,252</u>
Operating (Loss)	<u>(26,665,129)</u>	<u>(28,018,388)</u>
Non-Operating Revenues (Expenses)		
State allocations	7,807,907	7,553,650
Title IV	9,483,109	10,129,281
Ad valorem taxes		
Taxes for maintenance and operations	8,131,921	7,382,454
Taxes for debt service	3,006,314	1,733,001
Gifts	1,256,743	1,195,432
Investment income (net of investment expenses)	115,570	133,677
Interest on capital related debt	<u>(1,348,630)</u>	<u>(722,734)</u>
Total Non-Operating Revenues (Expenses) (Schedule C)	<u>28,452,934</u>	<u>27,404,761</u>
Income Before Other Revenues, (Expenses), Gains and (Losses)	<u>1,787,805</u>	<u>(613,627)</u>
Other Revenues, (Expenses), Gains, (Losses)		
Loss on disposal of capital assets	(33,608)	(14,484)
Bond issuance costs	-	(140,892)
Donation of capital assets	<u>5,000</u>	<u>-</u>
Total Other Revenues, (Expenses), Gains, (Losses)	<u>(28,608)</u>	<u>(155,376)</u>
Increase in Net Position	<u>1,759,197</u>	<u>(769,003)</u>
NET POSITION		
Net Position - Beginning of Year	35,770,797	36,586,149
Adjustment to Net Position	<u>(722,569)</u>	<u>(46,349)</u>
Net Position - End of Year	<u>\$ 36,807,425</u>	<u>\$ 35,770,797</u>

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Activities
For The Year Ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Current Year</u>	<u>Total Prior Year</u>
Support and revenues					
Grants and contributions	\$ 51,302	\$ 473,871	\$ 672,369	\$ 1,197,542	\$ 1,176,635
In-kind donations	193,924	-	-	193,924	162,325
Interest and dividends	218	285,432	-	285,650	279,418
Net increase in fair value of investments	-	200,583	726,032	926,615	496,844
Total unrestricted support and revenues	<u>245,444</u>	<u>959,886</u>	<u>1,398,401</u>	<u>2,603,731</u>	<u>2,115,222</u>
Net assets released from restrictions	894,721	(557,232)	(337,489)	-	-
Net assets returned to donors	-	(3,200)	-	(3,200)	(25)
Other changes in net assets	(249)	-	-	(249)	-
Total unrestricted support and revenues And reclassifications	<u>1,139,916</u>	<u>399,454</u>	<u>1,060,912</u>	<u>2,600,282</u>	<u>2,115,197</u>
Expenses					
Program	914,759	-	-	914,759	666,627
Management and general	21,781	36,062	-	57,843	43,411
Fundraising	192,498	-	-	192,498	164,212
Total unrestricted expenses	<u>1,129,038</u>	<u>36,062</u>	<u>-</u>	<u>1,165,100</u>	<u>874,250</u>
Increase in net assets	<u>10,878</u>	<u>363,392</u>	<u>1,060,912</u>	<u>1,435,182</u>	<u>1,240,947</u>
NET ASSETS					
Net Assets - Beginning of Year	<u>109,994</u>	<u>3,427,249</u>	<u>6,750,763</u>	<u>10,288,006</u>	<u>9,047,059</u>
Net Assets - End of Year	<u>\$ 120,872</u>	<u>\$ 3,790,641</u>	<u>\$ 7,811,675</u>	<u>\$ 11,723,188</u>	<u>\$ 10,288,006</u>

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, 2014

	<u>Current Year</u>	<u>Prior Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 13,342,796	\$ 12,985,780
Receipts from grants and contracts	5,675,386	3,527,030
Other receipts	291,155	210,668
Payments to suppliers for goods or services	(6,080,352)	(7,364,077)
Payments to or on behalf of employees	(24,597,720)	(23,417,436)
Payments of scholarships and fellowships	(11,261,535)	(11,773,322)
Net cash provided (used) by operating activities	<u>(22,630,270)</u>	<u>(25,831,357)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state allocations	6,651,228	6,665,436
Receipts from federal (Title IV) allocations	9,483,109	10,129,281
Receipts from ad valorem tax revenues	8,131,921	7,382,454
Gifts and grants (other than capital)	1,256,743	1,195,432
Student organization and other agency transactions	(203,644)	20,647
Net cash provided by non-capital financing activities	<u>25,319,357</u>	<u>25,393,250</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad valorem tax revenues	3,006,314	1,733,001
Contribution of capital assets	5,000	-
Purchases of capital assets	(15,521,894)	(2,195,544)
Proceeds from disposal of capital assets	33,608	14,484
Loss on disposal of capital assets	(33,608)	(14,484)
Proceeds from bonds	-	21,120,000
Bond issuance costs	-	(140,892)
Bond premium	-	1,024,253
Bond premium amortization	(162,877)	(308,028)
Amortization of bond costs	-	551,298
Payments on capital debt - principal	(1,500,000)	(1,625,000)
Payments on capital debt - interest	(1,348,630)	(722,734)
Net cash provided (used) by capital and related financing activities	<u>(15,522,087)</u>	<u>19,436,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	3,121,840	(2,870,529)
Prior period adjustment	-	(46,349)
Net cash provided (used) by investing activities	<u>3,121,840</u>	<u>(2,916,878)</u>
Increase (decrease) in cash and cash equivalents	(9,711,160)	16,081,369
Cash and cash equivalents - September 1	<u>25,402,547</u>	<u>9,321,178</u>
Cash and cash equivalents - August 31	<u>\$ 15,691,387</u>	<u>\$ 25,402,547</u>
Cash & cash equivalents	\$ 7,007,708	\$ 6,716,974
Restricted cash and cash equivalents	8,683,679	18,685,573
Total cash and cash equivalents	<u>\$ 15,691,387</u>	<u>\$ 25,402,547</u>

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Cash Flows
For The Year Ended August 31, 2014
(Continued)

	Current Year	Prior Year
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (26,665,129)	\$ (28,018,388)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	1,844,191	1,840,148
State group insurance	1,156,679	888,214
Changes in assets and liabilities:		
Receivables (net)	212,694	(171,535)
Due from component unit	10,941	(59,529)
Inventories	273	(35,117)
Prepaid expenses	210,516	(195,735)
Accounts payable	802,181	76,799
Accrued liabilities	170,078	19,108
Deferred revenue	(372,694)	(175,322)
Net cash provided (used) by operating activities	\$ (22,630,270)	\$ (25,831,357)

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, 2014

1. Reporting Entity

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

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was effective for financial statement periods beginning after December 15, 2011, established reporting standards for deferred outflows and inflows and changed the presentation and titles of the financial statements accordingly during the prior year. With the implementation of GASB Statement No. 63, the Statement of Net Assets has been renamed to the Statement of Net Position and net assets now becomes net position. Additionally, the Statement of Net Position now includes two new classifications, deferred outflows and deferred inflows of resources, separate from assets and liabilities. Amounts reported as deferred outflows of resources are required to be reported in the Statement of Net Position in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are required to be reported in the Statement of Net Position in a separate section following liabilities. The totals of these new classifications are added to the total for assets and liabilities, respectively, to arrive at net position. During fiscal years 2014 and 2013, the District reports unamortized premium on bonds as deferred inflows of resources.

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

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

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. [The governing board has designated public funds investment pools comprised of \$450 and \$3,006,720 at August 31, 2014, and 2013, respectively, to be short-term investments.] Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

Inventories consist of consumable office supplies, physical plant supplies, concession supplies, and bookstore stock. Inventories are valued at cost on a first in, first out basis for supplies and at retail method for bookstore stock. Inventories are charged to expense as consumed.

Capital Assets

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

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

Deferred Revenues

Tuition and fees of \$4,117,785 and \$4,155,729, federal, state and local grants of \$246,708 and \$248,387, and deferred other of \$96,518 and \$429,589 have been reported as deferred revenues at August 31, 2014 and 2013, respectively.

Tuition Discounting

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

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

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

Management Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income tax under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The District had no unrelated business income tax liability for the years ended August 31, 2014 and 2013.

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, 2014, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year.

Reclassifications

Certain 2013 amounts have been reclassified to conform to current year presentation.

3. Authorized Investments

The Board of Trustees of the District has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). The investments of the District are in compliance with the Board of Trustees' Investment Policy and the Public Funds Investment Act. Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

4. **Deposits and Investments**

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

Cash and Deposits		
	08/31/14	08/31/13
Bank Deposits		
Demand Deposits	\$ 15,611,739	\$ 25,300,334
	15,611,739	25,300,334
Cash and Cash Equivalents		
Cash on Hand	79,648	102,213
	79,648	102,213
Total Cash and Deposits	\$ 15,691,387	\$ 25,402,547

Reconciliation of Cash, Deposits and Investments to Exhibit 1

Type of Security	Market Value	
	08/31/14	08/31/13
TexPool	\$ 450	\$ 3,006,720
Total Investments	\$ 450	\$ 3,006,720
Total Cash and Deposits	\$ 15,691,387	\$ 25,402,547
Total Investments	450	3,006,720
Total Deposits and Investments	\$ 15,691,837	\$ 28,409,267
Cash and Temporary Investments (Exhibit 1)	\$ 15,691,387	\$ 25,402,547
Investments (Exhibit 1)	450	3,006,720
Total Deposits and Investments	\$ 15,691,837	\$ 28,409,267

As of August 31, 2014 the District had the following investments and maturities:

Investment Type	2014	Investment Maturities (in Years)			S&P Rating
	Fair Value	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 5 years.

Credit Risk – In accordance with state law and the District’s investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. All Tex Pool investments of the District are rated AAAM.

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

5. **Derivatives**

The District did not invest in derivative investment products or repurchase agreements during the fiscal year ended August 31, 2014.

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

Accounts receivable consist of the following at August 31:

	<u>2014</u>	<u>2013</u>
Student receivables	\$ 4,166,152	\$ 4,195,811
Third-party contractor receivables	158,032	168,101
Ad valorem taxes receivables	702,603	593,404
Federal grant receivables	184,796	192,582
State grant receivables	379,475	484,019
Local grant receivables	92,317	8,922
Other receivables	<u>466,442</u>	<u>355,546</u>
Total accounts receivable	6,149,817	5,998,385
Allowance for doubtful accounts	<u>(2,116,422)</u>	<u>(1,752,296)</u>
Accounts receivable (net)	<u>\$ 4,033,395</u>	<u>\$ 4,246,089</u>
Accounts receivable (net)	\$ 3,396,492	\$ 3,560,566
Restricted accounts receivable	<u>636,903</u>	<u>685,523</u>
	<u>\$ 4,033,395</u>	<u>\$ 4,246,089</u>

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

	<u>2014</u>	<u>2013</u>
Accounts payable:		
Vendor payables	\$ 1,832,433	\$ 1,018,250
Other payables	<u>116,685</u>	<u>128,687</u>
Total accounts payable	<u>1,949,118</u>	<u>1,146,937</u>
Accrued liabilities:		
Accrued payroll	183,431	176,633
Employee benefits payable	460,547	278,914
Sales tax payable	<u>92,087</u>	<u>110,440</u>
Total accrued liabilities	<u>736,065</u>	<u>565,987</u>
Total accounts payable and accrued liabilities	<u>\$ 2,685,183</u>	<u>\$ 1,712,924</u>

7. **Capital Assets Activity**

Capital asset activity for the years ended August 31:

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

	2013			Balance August 31, 2013
	Balance September 1, 2012	Changes During the Year		
		Additions	Deletions	
Not Depreciated:				
Land	\$ 460,387	\$ -	\$ -	\$ 460,387
Construction in Progress	2,648,322	1,985,316	(3,076,905)	1,556,733
Subtotal	<u>3,108,709</u>	<u>1,985,316</u>	<u>(3,076,905)</u>	<u>2,017,120</u>
Other Capital Assets:				
Library Volumes and Periodicals	945,265	41,662	(58,625)	928,302
Buildings	46,572,188	3,076,905	-	49,649,093
Site Improvements	6,512,778	-	-	6,512,778
Telecommunications and Peripheral Equipment	1,465,469	69,279	(117,952)	1,416,796
Machinery, Equipment, Furniture and Vehicles	5,231,459	99,287	(28,880)	5,301,866
Subtotal	<u>60,727,159</u>	<u>3,287,133</u>	<u>(205,457)</u>	<u>63,808,835</u>
Accumulated Depreciation:				
Library Volumes and Periodicals	403,307	61,540	(58,625)	406,222
Buildings	12,616,056	916,310	-	13,532,366
Site Improvements	3,592,775	219,950	-	3,812,725
Telecommunications and Peripheral Equipment	1,070,166	146,330	(103,470)	1,113,026
Machinery, Equipment, Furniture and Vehicles	1,280,170	496,018	(28,878)	1,747,310
Subtotal	<u>18,962,474</u>	<u>1,840,148</u>	<u>(190,973)</u>	<u>20,611,649</u>
Net Other Capital Assets	<u>41,764,685</u>	<u>1,446,985</u>	<u>(14,484)</u>	<u>43,197,186</u>
Net Capital Assets	<u>\$ 44,873,394</u>	<u>\$ 3,432,301</u>	<u>\$ (3,091,389)</u>	<u>\$ 45,214,306</u>

8. **Non-Current Liabilities**

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

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

	2013				
	Balance September 1, 2012	Additions	Reductions	Balance August 31, 2013	Current Portion
Bonds					
General obligation bonds	\$ 3,575,000	\$ -	\$ 630,000	\$ 2,945,000	\$ 655,000
Revenue refunding bonds	2,730,000	-	360,000	2,370,000	370,000
Limited tax refunding bonds	8,365,000	-	85,000	8,280,000	90,000
Limited tax bonds	-	21,120,000	-	21,120,000	385,000
Notes					
Maintenance tax notes	550,000	-	550,000	-	-
	<u>\$ 15,220,000</u>	<u>\$ 21,120,000</u>	<u>\$ 1,625,000</u>	<u>\$ 34,715,000</u>	<u>\$ 1,500,000</u>

9. **Bonds Payable**

General information related to bonds payable is summarized below:

Limited Tax Bonds, Series 2006

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

Combined Fee Revenue Refunding Bonds, Series 2010

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

Limited Tax Refunding Bonds, Series 2012

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

Limited Tax Bonds, Series 2013

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

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

Debt Service for the 2010 Combined Fee Revenue Refunding Bonds was \$443,750 for the year ended August 31, 2014. Revenues totaling \$1,853,697 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 Districted 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 Districted 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>2014</u>	<u>2013</u>
Limited Tax Bonds, Series 2006	2012	\$ 8,480,000	\$ 8,480,000
Total		<u>\$ 8,480,000</u>	<u>\$ 8,480,000</u>

12. Debt and Lease Obligation

Debt service requirements at August 31, 2014 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
2015	\$ 685,000	\$ 112,462	\$ 797,462	\$ 90,000	\$ 267,550	\$ 357,550
2016	720,000	79,925	799,925	95,000	265,750	360,750
2017	755,000	43,925	798,925	95,000	263,850	358,850
2018	130,000	6,175	136,175	755,000	261,950	1,016,950
2019	-	-	-	80,000	243,075	323,075
2020-2024	-	-	-	4,875,000	904,225	5,779,225
2025-2029	-	-	-	2,200,000	116,200	2,316,200
Totals	<u>\$ 2,290,000</u>	<u>\$ 242,487</u>	<u>\$ 2,532,487</u>	<u>\$ 8,190,000</u>	<u>\$ 2,322,600</u>	<u>\$ 10,512,600</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
2015	\$ 795,000	\$ 672,762	\$ 1,467,762	\$ 375,000	\$ 66,350	\$ 441,350
2016	820,000	648,913	1,468,913	390,000	55,100	445,100
2017	845,000	624,312	1,469,312	400,000	43,400	443,400
2018	870,000	598,963	1,468,963	410,000	33,400	443,400
2019	895,000	572,862	1,467,862	425,000	17,000	442,000
2020-2024	5,055,000	2,292,062	7,347,062	-	-	-
2025-2029	5,995,000	1,356,401	7,351,401	-	-	-
2030-2033	5,460,000	415,500	5,875,500	-	-	-
Totals	<u>\$ 20,735,000</u>	<u>\$ 7,181,775</u>	<u>\$ 27,916,775</u>	<u>\$ 2,000,000</u>	<u>\$ 215,250</u>	<u>\$ 2,215,250</u>

Fiscal Year Ended August 31,	Total Bonds		
	Principal	Interest	Total
2015	\$ 1,945,000	\$ 1,119,124	\$ 3,064,124
2016	2,025,000	1,049,688	3,074,688
2017	2,095,000	975,487	3,070,487
2018	2,165,000	900,488	3,065,488
2019	1,400,000	832,937	2,232,937
2020-2024	9,930,000	3,196,287	13,126,287
2025-2029	8,195,000	1,472,601	9,667,601
2030-2033	5,460,000	415,500	5,875,500
Totals	<u>\$ 33,215,000</u>	<u>\$ 9,962,112</u>	<u>\$ 43,177,112</u>

The District had no capital lease obligations at August 31, 2014.

13. **Short Term Debt**

The District used no short-term debt for the year ended August 31, 2014.

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

Operating Lease Commitments

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

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 96,081
2016	<u>16,013</u>
	<u>\$ 112,094</u>

Rental expense paid for the years ended August 31, 2014 and 2013 for operating leases totaled \$167,669 and \$187,493, respectively.

15. **Employees' Retirement Plan**

The State of Texas (state) has joint contributory retirement plans for almost all of its employees. One of the primary plans in which the District participates is administered by the Teacher Retirement System of Texas (TRS).

Teacher Retirement System of Texas - Defined Benefit Plan

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publically available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading, by calling TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of a 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. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012. The state's contribution rates are 6.8% for fiscal year 2014, 6.4% for fiscal year 2013, and 6.0% for fiscal year 2012. In certain instances, the reporting District is required to make all or a portion of the state's 6.8% contribution for fiscal year 2014 and 6.4% for fiscal years 2013 and 2012. Senate Bill (S.B.) 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentage of participant salaries currently contributed by the state for each participant are 6.6% for fiscal year 2014 and 6.4% for fiscal year 2013. Employee contributions percentage was 6.65% for fiscal year 2013 and 6.4% for fiscal year 2013. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, neither the state nor the District has any additional or unfunded liability for this program. Senate Bill (S.B.) 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense related to TRS and ORP contributions paid by the state for the District was \$405,910 and \$715,387 for the fiscal years ended August 31, 2014 and 2013, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District. On-behalf payments of these benefits were recognized as restricted revenues and restricted expenses during the period.

The total payroll for all District employees was \$16,707,495 and \$16,348,473 for the fiscal years ended August 31, 2014 and 2013, respectively. The total payroll of employees covered by the state for TRS was \$8,806,564 and \$7,813,393 and the total payroll of employees covered by the state for ORP was \$3,226,878 and \$3,364,529 for the fiscal years ended August 31, 2014 and 2013, respectively.

16. Deferred Compensation Program

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

At August 31, 2014 and 2013, the District had no employees electing to defer compensation.

17. Compensable Absences

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

18. Pending Lawsuits and Claims

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

19. Funds Held in Trust by Others

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

20. Contract and Grant Award

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended but not collected are reported as restricted accounts receivable on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected are reported as restricted accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the District has not yet performed services are not included in the financial statements. Contract and grant award funds already committed, e.g. multi-year awards, or funds awarded during fiscal year August 31, 2014, and 2013, for which monies have not been received nor funds expended totaled \$2,544,017 and \$4,416,252, respectively. Of these amounts \$1,274,892 and \$1,523,327 were from Federal Contracts and Grant Awards; \$1,246,557 and \$2,846,614 were from State Contracts and Grant Awards; and \$22,568 and \$46,311 were from Local Contract and Grant Awards at August 31, 2014 and 2013, respectively.

21. Self-Insured Plans

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

22. Post Retirement Health Care and Life Insurance Benefits

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

Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums.

The state's contribution per full-time employee with individual coverage was \$503 per month for the year ended August 31, 2014 (\$470 per month for fiscal year 2013) and totaled \$690,936 for the year ended August 31, 2014 (\$631,034 for the year ended August 31, 2013). The state's contribution per full-time employee with individual and children coverage was \$696 per month for the year ended August 31, 2014 (\$651 per month for fiscal year 2013) and totaled \$338,832 for the year ended August 31, 2014 (\$332,458 for the year ended August 31, 2013). The state's contribution for a full-time employee with individual and spouse coverage was \$791 per month for the year ended August 31, 2014 (\$740 per month for fiscal year 2013) and totaled \$180,386 for the year ended August 31, 2014 (\$212,999 for the year ended August 31, 2013).

The state's contribution for a full-time employee with family coverage was \$984 per month for the year ended August 31, 2014 (\$920 per month for fiscal year 2013) and totaled \$354,240 for the year ended August 31, 2014 (\$286,984 for the year ended August 31, 2013).

The cost of providing those benefits for 133 retirees in the year ended August 31, 2014 was \$926,930 (retiree benefits for 133 retirees cost \$906,431 in fiscal year 2013). For 288 active employees, the cost of providing benefits was \$2,052,881 for the year ended August 31, 2014 (active employee benefits for 212 employees cost \$1,463,475 for the year ended August 31, 2013).

23. Postemployment Benefits Other than Pensions

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

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

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

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

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

The District's contributions to SRHP for the years ending August 31, 2014, 2013, and 2012 were \$57,277, \$60,668 and \$58,439, respectively, which equaled the required contributions each year.

24. **Ad Valorem Tax**

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

At August 31:

	<u>2014</u>	<u>2013</u>
Assessed Valuation of the District:	\$ 7,047,052,738	\$ 6,372,760,283
Less: Exemptions	<u>(686,704,557)</u>	<u>(552,967,515)</u>
Net Assessed Valuation of the District	<u>\$ 6,360,348,181</u>	<u>\$ 5,819,792,768</u>

	<u>2014</u>			<u>2013</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized Tax Rate per \$100 Valuation	<u>\$ 0.500000</u>	<u>\$ 0.500000</u>	<u>\$ 1.000000</u>	<u>\$ 0.500000</u>	<u>\$ 0.500000</u>	<u>\$ 1.000000</u>
Assessed Tax Rate per \$100 Valuation	<u>\$ 0.140100</u>	<u>\$ 0.042200</u>	<u>\$ 0.182300</u>	<u>\$ 0.140100</u>	<u>\$ 0.020500</u>	<u>\$ 0.160600</u>

Taxes levied for the years ended August 31, 2014 and 2013 were \$11,117,025 and \$9,106,401, respectively. Penalties and interest are not assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Property becomes subject to lien at July 1 of the year in which taxes become delinquent.

<u>Taxes Collected</u>	<u>2014</u>			<u>2013</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Taxes Collected	\$ 6,765,221	\$ 2,609,617	\$ 9,374,838	\$ 5,796,932	\$ 1,495,188	\$ 7,292,120
Delinquent Taxes Collected	1,282,350	375,046	1,657,396	1,502,471	223,597	1,726,068
Penalties and Interest Collected	77,142	19,217	96,359	72,252	12,823	85,075
Less Discounts and Commissions	<u>7,208</u>	<u>2,434</u>	<u>9,642</u>	<u>10,799</u>	<u>1,393</u>	<u>12,192</u>
Total Collections	<u>\$ 8,131,921</u>	<u>\$ 3,006,314</u>	<u>\$ 11,138,235</u>	<u>\$ 7,382,454</u>	<u>\$ 1,733,001</u>	<u>\$ 9,115,455</u>

Tax collections for the years ended August 31, 2014 and 2013 were 97.74% and 97.57%, respectively, of current tax levy. Uncollected taxes are fully reserved at August 31. The use of tax proceeds is restricted to maintenance and operations and/or general obligation debt service.

25. Discrete Component Unit

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

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

26. Prior Period Adjustment to Net Position for Change in Accounting

As a result of implementing GASB Statement No. 65, The District has decreased beginning net position as of September 1, 2013 by \$722,569. The decrease results from no longer deferring and amortizing bond issuance costs.

Unamortized bond premium, previously reported as a component of non-current liabilities, has been reclassified to deferred inflows of resources. The effect of this change decreases non-current liabilities by \$2,154,925 and \$2,317,801 for fiscal years ended August 31, 2014 and 2013, respectively. The change does not impact net position.

29. Subsequent Events

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

**SUPPLEMENTAL INFORMATION
AND
FINANCIAL ASSISTANCE SECTION**

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Revenues
For the Year Ended August 31, 2014

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Current Year	Prior Year
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 3,925,620	\$ -	\$ 3,925,620	\$ -	\$ 3,925,620	\$ 2,584,959
Out-of-district resident tuition	2,826,096	-	2,826,096	-	2,826,096	1,965,931
Non-resident tuition	93,924	-	93,924	-	93,924	73,921
TPEG set aside (set aside)*	281,579	-	281,579	-	281,579	355,339
State funded continuing education	1,239,963	-	1,239,963	-	1,239,963	956,468
Non-state funded continuing education	324,814	-	324,814	-	324,814	243,969
Total Tuition	<u>8,691,996</u>	<u>-</u>	<u>8,691,996</u>	<u>-</u>	<u>8,691,996</u>	<u>6,180,587</u>
Fees:						
General fee	3,245,299	-	3,245,299	-	3,245,299	2,572,339
Technology fee	2,213,544	-	2,213,544	-	2,213,544	1,753,867
Out-of-district fees	2,896,833	-	2,896,833	-	2,896,833	2,327,017
Laboratory fee	155,241	-	155,241	-	155,241	163,935
Course fees	165,611	-	165,611	-	165,611	169,183
Total Fees	<u>8,676,528</u>	<u>-</u>	<u>8,676,528</u>	<u>-</u>	<u>8,676,528</u>	<u>6,986,341</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	(433,272)	-	(433,272)	-	(433,272)	(468,445)
Title IV federal grants	(5,972,813)	-	(5,972,813)	-	(5,972,813)	(3,255,742)
Other federal grants	(25,343)	-	(25,343)	-	(25,343)	(1,478)
TPEG awards	(206,699)	-	(206,699)	-	(206,699)	(72,918)
Other state grants	(389,667)	-	(389,667)	-	(389,667)	(50,471)
Other local scholarships	(996,673)	-	(996,673)	-	(996,673)	(383,435)
Total Scholarship Allowances	<u>(8,024,467)</u>	<u>-</u>	<u>(8,024,467)</u>	<u>-</u>	<u>(8,024,467)</u>	<u>(4,232,489)</u>
Total Net Tuition and Fees	<u>9,344,057</u>	<u>-</u>	<u>9,344,057</u>	<u>-</u>	<u>9,344,057</u>	<u>8,934,439</u>
Additional Operating Revenues:						
Federal grants and contracts	19,919	1,449,261	1,469,180	-	1,469,180	1,498,120
State grants and contracts	8,017	2,787,070	2,795,087	-	2,795,087	1,486,897
Local grants and contracts	-	142,974	142,974	-	142,974	30,131
Nongovernmental grants and contracts	461,017	594,434	1,055,451	-	1,055,451	683,417
Sales and services of educational activities	640,563	-	640,563	-	640,563	519,159
General operating revenues	280,214	-	280,214	-	280,214	270,197
Total Additional Operating Revenues	<u>1,409,730</u>	<u>4,973,739</u>	<u>6,383,469</u>	<u>-</u>	<u>6,383,469</u>	<u>4,487,921</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	3,915,068	3,915,068	5,098,720
Title IV federal grants	-	-	-	(654,106)	(654,106)	(1,677,019)
Other federal grants	-	-	-	(1,834)	(1,834)	(3,238)
TPEG awards	-	-	-	(18,131)	(18,131)	(158,142)
Other state grants	-	-	-	(28,086)	(28,086)	-
Other local scholarships	-	-	-	(46,434)	(46,434)	(64,532)
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,166,477</u>	<u>3,166,477</u>	<u>3,195,789</u>
Food service	-	-	-	368,362	368,362	340,641
Facilities rentals	-	-	-	196,031	196,031	171,074
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,730,870</u>	<u>3,730,870</u>	<u>3,707,504</u>
Total Operating Revenues	<u>\$ 10,753,787</u>	<u>\$ 4,973,739</u>	<u>\$ 15,727,526</u>	<u>\$ 3,730,870</u>	<u>\$ 19,458,396</u>	<u>\$ 17,129,864</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$281,597 and \$355,339 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2014 and 2013, respectively.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2014

	Operating Expenses				Current Year Total	Prior Year Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 7,919,693	\$ -	\$ 1,553,119	\$ 1,395,720	\$ 10,868,532	\$ 10,673,699
Public service	36,489	-	2,996	261,276	300,761	226,287
Academic support	1,748,033	-	425,439	618,977	2,792,449	2,866,700
Student services	1,471,165	-	376,529	270,497	2,118,191	2,101,305
Institutional support	2,600,269	-	688,542	1,795,762	5,084,573	4,663,967
Operation and maintenance of plant	1,057,838	-	453,127	1,686,984	3,197,949	3,391,400
Scholarships and fellowships	139,488	-	1,095	461,017	601,600	482,426
Total Unrestricted Educational Activities	<u>14,972,975</u>	<u>-</u>	<u>3,500,847</u>	<u>6,490,233</u>	<u>24,964,055</u>	<u>24,405,784</u>
Restricted - Educational Activities						
Instruction	1,100,741	552,180	257,066	1,699,734	3,609,721	2,711,982
Public service	-	169	-	-	169	159
Academic support	-	164,395	-	6,008	170,403	303,488
Student services	198,966	146,067	37,536	202,102	584,671	648,049
Institutional support	-	695,937	-	-	695,937	355,568
Scholarships and fellowships	60,751	-	-	10,599,184	10,659,935	11,290,896
Total Restricted Educational Activities	<u>1,360,458</u>	<u>1,558,748</u>	<u>294,602</u>	<u>12,507,028</u>	<u>15,720,836</u>	<u>15,310,142</u>
Total Educational Activities	16,333,433	1,558,748	3,795,449	18,997,261	40,684,891	39,715,926
Auxiliary Enterprises	374,062	-	115,462	3,104,919	3,594,443	3,592,178
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	1,162,626	1,162,626	1,136,260
Equipment and furniture	-	-	-	621,736	621,736	642,348
Library volumes and periodicals	-	-	-	59,829	59,829	61,540
Total Operating Expenses	<u>\$ 16,707,495</u>	<u>\$ 1,558,748</u>	<u>\$ 3,910,911</u>	<u>\$ 23,946,371</u>	<u>\$ 46,123,525</u> (Exhibit 2)	<u>\$ 45,148,252</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2014

	Unrestricted	Restricted	Auxiliary Enterprises	Current Year	Prior Year
Non-Operating Revenues					
State Allocations:					
Education and general state support	\$ 6,245,318	\$ -	\$ -	\$ 6,245,318	\$ 5,950,049
State group insurance	-	1,156,679	-	1,156,679	888,214
State retirement matching	-	405,910	-	405,910	715,387
Total State Allocations	<u>6,245,318</u>	<u>1,562,589</u>	<u>-</u>	<u>7,807,907</u>	<u>7,553,650</u>
Ad valorem taxes:					
Taxes for maintenance and operations	8,131,921	-	-	8,131,921	7,382,454
Taxes for debt service	-	3,006,314	-	3,006,314	1,733,001
Title IV	-	9,483,109	-	9,483,109	10,129,281
Gifts	272,060	984,683	-	1,256,743	1,195,432
Equity transfer in	-	-	-	-	-
Other revenue	-	-	-	-	-
Investment income	40,433	74,987	150	115,570	133,677
Total Non-Operating Revenues	<u>14,689,732</u>	<u>15,111,682</u>	<u>150</u>	<u>29,801,564</u>	<u>28,127,495</u>
Non-Operating Expenses					
Interest on capital related debt	-	1,348,630	-	1,348,630	722,734
Total Non-Operating Expenses	<u>-</u>	<u>1,348,630</u>	<u>-</u>	<u>1,348,630</u>	<u>722,734</u>
Net Non-Operating Revenues	<u>\$ 14,689,732</u>	<u>\$ 13,763,052</u>	<u>\$ 150</u>	<u>\$ 28,452,934</u> (Exhibit 2)	<u>\$ 27,404,761</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2014

	Detail by Source				Current Year Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ 708,953	\$ -	\$ -	\$ -	\$ 708,953
Restricted for:					
Expendable:					
Student aid	-	78,821	-	-	78,821
Unexpended bond proceeds	-	-	-	7,672,848	7,672,848
Auxiliary enterprises	4,532,252	-	-	-	4,532,252
Plant					
Debt service	-	326,074	-	-	326,074
Investment in plant	-	-	-	23,488,477	23,488,477
Total Net Position, August 31, 2014	<u>5,241,205</u>	<u>404,895</u>	<u>-</u>	<u>31,161,325</u>	<u>36,807,425</u>
Total Net Position, August 31, 2013	<u>5,182,349</u>	<u>396,885</u>	<u>-</u>	<u>30,191,563</u>	<u>35,770,797</u>
Adjustment to net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>(722,569)</u>	<u>(722,569)</u>
Net Increase (Decrease) in Net Position	<u>\$ 58,856</u>	<u>\$ 8,010</u>	<u>\$ -</u>	<u>\$ 1,692,331</u>	<u>\$ 1,759,197</u>
					(Exhibit 2)

SCHEDULE D

	Available for Current Operations			Available for Current Operations	
	Yes	No	Prior Year Total	Yes	No
Current					
Unrestricted	\$ 708,953	\$ -	\$ 786,674	\$ 786,674	\$ -
Restricted for:					
Expendable:					
Student aid	-	78,821	65,618	-	65,618
Unexpended bond proceeds	-	7,672,848	21,287,489	-	21,287,489
Auxiliary enterprises	4,532,252	-	4,395,675	4,395,675	-
Plant					
Debt service	-	326,074	331,267	-	331,267
Investment in plant	-	23,488,477	8,904,074	-	8,904,074
Total Net Position, August 31, 2014	<u>5,241,205</u>	<u>31,566,220</u>	<u>35,770,797</u>	<u>5,182,349</u>	<u>30,588,448</u>
Total Net Position, August 31, 2013	<u>5,182,349</u>	<u>30,588,448</u>	<u>36,586,149</u>	<u>6,087,427</u>	<u>30,498,722</u>
Adjustment to net position	<u>-</u>	<u>(722,569)</u>	<u>(46,349)</u>	<u>-</u>	<u>(46,349)</u>
Net Increase (Decrease) in Net Position	<u>\$ 58,856</u>	<u>\$ 1,700,341</u>	<u>\$ (769,003)</u>	<u>\$ (905,078)</u>	<u>\$ 136,075</u>
			(Exhibit 2)		

SCHEDULE E

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Programs:</i>			
Federal Supplemental Educational Opportunity Grants	84.007	P007A137874	\$ 107,000
Higher Education Institutional Aid	84.031	P031S090139	565,448
Federal Work-Study Program	84.033	P033A137874	60,751
TRIO - Student Support Services	84.042	P042A101246	243,091
Federal Pell Grant Program	84.063	P063P132339	5,869,197
Federal Direct Student Loans - Subsidized	84.268	P268K142339	1,619,467
Federal Direct Student Loans - Unsubsidized	84.268	P268K142339	<u>1,826,693</u>
Total Direct Programs			<u>10,291,647</u>
<i>Pass Through From Texas Workforce Commission:</i>			
Adult Education - Basic Grants to States	84.002	1914ABE000	258,881
Adult Education - Basic Grants to States	84.002	1914AELA00	<u>1,820</u>
Total Texas Workforce Commission			<u>260,701</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>			
Career and Technical Education - Basic Grants to States	84.048	142074	238,366
Statewide Data Systems	84.372	13840	<u>2,000</u>
Total Texas Higher Education Coordinating Board			<u>240,366</u>
Total U.S. Department of Education			<u>10,792,714</u>
U.S. DEPARTMENT OF HUMAN SERVICES			
<i>Pass Through Texas Workforce Commission:</i>			
Temporary Assistance for Needy Families (TANF)	93.558	1914ABE000	15,228
Temporary Assistance for Needy Families (TANF)	93.558	1914AELA00	<u>309</u>
Total TANF			<u>15,537</u>
<i>Passed through UTMB:</i>			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	U77HP01066-11-00	117,255
Geriatric Education Centers	93.969	5UB4HP19213-04-00	17,821
Geriatric Education Centers	93.969	5UB4HP19213-05-00	<u>3,274</u>
Total UTMB			<u>138,350</u>
Total U.S. Department of Health and Human Services			<u>153,887</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
<i>Direct:</i>			
Promotion of the Humanities Division of Preservation and Access	45.149	PG-52226-14	<u>5,688</u>
Total National Endowment			<u>5,688</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 10,952,289</u>

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2014**

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

Direct federal grants and contracts revenue per Schedule A	\$ 1,469,180
Direct federal revenue, non-operating - Schedule C	<u>9,483,109</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 10,952,289</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>\$ 3,446,160</u>	<u>\$ -</u>	<u>\$ 3,446,160</u>

Note 5: Nonmonetary Federal Assistance Received

No nonmonetary federal assistance was received.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2014

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
College Work-study Program	-	\$ 20,491
Texas Educational Opportunity Grant Program	-	75,917
Texas Public Education Grant Program	-	281,579
Texas Grant Program	-	304,750
Hazlewood Exemption HB1025	-	40,489
Higher Education Performance Incentive Scholarship	-	9,000
Total Direct Funding		<u>732,226</u>
<i>Passed through Alamo Community College District:</i>		
Adult Basic Education Innovation Grant: VAST Consortium	ABEIG 10790	124,193
Total passed through UTMB at Galveston		<u>124,193</u>
Total Texas Higher Education Coordinating Board		<u>856,419</u>
UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON		
Pecan Valley Area Health Education Center - Health Prof Std Housing	-	1,280
Pecan Valley Area Health Education Center	UTMBG 0000539955	116,000
		<u>117,280</u>
DEPARTMENT OF STATE HEALTH SERVICES		
<i>Passed through Victoria County via Community Mother and Child Health Center:</i>		
Reducing Adult Potentially Preventable Hospitalizations	-	<u>73,420</u>
<i>Passed through Texas Workforce Commission:</i>		
Temporary Assistance for Needy Families	1914ABE000	8,015
GR - Adult Ed	1914ABE000	66,740
GR - Adult Ed	1914AELA00	2,514
Total Passed Through Texas Education Agency		<u>77,269</u>
Total Department of State Health Services		<u>150,689</u>
TEXAS WORKFORCE COMMISSION		
<i>Direct:</i>		
Victoria College in Partnership with Caterpillar, Inc. and Caterpillar Logistics Services, Inc.	1912SDF000	382,243
Victoria College Oil & Gas Initiative	1913SDF001	186,114
Victoria College in Partnership with Caterpillar, Inc.	1913SDF002	156,333
Victoria College Infrastructure Development for Oil & Gas Industry	1914SSF000	18,778
Victoria College in Partnership with a Petrochemical Consortium	1913SDF000	1,249,299
Total Texas Workforce Commission		<u>1,992,767</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 3,117,155</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, 2014**

Note 1: State Assistance Reconciliation

State Assistance Reconciliation	
per Schedule of Expenditures of State Awards	\$ <u>3,117,155</u>
Less: Hazelwood exemption (HB1479)	(40,489)
TPEG (included in "Tuition" section)	<u>(281,579)</u>
Total included in "Tuition and Fees"	<u>(322,068)</u>
 Total State Revenues per Schedule A	 \$ <u>2,795,087</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**

**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
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 Victoria County Junior College District, as of and for the year ended August 31, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Victoria County Junior College District's basic financial statements, and have issued our report thereon dated December 5, 2014.

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 the Victoria County Junior College District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Victoria County Junior College District's financial statements are free of 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*.

Public Funds Investment Act

We have performed tests designed to verify the Victoria County Junior College District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2014, no instances of noncompliance were found. However, providing an opinion on compliance with the Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

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
December 5, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal and State Program

We have audited the Victoria County Junior College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Victoria County Junior College District's major federal and state programs for the year ended August 31, 2014. Victoria County Junior College District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the Victoria County Junior College District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2014.

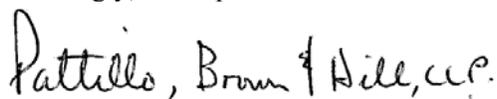
Report on Internal Control Over compliance

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

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

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

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



Brownsville, Texas
December 5, 2014

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2014**

I. Summary of Auditors' Results

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

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

The audit disclosed no finding required to be reported.

III. Findings and Questioned Costs for Federal Awards

None reported.

IV. Findings and Questioned Costs for State Awards

None reported.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2014**

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