

**VICTORIA COUNTY
JUNIOR COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2018 and 2017

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

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2018**

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

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2017-2018**

Board of Trustees

Officers

V. Bland Proctor	Chair
Luis A. Guerra	Vice Chair
John E. Zacek	Secretary

Members

		<u>Term Expires</u>
Daniel A. Cano, M.D.	Victoria, Texas	2020
Luis A. Guerra	Victoria, Texas	2024
Catherine McHaney	Victoria, Texas	2022
V. Bland Proctor	Victoria, Texas	2020
Dr. Josie Rivera	Bloomington, Texas	2024
Ronald B. Walker	Victoria, Texas	2020
John E. Zacek	Inez, Texas	2022

Principal Administrative Officers and Business and Financial Staff

David Hinds, Ph.D.	President
Cindy Buchholz, M.A.	Vice President Instruction
Keith Blundell, M.B.A., C.P.A., C.G.M.A.	Vice President Administrative Services
Jennifer Yancey, M.A.I.S.	Vice President College Advancement and External Affairs
Edrel Stoneham, Ed.D.	Dean Student Services
Tracey Bergstrom, M.B.A., C.P.A., C.G.M.A.	Director of Finance
Terri Kurtz, B.B.A.	Executive Director Human Resources

FINANCIAL SECTION



PATILLO, 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 business-type activities of Victoria County Junior College District, as of and for the year ended August 31, 2018, and 2017, and the related notes to the financial statements, which collectively comprise Victoria County Junior College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Victoria County Junior College District Foundation, Inc. (the "Affiliated Organization"), which reflects total assets of \$14,611,997 and revenues of \$2,288,373. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Victoria County Junior College District Foundation, Inc. are based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Victoria County Junior College District, as of August 31, 2018, and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Victoria County Junior College District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Uniform Grant Management Standards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and financial assistance section which includes the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and financial assistance section, is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of Victoria County Junior College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Victoria County Junior College District's internal control over financial reporting and compliance.



Brownsville, Texas
November 16, 2018

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

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, 2018. The discussion is prepared by management and should be read in conjunction with the accompanying financial statements and notes.

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

The District's annual financial report consists of three basic financial statements: the Statement of Net Position provides a summary of assets, liabilities and net position as of August 31, 2018; the Statement of Revenues, Expenses and Changes in Net Position provides a summary of operations for the fiscal year; and the Statement of Cash Flows provides categorized information about cash inflows and outflows for the fiscal year. Fiscal years ended August 31, 2018 and 2017 are presented in the audited financial statements. The discussion and analysis is limited to the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the primary government and is designed to focus on current activities, the resulting change, and currently known facts.

For the year ended August 31, 2018, the District implemented the provisions of GASB Statement No. 75, *Accounting and reporting for Post-Employment Benefits Other Than Pensions*. The fiduciary net position of the Employers Retirement System (ERS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This included, for purposes of measuring the net other post-employment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from ERS's fiduciary net position. Benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the year of implementation of GASB 75, a restatement to beginning net position was required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net OPEB liability and beginning of the reporting entity's fiscal year. See note 2 in the accompanying Notes to the Financial Statements.

Since the District does not have all the audited beginning balances for deferred inflows of resources and deferred outflows of resources related to OPEB required to properly restate fiscal year 2017 financial statements, the restatement will be made directly to the beginning net position in the fiscal year 2018 financial statements as a cumulative effect of change in accounting principle. Due to this method used to record OPEB amounts, comparability between fiscal years is impacted.

Statement of Net Position

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

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

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

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

Summary of Statement of Net Position - Exhibit 1

	<u>Fiscal Year</u>			<u>Change</u>	
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018 to 2017</u>	<u>2017 to 2016</u>
Assets					
Cash and Investments	\$ 13,431,181	\$ 11,659,872	\$ 10,095,866	\$ 1,771,309	\$ 1,564,006
Other Assets	6,203,126	7,480,973	7,195,958	(1,277,847)	285,015
Capital Assets, Net	<u>59,062,340</u>	<u>61,440,100</u>	<u>63,059,551</u>	<u>(2,377,760)</u>	<u>(1,619,451)</u>
Total Assets and Deferred Outflows	78,696,647	80,580,945	80,351,375	(1,884,298)	229,570
Liabilities					
Current Liabilities	8,088,635	9,275,255	8,803,701	(1,186,620)	471,554
Long-term Liabilities	<u>58,945,006</u>	<u>34,071,020</u>	<u>36,680,683</u>	<u>24,873,986</u>	<u>(2,609,663)</u>
Total Liabilities and Deferred Inflows	67,033,641	43,346,275	45,484,384	23,687,366	(2,138,109)
Net Position					
Invested in Capital Assets, Net of Related Debt	32,573,918	32,623,802	31,985,378	(49,884)	638,424
Unrestricted	(22,827,113)	2,654,474	714,564	(25,481,587)	1,939,910
Restricted	<u>1,916,201</u>	<u>1,956,394</u>	<u>2,167,049</u>	<u>(40,193)</u>	<u>(210,655)</u>
Total Net Position	<u>\$ 11,663,006</u>	<u>\$ 37,234,670</u>	<u>\$ 34,866,991</u>	<u>\$ (25,571,664)</u>	<u>\$ 2,367,679</u>

Highlighted information from the Statement of Net Position:

- Total assets decreased by \$1,884,298 or 2.34%.
- Total liabilities increased by \$23,687,366 or 54.65%.
- Total net position decreased by \$25,571,664 or 68.68%.

Significant changes in assets, liabilities and net position are attributable to implementation of GASB 75, which required the District to record its proportionate share of the Employees Retirement System of Texas's (ERS) net OPEB liability and related deferred outflows and inflows of resources related to OPEB. GASB 68, as amended by GASB Statement No. 71, also impacts asset and liability balances due to changes in the District's proportionate share of Teacher Retirement System's (TRS's) net pension liability and related deferred outflows and inflows of resources related to pensions.

The District reduced deferred outflows related to pensions (an asset) by \$911,547 for a total deferred outflows related to pensions of \$989,774 (a 47.94% decrease). Additionally, deferred inflows related to pensions (a liability) decreased by \$315,165 (19.32%) for total deferred pension inflows of \$1,316,454. The net pension liability decreased by 12.35% from \$5,788,104 to \$5,073,513.

Deferred outflows on the pension plan are related to changes in actuarial assumptions that occur at the plan level, differences in expected and actual economic experience at the plan level, contributions made to the Teacher Retirement System (TRS) after the measurement date, and the difference between the employer's contributions and their proportionate share of contributions. Deferred inflows for the pension plan are related to the difference between projected and actual investment earnings and the difference between the employer's contributions and their proportionate share of contributions. The net pension of \$5,073,513 was measured at August 31, 2017 and was established per amounts recorded in TRS's *Comprehensive Annual Financial Statement* and TRS's *Audited 2017 GASB 68 Allocation Schedules*.

OPEB deferred outflows are related to the difference between projected and actual investment earnings and contributions paid to ERS subsequent to the measurement date. Deferred inflows for OPEB are related to differences between expected and actual economic experience and changes in actuarial assumptions.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

The net OPEB liability of \$22,587,109 was measured at August 31, 2017 and was established per amounts recorded in ERS's *Comprehensive Annual Financial Statement* and ERS's *Actuarial Valuation of the Other Post-Employment Benefits (OPEB) Provided Under the Texas Employees Group Benefits Program (GBP)*.

Information regarding net pension liability and deferred outflows and inflows or resources related to pensions can be found in note 16 in the accompanying Notes to the Financial Statements. The District's net OPEB liability and deferred outflows and inflows or resources related to OPEB are discussed in note 20 in the accompanying Notes to the Financial Statements. See note 2 in the accompanying Notes to the Financial Statements which contains information regarding the District's required restatement of net position for OPEB liabilities.

Cash, unrestricted and restricted, decreased by \$8,097,703 (69.45%), while investments, including unrestricted and restricted, increased by \$9,859,012. The significant change in cash and investments is the result of the transfer of funds from the depository institution money market accounts to the TexPool Prime investment pool to increase investment returns. Overall, cash and investments increased by \$1,771,309 (15.19%) due to increased investment returns (\$181,510), the sale of property (\$373,014), increased tax revenue (\$726,715), and overall operations (\$490,070).

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

See discussion of long-term debt below and notes 8 through 13 in the accompanying financial statements.

At August 31, 2018, the District designated the entirety of expendable net position, restricted for unexpended bond proceeds, for the 2011-2020 master plan (\$851,431). This designation indicates management's anticipated future use of financial resources.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

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

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

	<u>Fiscal Year</u>			<u>Change</u>	
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018 to 2017</u>	<u>2017 to 2016</u>
Operating Revenues					
Tuition and Fees (net of discounts)	\$ 9,661,710	\$ 9,480,754	\$ 9,440,784	\$ 180,956	\$ 39,970
Local, State and Federal Grants and Contracts	3,381,637	3,336,108	2,890,620	45,529	445,488
Auxiliary Enterprise	3,053,348	3,041,741	3,403,903	11,607	(362,162)
Other	984,326	755,061	807,713	229,265	(52,652)
Total Operating Revenues	<u>17,081,021</u>	<u>16,613,664</u>	<u>16,543,020</u>	<u>467,357</u>	<u>70,644</u>
Operating Expenses					
Instruction	13,792,269	13,363,775	12,103,345	428,494	1,260,430
Public Service	184,785	253,733	201,425	(68,948)	52,308
Academic Support	3,278,874	3,486,829	3,366,488	(207,955)	120,341
Student Services	2,649,711	2,755,388	2,757,264	(105,677)	(1,876)
Institutional Support	6,630,835	5,848,205	6,187,585	782,630	(339,380)
Operation and Maintenance of Plant	3,914,156	4,054,884	3,745,572	(140,728)	309,312
Scholarships and Fellowships	9,392,784	9,101,274	9,132,715	291,510	(31,441)
Auxiliary Enterprises	3,590,358	3,688,769	3,408,417	(98,411)	280,352
Depreciation	2,804,101	2,675,097	2,128,759	129,004	546,338
Total Operating Expenses	<u>46,237,873</u>	<u>45,227,954</u>	<u>43,031,570</u>	<u>1,009,919</u>	<u>2,196,384</u>
Operating Income (Loss)	<u>(29,156,852)</u>	<u>(28,614,290)</u>	<u>(26,488,550)</u>	<u>(542,562)</u>	<u>(2,125,740)</u>
Non-Operating Revenues (Expenses)					
State Appropriations	7,704,008	7,639,476	7,655,944	64,532	(16,468)
Taxes	14,280,266	13,553,551	12,943,733	726,715	609,818
Title IV	7,553,303	7,534,251	7,574,784	19,052	(40,533)
Gifts	984,152	1,334,149	305,167	(349,997)	1,028,982
Interest on Capital Related Debt	(737,612)	(812,612)	(886,811)	75,000	74,199
Investment Related Income	242,133	60,623	57,200	181,510	3,423
Total Non-Operating Revenues (Expenses)	<u>30,026,250</u>	<u>29,309,438</u>	<u>27,650,017</u>	<u>716,812</u>	<u>1,659,421</u>
Income Before Other Revenues, (Expenses)	<u>869,398</u>	<u>695,148</u>	<u>1,161,467</u>	<u>174,250</u>	<u>(466,319)</u>
Other Revenues, (Expenses), Gains, (Losses)	<u>(75,295)</u>	<u>1,672,531</u>	<u>-</u>	<u>(1,747,826)</u>	<u>1,672,531</u>
Increase (Decrease) in Net Position	<u>794,103</u>	<u>2,367,679</u>	<u>1,161,467</u>	<u>(1,573,576)</u>	<u>1,206,212</u>
Beginning Net Position, as Adjusted	37,234,670	34,866,991	33,705,524	2,367,679	1,161,467
Adjustments to Net Position	<u>(26,365,767)</u>	<u>-</u>	<u>-</u>	<u>(26,365,767)</u>	<u>-</u>
Ending Net Position	<u>\$ 11,663,006</u>	<u>\$ 37,234,670</u>	<u>\$ 34,866,991</u>	<u>\$ (25,571,664)</u>	<u>\$ 2,367,679</u>

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

- Operating revenues increased by \$467,357 or 2.81%.
- Operating expenses increased by \$1,009,919 or 2.23%.
- Operating loss was increased by \$542,562 or 1.90%.

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

**Management’s Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

- Non-operating revenue increased by \$641,812, while non-operating expenses decreased by \$75,000 for a net non-operating revenues (expenses) increase of \$716,812 or 2.45%.

For fiscal year ended August 31, 2018, net position from current year operations increased by \$794,103.

The increase in operating revenues (\$467,357 or 2.81%) was primarily attributable to a \$180,956 (1.91%) increase in tuition and fee revenue, a \$45,529 (1.36%) increase in local, state, and federal grants, a \$11,607 (0.38%) increase in auxiliary revenues (net of discounts), and a \$229,265 (30.36%) increase in other operating revenues. Other operating revenues consists of sales and services of educational activities, which decreased by \$17,341 or 3.68%, and general operating revenues, which increased by \$241,924 or 89.10%. The District received \$232,418 in insurance proceeds for damages caused by Hurricane Harvey, which significantly impacted general operating revenues.

Operating expenses increased by \$1,009,919 (2.23%). Operating expenses were impacted by increases in expenses related to instruction (\$428,494 or 3.21%), institutional support (\$782,630 or 13.38%), scholarships and fellowships (\$291,510 or 3.20%) and depreciation (\$129,004 or 4.82%). These increases in operating expenses were partially offset by decreases in public service (\$68,948 or 27.17%), academic support (\$207,955 or 5.96%), student services (\$105,677 or 3.84%), operation and maintenance of plant (\$140,728 or 3.47%), and auxiliary enterprises (\$98,411 or 2.67%). The increase in institutional support expense is partially attributable to implementation of GASB 75, which required a \$447,669 adjustment to state revenue and expenses for retiree insurance (OPEB).

Overall non-operating revenue (expenses) increased by \$716,812 (2.45%). Key elements in the increase are as follows:

- Tax revenue increased by \$726,715 and is the result of an increase in the tax rate adopted by the District’s Board of Trustees (\$0.2170 per \$100 valuation for fiscal year 2018 versus \$0.2065 per \$100 valuation for fiscal year 2017). The tax rate was increased to fund planned operating activities of the District.
- Title IV disbursements increased by \$19,052 (0.25%) due to increased funding by the Department of Education.
- Non-Operating gifts decreased by \$349,997 (26.23%) and is attributable to donations supporting programs offered by the college.
- Overall state allocations increased by \$64,532 (0.84%), which included a decrease in education and general state support of \$158,827 (2.75%), an increase in state group insurance of \$364,488 (26.41%), and an decrease in state retirement matching of \$141,129 (29.67%). The decrease in retirement matching is due, in part, to growth limitation factors implemented by the state. State retirement matching is also impacted by amortization of deferred inflows of resources and deferred outflows of resources related to pensions (GASB 68). The increase in state group insurance is attributable to implementation of GASB 75, which required recording of the net OPEB liability and deferred inflows and outflows of resources related to OPEB.
- Investment income (interest) increased by \$181,510 or 299.41%. The increase in investment income is attributable to moving investable funds into the TexPool Prime investment pool; this investment pool provides higher yields than the depository institution’s money market rate and the regular TexPool investment pools.
- Interest on capital related debt decreased by \$75,000 (9.23%).

Tuition and fee revenue increased by \$180,956 (1.91%) for the year ended August 31, 2018. Credit enrollment and contact hours declined by 5.0% and 0.9%, respectively. An analysis of enrollment and contact hours is provided below. The decline in credit enrollment and contact hours was offset by an increase in fundable non-credit enrollment and contact hours, which increased by 33.38% and 2.72%, respectively.

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
2018	\$ 46	\$ 113	\$ 47	\$ 27	\$ 15
2017	\$ 46	\$ 113	\$ 47	\$ 27	\$ 15
2016	\$ 46	\$ 113	\$ 47	\$ 27	\$ 15

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

Differential Tuition by Program for Fiscal Year 2018:	Per Credit Hour
Associate Degree Nursing	\$ 70
Licensed Vocational Nursing	\$ 70
Respiratory Therapy Technology	\$ 70
Medical Laboratory Technology	\$ 70
Physical Therapy Assistant	\$ 70
Emergency Medical Services	\$ 70
Fire Technology	\$ 70
Process Technology	\$ 35
Electronics and Instrumentation	\$ 35
Welding	\$ 35
Machining	\$ 35
Industrial Maintenance Mechanic	\$ 35

Enrollment Highlights:

Credit Students	2017-2018	Fall	Spring	Summer	Annual *		
	Enrollment	3,983	3,549	1,394	5,023		
	Contact Hours	690,288	610,624	159,824	1,460,736		
	2016-2017	Fall	Spring	Summer	Annual *		
	Enrollment	4,039	3,667	1,532	5,289		
	Contact Hours	678,896	617,824	177,920	1,474,640		
	2015-2016	Fall	Spring	Summer	Annual *		
	Enrollment	4,085	3,638	1,429	5,319		
	Contact Hours	694,128	607,520	165,440	1,467,088		
	Non-Credit Students	2017-2018	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
		Enrollment	634	446	511	730	2,042
		Contact Hours	49,577	25,198	20,231	29,734	124,740
2016-2017		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *	
Enrollment		479	385	441	484	1,531	
Contact Hours		44,716	34,306	23,887	18,530	121,439	
2015-2016		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *	
Enrollment		748	570	491	585	2,064	
Contact Hours		64,272	47,781	21,859	13,889	147,801	
* Unduplicated							

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

Credit student enrollment decreased by 1.4%, while contact hours increased by 1.7%, for the fall term. Headcount was 3,983 for the fall 2017-2018 term compared to 4,039 for the fall 2016-2017 term. Credit student enrollment and contact hours decreased by 3.2% and 1.2%, respectively, for the spring term. Headcount was 3,549 for the spring 2017-2018 term compared to 3,667 for the spring 2016-2017 term. The summer term posted decreases in credit student enrollment and contact hours (9.0% and 10.2%, respectively). Annualized credit student enrollment and contact hours decreased by 5.0% and 0.9%, respectively.

Fundable non-credit enrollment and contact hours increased by 32.4% and 10.9%, respectively, for Quarter 1 2017-2018 term (634 enrollment; 49,577 contact hours) compared to Quarter 1 2016-2017 term (479 enrollment; 44,716 contact hours). Fundable non-credit enrollment increased by 15.8% and non-credit contact hours decreased by 26.5%, respectively, for Quarter 2 2017-2018 term (446 enrollment; 25,198 contact hours) compared to Quarter 2 2016-2017 term (385 enrollment; 34,306 contact hours). Quarters 3 and 4 increased enrollment and contact hours by 34.2% and 17.8%, respectively, (enrollment 1,241 and contact hours 49,965 for Quarters 3 and 4 in 2017-2018 term; enrollment 925 and contact hours 42,417 for Quarters 3 and 4 2016-2017 term). Annualized fundable non-credit enrollment increased by 33.4% and contact hours increased by 2.7%.

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

Certificates and Degrees Conferred:

Fiscal Year	Associate of Arts	Associate of Science	Associate of Applied Sciences	Work Force Certificates	Total Degrees and Certificates
2017-2018	83	144	233	341	801
2016-2017	110	176	205	309	800
2015-2016	113	202	188	323	826

Capital Assets and Long Term Debt Administration

Capital Assets

The District's investment in capital assets as of August 31, 2018 was \$59,062,340 (net of accumulated depreciation). This amount represents a net decrease (including additions, dispositions, and depreciation expense) of \$2,377,760 over fiscal year 2017. During the fiscal year, the District approved the sale of real property. Construction in process increased by \$125,552 due to ongoing activities related to the facilities master plan and other projects in progress. Additional information regarding the District's capital assets can be found in note 7 to the financial statements.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

The District's capital assets, net of accumulated depreciation, as of August 31, 2018, 2017, and 2016 are summarized below:

	<u>Balance at 8/31/2018</u>	<u>Balance at 8/31/2017</u>	<u>Balance at 8/31/2016</u>	<u>\$ Change 2018-2017</u>	<u>\$ Change 2017-2016</u>
Land	\$ 263,792	\$ 263,792	\$ 460,387	\$ -	\$ (196,595)
Construction in Progress	1,070,839	945,287	660,996	125,552	284,291
Library Volumes and Periodicals	346,921	510,782	652,845	(163,861)	(142,063)
Buildings	71,643,216	71,945,220	71,896,287	(302,004)	48,933
Site Improvements	6,512,778	6,512,778	6,512,778	-	-
Machinery, Equipment, Furniture and Vehicles	<u>10,326,649</u>	<u>9,851,424</u>	<u>9,059,013</u>	<u>475,225</u>	<u>792,411</u>
Totals at Historical Costs	90,164,195	90,029,283	89,242,306	134,912	786,977
Total Accumulated Depreciation	<u>31,101,855</u>	<u>28,589,183</u>	<u>26,182,755</u>	<u>2,512,672</u>	<u>2,406,428</u>
Net Capital Assets	<u>\$ 59,062,340</u>	<u>\$ 61,440,100</u>	<u>\$ 63,059,551</u>	<u>\$ (2,377,760)</u>	<u>\$ (1,619,451)</u>

	<u>% Change 2018-2017</u>	<u>% Change 2017-2016</u>
Land	0.0%	-42.7%
Construction in Progress	13.3%	43.0%
Library Volumes and Periodicals	-32.1%	-21.8%
Buildings	-0.4%	0.1%
Site Improvements	0.0%	0.0%
Machinery, Equipment, Furniture and Vehicles	4.8%	8.7%
Totals at Historical Costs	0.1%	0.9%
Total Accumulated Depreciation	8.8%	9.2%
Net Capital Assets	-3.9%	-2.6%

Long-Term Debt

Long-term debt decreased by \$2,165,000 during the fiscal year. Additional information regarding the District's long-term debt can be found in Notes 8 through 13 to the accompanying financial statements.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

The District's long-term debt outstanding at August 31, 2018, 2017, and 2016 is summarized in the following table:

	<u>Balance at</u> 8/31/2018	<u>Balance at</u> 8/31/2017	<u>Balance at</u> 8/31/2016	<u>\$ Change</u> 2018-2017	<u>\$ Change</u> 2017-2016
2006 Tax Bonds Payable	\$ -	\$ 130,000	\$ 885,000	\$ (130,000)	\$ (755,000)
2010 Combined Fee Revenue					
Refunding Bonds	425,000	835,000	1,235,000	(410,000)	(400,000)
2012 Limited Tax Refunding Bonds	7,155,000	7,910,000	8,005,000	(755,000)	(95,000)
2013 Limited Tax Bonds	<u>17,405,000</u>	<u>18,275,000</u>	<u>19,120,000</u>	<u>(870,000)</u>	<u>(845,000)</u>
Total Long-Term Debt	<u>\$ 24,985,000</u>	<u>\$ 27,150,000</u>	<u>\$ 29,245,000</u>	<u>\$ (2,165,000)</u>	<u>\$ (2,095,000)</u>
				<u>% Change</u> 2018-2017	<u>% Change</u> 2017-2016
2006 Tax Bonds Payable				-100.0%	-85.3%
2010 Combined Fee Revenue					
Refunding Bonds				-49.1%	-32.4%
2012 Limited Tax Refunding Bonds				-9.5%	N/A
2013 Limited Tax Bonds				100.0%	N/A
Total Long-Term Debt				-8.0%	-7.2%

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 remains committed to its institution-wide focus on strategic and operational planning. Completion of the third year of the 2015-2020 Strategic Plan saw great progress towards achieving the goals. Results indicated the activities were successful in improving processes and opportunities, making significant progress towards improving student success, meeting the needs of the service area and furthering the mission of the College. The overall goals of the College's Strategic Plan are:

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

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

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

To further facilitate the achievement of strategic goals, College administration and the Board of Trustees continue to refine the plans for the projects outlined in the 2016-2025 Facilities Master Plan. Initial campus plan designs have been developed in cooperation with faculty and staff, architects and design firms specializing in higher education environments. At the center of the plan is a new comprehensive student center that will bring together all student services, including library resources, advising, tutoring, testing, financial aid and social wrap-around services. Additionally, the plan includes refurbishment of existing facilities to meet training and educational needs essential for student success and to meet employer demands for an educated workforce. Continued refinement of the programming and design of the plan will continue over the next academic year with implementation estimated to begin in 2020.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

Resource Management & Development

Victoria College remains committed to maintaining the affordability of higher education and works diligently to manage its resources in order to balance the needs of its students with the needs, requirements, and expectations of governing agencies, taxpayers, community members, transfer universities, and business and industry. As State financial support continues to decrease and the cost of doing business continues to increase, achieving this balance becomes progressively more difficult. Administration, faculty and staff are careful to control expenses while not sacrificing quality instructional delivery and student support services. State appropriations contribute less than 17% to the annual operating budget. The remainder comes primarily from ad valorem taxes and student tuition and fees. The Board of Trustees approved an increase in student tuition and fees in 2018. Slight increases in in-district, out-of-district and non-resident tuition, the general and technology fees and the differential tuition rate for allied health programs were implemented for the 2018-2019 academic year. This is the first increase since 2015. In addition, the Board approved adoption of the calculated effective tax rate of \$.2235 per \$100 valuation.

Victoria College strategically and aggressively seeks external support through donations and grants to help offset the cost of new program development, to enable the granting of student financial support, and to provide necessary funds for expansion and growth. The College strives to secure, for all area students seeking postsecondary education and training, the resources necessary to facilitate college enrollment and successful completion without accumulation of excessive financial debt. The 2017-2018 academic year was a record year for student scholarship awards. Generous community support and a strategic focus on investment management allowed the Victoria College Foundation to award nearly \$925,000 in scholarships to 1,250 students and inject nearly \$1.0 million to enhance College programs, facilities, and initiatives.

College Recognition

The steadfast commitment to institutional excellence, quality educational opportunities and meeting community needs continues to result in Victoria College being recognized nationwide. For the second year in a row, Victoria College was selected a "Great College to Work For" by The Chronicle of Higher Education. Improving on last year's performance, Victoria College was also named to The Chronicle's "Honor Roll" for being one of the top four schools in its two-year institution category nationally. Over 253 institutions nationwide, including 88 two-year institutions, participated in the survey conducted by ModernThink LLC. The Chronicle of Higher Education identified Victoria College as excelling in the following five categories: Overall Job Satisfaction, Respect and Appreciation, Supervisor or Department Chair Relationship, Collaborative Governance, and Confidence in Senior Leadership.

Initiatives

Victoria College continues its work implementing the nationally recognized Pathways Model. Pathways provides a clear and coherent integration of academics and support services throughout the educational experience. Strategies and resources are aimed at ensuring students make informed decisions when entering an educational pathway, keep on the path and successfully reach their goal. To complement this effort, the College joined the Houston Guided Pathways to Success (GPS) alliance, a regional collaboration of colleges and universities established in 2015 to increase college completion rates and streamline student transfer between two- and four-year institutions. The alliance is a group of ten community colleges in the region and encompasses over 300,000 students. This partnership expands the technology resources available to students and promotes cross-institutional data sharing.

Hurricane Harvey Relief and Recovery Efforts

The Victoria College service area was heavily affected by Hurricane Harvey in August 2017. While the ill effects on the College facilities have been remedied, many students are still struggling with the aftermath of the storm. The College continues to seek designated state and federal funding to provide scholarship assistance, transportation funds, and other financial assistance to those students and connect them with the community services to assist them in recovery.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2018**

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 College, 2200 East Red River, Victoria, Texas 77901.

BASIC FINANCIAL STATEMENTS

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Net Position
August 31, 2018 and 2017

	<u>Current Year</u>	<u>Prior Year</u>
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 2,559,357	\$ 10,963,138
Restricted cash and cash equivalents	1,002,362	696,284
Short-term investments	9,083,130	214
Restricted short-term investments	786,332	236
Due from component unit	1,290	168,018
Accounts receivable (net)	3,699,886	3,831,490
Restricted accounts receivable	255,796	777,773
Inventories	599,537	729,963
Prepaid expenses	22,845	72,408
Total Current Assets	<u>18,010,535</u>	<u>17,239,524</u>
Noncurrent Assets		
Construction in progress	1,070,839	945,287
Land	263,792	263,792
Capital assets (net) (See note 7)	<u>57,727,709</u>	<u>60,231,021</u>
Total Noncurrent Assets	<u>59,062,340</u>	<u>61,440,100</u>
Total Assets	<u>77,072,875</u>	<u>78,679,624</u>
Deferred Outflow of Resources		
Deferred outflows related to pensions	989,774	1,901,321
Deferred outflows related to other post-employment benefits	<u>633,998</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>1,623,772</u>	<u>1,901,321</u>
Total Assets and Deferred Outflows of Resources	<u>78,696,647</u>	<u>80,580,945</u>
LIABILITIES		
Current Liabilities		
Accounts payable	866,329	1,228,939
Accrued liabilities	795,146	769,610
Funds held for others	169,705	156,909
Unearned revenues	4,742,846	4,954,797
Bonds payable - current portion	1,400,000	2,165,000
Net other post-employment benefits liability - current	<u>114,609</u>	<u>-</u>
Total Current Liabilities	<u>8,088,635</u>	<u>9,275,255</u>
Noncurrent Liabilities		
Bonds payable	23,585,000	24,985,000
Net pension liability	5,073,513	5,788,104
Net other post-employment benefits liability - non-current	<u>22,472,500</u>	<u>-</u>
Total Noncurrent Liabilities	<u>51,131,013</u>	<u>30,773,104</u>
Total Liabilities	<u>59,219,648</u>	<u>40,048,359</u>
Deferred Inflows of Resources		
Unamortized premiums on bonds	1,503,421	1,666,297
Deferred inflows related to pensions	1,316,454	1,631,619
Deferred inflows related to other post-employment benefits	<u>4,994,118</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>7,813,993</u>	<u>3,297,916</u>
Total Liabilities and Deferred Inflows of Resources	<u>67,033,641</u>	<u>43,346,275</u>
NET POSITION		
Invested in capital assets, net of related debt	32,573,918	32,623,802
Restricted for		
Expendable		
Student aid	635,242	485,205
Unexpended bond proceeds		
designated for 2011-2020 master plan	851,431	1,075,754
Debt service	429,528	395,435
Unrestricted - designated for 2011-2020 master plan	-	2,359,927
Unrestricted	<u>(22,827,113)</u>	<u>294,547</u>
Total Net Position (Schedule D)	<u>\$ 11,663,006</u>	<u>\$ 37,234,670</u>

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Net Position
August 31, 2018 and 2017

	Current Year	Prior Year
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 2,241,711	\$ 3,000,987
Pledges receivable	8,154	35,220
Other current assets	350	150
Total Current Assets	2,250,215	3,036,357
Other Assets		
Endowment investments - money market funds	125,793	113,207
Endowment investments - mutual funds	7,393,906	7,449,216
Total Investments - Permanently Restricted	7,519,699	7,562,423
Endowment investments - temporarily restricted mutual funds	4,842,083	4,098,216
Total Other Assets	12,361,782	11,660,633
Total Assets	14,611,997	14,696,990
LIABILITIES		
Current Liabilities		
Due to Victoria College	1,290	168,018
Total Liabilities	1,290	168,018
NET POSITION		
Permanently restricted for		
Non-expendable endowments	7,519,699	7,562,423
Temporarily restricted for		
Scholarships, fellowships, and operations	7,083,605	6,840,470
Unrestricted	7,403	126,079
Total Net Position	\$ 14,610,707	\$ 14,528,972

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, 2018 and 2017

	<u>Current Year</u>	<u>Prior Year</u>
OPERATING REVENUES		
Tuition and fees (net)	\$ 9,661,710	\$ 9,480,754
Federal grants and contracts	1,638,924	1,216,998
State grants and contracts	403,594	1,131,219
Local grants and contracts	7,585	10,074
Non-governmental grants and contracts	1,331,357	977,817
Sales and services of educational activities	470,887	483,546
Auxiliary enterprises (net)	3,053,348	3,041,741
General operating revenues	<u>513,616</u>	<u>271,515</u>
Total Operating Revenues (Schedule A)	<u>17,081,021</u>	<u>16,613,664</u>
OPERATING EXPENSES		
Instruction	13,792,269	13,363,775
Public service	184,785	253,733
Academic support	3,278,874	3,486,829
Student services	2,649,711	2,755,388
Institutional support	6,630,835	5,848,205
Operation and maintenance of plant	3,914,156	4,054,884
Scholarships and fellowships	9,392,784	9,101,274
Auxiliary enterprises	3,590,358	3,688,769
Depreciation	<u>2,804,101</u>	<u>2,675,097</u>
Total Operating Expenses (Schedule B)	<u>46,237,873</u>	<u>45,227,954</u>
Operating (Loss)	<u>(29,156,852)</u>	<u>(28,614,290)</u>
Non-Operating Revenues (Expenses)		
State allocations	7,704,008	7,639,476
Title IV	7,553,303	7,534,251
Ad valorem taxes		
Taxes for maintenance and operations	11,180,687	10,470,761
Taxes for debt service	3,099,579	3,082,790
Gifts	984,152	1,334,149
Investment income (net of investment expenses)	242,133	60,623
Interest on capital related debt	<u>(737,612)</u>	<u>(812,612)</u>
Total Non-Operating Revenues (Expenses) (Schedule C)	<u>30,026,250</u>	<u>29,309,438</u>
Income Before Other Revenues, (Expenses), Gains and (Losses)	<u>869,398</u>	<u>695,148</u>
Other Revenues, (Expenses), Gains		
Gain/(Loss) on disposal of capital assets	(101,295)	1,672,531
Donation of capital assets	<u>26,000</u>	<u>-</u>
Total Other Revenues, (Expenses), Gains	<u>(75,295)</u>	<u>1,672,531</u>
Increase in Net Position	794,103	2,367,679
NET POSITION		
Net Position - Beginning of Year	10,868,903	34,866,991
Adjustment to Net Position	<u>-</u>	<u>(26,365,767)</u>
Net Position - End of Year	<u>\$ 11,663,006</u>	<u>\$ 10,868,903</u>

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended August 31, 2018 and 2017

	<u>Total Current Year</u>	<u>Total Prior Year</u>
OPERATING REVENUES		
Grants and contributions	\$ 1,275,697	\$ 2,185,895
In-kind donations	<u>151,892</u>	<u>209,752</u>
Total Revenue and Support	<u>1,427,589</u>	<u>2,395,647</u>
OPERATING EXPENSES		
Institutional support	1,947,493	1,824,723
Administration and collection	98,546	62,427
Other	<u>160,599</u>	<u>207,087</u>
Total Expenses	<u>2,206,638</u>	<u>2,094,237</u>
NON-OPERATING REVENUES		
Investment income	<u>860,784</u>	<u>944,927</u>
Change in Net Position	81,735	1,246,337
NET ASSETS		
Net Position, Beginning of Year	<u>14,528,972</u>	<u>13,282,635</u>
Net Position, End of Year	<u>\$14,610,707</u>	<u>\$14,528,972</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, 2018 and 2017

	Current Year	Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 12,973,994	\$ 13,290,847
Receipts from grants and contracts	4,035,041	2,863,021
Other receipts	680,344	120,126
Payments to suppliers for goods or services	(7,871,920)	(7,896,776)
Payments to or on behalf of employees	(24,581,400)	(24,027,542)
Payments of scholarships and fellowships	(9,392,784)	(9,101,274)
Net cash provided (used) by operating activities	(24,156,725)	(24,751,598)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state allocations	5,959,255	6,259,211
Receipts from federal (Title IV) allocations	7,553,303	7,534,251
Receipts from ad valorem tax revenues	11,180,687	10,470,761
Gifts and grants (other than capital)	984,152	1,334,149
Deferred inflows/outflows net	(3,120,599)	(263,155)
Net pensions	(714,591)	290,078
Net OPEB	4,399,683	-
Student organization and other agency transactions	12,796	499
Transfers to Victoria College Foundation, Inc.	-	-
Net cash provided by non-capital financing activities	26,254,686	25,625,794
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad valorem tax revenues	3,099,579	3,082,790
Contribution of capital assets	26,000	-
Purchases of capital assets	(900,595)	(1,252,241)
Proceeds from disposal of capital assets	373,014	196,595
(Gain) loss on disposal of capital assets	(101,295)	1,672,531
Bond premium amortization	(162,876)	(162,876)
Payments on capital debt - principal	(2,165,000)	(2,095,000)
Payments on capital debt - interest	(737,612)	(812,612)
Net cash provided (used) by capital and related financ	(568,785)	629,187
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	242,133	60,623
Investment purchases	(9,869,012)	-
Net cash provided (used) by investing activities	(9,626,879)	60,623
Increase (decrease) in cash and cash equivalents	(8,097,703)	1,564,005
Cash and cash equivalents - September 1	11,659,422	10,095,417
Cash and cash equivalents - August 31	\$ 3,561,719	\$ 11,659,422
Cash & cash equivalents	\$ 2,559,357	\$ 10,963,138
Restricted cash and cash equivalents	1,002,362	696,284
Total cash and cash equivalents	\$ 3,561,719	\$ 11,659,422

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Cash Flows
For The Year Ended August 31, 2018 and 2017
(Continued)

	Current Year	Prior Year
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (29,156,852)	\$ (28,614,290)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	2,804,101	2,675,097
State group insurance	1,744,753	1,380,265
Changes in assets and liabilities:		
Receivables (net)	653,581	(473,087)
Due from component unit	166,728	(151,389)
Inventories	130,426	26,481
Prepaid expenses	49,563	4,270
Accounts payable	(362,610)	69,859
Accrued liabilities	25,536	46,390
Unearned revenue	(211,951)	284,806
Net cash provided (used) by operating activities	\$ (24,156,725)	\$ (24,751,598)

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, 2018 and 2017

1. Reporting Entity

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

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

For the year ended August 31, 2018, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The fiduciary net position of the Employers Retirement System (ERS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This included, for purposes of measuring the net other post-employment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from ERS’s fiduciary net position. Benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Tuition Discounting

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

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

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

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

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

Deferred Outflows

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

Investments

In accordance with GASB 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the District reports investments at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. (The governing board has designated public funds investment pools comprised of \$9,869,462 and \$450 at August 31, 2018, and 2017, respectively, to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

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

Capital Assets

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

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

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

Pensions

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

Unearned Revenues

Tuition and fees of \$4,366,197 and \$4,489,628, federal, state and local grants of \$298,118 and \$325,204, and other revenues of \$78,531 and \$139,965 have been reported as unearned revenues at August 31, 2018 and 2017, respectively.

Deferred Inflows

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

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

Prior Year Restatement

During the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, the District was required to restate beginning net position as a result of the recording of beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net OPEB liability and beginning of the reporting entity's fiscal year.

Since the District does not have all the audited beginning balances for deferred inflows of resources and deferred outflows of resources related to OPEB required to properly restate fiscal year 2017 financial statements, the restatement will be made directly to the beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle.

Beginning net position as of September 1, 2018, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*.

Prior Year Restatement of Beginning Net Position

	<u>08/31/2018</u>
Beginning net position	\$ 37,234,670
Prior period adjustment - implementation of GASB 75:	
Net OPEB liability (measurement date as of August 31, 2017)	(26,986,792)
Deferred outflows - District contributions made during fiscal year 2017	<u>621,025</u>
Adjustment to beginning net position	<u>(26,365,767)</u>
Beginning net position, as restated	<u><u>\$ 10,868,903</u></u>

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, 2018 and 2017.

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, 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year.

3. Authorized Investments

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

4. Deposits and Investments

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

	<u>8/31/2018</u>	<u>8/31/2017</u>
Bank Deposits		
Demand Deposits	\$ 3,513,800	\$ 11,601,768
	3,513,800	11,601,768
Cash and Cash Equivalents		
Cash on Hand	<u>47,919</u>	<u>57,654</u>
	<u>47,919</u>	<u>57,654</u>
Total Cash and Deposits	<u><u>\$ 3,561,719</u></u>	<u><u>\$ 11,659,422</u></u>

Reconciliation of Cash, Deposits and Investments to Exhibit 1

Type of Security	Market Value	
	8/31/2018	8/31/2017
Tex Pool	\$ 9,869,462	\$ 450
Total Investments	<u>\$ 9,869,462</u>	<u>\$ 450</u>
Total Cash and Deposits	\$ 3,561,719	\$ 11,659,422
Total Investments	<u>9,869,462</u>	<u>450</u>
Total Deposits and Investments	<u>\$ 13,431,181</u>	<u>\$ 11,659,872</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 3,561,719	\$ 11,659,422
Investments (Exhibit 1)	<u>9,869,462</u>	<u>450</u>
Total Deposits and Investments	<u>\$ 13,431,181</u>	<u>\$ 11,659,872</u>

As of August 31, 2018 the District had the following investments and maturities:

2018 Investment Type	Fair Value	Investment Maturities (in Years)			S&P Rating
		Less than 1	1 to 2	2 to 3	
Uncategorized Investments					
Tex Pool	<u>\$9,869,462</u>	<u>\$9,869,462</u>	\$ -	\$ -	AAAm
Total Uncategorized Investments	<u>\$9,869,462</u>	<u>\$9,869,462</u>	<u>\$ -</u>	<u>\$ -</u>	

Interest Rate Risk – In accordance with state law and District investment policy, the District does not purchase any investments with maturities greater than 10 years.

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

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

Custodial Credit Risk – To control custody risk, State law and the District’s adopted Investment Policy require collateral for all time and demand deposits held in the College’s name. The custodian is required to provide original safekeeping receipts and reporting of positions and position descriptions including market value. Deposits must be collateralized to 102% (with 110% on mortgaged-backed securities), and transactions are required to be executed under a written agreement. The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis. As of August 31, 2018, the Portfolio did not contain any repurchase agreements or certificates of deposit. All bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits was held by an independent institution outside the bank’s holding company.

Fair Value of Financial Instruments - GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value for certain investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

The fair value hierarchy Pools of investments at August 31, 2018 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
External Investment Pools	\$ 9,869,462	\$ -	\$ -	\$ 9,869,462
Total	<u>\$ 9,869,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,869,462</u>

5. Derivatives

The District did not invest in derivative investment products or repurchase agreements during the fiscal year ended August 31, 2018.

6. Disaggregation of Receivables and Payables Balances

Accounts receivable consist of the following at August 31:

	<u>2018</u>	<u>2017</u>
Student receivables	\$ 4,765,844	\$ 4,699,354
Third-party contractor receivables	423,118	601,296
Ad valorem taxes receivables	1,163,330	1,123,907
Federal grant receivables	237,497	248,942
State grant receivables	18,225	504,540
Local grant receivables	7,136	24,291
Other receivables	<u>361,476</u>	<u>270,421</u>
Total accounts receivable	6,976,626	7,472,751
Allowance for doubtful accounts	<u>(3,020,944)</u>	<u>(2,863,488)</u>
Accounts receivable (net)	<u>\$ 3,955,682</u>	<u>\$ 4,609,263</u>
Accounts receivable (net)	\$ 3,699,886	\$ 3,831,490
Restricted accounts receivable	<u>255,796</u>	<u>777,773</u>
	<u>\$ 3,955,682</u>	<u>\$ 4,609,263</u>

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

	<u>2018</u>	<u>2017</u>
Accounts payable:		
Vendor payables	\$ 375,050	\$ 906,584
Other payables	<u>330,718</u>	<u>322,355</u>
Total accounts payable	<u>705,768</u>	<u>1,228,939</u>
Accrued liabilities:		
Accrued payroll	230,585	219,585
Employee benefits payable	508,757	492,275
Sales tax payable	<u>55,804</u>	<u>57,750</u>
Total accrued liabilities	<u>795,146</u>	<u>769,610</u>
Total accounts payable and accrued liabilities	<u>\$ 1,500,914</u>	<u>\$ 1,998,549</u>

7. **Capital Assets Activity**

Capital asset activity for the years ended August 31, 2018, was as follows:

	2018			
	Balance	Changes During the Year		Balance
	September 1, 2017	Additions	Deletions	August 31, 2018
<u>Not Depreciated:</u>				
Land	\$ 263,792	\$ -	\$ -	\$ 263,792
Construction in Progress	945,287	241,968	(116,416)	1,070,839
Subtotal	<u>1,209,079</u>	<u>241,968</u>	<u>(116,416)</u>	<u>1,334,631</u>
Other Capital Assets:				
Library Volumes and				
Periodicals	510,782	89,125	(252,986)	346,921
Buildings	71,945,220	116,416	(418,420)	71,643,216
Site Improvements	6,512,778	-	-	6,512,778
Machinery, Equipment,				
Furniture and Vehicles	<u>9,851,424</u>	<u>569,501</u>	<u>(94,276)</u>	<u>10,326,649</u>
Subtotal	<u>88,820,204</u>	<u>775,042</u>	<u>(765,682)</u>	<u>88,829,564</u>
Accumulated Depreciations:				
Library Volumes and				
Periodicals	127,643	94,600	(145,362)	76,881
Buildings	18,037,231	1,518,282	(54,391)	19,501,122
Site Improvements	4,551,342	183,949	-	4,735,291
Machinery, Equipment,				
Furniture and Vehicles	<u>5,872,967</u>	<u>1,007,270</u>	<u>(91,676)</u>	<u>6,788,561</u>
Subtotal	<u>28,589,183</u>	<u>2,804,101</u>	<u>(291,429)</u>	<u>31,101,855</u>
Net Other Capital Assets	<u>60,231,021</u>	<u>(2,029,059)</u>	<u>(474,253)</u>	<u>57,727,709</u>
Net Capital Assets	<u>\$ 61,440,100</u>	<u>\$ (1,787,091)</u>	<u>\$ (590,669)</u>	<u>\$ 59,062,340</u>

	2017			
	Balance	Changes During the Year		Balance
	September 1, 2016	Additions	Deletions	August 31, 2017
Not Depreciated:				
Land	\$ 460,387	\$ -	\$ (196,595)	\$ 263,792
Construction in Progress	660,996	333,224	(48,933)	945,287
Subtotal	<u>1,121,383</u>	<u>333,224</u>	<u>(245,528)</u>	<u>1,209,079</u>
Other Capital Assets:				
Library Volumes and				
Periodicals	652,845	36,961	(179,024)	510,782
Buildings	71,896,287	48,933	-	71,945,220
Site Improvements	6,512,778	-	-	6,512,778
Machinery, Equipment, Furniture and Vehicles	<u>9,059,013</u>	<u>882,056</u>	<u>(89,645)</u>	<u>9,851,424</u>
Subtotal	<u>88,120,923</u>	<u>967,950</u>	<u>(268,669)</u>	<u>88,820,204</u>
Accumulated Depreciations:				
Library Volumes and				
Periodicals	267,546	39,121	(179,024)	127,643
Buildings	16,509,443	1,527,788	-	18,037,231
Site Improvements	4,367,393	183,949	-	4,551,342
Machinery, Equipment, Furniture and Vehicles	<u>5,038,373</u>	<u>924,239</u>	<u>(89,645)</u>	<u>5,872,967</u>
Subtotal	<u>26,182,755</u>	<u>2,675,097</u>	<u>(268,669)</u>	<u>28,589,183</u>
Net Other Capital Assets	<u>61,938,168</u>	<u>(1,707,147)</u>	<u>-</u>	<u>60,231,021</u>
Net Capital Assets	<u>\$ 63,059,551</u>	<u>\$ (1,373,923)</u>	<u>\$ (245,528)</u>	<u>\$ 61,440,100</u>

8. **Non-Current Liabilities**

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

	2018				
	Balance			Balance	Current Portion
	September 1, 2017	Additions	Reductions	August 31, 2018	
Bonds					
General obligation bonds	\$ 130,000	\$ -	\$ 130,000	\$ -	\$ -
Revenue refunding bonds	835,000	-	410,000	425,000	425,000
Limited tax refunding bonds	7,910,000	-	755,000	7,155,000	80,000
Limited tax bonds	<u>18,275,000</u>	<u>-</u>	<u>870,000</u>	<u>17,405,000</u>	<u>895,000</u>
Subtotal	<u>27,150,000</u>	<u>-</u>	<u>2,165,000</u>	<u>24,985,000</u>	<u>1,400,000</u>
Net pension liability	5,788,104	-	714,591	5,073,513	-
Net OPEB liability	<u>-</u>	<u>22,587,109</u>	<u>-</u>	<u>22,587,109</u>	<u>114,609</u>
	<u>\$ 32,938,104</u>	<u>\$ 22,587,109</u>	<u>\$ 2,879,591</u>	<u>\$ 52,645,622</u>	<u>\$ 1,514,609</u>

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

9. **Bonds Payable**

General information related to bonds payable is summarized below:

Limited Tax Bonds, Series 2006

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

Combined Fee Revenue Refunding Bonds, Series 2010

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

Limited Tax Refunding Bonds, Series 2012

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

Limited Tax Bonds, Series 2013

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

Bonds payable are due in annual installments varying from \$80,000 to \$1,425,000 with interest rates from 2.00% to 5.00% with the final installment due in 2033.

Debt Service for the 2010 Combined Fee Revenue Refunding Bonds was \$428,134 for the year ended August 31, 2018. Revenues totaling \$2,017,151 were available to meet this obligation.

10. Refunding Bonds

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

Combined Fee Revenue Refunding Bonds, Series 2010

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

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

Limited Tax Refunding Bonds, Series 2012

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

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

11. Defeased Bonds Outstanding

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

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

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>	
		<u>2018</u>	<u>2017</u>
Limited Tax Bonds, Series 2006	2012	<u>\$ 7,155,000</u>	<u>\$ 7,910,000</u>
Total		<u>\$ 7,155,000</u>	<u>\$ 7,910,000</u>

12. Short Term Debt

The District used no short-term debt for the year ended August 31, 2018.

13. Debt and Lease Obligation

Debt service requirements at August 31, 2018 were as follows:

Fiscal Year Ended August 31,	General Obligation Bonds 2012 Limited Tax Refunding Bonds			General Obligation Bonds 2013 Limited Tax Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 80,000	\$ 1,078,075	\$ 1,158,075	\$ 425,000	\$ 17,000	\$ 442,000
2020	910,000	243,075	1,153,075	-	-	-
2021	940,000	215,775	1,155,775	-	-	-
2022	970,000	182,875	1,152,875	-	-	-
2023	1,010,000	148,925	1,158,925	-	-	-
2024-2028	3,245,000	229,775	3,474,775	-	-	-
Totals	<u>\$ 7,155,000</u>	<u>\$ 2,098,500</u>	<u>\$ 9,253,500</u>	<u>\$ 425,000</u>	<u>\$ 17,000</u>	<u>\$ 442,000</u>

Fiscal Year Ended August 31,	Revenue Bonds 2010 Combined Fee Revenue Refunding			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 895,000	\$ 572,863	\$ 1,467,863	\$ 1,400,000	\$ 1,667,938	\$ 3,067,938
2020	930,000	537,062	1,467,062	1,840,000	780,137	2,620,137
2021	970,000	499,863	1,469,863	1,910,000	715,638	2,625,638
2022	1,010,000	461,062	1,471,062	1,980,000	643,937	2,623,937
2023	1,050,000	420,663	1,470,663	2,060,000	569,588	2,629,588
2024-2028	5,825,000	1,528,063	7,353,063	9,070,000	1,757,838	10,827,838
2029-2033	6,725,000	617,250	7,342,250	6,725,000	617,250	7,342,250
Totals	<u>\$ 17,405,000</u>	<u>\$ 4,636,826</u>	<u>\$ 22,041,826</u>	<u>\$ 24,985,000</u>	<u>\$ 6,752,326</u>	<u>\$ 31,737,326</u>

The District had no capital lease obligations at August 31, 2018.

14. Net Position Designations

At August 31, 2018, the District designated the entirety of expendable net position, restricted for unexpended bond proceeds, for the 2011-2020 master plan (\$851,431). These designations indicate management's anticipated future use of financial resources.

15. Rental Agreement and Operating Lease Commitments

Operating Lease Commitments

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

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 28,577
	<u>\$ 28,577</u>

Rental expense paid for the years ended August 31, 2018 and 2017 for operating leases totaled \$158,567 and \$160,003, respectively.

16. Employees' Retirement Plan

Defined Benefit Pension Plan

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

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

Contribution Rates

	2017	2018
Member	7.70%	7.70%
Non-Employer contribution Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
FY 2017 District Contributions	\$ 519,716	
FY 2017 State of Texas On-behalf Contributions	\$ 328,565	
FY 2017 Member Contributions	\$ 960,553	

The District’s contribution to the TRS pension plan in FY 2018 was \$393,905 as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for FY 2018 were \$345,089.

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Municipal Bond Rate	N/A *
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2116
Inflation	2.5%
Salary Increases	3.5% - 9.5% including inflation
Ad hoc Post-Employment Benefit Changes	None

**If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

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

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

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

Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2017, are summarized below:

Asset Class	Target Allocation* %	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns**
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	0%		2.2%
Alpha	0%		1.0%
Total	<u>100.00%</u>		<u>8.7%</u>

*Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

**The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Source: Teacher Retirement System of Texas 2017 Comprehensive Annual Financial Report

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District proportionate share of the net pension liability:	\$ 8,552,940	\$ 5,073,513	\$ 2,176,325

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, the District reported a liability of \$5,073,513 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District.

The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 5,073,513
State's proportionate share that is associated with District	<u>3,212,232</u>
Total	<u>\$ 8,285,745</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At the measurement date of August 31, 2017 the employer's proportion of the collective net pension liability was .0158%, which was an increase of 3.3% from its proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the District recognized pension expense of \$245,016 and revenue of \$245,016 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 74,228	\$ 273,608
Changes in actuarial assumptions	231,107	132,303
Difference between projected and actual investment earnings	-	369,747
Changes in proportion and difference between in the employers contributions and the proportionate share of contributions	162,086	540,796
Contributions paid to TRS subsequent to the measurement date	<u>522,353</u>	<u>-</u>
Total	<u>\$ 989,774</u>	<u>\$ 1,316,454</u>

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

<u>For the Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2019	\$ (269,881)
2020	53,974
2021	(294,759)
2022	(361,504)
2023	6,751
Thereafter	16,388

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

Optional Retirement Plan – Defined Contribution Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentage of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. SB 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the state for the District was \$89,582 and \$89,317 for the fiscal years ended August 31, 2018 and 2017, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District.

The total payroll for all District employees was \$17,586,326 and \$17,604,155 for the fiscal years ended August 31, 2018 and 2017, respectively. The total payroll of employees covered by the state for ORP was \$2,825,487 and \$3,103,086 for the fiscal years ended August 31, 2018 and 2017, respectively.

17. Deferred Compensation Program

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

At August 31, 2018 and 2017, the District had no employees electing to defer compensation.

18. Compensable Absences

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

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

19. Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing their benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$622 per month for the year ended August 31, 2018 (\$617 per month for fiscal year 2017) and totaled \$718,217 for the year ended August 31, 2018 (\$816,994 for the year ended August 31, 2017). The cost of providing those benefits for 144 retirees in the year ended August 31, 2018 was \$672,741 (retiree benefits for 144 retirees cost \$563,270 in fiscal year 2017). For 298 active employees, the cost of providing benefits was \$2,546,979 for the year ended August 31, 2018 (active employee benefits for 293 employees cost \$2,530,795 for the year ended August 31, 2017). SB 1812, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

20. Other Post-Employment Benefits (OPEB)

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

OPEB Plan Fiduciary Net Position. Detailed information about the GBP’s fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2017-CAFR.pdf>; or by writing ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined used the same basis used by the OPEB plan.

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

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

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

**Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Year 2017**

Retiree Only	\$ 617.30
Retiree & Spouse	970.98
Retiree & Children	854.10
Retiree & Family	1,207.78

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

**Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31, 2017 and 2016**

	FY 2017	FY 2016
Employers	\$ 890,735,173	\$ 663,986,538
Member (Employees)	195,806,162	183,284,339
Non-employer Contributing Entity (State of Texas)	44,433,743	N/A

Source: ERS FY 2017 Comprehensive Annual Financial Report

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of August 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

**Actuarial Assumption
ERS Group Benefits Program Plan**

Valuation date	August 31, 2017
Actuarial cost method	Entry Age
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 Years
Asset valuation method	Not Applicable
Discount rate	3.51%
Projected annual salary increase	2.5% to 9.5%
Annual healthcare trend rate	8.50% for FY 2019, decreasing 0.5% per year to 4.50% for FY 2027 and later years
Inflation assumption rate	2.5%
Ad hoc post-employment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014
Disability retirees	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB

Source: FY 2017 ERS CAFR except for mortality assumptions obtained from ERS FY 2017 GASB 74 Actuarial Valuation

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2014 for higher education members.

Investment Policy. The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

Discount Rate. Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the *beginning* of the measurement year was 2.84%. The discount rate used to measure the total OPEB liability as of the *end* of the measurement year was 3.51%, which amounted to an increase of 0.67%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity. The following schedule shows the impact on the District's proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.51%) in measuring the net OPEB Liability.

**Sensitivity of Net OPEB Liability to Changes in Discount Rate
State Retiree Health Plan**

	1% Decrease in Discount Rate (2.51%)	Discount Rate (3.51%)	1% Increase in Discount Rate (4.51%)
District's proportionate share of the net OPEB liability:	\$ 2,696,241	\$ 2,258,711	\$ 1,919,805

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 8.50% and the ultimate rate is 4.50%. The following schedule shows the impact on the District's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (4.5%) in measuring the net OPEB Liability.

**Sensitivity of Net OPEB Liability to Changes in Discount
and Healthcare Trend Rates
State Retiree Health Plan**

	1% Decrease in Discount Rate (2.51%)	Discount Rate (3.51%)	1% Increase in Discount Rate (4.51%)
District's proportionate share of the net OPEB liability:	\$ 1,898,830	\$ 2,258,711	\$ 3,123,418

OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2018, the District reported a liability of \$22,587,109 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 22,587,109
State's proportionate share that is associated with District	19,181,803
Total	\$ 41,768,912

The net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contribution to the OPEB plan relative to the contributions of all employer to the plan for the period September 1, 2016 thru August 31, 2017.

At the measurement date of August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.06629%, which is an increase of 0.06629% over the proportionate share measured at August 31, 2016 (0.00%).

For the year ended August 31, 2018, the Districted recognized OPEB expense of \$1,026,535 and revenue of \$1,026,535 for support provided by the State.

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

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study;
- The percentage of current and future retirees and retirees' spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends;
- Assumptions for administrative expenses, assumed per Capita Health Benefits Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience;
- Effect of short-term expectations and revised assumed rate of general inflation.

Changes of Benefit Terms Since Prior Measurement Date. The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- An elimination of the copayment for virtual visits;
- A copay reduction for Airrosti and for out-of-state participants;
- Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs.

At August 31, 2018, the District reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 271,425
Changes in actuarial assumptions	-	4,722,693
Difference between projected and actual investment earnings	6,687	-
Contributions paid to ERS subsequent to the measurement date	<u>627,311</u>	<u>-</u>
Total	<u>\$ 633,998</u>	<u>\$ 4,994,118</u>

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

<u>For the Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2019	\$ (1,123,130)
2020	(1,123,130)
2021	(1,123,130)
2022	(1,123,130)
2023	(494,911)
Thereafter	-

21. Pending Lawsuits and Claims

The District may, on occasion, become party to litigation and claims arising in the normal course of operations. At August 31, 2018, the District is not involved in any litigation.

22. Contract and Grant Award

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99). For Federal Contract and Grant Awards, funds expended but not collected are reported as restricted accounts receivable on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected are reported as restricted accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial statements. Contract and grant awards funds already committed, e.g. multi-year awards, or funds awarded during fiscal year August 31, 2018, and 2017, for which monies have not been received nor funds expended totaled \$1,416,946 and \$1,730,603, respectively. Of these amounts \$1,233,016 and \$1,626,808 were from Federal Contracts and Grant Awards; \$160,101 and \$89,545 were from State Contracts and Grant Awards; and \$23,829 and \$14,250 were from Local Contracts and Grant Awards at August 31, 2018 and 2017, respectively.

23. Self-Insured Plans

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

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 and business personal property located in the District.

At August 31:

	<u>2018</u>	<u>2017</u>
Assessed Valuation of the District:	\$ 7,749,361,976	\$ 7,677,245,245
Less: Exemptions	<u>(773,145,464)</u>	<u>(748,517,575)</u>
Net Assessed Valuation of the District	<u>\$ 6,976,216,512</u>	<u>\$ 6,928,727,670</u>

	2018			2017		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 Valuation	\$ 0.500000	\$ 0.500000	\$ 1.000000	\$ 0.500000	\$ 0.500000	\$ 1.000000
Assessed Tax Rate per \$100 Valuation	\$ 0.176900	\$ 0.040100	\$ 0.217000	\$ 0.166300	\$ 0.040200	\$ 0.206500

Taxes levied for the years ended August 31, 2018 and 2017 were \$14,214,287 and \$13,495,394, respectively, including any penalty and interest 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.

<u>Taxes Collected</u>	2018			2017		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 9,145,069	\$2,653,071	\$11,798,140	\$ 8,427,194	\$2,586,706	\$11,013,900
Delinquent Taxes Collected	1,903,343	433,992	2,337,335	1,943,176	471,331	2,414,507
Penalties and Interest Collected	114,781	27,369	142,150	100,967	24,938	125,905
Discounts and Commissions	<u>2,228</u>	<u>413</u>	<u>2,641</u>	<u>(576)</u>	<u>(185)</u>	<u>(761)</u>
Total Collections	<u>\$11,165,421</u>	<u>\$3,114,845</u>	<u>\$14,280,266</u>	<u>\$10,470,761</u>	<u>\$3,082,790</u>	<u>\$13,553,551</u>

Tax collections for the years ended August 31, 2018 and 2017 were 97.89% and 97.39%, respectively, of current tax levy. Allowances for uncollected taxes are fully reserved at August 31. The use of tax proceeds is restricted to maintenance and operations and/or general obligation debt service.

25. Tax Abatement

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

At August 31, 2018, the District has not entered into tax abatement agreements with any individuals or entities that reduce tax revenues to which the college is entitled. At August 31, 2018 no other governments have tax abatement agreements that impact the tax revenues to which the college is entitled.

26. Discrete Component Unit

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

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

27. Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS

Schedule of the District's Proportionate Share of Net Pension Liability
 For the Year Ended August 31, 2018

Measurement year ending August 31 *	2017 **	2016 **	2015 **	2014 **
District's proportion of collective net pension liability	0.0158%	0.0153%	0.0156%	0.0182%
District's proportionate share of collective net pension liability	\$ 5,073,513	\$ 5,788,104	\$ 5,498,026	\$ 4,870,339
State's proportionate share of net pension liability associated with the District	3,212,232	3,723,484	3,594,810	3,206,990
Total	\$ 8,285,745	\$ 9,511,588	\$ 9,092,836	\$ 8,077,329
District's covered payroll amount	\$ 12,474,720	\$ 11,705,727	\$ 11,176,424	\$ 11,218,245
District's proportionate share of net pension liability as a percentage of covered payroll	40.67%	49.45%	49.19%	43.41%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

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

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of the District's Contributions to TRS Pension Plan
For the Year Ended August 31, 2018

Fiscal year ending August 31 *	2018 **	2017 **	2016 **	2015 **
Legally required contributions	\$ 522,353	\$ 518,778	\$ 484,815	\$ 462,000
Actual contributions	(522,353)	(518,778)	(484,815)	(462,000)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll amount	\$ 12,780,593	\$ 11,705,727	\$ 11,176,424	\$ 11,192,750
Contributions as a percentage of covered payroll	4.09%	4.43%	4.34%	4.13%

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

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to the Required Supplementary Information Schedules for Pensions
August 31, 2018

1. Changes in Assumptions

There were no changes of assumptions for the year ended August 31, 2018.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of the District's Proportionate Share of Net OPEB Liability
For the Year Ended August 31, 2018**

<u>Measurement year ending August 31</u> *	<u>2017</u> **
District's proportion of the net OPEB liability as a percent	0.066290320%
District's proportionate share of the net OPEB liability	\$ 22,587,109
State's proportionate share of the net OPEB liability associated with the District	19,181,803
Total	\$ 41,768,912
District's Covered Employee Payroll	\$ 14,163,080
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	159.48%
Plan fiduciary net position as a percentage of the total OPEB liability	2.04%

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

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

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of the District's Contributions for ERS OPEB
For the Year Ended August 31, 2018**

	2018 **
Fiscal year ending August 31 *	
Legally required contributions	\$ 627,311
Actual contributions	(627,311)
Contributions deficiency (excess)	\$ -
District's covered payroll amount	\$ 14,432,673
Contributions as a percentage of covered employee payroll	-4.35%

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

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to the Required Supplementary Information Schedules for OPEB
August 31, 2018

1. Changes in Benefit Terms

Under A/A #4.107 of GASB's *Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2017, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- an increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- elimination of the copayment for virtual visits;
- a reduction in the copayment for Airrosti; and
- for out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for in the FY 2018 Assumed Per Capita Health Benefit costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

2. Changes in Assumptions

Demographic Assumptions

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age difference for future retirees and their spouses for selected classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by the ERS Trustees. These assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
- proportion of future retirees covering dependent children;
- percentage of future retirees assumed to be married and electing coverage for their spouse.

Economic Assumptions

The assumed rate of general inflation has been updated since the previous valuation to remain consistent with the ERS retirement plan assumption previously adopted by the ERS Trustees.

Assumptions for Expenses, Assumed Per Capita health Benefit Costs and Health Benefit Cost, Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectation and the revised assumed rate of general inflation.

The discount rate was lowered as a result of requirement by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher.

Minor benefit changes have been reflected in the FY 2018 Assumed Per Capital Health Benefit Costs.

**SUPPLEMENTAL INFORMATION
AND
FINANCIAL ASSISTANCE SECTION**

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Operating Revenues
 For the Year Ended August 31, 2018 and 2017

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Current Year	Prior Year
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 3,549,498	\$ -	\$ 3,549,498	\$ -	\$ 3,549,498	\$ 3,952,629
Out-of-district resident tuition	2,621,256	-	2,621,256	-	2,621,256	2,006,430
Non-resident tuition	94,531	-	94,531	-	94,531	84,826
TPEG set aside (set aside)*	248,857	-	248,857	-	248,857	247,115
State funded continuing education	1,890,340	-	1,890,340	-	1,890,340	1,412,062
Non-state funded continuing education	237,638	-	237,638	-	237,638	297,164
Total Tuition	<u>8,642,120</u>	<u>-</u>	<u>8,642,120</u>	<u>-</u>	<u>8,642,120</u>	<u>8,000,226</u>
Fees:						
General fee	3,091,642	-	3,091,642	-	3,091,642	3,033,913
Technology fee	1,717,578	-	1,717,578	-	1,717,578	1,685,508
Out-of-district fees	2,207,481	-	2,207,481	-	2,207,481	2,154,271
Laboratory fee	245,240	-	245,240	-	245,240	232,636
Course fees	192,146	-	192,146	-	192,146	233,527
Total Fees	<u>7,454,087</u>	<u>-</u>	<u>7,454,087</u>	<u>-</u>	<u>7,454,087</u>	<u>7,339,855</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	(258,378)	-	(258,378)	-	(258,378)	(310,381)
Title IV federal grants	(4,633,867)	-	(4,633,867)	-	(4,633,867)	(4,340,292)
TPEG awards	(71,758)	-	(71,758)	-	(71,758)	(98,256)
Other state grants	(262,802)	-	(262,802)	-	(262,802)	(286,685)
Other local scholarships	(1,207,692)	-	(1,207,692)	-	(1,207,692)	(823,713)
Total Scholarship Allowances	<u>(6,434,497)</u>	<u>-</u>	<u>(6,434,497)</u>	<u>-</u>	<u>(6,434,497)</u>	<u>(5,859,327)</u>
Total Net Tuition and Fees	<u>9,661,710</u>	<u>-</u>	<u>9,661,710</u>	<u>-</u>	<u>9,661,710</u>	<u>9,480,754</u>
Additional Operating Revenues:						
Federal grants and contracts	27,494	1,611,430	1,638,924	-	1,638,924	1,216,998
State grants and contracts	2,754	400,840	403,594	-	403,594	1,131,219
Local grants and contracts	-	7,585	7,585	-	7,585	10,074
Nongovernmental grants and contracts	899,281	432,076	1,331,357	-	1,331,357	977,817
Sales and services of educational activities	470,887	-	470,887	-	470,887	483,546
General operating revenues	513,616	-	513,616	-	513,616	271,515
Total Additional Operating Revenues	<u>1,914,032</u>	<u>2,451,931</u>	<u>4,365,963</u>	<u>-</u>	<u>4,365,963</u>	<u>4,091,169</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	3,090,134	3,090,134	2,947,466
Title IV federal grants	-	-	-	(513,805)	(513,805)	(525,330)
TPEG awards	-	-	-	(7,956)	(7,956)	(11,893)
Other state grants	-	-	-	(29,139)	(29,139)	(34,699)
Other local scholarships	-	-	-	(133,909)	(133,909)	(99,699)
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,405,325</u>	<u>2,405,325</u>	<u>2,275,845</u>
Conference & Education Center	-	-	-	385,383	385,383	403,314
Facilities rentals	-	-	-	1,741	1,741	3,149
Food Service	-	-	-	164,195	164,195	223,294
Leo J. Welder Center for Performing Arts	-	-	-	96,704	96,704	136,139
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,053,348</u>	<u>3,053,348</u>	<u>3,041,741</u>
Total Operating Revenues	<u>\$ 11,575,742</u>	<u>\$ 2,451,931</u>	<u>\$ 14,027,673</u>	<u>\$ 3,053,348</u>	<u>\$ 17,081,021</u>	<u>\$ 16,613,664</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$248,857 and \$247,115 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2018 and 2017, respectively.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Operating Expenses by Object
 For the Year Ended August 31, 2018 and 2017

	Operating Expenses				Current Year Total	Prior Year Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 8,234,373	\$ -	\$ 2,101,670	\$ 1,203,022	\$ 11,539,065	\$ 11,172,053
Public service	32,858	-	5,375	144,136	182,369	252,371
Academic support	1,935,128	-	524,634	532,255	2,992,017	3,216,279
Student services	1,364,103	-	419,069	214,660	1,997,832	2,241,960
Institutional support	3,051,694	-	905,136	2,046,925	6,003,755	5,399,644
Operation and maintenance of plant	1,370,693	-	514,923	2,028,540	3,914,156	4,054,884
Scholarships and fellowships	117,363	-	-	899,281	1,016,644	782,254
Total Unrestricted Educational Activities	<u>16,106,212</u>	<u>-</u>	<u>4,470,807</u>	<u>7,068,819</u>	<u>27,645,838</u>	<u>27,119,445</u>
Restricted - Educational Activities						
Instruction	582,565	1,107,438	164,900	398,301	2,253,204	2,191,722
Public service	-	2,416	-	-	2,416	1,362
Academic support	-	274,049	-	12,808	286,857	270,550
Student services	230,225	220,126	54,756	146,772	651,879	513,428
Institutional support	37,367	475,322	12,968	101,423	627,080	448,561
Scholarships and fellowships	84,073	-	-	8,292,067	8,376,140	8,319,020
Total Restricted Educational Activities	<u>934,230</u>	<u>2,079,351</u>	<u>232,624</u>	<u>8,951,371</u>	<u>12,197,576</u>	<u>11,744,643</u>
Total Educational Activities	17,040,442	2,079,351	4,703,431	16,020,190	39,843,414	38,864,088
Auxiliary Enterprises	545,884	-	187,848	2,856,626	3,590,358	3,688,769
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	1,702,231	1,702,231	1,711,737
Equipment and furniture	-	-	-	1,007,270	1,007,270	924,239
Library volumes and periodicals	-	-	-	94,600	94,600	39,121
Total Operating Expenses	<u>\$ 17,586,326</u>	<u>\$ 2,079,351</u>	<u>\$ 4,891,279</u>	<u>\$ 21,680,917</u>	<u>\$ 46,237,873</u> (Exhibit 2)	<u>\$ 45,227,954</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2018 and 2017

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Current Year</u>	<u>Prior Year</u>
Non-Operating Revenues					
State Allocations:					
Education and general state support	\$ 5,624,658	\$ -	\$ -	\$ 5,624,658	\$ 5,783,485
State group insurance	-	1,744,753	-	1,744,753	1,380,265
State retirement matching	-	334,597	-	334,597	475,726
Total State Allocations	<u>5,624,658</u>	<u>2,079,350</u>	<u>-</u>	<u>7,704,008</u>	<u>7,639,476</u>
Ad valorem taxes:					
Taxes for maintenance and operations	11,180,687	-	-	11,180,687	10,470,761
Taxes for debt service	-	3,099,579	-	3,099,579	3,082,790
Title IV	-	7,553,303	-	7,553,303	7,534,251
Gifts	855,723	20,749	107,680	984,152	1,334,149
Investment income	224,200	17,647	286	242,133	60,623
Total Non-Operating Revenues	<u>17,885,268</u>	<u>12,770,628</u>	<u>107,966</u>	<u>30,763,862</u>	<u>30,122,050</u>
Non-Operating Expenses					
Interest on capital related debt	-	737,612	-	737,612	812,612
Total Non-Operating Expenses	<u>-</u>	<u>737,612</u>	<u>-</u>	<u>737,612</u>	<u>812,612</u>
Net Non-Operating Revenues	<u>\$ 17,885,268</u>	<u>\$ 12,033,016</u>	<u>\$ 107,966</u>	<u>\$ 30,026,250</u> (Exhibit 2)	<u>\$ 29,309,438</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Net Position by Source and Availability
 For the Year Ended August 31, 2018 and 2017

	Detail by Source				Current Year Total
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	
		Expendable	Non-Expendable		
Current					
Unrestricted	\$ (22,827,113)	\$ -	\$ -	\$ -	\$ (22,827,113)
Restricted for:					
Expendable:					
Student aid	-	635,242	-	-	635,242
Unexpended bond proceeds	-	-	-	851,431	851,431
Plant					
Debt service	-	429,528	-	-	429,528
Investment in plant	-	-	-	32,573,918	32,573,918
Total Net Position, August 31, 2018	<u>(22,827,113)</u>	<u>1,064,770</u>	<u>-</u>	<u>33,425,349</u>	<u>11,663,006</u> (Exhibit 1)
Total Net Position, August 31, 2017	<u>2,654,474</u>	<u>880,640</u>	<u>-</u>	<u>33,699,556</u>	<u>37,234,670</u> (Exhibit 1)
Adjustment to net position	<u>(26,365,767)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,365,767)</u>
Net Increase (Decrease) in Net Position	<u>\$ 884,180</u>	<u>\$ 184,130</u>	<u>\$ -</u>	<u>\$ (274,207)</u>	<u>\$ 794,103</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Net Position by Source and Availability
 For the Year Ended August 31, 2018 and 2017
 (continued)

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ (22,827,113)	\$ -	\$ 2,654,474	\$ 2,654,474	\$ -
Restricted for:					
Expendable:					
Student aid	-	635,242	485,205	-	485,205
Unexpended bond proceeds	-	851,431	1,075,754	-	1,075,754
Plant					
Debt service	-	429,528	395,435	-	395,435
Investment in plant	-	32,573,918	32,623,802	-	32,623,802
Total Net Position, August 31, 2018	(22,827,113)	34,490,119	37,234,670 (Exhibit 1)	2,654,474	34,580,196
Total Net Position, August 31, 2017	2,654,474	34,580,196	34,866,991 (Exhibit 2)	714,564	34,152,427
Adjustment to net position	(26,365,767)	-	-	-	-
Net Increase (Decrease) in Net Position	\$ 884,180	\$ (90,077)	\$ 2,367,679 (Exhibit 2)	\$ 1,939,910	\$ 427,769

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2018

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	*	P007A177874	\$ 123,549
Federal Work-Study Program	84.033	*	P033A177874	77,777
Federal Work-Study Program	84.033	*	P033A187874	6,296
TRIO - Student Support Services	84.042		P042A151187	259,603
Federal Pell Grant Program	84.063	*	P063P172339	5,024,123
Federal Pell Grant Program	84.063	*	P063Q172339	7,615
Federal Direct PLUS Loans	84.268	*	P268K172339	12,593
Federal Direct Student Loans - Subsidized	84.268	*	P268K172339	946,801
Federal Direct Student Loans - Unsubsidized	84.268	*	P268K172339	<u>1,362,164</u>
Total Direct Programs				<u>7,820,521</u>
<i>Pass Through From Texas Workforce Commission:</i>				
Adult Education - Basic Grants to States	84.002		1916AEL002	59,442
Adult Education - Basic Grants to States	84.002		1916AELB02	420,402
Adult Education - Basic Grants to States	84.002		1918ALA000	73,384
Adult Education - Basic Grants to States	84.002		1917AEL000	180,837
Adult Education - Basic Grants to States	84.002		1917PQI000	137,034
Adult Education - Basic Grants to States	84.002		1918PQI000	<u>62,491</u>
Total Texas Workforce Commission				<u>933,590</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>				
Career and Technical Education - Basic Grants to States	84.048A		184254	168,945
Career and Technical Education - Basic Grants to States	84.048A		181159	<u>50,481</u>
Total Texas Higher Education Coordinating Board				<u>219,426</u>
Total U.S. Department of Education				<u>8,973,537</u>
U.S. DEPARTMENT OF HUMAN SERVICES				
<i>Pass Through Texas Workforce Commission:</i>				
Temporary Assistance for Needy Families (TANF)	93.558		1914ABE000	-
Temporary Assistance for Needy Families (TANF)	93.558		1916AELB02	16,307
Temporary Assistance for Needy Families (TANF)	93.558		1918ALA000	7,310
Temporary Assistance for Needy Families (TANF)	93.558		1918SMP000	<u>22,234</u>
Total TANF				<u>45,851</u>
<i>Passed through UTMB:</i>				
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107		2U77HP01066-15-00	<u>73,809</u>
Total UTMB				<u>73,809</u>
Total U.S. Department of Health and Human Services				<u>119,660</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through Texas Department of Public Safety:</i>				
Disaster Grants - Public Assistance				
Presidentially Declared Disasters	97.036		4332DR-TX (4332DR)	<u>101,423</u>
Total U. S. Department of Homeland Security				<u>101,423</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES				
<i>Direct Programs:</i>				
Promotion of the Humanities				
Division of Preservation & Access	45.149		PB-260967-18	<u>5,222</u>
Total National Endowment for the Humanities				<u>5,222</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 9,199,842</u>

* Direct Student Financial Aid Cluster

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2018**

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

Direct federal grants and contracts revenue per Schedule A	\$ 1,638,924
Direct federal revenue, non-operating - Schedule C	7,553,303
Administration cost recovery (included in other revenue)	7,615
Total Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 9,199,842

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Expenditures not Subject to Federal Single Audit

All expenditures are subject to Federal Single Audit

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

Federal Grantor/ CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed & Admin. Costs Recovered
Department of Education 84.268 Federal Direct Student Loans (includes PLUS, subsidized and unsubsidized)	\$ 2,321,558	\$ -	\$ 2,321,558

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, 2018

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
Texas Educational Opportunity Grant Program	-	\$ 266,941
Texas Public Education Grant Program	-	98,820
Texas-Science, Technology, Engineering, and Math (T-STEM) Program	-	25,000
Nursing & Allied Health - Building Simulation & Skills Lab Capacity	18035	20,723
Total Direct Funding		<u>411,484</u>
Total Texas Higher Education Coordinating Board		<u>411,484</u>
DEPARTMENT OF STATE HEALTH SERVICES		
<i>Passed through Texas Workforce Commission:</i>		
GR - Adult Ed	1916AELB02	62,222
GR - Adult Ed	1918ALA000	12,114
Total Passed Through Texas Workforce Commission		<u>74,336</u>
Total Department of State Health Services		<u>74,336</u>
TEXAS EDUCATION AGENCY		
<i>Direct:</i>		
CTE Career Exploration Website	3602	12,150
		<u>12,150</u>
TEXAS WORKFORCE COMMISSION		
<i>Direct:</i>		
Jobs and Education for Texans	1917JET000	732
Skills Supplemental Veterans Initiative, Education & Training	1917SSD000	3,712
Total Texas Workforce Commission		<u>4,444</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 502,414</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, 2018

Note 1: State Assistance Reconciliation

State Assistance Reconciliation	
per Schedule of Expenditures of State Awards	\$ 502,414
Less: TPEG (included in "Tuition" section)	<u>(98,820)</u>
Total included in "Tuition and Fees"	<u>(98,820)</u>
Total State Revenues per Schedule A	<u>\$ 403,594</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



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

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

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

We have audited, in accordance with 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 of the business-type activities of Victoria County Junior College District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Victoria County Junior College District's basic financial statements, and have issued our report thereon dated November 16, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Pattillo, Brown & Hill, C.P.

Brownsville, Texas
November 16, 2018



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

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

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

Report on Compliance for Each Major Federal Program

We have audited Victoria County Junior College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the State of Texas Uniform Grants Management Standards* that could have a direct and material effect on each of Victoria County Junior College District's major federal programs for the year ended August 31, 2018. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Victoria County Junior College District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas *Uniform Grant Management Standards* (UGMS). Those standards and the Uniform Guidance and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Victoria County Junior College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, Victoria County Junior College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

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

Brownsville, Texas
November 16, 2018

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2018

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	\$750,000
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	No
Major federal programs	The Student Financial Aid Cluster (CFDA 84.007, 84.033, 84.063, and 84.268) Adult Education-Basic Grants to States (CFDA 84.002)

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

The audit disclosed no finding required to be reported.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2018

III. Findings and Questioned Costs for Federal Awards

None reported.

IV. Findings and Questioned Costs for State Awards

None reported.