

**VICTORIA COUNTY
JUNIOR COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2013

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

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2013**

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

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2012-2013**

Board of Trustees

Officers

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

Members

| | | <u>Term Expires</u> |
|--------------------|-----------------|---------------------|
| Robby Burdge | Victoria, Texas | 2016 |
| Luis A. Guerra | Victoria, Texas | 2018 |
| Catherine McHaney | Victoria, Texas | 2016 |
| Thomas M. O'Connor | Victoria, Texas | 2014 |
| V. Bland Proctor | Victoria, Texas | 2014 |
| Dr. Josie Rivera | Victoria, Texas | 2018 |
| Ronald B. Walker | Victoria, Texas | 2014 |

Principal Administrative Officers

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Victoria County Junior College District, as of and for the year ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Victoria County Junior College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Victoria College Foundation, Inc. (the "Affiliated Organization"), which reflects total assets of \$10,311,611 and revenues of \$2,115,197. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Victoria College Foundation, Inc., are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial statement 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Victoria County Junior College District, as of August 31, 2013 and 2012, 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 on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2013, on our consideration of the Victoria County Junior College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Victoria County Junior College District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Patricia, Brown Hill, C.P.A." The signature is written in a cursive style with a large initial 'P'.

October 19, 2013

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

**Management's Discussion and Analysis
Year Ended August 31, 2013**

The following analysis provides an overview of the District's financial activities. Both 2013 and 2012 are presented in the audited financial statements. Management's discussion and analysis is designed to focus on current activities, the resulting change, and currently known facts; therefore, please read this discussion and analysis in conjunction with the District's basic financial statements and additional information.

The annual report consists of three basic financial statements that provide information on the District as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. This 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.

Analysis of Financial Position

For the fiscal year ended August 31, 2013, Net Position decreased by \$815,352 (2.2%) from \$36,586,149 at August 31, 2012 to \$35,770,797 at August 31, 2013. Operating revenues decreased by 3.9% or \$702,290. Operating expenses decreased by \$1,333,265 (2.9%). Non-operating revenues (state appropriations, taxes, Title IV, gifts, and investment related income) decreased by \$1,329,276 (4.5%), while non-operating expenses (interest on capital related debt) increased by 18.4% or \$112,389. The overall decrease in Net Position is attributable to the TRS catch-up payment of \$301,653 attributable to the fiscal year ended August 31, 2012, the TRS payment of \$356,543 for the year ended August 31, 2013, and planned major repairs and maintenance funded by unrestricted Net Position. Tuition and fee revenue decreased by \$696,963 (8.1%) for the year ended August 31, 2013. Credit enrollment head count for the fall and spring semesters decreased by 2.9% and 3.5%, respectively, from prior fiscal year. Credit contact hours for the fall and spring semesters decreased by 5.7% and 5.2%, respectively, from the prior fiscal year. See enrollment highlights section below.

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

| <u>Fiscal Year</u> | <u>In-District Tuition</u> | <u>Non-Resident Tuition</u> | <u>Out of District Fee</u> | <u>General Fee</u> | <u>Technology Fee</u> |
|------------------------|--------------------------------|---------------------------------|------------------------------------|------------------------|---------------------------|
| 2013 | \$ 43 | \$ 100 | \$ 47 | \$ 22 | \$ 15 |
| 2012 | \$ 43 | \$ 100 | \$ 47 | \$ 22 | \$ 15 |
| 2011 | \$ 34 | \$ 100 | \$ 45 | \$ 22 | \$ 15 |

During the fiscal year ended August 31, 2013, the District's base State funding increased by 0.9% or \$51,957. The State's funding for employee health insurance increased by \$45,655, or 5.4%. The State funding for retirement matching increased by \$41,249, or 6.1%. See Note 26 of the Notes to the Financial Statements and the section labeled "Contingency" below for information regarding employee retirement funding provided by the State.

The Victoria College Board of Trustees set the tax rate at \$0.1606 per \$100 valuation, which was the same tax rate per \$100 valuation as fiscal year 2012. Property tax revenues increased 9.5% (\$739,538) due to an increase assessed property value of 8.8%.

Interest and related investment income decreased by \$34,581, or 34.9%. Poor market conditions continued during fiscal year 2013 resulting in fairly flat interest rate returns. The increase in this non-operating revenue category is due to higher cash balances due to the sale of bonds during the fiscal year ended August 31, 2013.

Short-term liabilities decreased by \$219,691, or 2.7%. The decrease is due primarily to a decrease in Deferred Revenue related to federal, state, and local gifts and grants. More information related to deferred revenue can be found in Note 2 of the Notes to the Financial Statements.

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

**Management's Discussion and Analysis
Year Ended August 31, 2013**

Table 1 - Condensed Comparative Financial Information

| Financial Statement Category | FY 2013 | FY 2012 | FY 2011 |
|---|----------------------|----------------------|----------------------|
| Assets | | | |
| Cash and Investments | \$ 28,409,267 | \$ 9,323,692 | \$ 11,624,567 |
| Other Assets | 6,077,524 | 6,202,829 | 4,984,450 |
| Capital Assets | <u>45,214,306</u> | <u>44,873,394</u> | <u>44,030,809</u> |
| Total Assets | 79,701,097 | 60,399,915 | 60,639,826 |
| Liabilities | | | |
| Current Liabilities | 8,397,499 | 8,617,190 | 7,980,744 |
| Long-term Liabilities | <u>35,532,801</u> | <u>15,196,576</u> | <u>15,472,395</u> |
| Total Liabilities | 43,930,300 | 23,813,766 | 23,453,139 |
| Net Position | | | |
| Invested in Capital Assets, Net of Related Debt | 30,191,563 | 29,325,685 | 27,083,414 |
| Unrestricted | 5,182,349 | 6,087,427 | 7,540,325 |
| Restricted | <u>21,684,374</u> | <u>1,173,037</u> | <u>2,562,948</u> |
| Total Net Position | <u>\$ 57,058,286</u> | <u>\$ 36,586,149</u> | <u>\$ 37,186,687</u> |
| Operating Revenues | | | |
| Tuition and Fees (net of discounts) | 8,934,439 | 9,631,402 | 8,571,347 |
| Local, State and Federal Grants and Contracts | 3,698,565 | 3,333,638 | 6,236,028 |
| Auxiliary Enterprise | 3,707,504 | 3,810,826 | 4,010,280 |
| Other | <u>789,356</u> | <u>1,056,288</u> | <u>638,802</u> |
| Total Operating Revenues | 17,129,864 | 17,832,154 | 19,456,457 |
| Operating Expenses | | | |
| Instruction | 13,385,681 | 12,765,707 | 15,143,721 |
| Public Service | 226,446 | 233,150 | 90,318 |
| Academic Support | 3,170,188 | 2,579,496 | 2,338,991 |
| Student Support | 2,749,354 | 2,439,030 | 2,816,925 |
| Institutional Support | 5,019,535 | 5,207,318 | 4,006,881 |
| Operation and Maintenance of Plant | 3,391,400 | 3,934,548 | 2,998,333 |
| Scholarships and Fellowships | 11,773,322 | 13,946,538 | 13,802,754 |
| Auxiliary Enterprises | 3,592,178 | 3,548,458 | 3,626,919 |
| Depreciation | <u>1,840,148</u> | <u>1,827,272</u> | <u>1,465,711</u> |
| Total Operating Expenses | <u>45,148,252</u> | <u>46,481,517</u> | <u>46,290,553</u> |
| Operating Income (Loss) | <u>(28,018,388)</u> | <u>(28,649,363)</u> | <u>(26,834,096)</u> |
| Non-Operating Revenues (Expenses) | | | |
| State Appropriations | 7,553,650 | 7,414,789 | 8,503,704 |
| Taxes | 9,115,455 | 8,375,917 | 7,780,879 |
| Title IV | 10,129,281 | 12,601,061 | 12,336,719 |
| Gifts | 1,195,432 | 384,219 | 715,176 |
| Equity transfer in | - | 580,000 | - |
| Interest on Capital Related Debt | (722,734) | (610,345) | (794,770) |
| Investment Related Income | 133,677 | 99,096 | 427,693 |
| Other income | <u>-</u> | <u>1,689</u> | <u>-</u> |
| Total Non-Operating Revenues (Expenses) | <u>27,404,761</u> | <u>28,846,426</u> | <u>28,969,401</u> |
| Income Before Other Revenues, (Expenses), Gains, (Losses) | (613,627) | 197,063 | 2,135,305 |
| Other Revenues, (Expenses), Gains, (Losses) | <u>(155,376)</u> | <u>(121,961)</u> | <u>(2,848,873)</u> |
| Increase (Decrease) in Net Position | (769,003) | 75,102 | (713,568) |
| Beginning Net Position, as Adjusted | 36,586,149 | 37,186,687 | 37,900,255 |
| Adjustments to Net Position | <u>(46,349)</u> | <u>(675,640)</u> | <u>-</u> |
| Ending Net Position | <u>\$ 35,770,797</u> | <u>\$ 36,586,149</u> | <u>\$ 37,186,687</u> |

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

**Management's Discussion and Analysis
Year Ended August 31, 2013**

Capital Assets and Long Term Debt Administration

Capital Assets

The District's investment in capital assets as of August 31, 2013 was \$45,214,306 (net of accumulated depreciation). This amount represents a net increase (including additions, dispositions, and depreciation expense) of \$340,912 over fiscal year 2012. During the fiscal year, construction in progress decreased by \$1,091,589. Additional information regarding the District's capital assets can be found in Note 7 to the financial statements.

The following table summarizes the District's capital assets, net of accumulated depreciation, as of August 31, 2013, 2012, and 2011.

| | <u>Balance at</u> 8/31/2013 | <u>Balance at</u> 8/31/2012 | <u>Balance at</u> 8/31/2011 | <u>\$ Change</u> 2013-2012 | <u>\$ Change</u> 2012-2011 |
|---|--------------------------------|--------------------------------|--------------------------------|-------------------------------|-------------------------------|
| Land | \$ 460,387 | \$ 460,387 | \$ 460,387 | \$ - | \$ - |
| Construction in Progress | 1,556,733 | 2,648,322 | 474,099 | (1,091,589) | 2,174,223 |
| Library Volumes and Periodicals | 928,302 | 945,265 | 968,859 | (16,963) | (23,594) |
| Buildings | 49,649,093 | 46,572,187 | 46,488,947 | 3,076,906 | 83,240 |
| Site Improvements | 6,512,778 | 6,512,779 | 6,505,197 | (1) | 7,582 |
| Telecommunications and Peripheral Equipment | 1,416,796 | 1,465,470 | 1,396,936 | (48,674) | 68,534 |
| Machinery, Equipment, Furniture and Vehicles | <u>5,301,866</u> | <u>5,231,458</u> | <u>4,941,654</u> | <u>70,408</u> | <u>289,804</u> |
| Totals at Historical Costs | 65,825,955 | 63,835,868 | 61,236,079 | 1,990,087 | 2,599,789 |
| Total Accumulated Depreciation | <u>20,611,649</u> | <u>18,962,474</u> | <u>17,205,270</u> | <u>1,649,175</u> | <u>1,757,204</u> |
| Net Capital Assets | <u>\$ 45,214,306</u> | <u>\$ 44,873,394</u> | <u>\$ 44,030,809</u> | <u>\$ 340,912</u> | <u>\$ 842,585</u> |
| | | | | <u>% Change</u> 2013-2012 | <u>% Change</u> 2012-2011 |
| Land | | | | 0.0% | 0.0% |
| Construction in Progress | | | | -41.2% | 458.6% |
| Library Volumes and Periodicals | | | | -1.8% | -2.4% |
| Buildings | | | | 6.6% | 0.2% |
| Site Improvements | | | | 0.0% | 0.1% |
| Telecommunications and Peripheral Equipment | | | | -3.3% | 4.9% |
| Machinery, Equipment, Furniture and Vehicles | | | | 1.3% | 5.9% |
| Totals at Historical Costs | | | | 3.1% | 4.2% |
| Total Accumulated Depreciation | | | | 8.7% | 10.2% |
| Net Capital Assets | | | | 0.8% | 1.9% |

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

**Management's Discussion and Analysis
Year Ended August 31, 2013**

Long-Term Debt

Long-term debt increased by \$19,495,000 during the fiscal year. The District issued \$21,120,000 in Series 2013 Limited Tax Bonds during fiscal year 2013. Additional information regarding the District's long-term debt can be found in Note 8 through Note 12 to the financial statements.

The table below summarizes the District's long-term debt outstanding at August 31, 2013, 2012, and 2011.

| | <u>Balance at</u> 8/31/2013 | <u>Balance at</u> 8/31/2012 | <u>Balance at</u> 8/31/2011 | <u>\$ Change</u> 2013-2012 | <u>\$ Change</u> 2012-2011 |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| 2006 Tax Bonds Payable | \$ 2,945,000 | \$ 3,575,000 | \$ 12,655,000 | \$ (630,000) | \$ (9,080,000) |
| 2008 Maintenance Tax Notes | - | 550,000 | 1,075,000 | (550,000) | (525,000) |
| 2010 Combined Fee Revenue | | | | | |
| Refunding Bonds | 2,370,000 | 2,730,000 | 3,080,000 | (360,000) | (350,000) |
| 2012 Limited Tax Refunding Bonds | 8,280,000 | 8,365,000 | - | (85,000) | 8,365,000 |
| 2013 Limited Tax Bonds | <u>21,120,000</u> | <u>-</u> | <u>-</u> | <u>21,120,000</u> | <u>-</u> |
| Total Long-Term Debt | <u>\$ 34,715,000</u> | <u>\$ 15,220,000</u> | <u>\$ 16,810,000</u> | <u>\$ 19,495,000</u> | <u>\$ (1,590,000)</u> |
| | | | | <u>% Change</u> 2013-2012 | <u>% Change</u> 2012-2011 |
| 2006 Tax Bonds Payable | | | | -17.6% | -71.8% |
| 2008 Maintenance Tax Notes | | | | -100.0% | -48.8% |
| 2010 Combined Fee Revenue | | | | | |
| Refunding Bonds | | | | -13.2% | -11.4% |
| 2012 Limited Tax Refunding Bonds | | | | -1.0% | N/A |
| 2013 Limited Tax Bonds | | | | 100.0% | N/A |
| Total Long-Term Debt | | | | 128.1% | -9.5% |

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.

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

**Management's Discussion and Analysis
Year Ended August 31, 2013**

Enrollment Highlights

Credit student enrollment and contact hours decreased by 2.9% and 5.7%, respectively, for the fall term. Headcount was 4,381 for the fall 2012-2013 term compared to 4,513 for the fall 2011-2012 term. Credit student enrollment and contact hours decreased by 3.5% and 5.2%, respectively, for the spring term. Headcount was 4,017 for the spring 2012-2013 term compared to 4,161 for the spring 2011-2012 term. Overall credit student enrollment and contact hours decreased by 0.3% and 3.6%, respectively due to a drop in fall enrollment from 4,513 in fiscal year 2011-2012 to 4,381 in fiscal year 2012-2013 and a drop in spring enrollment from 4,161 in fiscal year 2011-2012 to 4,017 in fiscal year 2012-2013. Non-credit enrollment increased from 696 in the fall 2011-2012 term to 832 in the fall 2012-2013 term, an increase of 19.5%. The increase in non-credit enrollment is due, in part, to Skills Development Grants from the Texas Workforce Commission (TWC). Grants obtained through the TWC allow the District to offer specialized training to industry partners within its service area, thereby increasing the skill level of incumbent and new workers. The District will continue to seek funding from the TWC in order to offer courses that enhance the quality of workers in its service area.

| Credit Students | 2012-2013 | | Fall | Spring | Summer | | Annual * |
|------------------------|------------------|---------|-------------|---------------|---------------|-----------|-----------------|
| | Enrollment | | 4,381 | 4,017 | 1,707 | | 5,921 |
| | Contact Hours | | 751,328 | 732,912 | 234,992 | | 1,719,232 |
| | | | | | | | |
| | 2011-2012 | | Fall | Spring | Summer | | Annual * |
| | Enrollment | | 4,513 | 4,161 | 1,596 | | 5,939 |
| | Contact Hours | | 796,832 | 773,776 | 212,704 | | 1,783,312 |
| | | | | | | | |
| | 2010-2011 | | Fall | Spring | Summer | | Annual * |
| | Enrollment | | 4,290 | 4,116 | 2,289 | | 5,991 |
| Contact Hours | | 775,152 | 776,960 | 252,880 | | 1,804,992 | |

| Non-Credit Students | 2012-2013 | | Fall | Spring | Summer 1 | Summer 2 | Annual * |
|----------------------------|------------------|--------|-------------|---------------|-----------------|-----------------|-----------------|
| | Enrollment | | 832 | 799 | 778 | 1,252 | 4,462 |
| | Contact Hours | | 50,562 | 43,706 | 24,617 | 40,627 | 159,512 |
| | | | | | | | |
| | 2011-2012 | | Fall | Spring | Summer 1 | Summer 2 | Annual * |
| | Enrollment | | 696 | 750 | 684 | 1,209 | 3,736 |
| | Contact Hours | | 30,631 | 38,286 | 30,715 | 31,139 | 130,771 |
| | | | | | | | |
| | 2010-2011 | | Fall | Spring | Summer 1 | Summer 2 | Annual * |
| | Enrollment | | 1,230 | 1,499 | 1,290 | 1,785 | 4,378 |
| Contact Hours | | 47,570 | 63,662 | 43,590 | 54,037 | 208,859 | |

Certificates and Degrees Conferred:

| Fiscal Year | Associate of Arts | Associate of Science | Associate of Applied Sciences | Work Force Certificates | Total Degrees and Certificates |
|--------------------|--------------------------|-----------------------------|--------------------------------------|--------------------------------|---------------------------------------|
| 2012-2013 | 50 | 86 | 203 | 333 | 672 |
| | | | | | |
| 2011-2012 | 45 | 69 | 214 | 205 | 533 |
| | | | | | |
| 2010-2011 | 41 | 92 | 166 | 257 | 556 |

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

**Management's Discussion and Analysis
Year Ended August 31, 2013**

Contingency

The Annual Financial Report for the fiscal year ended August 31, 2012 contained the contingency for Texas Constitution article 16, section 67(b)(3) regarding the State of Texas contribution of retirement fund to the Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP). As of August 31, 2013, the District has made contributions to TRS of \$356,543 and \$301,653 for the unfunded state portion for years ending August 31, 2013 and 2012, respectively.

Strategic and Operational Planning

The Victoria College Board of Trustees approved a new three-year Strategic Plan in January 2013. Committees had reviewed progress of the 2009-2012 Strategic Plan and provided a report to the Board. Many of the objectives were successfully completed during the year and some were identified as needing to continue into the new plan. Members identified new action items to continue to address the three priority goals of Student Success, Meeting Community Needs and Institutional Excellence.

Campus Master Plan

In January 2013, the Victoria College Board of Trustees approved a capital plan that identifies financial and capital resources for the College's future needs. The plan helps administrators strategically plan and manage funding sources for projects outlined in the College's 2011-2020 facilities master plan along with other long-term needs. The Board also completed the sale of \$22 million in general obligation bonds. This bond was approved by voters in May 2012 to fund construction, expansion and renovation projects required to meet enrollment and program growth, including the construction of the Emerging Technology Complex. Final plans and construction bids for the Complex were completed and groundbreaking occurred in July. The Complex, which includes a Conference & Education Center and an Industrial Training Center, is scheduled to be complete by spring 2015.

Resource Management & Development

Victoria College remains committed to maintaining the affordability of higher education and works diligently to develop and enhance its resources in order to balance the needs of its students with the needs of its entire constituency of taxpayers, community members, and business and industry. As State financial support continues to decrease and the cost of doing business continues to increase, achieving this balance becomes progressively more difficult.

To offset the loss in state funding and to fund the new bond debt, the college increased the property tax rate slightly, from \$0.1606 to \$0.1823, per \$100 valuation. This is less than the \$.03 increase approved by voters in the May 2012 bond election. The board also increased the tuition rate per semester credit hour slightly from \$43 to \$46 for fiscal year 2013. No change in the out-of-county fee was made. The last time the tuition was increased was for the 2011-2012 academic year.

Victoria College strategically and aggressively seeks external support through donations and grants to help offset the cost of new program development, to enable the granting of student financial support, and to provide necessary funds for expansion and growth. The College strives to secure for all area students seeking postsecondary education and training, the resources necessary to facilitate college enrollment and successful completion without accumulation of excessive financial burden.

Generous community support and a strategic focus on investment management allowed the VC Foundation to award over \$364,000 in student scholarships and inject nearly \$303,000 to enhance College programs, facilities, and initiatives. Private donations and grants totaled nearly \$1.17 million this fiscal year and assets of the Foundation exceeded \$10 million.

Several grants, totaling nearly \$5.7 million, were awarded to Victoria College during the year to support students' financial needs and programs. Nearly \$2.3 million of the total was awarded by the Texas Workforce Commission Skills Development Fund to provide specialized training for new and incumbent employees of area petro-chemical and manufacturing partners.

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

**Management's Discussion and Analysis
Year Ended August 31, 2013**

Resource Management & Development (continued)

The College received a nearly \$2.5 million dollar grant from the M.G. and Lille A. Johnson Foundation to help train and educate an expanding South Texas workforce. The largest part of the grant, \$1.98 million, will help offset technology and equipment costs for programs that will be housed in the new Emerging Technology Complex. These programs include Industrial Maintenance Mechanic and Oil & Gas Technology. Student in allied health programs will be eligible for a full scholarship from \$200,000 in financial assistance support and the Foundation's endowment received an additional \$300,000.

Reaffirmation of Accreditation

Victoria College hosted an on-site review team of the Southern Association of Colleges and Schools Commission (SACS) as part of its ten year reaffirmation process and compliance certificate approval. The team assessed whether the College was in compliance with SACS standards. The on-site team had no recommendations for improvement. Very few institutions receive this level of outcome. In addition to review of standards, the on-site team reviewed the College's proposed Quality Enhancement Plan (QEP), also a required component of the reaffirmation process. VC developed a plan to improve student success by helping students become more actively engaged in their education. Students Engaged in Active Learning, SEAL, includes three components: 1) Basic Training - helps students understand their role as engaged and prepared partners in active learning 2) Boot Camp - provides professional development opportunities for all VC employees, and 3) SEAL Academy - provides selected faculty an opportunity to participate in a structured, year-long development program to re-design curriculum and incorporate additional technology to implement active learning strategies in their classes. Increasing active learning in the classroom will help students improve their critical thinking and communication skills. The plan is designed to enhance the learning experience for the student, thereby leading to greater student success. The plan was well received by the team. SACS approval of the QEP and VC's reaffirmation of accreditation will take place in June 2014.

Dedication to Student Success

Victoria College opened a new learning center dedicated to the professional development of its faculty and staff. The mission of the Betsy Wright Center for Academic Excellence (CAPE) is to cultivate excellence in teaching and support services by providing employees with development opportunities and supports that foster student success. The Center is named after Betsy M. Wright, a VC alum and longtime Texas public school educator, who bequeathed half a million dollars of her estate to the College. The donation provided funds to remodel and equip an existing building to serve as the CAPE, provide student scholarships and childcare assistance. The College will collaborate with the local Y to create a new childcare center and provide students with discounted services.

Customized Training

Victoria College's Workforce and Continuing Education Department developed customized training programs for many business and industry partners. One such partner was Klean Corp International (KCI). The KCI Academy was designed to provide a year-long comprehensive training program to all company employees as they transitioned their operations to a new facility and new operating system. Basic and advanced training in computer systems, process technology, oil and gas operations, leadership and customer service were customized to meet specific company requirements and customer needs. The College plans to develop additional academy style customized training as part of the new offerings in the Emerging Technology Center.

College Recognition & Accomplishments

Victoria College was named among the Ten Outstanding Southern Community Colleges for Workforce training in the Southern Business & Development magazine. The magazine recognized the College's partnerships with area businesses and industry to meet the region's current and future workforce training needs.

Six Victoria College employees were selected as recipients of the national On Course Ambassadors of the Year award for 2012. On Course Ambassadors is a group of more than 1,600 dedicated college and university educators who have attended professional development events designed to bring about significant improvements in student academic success and retention. Recipients were Betty East, Paul Janda, Gail Janecka, Bridgette Marshall, Jackie Mikesh and Ceci Oldmixon.

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

**Management's Discussion and Analysis
Year Ended August 31, 2013**

College Recognition & Accomplishments (continued)

Victoria College's Phi Theta Kappa chapter ranked among the top ten Texas chapters and earned five star rating for its local, state and national participation. Phi Theta Kappa is the honor society of two-year colleges. This is the second year VC's chapter received this rating. Achieving a Five-star level puts the chapter in the top third of all Texas chapters and the top fourth of all international chapters. Additionally, VC student Toni Marek was selected as Division II International Vice President of Phi Theta Kappa.

Two Victoria College professors were honored by Pearson's "One Professor" movement by their students. "One Professor" pays tribute to faculty who has made a lasting impression, inside and outside the classroom, on the students they serve. Dr. Anita Brunsting and Sharon Hyak were honored with this recognition.

The Guadalupe Valley Electric Cooperative presented its Public Service Award to Victoria College as part of the Cooperative's 75-year celebration. This award recognized the College's commitment and dedication to providing training and learning opportunities to meet the diverse employment needs in the area.

Victoria College staff took a leadership role in forming a statewide college marketing organization. Darin Kazmir, the College Director of Marketing and Communication, serves as the new organization's Vice President and works with seven other colleges to lead the organization. The Texas Association of Community College Marketers (TACCM) provides an opportunity to network and share ideas that best promote the community and technical college story.

A Victoria College science professor received the 2013 Faculty Enhancement Program Travel Award from the Annual American Society for Microbiology Conference for Undergraduate Educators. Dr. Bill Coons was one of only two awardees. This program recognizes leaders in biology education and provides them with opportunities to learn research and teaching developments, practice new technologies and techniques, and connect with other educators and researchers by attending ASMCUE.

Contacting the District's Financial Management

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Net Position
August 31, 2013

| | Current Year | Prior Year |
|---|---------------|---------------|
| ASSETS | | |
| Current Assets | | |
| Cash & cash equivalents | \$ 6,716,974 | \$ 8,626,105 |
| Restricted cash and cash equivalents | 18,685,573 | 695,073 |
| Short-term investments | 653 | 2,225 |
| Restricted short-term investments | 3,006,067 | 289 |
| Due from component unit | 23,606 | - |
| Accounts receivable (net) | 3,560,566 | 3,689,127 |
| Restricted accounts receivable | 685,523 | 385,427 |
| Inventories | 872,594 | 837,477 |
| Prepaid expenses | 212,666 | 16,931 |
| Total Current Assets | 33,764,222 | 14,252,654 |
| Noncurrent Assets | | |
| Unamortized bond issuance costs | 722,569 | 1,273,867 |
| Construction in progress | 1,556,733 | 2,648,322 |
| Investments in real estate | 460,387 | 460,387 |
| Capital assets (net) (See note 7) | 43,197,186 | 41,764,685 |
| Total Noncurrent Assets | 45,936,875 | 46,147,261 |
| Total Assets | 79,701,097 | 60,399,915 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 1,146,937 | 1,070,138 |
| Accrued liabilities | 565,987 | 546,879 |
| Funds held for others | 350,870 | 330,223 |
| Due to component unit | - | 35,923 |
| Deferred revenues | 4,833,705 | 5,009,027 |
| Bonds payable - current portion | 1,500,000 | 1,625,000 |
| Total Current Liabilities | 8,397,499 | 8,617,190 |
| Noncurrent Liabilities | | |
| Bond premium | 2,317,801 | 1,601,576 |
| Bonds payable | 33,215,000 | 13,595,000 |
| Total Noncurrent Liabilities | 35,532,801 | 15,196,576 |
| Total Liabilities | 43,930,300 | 23,813,766 |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 8,904,074 | 29,325,685 |
| Restricted for | | |
| Expendable | | |
| Student aid | 65,618 | 168,270 |
| Unexpended bond proceeds | 21,287,489 | - |
| Construction in progress | - | 700,000 |
| Debt service | 331,267 | 304,767 |
| Unrestricted | 5,182,349 | 6,087,427 |
| Total Net Position (Schedule D) | \$ 35,770,797 | \$ 36,586,149 |

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Financial Position
August 31, 2013

| | Current Year | Prior Year |
|--|---------------|--------------|
| ASSETS | | |
| Current Assets | | |
| Cash & cash equivalents | \$ 1,253,054 | \$ 844,553 |
| Tuition assistance receivable | 1,942 | 1,942 |
| Pledges receivable | | |
| Temporarily restricted | 3,699 | 2,842 |
| Permanently restricted | - | 20,000 |
| Due from Victoria College | - | 35,923 |
| Other current assets | - | 450 |
| Total Current Assets | 1,258,695 | 905,710 |
| Other Assets | | |
| Endowment Investments - money market funds | 291,131 | 322,571 |
| Endowment Investments - equity securities | 6,459,631 | 6,808,134 |
| Total Endowment Investments | 6,750,762 | 7,130,705 |
| Endowment Investments - temporarily restricted | 2,302,154 | 1,010,644 |
| Total Other Assets | 9,052,916 | 8,141,349 |
| Total Assets | \$ 10,311,611 | \$ 9,047,059 |
| LIABILITIES | | |
| Current Liabilities | | |
| Due to Victoria College | \$ 23,605 | \$ - |
| Total Current Liabilities | 23,605 | - |
| Total Liabilities | 23,605 | - |
| NET ASSETS | | |
| Unrestricted net assets | 109,994 | 73,576 |
| Temporarily restricted net assets | 3,427,249 | 1,822,778 |
| Permanently restricted net assets | 6,750,763 | 7,150,705 |
| Total Net Assets | 10,288,006 | 9,047,059 |
| Total Liabilities and Net Assets | \$ 10,311,611 | \$ 9,047,059 |

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, 2013

| | <u>Current Year</u> | <u>Prior Year</u> |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Tuition and fees (net of discounts of \$4,232,489 & \$4,758,129, respectively) | \$ 8,934,439 | \$ 9,631,402 |
| Federal grants and contracts | 1,498,120 | 1,512,266 |
| State grants and contracts | 1,486,897 | 1,419,665 |
| Local grants and contracts | 30,131 | - |
| Non-governmental grants and contracts | 683,417 | 401,707 |
| Sales and services of educational activities | 519,159 | 795,249 |
| Auxiliary enterprises (net of discounts of \$1,902,931 & \$2,206,473, respectively) | 3,707,504 | 3,810,826 |
| General operating revenues | <u>270,197</u> | <u>261,039</u> |
| Total Operating Revenues (Schedule A) | <u>17,129,864</u> | <u>17,832,154</u> |
| OPERATING EXPENSES | | |
| Instruction | 13,385,681 | 12,765,707 |
| Public service | 226,446 | 233,150 |
| Academic support | 3,170,188 | 2,579,496 |
| Student services | 2,749,354 | 2,439,030 |
| Institutional support | 5,019,535 | 5,207,318 |
| Operation and maintenance of plant | 3,391,400 | 3,934,548 |
| Scholarships and fellowships | 11,773,322 | 13,946,538 |
| Auxiliary enterprises | 3,592,178 | 3,548,458 |
| Depreciation | <u>1,840,148</u> | <u>1,827,272</u> |
| Total Operating Expenses (Schedule B) | <u>45,148,252</u> | <u>46,481,517</u> |
| Operating (Loss) | <u>(28,018,388)</u> | <u>(28,649,363)</u> |
| Non-Operating Revenues (Expenses) | | |
| State allocations | 7,553,650 | 7,414,789 |
| Title IV | 10,129,281 | 12,601,061 |
| Ad valorem taxes | | |
| Taxes for maintenance and operations | 7,382,454 | 6,588,399 |
| Taxes for debt service | 1,733,001 | 1,787,518 |
| Gifts | 1,195,432 | 384,219 |
| Equity transfer in | - | 580,000 |
| Investment income (net of investment expenses) | 133,677 | 99,096 |
| Other income | - | 1,689 |
| Interest on capital related debt | <u>(722,734)</u> | <u>(610,345)</u> |
| Total Non-Operating Revenues (Expenses) (Schedule C) | <u>27,404,761</u> | <u>28,846,426</u> |
| Income Before Other Revenues, (Expenses), Gains and (Losses) | <u>(613,627)</u> | <u>197,063</u> |
| Other Revenues, (Expenses), Gains, (Losses) | | |
| Loss on disposal of capital assets | (14,484) | (5,889) |
| Bond issuance costs | (140,892) | (168,435) |
| Donation of capital assets | - | 52,363 |
| Total Other Revenues, (Expenses), Gains, (Losses) | <u>(155,376)</u> | <u>(121,961)</u> |
| Increase in Net Position | <u>(769,003)</u> | <u>75,102</u> |
| NET POSITION | | |
| Net Position - Beginning of Year | 36,586,149 | 37,186,687 |
| Adjustment to Net Position | <u>(46,349)</u> | <u>(675,640)</u> |
| Net Position - End of Year | <u>\$ 35,770,797</u> | <u>\$ 36,586,149</u> |

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Activities
For The Year Ended August 31, 2013

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total Current Year</u> | <u>Total Prior Year</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------|
| Support and revenues | | | | | |
| Grants and contributions | \$ 60,203 | \$ 622,502 | \$ 493,930 | \$ 1,176,635 | \$ 625,128 |
| In-kind donations | 162,325 | - | - | 162,325 | 115,430 |
| Interest and dividends | 230 | 279,188 | - | 279,418 | 203,981 |
| Net increase in fair value of investments | - | 1,036,516 | (539,672) | 496,844 | 535,270 |
| Total unrestricted support and revenues | <u>222,758</u> | <u>1,938,206</u> | <u>(45,742)</u> | <u>2,115,222</u> | <u>1,479,809</u> |
| Net assets released from restrictions | 663,715 | (309,515) | (354,200) | - | - |
| Net assets returned to donors | - | (25) | - | (25) | (3,250) |
| Total unrestricted support and revenues And reclassifications | <u>886,473</u> | <u>1,628,666</u> | <u>(399,942)</u> | <u>2,115,197</u> | <u>1,476,559</u> |
| Expenses | | | | | |
| Program | 666,627 | - | - | 666,627 | 460,172 |
| Management and general | 19,216 | 24,195 | - | 43,411 | 13,972 |
| Fundraising | 164,212 | - | - | 164,212 | 124,811 |
| Total unrestricted expenses | <u>850,055</u> | <u>24,195</u> | <u>-</u> | <u>874,250</u> | <u>598,955</u> |
| Increase in net assets | <u>36,418</u> | <u>1,604,471</u> | <u>(399,942)</u> | <u>1,240,947</u> | <u>877,604</u> |
| NET ASSETS | | | | | |
| Net Assets - Beginning of Year | <u>73,576</u> | <u>1,822,778</u> | <u>7,150,705</u> | <u>9,047,059</u> | <u>8,169,455</u> |
| Net Assets - End of Year | <u>\$ 109,994</u> | <u>\$ 3,427,249</u> | <u>\$ 6,750,763</u> | <u>\$ 10,288,006</u> | <u>\$ 9,047,059</u> |

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, 2013

| | <u>Current Year</u> | <u>Prior Year</u> |
|--|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from students and other customers | \$ 12,985,780 | \$ 14,318,597 |
| Receipts from grants and contracts | 3,527,030 | 3,424,097 |
| Other receipts | 210,668 | 316,579 |
| Payments to suppliers for goods or services | (7,364,077) | (7,331,106) |
| Payments to or on behalf of employees | (23,417,436) | (22,161,664) |
| Payments of scholarships and fellowships | <u>(11,773,322)</u> | <u>(13,946,538)</u> |
| Net cash provided (used) by operating activities | <u>(25,831,357)</u> | <u>(25,380,035)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Receipts from state allocations | 6,665,436 | 6,572,230 |
| Receipts from federal (Title IV) allocations | 10,129,281 | 12,601,061 |
| Receipts from ad valorem tax revenues | 7,382,454 | 6,588,399 |
| Gifts and grants (other than capital) | 1,195,432 | 384,219 |
| Student organization and other agency transactions | <u>20,647</u> | <u>(57,563)</u> |
| Net cash provided by non-capital financing activities | <u>25,393,250</u> | <u>26,088,346</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Receipts from ad valorem tax revenues | 1,733,001 | 1,787,518 |
| Contribution of capital assets | - | 52,363 |
| Purchases of capital assets | (2,195,544) | (2,675,746) |
| Proceeds from disposal of capital assets | 14,484 | 5,889 |
| Loss on disposal of capital assets | (14,484) | (5,889) |
| Proceeds from bonds | 21,120,000 | 8,480,000 |
| Defeased debt | - | (8,480,000) |
| Bond issuance costs | (140,892) | (168,435) |
| Bond premium | 1,024,253 | 1,464,181 |
| Bond premium amortization | (308,028) | - |
| Unamortized bond costs | - | (1,273,867) |
| Amortization of bond costs | 551,298 | - |
| Payments on capital debt - principal | (1,625,000) | (1,590,000) |
| Payments on capital debt - interest | <u>(722,734)</u> | <u>(610,345)</u> |
| Net cash provided (used) by capital and related financing activities | <u>19,436,354</u> | <u>(3,014,331)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Other income | - | 1,689 |
| Investment earnings | (2,870,529) | 99,094 |
| Equity transfer in | - | 580,000 |
| Prior period adjustment | <u>(46,349)</u> | <u>(675,640)</u> |
| Net cash provided (used) by investing activities | <u>(2,916,878)</u> | <u>5,143</u> |
| Increase (decrease) in cash and cash equivalents | 16,081,369 | (2,300,877) |
| Cash and cash equivalents - September 1 | <u>9,321,178</u> | <u>11,622,055</u> |
| Cash and cash equivalents - August 31 | <u>\$ 25,402,547</u> | <u>\$ 9,321,178</u> |
| Cash & cash equivalents | \$ 6,716,974 | \$ 8,626,105 |
| Restricted cash and cash equivalents | <u>18,685,573</u> | <u>695,073</u> |
| Total cash and cash equivalents | <u>\$ 25,402,547</u> | <u>\$ 9,321,178</u> |

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Cash Flows
For The Year Ended August 31, 2013
(Continued)

| | Current Year | Prior Year |
|--|-----------------|-----------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating (loss) | \$ (28,018,388) | \$ (28,649,363) |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | | |
| Depreciation expense | 1,840,148 | 1,827,272 |
| State group insurance | 888,214 | 842,559 |
| Changes in assets and liabilities: | | |
| Receivables (net) | (171,535) | 90,459 |
| Due from component unit | (59,529) | 55,540 |
| Inventories | (35,117) | (37,657) |
| Prepaid expenses | (195,735) | (16,931) |
| Accounts payable | 76,799 | 439,638 |
| Accrued liabilities | 19,108 | (12,672) |
| Deferred revenue | (175,322) | 81,120 |
| Net cash provided (used) by operating activities | \$ (25,831,357) | \$ (25,380,035) |

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, 2013

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

Report Guidelines

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

Tuition Discounting

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

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

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

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.

2. Summary of Significant Accounting Policies (Continued)

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 1st. 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 Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. [The governing board has designated public funds investment pools comprised of \$3,006,720 and \$2,514 at August 31, 2013, and 2012, 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, food service supplies, and bookstore stock. Inventories are valued at cost under the "first-in, first-out" method for supplies and at retail method for bookstore stock and are charged to expense as consumed.

Capital Assets

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

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

Deferred Revenues

Tuition and fees of \$4,155,729 and \$4,167,290, federal, state and local grants of \$248,387 and \$805,386, and deferred other of \$429,589 and \$36,351 have been reported as deferred revenues at August 31, 2013 and 2012, respectively.

Use of Estimates

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

2. **Summary of Significant Accounting Policies** (Continued)

Operating and Non-Operating Revenue and Expense Policy

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

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, 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year.

3. **Authorized Investments**

The Board of Trustees of the District has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). The investments of the District are in compliance with the Board of Trustees' Investment Policy and the Public Funds Investment Act. The District is authorized to invest in obligations and instruments as follows: (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>08/31/13</u> | <u>08/31/12</u> |
|---------------------------|----------------------|---------------------|
| Bank Deposits | | |
| Demand Deposits | \$ 25,300,334 | \$ 9,247,182 |
| | 25,300,334 | 9,247,182 |
| Cash and Cash Equivalents | | |
| Cash on Hand | 102,213 | 73,996 |
| | <u>102,213</u> | <u>73,996</u> |
| Total Cash and Deposits | <u>\$ 25,402,547</u> | <u>\$ 9,321,178</u> |

4. **Deposits and Investments** (Continued)

Reconciliation of Cash, Deposits and Investments to Exhibit 1

| Type of Security | Market Value | |
|--|---------------|--------------|
| | 08/31/13 | 08/31/12 |
| Tex Pool | \$ 3,006,720 | \$ 2,514 |
| Total Investments | \$ 3,006,720 | \$ 2,514 |
| Total Cash and Deposits | \$ 25,402,547 | \$ 9,321,178 |
| Total Investments | 3,006,720 | 2,514 |
| Total Deposits and Investments | \$ 28,409,267 | \$ 9,323,692 |
| Cash and Temporary Investments (Exhibit 1) | \$ 25,402,547 | \$ 9,321,178 |
| Investments (Exhibit 1) | 3,006,720 | 2,514 |
| Total Deposits and Investments | \$ 28,409,267 | \$ 9,323,692 |

Beginning September 1, 1997, the District adopted Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This GASB requires that investments be reported at fair value on the balance sheet. The District utilizes quoted market price as its indicator of fair value.

At August 31, 2013 the District had the following investments and maturities:

| Investment Type | 2013 Fair Value | Investment Maturities (in Years) | | | S&P Rating |
|---------------------------------|--------------------|----------------------------------|--------|--------|------------|
| | | Less than 1 | 1 to 2 | 2 to 3 | |
| Uncategorized Investments | | | | | |
| Tex Pool | \$ 3,006,720 | \$ 3,006,720 | \$ - | \$ - | AAAm |
| Total Uncategorized Investments | \$ 3,006,720 | \$ 3,006,720 | \$ - | \$ - | |

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures. The District has the following risks related to deposits and investments:

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

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

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

5. **Derivatives**

The District did not invest in derivative instruments during the fiscal year ended August 31, 2013.

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

Receivables

Receivables at August 31 were as follows:

| | 2013 | | |
|--|---------------------|---|---------------------------|
| | <u>Receivable</u> | <u>Allowance for Uncollectibles</u> | <u>Net Receivable</u> |
| Student accounts receivable | \$ 3,683,481 | \$ (657,596) | \$ 3,025,885 |
| Taxes | 593,404 | (593,404) | - |
| Receivable from Title IV students | 281,432 | (281,432) | - |
| Third-party contractor receivable | 168,101 | - | 168,101 |
| Installment contracts receivable | 230,898 | (219,864) | 11,034 |
| Vendor receivable | 354,908 | - | 354,908 |
| Non-student returned checks receivable | 418 | - | 418 |
| Payroll advances receivable | 220 | - | 220 |
| Accounts receivable (net) | <u>\$ 5,312,862</u> | <u>\$ (1,752,296)</u> | <u>\$ 3,560,566</u> |

| | 2012 | | |
|--|---------------------|---|---------------------------|
| | <u>Receivable</u> | <u>Allowance for Uncollectibles</u> | <u>Net Receivable</u> |
| Student accounts receivable | \$ 3,315,486 | \$ (462,979) | \$ 2,852,507 |
| Taxes | 503,265 | (503,265) | - |
| Receivable from Title IV students | 294,590 | (220,942) | 73,648 |
| Third-party contractor receivable | 245,439 | - | 245,439 |
| Installment contracts receivable | 236,238 | (223,096) | 13,142 |
| Vendor receivable | 503,229 | - | 503,229 |
| Non-student returned checks receivable | 942 | - | 942 |
| Payroll advances receivable | 220 | - | 220 |
| Accounts receivable (net) | <u>\$ 5,099,409</u> | <u>\$ (1,410,282)</u> | <u>\$ 3,689,127</u> |

Payables

Payables at August 31 were as follows:

| | <u>2013</u> | <u>2012</u> |
|---------------------------|---------------------|---------------------|
| Accounts payable | <u>\$ 1,146,937</u> | <u>\$ 1,070,138</u> |
| Accrued liabilities: | | |
| Accrued payroll | 176,633 | 179,605 |
| Employee benefits payable | 278,914 | 265,288 |
| Sales tax payable | <u>110,440</u> | <u>101,986</u> |
| Total accrued liabilities | <u>565,987</u> | <u>546,879</u> |
| Total payables | <u>\$ 1,712,924</u> | <u>\$ 1,617,017</u> |

7. **Capital Assets Activity**

Capital asset activity for the year ended August 31, 2013, was as follows:

| | Primary Institution | | | | Balance 08/31/13 |
|---|----------------------|-------------------------|--------------------|--------------------|----------------------|
| | Balance 09/01/12 | Changes During the Year | | | |
| | | Additions | Deletions | Reclassifications | |
| <u>Not Depreciated:</u> | | | | | |
| Land | \$ 460,387 | \$ - | \$ - | \$ - | \$ 460,387 |
| Construction in Progress | 2,648,322 | 1,985,316 | - | (3,076,905) | 1,556,733 |
| Subtotal | <u>3,108,709</u> | <u>1,985,316</u> | <u>-</u> | <u>(3,076,905)</u> | <u>2,017,120</u> |
| Other Capital Assets: | | | | | |
| Library Volumes and Periodicals | 945,265 | 41,662 | (58,625) | - | 928,302 |
| Buildings | 46,572,188 | - | - | 3,076,905 | 49,649,093 |
| Site Improvements | 6,512,778 | - | - | - | 6,512,778 |
| Telecommunications and Peripheral Equipment | 1,465,469 | 69,279 | (117,952) | - | 1,416,796 |
| Machinery, Equipment, Furniture and Vehicles | 5,231,459 | 99,287 | (28,880) | - | 5,301,866 |
| Subtotal | <u>60,727,159</u> | <u>210,228</u> | <u>(205,457)</u> | <u>3,076,905</u> | <u>63,808,835</u> |
| Accumulated Depreciations: | | | | | |
| Library Volumes and Periodicals | 403,307 | 61,540 | (58,625) | - | 406,222 |
| Buildings | 12,616,056 | 916,310 | - | - | 13,532,366 |
| Site Improvements | 3,592,775 | 219,950 | - | - | 3,812,725 |
| Telecommunications and Peripheral Equipment | 1,070,166 | 146,330 | (103,470) | - | 1,113,026 |
| Machinery, Equipment, Furniture and Vehicles | 1,280,170 | 496,018 | (28,878) | - | 1,747,310 |
| Subtotal | <u>18,962,474</u> | <u>1,840,148</u> | <u>(190,973)</u> | <u>-</u> | <u>20,611,649</u> |
| Net Other Capital Assets | <u>41,764,685</u> | <u>(1,629,920)</u> | <u>(14,484)</u> | <u>3,076,905</u> | <u>43,197,186</u> |
| Net Capital Assets | <u>\$ 44,873,394</u> | <u>\$ 355,396</u> | <u>\$ (14,484)</u> | <u>\$ -</u> | <u>\$ 45,214,306</u> |

7. Capital Assets Activity (Continued)

Capital asset activity for the year ended August 31, 2012, was as follows:

| | Primary Institution | | | | Balance 08/31/12 |
|---|----------------------|-------------------------|-------------------|-------------------|----------------------|
| | Balance | Changes During the Year | | | |
| | 09/01/11 | Additions | Deletions | Reclassifications | |
| <u>Not Depreciated:</u> | | | | | |
| Land | \$ 460,387 | \$ - | \$ - | \$ - | \$ 460,387 |
| Construction in Progress | 474,099 | 2,230,045 | - | (55,822) | 2,648,322 |
| Subtotal | <u>934,486</u> | <u>2,230,045</u> | <u>-</u> | <u>(55,822)</u> | <u>3,108,709</u> |
| Other Capital Assets: | | | | | |
| Library Volumes and Periodicals | 968,859 | 52,363 | (75,957) | - | 945,265 |
| Buildings | 46,488,948 | 35,000 | - | 48,240 | 46,572,188 |
| Site Improvements | 6,505,196 | - | - | 7,582 | 6,512,778 |
| Telecommunications and Peripheral Equipment | 1,396,935 | 68,534 | - | - | 1,465,469 |
| Machinery, Equipment, Furniture and Vehicles | 4,941,655 | 289,804 | - | - | 5,231,459 |
| Subtotal | <u>60,301,593</u> | <u>445,701</u> | <u>(75,957)</u> | <u>55,822</u> | <u>60,727,159</u> |
| Accumulated Depreciations: | | | | | |
| Library Volumes and Periodicals | 412,101 | 61,274 | (70,068) | - | 403,307 |
| Buildings | 11,759,127 | 856,929 | - | - | 12,616,056 |
| Site Improvements | 3,338,010 | 254,765 | - | - | 3,592,775 |
| Telecommunications and Peripheral Equipment | 896,731 | 173,435 | - | - | 1,070,166 |
| Machinery, Equipment, Furniture and Vehicles | 799,301 | 480,869 | - | - | 1,280,170 |
| Subtotal | <u>17,205,270</u> | <u>1,827,272</u> | <u>(70,068)</u> | <u>-</u> | <u>18,962,474</u> |
| Net Other Capital Assets | <u>43,096,323</u> | <u>(1,381,571)</u> | <u>(5,889)</u> | <u>55,822</u> | <u>41,764,685</u> |
| Net Capital Assets | <u>\$ 44,030,809</u> | <u>\$ 848,474</u> | <u>\$ (5,889)</u> | <u>\$ -</u> | <u>\$ 44,873,394</u> |

8. Non-Current Liabilities

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

| | 2013 | | | | |
|-----------------------------|----------------------|----------------------|---------------------|----------------------|---------------------|
| | Balance | Additions | Reductions | Balance | Current Portion |
| | 09/01/12 | | | 08/31/13 | |
| Bonds | | | | | |
| General obligation bonds | \$ 3,575,000 | \$ - | \$ 630,000 | \$ 2,945,000 | \$ 655,000 |
| Revenue refunding bonds | 2,730,000 | - | 360,000 | 2,370,000 | 370,000 |
| Limited tax refunding bonds | 8,365,000 | - | 85,000 | 8,280,000 | 90,000 |
| Limited tax bonds | - | 21,120,000 | - | 21,120,000 | 385,000 |
| Notes | | | | | |
| Maintenance tax notes | 550,000 | - | 550,000 | - | - |
| | <u>\$ 15,220,000</u> | <u>\$ 21,120,000</u> | <u>\$ 1,625,000</u> | <u>\$ 34,715,000</u> | <u>\$ 1,500,000</u> |

8. **Non-Current Liabilities** (Continued)

| | 2012 | | | | |
|--------------------------|----------------------|---------------------|----------------------|----------------------|---------------------|
| | Balance 09/01/11 | Additions | Reductions | Balance 08/31/12 | Current Portion |
| Bonds | | | | | |
| General obligation bonds | \$ 12,685,000 | \$ - | \$ 9,110,000 | \$ 3,575,000 | \$ 630,000 |
| Revenue refunding bonds | 3,090,000 | - | 360,000 | 2,730,000 | 360,000 |
| Revenue refunding bonds | - | 8,480,000 | 115,000 | 8,365,000 | 85,000 |
| Notes | | | | | |
| Maintenance tax notes | 1,055,000 | - | 505,000 | 550,000 | 550,000 |
| | <u>\$ 16,830,000</u> | <u>\$ 8,480,000</u> | <u>\$ 10,090,000</u> | <u>\$ 15,220,000</u> | <u>\$ 1,625,000</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

- Maintenance Tax Notes, Series 2008
- Issued to purchase Enterprise Resource System
- Issued April 15, 2008
- Amount authorized and issued - \$2,500,000
- Source of revenue for debt service – maintenance and operations ad valorem tax

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

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

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

Bonds payable are due in annual installments varying from \$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 \$440,950 for the year ended August 31, 2013. Revenues totaling \$1,964,756 were available to meet this obligation.

10. Refunding Bonds

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

Combined Fee Revenue Refunding Bonds, Series 2010

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

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

Limited Tax Refunding Bonds, Series 2012

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

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

11. Defeased Bonds Outstanding

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

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

| <u>Bond Issue</u> | <u>Year Refunded</u> | <u>Par Value Outstanding</u> | |
|--------------------------------|----------------------|------------------------------|----------------------------|
| | | <u>2013</u> | <u>2012</u> |
| Limited Tax Bonds, Series 2006 | 2012 | <u>\$ 8,480,000</u> | <u>\$ 8,480,000</u> |
| Total | | <u><u>\$ 8,480,000</u></u> | <u><u>\$ 8,480,000</u></u> |

12. Debt and Lease Obligation

Debt service requirements at August 31, 2013 were as follows:

| For the Year Ended August 31, | General Obligation Bonds 2006 Limited Tax Bonds | | | General Obligation Bonds 2012 Limited Tax Refunding Bonds | | |
|----------------------------------|--|-------------------|---------------------|--|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2014 | \$ 655,000 | \$ 141,938 | \$ 796,938 | \$ 90,000 | \$ 269,350 | \$ 359,350 |
| 2015 | 685,000 | 112,462 | 797,462 | 90,000 | 267,550 | 357,550 |
| 2016 | 720,000 | 79,925 | 799,925 | 95,000 | 265,750 | 360,750 |
| 2017 | 755,000 | 43,925 | 798,925 | 95,000 | 263,850 | 358,850 |
| 2018 | 130,000 | 6,175 | 136,175 | 755,000 | 261,950 | 1,016,950 |
| 2019-2023 | - | - | - | 3,910,000 | 1,033,725 | 4,943,725 |
| 2024-2028 | - | - | - | 3,245,000 | 229,775 | 3,474,775 |
| Totals | <u>\$ 2,945,000</u> | <u>\$ 384,425</u> | <u>\$ 3,329,425</u> | <u>\$ 8,280,000</u> | <u>\$ 2,591,950</u> | <u>\$ 10,871,950</u> |

| For the Year Ended August 31, | General Obligation Bonds 2013 Limited Tax Bonds | | | Revenue Bonds 2010 Combined Fee Revenue Refunding | | |
|----------------------------------|--|---------------------|----------------------|--|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2014 | \$ 385,000 | \$ 1,026,469 | \$ 1,411,469 | \$ 370,000 | \$ 73,750 | \$ 443,750 |
| 2015 | 795,000 | 672,762 | 1,467,762 | 375,000 | 66,350 | 441,350 |
| 2016 | 820,000 | 648,913 | 1,468,913 | 390,000 | 55,100 | 445,100 |
| 2017 | 845,000 | 624,312 | 1,469,312 | 400,000 | 43,400 | 443,400 |
| 2018 | 870,000 | 598,963 | 1,468,963 | 410,000 | 33,400 | 443,400 |
| 2019-2023 | 4,855,000 | 2,491,512 | 7,346,512 | 425,000 | 17,000 | 442,000 |
| 2024-2028 | 5,825,000 | 1,528,063 | 7,353,063 | - | - | - |
| 2029-2033 | 6,725,000 | 617,250 | 7,342,250 | - | - | - |
| Totals | <u>\$ 21,120,000</u> | <u>\$ 8,208,244</u> | <u>\$ 29,328,244</u> | <u>\$ 2,370,000</u> | <u>\$ 289,000</u> | <u>\$ 2,659,000</u> |

| For the Year Ended August 31, | Total Bonds | | |
|----------------------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2014 | \$ 1,500,000 | \$ 1,511,507 | \$ 3,011,507 |
| 2015 | 1,945,000 | 1,119,124 | 3,064,124 |
| 2016 | 2,025,000 | 1,049,688 | 3,074,688 |
| 2017 | 2,095,000 | 975,487 | 3,070,487 |
| 2018 | 2,165,000 | 900,488 | 3,065,488 |
| 2019-2023 | 9,190,000 | 3,542,237 | 12,732,237 |
| 2024-2028 | 9,070,000 | 1,757,838 | 10,827,838 |
| 2029-2033 | 6,725,000 | 617,250 | 7,342,250 |
| Totals | <u>\$ 34,715,000</u> | <u>\$ 11,473,619</u> | <u>\$ 46,188,619</u> |

The District had no capital lease obligations at August 31, 2013.

13. **Short Term Debt**

The District used no short-term debt for the year ended August 31, 2013.

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

Operating Lease Commitments

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

The future minimum lease payments are as follows:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|-------------------|
| 2014 | \$ 96,081 |
| 2015 | 96,081 |
| 2016 | <u>16,013</u> |
| | <u>\$ 208,175</u> |

Rental expense paid for the years ended August 31, 2013 and 2012 for operating leases totaled \$187,493 and \$195,304, respectively.

15. **Employees' Retirement Plan**

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

Teacher Retirement System of Texas - Defined Benefit Plan

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publically available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2013 and 2012. The state's contribution rates are 6.4% for fiscal year 2013 and 6% for fiscal year 2012. In certain instances, the reporting District is required to make all or a portion of the state's 6.4% contribution for fiscal year 2013 and 6% for fiscal year 2012.

Optional Retirement Plan

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

15. **Employees' Retirement Plan** (Continued)

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentage of participant salaries currently contributed by the state for each participant are 6.4% for fiscal year 2013 and 6% for fiscal year 2012. Employee contributions percentage was 6.4% for fiscal years 2013 and 2012. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, neither the state nor the District has any additional or unfunded liability for this program.

The retirement expense related to TRS and ORP contributions paid by the state for the District was \$715,387 and \$674,138 for the fiscal years ended August 31, 2013 and 2012, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District. On-behalf payments of these benefits were recognized as restricted revenues and restricted expenses during the period.

The total payroll for all District employees was \$16,348,473 and \$15,628,102 for the fiscal years ended August 31, 2013 and 2012, respectively. The total payroll of employees covered by the state for TRS was \$7,813,393 and \$7,688,294 and the total payroll of employees covered by the state for ORP was \$3,364,529 and \$3,547,351 for the fiscal years ended August 31, 2013 and 2012, respectively.

16. **Deferred Compensation Program**

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

At August 31, 2013, the District did not have any employees participating in this program.

17. **Compensable Absences**

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

18. **Pending Lawsuits and Claims**

On occasion, the District may become party to litigation and claims arising in the normal course of operations. The District is currently not involved in any litigation.

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

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

20. **Contract and Grant Award**

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended but not collected are reported as restricted accounts receivable on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected are reported as restricted accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the District has not yet performed services are not included in the financial statements. Contract and grant award funds already committed, e.g. multi-year awards, or funds awarded during fiscal year August 31, 2013, and 2012, for which monies have not been received nor funds expended totaled \$4,416,252 and \$3,294,097, respectively. Of these amounts \$1,523,327 and \$2,694,471 were from Federal Contracts and Grant Awards; \$2,846,614 and \$577,154 were from State Contracts and Grant Awards; and \$46,311 and \$22,472 were from Local Contract and Grant Awards at August 31, 2013 and 2012, respectively.

21. Self-Insured Plans

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

22. Post Retirement Health Care and Life Insurance Benefits

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

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

The state's contribution per full-time employee with individual coverage was \$470 per month for the year ended August 31, 2013 (\$440 per month for fiscal year 2012) and totaled \$631,034 for the year ended August 31, 2013 (\$549,628 for the year ended August 31, 2012). The state's contribution per full-time employee with individual and children coverage was \$651 per month for the year ended August 31, 2013 (\$608 per month for fiscal year 2012) and totaled \$332,458 for the year ended August 31, 2013 (\$298,250 for the year ended August 31, 2012). The state's contribution for a full-time employee with individual and spouse coverage was \$740 per month for the year ended August 31, 2013 (\$691 per month for fiscal year 2012) and totaled \$212,999 for the year ended August 31, 2013 (\$122,373 for the year ended August 31, 2012).

The state's contribution for a full-time employee with family coverage was \$920 per month for the year ended August 31, 2013 (\$859 per month for fiscal year 2012) and totaled \$286,984 for the year ended August 31, 2013 (\$329,065 for the year ended August 31, 2012).

The cost of providing those benefits for 133 retirees in the year ended August 31, 2013 was \$906,431 (retiree benefits for 117 retirees cost \$684,024 in fiscal year 2012). For 212 active employees, the cost of providing benefits was \$1,463,475 for the year ended August 31, 2013 (active employee benefits for 194 employees cost \$1,299,316 for the year ended August 31, 2012).

23. Post Employment Benefits Other than Pensions

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

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

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

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

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

23. Postemployment Benefits Other than Pensions (Continued)

The District's contributions to SRHP for the years ending August 31, 2013, 2012, and 2011 were \$60,668, \$58,439 and \$45,887, respectively, which equaled the required contributions each year.

24. Ad Valorem Tax

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

As of August 31:

| | <u>2013</u> | <u>2012</u> |
|--|-------------------------|-------------------------|
| Assessed Valuation of the District: | \$ 6,372,760,283 | \$ 5,874,484,961 |
| Less: Exemptions | <u>(552,967,515)</u> | <u>(534,697,757)</u> |
| Net Assessed Valuation of the District | <u>\$ 5,819,792,768</u> | <u>\$ 5,339,787,204</u> |

| | <u>2013</u> | | | <u>2012</u> | | |
|--|-------------------------------|-------------------------|--------------------|-------------------------------|-------------------------|--------------------|
| | <u>Current Operations</u> | <u>Debt Service</u> | <u>Total</u> | <u>Current Operations</u> | <u>Debt Service</u> | <u>Total</u> |
| Authorized Tax Rate per \$100 Valuation | <u>\$ 0.500000</u> | <u>\$ 0.500000</u> | <u>\$ 1.000000</u> | <u>\$ 0.500000</u> | <u>\$ 0.500000</u> | <u>\$ 1.000000</u> |
| Assessed Tax Rate per \$100 Valuation | <u>\$ 0.140100</u> | <u>\$ 0.020500</u> | <u>\$ 0.160600</u> | <u>\$ 0.137000</u> | <u>\$ 0.023600</u> | <u>\$ 0.160600</u> |

Taxes levied for the year ended August 31, 2013 and 2012 were \$9,106,401 and \$8,217,980, respectively. Penalties and interest are not assessed. Taxes are due on receipt of the tax bill and are considered delinquent if not paid before February 1 of the succeeding year and subject to lien as of July 1 of that year.

| | <u>2013</u> | | | <u>2012</u> | | |
|-------------------------------------|-------------------------------|-------------------------|---------------------|-------------------------------|-------------------------|---------------------|
| | <u>Current Operations</u> | <u>Debt Service</u> | <u>Total</u> | <u>Current Operations</u> | <u>Debt Service</u> | <u>Total</u> |
| <u>Taxes Collected</u> | | | | | | |
| Current Taxes Collected | \$ 5,796,932 | \$ 1,495,188 | \$ 7,292,120 | \$ 5,372,853 | \$ 1,574,547 | \$ 6,947,400 |
| Delinquent Taxes Collected | 1,502,471 | 223,597 | 1,726,068 | 1,139,252 | 198,643 | 1,337,895 |
| Penalties and Interest Collected | 72,252 | 12,823 | 85,075 | 73,174 | 14,174 | 87,348 |
| Less Discounts and Commissions | <u>10,799</u> | <u>1,393</u> | <u>12,192</u> | <u>3,120</u> | <u>154</u> | <u>3,274</u> |
| Total Collections | <u>\$ 7,382,454</u> | <u>\$ 1,733,001</u> | <u>\$ 9,115,455</u> | <u>\$ 6,588,399</u> | <u>\$ 1,787,518</u> | <u>\$ 8,375,917</u> |

Tax collections for the years ended August 31, 2013 and 2012 were 97.57% and 98.28%, respectively, of current tax levy. Uncollected taxes are fully reserved at August 31. The use of tax proceeds is restricted to maintenance and operations and/or general obligation debt service.

25. **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, 2013, and 2012.

26. **Contingencies**

The Annual Financial Report for fiscal year ended August 31, 2012 contained the contingency for Texas Constitution article 16, section 67(b)(3) regarding the State of Texas contribution of retirement funds to the Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP). As of August 31, 2013, the District has made contributions to TRS of \$356,543 and \$301,653 for the unfunded state portion for years ending August 31, 2013 and 2012, respectively.

27. **Discrete Component Unit**

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

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

28. **Adjustment to Net Position**

In the presentation of the financial statements, certain adjustments to net position have been recorded within g the financial statements and are listed as follows:

| | |
|--|--------------------|
| Amortize prior year bond issuance costs | \$ (191,501) |
| Amortize prior year bond premium | 126,929 |
| Prior year overstatement of bond premium | <u>18,223</u> |
| Total adjustments to net position | <u>\$ (46,349)</u> |

29. **Subsequent Events**

In the opinion of the District's administration, no events have occurred subsequent to the statement of net position date that would materially affect the financials.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Revenues
For the Year Ended August 31, 2013

| | Unrestricted | Restricted | Total Educational Activities | Auxiliary Enterprises | Current Year | Prior Year |
|--|---------------------|---------------------|------------------------------------|--------------------------|-------------------------------------|-------------------------------------|
| Tuition: | | | | | | |
| State funded credit courses | | | | | | |
| In-district resident tuition | \$ 2,584,959 | \$ - | \$ 2,584,959 | \$ - | \$ 2,584,959 | \$ 2,870,571 |
| Out-of-district resident tuition | 1,965,931 | - | 1,965,931 | - | 1,965,931 | 2,181,606 |
| Non-resident tuition | 73,921 | - | 73,921 | - | 73,921 | 105,987 |
| TPEG set aside (set aside)* | 355,339 | - | 355,339 | - | 355,339 | 334,573 |
| State funded continuing education | 956,468 | - | 956,468 | - | 956,468 | 907,121 |
| Non-state funded continuing education | 243,969 | - | 243,969 | - | 243,969 | 302,742 |
| Total Tuition | <u>6,180,587</u> | <u>-</u> | <u>6,180,587</u> | <u>-</u> | <u>6,180,587</u> | <u>6,702,600</u> |
| Fees: | | | | | | |
| General fee | 2,572,339 | - | 2,572,339 | - | 2,572,339 | 2,834,380 |
| Technology fee | 1,753,867 | - | 1,753,867 | - | 1,753,867 | 1,932,536 |
| Out-of-district fees | 2,327,017 | - | 2,327,017 | - | 2,327,017 | 2,548,333 |
| Laboratory fee | 163,935 | - | 163,935 | - | 163,935 | 183,696 |
| Course fees | 169,183 | - | 169,183 | - | 169,183 | 187,986 |
| Total Fees | <u>6,986,341</u> | <u>-</u> | <u>6,986,341</u> | <u>-</u> | <u>6,986,341</u> | <u>7,686,931</u> |
| Scholarship Allowances and Discounts: | | | | | | |
| Remissions and exemptions - state | (468,445) | - | (468,445) | - | (468,445) | (330,552) |
| Title IV federal grants | (3,255,742) | - | (3,255,742) | - | (3,255,742) | (4,062,419) |
| Other federal grants | (1,478) | - | (1,478) | - | (1,478) | (1,458) |
| TPEG awards | (72,918) | - | (72,918) | - | (72,918) | (32,730) |
| Other state grants | (50,471) | - | (50,471) | - | (50,471) | (53,662) |
| Other local scholarships | (383,435) | - | (383,435) | - | (383,435) | (277,308) |
| Total Scholarship Allowances | <u>(4,232,489)</u> | <u>-</u> | <u>(4,232,489)</u> | <u>-</u> | <u>(4,232,489)</u> | <u>(4,758,129)</u> |
| Total Net Tuition and Fees | <u>8,934,439</u> | <u>-</u> | <u>8,934,439</u> | <u>-</u> | <u>8,934,439</u> | <u>9,631,402</u> |
| Additional Operating Revenues: | | | | | | |
| Federal grants and contracts | 19,428 | 1,478,692 | 1,498,120 | - | 1,498,120 | 1,512,266 |
| State grants and contracts | 7,428 | 1,479,469 | 1,486,897 | - | 1,486,897 | 1,419,665 |
| Local grants and contracts | - | 30,131 | 30,131 | - | 30,131 | - |
| Nongovernmental grants and contracts | - | 683,417 | 683,417 | - | 683,417 | 401,707 |
| Sales and services of educational activities | 519,159 | - | 519,159 | - | 519,159 | 795,249 |
| General operating revenues | 270,197 | - | 270,197 | - | 270,197 | 261,039 |
| Total Additional Operating Revenues | <u>816,212</u> | <u>3,671,709</u> | <u>4,487,921</u> | <u>-</u> | <u>4,487,921</u> | <u>4,389,926</u> |
| Auxiliary Enterprises: | | | | | | |
| Bookstore | - | - | - | 5,098,720 | 5,098,720 | 5,590,925 |
| Title IV federal grants | - | - | - | (1,677,019) | (1,677,019) | (2,085,617) |
| Other federal grants | - | - | - | (3,238) | (3,238) | (3,196) |
| TPEG awards | - | - | - | (158,142) | (158,142) | (70,989) |
| Other local scholarships | - | - | - | (64,532) | (64,532) | (46,671) |
| Net Bookstore | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,195,789</u> | <u>3,195,789</u> | <u>3,384,452</u> |
| Food service | - | - | - | 340,641 | 340,641 | 381,590 |
| Facilities rentals | - | - | - | 171,074 | 171,074 | 44,784 |
| Total Net Auxiliary Enterprises | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,707,504</u> | <u>3,707,504</u> | <u>3,810,826</u> |
| Total Operating Revenues | <u>\$ 9,750,651</u> | <u>\$ 3,671,709</u> | <u>\$ 13,422,360</u> | <u>\$ 3,707,504</u> | <u>\$ 17,129,864</u> (Exhibit 2) | <u>\$ 17,832,154</u> (Exhibit 2) |

* In accordance with Education Code 56.003, \$355,339 and \$334,573 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2013 and 2012, respectively.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2013

| | Operating Expenses | | | | Current Year Total | Prior Year Total |
|--|-----------------------|---------------------|---------------------|----------------------|-------------------------------------|-------------------------------------|
| | Salaries and Wages | Benefits | | Other Expenses | | |
| | | State Benefits | Local Benefits | | | |
| Unrestricted - Educational Activities | | | | | | |
| Instruction | \$ 7,973,969 | \$ - | \$ 1,584,192 | \$ 1,115,538 | \$ 10,673,699 | \$ 10,175,198 |
| Public service | 43,572 | - | 3,721 | 178,994 | 226,287 | 233,096 |
| Academic support | 1,672,800 | - | 452,219 | 741,681 | 2,866,700 | 2,381,898 |
| Student services | 1,399,517 | - | 412,462 | 289,326 | 2,101,305 | 1,860,237 |
| Institutional support | 2,427,655 | - | 700,950 | 1,535,362 | 4,663,967 | 4,865,216 |
| Operation and maintenance of plant | 1,015,288 | - | 384,507 | 1,991,605 | 3,391,400 | 3,934,548 |
| Scholarships and fellowships | 141,607 | - | 1,243 | 339,576 | 482,426 | 477,251 |
| Total Unrestricted Educational Activities | <u>14,674,408</u> | <u>-</u> | <u>3,539,294</u> | <u>6,192,082</u> | <u>24,405,784</u> | <u>23,927,444</u> |
| Restricted - Educational Activities | | | | | | |
| Instruction | 903,119 | 844,109 | 203,850 | 760,904 | 2,711,982 | 2,590,509 |
| Public service | - | 159 | - | - | 159 | 54 |
| Academic support | - | 194,756 | - | 108,732 | 303,488 | 197,598 |
| Student services | 183,374 | 200,330 | 36,108 | 228,237 | 648,049 | 578,793 |
| Institutional support | - | 355,568 | - | - | 355,568 | 342,102 |
| Scholarships and fellowships | 101,695 | - | - | 11,189,201 | 11,290,896 | 13,469,287 |
| Total Restricted Educational Activities | <u>1,188,188</u> | <u>1,594,922</u> | <u>239,958</u> | <u>12,287,074</u> | <u>15,310,142</u> | <u>17,178,343</u> |
| Total Educational Activities | 15,862,596 | 1,594,922 | 3,779,252 | 18,479,156 | 39,715,926 | 41,105,787 |
| Auxiliary Enterprises | 485,877 | - | 121,794 | 2,984,507 | 3,592,178 | 3,548,458 |
| Depreciation Expense | | | | | | |
| Buildings and other real estate improvements | - | - | - | 1,136,260 | 1,136,260 | 1,111,694 |
| Equipment and furniture | - | - | - | 642,348 | 642,348 | 654,304 |
| Library volumes and periodicals | - | - | - | 61,540 | 61,540 | 61,274 |
| Total Operating Expenses | <u>\$ 16,348,473</u> | <u>\$ 1,594,922</u> | <u>\$ 3,901,046</u> | <u>\$ 23,303,811</u> | <u>\$ 45,148,252</u> (Exhibit 2) | <u>\$ 46,481,517</u> (Exhibit 2) |

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2013

| | <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 | \$ 5,950,049 | \$ - | \$ - | \$ 5,950,049 | \$ 5,898,092 |
| State group insurance | - | 888,214 | - | 888,214 | 842,559 |
| State retirement matching | - | 715,387 | - | 715,387 | 674,138 |
| Total State Allocations | <u>5,950,049</u> | <u>1,603,601</u> | <u>-</u> | <u>7,553,650</u> | <u>7,414,789</u> |
| Ad valorem taxes: | | | | | |
| Taxes for maintenance and operations | 7,382,454 | - | - | 7,382,454 | 6,588,399 |
| Taxes for debt service | - | 1,733,001 | - | 1,733,001 | 1,787,518 |
| Title IV | - | 10,129,281 | - | 10,129,281 | 12,601,061 |
| Gifts | 674,432 | 520,000 | 1,000 | 1,195,432 | 384,219 |
| Equity transfer in | - | - | - | - | 580,000 |
| Other revenue | - | - | - | - | 1,689 |
| Investment income | 71,110 | 61,791 | 776 | 133,677 | 99,096 |
| Total Non-Operating Revenues | <u>14,078,045</u> | <u>14,047,674</u> | <u>1,776</u> | <u>28,127,495</u> | <u>29,456,771</u> |
| Non-Operating Expenses | | | | | |
| Interest on capital related debt | - | 722,734 | - | 722,734 | 610,345 |
| Total Non-Operating Expenses | <u>-</u> | <u>722,734</u> | <u>-</u> | <u>722,734</u> | <u>610,345</u> |
| Net Non-Operating Revenues | <u>\$ 14,078,045</u> | <u>\$ 13,324,940</u> | <u>\$ 1,776</u> | <u>\$ 27,404,761</u> (Exhibit 2) | <u>\$ 28,846,426</u> (Exhibit 2) |

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2013

| | Detail by Source | | | | |
|---|---------------------|---------------------|----------------|---|------------------------------------|
| | Unrestricted | Restricted | | Capital Assets Net of Depreciation and Related Debt | Current Year Total |
| | | Expendable | Non-Expendable | | |
| Current | | | | | |
| Unrestricted | \$ 786,674 | \$ - | \$ - | \$ - | \$ 786,674 |
| Restricted for: | | | | | |
| Nonexpendable: | | | | | |
| Student aid | - | - | - | - | - |
| Expendable: | | | | | |
| Student aid | - | 65,618 | - | - | 65,618 |
| Unexpended bond proceeds | - | - | - | 21,287,489 | 21,287,489 |
| Construction in progress | - | - | - | - | - |
| Auxiliary enterprises | 4,395,675 | - | - | - | 4,395,675 |
| Plant | | | | | |
| Debt service | - | 331,267 | - | - | 331,267 |
| Investment in plant | - | - | - | 8,904,074 | 8,904,074 |
| Total Net Position, August 31, 2013 | <u>5,182,349</u> | <u>396,885</u> | <u>-</u> | <u>30,191,563</u> | <u>35,770,797</u> (Exhibit 1) |
| Total Net Position, August 31, 2012 | <u>6,087,427</u> | <u>1,173,037</u> | <u>-</u> | <u>29,325,685</u> | <u>36,586,149</u> (Exhibit 1) |
| Adjustment to net position | <u>-</u> | <u>-</u> | <u>-</u> | <u>(46,349)</u> | <u>(46,349)</u> (Exhibit 2) |
| Net Increase (Decrease) in Net Position | <u>\$ (905,078)</u> | <u>\$ (776,152)</u> | <u>\$ -</u> | <u>\$ 912,227</u> | <u>\$ (769,003)</u> (Exhibit 2) |

SCHEDULE D

| | Available for Current Operations | | Prior Year Total | Available for Current Operations | |
|---|----------------------------------|-------------------|---------------------|----------------------------------|-------------------|
| | Yes | No | | Yes | No |
| Current | | | | | |
| Unrestricted | \$ 786,674 | \$ - | \$ 1,880,053 | \$ 1,880,053 | \$ - |
| Restricted for: | | | | | |
| Nonexpendable: | | | | | |
| Student aid | - | - | - | - | - |
| Expendable: | | | | | |
| Student aid | - | 65,618 | 168,270 | - | 168,270 |
| Unexpended bond proceeds | - | 21,287,489 | - | - | - |
| Construction in progress | - | - | 700,000 | - | 700,000 |
| Auxiliary enterprises | 4,395,675 | - | 4,207,374 | 4,207,374 | - |
| Plant | | | | | |
| Debt service | - | 331,267 | 304,767 | - | 304,767 |
| Investment in plant | - | 8,904,074 | 29,325,685 | - | 29,325,685 |
| Total Net Position, August 31, 2013 | <u>5,182,349</u> | <u>30,588,448</u> | <u>36,586,149</u> | <u>6,087,427</u> | <u>30,498,722</u> |
| Total Net Position, August 31, 2012 | <u>6,087,427</u> | <u>30,498,722</u> | <u>37,186,687</u> | <u>7,540,325</u> | <u>29,646,362</u> |
| Adjustment to net position | <u>-</u> | <u>(46,349)</u> | <u>(675,640)</u> | <u>(580,000)</u> | <u>(95,640)</u> |
| Net Increase (Decrease) in Net Position | <u>\$ (905,078)</u> | <u>\$ 136,075</u> | <u>\$ 75,102</u> | <u>\$ (872,898)</u> | <u>\$ 948,000</u> |
| | | | (Exhibit 2) | | |

SCHEDULE E

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013

| 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 | P007A127874 | \$ 102,692 |
| Higher Education Institutional Aid | 84.031 | P031S090139 | 620,890 |
| Federal Work-Study Program | 84.033 | P033A127874 | 87,000 |
| TRIO - Student Support Services | 84.042 | P042A101246 | 235,050 |
| Federal Pell Grant Program | 84.063 | P063P122339 | 6,125,477 |
| Federal PLUS Loans | 84.268 | P268K132339 | 13,219 |
| Federal Direct Student Loans - Subsidized | 84.268 | P268K132339 | 1,801,941 |
| Federal Direct Student Loans - Unsubsidized | 84.268 | P268K132339 | 1,998,952 |
| Total Direct Programs | | | <u>10,985,221</u> |
| <i>Pass Through From Texas Education Agency:</i> | | | |
| Adult Education - Basic Grants to States | 84.002 | 134100017110454 | 229,526 |
| Total Texas Education Agency | | | <u>229,526</u> |
| <i>Pass Through From Texas Higher Education Coordinating Board:</i> | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | 134268 | 233,515 |
| Total Texas Higher Education Coordinating Board | | | <u>233,515</u> |
| Total U.S. Department of Education | | | <u>11,448,262</u> |
| U.S. DEPARTMENT OF HUMAN SERVICES | | | |
| <i>Pass Through Texas Education Agency:</i> | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 133625017110428 | 53,414 |
| Total TANF | | | <u>53,414</u> |
| <i>Passed through Texas AgriLife Extension Services, Texas A&M University:</i> | | | |
| Diabetes Prevention and Control Programs | 93.988 | - | 11,119 |
| Total Texas A&M | | | <u>11,119</u> |
| <i>Passed through UTMB:</i> | | | |
| Area Health Education Centers Point of Service | | | |
| Maintenance and Enhancement Awards | 93.107 | U77HP01066-10-00 | 94,000 |
| Geriatric Education Centers | 93.969 | 5UB4HP19213-03-00 | 17,370 |
| Geriatric Education Centers | 93.969 | 5UB4HP19213-04-00 | 3,236 |
| Total UTMB | | | <u>114,606</u> |
| Total U.S. Department of Health and Human Services | | | <u>179,139</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 11,627,401</u> |

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013**

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

| | |
|---|----------------------|
| Direct federal grants and contracts revenue per Schedule A | \$ 1,498,120 |
| Direct federal revenue, non-operating - Schedule C | <u>10,129,281</u> |
| Total Federal Revenues per Schedule of Expenditures of Federal Awards | <u>\$ 11,627,401</u> |

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Expenditures not Subject to Federal Single Audit

All expenditures are subject to Federal Single Audit.

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

| Federal Grantor/ CFDA Number/ Program Name | New Loans Processed | Administrative Costs Recovered | Total Loans Processed & Admin. Costs Recovered |
|--|------------------------|--------------------------------------|--|
| Department of Education 84.268 Federal Direct Student Loans (includes PLUS, subsidized and unsubsidized) | <u>\$ 3,814,112</u> | <u>\$ -</u> | <u>\$ 3,814,112</u> |

Note 5: Nonmonetary Federal Assistance Received

No nonmonetary federal assistance was received.

SCHEDULE F

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2013

| Grantor Agency/ Program Title | Grant Contract Number | Expenditures |
|---|--------------------------------------|---------------------|
| TEXAS HIGHER EDUCATION COORDINATING BOARD | | |
| <i>Direct funding:</i> | | |
| College Work-study Program | - | \$ 14,695 |
| Texas Educational Opportunity Grant Program | - | 53,207 |
| Texas Public Education Grant Program | - | 355,340 |
| Texas Grant Program | - | 175,150 |
| Higher Education Performance Incentive Scholarship | - | 24,000 |
| Total Direct Funding | | <u>622,392</u> |
| <i>Passed through Alamo Community College District:</i> | | |
| Adult Basic Education Innovation Grant: VAST Consortium | ABEIG 10790 | 21,375 |
| Total passed through UTMB at Galveston | | <u>21,375</u> |
| Total Texas Higher Education Coordinating Board | | <u>643,767</u> |
| UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON | | |
| Pecan Valley Area Health Education Center - Health Prof Std Housing | - | 9,600 |
| Pecan Valley Area Health Education Center | UTMBG 498256 | 106,000 |
| | | <u>115,600</u> |
| DEPARTMENT OF STATE HEALTH SERVICES | | |
| <i>Passed through Victoria County via Community Mother and Child Health Center:</i> | | |
| Reducing Adult Potentially Preventable Hospitalizations | - | <u>30,115</u> |
| <i>Passed through Texas Education Agency:</i> | | |
| Temporary Assistance for Needy Families | 133625017110428 | 8,127 |
| GR - Adult Ed | 130100017110454 | 62,713 |
| Total Passed Through Texas Education Agency | | <u>70,840</u> |
| Total Department of State Health Services | | <u>100,955</u> |
| TEXAS WORKFORCE COMMISSION | | |
| Victoria College in Partnership with Caterpillar, Inc. and Caterpillar Logistics Services, Inc. | 1912SDF000 | 365,214 |
| Victoria College in Partnership with a Petrochemical Consortium | 1911SSD000 | 259,051 |
| Skills for Small Business Program | 1913SDF000 | 2,310 |
| Total Texas Workforce Commission | | <u>626,575</u> |
| TOTAL STATE FINANCIAL ASSISTANCE | | <u>\$ 1,486,897</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, 2013**

Note 1: State Assistance Reconciliation

| | |
|--|-------------------------|
| State Assistance Reconciliation | |
| per Schedule of Expenditures of State Awards | \$ <u>1,486,897</u> |
| Total State Revenues per Schedule A | \$ <u>1,486,897</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.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Victoria County Junior College District, as of and for the year ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Victoria County Junior College District's basic financial statements, and have issued our report thereon dated October 19, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Public Funds Investment Act

We have performed tests designed to verify the District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2013, no instances of noncompliance were found. However, providing an opinion on compliance with the Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is for the information and use of the audit committee, the board of trustees, management, others within the entity, the Texas Higher Education Coordinating Board, federal and state awarding agencies and pass-through entities. 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 and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose.



October 19, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Victoria County Junior College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Victoria County Junior College District's major federal programs for the year ended August 31, 2013. The Victoria County Junior College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the 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 programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 OMB Circular A-133. This report is intended solely for the information and use of the audit committee, the board of trustees, management, others within the entity, the Texas Higher Education Coordinating Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, LLP

October 19, 2013

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2013**

I. Summary of Auditors' Results

| | |
|--|--|
| Type of auditors' report on financial statements: | Unmodified. |
| Internal control over financial reporting: Material weakness(es) identified? | No. |
| Significant deficiencies identified that are not considered to be material weakness(es)? | None reported. |
| Internal control over major programs: Material weakness(es) identified? | No. |
| Significant deficiencies identified that are not considered to be material weakness(es)? | None reported. |
| Noncompliance which is material to the basic financial statements | No. |
| Type of auditors' report on compliance with major programs | Unmodified. |
| Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and the State of Texas Single Audit Circular | No. |
| Dollar threshold considered between Type A and Type B federal programs | \$300,000 |
| Dollar threshold considered between Type A and Type B state programs | \$300,000 |
| Low risk auditee statement | Yes |
| Major federal programs | Higher Education Institutional Aid (CFDA #84.031) The Student Financial Aid Cluster (CFDA #84.007, #84.033, #84.063, and #84.268) |
| Major state programs | Texas Public Grant Education Program Texas Workforce Commission |

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

The audit disclosed no finding required to be reported.

III. Findings and Questioned Costs for Federal Awards

None reported.

IV. Findings and Questioned Costs for State Awards

None reported.

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2013**

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