

**VICTORIA COUNTY
JUNIOR COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2016 and 2015

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

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2016**

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

**ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2015-2016**

Board of Trustees

Officers

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

Members

		<u>Term Expires</u>
Daniel A. Cano	Victoria, Texas	2016
Luis A. Guerra	Victoria, Texas	2018
Catherine McHaney	Victoria, Texas	2022
V. Bland Proctor	Victoria, Texas	2020
Ronald B. Walker	Victoria, Texas	2020
Michelle A. Yates	Victoria, Texas	2018
John E. Zacek	Victoria, Texas	2022

Principal Administrative Officers

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

FINANCIAL SECTION

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 Victoria County Junior College District, as of and for the year ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Victoria County Junior College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Victoria County Junior College District Foundation, Inc. (the "Affiliated Organization"), which reflects total assets of \$13,299,264 and revenues of \$1,881,908. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Victoria County Junior College District Foundation, Inc., are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Victoria County Junior College District, as of August 31, 2016 and 2015, 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 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

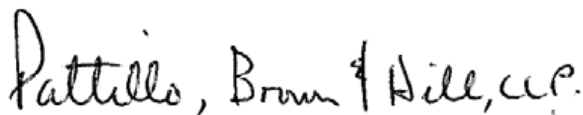
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016 on our consideration of Victoria County Junior College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Victoria County Junior College District's internal control over financial reporting and compliance.



Pattillo, Brown & Hill, L.L.P.
Brownsville, Texas

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2016**

Management Discussion and Analysis is included to provide a narrative introduction, overview and analysis of the financial position and changes in financial position of the Victoria County Junior College District (Victoria College, District, or College) for the fiscal year ended August 31, 2016. The discussion is prepared by management and should be read in conjunction with the accompanying financial statements and notes.

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

The District's annual financial report consists of three basic financial statements: the Statement of Net Position provides a summary of assets, liabilities and net position as of August 31, 2016; the Statement of Revenues, Expenses and Changes in Net Position provides a summary of operations for the fiscal year; and the Statement of Cash Flows provides categorized information about cash inflows and outflows for the fiscal year. Fiscal years ended August 31, 2016 and 2015 are presented in the audited financial statements. The discussion and analysis is limited to the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the primary government and is designed to focus on current activities, the resulting change, and currently known facts.

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

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

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

Statement of Net Position

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

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

Implementation of GASB 68, as amended by GASB Statement No. 71, impacts the comparability of fiscal years 2015 and 2014 in the Statement of net Position.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2016**

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

Summary of Statement of Net Position - Exhibit 1

	Fiscal Year			Change	
	2016	2015	2014	2016 to 2015	2015 to 2014
Assets					
Cash and Investments	\$ 10,095,866	\$ 11,692,735	\$ 15,691,837	\$ (1,596,869)	\$ (3,999,102)
Other Assets	7,195,958	5,640,245	4,920,531	1,555,713	719,714
Capital Assets, Net	<u>63,059,551</u>	<u>63,522,364</u>	<u>58,858,402</u>	<u>(462,813)</u>	<u>4,663,962</u>
Total Assets	80,351,375	80,855,344	79,470,770	(503,969)	1,384,574
Liabilities					
Current Liabilities	8,803,701	9,552,580	9,238,420	(748,879)	314,160
Long-term Liabilities	<u>36,680,683</u>	<u>37,597,240</u>	<u>33,424,925</u>	<u>(916,557)</u>	<u>4,172,315</u>
Total Liabilities	45,484,384	47,149,820	42,663,345	(1,665,436)	4,486,475
Net Position					
Invested in Capital Assets, Net of Related Debt	31,985,378	30,260,315	23,488,477	1,725,063	6,771,838
Unrestricted	714,564	(34,860)	5,241,205	749,424	(5,276,065)
Restricted	<u>2,167,049</u>	<u>3,480,069</u>	<u>8,077,743</u>	<u>(1,313,020)</u>	<u>(4,597,674)</u>
Total Net Position	<u>\$ 34,866,991</u>	<u>\$ 33,705,524</u>	<u>\$ 36,807,425</u>	<u>\$ 1,161,467</u>	<u>\$ (3,101,901)</u>

Highlighted information from the Statement of Net Position:

- Total assets decreased by \$503,969 or 0.62%.
- Total liabilities decreased by \$1,665,436 or 3.53%.
- Total net position increased by \$1,161,467 or 3.45%.

Significant changes in assets, liabilities and net position are partially attributable to implementation of GASB 68, as amended by GASB Statement No. 71. The District recorded additional deferred outflows related to pensions (an asset) of \$1,356,132 for total deferred pension outflows to \$2,210,031 (a 158.82% increase). Additionally, deferred inflows related to pensions (a liability) increased by \$713,632 (47.90%) for total deferred pension inflows of \$2,203,484. The net pension liability increased by 12.89% from \$4,870,339 to \$5,498,026.

Deferred outflows on the pensions plan are related to changes in actuarial assumptions that occur at the plan level, differences in expected and actual economic experience at the plan level, contributions made to the Teacher Retirement System (TRS) after the measurement date, and the difference between the employer's contributions and their proportionate share of contributions. Deferred inflows for the pension plan are related to the difference between projected and actual investment earnings and the difference between the employer's contributions and their proportionate share of contributions. The net pension of \$5,498,029 was measured at August 31, 2015 and was established per amounts recorded in TRS' *Comprehensive Annual Financial Statement* and TRS' *Audited 2015 GASB 68 Allocation Schedules*.

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

Restricted cash decreased by \$2,226,125 or 63.68%, of which \$1,131,079 (50.81%) represented expenditures related to construction projects. Construction of the Emerging Technology Complex (Conference and Education Center) was completed during fiscal year 2016 and \$21,780,365 has been added to depreciable assets at August 31, 2016.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2016**

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

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

At August 31, 2016, the District designated the entirety of expendable net position, restricted for unexpended bond proceeds, for the campus safety project (\$197,371) and the 2011-2020 master plan (\$1,212,676). \$689,953 of unrestricted net position is designated for the 2011-2020 master plan. These designations indicate management's anticipated future use of financial resources.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2016**

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

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

	Fiscal Year			Change	
	2016	2015	2014	2016 to 2015	2015 to 2014
Operating Revenues					
Tuition and Fees (net of discounts)	\$ 9,440,784	\$ 9,477,859	\$ 9,344,057	\$ (37,075)	\$ 133,802
Local, State and Federal Grants and Contracts	2,890,620	3,990,751	5,462,692	(1,100,131)	(1,471,941)
Auxiliary Enterprises	3,403,903	3,190,481	3,730,870	213,422	(540,389)
Other	807,713	694,892	920,777	112,821	(225,885)
Total Operating Revenues	16,543,020	17,353,983	19,458,396	(810,963)	(2,104,413)
Operating Expenses					
Instruction	12,103,345	12,800,498	14,478,253	(697,153)	(1,677,755)
Public Service	201,425	264,044	300,930	(62,619)	(36,886)
Academic Support	3,366,488	3,082,527	2,962,852	283,961	119,675
Student Services	2,757,264	2,554,674	2,702,862	202,590	(148,188)
Institutional Support	6,187,585	6,408,468	5,780,510	(220,883)	627,958
Operation and Maintenance of Plant	3,745,572	3,657,879	3,197,949	87,693	459,930
Scholarships and Fellowships	9,132,715	9,687,398	11,261,535	(554,683)	(1,574,137)
Auxiliary Enterprises	3,408,417	3,412,365	3,594,443	(3,948)	(182,078)
Depreciation	2,128,759	1,982,790	1,844,191	145,969	138,599
Total Operating Expenses	43,031,570	43,850,643	46,123,525	(819,073)	(2,272,882)
Operating Income (Loss)	(26,488,550)	(26,496,660)	(26,665,129)	8,110	168,469
Non-Operating Revenues (Expenses)					
State Appropriations	7,655,944	7,886,241	7,807,907	(230,297)	78,334
Taxes	12,943,733	12,260,238	11,138,235	683,495	1,122,003
Title IV	7,574,784	8,027,070	9,483,109	(452,286)	(1,456,039)
Gifts	305,167	1,718,263	1,256,743	(1,413,096)	461,520
Interest on Capital Related Debt	(886,811)	(956,249)	(1,348,630)	69,438	392,381
Investment Related Income	57,200	72,356	115,570	(15,156)	(43,214)
Total Non-Operating Revenues (Expenses)	27,650,017	29,007,919	28,452,934	(1,357,902)	554,985
Income Before Other Revenues, (Expenses),	1,161,467	2,511,259	1,787,805	(1,349,792)	723,454
Other Revenues, (Expenses), Gains, (Losses)					
	-	(95,044)	(28,608)	95,044	(66,436)
Increase (Decrease) in Net Position	1,161,467	2,416,215	1,759,197	(1,254,748)	657,018
Beginning Net Position, as Adjusted	33,705,524	36,807,425	35,770,797	(3,101,901)	1,036,628
Adjustments to Net Position	-	(5,518,116)	(722,569)	5,518,116	(4,795,547)
Ending Net Position	\$ 34,866,991	\$ 33,705,524	\$ 36,807,425	\$ 1,161,467	\$ (3,101,901)

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2016**

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

- Operating revenues decreased by \$810,963 or 4.67%.
- Operating expenses decreased by \$819,073 or 1.87%.
- Operating loss was reduced by \$8,110 or 0.03%.
- Non-operating revenue decreased by \$1,427,340, while non-operating expenses decreased by \$69,438 for a net non-operating revenues (expenses) decrease of \$1,357,902 or 4.68%.

For fiscal year ended August 31, 2016, net position from current year operations increased by \$1,161,467.

The decrease in operating revenues (\$810,963 or 4.67%) was primarily attributable to a \$1,100,131 (27.57%) decline in local, state, and federal grants and gifts. Positive upswings in sales and services of educational activities (\$67,960 or 15.88%), auxiliary enterprises, net of discounts (\$213,422 or 6.69%) and general operating revenues (\$44,861 or 16.80%) offset the reduction in local, state and federal gifts and grants.

Tuition and fee revenue decreased by \$37,075 (0.39%) for the year ended August 31, 2016. Declines in credit enrollment and contact hours were offset by the District implementing differential tuition for programs that are more costly to offer. An analysis of enrollment and contact hours is provided below.

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

Fiscal Year	In-District Tuition	Non-Resident Tuition	Out of District Fee	General Fee	Technology Fee
2016	\$ 46	\$ 100	\$ 47	\$ 27	\$ 15
2015	\$ 46	\$ 100	\$ 47	\$ 27	\$ 15
2014	\$ 46	\$ 100	\$ 47	\$ 22	\$ 15

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

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2016**

Operating expenses decreased by \$819,073 (1.87%). Operating expenses were impacted by a decline in scholarships and fellowship expenditures of \$554,683 (5.73%), which is attributable to reductions in Title IV awards of \$452,286 (5.63%).

Overall non-operating revenue (expenses) decreased by \$1,357,902 (4.68%). Key elements in the decrease are as follows:

- Tax revenue increased by \$683,495 and is the result of an increase in the tax rate adopted by the District's Board of Trustees (\$0.1925 per \$100 valuation for fiscal year 2016 versus \$0.1875 per \$100 valuation for fiscal year 2015) coupled with property values under protest during the rate-setting process coming onto the tax rolls. The tax rate was increased to fund planned operating activities of the District.
- Non-Operating gifts declined by \$1,413,096 (82.24%) and is attributable to donations for the Emerging Technology Complex having been recognized as revenue in the previous fiscal year.
- Overall state allocations declined by \$230,297 (2.92%), which included a decrease in education and general state support of \$470,458 (7.53%), an increase in state group insurance of \$46,577 (3.75%), and an increase in state retirement matching of \$193,584 (48.46%). The increase in retirement matching is partially due to the amortization of deferred inflows of resources and deferred outflows of resources related to pensions (GASB 68).
- Interest and related investment income decreased by \$15,156 or 20.95%. Persisting poor market conditions and reduction in cash balances as bond funds are expended for on-going construction resulted in lower investment income.

Enrollment Highlights:

	2015-2016	Fall	Spring	Summer	Annual *
	Enrollment		4,085	3,638	1,429
Contact Hours		694,128	607,520	165,440	1,467,088
Credit Students	2014-2015	Fall	Spring	Summer	Annual *
	Enrollment	4,165	3,588	1,515	5,270
Contact Hours	705,952	624,912	193,456	1,524,320	
	2013-2014	Fall	Spring	Summer	Annual *
	Enrollment	4,406	3,922	1,466	5,611
Contact Hours	775,904	688,288	170,640	1,634,832	

	2015-2016	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment		748	570	491	585
Contact Hours		64,272	47,781	21,859	13,889	147,801
Non-Credit Students	2014-2015	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	1,124	716	484	1,109	2,852
Contact Hours	60,004	50,815	19,995	39,079	169,893	
	2013-2014	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual *
	Enrollment	1,145	721	757	1,174	3,107
Contact Hours	59,624	39,119	34,395	35,395	168,533	

* Unduplicated

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2016**

Credit student enrollment and contact hours decreased by 1.9% and 1.7%, respectively, for the fall term. Headcount was 4,085 for the fall 2015-2016 term compared to 4,165 for the fall 2014-2015 term. Credit student enrollment increased by 1.4%, while contact hours decreased by 2.8% for the spring term. Headcount was 3,638 for the spring 2015-2016 term compared to 3,588 for the spring 2014-2015 term. The summer term posted decreases in credit student enrollment and contact hours (5.7% and 14.5%, respectively). Annualized credit student enrollment increased by 0.9%; however, annualized contact hours decreased by 3.8%.

Fundable non-credit enrollment decreased by 33.5%, while contact hours increased 7.1% for Quarter 1 2015-2016 term (748 enrollment; 64,272 contact hours) compared to Quarter 1 2014-2015 term (1,124 enrollment; 60,004 contact hours). Fundable non-credit enrollment decreased by 20.4% and contact hours decreased by 6.0% for Quarter 2 2015-2016 term (570 enrollment; 47,781 contact hours) compared to Quarter 2 2014-2015 term (716 enrollment; 50,815 contact hours). Quarters 3 and 4 decreased enrollment and contact hours by 21.2% and 39.5%, respectively (enrollment 1,076; contact hours 35,748). Annualized fundable non-credit enrollment was flat, while contact hours decreased by 13.0%. Grants obtained through the Texas Workforce Commission (TWC) allow the District to offer specialized training to industry partners within its service area, thereby increasing the skill level of incumbent and new workers. Availability of funding, as well as grant begin and end dates impact enrollment and contact hours and variances in the number enrolled, and the associated contact hours, from one year to the next not unexpected. The District will continue to seek funding from the TWC in order to offer courses that enhance the quality of workers in its service area.

Certificates and Degrees Conferred:

Fiscal Year	Associate of Arts	Associate of Science	Associate of Applied Sciences	Work Force Certificates	Total Degrees and Certificates
2015-2016	113	202	188	323	826
2014-2015	91	200	183	272	746
2013-2014	65	143	192	269	669

Capital Assets and Long Term Debt Administration

Capital Assets

The District's investment in capital assets as of August 31, 2016 was \$63,059,551 (net of accumulated depreciation). This amount represents a net decrease (including additions, dispositions, and depreciation expense) of \$462,813 over fiscal year 2015. During the fiscal year, construction in process decreased by \$20,658,137 due to completion of the Emerging Technology Complex (Conference and Education Center). Additional information regarding the District's capital assets can be found in note 7 to the financial statements.

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2016**

The District's capital assets, net of accumulated depreciation, as of August 31, 2016, 2015, and 2014 are summarized below:

	Balance at 8/31/2016	Balance at 8/31/2015	Balance at 8/31/2014	\$ Change 2016-2015	\$ Change 2015-2014
Land	\$ 460,387	\$ 460,387	\$ 460,387	\$ -	\$ -
Construction in Progress	660,996	21,319,133	15,565,738	(20,658,137)	5,753,395
Library Volumes and Periodicals	652,845	856,839	902,570	(203,994)	(45,731)
Buildings	71,896,287	50,183,854	50,183,854	21,712,433	-
Site Improvements	6,512,778	6,512,778	6,512,778	-	-
Telecommunications and Peripheral Equipment	1,881,334	1,881,334	1,731,653	-	149,681
Machinery, Equipment, Furniture and Vehicles	7,177,679	6,634,193	5,868,588	543,486	765,605
Totals at Historical Costs	89,242,306	87,848,518	81,225,568	1,393,788	6,622,950
Total Accumulated Depreciation	26,182,755	24,326,154	22,367,166	1,856,601	1,958,988
Net Capital Assets	<u>\$ 63,059,551</u>	<u>\$ 63,522,364</u>	<u>\$ 58,858,402</u>	<u>\$ (462,813)</u>	<u>\$ 4,663,962</u>
				% Change 2014-2013	% Change 2013-2012
Land				0.0%	0.0%
Construction in Progress				-96.9%	37.0%
Library Volumes and Periodicals				-23.8%	-5.1%
Buildings				43.3%	0.0%
Site Improvements				0.0%	0.0%
Telecommunications and Peripheral Equipment				0.0%	8.6%
Machinery, Equipment, Furniture and Vehicles				8.2%	13.0%
Totals at Historical Costs				1.6%	8.2%
Total Accumulated Depreciation				7.6%	8.8%
Net Capital Assets				-0.7%	7.9%

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2016**

Long-Term Debt

Long-term debt decreased by \$2,025,000 during the fiscal year. Additional information regarding the District's long-term debt can be found in Notes 8 through 13 to the accompanying financial statements.

The District's long-term debt outstanding at August 31, 2016, 2015, and 2014 is summarized in the following table:

	Balance at 8/31/2016	Balance at 8/31/2015	Balance at 8/31/2014	\$ Change 2016-2015	\$ Change 2015-2014
2006 Tax Bonds Payable	\$ 885,000	\$ 1,605,000	\$ 2,290,000	\$ (720,000)	\$ (685,000)
2010 Combined Fee Revenue					
Refunding Bonds	1,235,000	1,625,000	2,000,000	(390,000)	(375,000)
2012 Limited Tax Refunding Bonds	8,005,000	8,100,000	8,190,000	(95,000)	(90,000)
2013 Limited Tax Bonds	<u>19,120,000</u>	<u>19,940,000</u>	<u>20,735,000</u>	<u>(820,000)</u>	<u>(795,000)</u>
Total Long-Term Debt	<u>\$ 29,245,000</u>	<u>\$ 31,270,000</u>	<u>\$ 33,215,000</u>	<u>\$ (2,025,000)</u>	<u>\$ (1,945,000)</u>
				% Change	% Change
				<u>2014-2013</u>	<u>2013-2012</u>
2006 Tax Bonds Payable				-44.9%	-29.9%
2010 Combined Fee Revenue					
Refunding Bonds				-24.0%	-18.8%
2012 Limited Tax Refunding Bonds				-1.2%	N/A
2013 Limited Tax Bonds				100.0%	N/A
Total Long-Term Debt				-6.5%	-5.9%

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

Strategic and Operational Planning

Victoria College is committed to an institution-wide focus on strategic and operational planning. A thorough analysis and closeout of the 2012-2015 Strategic Plan was completed in fall 2015. Results indicated the activities were successful in improving processes and opportunities, making significant progress towards improving student success, meeting the needs of the service area and furthering the mission of the College. The new 2015-2020 Plan was developed following broad-based input from students, faculty, staff, and community members. The original three priority goals of Student Success, Community Needs and Institutional Excellence remained. New and expanded activities within each goal were developed. Teams consisting of over 150 employees will work to address the three priority goals through implementation of these activities which are designed to ensure successful completion of the following outcomes:

- Student Success

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

- Community Needs

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

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

**Management's Discussion and Analysis
(Unaudited)
Year Ended August 31, 2016**

- Institutional Excellence:

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

Resource Management & Development

Victoria College remains committed to maintaining the affordability of higher education and works diligently to manage its resources in order to balance the needs of its students with the needs, requirements and expectations of governing agencies, taxpayers, community members, and business and industry. As State financial support continues to decrease and the cost of doing business continues to increase, achieving this balance becomes progressively more difficult. Administration, faculty and staff are careful to control expenses while not sacrificing quality instructional delivery and student support services. State appropriations only contribute 17.5% to the annual operating budget. The remainder comes mainly from ad valorem taxes and student tuition and fees. No change in the tuition rate was made during 2015-2016, but the Board of Trustees did approve a slight change to the tax rate from \$0.1925 to \$0.2065, per \$100 valuation.

Victoria College strategically and aggressively seeks external support through donations and grants to help offset the cost of new program development, enable the granting of student financial support, and to provide necessary funds for expansion and growth. The College strives to secure, for all area students seeking postsecondary education and training, the resources necessary to facilitate college enrollment and successful completion without accumulation of excessive financial debt. Generous community support and a strategic focus on investment management allowed the VC Foundation to award nearly \$550,000 in student scholarships and inject nearly \$350,000 to enhance College programs, facilities, and initiatives during the 2015-2016 academic year. In addition, numerous private, State and Federal grants, totaling \$1.9 million, were awarded to Victoria College during the year to support students' financial needs and programs.

College Recognition & Accomplishments

The steadfast commitment to excellence in education and meeting community needs continues to result in Victoria College being recognized nationwide. Several recognitions and awards were received throughout the year, including the following:

- Victoria College was recognized by the Texas Association of Community Colleges and the Texas Success Center with the 2015 Math Pathways Overall Exemplar College. This award recognized the college's excellence in implementing pathways aimed at increasing student success in mathematics. VC was one of 38 Texas community colleges considered for the award.
- Victoria College's KEY Center was recognized among the most effective in the nation at increasing Latino student success. The Examples of Excelencia is the only national initiative to systematically identify and promote evidence-based programs that effectively boost Latino enrollment, performance and graduation.
- The South Texas Energy and Economic Roundtable (STEER) honored Victoria College with an Eagle Force Excellence Impact Award. This award recognized the college for working with the oil and gas industry to deliver programing to meet the workforce and economic development demands throughout South Texas.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Net Position
August 31, 2016 and 2015

	Current Year	Prior Year
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 8,825,486	\$ 8,196,230
Restricted cash and cash equivalents	1,269,931	3,496,055
Short-term investments	214	214
Restricted short-term investments	235	236
Due from component unit	16,629	1,878
Accounts receivable (net)	3,546,476	3,529,352
Restricted accounts receivable	589,700	484,583
Inventories	756,444	738,206
Prepaid expenses	76,678	32,327
Total Current Assets	<u>15,081,793</u>	<u>16,479,081</u>
Noncurrent Assets		
Construction in progress	660,996	21,319,133
Investments in real estate	460,387	460,387
Capital assets (net) (See note 7)	61,938,168	41,742,844
Total Noncurrent Assets	<u>63,059,551</u>	<u>63,522,364</u>
Total Assets	<u>78,141,344</u>	<u>80,001,445</u>
Deferred Outflow of Resources		
Deferred outflows related to pensions	2,210,031	853,899
Total Noncurrent Assets	<u>2,210,031</u>	<u>853,899</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,159,080	1,732,085
Accrued liabilities	723,220	701,408
Funds held for others	156,410	166,620
Unearned revenues	4,669,991	4,927,467
Bonds payable - current portion	2,095,000	2,025,000
Total Current Liabilities	<u>8,803,701</u>	<u>9,552,580</u>
Noncurrent Liabilities		
Bonds payable	27,150,000	29,245,000
Net pension liability	5,498,026	4,870,339
Total Noncurrent Liabilities	<u>32,648,026</u>	<u>34,115,339</u>
Total Liabilities	<u>41,451,727</u>	<u>43,667,919</u>
Deferred Inflows of Resources		
Unamortized premiums on bonds	1,829,173	1,992,049
Deferred inflows related to pensions	2,203,484	1,489,852
Total Deferred Inflows of Resources	<u>4,032,657</u>	<u>3,481,901</u>
NET POSITION		
Invested in capital assets, net of related debt	31,985,378	30,260,315
Restricted for		
Expendable		
Student aid	373,869	374,962
Unexpended bond proceeds	-	2,726,668
designated for campus safety project	197,371	-
designated for 2011-2020 master plan	1,212,676	-
Debt service	383,133	378,439
Unrestricted - designated for 2011-2020 master plan	689,953	-
Unrestricted	24,611	(34,860)
Total Net Position (Schedule D)	<u>\$ 34,866,991</u>	<u>\$ 33,705,524</u>

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Affiliated Organization
Statement of Financial Position
August 31, 2016 and 2015

	Current Year	Prior Year
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 2,296,477	\$ 1,119,425
Tuition assistance receivable	-	300
Pledges receivable		
Temporarily restricted	35,170	73,275
Total Current Assets	2,331,647	1,193,000
Other Assets		
Endowment Investments - money market funds	113,948	120,817
Endowment Investments - equity securities	7,321,238	7,002,858
Total Endowment Investments	7,435,186	7,123,675
Endowment Investments - temporarily restricted	3,532,431	3,160,742
Total Other Assets	10,967,617	10,284,417
Total Assets	\$ 13,299,264	\$ 11,477,417
LIABILITIES		
Current Liabilities		
Due to Victoria College	\$ 16,629	\$ 1,878
Deferred grant revenue	1,165,183	110,612
Total Current Liabilities	1,181,812	112,490
Total Liabilities	1,181,812	112,490
NET ASSETS		
Unrestricted net assets	137,186	126,666
Temporarily restricted net assets	4,545,080	4,114,586
Permanently restricted net assets	7,435,186	7,123,675
Total Net Assets	12,117,452	11,364,927
Total Liabilities and Net Assets	\$ 13,299,264	\$ 11,477,417

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, 2016 and 2015

	<u>Current Year</u>	<u>Prior Year</u>
OPERATING REVENUES		
Tuition and fees (net)	\$ 9,440,784	\$ 9,477,859
Federal grants and contracts	1,205,407	1,368,878
State grants and contracts	735,385	1,464,127
Local grants and contracts	40,305	79,646
Non-governmental grants and contracts	909,523	1,078,100
Sales and services of educational activities	495,801	427,841
Auxiliary enterprises (net)	3,403,903	3,190,481
General operating revenues	<u>311,912</u>	<u>267,051</u>
Total Operating Revenues (Schedule A)	<u>16,543,020</u>	<u>17,353,983</u>
OPERATING EXPENSES		
Instruction	12,103,345	12,713,498
Public service	201,425	264,044
Academic support	3,366,488	3,082,527
Student services	2,757,264	2,554,674
Institutional support	6,187,585	6,408,468
Operation and maintenance of plant	3,745,572	3,657,879
Scholarships and fellowships	9,132,715	9,774,398
Auxiliary enterprises	3,408,417	3,412,365
Depreciation	<u>2,128,759</u>	<u>1,982,790</u>
Total Operating Expenses (Schedule B)	<u>43,031,570</u>	<u>43,850,643</u>
Operating (Loss)	<u>(26,488,550)</u>	<u>(26,496,660)</u>
Non-Operating Revenues (Expenses)		
State allocations	7,655,944	7,886,241
Title IV	7,574,784	8,027,070
Ad valorem taxes		
Taxes for maintenance and operations	9,864,352	9,143,748
Taxes for debt service	3,079,381	3,116,490
Gifts	305,167	1,718,263
Investment income (net of investment expenses)	57,200	72,356
Interest on capital related debt	<u>(886,811)</u>	<u>(956,249)</u>
Total Non-Operating Revenues (Expenses) (Schedule C)	<u>27,650,017</u>	<u>29,007,919</u>
Income Before Other Revenues, (Expenses), Gains and (Losses)	<u>1,161,467</u>	<u>2,511,259</u>
Other Revenues, (Expenses), Gains, (Losses)		
Loss on disposal of capital assets	<u>-</u>	<u>(95,044)</u>
Total Other Revenues, (Expenses), Gains, (Losses)	<u>-</u>	<u>(95,044)</u>
Increase in Net Position	<u>1,161,467</u>	<u>2,416,215</u>
NET POSITION		
Net Position - Beginning of Year	33,705,524	36,807,425
Adjustment to Net Position	<u>-</u>	<u>(5,518,116)</u>
Net Position - End of Year	<u>\$ 34,866,991</u>	<u>\$ 33,705,524</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, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Current Year</u>	<u>Total Prior Year</u>
Support and revenues					
Grants and contributions	\$ 42,934	\$ 400,636	\$ 499,686	\$ 943,256	\$ 1,363,878
In-kind donations	201,044	-	-	201,044	192,548
Interest and dividends	953	396,613	-	397,566	369,656
Net increase in fair value of investments	<u>-</u>	<u>12,396</u>	<u>327,543</u>	<u>339,939</u>	<u>(384,710)</u>
Total unrestricted support and revenues	<u>244,931</u>	<u>809,645</u>	<u>827,229</u>	<u>1,881,805</u>	<u>1,541,372</u>
Net assets released from restrictions	857,549	(341,831)	(515,718)	-	-
Net assets returned to donors	-	-	-	-	(300)
Other changes in net assets	<u>103</u>	<u>-</u>	<u>-</u>	<u>103</u>	<u>-</u>
Total unrestricted support and revenues And reclassifications	<u>1,102,583</u>	<u>467,814</u>	<u>311,511</u>	<u>1,881,908</u>	<u>1,541,072</u>
Expenses					
Program	866,411	-	-	866,411	1,638,682
Management and general	23,220	37,320	-	60,540	62,808
Fundraising	<u>202,432</u>	<u>-</u>	<u>-</u>	<u>202,432</u>	<u>197,843</u>
Total unrestricted expenses	<u>1,092,063</u>	<u>37,320</u>	<u>-</u>	<u>1,129,383</u>	<u>1,899,333</u>
Increase in net assets	<u>10,520</u>	<u>430,494</u>	<u>311,511</u>	<u>752,525</u>	<u>(358,261)</u>
NET ASSETS					
Net Assets - Beginning of Year	<u>126,666</u>	<u>4,114,586</u>	<u>7,123,675</u>	<u>11,364,927</u>	<u>11,723,188</u>
Net Assets - End of Year	<u>\$ 137,186</u>	<u>\$ 4,545,080</u>	<u>\$ 7,435,186</u>	<u>\$ 12,117,452</u>	<u>\$ 11,364,927</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, 2016 and 2015

	Current Year	Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 13,083,012	\$ 13,562,637
Receipts from grants and contracts	2,768,379	4,010,211
Other receipts	297,161	277,838
Payments to suppliers for goods or services	(7,991,008)	(7,447,383)
Payments to or on behalf of employees	(23,104,830)	(23,639,361)
Payments of scholarships and fellowships	(9,132,715)	(9,687,398)
Net cash provided (used) by operating activities	<u>(24,080,001)</u>	<u>(22,923,456)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state allocations	6,367,904	6,644,778
Receipts from federal (Title IV) allocations	7,574,784	8,027,070
Receipts from ad valorem tax revenues	9,864,352	9,143,748
Gifts and grants (other than capital)	305,167	1,718,263
Deferred inflows/outflows net	(642,500)	635,953
Net pensions	627,687	4,870,339
Student organization and other agency transactions	(10,210)	19,394
Net cash provided by non-capital financing activities	<u>24,087,184</u>	<u>31,059,545</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from ad valorem tax revenues	3,079,381	3,116,490
Purchases of capital assets	(1,665,946)	(6,741,795)
Proceeds from disposal of capital assets	-	95,044
Loss on disposal of capital assets	-	(95,044)
Bond premium amortization	(162,876)	(162,877)
Payments on capital debt - principal	(2,025,000)	(1,945,000)
Payments on capital debt - interest	(886,811)	(956,249)
Net cash provided (used) by capital and related financing activities	<u>(1,661,252)</u>	<u>(6,689,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	57,201	72,356
Prior period adjustment	-	(5,518,116)
Net cash provided (used) by investing activities	<u>57,201</u>	<u>(5,445,760)</u>
Increase (decrease) in cash and cash equivalents	(1,596,868)	(3,999,102)
Cash and cash equivalents - September 1	<u>11,692,285</u>	<u>15,691,387</u>
Cash and cash equivalents - August 31	<u>\$ 10,095,417</u>	<u>\$ 11,692,285</u>
Cash & cash equivalents	\$ 8,825,486	\$ 8,196,230
Restricted cash and cash equivalents	<u>1,269,931</u>	<u>3,496,055</u>
Total cash and cash equivalents	<u>\$ 10,095,417</u>	<u>\$ 11,692,285</u>

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Statement of Cash Flows
For The Year Ended August 31, 2016 and 2015
(Continued)

	Current Year	Prior Year
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (26,488,550)	\$ (26,496,660)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	2,128,759	1,982,790
State group insurance	1,288,040	1,241,463
Changes in assets and liabilities:		
Receivables (net)	(122,241)	19,460
Due from component unit	(14,751)	10,787
Inventories	(18,238)	134,115
Prepaid expenses	(44,351)	(30,177)
Accounts payable	(573,005)	(217,033)
Accrued liabilities	21,812	(34,657)
Deferred revenue	(257,476)	466,456
Net cash provided (used) by operating activities	\$ (24,080,001)	\$ (22,923,456)

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, 2016 and 2015

1. Reporting Entity

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

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

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

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

Basis of Accounting

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

Budgetary Data

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

Deferred Outflows

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

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the District reports investments at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. [The governing board has designated public funds investment pools comprised of \$449 and \$449 at August 31, 2016, and 2015, respectively, to be short-term investments.] Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

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

Capital Assets

The District records capital assets at cost at the date of acquisition, or fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. 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.

Pensions

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

Unearned Revenues

Tuition and fees of \$4,261,248 and \$4,476,231, federal, state and local grants of \$207,579 and \$295,116, and other revenues of \$201,164 and \$156,120 have been reported as deferred revenues at August 31, 2016 and 2015, respectively.

Deferred Inflows

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

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 District records the amount as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

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

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

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income tax under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The District had no unrelated business income tax liability for the years ended August 31, 2016 and 2015.

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, 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year.

Reclassifications

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

Prior Year Restatement

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

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

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

Prior Year Restatement of Beginning Net Position

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

3. Authorized Investments

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

4. **Deposits and Investments**

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

Cash and Deposits		
	8/31/2016	8/31/2015
Bank Deposits		
Demand Deposits	\$ 10,006,569	\$ 11,617,159
	10,006,569	11,617,159
Cash and Cash Equivalents		
Cash on Hand	88,848	75,126
	88,848	75,126
Total Cash and Deposits	\$ 10,095,417	\$ 11,692,285

Reconciliation of Cash, Deposits and Investments to Exhibit 1

Type of Security	Market Value	
	8/31/2015	8/31/2015
Tex Pool	\$ 449	\$ 450
Total Investments	\$ 449	\$ 450
Total Cash and Deposits	\$ 10,095,417	\$ 11,692,285
Total Investments	449	450
Total Deposits and Investments	\$ 10,095,866	\$ 11,692,735
Cash and Temporary Investments (Exhibit 1)	\$ 10,095,417	\$ 11,692,285
Investments (Exhibit 1)	449	450
Total Deposits and Investments	\$ 10,095,866	\$ 11,692,735

As of August 31, 2016 the District had the following investments and maturities:

2016 Investment Type	Fair Value	Investment Maturities (in Years)			S&P Rating
		Maturity Less than 1	1 to 2	2 to 3	
Uncategorized Investments					
Tex Pool	\$ 449	\$ 449	\$ -	\$ -	AAAm
Total Uncategorized Investments	\$ 449	\$ 449	\$ -	\$ -	

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

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

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

5. **Derivatives**

The District did not invest in derivative investment products or repurchase agreements during the fiscal year ended August 31, 2016.

6. Disaggregation of Receivables and Payables Balances

Accounts receivable consist of the following at August 31:

	<u>2016</u>	<u>2015</u>
Student receivables	\$ 4,414,675	\$ 4,572,130
Third-party contractor receivables	482,482	270,305
Ad valorem taxes receivables	980,879	823,718
Federal grant receivables	434,090	143,659
State grant receivables	112,598	265,316
Local grant receivables	21,786	50,097
Other receivables	<u>306,649</u>	<u>198,308</u>
Total accounts receivable	6,753,159	6,323,533
Allowance for doubtful accounts	<u>(2,616,983)</u>	<u>(2,309,598)</u>
Accounts receivable (net)	<u>\$ 4,136,176</u>	<u>\$ 4,013,935</u>
Accounts receivable (net)	\$ 3,546,476	\$ 3,529,352
Restricted accounts receivable	<u>589,700</u>	<u>484,583</u>
	<u>\$ 4,136,176</u>	<u>\$ 4,013,935</u>

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

	<u>2016</u>	<u>2015</u>
Accounts payable:		
Vendor payables	\$ 937,800	\$ 1,498,572
Other payables	<u>221,280</u>	<u>233,513</u>
Total accounts payable	<u>1,159,080</u>	<u>1,732,085</u>
Accrued liabilities:		
Accrued payroll	203,352	195,139
Employee benefits payable	442,316	421,979
Sales tax payable	<u>77,552</u>	<u>84,290</u>
Total accrued liabilities	<u>723,220</u>	<u>701,408</u>
Total accounts payable and accrued liabilities	<u>\$ 1,882,300</u>	<u>\$ 2,433,493</u>

7. **Capital Assets Activity**

Capital asset activity for the years ended August 31, 2016:

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

2015

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

8. Non-Current Liabilities

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

	2016				
	Balance September 1, 2015	Additions	Reductions	Balance August 31, 2016	Current Portion
Bonds					
General obligation bonds	\$ 1,605,000	\$ -	\$ 720,000	\$ 885,000	\$ 755,000
Revenue refunding bonds	1,625,000	-	390,000	1,235,000	400,000
Limited tax refunding bonds	8,100,000	-	95,000	8,005,000	95,000
Limited tax bonds	19,940,000	-	820,000	19,120,000	845,000
Subtotal	31,270,000	-	2,025,000	29,245,000	2,095,000
Net pension liability	4,870,339	627,687	-	5,498,026	N/A
	<u>\$ 36,140,339</u>	<u>\$ 627,687</u>	<u>\$ 2,025,000</u>	<u>\$34,743,026</u>	<u>\$2,095,000</u>

2015

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

9. Bonds Payable

General information related to bonds

Limited Tax Bonds, Series 2006

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

Combined Fee Revenue Refunding Bonds, Series 2010

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

Limited Tax Refunding Bonds, Series 2012

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

Limited Tax Bonds, Series 2013

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

Bonds payable are due in annual installments varying from \$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 \$445,100 for the year ended August 31, 2016. Revenues totaling \$2,059,821 were available to meet this obligation.

10. Refunding Bonds

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

Combined Fee Revenue Refunding Bonds, Series 2010

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

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

Limited Tax Refunding Bonds, Series 2012

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

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

11. Defeased Bonds Outstanding

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

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

<u>Bonds Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>	
		<u>2016</u>	<u>2015</u>
Limited Tax Bonds, Series 2006	2012	\$ 8,005,000	\$ 8,100,000
Total		<u>\$ 8,005,000</u>	<u>\$ 8,100,000</u>

12. Net Position Designation

At August 31, 2016, the District designated the entirety of expendable net position, restricted for unexpended bond proceeds, for the campus safety project (\$197,371) and the 2011-2020 master plan (\$1,212,676). \$689,953 of unrestricted net position is designated for the 2011-2020 master plan. These designations indicate management’s anticipated future use of financial resources.

13. Debt and Lease Obligation

Debt service requirements at August 31, 2016 were as follows:

Fiscal Year Ended August 31,	General Obligation Bonds 2006 Limited Tax Bonds			General Obligation Bonds 2012 Limited Tax Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 755,000	\$ 43,925	\$ 798,925	\$ 95,000	\$ 263,850	\$ 358,850
2018	130,000	6,175	136,175	755,000	261,950	1,016,950
2019	-	-	-	80,000	243,075	323,075
2020	-	-	-	910,000	243,075	1,153,075
2021	-	-	-	940,000	215,775	1,155,775
2022-2026	-	-	-	5,225,000	561,575	5,786,575
2027-2031	-	-	-	-	-	-
Totals	<u>\$ 885,000</u>	<u>\$ 50,100</u>	<u>\$ 935,100</u>	<u>\$ 8,005,000</u>	<u>\$ 1,789,300</u>	<u>\$ 9,794,300</u>

Fiscal Year Ended August 31,	General Obligation Bonds 2013 Limited Tax Bonds			Revenue Bonds 2010 Combined Fee Revenue Refunding		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 845,000	\$ 624,312	\$ 1,469,312	\$ 400,000	\$ 43,400	\$ 443,400
2018	870,000	598,963	1,468,963	410,000	33,400	443,400
2019	895,000	572,862	1,467,862	425,000	17,000	442,000
2020	930,000	537,062	1,467,062	-	-	-
2021	970,000	499,863	1,469,863	-	-	-
2022-2026	5,450,000	1,902,362	7,352,362	-	-	-
2027-2031	6,350,000	997,626	7,347,626	-	-	-
2032-2033	2,810,000	127,050	2,937,050	-	-	-
Totals	<u>\$ 19,120,000</u>	<u>\$ 5,860,100</u>	<u>\$ 24,980,100</u>	<u>\$ 1,235,000</u>	<u>\$ 93,800</u>	<u>\$ 1,328,800</u>

Fiscal Year Ended August 31,	Total Bonds		
	Principal	Interest	Total
2017	\$ 2,095,000	\$ 975,487	\$ 3,070,487
2018	2,165,000	900,488	3,065,488
2019	1,400,000	832,937	2,232,937
2020	1,840,000	780,137	2,620,137
2021	1,910,000	715,638	2,625,638
2022-2026	10,675,000	2,463,937	13,138,937
2027-2031	6,350,000	997,626	7,347,626
2032-2033	2,810,000	127,050	2,937,050
Totals	<u>\$ 29,245,000</u>	<u>\$ 7,793,300</u>	<u>\$ 37,038,300</u>

The District had no capital lease obligations at August 31, 2016.

14. **Short Term Debt**

The District used no short-term debt for the year ended August 31, 2016.

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

Operating Lease Commitments

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

The future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 85,731
2018	85,731
2019	<u>28,577</u>
	<u>\$ 200,039</u>

Rental expense paid for the years ended August 31, 2016 and 2015 for operating leases totaled \$172,317 and \$154,982, respectively.

16. **Employees' Retirement Plan**

Defined Benefit Pension Plan

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

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

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

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

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2015	2014
Member	6.70%	6.40%
Non-Employer contribution Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
FY 2015 District Contributions	\$ 460,552	
FY 2015 State of Texas On-behalf Contributions	\$ 301,215	

The District’s contribution to the TRS pension plan in FY 2015 were \$460,552 as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for FY 2015 were \$301,215.

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return*	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% - 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

* *Includes Inflation of 2.5%*

Actuarial methods and assumptions were updated based on a study of actual experience for the four year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. The most significant changes were related to the update of the post-retirement mortality rates based on the most recent TRS member experience and the decrease in the assumption for general wage inflation from 3.0% to 2.5%. Other changes to overall assumptions and methods had a minor impact on the results of the actuarial valuation and there related pension liability.

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

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

Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2015, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.00%	4.60%	1.00%
Non-U.S. Developed	13.00%	5.10%	0.80%
Emerging Markets	9.00%	5.90%	0.70%
Directional Hedge Funds	4.00%	3.20%	0.10%
Private Equity	13.00%	7.00%	1.10%
Stable Value			
U.S. Treasuries	11.00%	0.70%	0.10%
Absolute Return	0.00%	1.80%	0.00%
Stable Value Hedge Funds	4.00%	3.00%	0.10%
Cash	1.00%	-0.20%	0.00%
Real Return			
Global Infl+C17ation Lined Bonds	3.00%	0.90%	0.00%
Real Assets	16.00%	5.10%	1.10%
Energy and Natural Resources	3.00%	6.60%	0.20%
Commodities	0.00%	1.20%	0.00%
Risk Parity			
Risk Parity	5.00%	6.70%	0.30%
Inflation Expectation			2.20%
Alpha			1.00%
Total	100.00%		8.70%

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

Source: Teacher Retirement System of Texas 2015 Comprehensive Annual Financial Report

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District proportionate share of the net pension liability:	\$ 8,614,370	\$ 5,498,026	\$ 2,902,305

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, the District reported a liability of \$5,498,026 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$5,498,026
State's proportionate share that is associated with District	<u>3,594,810</u>
Total	<u>\$9,092,836</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At the measurement date of August 31, 2015 the employer's proportion of the collective net pension liability was .0156%, which was a decrease of 14.7% from its proportion measured as of August 31, 2014.

For the year ended August 31, 2016, the District recognized pension expense of \$512,203 and revenue of \$512,203 for support provided by the State.

At August 31, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 79,312	\$ 211,294
Changes in actuarial assumptions	267,384	196,145
Difference between projected and actual investment earnings	1,354,041	1,182,347
Changes in proportion and difference between in the employers contributions and the proportionate share of contributions	486,754	613,698
Contributions paid to TRS subsequent to the measurement date	22,540	-
Total	<u>\$ 2,210,031</u>	<u>\$ 2,203,484</u>

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

For the Year Ended August 31,	Pension Expense Amount
2017	\$ (136,712)
2018	(136,712)
2019	(136,714)
2020	235,432
2021	(106,980)
Thereafter	(152,427)

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

Optional Retirement Plan – Defined Contribution Plan

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

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

The retirement expense to the state for the District was \$80,841 and \$102,980 for the fiscal years ended August 31, 2016 and 2015, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District.

The total payroll for all District employees was \$16,762,026 and \$16,746,874 for the fiscal years ended August 31, 2016 and 2015, respectively. The total payroll of employees covered by the state for ORP was \$2,721,243 and \$3,120,606 for the fiscal years ended August 31, 2016 and 2015, respectively.

17. Deferred Compensation Program

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

At August 31, 2016 and 2015, the District had no employees electing to defer compensation.

18. 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.

19. 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.

20. Funds Held in Trust by Others

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

21. Contract and Grant Award

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99). For Federal Contract and Grant Awards, funds expended but not collected are reported as restricted accounts receivable on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected are reported as restricted accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial statements. Contract and grant awards funds already committed, e.g. multi-year awards, or funds awarded during fiscal year August 31, 2016, and 2015, for which monies have not been received nor funds expended totaled \$1,489,040 and \$1,541,943, respectively. Of these amounts \$1,170,681 and \$1,096,645 were from Federal Contracts and Grant Awards; \$304,226 and \$434,289 were from State Contracts and Grant Awards; and \$14,133 and \$11,009 were from Local Contract and Grant Awards at August 31, 2016 and 2015, respectively.

22. 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.

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

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$577 per month for the year ended August 31, 2016 (\$538 per month for fiscal year 2015) and totaled \$772,236 for the year ended August 31, 2016 (\$767,708 for the year ended August 31, 2015). The cost of providing those benefits for 141 retirees in the year ended August 31, 2016 was \$515,804 (retiree benefits for 141 retirees cost \$473,755 in fiscal year 2015). For 293 active employees, the cost of providing benefits was \$2,240,768 for the year ended August 31, 2016 (active employee benefits for 291 employees cost \$2,156,733 for the year ended August 31, 2015). SB 1812, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

24. **Postemployment Benefits Other than Pensions**

Plan Description. In addition to providing pension benefits, the state provides certain healthcare and life insurance benefits for retired employees. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the state. The District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit 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 and is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS Board of Trustees set the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB statement 45.

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

The District's contributions to SRHP for the years ending August 31, 2016, 2015, and 2014 were \$54,698, \$55,310 and \$57,277, respectively, which equaled the required contributions each year.

25. **Ad Valorem Tax**

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

At August 31:

	<u>2016</u>	<u>2015</u>
Assessed Valuation of the District:	\$ 7,870,361,221	\$ 7,461,298,138
Less: Exemptions	<u>(797,455,602)</u>	<u>(740,710,102)</u>
Net Assessed Valuation of the District	<u>\$ 7,072,905,619</u>	<u>\$ 6,720,588,036</u>

	2016			2015		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
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>\$ 0.153300</u>	<u>\$ 0.039200</u>	<u>\$ 0.192500</u>	<u>\$ 0.146500</u>	<u>\$ 0.041000</u>	<u>\$ 0.187500</u>

Taxes levied for the years ended August 31, 2016 and 2015 were \$12,957,259 and \$11,998,341, respectively. Penalties and interest are not assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Property becomes subject to lien at July 1 of the year in which taxes become delinquent.

Tax collections for the years ended August 31, 2016 and 2015 were 97.55% and 97.70%, 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.

	2016			2015		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Taxes Collected						
Current Taxes Collected	\$ 7,791,839	\$ 2,550,272	\$ 10,342,111	\$ 7,562,616	\$ 2,688,247	\$ 10,250,863
Delinquent Taxes Collected	1,959,729	500,393	2,460,122	1,516,749	411,268	1,928,017
Penalties and Interest Collected	111,518	28,353	139,871	81,994	21,342	103,336
Less Discounts and Commissions	<u>1,266</u>	<u>363</u>	<u>1,629</u>	<u>(17,611)</u>	<u>(4,367)</u>	<u>(21,978)</u>
Total Collections	<u>\$ 9,864,352</u>	<u>\$ 3,079,381</u>	<u>\$ 12,943,733</u>	<u>\$ 9,143,748</u>	<u>\$ 3,116,490</u>	<u>\$ 12,260,238</u>

26. **Discrete Component Unit**

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

27. **Subsequent Events**

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

REQUIRED SUPPLEMENTARY INFORMATION

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Victoria's Share of Net Pension Liability
For the Year Ended August 31, 2016

Fiscal year ending August 31 *	2015 **	2014 **
Total TRS Pension liability	\$ 163,887,375,172	\$ 159,496,075,886
Less: TRS net position	<u>(128,538,706,212)</u>	<u>(132,779,243,085)</u>
TRS net position liability	<u>\$ 35,348,668,960</u>	<u>\$ 26,716,832,801</u>
TRS net position as percentage of total pension liability	78.43%	83.25%
District's proportionate share of collective net pension liability	0.0156%	0.0182%
District's proportionate share of collective net pension liability	\$ 5,498,026	\$ 4,870,339
Portion of NECE's total proportionate share of NPL associated with District's	<u>3,594,810</u>	<u>3,206,990</u>
Total	<u>\$ 9,092,836</u>	<u>\$ 8,077,329</u>
District's covered payroll amount	\$ 11,227,603.00	\$ 11,264,735.00
Ratio of: ER proportionate share of collective NPL / ER's covered payroll amount	48.9688%	43.2353%

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

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

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Victoria County Junior College District's Contributions
For the Year Ended August 31, 2016**

<u>Fiscal year ending August 31 *</u>	<u>2015 **</u>	<u>2014 **</u>
Legally required contributions	\$ 460,552	\$ 462,000
Actual contributions	<u>460,552</u>	<u>462,000</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered employee payroll amount	 \$ 11,227,603	 \$ 11,192,750
Ratio of: Actual contributions / ER covered payroll amount	4.10%	4.13%

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

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

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to the Required Supplementary Information
August 31, 2016

1. Changes of Benefit Terms include:

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

2. Changes in Assumptions

There were no changes of assumptions for the year ended August 31, 2016.

**SUPPLEMENTAL INFORMATION
AND
FINANCIAL ASSISTANCE SECTION**

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Operating Revenues
For the Year Ended August 31, 2016 and 2015

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Current Year	Prior Year
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 3,962,140	\$ -	\$ 3,962,140	\$ -	\$ 3,962,140	\$ 2,981,454
Out-of-district resident tuition	1,972,103	-	1,972,103	-	1,972,103	2,282,700
Non-resident tuition	90,712	-	90,712	-	90,712	59,297
TPEG set aside (set aside)*	244,024	-	244,024	-	244,024	305,858
State funded continuing education	1,368,753	-	1,368,753	-	1,368,753	2,044,749
Non-state funded continuing education	206,023	-	206,023	-	206,023	284,654
Total Tuition	<u>7,843,755</u>	<u>-</u>	<u>7,843,755</u>	<u>-</u>	<u>7,843,755</u>	<u>7,958,712</u>
Fees:						
General fee	3,012,348	-	3,012,348	-	3,012,348	3,129,921
Technology fee	1,673,522	-	1,673,522	-	1,673,522	1,738,831
Out-of-district fees	2,128,033	-	2,128,033	-	2,128,033	2,365,400
Laboratory fee	225,176	-	225,176	-	225,176	245,009
Course fees	283,442	-	283,442	-	283,442	320,612
Total Fees	<u>7,322,521</u>	<u>-</u>	<u>7,322,521</u>	<u>-</u>	<u>7,322,521</u>	<u>7,799,773</u>
Scholarship Allowances and Discounts:						
Remissions and exemptions - state	(298,528)	-	(298,528)	-	(298,528)	(313,626)
Title IV federal grants	(4,274,738)	-	(4,274,738)	-	(4,274,738)	(4,610,598)
Other federal grants	-	-	-	-	-	(22,191)
TPEG awards	(51,816)	-	(51,816)	-	(51,816)	(64,061)
Other state grants	(324,840)	-	(324,840)	-	(324,840)	(315,048)
Other local scholarships	(775,570)	-	(775,570)	-	(775,570)	(955,102)
Total Scholarship Allowances	<u>(5,725,492)</u>	<u>-</u>	<u>(5,725,492)</u>	<u>-</u>	<u>(5,725,492)</u>	<u>(6,280,626)</u>
Total Net Tuition and Fees	<u>9,440,784</u>	<u>-</u>	<u>9,440,784</u>	<u>-</u>	<u>9,440,784</u>	<u>9,477,859</u>
Additional Operating Revenues:						
Federal grants and contracts	-	1,205,407	1,205,407	-	1,205,407	1,318,772
State grants and contracts	1,744	733,641	735,385	-	735,385	1,514,233
Local grants and contracts	-	40,305	40,305	-	40,305	79,646
Nongovernmental grants and contracts	527,123	382,400	909,523	-	909,523	1,078,100
Sales and services of educational activities	495,801	-	495,801	-	495,801	427,841
General operating revenues	311,912	-	311,912	-	311,912	267,051
Total Additional Operating Revenues	<u>1,336,580</u>	<u>2,361,753</u>	<u>3,698,333</u>	<u>-</u>	<u>3,698,333</u>	<u>4,685,643</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	3,324,964	3,324,964	3,476,545
Title IV federal grants	-	-	-	(539,823)	(539,823)	(589,506)
Other federal grants	-	-	-	-	-	(2,836)
TPEG awards	-	-	-	(6,543)	(6,543)	(8,192)
Other state grants	-	-	-	(41,022)	(41,022)	(40,280)
Other local scholarships	-	-	-	(97,940)	(97,940)	(122,119)
Net Bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,639,636</u>	<u>2,639,636</u>	<u>2,713,612</u>
Conference & Education Center	-	-	-	368,145	368,145	77,747
Food service	-	-	-	1,677	1,677	223,794
Facilities rentals	-	-	-	229,903	229,903	20,382
Leo J. Welder Center for Performing Arts	-	-	-	164,542	164,542	154,946
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,403,903</u>	<u>3,403,903</u>	<u>3,190,481</u>
Total Operating Revenues	<u>\$ 10,777,364</u>	<u>\$ 2,361,753</u>	<u>\$ 13,139,117</u>	<u>\$ 3,403,903</u>	<u>\$ 16,543,020</u>	<u>\$ 17,353,983</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.003, \$244,024 and \$305,858 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2016 and 2015, respectively.

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

**Schedule of Operating Expenses by Object
For the Year Ended August 31, 2016 and 2015**

	Operating Expenses				Current Year Total	Prior Year Total
	Salaries and Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 7,637,404	\$ -	\$ 1,561,122	\$ 920,365	\$ 10,118,891	\$ 10,184,507
Public service	36,429	-	4,407	159,052	199,888	264,009
Academic support	1,989,838	-	465,628	615,904	3,071,370	2,884,030
Student services	1,460,594	-	337,590	252,624	2,050,808	1,963,242
Institutional support	2,634,782	-	661,909	2,404,638	5,701,329	5,602,790
Operation and maintenance of plant	1,331,633	-	639,369	1,774,570	3,745,572	3,657,879
Scholarships and fellowships	141,429	-	14	527,123	668,566	868,205
Total Unrestricted Educational Activities	<u>15,232,109</u>	<u>-</u>	<u>3,670,039</u>	<u>6,654,276</u>	<u>25,556,424</u>	<u>25,424,662</u>
Restricted - Educational Activities						
Instruction	723,734	949,912	196,523	114,285	1,984,454	2,528,991
Public service	-	1,537	-	-	1,537	35
Academic support	-	295,118	-	-	295,118	198,497
Student services	233,798	222,010	54,587	196,061	706,456	591,432
Institutional support	12,559	412,507	1,636	59,554	486,256	805,678
Scholarships and fellowships	89,063	-	-	8,375,086	8,464,149	8,906,193
Total Restricted Educational Activities	<u>1,059,154</u>	<u>1,881,084</u>	<u>252,746</u>	<u>8,744,986</u>	<u>11,937,970</u>	<u>13,030,826</u>
Total Educational Activities	16,291,263	1,881,084	3,922,785	15,399,262	37,494,394	38,455,488
Auxiliary Enterprises	470,763	-	198,810	2,738,844	3,408,417	3,412,365
Depreciation Expense						
Buildings and other real estate improvements	-	-	-	1,196,175	1,196,175	1,172,944
Equipment and furniture	-	-	-	884,857	884,857	757,357
Library volumes and periodicals	-	-	-	47,727	47,727	52,489
Total Operating Expenses	<u>\$ 16,762,026</u>	<u>\$ 1,881,084</u>	<u>\$ 4,121,595</u>	<u>\$ 20,266,865</u>	<u>\$ 43,031,570</u> (Exhibit 2)	<u>\$ 43,850,643</u> (Exhibit 2)

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS

Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2016 and 2015

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Current Year</u>	<u>Prior Year</u>
Non-Operating Revenues					
State Allocations:					
Education and general state support	\$ 5,774,860	\$ -	\$ -	\$ 5,774,860	\$ 6,245,318
State group insurance	-	1,288,040	-	1,288,040	1,241,463
State retirement matching	-	593,044	-	593,044	399,460
Total State Allocations	<u>5,774,860</u>	<u>1,881,084</u>	<u>-</u>	<u>7,655,944</u>	<u>7,886,241</u>
Ad valorem taxes:					
Taxes for maintenance and operations	9,864,352	-	-	9,864,352	9,143,748
Taxes for debt service	-	3,079,381	-	3,079,381	3,116,490
Title IV	-	7,574,784	-	7,574,784	8,027,070
Gifts	172,367	128,500	4,300	305,167	1,718,263
Investment income	44,832	12,154	214	57,200	72,356
Total Non-Operating Revenues	<u>15,856,411</u>	<u>12,675,903</u>	<u>4,514</u>	<u>28,536,828</u>	<u>29,964,168</u>
Non-Operating Expenses					
Interest on capital related debt	-	886,811	-	886,811	956,249
Total Non-Operating Expenses	<u>-</u>	<u>886,811</u>	<u>-</u>	<u>886,811</u>	<u>956,249</u>
Net Non-Operating Revenues	<u>\$ 15,856,411</u>	<u>\$ 11,789,092</u>	<u>\$ 4,514</u>	<u>\$ 27,650,017</u> (Exhibit 2)	<u>\$ 29,007,919</u> (Exhibit 2)

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

**Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2016 and 2015**

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Current Year Total
	Unrestricted	Expendable	Non-Expendable	Capital Assets Net of Depreciation and Related Debt	Current Year Total
Current					
Unrestricted	\$ 714,564	\$ -	\$ -	\$ -	\$ 714,564
Restricted for:					
Expendable:					
Student aid	-	373,869	-	-	373,869
Unexpended bond proceeds	-	-	-	1,410,047	1,410,047
Auxiliary enterprises	-	-	-	-	-
Plant					
Debt service	-	383,133	-	-	383,133
Investment in plant	-	-	-	31,985,378	31,985,378
Total Net Position, August 31, 2016	<u>714,564</u>	<u>757,002</u>	<u>-</u>	<u>33,395,425</u>	<u>34,866,991</u> (Exhibit 1)
Total Net Position, August 31, 2015	<u>(34,860)</u>	<u>753,401</u>	<u>-</u>	<u>32,986,983</u>	<u>33,705,524</u> (Exhibit 1)
Adjustment to net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u> (Exhibit 2)
Net Increase (Decrease) in Net Position	<u>\$ (749,424)</u>	<u>\$ 3,601</u>	<u>\$ -</u>	<u>\$ 408,442</u>	<u>\$ 1,161,467</u> (Exhibit 2)

SCHEDULE D

	Available for Current Operations		Prior Year Total	Available for Current Operations	
	Yes	No		Yes	No
Current					
Unrestricted	\$ 714,564	\$ -	\$ (34,860)	\$ (34,860)	\$ -
Restricted for:					
Expendable:					
Student aid	-	373,869	374,962	-	374,962
Unexpended bond proceeds	-	1,410,047	2,726,668	-	2,726,668
Auxiliary enterprises	-	-	-	-	-
Plant					
Debt service	-	383,133	378,439	-	378,439
Investment in plant	-	31,985,378	30,260,315	-	30,260,315
Total Net Position, August 31, 2016	<u>714,564</u>	<u>34,152,427</u>	<u>33,705,524</u>	<u>(34,860)</u>	<u>33,740,384</u>
Total Net Position, August 31, 2015	<u>(34,860)</u>	<u>33,740,384</u>	<u>35,829,653</u>	<u>5,241,205</u>	<u>30,588,448</u>
Adjustment to net position	<u>-</u>	<u>-</u>	<u>(5,518,116)</u>	<u>(5,518,116)</u>	<u>-</u>
Net Increase (Decrease) in Net Position	<u>\$ 749,424</u>	<u>\$ 412,043</u>	<u>\$ 3,393,987</u>	<u>\$ 242,051</u>	<u>\$ 3,151,936</u>
			(Exhibit 2)		

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
 VICTORIA, TEXAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2016

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	P007A157874	\$ 107,000
Federal Work-Study Program	84.033	P033A157874	69,139
TRIO - Student Support Services	84.042	P042A151187	248,250
Federal Pell Grant Program	84.063	P063P152339	4,707,561
Federal Pell Grant Program	84.063	P063Q152339	7,990
Federal Direct PLUS Loans	84.268	P268K162339	18,976
Federal Direct Student Loans - Subsidized	84.268	P268K162339	1,163,376
Federal Direct Student Loans - Unsubsidized	84.268	P268K162339	<u>1,508,732</u>
Total Direct Programs			<u>7,831,024</u>
<i>Pass Through From Texas Workforce Commission:</i>			
Adult Education - Basic Grants to States	84.002	1914AELA00/1914AELB00	398,046
Adult Education - Basic Grants to States	84.002	1916AEL002	56,283
Adult Education - Basic Grants to States	84.002	1916AEL001	38,804
Adult Education - Basic Grants to States	84.002	1916AEL000	<u>18,089</u>
Total Texas Workforce Commission			<u>511,222</u>
<i>Pass Through From Texas Higher Education Coordinating Board:</i>			
Career and Technical Education - Basic Grants to States	84.048	164266	241,265
Career and Technical Education - Basic Grants to States	84.048A	161111	<u>76,703</u>
Total Texas Higher Education Coordinating Board			<u>317,968</u>
Total U.S. Department of Education			<u>8,660,214</u>
U.S. DEPARTMENT OF HUMAN SERVICES			
<i>Pass Through Texas Workforce Commission:</i>			
Temporary Assistance for Needy Families (TANF)	93.558	1914AELA00/1914AELB00	16,747
Temporary Assistance for Needy Families (TANF)	93.558	1916AEL002	3,712
Temporary Assistance for Needy Families (TANF)	93.558	1916SMP000	<u>46,949</u>
Total TANF			<u>67,408</u>
<i>Passed through UTMB:</i>			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	U77HP01066-13-00	<u>92,500</u>
Total UTMB			<u>92,500</u>
Total U.S. Department of Health and Human Services			<u>159,908</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 8,820,122</u>

**VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016**

Note 1: Federal Assistance Reconciliation

Federal Assistance Reconciliation

Direct federal grants and contracts revenue per Schedule A	\$ 1,205,407
Direct federal revenue, non-operating - Schedule C	7,574,784
Administration cost recovery (included in other revenue)	39,931
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$ 8,820,122

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Expenditures not Subject to Federal Single Audit

All expenditures are subject to Federal Single Audit.

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

Federal Grantor/ CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed & Admin. Costs Recovered
Department of Education 84.268 Federal Direct Student Loans (includes PLUS, subsidized and unsubsidized)	\$ 2,691,084	\$ -	\$ 2,691,084

Note 5: Nonmonetary Federal Assistance Received

No nonmonetary federal assistance was received.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2016

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
<i>Direct funding:</i>		
College Work-study Program	-	\$ 19,924
Texas Educational Opportunity Grant Program	-	266,817
Texas Public Education Grant Program	-	121,179
Texas Grant Program	-	19,215
Texas-Science, Technology, Engineering, and Math (T-STEM) Program	-	25,000
Law Enforcement Officer Standards & Education	-	700
TG Charley Wootan Scholarship Grant	-	50,000
Higher Education Performance Incentive Scholarship	-	4,830
Total Direct Funding		<u>507,665</u>
Total Texas Higher Education Coordinating Board		<u>507,665</u>
UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON		
Pecan Valley Area Health Education Center	UTMBG 0000618956	110,000
MHGP Retention and Recruitment	UTMBG 0000624863	20,000
Total Texas Medical Branch at Galveston		<u>130,000</u>
DEPARTMENT OF STATE HEALTH SERVICES		
Emergency Medical Services Local Project Grant Program		1,744
<i>Passed through Victoria County via Community Mother and Child Health Center:</i>		
EXEC/PPH Potentially Preventable Hospitalizations Initiative	2016-049340-001	70,837
Texas Helathy Communities (TXHX) Priority Indicators	-	21,526
Total passed through Victoria County via CMCHC		<u>92,363</u>
<i>Passed through Texas Workforce Commission:</i>		
GR - Adult Ed	1914AELA00/1914AELB00	87,700
GR - Adult Ed	1916AEL002	15,444
Total Passed Through Texas Workfoce Commission		<u>103,144</u>
Total Department of State Health Services		<u>197,251</u>
TEXAS WORKFORCE COMMISSION		
<i>Direct:</i>		
Victoria College in Partnership with Detar Hospital, LLC	1914SDF000	12,139
Skill Development Fund Veteran and Industry Partnership	1914SDF001	7,343
Skill Development Small Business Initiative	1915SSD000	5,366
Total Texas Workforce Commission		<u>24,848</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 859,764</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, 2016

Note 1: State Assistance Reconciliation

State Assistance Reconciliation	
per Schedule of Expenditures of State Awards	\$ <u>859,764</u>
Less: TPEG (included in "Tuition" section)	<u>(121,179)</u>
Total included in "Tuition and Fees"	<u>(121,179)</u>
Administration cost recovery (included in other revenue)	(3,200)
Total State Revenues per Schedule A	\$ <u><u>735,385</u></u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Victoria County Junior College District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Victoria County Junior College District's basic financial statements, and have issued our report thereon dated November 16, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

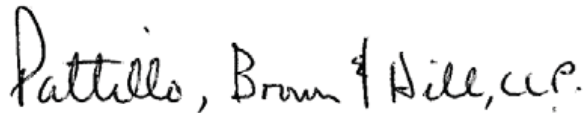
As part of obtaining reasonable assurance about whether Victoria County Junior College District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

Public Funds Investment Act

We have performed test designed to verify the Victoria County Junior College District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2016, no instances of noncompliance were found. However, providing an opinion on compliance with the Public Funds Investment Act was not an objective of our audit, and accordingly, we do not express an opinion.

Purpose of this Report

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

A handwritten signature in black ink that reads "Pattillo, Brown & Hill, C.P." The signature is written in a cursive style.

Brownsville, Texas
November 16, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE AND STATE OF TEXAS SINGLE AUDIT CIRCULAR**

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

Report on Compliance for Each Major Federal Program

We have audited Victoria County Junior College District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and *State of Texas Single Audit Circular* that could have a direct and material effect on each of Victoria County Junior College District's major federal and state programs for the year ended August 31, 2016. 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.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Victoria County Junior College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2016.

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Report on Internal Control over Compliance

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

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

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

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



Brownsville, Texas
November 16, 2016

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2016

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), 2 CFR 200.510 (a) and the State of Texas Single Audit Circular	No.
Dollar threshold considered between Type A and Type B federal programs	\$750,000
Dollar threshold considered between Type A and Type B state programs	\$750,000
Low risk auditee statement	No
Major federal programs	The Student Financial Aid Cluster (CFDA #84.007, #84.033, #84.063, and #84.268) Adult Education-Basic Grants to States
Major state programs	Texas Educational Opportunity Grant Program Texas Workforce Commission

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

The audit disclosed no finding required to be reported.

VICTORIA COUNTY JUNIOR COLLEGE DISTRICT
VICTORIA, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2016

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, 2016

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