

TEMPLE COLLEGE

Temple, Texas

Annual Financial and Compliance Reports

for the Year Ended August 31, 2017

TEMPLE COLLEGE

Table of Contents

	<u>Page</u>
Organizational Data	1
Independent Auditors' Report.....	2
Management's Discussion and Analysis	5
 <u>Financial Statements</u>	
Statement of Net Position (Exhibit 1).....	14
Statement of Financial Position (discretely presented component unit – Exhibit 1-A)	15
Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2).....	16
Statement of Activities 2016 (discretely presented component unit – Exhibit 2-A)	17
Statement of Activities 2015 (discretely presented component unit – Exhibit 2-B)	18
Statement of Cash Flows (Exhibit 3).....	19
Notes to Financial Statements.....	20
 <u>Required Supplementary Information (RSI) Schedules</u>	
Schedule of College's Proportionate Share of Net Pension Liability.....	43
Schedule of College's Contributions	44
Notes to Required Supplemental Information	45
 <u>Supplementary Schedules</u>	
Schedules	
A Schedule of Operating Revenues	46
B Schedule of Operating Expenses by Object	47
C Schedule of Non-Operating Revenues and Expenses	48
D Schedule of Net Position by Source and Availability	49
E Schedule of Expenditures of Federal Awards	50
Notes to Schedule of Expenditures of Federal Awards.....	51
F Schedule of Expenditures of State Awards	52
 <u>Auditors' Reports on Controls and Compliance</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> ..	53
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	55
Schedule of Findings and Questioned Costs.....	57

**TEMPLE COLLEGE
ORGANIZATIONAL DATA
For the Year Ended August 31, 2017**

Board of Trustees

		Term Expires
Mrs. Katie Burrows	Chair	<u>May</u> 2018
Mr. Bob Browder	Vice-Chair	2022
Mr. Harry Adams	Secretary	2022
Mr. John R. Bailey		2018
Dr. Alejandro C. Arroliga, MD, MSc, FCCP, FACP		2018
Mr. Stephen H. Niemeier		2020
Mrs. Lydia Santibanez		2020
Mr. Larry J. Wilkerson		2020
Dr. Andrejs Avots-Avotins, M.D., Ph.D.		2022

Officers

Glenda O. Barron, B.S., M.Ed., Ph.D.	President
Gary C. Jackson, B.S., M.B.A.	Associate Vice President, Finance and Information Technology Services, Chief Information Officer
Mark Smith, B.G.S., M.B.A., Ph.D.	Vice President of Educational Services & Chief Academic Officer
Van D. Miller, B.B.A., M.B.A., Ed.D.	Vice President of Administrative Services & Chief Financial Officer



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

*Member of
American Institute & Texas Society of
Certified Public Accountants*

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Temple College
Temple, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Temple College, (the College) as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary schedules (schedules A through D), as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not a required part of the basic financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Jett, Vernon & Co., D.C.

Temple, Texas
November 29, 2017

This discussion and analysis of Temple College financial statements provides an overview of College financial activities for the year ended August 31, 2017. Management has prepared the financial statements and the related footnote disclosures and this discussion and analysis statement. Responsibility for the completeness and fairness of this information is that of the College management. The current report, for the year ended August 31, 2017, is issued under the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This accounting policy established the reporting format for governmental annual financial statements. The State of Texas elected to adopt these reporting standards in the fiscal year 2001-2002, and Temple College as a component unit of state government converted its financial reporting to the GASB 34 format. The following sections present comparative financial data as called for by the reporting principle.

Financial and Enrollment Highlights

- ◆ Enrollment in the academic/technical programs decreased 4.6% over the prior year (FY 2016) from 103,142 semester hours to 98,355 hours. This year marked the sixth consecutive decrease in enrollment.
- ◆ Enrollment in the Business and Continuing Education Division declined 13.5% compared to FY 2016.
- ◆ Tuition/Fee totals by resident type for this period were:

	<u>Fall 2016</u>	<u>Fall 2015</u>	<u>Fall 2014</u>
In-District	\$89/semester hour	\$89/semester hour	\$88/semester hour
Out-of-District	\$159/semester hour	\$159/semester hour	\$154/semester hour
Non-Resident	\$239/semester hour	\$239/semester hour	\$234/semester hour

- ◆ Students taking Health Science courses are charged an additional \$20/SCH. This tuition is a 22.5% increase for Health Science programs for resident students compared to general academic and other technical courses.
- ◆ The district property tax rate for FY 2017 decreased slightly from the prior year's rate of \$0.2100/\$100 to \$0.2057/\$100. This rate is the combined debt/maintenance and operations rate.
- ◆ State funding (appropriations) remained unchanged for FY 2017, a typical occurrence for the second year of a biennium.

The Annual Report

This report consists of three basic financial statements: (1) the Statement of Net Position; (2) the Statement of Revenues, Expenses, and Changes in Net Position; and (3) the Statement of Cash Flows. These three statements provide information on the College as a whole (excluding the

TEMPLE COLLEGE

Temple College Foundation activities) and present a long-term view of the financial position of the College. One of the most important questions asked about finances is, “Is Temple College as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on total institution activities in a way that helps to answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as Temple College’s operating results.

These two statements report the College’s net position and the changes in net position. The difference between assets and liabilities is one way to measure the financial health or financial position of Temple College. Over time, an increase or decrease in the College net position is one indicator of whether its financial health is improving. However, several non-financial factors are relevant as well, such as the trend and quality of applicants, freshman class size, student retention, faculty use of technology, building condition, campus safety, and quality of student services, to completely assess the overall health of the College.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. All current year revenues and expenses are reflected regardless of when cash is received or paid.

Financial statements for the College’s component unit, the Temple College Foundation, are issued independent to those of the College but are presented with the College’s basic financial statements.

Statement of Net Position

Cash and short-term investment balances decreased compared to the prior year, the decrease being the result of more funds being used for capital projects.

Receivables include delinquent property taxes, student accounts, Federal, State, and other miscellaneous receivables. Federal and State receivables decreased by 33.8%. The decrease resulted from the reliance on fewer grant awards during the fiscal year. Student receivables increased by 3.9%. Other receivables increased by 11%, due mainly to receipt of funds for student sponsorships and collection of delinquent taxes and receivables from other agencies, such as the Temple College Foundation and Texas State Technical College.

Prepaid expenses (expenses related to next fiscal year) decreased by approximately 83%, mainly due to better scheduling of payments in the current fiscal year.

Non-Current Assets include Restricted Cash balances and Other Long-Term Investments. Restricted cash decreased by 5% compared to the prior year, due to funds being reclassified from restricted to unrestricted. Other Long-Term Investments remained nearly the same as the prior year.

NET POSITIONS, END OF YEAR

(In Millions)

Temple College

	<u>8/31/2017</u>	<u>8/31/2016</u>	<u>8/31/2015</u>
Current Assets	25.1	25.9	22.9
Non-Current Assets	<u>52.5</u>	<u>53.3</u>	<u>54.2</u>
Total Assets	<u>77.6</u>	<u>79.2</u>	<u>77.1</u>
Deferred Outflows	<u>1.7</u>	<u>1.8</u>	<u>0.7</u>
Current Liabilities	11.1	10.8	10.8
Non-Current Liabilities	<u>33.7</u>	<u>36.2</u>	<u>34.4</u>
Total Liabilities	<u>44.8</u>	<u>47.0</u>	<u>45.2</u>
Deferred Inflows	<u>1.3</u>	<u>1.8</u>	<u>1.2</u>
Net Positions:			
Invested in capital assets, net of related debt	15.6	14.0	12.8
Restricted	2.9	2.7	8.4
Unrestricted	<u>14.7</u>	<u>15.5</u>	<u>10.2</u>
Total Net Positions	<u>33.2</u>	<u>32.2</u>	<u>31.4</u>
Increase in Net Positions	<u>1.0</u>	<u>0.8</u>	<u>1.6</u>

Most of the College's unrestricted net position has been designated for operating contingencies.

Compensable absences (vacation/sick leave) increased slightly this year to \$901,889 and is a material liability to the College.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the annual operating results for the College, as well as all non-operating revenues and expenses. Tuition and fee revenue, net of exemption allowances, decreased by 6% in FY 2017. Tuition rates for students remained unchanged from the previous year. The decrease in tuition revenue is the direct result of lower enrollment. A significant portion of the tuition structure is a \$13 per SCH use fee. This charge is restricted for payment of debt service costs related to revenue bonds for facility construction and improvements on campus.

State allocations (appropriations) for instructional and support purposes remained unchanged compared to the prior fiscal period. FY 2017 is the second year of the biennium; as mentioned in

TEMPLE COLLEGE

previous financial reports, ten percent (10%) of community college funding is now based upon student success points, a type of performance-based funding. As the state legislature moves forward with the evolution of student success points, the College will expect an increased emphasis on student performance, as opposed to headcount enrollment only.

Auxiliary Enterprise revenues consist primarily of vending sales and athletics. These revenues increased by 3% from the previous year, to \$292,870.

The operating revenue category of Grants and Contracts does not include Title IV Grants. These Federal grant programs experienced a modest decrease of less than 1%.

Title IV revenue is included in the Non-Operating Revenue section and decreased by 10% for FY 2017.

Operating Expenses

Below is a comparison chart of expenses arranged by the natural classification categories:

OPERATING EXPENSES BY NATURAL CLASSIFICATION
(In Millions)
Temple College

	Year Ended <u>8/31/2017</u>	Year Ended <u>8/31/2016</u>	Year Ended <u>8/31/2015</u>
Operating Expenses			
Salaries:			
Faculty	9.0	9.2	9.2
Staff	8.5	8.6	8.1
Benefits	6.0	5.8	5.2
Other Expenses	12.8	13.9	16.1
Depreciation	<u>1.6</u>	<u>1.6</u>	<u>1.5</u>
Total Operating Expenses	<u><u>37.9</u></u>	<u><u>39.1</u></u>	<u><u>40.1</u></u>

Operating expenses by functional area are shown in the following schedule:

OPERATING EXPENSES BY FUNCTION
(In Millions)
Temple College

	Year Ended <u>8/31/2017</u>	Year Ended <u>8/31/2016</u>	Year Ended <u>8/31/2015</u>
Educational & General			
Instruction	13.2	13.4	13.5
Public Service	1.0	1.3	0.9
Academic Support	2.6	2.6	2.5
Student Services	3.3	3.3	3.1
Institutional Support	6.4	6.0	6.0
Operations & Plant Maintenance	3.1	3.5	3.4
Student Aid	<u>5.4</u>	<u>6.3</u>	<u>8.2</u>
Total Educational Activities	<u><u>35.0</u></u>	<u><u>36.4</u></u>	<u><u>37.6</u></u>
Auxiliary Enterprises	1.3	1.1	1.0
Depreciation	<u>1.6</u>	<u>1.6</u>	<u>1.5</u>
Total Operating Expenses	<u><u>37.9</u></u>	<u><u>39.1</u></u>	<u><u>40.1</u></u>

In the schedules of operating expenses shown above, the total expenditures decreased about 3% over the prior year. The bulk of this decrease is in the natural category of Other Expenses and the functional category of Student Aid.

Depreciation expense is an accounting requirement of GASB 34 and is intended to show statement readers the asset loss each year on College facilities and equipment. The goal, of course, is to try to replace those facility losses with capital additions and deferred maintenance projects to offset these losses. Temple College, like most other colleges and universities, typically struggles with facility replacement issues. Fortunately, the College has infused over \$30 million in new facilities and renovations into the campus plant over the past ten years and has recently completed a \$13 million GO Bond construction project that has provided new facilities and parking. However, as these projects have ended and new investments slow due to high debt levels, the depreciation cost will once again exceed new plant investment unless new funding streams are provided. Due to the State reduction in funding for operating purposes, the College is forced to now use 75% of local property tax revenue for operations, instead of facility repair and replacement as was intended when the Community College funding formula was approved by the State Legislature.

All employees received a one-step raise in FY 2017. For TC employees, one-step is equivalent to a 1.0 to 1.5% increase in overall compensation. Although small, this increase in employee compensation was critical to maintain morale among employees and the College's ability to attract and retain good employees.

SALARY INCREASES (%)
(Fall Term)
Temple College

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
1.0% to 1.50%	3.0%	2.0%	2.5%	3%	0%	2% or 1.5%

OPERATING RESULTS FOR THE YEAR
(In Millions)
Temple College

	<u>Year Ended 8/31/2017</u>	<u>Year Ended 8/31/2016</u>	<u>Year Ended 8/31/2015</u>
Operating Revenues			
Tuition & Fees (net of exemptions)	9.5	10.1	10.9
Grants, Contracts & Other	4.0	3.9	3.4
Total Operating Revenues	13.5	14.0	14.3
Operating Expenses	37.9	39.1	40.1
Net Operating Revenues (Expenses)	(24.4)	(25.1)	(25.8)
Non-Operating Revenues (Expenses)			
State Allocations	9.7	9.6	9.7
Maintenance & Obligation Ad Valorem Taxes	5.9	6.0	5.3
General Obligation Debt Taxes	2.4	2.1	2.3
Federal Revenue, Non-Operating	8.7	9.6	11.6
Gifts	0.0	0.0	0.0
Interest on Capital Related Debt	(1.2)	(1.2)	(1.3)
Other Non-Operating	(0.1)	(0.2)	(0.2)
Total Non-Operating Revenues (Expenses)	25.4	25.9	27.4
Increase (Decrease in Net Position)	1.0	0.8	1.6
Net Position - Beginning of Year	32.2	31.4	29.8
Net Position - End of Year	33.2	32.2	31.4
Percent Increase/(Decrease)	3.1%	2.5%	5.4%

PROPERTY TAX RATES
(per \$100 value)
Temple College

	Rate/\$100 Value		
	2017	2016	2015
Maintenance	\$0.1454	\$0.1483	\$0.1505
Debt Service	0.0603	0.0617	0.0560
Total	<u>\$0.2057</u>	<u>\$0.2100</u>	<u>\$0.2065</u>

The net assessed valuation for the district decreased for FY 2017 to \$4,443,929,258 from the previous year (FY 2016) amount of \$4,539,386,727. This decrease was the result of tax abatements within the jurisdiction of local tax reinvestment zones. The property tax rate cap for the Temple College district is \$0.25/\$100 valuation. This is the maximum permissible rate for both debt service requirements and operations combined.

Statement of Cash Flows

Another way to assess the health of an institution is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess:

- ◆ an entity's ability to generate future net cash flows;
- ◆ its ability to meet its obligations as they come due; and
- ◆ its needs for external financing.

The College liquidity position decreased \$1,222,031 during this year ended August 31, 2017, as shown in the chart below:

CASH FLOWS FOR THE YEAR

(In Millions)

Temple College

	Year Ended <u>8/31/2017</u>	Year Ended <u>8/31/2016</u>	Year Ended <u>8/31/2015</u>
Cash provided (used) by:			
Operating activities	(20.6)	(20.8)	(22.8)
Non-capital financing activities	24.5	25.1	27.0
Capital and related financing activities	(4.9)	(2.7)	(4.8)
Investing activities	<u>(0.2)</u>	<u>(2.6)</u>	<u>0.5</u>
Net Increase (decrease) in cash	(1.2)	(1.0)	(0.1)
Cash, beginning of the year	<u>4.3</u>	<u>5.3</u>	<u>5.4</u>
Cash, end of the year	<u><u>3.1</u></u>	<u><u>4.3</u></u>	<u><u>5.3</u></u>

Capital Asset and Debt Administration

On August 31, 2017, the College had \$69.6 million invested in capital assets, net of approximately \$24.2 million in accumulated depreciation.

CAPITAL ASSETS, NET OF DEPRECIATION

(In Millions)

Temple College

	Year Ended <u>8/31/2017</u>	Year Ended <u>8/31/2016</u>	Year Ended <u>8/31/2015</u>
Land	\$ 3.8	\$ 3.7	\$ 3.2
Buildings	34.8	33.3	34.1
Land Improvements	5.2	5.5	5.9
Construction in Progress	0.1	2.0	-
Furniture & Equipment	1.2	1.5	1.7
Library Materials	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
Totals	<u><u>\$ 45.4</u></u>	<u><u>\$ 46.3</u></u>	<u><u>\$ 45.2</u></u>

At year-end 2017, Temple College had approximately \$30.7 million in debt outstanding, a \$2.9 million decrease from the prior year-end balance of \$33.6 million. The table below summarizes this amount by debt type.

OUTSTANDING DEBT, AT YEAR-END
Temple College

	<u>8/31/2017</u>	<u>8/31/2016</u>	<u>8/31/2015</u>
Bonds/Capital Leases			
Revenue Bonds	\$ 10,945,000	\$ 12,155,000	\$ 9,265,000
General Obligation Bonds	17,770,000	19,135,000	20,450,000
Capital Leases	<u>1,993,071</u>	<u>2,345,004</u>	<u>2,680,298</u>
TOTAL BONDS/LEASES	<u>\$ 30,708,071</u>	<u>\$ 33,635,004</u>	<u>\$ 32,395,298</u>

During FY 2017, all scheduled debt service requirements were paid.

Economic Factors That Will Affect the Future

State appropriations should remain constant for the next two years. Community colleges in the State of Texas actually fared reasonably well in the most recent legislative session. Unfortunately, a decline in enrollment at Temple College has resulted in lower appropriations for the College over the next biennium. While the board approved the first significant increase in tuition since 2012 for the upcoming school year, a significant increase in revenues will only occur if the College is successful in increasing the overall level of enrollment.

The bright spot for the College continues to be the strong local economy. Economic growth in Temple and Hutto has created record property valuations in recent years and property tax collections have reached an all-time high. That growth is expected to continue into the foreseeable future and provide a strong economic foundation for Temple College in the coming years.

FINANCIAL STATEMENTS

Statement of Net Position
August 31, 2017 and August 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,591,673	\$ 2,735,251
Short Term Investments	17,354,567	17,062,896
Accounts Receivable (net)	6,161,472	5,844,462
Prepaid Expenses	45,732	275,083
Total Current Assets	<u>25,153,444</u>	<u>25,917,692</u>
Non-Current Assets		
Restricted Cash and Cash Equivalents	1,459,086	1,537,539
Other Long-Term Investments	5,584,363	5,533,607
Capital Assets (net)(See note 6)	45,412,669	46,266,718
Total Non-Current Assets	<u>52,456,118</u>	<u>53,337,864</u>
Total Assets	<u>\$ 77,609,562</u>	<u>\$ 79,255,556</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	\$ 1,750,010	\$ 1,835,842
LIABILITIES		
Current Liabilities		
Accounts Payable	779,485	1,079,216
Unearned Revenue	6,585,966	6,150,051
Funds Held for Others	725,126	685,361
Capital Leases - Current Portion	369,765	351,931
Bonds Payable - Current Portion	2,675,000	2,575,000
Total Current Liabilities	<u>11,135,342</u>	<u>10,841,559</u>
Non-Current Liabilities		
Accrued Compensable Absences	901,889	888,564
Capital Leases	1,623,306	1,993,073
Bonds Payable	26,040,000	28,715,000
Net Pension Liability	5,128,695	4,582,955
Total Non-Current Liabilities	<u>33,693,890</u>	<u>36,179,592</u>
Total Liabilities	<u>\$ 44,829,232</u>	<u>\$ 47,021,151</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	\$ 1,282,353	\$ 1,794,431
NET POSITION		
Net Investment in Capital Assets	15,568,963	14,005,005
Restricted for:		
Non-expendable		
Student Aid	540,365	637,013
Expendable		
Loan	26,816	26,966
Debt Service	2,354,549	2,074,177
Unrestricted	14,757,294	15,532,655
Total Net Position (Schedule D)	<u>\$ 33,247,987</u>	<u>\$ 32,275,816</u>

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

Temple Junior College Foundation, Inc.
Statement of Financial Position
August 31, 2016 and 2015

Exhibit I-A

Assets	2016	2015
Current Assets:		
Cash and cash equivalents	\$ 38,886	\$ 66,163
Investments	40,350	149,986
Short-term note receivable, less allowance for uncollectible amounts of \$40,000 and \$0	49,826	60,611
Unconditional promises to give, less allowance for uncollectible promises of \$14,450 and \$14,450	27,962	28,926
Other receivables	79,889	86,312
Prepaid expenses	2,966	2,779
Total Current Assets	239,879	394,777
Endowment Investments:		
Cash and cash equivalents	129,483	53,160
Investments	5,500,400	5,248,935
Total Endowment Investments	5,629,883	5,302,095
Buildings, furniture, and equipment, net	5,610,142	5,742,880
Assets held in trust - long term	535,391	516,237
Long-term unconditional promises to give, less allowance for uncollectible promises of \$0 and \$0	-	-
Investment in real estate	329,582	329,582
Bond issuance costs, net of accumulated amortization of \$510,284 and \$475,492	533,481	568,273
Total Assets	\$ 12,878,358	\$ 12,853,844
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 158,632	\$ 120,338
Accrued vacation payable	7,341	11,695
Accrued other	46,764	68,987
Accrued interest payable	773,974	647,978
Current portion - bonds payable	205,000	180,000
Deferred revenue	16,599	31,216
Total Current Liabilities	1,208,310	1,060,214
Long-term Liabilities:		
Bonds payable, net of current portion and bond discount	10,016,796	10,209,522
Promissory note	2,508,210	2,014,993
Total Liabilities	13,733,316	13,284,729
Net Assets:		
Unrestricted Net Assets:		
Operating	(12,640,374)	(12,002,097)
Fixed assets	5,610,142	5,742,880
Total Unrestricted Net Assets	(7,030,232)	(6,259,217)
Temporarily restricted net assets	545,391	526,237
Permanently restricted net assets	5,629,883	5,302,095
Total Net Assets	(854,958)	(430,885)
Total Liabilities and Net Assets	\$ 12,878,358	\$ 12,853,844

Statement of Revenues, Expenses, and Changes in Net Position
Years Ended August 31, 2017 and August 31, 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Tuition and Fees (Net of Allowances and Discounts \$5,888,636 and \$5,923,614, respectively)	\$ 9,504,632	\$ 10,102,218
Federal Grants and Contracts	1,015,880	1,243,725
State Grants and Contracts	587,155	588,682
Private Gifts, Grants, and Contracts	1,425,440	1,221,228
Sales and Services of Educational Activities	16,899	11,855
Auxiliary Enterprises	292,870	282,992
Other Operating Revenues	625,148	553,366
Total Operating Revenues (Schedule A)	<u>13,468,024</u>	<u>14,004,066</u>
Operating Expenses		
Instruction	13,249,328	13,399,344
Public Service	1,018,036	1,325,617
Academic Support	2,626,018	2,608,753
Student Services	3,266,462	3,299,988
Institutional Support	6,354,163	6,057,993
Operation and Maintenance of Plant	3,148,387	3,470,881
Scholarships and Fellowships	5,366,887	6,294,320
Auxiliary Enterprises	1,244,708	1,060,678
Depreciation	1,612,166	1,604,879
Total Operating Expenses (Schedule B)	<u>37,886,155</u>	<u>39,122,453</u>
Operating Loss	(24,418,131)	(25,118,387)
Non-Operating Revenues (Expenses)		
State Appropriations	9,688,257	9,685,321
Maintenance Ad Valorem Taxes	5,832,268	5,997,744
Debt Service Ad Valorem Taxes	2,411,183	2,101,241
Federal Revenue, Non-Operating	8,665,337	9,613,249
Gifts	-	-
Investment Income	128,368	71,397
Interest on Capital Related Debt	(1,183,094)	(1,229,788)
Loss on Disposal of Fixed Assets	(19,913)	(17,034)
Other Non-Operating Revenues	-	-
Other Non-Operating Expenses	(132,104)	(223,824)
Net Non-Operating Revenues (Expenses) (Schedule C)	<u>25,390,302</u>	<u>25,998,306</u>
Increase (Decrease) in Net Position	972,171	879,919
Net Position		
Net Position - Beginning of Year	32,275,816	31,395,897
Net Position - End of Year	<u>\$ 33,247,987</u>	<u>\$ 32,275,816</u>

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

Temple Junior College Foundation, Inc.
Statement of Activities
Year Ended August 31, 2016

Exhibit 2-A

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	\$ 27,222	\$ 113,361	\$ 97,522	\$ 238,105
Special events	-	135,957	-	135,957
Interest and dividends	2,604	-	149,852	152,456
Gain/(loss) on Sale of Assets	(854)	-	(6,590)	(7,444)
Unrealized gain/(losses)	(1,819)	-	297,189	295,370
Rental income, net	1,095,540	-	-	1,095,540
Miscellaneous income	134,791	-	-	134,791
Assets released from restrictions	334,098	(123,913)	(210,185)	-
Total revenues, gains and other support	1,591,582	125,405	327,788	2,044,775
Expenses and Losses				
Programs:				
Rental operating expenses	599,442	-	-	599,442
Scholarship Awards	200,516	-	-	200,516
Special events	-	106,251	-	106,251
Total programs	799,958	106,251	-	906,209
Administration	723,517	-	-	723,517
Interest	746,320	-	-	746,320
Other Expenses	92,802	-	-	92,802
Total expenses and losses	2,362,597	106,251	-	2,468,848
Change in net assets	(771,015)	19,154	327,788	(424,073)
Net assets as of beginning of year	(6,259,217)	526,237	5,302,095	(430,885)
Net assets as of end of year	<u>\$ (7,030,232)</u>	<u>\$ 545,391</u>	<u>\$ 5,629,883</u>	<u>\$ (854,958)</u>

Temple Junior College Foundation, Inc.
Statement of Activities
Year Ended August 31, 2015

Exhibit 2-B

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
Contributions	\$ 47,830	\$ 79,464	\$ 98,990	\$ 226,284
Special events	-	87,606	-	87,606
Interest and dividends	3,623	-	130,169	133,792
Gain/(loss) on Sale of Assets	5,968	-	200,370	206,338
Unrealized gain/(losses)	(13,200)	-	(440,704)	(453,904)
Rental income, net	1,031,371	-	-	1,031,371
Miscellaneous income	119,321	-	-	119,321
Assets released from restrictions	385,861	(248,188)	(137,673)	-
	<u>1,580,774</u>	<u>(81,118)</u>	<u>(148,848)</u>	<u>1,350,808</u>
Total revenues, gains and other support				
Expenses and Losses				
Programs:				
Rental operating expenses	635,091	-	-	635,091
Scholarship Awards	109,613	-	-	109,613
Special events	-	42,192	-	42,192
	<u>744,704</u>	<u>42,192</u>	<u>-</u>	<u>786,896</u>
Total programs				
Administration	675,621	-	-	675,621
Interest	726,095	-	-	726,095
Other Expenses	108,415	-	-	108,415
	<u>2,254,835</u>	<u>42,192</u>	<u>-</u>	<u>2,297,027</u>
Total expenses and losses				
Change in net assets	(674,061)	(123,310)	(148,848)	(946,219)
Net assets as of beginning of year	<u>(5,585,156)</u>	<u>649,547</u>	<u>5,450,943</u>	<u>515,334</u>
Net assets as of end of year	<u>\$ (6,259,217)</u>	<u>\$ 526,237</u>	<u>\$ 5,302,095</u>	<u>\$ (430,885)</u>

Statement of Cash Flows
For the Year Ended August 31, 2017 and August 31, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 10,039,335	\$ 10,294,251
Receipts from grants and contracts	3,543,761	3,731,267
Payments to or on behalf of employees	(21,366,468)	(21,586,800)
Payments to suppliers for goods or services	(7,471,432)	(7,021,307)
Payments for scholarships and fellowships	(5,336,913)	(6,259,214)
Net cash provided (used) by operating activities	<u>(20,591,717)</u>	<u>(20,841,803)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	7,681,494	7,671,412
Receipts from non-operating federal revenue	8,665,337	9,613,249
Receipts from ad valorem taxes	8,257,075	8,107,444
Other payments	(132,104)	(223,824)
Net cash provided (used) by non-capital financing activities	<u>24,471,802</u>	<u>25,168,281</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Issuance of capital debt	-	4,120,000
Purchases of capital assets	(778,030)	(2,691,125)
Payments on capital debt and leases - principal	(2,926,933)	(2,880,294)
Payments on capital debt and leases - interest	(1,183,094)	(1,229,788)
Net cash provided (used) by capital and related financial activities	<u>(4,888,057)</u>	<u>(2,681,207)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from interest on investments	128,368	71,397
Purchase of investments	(38,431,917)	(36,649,659)
Proceeds from sales and maturities of investments	38,089,490	33,922,115
Net cash provided (used) by investing activities	<u>(214,059)</u>	<u>(2,656,147)</u>
Increase (decrease) in cash and cash equivalents	(1,222,031)	(1,010,876)
Cash and cash equivalents - beginning of year	<u>4,272,790</u>	<u>5,283,666</u>
Cash and cash equivalents - end of year	<u>\$ 3,050,759</u>	<u>\$ 4,272,790</u>
Reconciliation of operating income (loss) to net cash used by operating activities		
Operating income (loss)	\$ (24,418,131)	\$ (25,118,387)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	1,612,166	1,604,879
Payments made directly by state for benefits	2,006,763	2,013,909
Changes in assets and liabilities		
Receivables (net)	(330,634)	321,065
Deferred outflow	229,351	315,825
Prepaid expenses	85,832	(1,124,329)
Accounts payable	(269,757)	322,079
Funds held for others	9,791	9,625
Unearned revenue	435,915	(309,238)
Compensated absences	(512,078)	548,969
Accrued liabilities	545,740	511,526
Deferred inflow	13,325	62,274
Net cash provided (used) by operating activities	<u>\$ (20,591,717)</u>	<u>\$ (20,841,803)</u>

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

Temple College
Notes to the Financial Statements
August 31, 2017

1. Reporting Entity

Temple Junior College District was established in 1926, in accordance with the laws of the State of Texas, to serve the educational needs of Temple and the surrounding communities. On April 22, 1996, the name of the Temple Junior College District was changed to Temple College. The College has a campus in Temple, Texas, Taylor, Texas and Hutto, Texas. Temple College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College 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.

2. Summary of Significant Accounting Policies

Reporting Guidelines

The significant accounting policies followed by the College 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* and in accordance with generally accepted accounting policies. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code 56.0333). When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, HEA, Program Funds

Certain Title IV HEA Program funds are received by the college to pass through to the student. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

The financial statements of the College 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.

Temple College
Notes to the Financial Statements
August 31, 2017

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year-end that are provided for in subsequent year's budget are reported as designations of net assets since they do not constitute expenditures or liabilities.

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 College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget must be filed with the Texas Higher Education Coordination Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1st.

Cash and Cash Equivalents

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

Deferred Inflows

In addition to liabilities, 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 will not be recognized as an inflow of resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB.

Deferred Outflows

In addition to assets, 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 that time. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB.

Investments

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

Capital Assets

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

Temple College
Notes to the Financial Statements
August 31, 2017

Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

Buildings	50 years
Land Improvements	20 years
Library Books	15 years
Furniture, Machinery, Vehicles, and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years

Unearned Revenue

Tuition and fees of \$6,582,819 and \$6,141,558 have been reported as unearned revenues at August 31, 2017 and August 31, 2016, respectively.

Pensions

The College 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 on the flow of economic resources measurement focus and full accrual basis of accounting. This includes 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 refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College'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. The operation of the bookstore and food service is not performed by the College.

3. Authorized Investments

Temple College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The Board of Trustees of Temple College has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the College are in compliance with the Trustee's investment policies.

Temple College
Notes to the Financial Statements
August 31, 2017

4. Deposits and Investments

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

Cash and Deposits

Bank Deposits	<u>2017</u>	<u>2016</u>
Demand Deposits	\$3,046,952	\$4,269,126
Time Deposits	-	-
	<u>\$3,046,952</u>	<u>\$4,269,126</u>
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 3,807	\$ 3,664
Reimbursements in Transit	-	-
	<u>\$ 3,807</u>	<u>\$ 3,664</u>
 Total Cash and Cash Equivalents	 <u><u>\$3,050,759</u></u>	 <u><u>\$4,272,790</u></u>

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	<u>Market Value</u> <u>August 31, 2017</u>	<u>Market Value</u> <u>August 31, 2016</u>
Total Cash and Deposits	<u>\$ 3,050,759</u>	<u>\$ 4,272,790</u>
CD's	5,584,363	5,533,607
BBVA Compass Money Market	1,000	1,000
Tex Pool	2,012	2,023
Texas Class	17,351,555	17,059,873
Total Investments	<u>\$ 22,938,930</u>	<u>\$ 22,596,503</u>
 TOTAL DEPOSITS AND INVESTMENTS	 <u><u>\$ 25,989,689</u></u>	 <u><u>\$ 26,869,293</u></u>
Cash and Cash Equivalents (Exhibit 1)	1,591,673	2,735,251
Restricted Cash and Cash Equivalents (Exhibit 1)	1,459,086	1,537,539
Short Term Investments (Exhibit 1)	17,354,567	17,062,896
Other Long Term Investments (Exhibit 1)	<u>5,584,363</u>	<u>5,533,607</u>
 TOTAL DEPOSITS AND INVESTMENTS (Exhibit 1)	 <u><u>\$ 25,989,689</u></u>	 <u><u>\$ 26,869,293</u></u>

Temple College
Notes to the Financial Statements
August 31, 2017

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>N/A</u>
		<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>	
Money Market Account	\$ 1,000	\$ 1,000			
Investment Pool	17,353,567	17,353,567	-	-	-
Certificate of Deposit	5,584,363	2,517,399	2,060,497	1,006,467	-
Total Fair Value	<u>\$22,938,930</u>	<u>\$19,871,966</u>	<u>\$2,060,497</u>	<u>\$ 1,006,467</u>	<u>\$ -</u>

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>N/A</u>
		<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>	
Money Market Account	\$ 1,000	\$ 1,000			
Investment Pool	17,061,896	17,061,896	-	-	-
Certificate of Deposit	5,533,607	2,037,596	2,494,736	1,001,275	-
Total Fair Value	<u>\$22,596,503</u>	<u>\$19,100,492</u>	<u>\$2,494,736</u>	<u>\$ 1,001,275</u>	<u>\$ -</u>

The governing board has designated public fund investment pools comprised of \$17,353,567 and \$17,061,896 at August 31, 2017 and August 31, 2016, respectively to be short-term investments.

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

Credit Risk – In accordance with state law and the College’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.

Concentration of Credit Risk – The College does not place a limit on the amount the College may invest in any one issuer. No individual issuer exceeded 5% of the College’s investments.

5. Derivatives

None.

Temple College
Notes to the Financial Statements
August 31, 2017

6. Capital Assets

Capital assets activity for the year ended August 31, 2017 was as follows:

	<u>Balance</u> <u>9/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2017</u>
<u>Not Depreciated:</u>				
Land	\$ 3,672,512	\$ 120,493	\$ -	\$ 3,793,005
Construction in Process	<u>2,008,239</u>	<u>112,568</u>	<u>2,008,239</u>	<u>112,568</u>
Total Not Depreciated	5,680,751	233,061	2,008,239	3,905,573
<u>Buildings and Other Capital Assets:</u>				
Buildings	44,774,291	2,335,563	-	47,109,854
Land Improvements	9,637,756	85,815	-	9,723,571
Library Books	1,902,644	41,292	45,930	1,898,006
Furniture, Machinery, Vehicles, And Other Equipment	2,498,499	73,936	198,347	2,374,088
Telecommunications and Peripheral Equipment	<u>4,647,252</u>	<u>16,602</u>	<u>75,680</u>	<u>4,588,174</u>
Total Buildings and Other Capital Assets	<u>63,460,442</u>	<u>2,553,208</u>	<u>319,957</u>	<u>65,693,693</u>
<u>Accumulated Depreciation:</u>				
Buildings	11,465,893	805,243	-	12,271,136
Land Improvements	4,129,751	414,399	-	4,544,150
Library Books	1,627,715	35,890	40,802	1,622,803
Furniture, Machinery, Vehicles, And Other Equipment	1,584,368	159,981	183,562	1,560,787
Telecommunications and Peripheral Equipment	<u>4,066,748</u>	<u>196,653</u>	<u>75,680</u>	<u>4,187,721</u>
Total Accumulated Depreciation	<u>\$22,874,475</u>	<u>\$1,612,166</u>	<u>\$ 300,044</u>	<u>\$ 24,186,597</u>
Net Other Capital Assets	<u>\$40,585,967</u>	<u>\$ 941,042</u>	<u>\$ 19,913</u>	<u>\$ 41,507,096</u>
Net Capital Assets	<u>\$46,266,718</u>	<u>\$1,174,103</u>	<u>\$ 2,028,152</u>	<u>\$ 45,412,669</u>

Temple College
Notes to the Financial Statements
August 31, 2017

Capital assets activity for the year ended August 31, 2016, was as follows:

	Balance 9/1/2015	Increases	Decreases	Balance 8/31/2016
<u>Not Depreciated:</u>				
Land	\$ 3,233,765	\$ 438,747	\$ -	\$ 3,672,512
Construction in Process	<u>-</u>	<u>2,008,239</u>	<u>-</u>	<u>2,008,239</u>
Total Not Depreciated	3,233,765	2,446,986	-	5,680,751
<u>Buildings and Other Capital Assets:</u>				
Buildings	44,774,291	-	-	44,774,291
Land Improvements	9,637,756	-	-	9,637,756
Library Books	1,903,243	43,780	44,379	1,902,644
Furniture, Machinery, Vehicles, And Other Equipment	2,385,376	178,073	64,950	2,498,499
Telecommunications and Peripheral Equipment	<u>4,624,965</u>	<u>22,287</u>	<u>-</u>	<u>4,647,252</u>
Total Buildings and Other Capital Assets	<u>63,325,631</u>	<u>244,140</u>	<u>109,329</u>	<u>63,460,442</u>
<u>Accumulated Depreciation:</u>				
Buildings	10,678,450	787,443	-	11,465,893
Land Improvements	3,715,428	414,323	-	4,129,751
Library Books	1,628,057	36,469	36,811	1,627,715
Furniture, Machinery, Vehicles, And Other Equipment	1,475,500	164,352	55,484	1,584,368
Telecommunications and Peripheral Equipment	<u>3,864,455</u>	<u>202,293</u>	<u>-</u>	<u>4,066,748</u>
Total Accumulated Depreciation	<u>\$21,361,890</u>	<u>\$ 1,604,880</u>	<u>\$ 92,295</u>	<u>\$ 22,874,475</u>
Net Other Capital Assets	<u>\$41,963,741</u>	<u>\$ (1,360,740)</u>	<u>\$ 17,034</u>	<u>\$ 40,585,967</u>
Net Capital Assets	<u>\$45,197,506</u>	<u>\$ 1,086,246</u>	<u>\$ 17,034</u>	<u>\$ 46,266,718</u>

Temple College
Notes to the Financial Statements
August 31, 2017

7. Non-Current Liabilities

Non-current liability activity for the year ended August 31, 2017 was as follows:

	Balance			Balance	
	September 1,	Additions	Reductions	August 31,	Current
	2016			2017	Portion
<u>Bonds</u>					
General obligation bonds	\$ 19,135,000	\$ -	\$ 1,365,000	\$ 17,770,000	\$ 1,425,000
Revenue bonds	<u>12,155,000</u>	<u>-</u>	<u>1,210,000</u>	<u>10,945,000</u>	<u>1,250,000</u>
Subtotal	<u>\$ 31,290,000</u>	<u>\$ -</u>	<u>\$ 2,575,000</u>	<u>\$ 28,715,000</u>	<u>\$ 2,675,000</u>
Leases	2,345,004	-	351,933	1,993,071	369,765
Accrued compensable absences	888,564	26,411	13,086	901,889	-
Net pension liability	<u>4,582,955</u>	<u>2,058,668</u>	<u>1,512,928</u>	<u>5,128,695</u>	<u>-</u>
Total long-term liabilities	<u>\$ 39,106,523</u>	<u>\$ 2,085,079</u>	<u>\$4,452,947</u>	<u>\$ 36,738,655</u>	<u>\$ 3,044,765</u>

Non-current liability activity for the year ended August 31, 2016 was as follows:

	Balance			Balance	
	September 1,	Additions	Reductions	August 31,	Current
	2015			2016	Portion
<u>Bonds</u>					
General obligation bonds	\$ 20,450,000	\$ -	\$ 1,315,000	\$ 19,135,000	\$ 1,365,000
Revenue bonds	<u>9,265,000</u>	<u>4,120,000</u>	<u>1,230,000</u>	<u>12,155,000</u>	<u>1,210,000</u>
Subtotal	<u>\$ 29,715,000</u>	<u>\$ 4,120,000</u>	<u>\$ 2,545,000</u>	<u>\$ 31,290,000</u>	<u>\$ 2,575,000</u>
Leases	2,680,298	-	335,294	2,345,004	351,931
Accrued compensable absences	826,290	63,332	1,058	888,564	-
Net pension liability	<u>4,071,429</u>	<u>1,901,270</u>	<u>1,389,744</u>	<u>4,582,955</u>	<u>-</u>
Total long-term liabilities	<u>\$ 37,293,017</u>	<u>\$ 6,084,602</u>	<u>\$ 4,271,096</u>	<u>\$ 39,106,523</u>	<u>\$2,926,931</u>

Temple College
Notes to the Financial Statements
August 31, 2017

8. Debt and Lease Obligations

For the Year Ended August 31,	General Obligation Bonds			Revenue Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	1,425,000	727,071	2,152,071	1,250,000	357,091	1,607,091	2,675,000	1,084,162	3,759,162
2019	1,485,000	666,348	2,151,348	1,300,000	314,905	1,614,905	2,785,000	981,253	3,766,253
2020	1,545,000	603,011	2,148,011	1,345,000	270,905	1,615,905	2,890,000	873,916	3,763,916
2021	1,610,000	537,111	2,147,111	1,385,000	225,290	1,610,290	2,995,000	762,401	3,757,401
2022	1,675,000	468,401	2,143,401	1,025,000	178,133	1,203,133	2,700,000	646,534	3,346,534
2023-2027	6,350,000	1,500,920	7,850,920	3,505,000	439,458	3,944,458	9,855,000	1,940,378	11,795,378
2028-2031	3,680,000	370,312	4,050,312	1,135,000	64,894	1,199,894	4,815,000	435,206	5,250,206
Total	<u>\$17,770,000</u>	<u>\$ 4,873,174</u>	<u>\$22,643,174</u>	<u>\$10,945,000</u>	<u>\$1,850,676</u>	<u>\$12,795,676</u>	<u>\$28,715,000</u>	<u>\$ 6,723,850</u>	<u>\$35,438,850</u>

Obligations under capital leases at August 31, 2017 were as follows:

For the Year Ended August 31,	Total
2018	\$ 453,620
2019	328,308
2020	333,942
2021	154,626
2022	94,493
2023-2027	472,828
2028-2032	472,122
2033-2036	377,848
Total minimum lease payments	\$ 2,687,787
Less: Amount representing interest costs	<u>(694,716)</u>
Present value of minimum lease payment	<u>\$ 1,993,071</u>

Temple College
Notes to the Financial Statements
August 31, 2017

Obligation under operating leases at August 31, 2017 were as follows:

For the Year Ended August 31,	<u>Total</u>
2018	\$ 673,148
2019	683,831
2020	679,322
2021	644,085
2022	640,687
2023-2027	2,954,560
2028-2032	2,834,212
2033-2036	<u>2,179,133</u>
Total minimum lease payments	\$11,288,978
Less: Amount representing interest costs	<u>-</u>
Present value of minimum lease payment	<u>\$11,288,978</u>

Temple College leases building space from Texas State Technical College under a non-cancellable operating lease agreement. The lease is for a 25 year term; the College has the option to renew the lease for two additional 25 year terms. Fiscal year 2012 was the first year this lease was in effect. The amount included in expenditures for rent under this agreement at August 31, 2017 and 2016 for rent under this lease were \$622,270 and \$614,872, respectively.

During FY 2017, the College entered into two additional operating leases for: (1) Sonography equipment and (2) IT network equipment. The Sonography equipment contract is a five year, fair value lease through Philips Medical Capital, LLC; payments on this lease begin in FY 2018 and will end in FY 2022; total annual payments range from \$23,635 to \$37,801. The IT network equipment contract is a three year financing lease through De Lage Laden Financial; payments on this lease begin in FY 2018 and will end in FY 2020; annual payments are \$29,700. Temple College will not retain ownership of the equipment under either lease at the expiration of the contracts.

9. Bonds Payable

Bonds payable at August 31, 2017 are comprised of the following individual issues:

\$10,455,000 Limited Tax School Building and Equipment and Refunding Bonds, Series 2002, issued 1-22-02, due in annual installments of \$250,000 to \$735,000 through 7-1-22; interest at 4.90%, to provide funds for construction costs and equipment in College's building expansion and to refund certain of the College's outstanding bonds, secured by future ad valorem taxes.	\$ 2,505,000
--	--------------

Temple College
Notes to the Financial Statements
August 31, 2017

\$10,000,000 Revenue and Refunding Bonds, Series 2006, issued 12-21-06, due in installments of \$140,000 to \$545,000 from 7-1-09 through 7-1-25; interest at 4.00% to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations, or facilities of any nature; to refund Series 1996 bonds maturing 2013 through 2015, 2018 and 2021 inclusive on aggregate principal amount of \$3,540,000; for funding a reserve fund paying costs of issuance related to bonds; to refund Series 2000 maturing 7-1-13 through 7-1-25 in aggregate principal amount of \$3,885,000. 5,635,000

\$7,500,000 Limited Tax School Building and Equipment, Bonds Series 2007, issued 2-27-07, due in installments of \$155,000 to \$535,000, from 7-1-08 to 7-1-27; interest at 3.980% to provide funds for construction and equipment of school buildings, including a new science building and renovations to existing facilities of the district. 4,530,000

\$13,000,000 Temple Junior College District Limited Tax School Building Bonds, Series 2010 issued 12-30-10, due in installments of \$125,000 to \$975,000 from 7-1-10 to 8-31-31, interest at 3.950%, to provide funds for the construction and equipment of school buildings in said District, including a anew instructional building; to provide funds for construction and renovations to existing facilities of the District, including academic buildings, parking facilities, streets, landscaping, and other campus infrastructure; to levy, pledge, and cause to be assessed and collected, annual ad valorem taxes on all property in said District sufficient to pay the principal of, and interest on said bonds, within the limit prescribed by law. 10,735,000

\$2,210,000 Revenue and Refunding Bonds, Series 2013 issued 5-14-13, due in installments of \$200,000 to \$235,000 from 7-1-14 through 7-1-23, interest at 1.45%, to refund Series 2003 Revenue and Refunding Bonds maturing 2014 through 2013 inclusive on aggregate principal amount of \$2,160,000, and to pay costs of issuance associated with the bonds, secured by a pledge of certain revenues and additionally secured by the Reserve fund. 1,375,000

\$4,120,000 Revenue Bonds, Series 2015 issued 12-10-15, due in installments of \$185,000 to \$385,000 from 7-1-17 through 7-1-30, interest at 2.84%; to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations or facilities, or any nature and paying cost of issuance with the bonds, secured by a pledge of certain revenues. 3,935,000

\$ 28,715,000

Temple College
Notes to the Financial Statements
August 31, 2017

All authorized bonds were issued for each series.

For the year ended August 31, 2017 the College was in compliance with all significant covenants and restrictions that are contained in the various bond indentures. Revenues pledged for retirement of Revenue Bonds consist of tuition, fees and various auxiliary income.

10. Advance Refunding Bonds

Not applicable.

11. Defeased Bonds Outstanding

Not applicable.

12. Short-term Debt

Not applicable.

13. Employees' Retirement Plan

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

Teacher Retirement System of Texas

Plan Description. Temple College contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan, which has a special funding situation. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 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 State Legislature establishes benefit 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 TRS'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 from on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS administers service and disability retirement, as well as death and survivor benefits, to eligible employees, and beneficiaries of employees, 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, the three highest annual salaries are used.

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

Temple College
Notes to the Financial Statements
August 31, 2017

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 total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered in under a previous rule.

There are no automatic post-employment benefit changes, including automatic COLAs. 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 not actuarially determined but established and amended by the Texas State Legislature, pursuant to Article 16, Section 67 of the Texas Constitution. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and 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; (2) 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 Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Temple College - 2016 Employer Contributions		\$434,700
Temple College - 2016 NECE On-Behalf Contributions		\$327,558
Temple College - 2016 Member Contributions		\$305,861

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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 amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) 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.

Temple College
Notes to the Financial Statements
August 31, 2017

- 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, there are two additional surcharges an employer is subject to.

- 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

• Valuation Date	August 31, 2016
• 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%
• Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115	
• Projection Period (100 Years)	2115
• Inflation	2.5%
• Salary Increases including inflation	3.5% to 9.5%
• Payroll Growth Rate	2.5%
• Benefit changes during the year	None
• Ad hoc post-employment benefit changes	None

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

Actuarial methods and assumptions are 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 or other inputs that affected the measurement of the total pension liability since the prior measurement period.

Temple College
Notes to the Financial Statements
August 31, 2017

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 8.0%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

Temple College
Notes to the Financial Statements
August 31, 2017

*The expected contribution to returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Source: TRS 2016 Comprehensive Annual Financial Report

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Temple College's proportionate share of the net pension liability:	\$7,937,492	\$5,128,695	\$2,746,267

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, Temple College reported a liability of \$5,128,695 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College 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 College were as follows:

Temple College's proportionate share of the collective net pension liability	\$5,128,695
State's proportionate share that is associated with Temple College	<u>\$3,888,063</u>
Total	<u><u>\$9,016,758</u></u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Temple College's proportion of the net pension liability was based on the College's contributions to the pension plan relative to the contributions of all employers to the plan for period September 1, 2015 through August 31, 2016.

At the measurement date of August 31, 2016, the employer's proportion of the collective net pension liability was 0.0135721%, which was an increase of 0.0006071% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017, Temple College recognized pension expense of \$403,488 and revenue of \$403,488 for support provided by the State.

Temple College
Notes to the Financial Statements
August 31, 2017

At August 31, 2017, Temple College 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	\$80,417	\$153,140
Changes in actuarial assumptions	\$156,313	\$142,161
Differences between projected and actual investment earnings	\$988,307	\$554,019
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$92,543	\$433,033
Contributions paid to TRS subsequent to the measurement date	\$432,430	\$0
Total	\$1,750,010	\$1,282,353

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:

Year Ended August 31:	Pension Expense Amount
2018	(\$32,049)
2019	(\$32,049)
2020	\$244,960
2021	(\$53,326)
2022	(\$110,475)
Thereafter	\$18,167

Optional Retirement Plan

Plan Description. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions 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 percentages of participant salaries currently contributed by the state and each participant are 6.6% (state = 3.234%, local = 3.366%) and 6.65%, respectively. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. SB 1812, effective September 1, 2013, limits the amount of the State's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the College was \$148,973 and \$161,343 for the fiscal years ended August 31, 2017 and 2016, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

Temple College
Notes to the Financial Statements
August 31, 2017

The total payroll for all College employees was \$17,702,114 and \$17,980,546 for fiscal years 2017 and 2016, respectively. The total payroll of employees covered by the Teacher Retirement System was \$9,983,630 and \$9,479,586, and the total payroll of employees covered by the Optional Retirement System was \$4,368,930 and \$5,174,216 for fiscal years 2017 and 2016, respectively.

14. Deferred Compensation Program

College 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. The Plan is through AIG through the State.

As of August 31, 2017, the College has 4 employees participating in the program. These 4 employees were vested as of August 31, 2017. A total of \$27,600 in contributions was invested in the plan during the fiscal year. The funds are invested in Empower Retirement Services in each employee's accounts and are not a liability to Temple College.

15. Compensable Absences

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with Temple College. The College's policy is that an employee may carry his/her accrued leave forward with proper approval. Employees who terminate employment for whatever reason are entitled to payment for all accumulated annual leave up to a maximum of one year's worth of accumulation. The College recognized the accrued liability for the unpaid annual leave in the amount of \$396,099 and \$406,642 for fiscal years 2017 and 2016, respectively.

Sick leave, which is accumulated up to a limit of 1040 hours, is earned at the rate of 8 hours per month and is paid to an employee who misses work from illness or immediate family illness. Employees who terminate employment for whatever reason or upon death of the employee, in which the funds are paid to the estate of the employee, are entitled to payment of 173.33 hours provided the employee has worked 10 or more years of full-time employment at Temple College. The maximum sick leave that may be paid to the employee at termination of employment, or the employee's estate, is 173.33 hours. The College recognized the accrued liability for the unpaid sick leave in the amount of \$505,790 and \$481,922 for fiscal years 2017 and 2016, respectively.

16. Pending Lawsuits and Claims

As of August 31, 2017, there were no pending lawsuits or claims against the College.

Temple College
Notes to the Financial Statements
August 31, 2017

17. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Student Receivables	\$ 4,940,104	\$ 4,752,982
Taxes Receivable	248,876	275,618
Federal Receivable	81,373	129,269
State Receivable	12,473	12,581
Other Receivable	<u>1,590,168</u>	<u>1,432,302</u>
Subtotal	\$ 6,872,994	\$ 6,602,752
Less: Allowance for Doubtful Accounts	<u>(711,522)</u>	<u>(758,290)</u>
Total Receivables	<u>\$6,161,472</u>	<u>\$ 5,844,462</u>

Payables

Payables at August 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Vendors Payable	\$ 771,688	\$ 1,075,394
Salaries & Benefits Payable	922	5,297
Students Payable	<u>6,875</u>	<u>(1,475)</u>
Total Payables	<u>\$ 779,485</u>	<u>\$ 1,079,216</u>

18. Funds Held in Trust by Others

None.

19. Contract and Grant Awards

Contract and grants awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contracts and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution 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 years 2017 and 2016 for which monies have not been received nor funds expended totaled \$7,049,866 and \$7,923,586. Of these amounts, \$6,886,042 and \$7,786,710 were from Federal Contract and Grant Awards.

20. Self-Insured Plans

The College participates in self-insured worker's compensation and unemployment compensation plans. Employee health insurance is offered through the State of Texas Employee Retirement System group plan. The Worker's Compensation plan is a self-insured group comprised of approximately fifteen (15) state community colleges and a loss fund is set up on the College books to record the estimated exposure each year.

Temple College
Notes to the Financial Statements
August 31, 2017

Unemployment claims are managed by the Texas Workforce Commission and payments are made on a claims-made basis.

21. Post-Retirement Health Care & Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$907 per month for the year ended August 31, 2017 (\$1,124 per month for 2016) and totaled \$1,427,861 for 2017 (\$1,332,463 for 2016). The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

22. Ad Valorem Tax

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

At August 31:

	<u>2017</u>	<u>2016</u>
Assessed Valuation of the College:	\$ 5,863,605,086	\$5,794,699,049
Less: Exemptions	(1,012,403,847)	(994,805,803)
Less: Abatements	<u>(407,271,981)</u>	<u>(260,506,519)</u>
Net Assessed Valuation of the College	<u>\$ 4,443,929,258</u>	<u>\$ 4,539,386,727</u>

	<u>Current</u>	<u>2017</u>		<u>Current</u>	<u>2016</u>	
	<u>Operations</u>	<u>Debt</u>	<u>Total</u>	<u>Operations</u>	<u>Debt</u>	<u>Total</u>
Authorized						
Tax Rate per						
\$100 valuation	\$ -	\$ -	\$ 0.2500	\$ -	\$ -	\$ 0.2500
Assessed						
Tax Rate per						
\$100 valuation	\$ 0.1454	\$ 0.0603	\$ 0.2057	\$ 0.1483	\$ 0.0617	\$ 0.2100

Taxes levied for the year ended August 31, 2017 and 2016 amounted to \$9,090,493 and \$9,475,973, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Temple College
Notes to the Financial Statements
August 31, 2017

	<u>2017</u>			<u>2016</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Tax Collected	\$ 6,343,895	\$ 2,625,618	\$ 8,969,513	\$ 6,617,539	\$ 2,746,927	\$ 9,364,466
Delinquent Taxes Collected	51,731	20,266	71,997	56,098	20,379	76,477
Penalties & Interest Collected	45,608	17,848	63,456	46,895	17,279	64,174
Total Collections	<u>\$ 6,441,234</u>	<u>\$ 2,663,732</u>	<u>\$ 9,104,966</u>	<u>\$ 6,720,532</u>	<u>\$ 2,784,585</u>	<u>\$ 9,505,117</u>

Tax collections for the year ended August 31, 2017 and 2016 were 98.7% and 98.8%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service. The College remitted payments of \$861,515 and \$1,406,131 in fiscal years 2017 and 2016, respectively, for taxes collected on behalf of the Temple Increment Zone.

Tax Abatements

The City of Temple entered into abatement agreements that reduced ad valorem taxes payable on real property improvements. The total abated for FY 2017 was \$407,271,981, resulting in \$837,758 of forgone revenue, based on the College's tax rate of \$0.2057 per \$100 of value.

23. Branch Campus Tax

A branch campus maintenance tax has been established by election and levied by Hutto Independent School District in Williamson County, Texas. It is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in Hutto Independent School District. Collections are transferred to the College to be used for the operation of a Branch Campus at Hutto. This revenue is reported under Local Grants and Contracts.

<u>County or I.S.D.</u>	<u>Collections (including penalties and interest)</u>	
	<u>FY 2017</u>	<u>FY 2016</u>
Hutto I.S.D.	\$ 1,180,639	\$ 1,017,832

24. Income Taxes

The College 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 taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2017 and 2016.

25. Component Units

Temple College Foundation (the Foundation) was established as a separate nonprofit organization in 1982, for the purpose of providing student scholarships and assistance in the development and growth of the College. Under Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units, the Foundation is a component unit of the College because:

Temple College
Notes to the Financial Statements
August 31, 2017

- The College provides financial support to the Foundation and the economic resources received or held by the Foundation are entirely for the benefit of the College.
- The College is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the Foundation.
- The economic resources held by the Foundation that the College is entitled to or has the ability to otherwise access are significant to the College.

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). Fiscal year 2017 financial statements were not included, as the audit for 2017 was not completed by the date the College's financial statements were audited and submitted. Complete financial statements of Temple College Foundation can be obtained from the administrative office of the Foundation.

26. Related Parties (Not a Component Unit)

Not applicable.

27. Subsequent Events

None.

28. Postemployment Benefits Other than Pensions

Plan Description. The College 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 college 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 publicly 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.state.tx.us/>.

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

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

Temple College
Notes to the Financial Statements
August 31, 2017

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 thirty years.

The College's contributions to SRHP for the years ended August 31, 2017, 2016, and 2015 were \$4,029,422, \$3,969,903, and \$3,421,887, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES

Temple College
Schedule of Temple College's Proportionate Share of Net Pension Liability
Last Three Fiscal Years**

Fiscal year ending August 31*	2017**	2016**	2015**
Temple College's proportionate share of collective net pension liability	0.0135721%	0.0129650%	0.0152423%
Temple College's proportionate share of collective net pension liability	\$ 5,128,695	\$ 4,582,955	\$ 4,071,429
State's proportionate share of net pension liability associated with Temple College	\$ 3,888,063	\$ 3,650,257	\$ 3,089,213
Total	\$ 9,016,758	\$ 8,233,212	\$ 7,160,642
Temple College's covered payroll amount	\$ 9,983,630	\$ 9,479,586	\$ 8,940,730
TC's proportionate share of collective net pension liability as a percentage of covered payroll	51.4%	48.3%	45.5%
Plan fiduciary net position as percentage of total pension liability	78.00%	78.43%	83.25%

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

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

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

Temple College
Schedule of Temple College's Contributions
Last Three Fiscal Years**

Fiscal year ending August 31*	2017**	2016**	2015**
Legally required contributions	\$ 678,887	\$ 644,612	\$ 607,970
Actual contributions	\$ 678,887	\$ 644,612	\$ 607,970
Contributions deficiency (excess)	\$ -	\$ -	\$ -
Temple College's covered payroll amount	\$ 9,983,630	\$ 9,479,586	\$ 8,940,730
Contributions as a percentage of covered payroll	6.8%	6.8%	6.8%

*The amounts presented above are as of TC's respective fiscal year-end.

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

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

Temple College
Notes to Required Supplementary Information
For the Year Ended August 31, 2017

1. Changes of Benefit Terms include:

The college implemented a salary and wage increase effective September 1, 2016 for full time faculty/administrators and staff. When salary projections are developed for each succeeding academic year, Base Salaries may be adjusted either by a percentage amount, a specific dollar amount, or a combination of the two methods of adjustment. The Base Salary is the primary component for maintaining the competitiveness of Temple College faculty/administrators and staff salaries. Full time employees were given a one (1) step increase. The average increase for a faculty/administrator and staff position was approximately 1%.

2. Changes of Assumptions:

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

SUPPLEMENTARY SCHEDULES

Schedule of Operating Revenues

For the Year Ended August 31, 2017 (with Memorandum Totals for the Year Ended August 31, 2016)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational</u>	<u>Auxiliary Enterprises</u>	<u>2017 Total</u>	<u>2016 Total</u>
Tuition						
State funded courses						
District tuition	\$ 6,108,522	\$ -	\$ 6,108,522	\$ -	\$ 6,108,522	\$ 6,380,066
Out-of-district tuition	4,023,315	-	4,023,315	-	4,023,315	4,160,274
Non-resident tuition	390,654	-	390,654	-	390,654	337,633
Health science tuition	190,365	-	190,365	-	190,365	186,656
TPEG-Credit (set aside) *	392,097	-	392,097	-	392,097	409,578
State funded continuing education	528,511	-	528,511	-	528,511	477,189
TPEG-non-credit (set aside) *	31,247	-	31,247	-	31,247	37,699
Non-state funded continuing education	20,960	-	20,960	-	20,960	139,943
Total Tuition	11,685,671	-	11,685,671	-	11,685,671	12,129,038
Fees						
General fee	1,471,310	-	1,471,310	-	1,471,310	1,533,247
Laboratory fee	141,670	-	141,670	-	141,670	154,290
Other fees	2,094,617	-	2,094,617	-	2,094,617	2,209,257
Total Fees	3,707,597	-	3,707,597	-	3,707,597	3,896,794
Scholarships Allowances and Discounts						
Remissions, exemptions, waivers - state	(784,368)	-	(784,368)	-	(784,368)	(813,591)
Remissions, exemptions, waivers - local	(1,010,759)	-	(1,010,759)	-	(1,010,759)	(1,093,111)
TPEG discounts	(189,619)	-	(189,619)	-	(189,619)	(159,095)
Title IV federal grants discounts	(3,467,893)	-	(3,467,893)	-	(3,467,893)	(3,508,635)
Texas grants I & II discounts	(185,459)	-	(185,459)	-	(185,459)	(169,978)
Other local discounts	(250,538)	-	(250,538)	-	(250,538)	(179,204)
Total Scholarship Allowances	(5,888,636)	-	(5,888,636)	-	(5,888,636)	(5,923,614)
Total Net Tuition and Fees	9,504,632	-	9,504,632	-	9,504,632	10,102,218
Additional Operating Revenues						
Federal grants and contracts	-	1,015,880	1,015,880	-	1,015,880	1,243,725
State grants and contracts	-	587,155	587,155	-	587,155	588,682
Private gifts, grants, and contracts	1,425,440	-	1,425,440	-	1,425,440	1,221,228
Sales and services of educational activities	16,899	-	16,899	-	16,899	11,855
General operating revenue	625,148	-	625,148	-	625,148	553,366
Total Additional Operating Revenue	2,067,487	1,603,035	3,670,522	-	3,670,522	3,618,856
Auxiliary Enterprises						
Miscellaneous income	-	-	-	292,870	292,870	282,992
Total Auxiliary Enterprises	-	-	-	292,870	292,870	282,992
Total Operating Revenues	\$ 11,572,119	\$ 1,603,035	\$ 13,175,154	\$ 292,870	\$ 13,468,024	\$ 14,004,066
					(Exhibit 2)	(Exhibit 2)

*In accordance with Education Code 56.033, \$423,344 and \$447,277 for years August 31, 2017 and 2016, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

Schedule of Operating Expenses by Object
 Year Ended August 31, 2017 (with Memorandum Totals for the Year Ended August 31, 2016)

	Operating Expenses				2017	2016
	Salaries & Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted-Educational Activities						
Instruction	\$ 9,532,621	\$ -	\$ 1,612,595	\$ 865,138	\$ 12,010,354	\$ 12,218,464
Public Service	116,868	-	44,201	35,007	196,076	313,321
Academic Support	1,487,406	-	440,380	512,696	2,440,482	2,470,207
Student Services	1,752,333	-	629,336	230,732	2,612,401	2,540,261
Institutional Support	3,046,330	-	786,755	2,093,464	5,926,549	5,683,435
Operation and Maintenance of Plant	478,076	-	296,607	2,373,704	3,148,387	3,470,881
Total Unrestricted Educational Activities	16,413,634	-	3,809,874	6,110,741	26,334,249	26,696,569
Restricted-Educational Activities						
Instruction	8,505	1,218,311	1,911	10,247	1,238,974	1,180,880
Public Service	474,276	-	76,840	270,844	821,960	1,012,296
Academic Support	-	185,536	-	-	185,536	138,546
Student Services	322,007	111,256	24,104	196,694	654,061	759,727
Institutional Support	-	427,614	-	-	427,614	374,558
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarships & Fellowships	-	-	-	5,366,887	5,366,887	6,294,320
Total Restricted Educational Activities	804,788	1,942,717	102,855	5,844,672	8,695,032	9,760,327
Total Educational Activities	17,218,422	1,942,717	3,912,729	11,955,413	35,029,281	36,456,896
Auxiliary Enterprises	315,488	-	116,693	812,527	1,244,708	1,060,678
Depreciation of Building and Improvements	-	-	-	1,219,642	1,219,642	1,568,410
Depreciation of Equipment & Furniture	-	-	-	392,524	392,524	36,469
TOTAL OPERATING EXPENSES	\$ 17,533,910	\$ 1,942,717	\$ 4,029,422	\$ 14,380,106	\$ 37,886,155	\$ 39,122,453
					(Exhibit 2)	(Exhibit 2)

Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2017 (with Memorandum Totals for the Year Ended August 31, 2016)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2017 Total</u>	<u>2016 Total</u>
Non-Operating Revenues					
State Appropriations:					
Education and General State Support	\$ 7,634,003	\$ -	\$ -	\$ 7,634,003	\$ 7,634,005
State Group Insurance	-	1,454,301	-	1,454,301	1,332,463
State Retirement Matching	-	552,462	-	552,462	681,446
Professional Nursing Growth Shortage	-	-	-	-	-
Professional Nursing Over 70%	-	-	-	-	-
Small Institution, Article IX and Supplemental	47,491	-	-	47,491	37,407
Total State Appropriations	7,681,494	2,006,763	-	9,688,257	9,685,321
Maintenance Ad Valorem Taxes	5,832,268	-	-	5,832,268	5,997,744
Debt Service ad Valorem Taxes	2,411,183	-	-	2,411,183	2,101,241
Federal Revenue, Non-Operating	-	8,665,337	-	8,665,337	9,613,249
Gifts	-	-	-	-	-
Investment Income	128,368	-	-	128,368	71,397
Other Non-Operating Revenue	-	-	-	-	-
Total Non-Operating Revenues	16,053,313	10,672,100	-	26,725,413	27,468,952
Non-Operating Expenses					
Interest on Capital Related Debt	1,183,094	-	-	1,183,094	1,229,788
Loss on Disposal of Capital Assets	19,913	-	-	19,913	17,034
Other Non-Operating Expense	131,954	150	-	132,104	223,824
Total Non-Operating Expenses	1,334,961	150	-	1,335,111	1,470,646
Net Non-Operating Revenues	\$ 14,718,352	\$ 10,671,950	\$ -	\$ 25,390,302	\$ 25,998,306
				(Exhibit 2)	(Exhibit 2)

Schedule of Net Position by Source and Availability
Year Ended August 31, 2017 (with Memorandum Totals for the Year Ended August 31, 2016)

	Detail by Source		Available for Current Operations	
	Unrestricted	Restricted	Yes	No
Current:				
Unrestricted	\$ 4,957,689	\$ -	\$ 4,957,689	\$ -
Board designated	1,915,931	-	1,915,931	-
Restricted	-	540,365	540,365	-
Auxiliary enterprises	(22,989)	-	(22,989)	-
Loan	-	26,816	-	26,816
Plant				
Unexpended	6,047,643	-	6,047,643	6,047,643
Renewals	1,859,020	-	1,859,020	1,859,020
Debt service	-	2,354,549	-	2,354,549
Investment in plant	-	-	15,568,963	15,568,963
Total Net Position, August 31, 2017	\$ 14,757,294	\$ 2,381,365	\$ 33,247,987	\$ 25,856,991
			(Exhibit 1)	
Total Net Position, August 31, 2016	15,532,655	2,101,143	32,275,816	24,251,672
			(Exhibit 1)	
Net Increase (Decrease) in Net Position	\$ (775,361)	\$ (96,648)	\$ 972,171	\$ 1,605,319
			(Exhibit 2)	

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2017

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures & Pass Through Disbursements</u>
U.S. Department of Education				
Direct Programs:				
Student Financial Aid Cluster				
SEOG	84.007			99,983
Federal College Workstudy Program	84.033			148,478
Federal PELL Grant	84.063			8,416,876
Wm D Ford Direct Loans	84.268			9,588,239
Total Student Financial Aid Cluster				18,253,576
Total Direct Programs				18,253,576
Pass-Through From:				
Central Texas Workforce Board				
Interlocal Cooperative Contract	84.002A	IL0217		3,743
Texas Workforce Commission				
Adult Education and Literacy	84.002A	2616AEL004	92,692	434,711
Adult Education and Literacy	84.002A	2616AELB04		39,632
EL Civics	84.002A	2616AEL004	778	55,176
EL Civics	84.002A	2616AELB04		11,939
Career Pathways	84.002A	2616AEL001		52,244
Total CFDA 84.002A				597,445
Texas Higher Education Coordinating Board				
Carl Perkins Vocational Educ.- Basic	84.048	1742020601		210,446
Carl Perkins State Leadership	84.048	16420202701		87,089
Total CFDA 84.048				297,535
Total U. S. Department of Education				19,148,556
U.S. Department of Health & Human Services				
Pass-Through From:				
Texas Workforce Commission				
TANF	93.558	2616AEL004	44,696	103,449
TANF	93.558	2616AELB04		7,204
Total CFDA 93.558				110,653
Central Texas Workforce Board				
Child Care Quality Funds, Federal Share	93.596	C1616, C1717		10,247
Total U.S. Department of Health & Human Services				120,900
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 19,269,456

Notes to Schedule on Following Page.

**Notes to Schedule of Expenditures of Federal Awards
Year Ended August 31, 2017**

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	\$ 1,015,880
Add: Non-Operating Federal Revenue from Schedule C	8,665,337
Add: Wm. D. Ford Direct Loans	9,588,239
Total Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 19,269,456</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds, which have been expended by the College 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 year. Some amounts reported in the schedule may differ from amounts used in the preparation of the financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures Not Subject to Federal Single Audit

None

Note 4: Student Loans Processed and Administrative Costs Recovered - Not Included in Schedule

None

Note 5: Nonmonetary Federal Assistance Received

None

Note 6: Amounts Passed Through by the College

The following amounts were passed through to the listed sub-recipients by the Collge.

U.S. Department of Education	
Adult Education & Literacy (CFDA 84.002)	
Central Texas College	\$ 92,692
EL Civics (CFDA 84.002)	
Central Texas College	\$ 778
U.S. Department of Health & Human Services	
TANF (CFDA 93.558)	
Central Texas College	\$ 44,696
Total amount passed through by the College	<u>\$ 138,166</u>

Temple College

Schedule F

Schedule of Expenditures of State Awards
For the Year Ended August 31, 2017

<u>State Grantor/Program Title</u>	<u>Contract Number</u>	<u>Expenditures</u>
Texas Workforce Commission		
State Adult Education and Literacy	2616AEL004	98,340
Total Texas Workforce Commission		\$ 98,340
Texas Higher Education Coordinating Board		
Student Services Division		
Texas Grant Program-Texas Grant II TEOG Initial		319,482
Texas Grant Program-Texas Grant II TEOG Renewal		126,424
Texas College Work Study		33,175
Nursing and Allied Health	14140	9,734
Total Texas Higher Education Coordinating Board		488,815
TOTAL STATE FINANCIAL ASSISTANCE		\$ 587,155

Note 1: State Assistance Reconciliation

State Revenue - per Schedule A:		
State Grants and Contracts		587,155
State Appropriations - per Schedule C:		
Professional Nursing Shortage Reduction		-
Professional Nursing Growth Shortage Over 70%		-
		\$ 587,155

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

AUDITORS' REPORTS ON CONTROLS AND COMPLIANCE



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

Member of
American Institute & Texas Society of
Certified Public Accountants

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

Board of Trustees
Temple College
Temple, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Temple College (The "College"), as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Public Funds Investment Act (Chapter 2256, Texas Government Code), 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* or the Public Funds Investment Act (Chapter 2256, Texas Government Code).

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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jett, Vernon & Co., P.C.

Temple, Texas
November 29, 2017



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

Member of
American Institute & Texas Society of
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Temple College
Temple, Texas

Report on Compliance for Each Major Federal Program

We have audited Temple College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations 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. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the College'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.

Jott, Verwon & Co., P.C.

Temple, Texas
November 29, 2017

TEMPLE COLLEGE

**Schedule of Findings and Questioned Costs
August 31, 2017**

I. Summary of Audit Results

Financial Statements

1. Type of auditor's report issued:

Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)?

_____ Yes X none reported

3. Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

4. Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)?

_____ Yes X none reported

5. Type of auditor's report issued on compliance for major programs:

Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with section 200.516a of the Uniform Guidance?

_____ Yes X No

7. Identification of major programs:

Name of Federal Programs

Federal
CFDA Number

Name of State Program

U.S. Department of Education

Student Financial Aid Cluster:

Supplemental Education Opportunity Grant

84.007

Federal College Work Study Program

84.033

Federal Pell Grant Program

84.063

William D Ford Direct Loans

84.268

N/A - State financial assistance was less than \$750,000 in fiscal year ending August 31, 2017.

8. Dollar Threshold used to distinguish between type A and type B Programs (Federal):

\$ 750,000

Dollar Threshold used to distinguish between type A and type B Programs (State):

\$ 300,000

9. Auditee qualify as low-risk auditee?

X Yes _____ No

II. Financial Statement Findings

None

III. Federal Awards Findings and Questioned Costs

None