Financial Statements and

Independent Auditor's Report

Howard County Junior College District

August 31, 2017 and 2016

TABLE OF CONTENTS

Howard County Junior College District
ORGANIZATIONAL DATA
For the Fiscal Year 2017

Board of Trustees

Officers	Board Title
Dr. John E. Freeman	Chairman
Mr. Maxwell Barr	Vice Chairman
Mr. Adrian Calvio	Secretary

Members	Address	Term Expires
Dr. John E. Freeman	Big Spring, Texas	May, 2020
Mr. Maxwell Barr	Coahoma, Texas	May, 2018
Mr. Adrian Calvio	Big Spring, Texas	May, 2018
Mrs. Patricia Bennett	Big Spring, Texas	May, 2020
Mr. Michael L. Flores	Big Spring, Texas	May, 2022
Mr. Mark Morgan	Big Spring, Texas	May, 2022
Mr. Ryan Williams	Big Spring, Texas	May, 2020

Principal Administrative Officers and the Business and Financial Staff

Key Officers	Title
Dr. Cheryl T. Sparks	President
Dr. Amy Burchett	Vice President Academic and Student Affairs
Ms. Brenda Claxton	District Chief Fiscal Officer/Controller
Mr. Steve Smith	District Chief Business Officer/Internal Auditor
Mr. Terry Hansen	District Chief Operations and Athletic Officer
Ms. Erin Mackenzie	Administrative Dean Instruction & Student Services, Big Spring Area
Ms. Pam Callan	Administrative Dean Instruction & Student Services, San Angelo
Mr. Fabian Serrano	Workforce & Community Development Officer, Big Spring Area
Ms. Jamie Rainey	Workforce & Community Development Officer, San Angelo
Mr. Danny Campbell	Co-Administrative Deans Instruction & Student Services, SWCID
Ms. Nancy Bonura	Co-Administrative Deans Instruction & Student Services, SWCID

Logan, Thomas & Johnson, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Howard County Junior College District
Big Spring, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

5023 W. 120th Ave., #165, Broomfield, CO 80020

Calvin Logan	Jan Thomas	Pauline Davis
Phone 303 532 1000	Phone 303 569 6030	Phone 719 937 4270
Fax 303 532 1080	Fax 303 569 6031	Fax 719 937 4271

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

Opinion

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

Other Matters

The financial statements of the District as of and for the year ended August 31, 2016 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2016 financial statements in their report dated December 19, 2016.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 16, the schedule of employer's share of net pension liability on page 49, and the schedule of District contributions on page 50 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the schedule of expenditures of State of Texas awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular, 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 of Texas 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 supplementary schedules, the schedule of expenditures of federal awards and the schedule of expenditures of State of Texas awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
December 29, 2017

Howard County Junior College District
Management's Discussion and Analysis
August 31, 2017 and 2016

As management of the Howard County Junior College District, we offer this narrative overview and analysis of the college district's financial activities for the fiscal years ended August 31, 2017 and 2016. Since this management's discussion and analysis focuses on current activities, resulting changes, and currently known facts, we encourage readers to consider it in conjunction with the college district's financial statements and related notes.

Financial Highlights

FYE 2017

The college district's net position increased by \$1.7 million and \$4.0 million in 2017 and 2016, respectively.

The assets of the college district exceeded its liabilities (net position) by \$45.1 million and \$43.4 million, as of August 31, 2017 and 2016, respectively. Approximately \$9.0 million of the net position, as of August 31, 2017, was available for spending at the college district's discretion (unrestricted net position). In comparison, as of August 31, 2016, \$7.5 million was classified as unrestricted net position.

FYE 2016

The college district's net position increased by \$4.0 million and \$1 million in 2016 and 2015, respectively.

The assets of the college district exceeded its liabilities (net position) by \$43.4 million and \$39.4 million, as of August 31, 2016 and 2015, respectively. Approximately \$7.5 million of the net position, as of August 31, 2016, was available for spending at the college district's discretion (unrestricted net position). In comparison, as of August 31, 2015, \$4.8 million was classified as unrestricted net position.

Brief Overview of the Financial Statements

This annual financial report consists of five components: Management's Discussion and Analysis, the basic financial statements, the notes to the financial statements, required supplementary information, and other supplementary information.

The Statements of Net Position present the current and long-term assets, deferred inflows and outflows of resources, and liabilities separately with the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the college district is improving or deteriorating. However, one may need to consider other non-financial factors to assess the overall health of the college district.

The Statements of Revenues, Expenses, and Changes in Net Position present the change in the college district's net position as a result of the fiscal year's operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transaction occurs. Thus, revenues and expenses may be reported for items that may not affect cash until future fiscal periods.

The Statements of Cash Flows present the operating cash inflows and outflows resulting in net cash flows from operations. These statements are prepared using the direct method as prescribed by the Governmental Accounting Standards Board (GASB) Statement 34.

The college district is reported as a special-purpose government engaged in business-type activities using the full accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they have been reduced to a legal or contractual obligation to pay.

The Notes to the Financial Statements provide additional information that is essential to a better understanding of the data provided in the financial statements.

Other Supplementary Information is provided in addition to the basic financial statements and accompanying notes.

Financial Analysis

Net Position

FYE 2017

The schedule below was prepared from the Statements of Net Position. Total net position, which is the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, at August 31, 2017 and 2016, was $45.1 million and $43.4 million, respectively. This represents an overall increase of 3.80% from the prior fiscal year. The majority of the increase was the $1.5 million improvement in unrestricted net position due to a combination of several factors. Refer to the Revenue, Expenses, and Changes in Net Position for further details.

FYE 2016

The schedule below was prepared from the Statements of Net Position. Total net position, which is the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, at August 31, 2016 and 2015, was $43.4 million and $39.4 million, respectively. This represents an overall increase of 10.29% from the prior fiscal year. The majority of the increase was the $2.7 million improvement in unrestricted net assets due to a combination of several factors. Refer to the Revenue, Expenses, and Changes in Net Position for further details.

In addition, there was an increase of $1.5 million in the category of invested in capital assets, net of related debt, primarily due to various improvement projects throughout the college district. Refer to the Capital Assets section for further details.

STATEMENTS OF NET POSITION

ASSETS	2017	2016	2015
Total current assets	$ 21,619,191	$ 19,725,956	$ 17,706,049
Total capital assets, net	58,640,707	59,849,317	59,513,156
Total Assets	80,259,898	79,575,273	77,219,205
Deferred outflows related to pensions	824,783	673,417	362,031
Deferred outflows related to loss on refunding of debt	266,277	-	-
Total Deferred Outflows of Resources	1,091,060	673,417	362,031
LIABILITIES			
Total current liabilities	6,268,529	5,567,049	5,689,446
Total noncurrent liabilities	28,773,367	30,261,675	31,351,969
Total Liabilities	35,041,896	35,828,724	37,041,415
Deferred inflows related to pensions	1,220,272	983,790	1,156,463
NET POSITION			
Invested in capital assets, net of related debt	32,305,911	32,026,326	30,510,564
Restricted			
Nonexpendable	1,177,723	1,177,715	1,217,709
Expendable	2,580,165	2,734,081	2,815,886
Unrestricted	9,024,991	7,498,054	4,839,199
TOTAL NET POSITION	$ 45,088,790	$ 43,436,176	$ 39,383,358

Revenues, Expenses, and Changes in Net Position

FYE 2017

The change in net position is the result of operating and non-operating activities during the fiscal year. As noted, the college's net position improved $1.7 million (3.80%) for the fiscal year ended August 31, 2017 and improved $4.0 million (10.29%) for the fiscal year ended August 31, 2016.

Total operating revenues decreased $89 thousand (0.93%) overall from the prior fiscal year primarily due to a $239 thousand (10.12%) decrease in federal grants and contracts mostly due to the near completion of a couple of Title V grants, and a $92 thousand (8.81%) decrease in nongovernmental grants and contracts for there were a few privately funded projects in fiscal year 15/16. These reductions were somewhat offset by an approximate $267 thousand (6.21%) increase in tuition and fees revenue due to a slight uptick in enrollment and adjustments in various tuition and fees combined.

Operating expenses increased $1.2 million overall from the prior fiscal year due to an increase in payroll costs and the associated benefits in addition to increases in regular operating expenditures such as insurance, utilities, and daily ongoing repairs and maintenance.

As is customary practice, the district continues to be very dedicated to conservative spending habits and controlling expenditures in all areas.

Net non-operating revenues decreased $786 thousand (3.16%) primarily due to the $2 million the district received from the state for the Southwest Collegiate Institute for the Deaf (SWCID) for HVAC upgrades in fiscal year 15/16. The district received $334 thousand for an oil and gas lease sign on and $308 thousand in funds from insurance claims for storm damage in fiscal year 15/16, and there were no similar funds received in fiscal year 16/17. These reductions were somewhat offset in fiscal year 16/17 by an increase in ad valorem taxes, the gain on the disposal of fixed assets, and other non-operating federal revenue from student federal aid.

FYE 2016

The change in net position is the result of operating and non-operating activities during the fiscal year. The college's net position increased $4.0 million (10.29%) for the fiscal year ended August 31, 2016 and decreased $3.3 million (7.69%) for the fiscal year ended August 31, 2015.

Total operating revenues decreased $614 thousand (6.06%) overall from the prior fiscal year, primarily due to the following:

- Federal grants and contracts decreased by $1.3 million (35.84%) mostly due to the completion of a Title V grant in FY 14/15 as well as another Title V grant and the HSI STEM Coop grant ending in FY 15/16.

- Tuition and fees revenue increased $508 thousand (13.41%) due to a combination of a slight increase in enrollment and an increase in various tuition and fees.

Operating expenses decreased $1.4 million (4.37%) overall from the prior fiscal year with a large part of the decrease in payroll and the associated benefits and regular operating expenditures.

As is customary practice, the district continues to be very dedicated to conservative spending habits and controlling expenditures in all areas.

Net non-operating revenues increased $2.1 million (9.25%) primarily due to a $1.3 million (22.66%) increase in Maintenance and Operations tax revenue when the college district adopted a tax rate $0.02 above rollback. The district had experienced a $608 thousand loss in state appropriations for operating in the most recent legislative session, reflecting several years of declining state funding. The action to go above the rollback rate resulted in an election. The voters of Howard County elected to uphold the tax rate. The district received $2 million from the state for the Southwest Collegiate Institute for the Deaf (SWCID) for HVAC upgrades. Refer to the Capital Assets section for further details.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2017	2016	2015
REVENUES			
Operating revenues			
Tuition & fees (net of discounts)	$ 4,558,820	$ 4,292,218	$ 3,784,684
Federal grants and contracts	2,119,315	2,357,836	3,674,792
State grants and contracts	612,539	578,286	586,130
Local grants and contracts	111,711	109,508	12,868
Nongovernmental grants and contracts	949,305	1,040,986	938,759
Sales and services of educational activities	408,984	395,734	363,384
Auxiliary enterprises (net of discounts)	272,826	283,544	259,837
Other operating revenues	394,116	458,077	509,751
Total operating revenues	9,427,616	9,516,189	10,130,205
EXPENSES			
Operating expenses			
Instruction	9,529,202	9,432,059	9,724,068
Public service	1,105,273	1,141,805	1,047,065
Academic support	1,799,523	2,371,376	3,131,692
Student services	2,400,453	2,202,443	2,061,395
Institutional support	6,554,883	5,775,815	5,724,173
Operation and maintenance of plant	3,647,964	3,336,764	3,810,866
Scholarships and fellowships	1,968,209	1,953,506	2,411,217
Auxiliary enterprises	2,390,485	2,094,071	2,103,818
Depreciation	2,529,490	2,410,108	2,108,847
Total operating expenses	31,925,482	30,717,947	32,123,141
Operating loss	(22,497,866)	(21,201,758)	(21,992,936)
NON-OPERATING REVENUES (EXPENSES)			
State appropriations	10,984,961	12,985,476	11,446,649
Property taxes for operations	7,604,949	6,798,219	5,542,489
Property taxes for debt service	1,463,648	1,673,612	1,647,492
Payments in lieu of taxes	156,356	152,542	148,822
Federal revenue, non-operating	4,120,246	3,785,222	4,436,533
Investment income (net of investment expenses)	41,601	37,081	38,060
Interest on capital related debt	(725,921)	(1,234,696)	(896,481)
Gain (loss) on disposal of fixed assets	235,281	(420,295)	(16,911)
Other non-operating revenues	212,342	1,102,261	425,717
	24,093,463	24,879,422	22,772,370
Income before other revenue	1,595,597	3,677,664	779,434
Other revenue			
Capital contributions	57,017	375,154	223,303
Increase in net position	1,652,614	4,052,818	1,002,737
Net Position – beginning of year, as previously reported	43,436,176	39,383,358	42,663,933
Cumulative effect of change in accounting principle	-	-	(4,283,312)
Net Position – beginning of year, as adjusted	43,436,176	39,383,358	38,380,621
Net Position – end of year	$ 45,088,790	$ 43,436,176	$ 39,383,358

Cash Flows

FYE 2017

In addition to the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, presented below, are another way to assess the financial health of the college. Its primary purpose is to provide relevant information about the cash receipts and cash payments by the college district during the fiscal year. There was an increase in cash and cash equivalents of $1.46 million for the year ended August 31, 2017. The primary use of cash in operations is in payment of salaries and benefits, followed by payments to suppliers for goods and services. Sources of cash from non-capital financing activities are primarily from ad valorem taxes and state appropriations. Capital and related financing activities include payment of debt, both principal and interest, as well as capital asset acquisitions and construction.

FYE 2016

In addition to the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, presented below, are another way to assess the financial health of the college. Its primary purpose is to provide relevant information about the cash receipts and cash payments by the college district during the fiscal year. There was an increase in cash and cash equivalents of $1.98 million for the year ended August 31, 2016. The majority of this increase was attributable to the following:

- The additional Maintenance and Operations tax revenue of which several projects were not completed as planned using these additional funds due to the timing of the rollback election as the college awaited the results.

- Approximately $300 thousand in insurance claim funds from a couple of severe storms in the spring of 2016 for which all repairs were not completed by fiscal year end.

- Approximately $334 thousand from an oil and gas lease.

- An overall reduction in standard operating expenditures.

STATEMENTS OF CASH FLOWS

Cash Provided (Used) by:	2017	2016	2015
Operating activities	$ (17,632,659)	$ (16,334,916)	$ (17,828,194)
Noncapital financing activities	21,141,878	21,872,351	20,003,866
Capital and related financing activities	(2,088,309)	(3,596,947)	(5,997,650)
Investing activities	41,601	37,081	38,060
Net increase (decrease) in cash and cash equivalents	1,462,511	1,977,569	(3,783,918)
Cash and cash equivalents Sept 1	16,496,316	14,518,747	18,302,665
Cash and cash equivalents Aug 31	$ 17,958,827	$ 16,496,316	$ 14,518,747

Overall Financial Position

FYE 2017

As reflected in the schedules and narrative, the college's financial position improved during the fiscal year ended August 31, 2017. A brief explanation for the significant changes has been discussed in other sections of the Financial Analysis. The college district shares a competitive market and strives to provide quality instructional programs and services while continuing to be committed to controlling expenditures in order to continue to be fiscally responsible. This steadfast commitment has helped to maintain the stability of the college's financial position.

As in the past, the college continues to seek additional funding from outside sources such as federal, state, and non-governmental grants. In an effort to meet the needs of the college's thirteen county service area, the college continues to seek ways to begin new programs and enhance existing programs, pursue new course delivery methods, and to provide new services as needed or requested. The college also continues to control expenditures through conservative budgeting strategies, freezing the filling of some vacant positions when practical, limiting or reducing staff in certain areas, as well as purchasing techniques and controls that reduce costs and maximize value.

FYE 2016

As reflected in the schedules and narrative, the college's financial position improved during the fiscal year ended August 31, 2016. A brief explanation for the significant changes is discussed in other sections of the Financial Analysis. The college district shares a competitive market and strives to provide quality instructional programs and services while continuing to be committed to controlling expenditures in order to continue to be a good steward of the funds afforded the college. This commitment has helped to maintain the stability of the college's financial position.

As in the past, the college continues to seek additional funding from outside sources such as federal, state, and non-governmental grants. In an effort to meet the needs of the college's thirteen county service area, the college continues to seek ways to enhance existing programs, pursue new course delivery methods, and to provide new services as needed or requested. The college also continues to control expenditures through conservative budgeting strategies, freezing the filling of some vacant positions, limiting or reducing staff in certain areas, as well as purchasing techniques and controls that reduce costs and maximize value.

Capital Assets

FYE 2017

As of August 31, 2017 and 2016, the college district had invested $86.5 million and $85.2 million, respectively, in capital assets. Net of accumulated depreciation, the college district's net capital assets at August 31, 2017 totaled $58.6 million and totaled $59.8 million at August 31, 2016. The approximate $1.2 million decrease in net capital assets was largely due to the following: depreciation expense of $2.5 million, offset by the investment of $602 thousand towards the initial stages of a new Enterprise Resource Planning (ERP) system of which planning and implementation will span several fiscal years; a dorm tuck pointing project at the women's dorm on the Big Spring site for $145 thousand; the approximate $173 thousand for vehicles and vans to address the college's aging vehicle pool district-wide; and to begin the installation and upgrades to the fire alarm system on the Big Spring site for approximately $132 thousand with completion scheduled for 2017/18.

FYE 2016

As of August 31, 2016 and 2015, the college district had invested $85.2 million and $82.8 million, respectively, in capital assets. Net of accumulated depreciation, the college district's net capital assets at August 31, 2016 totaled $59.8 million and totaled $59.5 million at August 31, 2015. The approximate $2.4 million increase in capital assets was largely due to the completion of the much-needed HVAC upgrades to the administration building and dormitories at the Southwest Collegiate Institute for the Deaf (SWCID) funded by the state for $2 million. There was an offsetting net decrease in other asset categories as well as an increase in depreciation expense. The district also completed the first housing pod of the Southwest Collegiate Institute for the Deaf Village consisting of three cottages with privately donated funds of $321 thousand.

Debt Administration

FYE 2017

The college district's long-term debt was comprised of capital lease agreements, notes payable, the General Obligation Refunding Bonds issued September 2016, a consolidated revenue bond issued November 2009, and a consolidated revenue bond issued June 2013. The current portion was $1,613,440 and the non-current portion was $24,987,633 for a total of $26,601,073 at August 31, 2017. The college entered into operating lease agreements beginning September 1, 2008 for two facilities in San Angelo with the lease with Shannon Medical Center amended twice for additional space effective July 2009 and July 2011. Refer to Notes 6, 7, 8, 9, 10, 11 and 12 to the financial statements for detailed information.

The college district was assigned a bond rating of "AA- with a stable outlook" with Standard and Poor's and Fitch Ratings on the General Obligation Refunding Bonds, Series 2016.

FYE 2016

The college district's long-term debt was comprised of capital lease agreements, notes payable, the general obligation bond issued August 2007, a consolidated revenue bond issued November 2009, and a consolidated revenue bond issued June 2013. The current portion was $1,535,538 and the non-current portion was $26,328,217 for a total of $27,863,755 at August 31, 2016. The college entered into operating lease agreements beginning September 1, 2008 for two facilities in San Angelo with the lease with Shannon Medical Center amended twice for additional space effective July 2009 and July 2011. Refer to Notes 6, 7, 8, 9, 10, 11 and 12 to the financial statements for detailed information.

The college district continues to maintain a bond rating of “AA- with a stable outlook” with Standard and Poor’s and Fitch Ratings on the General Obligation Bond, Series 2007.

Currently Known Facts, Decisions, or Conditions

The District’s main sources of revenue are tuition and fees, state funding, local taxes, gifts and grants. The overall economic condition of the state and the local area, both of which are heavily dependent on the oil and natural gas industry, have an impact on each of these funding sources. The downward trend in the oil and natural gas industry continued this past fiscal year and again affected mineral values significantly in the state and the local area resulting in a continual decline in the tax base for the 2016 tax year. In addition, the new state funding model, combined with the decline in enrollment and contact hours during the State’s measurement period for the 2016/17 biennium, resulted in a reduction in state funding for the college for the respective biennium. Community colleges continue to be statutorily responsible for funding 50% of an employee’s insurance and retirement reflecting the State’s continued downward trend of support for community colleges.

In order to help address the decline in state support and declining enrollment, the college district embarked on a marketing campaign since the college is part of a very competitive market as noted previously. The college also adjusted tuition and fee rates as appropriate. As noted, the college always seeks to improve or start new programs and services, if practical, to help meet local workforce training needs, the changing workforce education market, and academic program needs which in turn will hopefully increase revenue as well.

The college was not able to complete a few of the planned repairs and maintenance and capital projects in 2016/17 by fiscal year end, however, the plan is to complete the projects in the 17/18 fiscal year with the funds that were added to unrestricted fund balance from 16/17. The college district continues to address deferred maintenance needs as budget allows while striving to be fiscally responsible in doing so.

Contacting the District’s Financial Management

This financial report is designed to provide a general overview of the Howard County Junior College District’s finances for all those with an interest in the college’s finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Chief Financial Officer, Howard College, 1001 Birdwell Lane, Big Spring, TX 79720.

(This page intentionally left blank)

Howard County Junior College District
STATEMENTS OF NET POSITION
Exhibit 1
August 31,

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 17,958,827	$ 16,496,316
Accounts receivable, net	3,042,339	2,847,625
Prepaid expenses	603,125	370,515
Inventories for resale	14,900	11,500
Total current assets	21,619,191	19,725,956
Noncurrent Assets		
Capital assets, net of accumulated depreciation	58,640,707	59,849,317
Total noncurrent assets	58,640,707	59,849,317
TOTAL ASSETS	80,259,898	79,575,273
Deferred Outflows of Resources		
Deferred outflows related to pensions	824,783	673,417
Deferred outflows related to loss on refunding of debt	266,277	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,091,060	673,417
LIABILITIES		
Current liabilities		
Accounts payable	935,154	796,110
Accrued liabilities	1,714,248	1,687,215
Deposits payable	35,013	36,825
Unearned revenue	1,748,519	1,294,092
Accrued compensable absences	222,155	217,269
Bonds and notes payable – current portion	1,588,839	1,525,004
Capital lease agreements – current portion	24,601	10,534
Total current liabilities	6,268,529	5,567,049
Noncurrent liabilities		
Bonds and notes payable, noncurrent portion	24,893,747	26,279,768
Capital lease agreements, noncurrent portion	93,886	48,449
Net pension liability	3,785,734	3,933,458
Total noncurrent liabilities	28,773,367	30,261,675
TOTAL LIABILITIES	35,041,896	35,828,724
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,220,272	983,790
NET POSITION		
Net investment in capital assets	32,305,911	32,026,326
Restricted for:		
Nonexpendable		
Student aid	1,177,723	1,177,715
Expendable		
Student aid	575,413	593,655
Instructional programs	59,745	261,078
Capital projects	2,505	31,972
Debt service	1,570,845	1,567,774
Other	371,657	279,602
Unrestricted	9,024,991	7,498,054
TOTAL NET POSITION (Schedule D)	$ 45,088,790	$ 43,436,176

The accompanying notes are an integral part of these statements.

Howard County Junior College District
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Exhibit 2
Year Ended August 31,

	2017	2016
REVENUES		
Operating revenues		
Tuition and fees (net of discounts of $5,011,089 and $4,475,835)	$ 4,558,820	$ 4,292,218
Federal grants and contracts	2,119,315	2,357,836
State grants and contracts	612,539	578,286
Local grants and contracts	111,711	109,508
Nongovernmental grants and contracts	949,305	1,040,986
Sales and services of educational activities	408,984	395,734
Auxiliary enterprises (net of discounts of $1,076,513 and $1,114,483)	272,826	283,544
Other operating revenues	394,116	458,077
Total operating revenues (Schedule A)	9,427,616	9,516,189
EXPENSES		
Operating expenses		
Instruction	9,529,202	9,432,059
Public service	1,105,273	1,141,805
Academic support	1,799,523	2,371,376
Student services	2,400,453	2,202,443
Institutional support	6,554,883	5,775,815
Operation and maintenance of plant	3,647,964	3,336,764
Scholarships and fellowships	1,968,209	1,953,506
Auxiliary enterprises	2,390,485	2,094,071
Depreciation	2,529,490	2,410,108
Total operating expenses (Schedule B)	31,925,482	30,717,947
Operating loss	(22,497,866)	(21,201,758)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	10,984,961	12,985,476
Property taxes for operations	7,604,949	6,798,219
Property taxes for debt service	1,463,648	1,673,612
Payments in lieu of taxes	156,356	152,542
Federal revenue, non operating	4,120,246	3,785,222
Investment income (net of investment expenses)	41,601	37,081
Interest on capital related debt	(725,921)	(1,234,696)
Gain (loss) on disposal of fixed assets	235,281	(420,295)
Other non-operating revenues	212,342	1,102,261
Net non-operating revenues (Schedule C)	24,093,463	24,879,422
Income before other revenue	1,595,597	3,677,664
Other revenue		
Capital contributions	57,017	375,154
Increase in net position	1,652,614	4,052,818
Net position – beginning of year	43,436,176	39,383,358
Net position – end of year	$ 45,088,790	$ 43,436,176

The accompanying notes are an integral part of these statements.

Howard County Junior College District
STATEMENTS OF CASH FLOWS
Exhibit 3
Year ended August 31,

	2017	2016
Cash flows from operating activities		
Receipts from students and other customers	$ 5,173,208	$ 4,300,050
Receipts of grants and contracts	4,011,796	4,947,545
Other receipts	839,632	1,560,338
Payments to or on behalf of employees	(17,427,465)	(17,064,114)
Payments to suppliers for goods and services	(8,261,621)	(8,125,229)
Payments of scholarships	(1,968,209)	(1,953,506)
Net cash used by operating activities	(17,632,659)	(16,334,916)
Cash flows from noncapital financing activities		
Property tax receipts and payments in lieu of taxes	7,640,565	6,880,971
Receipts of state appropriations	9,195,722	11,217,675
Receipts of non-operating federal revenue	4,305,591	3,773,705
Net cash provided by noncapital financing activities	21,141,878	21,872,351
Cash flows from capital and related financing activities		
Property tax receipts	1,505,440	1,662,429
Capital contracts, grants, and gifts	57,017	375,154
Payments from accounts payable related to fixed asset additions	(197,230)	(240,237)
Purchases of capital assets	(1,195,075)	(2,919,067)
Proceeds from sale of capital assets	280,678	-
Proceeds from capital debt	-	288,400
Payments on capital debt and leases	(1,611,904)	(1,502,218)
Interest payments on capital debt and leases	(927,235)	(1,261,408)
Net cash used by capital and related financing activities	(2,088,309)	(3,596,947)
Cash flows from investing activities		
Investment earnings	41,601	37,081
Increase in cash and cash equivalents	1,462,511	1,977,569
Cash and cash equivalents – September 1	16,496,316	14,518,747
Cash and cash equivalents – August 31	$ 17,958,827	$ 16,496,316
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (22,497,866)	$ (21,201,758)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	2,529,490	2,410,108
Other revenue	445,516	1,102,261
Payments made directly by state for benefits	1,789,239	1,767,801
Changes in assets and liabilities:		
Receivables, net	98,889	164,259
Inventories	(3,400)	7,675
Other assets	(273,374)	(125,327)
Deferred outflows related to pensions	(151,366)	(311,386)
Accounts payable	236,477	(189,307)
Accrued liabilities	47,477	37,017
Unearned revenue	54,427	28,599
Deposits payable	(1,812)	(3,375)
Accrued compensable absences	4,886	(1,779)
Net pension liability	(147,724)	152,969
Deferred inflows related to pensions	236,482	(172,673)
Net cash used by operating activities	$ (17,632,659)	$ (16,334,916)
Noncash investing, capital, and financing activities:		
Acquisition of capital assets through accounts payable	$ 99,797	$ 197,230
Loss on refunding, bond cost expense, and interest expense through refunding of debt	558,578	-
Acquisition of capital assets through capital lease	71,405	61,039
Amortization of loss on refunding and bond premium	215,884	16,050
Net effect of noncash transactions	$ 945,664	$ 274,319

The accompanying notes are an integral part of these statements.

NOTE 1 – REPORTING ENTITY

The Howard County Junior College District (District) was created by a county-wide vote on November 17, 1945. The District is located in Howard County, Texas, and operates as a county-wide Junior College District under the laws of the State of Texas, to serve the educational needs of Howard County and the surrounding communities. The District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The District also operates extension campuses, some of which are located outside of Howard County. The District also operates the Southwest Collegiate Institute for the Deaf (SWCID), located in Big Spring, which was established as part of the District by the Board on November 6, 1979. All of the extension campuses' financial activity is included in the District's financial statements. While the District receives funding from local, state and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

The District offers course work designed to prepare students to continue their education at senior institutions or to enter specific occupational areas at the end of a one- or two-year period of specialized training in occupational education. Arts and Sciences programs are designed for transfer to baccalaureate degree-granting institutions. Associate in Arts and Associate in Science degrees are available to students completing a two-year curriculum. Vocational/Technical Education programs seek to develop intellectual abilities and skills that will enable the student to enter a technical or semi-professional occupation. It is the purpose of these programs to prepare the student for jobs in industry.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting guidelines*

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

B. *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 Sec. 56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. *Basis of accounting*

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

D. *Budgetary data*

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

E. *Cash and cash equivalents*

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

F. *Deferred inflows*

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

G. *Deferred outflows*

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

H. *Investments*

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* investments are reported at fair value or amortized cost. Fair values are based on published market rates. The governing board has designated public funds investment pools comprised of $522,917 and $519,580 as of August 31, 2017 and 2016, respectively, to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. *Inventories*

Inventories consist of livestock. Inventories are stated at the lower of cost or market on a first-in, first-out basis and are charged to expense as consumed.

J. *Capital assets*

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The District's capitalization policy includes real or personal property with a value equal to or greater than $5,000 and has an estimated life of greater than 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. The District reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Buildings	50 years
Facilities and other improvements	20 years
Library books	15 years
Furniture, machinery, vehicles and other equipment	10 years
Telecommunications and peripheral equipment	5 years

K. *Capitalization of interest costs on borrowings*

The District capitalizes interest costs on borrowings incurred during the new construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. For the years ended August 31, 2017 and 2016, the District capitalized no interest, respectively, in connection with capital projects. The total amount of interest cost incurred for the year ended August 31, 2017 and 2016 was $725,921 and $1,234,696, respectively.

L. *Unearned revenue*

Tuition and fees of $1,127,647 and $1,080,718, federal grants of $400,250 and $9,385, state grants of $34,720 and $39,037, local grants of $500 and $4,264, and private grants of $185,402 and $160,688 have been reported as unearned revenue at August 31, 2017 and 2016, respectively.

M. *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.

N. *Operating and non-operating revenue and expense policy*

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of the bookstore and food service is not performed by the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N. *Operating and non-operating revenue and expense policy – continued*

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

O. *Pensions*

The District participates in the Teacher Retirement System of Texas (TRS) pension plan, a multi-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined based on the flow of economic resource 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, and 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.

P. *New pronouncements*

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 requires state and local governments for the first time to disclose information about tax abatement agreements. GASB 77 requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. GASB 77 is effective for financial statements for periods beginning after December 15, 2015. The District has implemented this Statement for the fiscal year ended August 31, 2017 to comply with GASB requirements and the adoption of this Statement did not have a material effect on the District's financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). This Statement amends the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions* to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. GASB 78 is effective for financial statements for periods beginning after December 15, 2015. The District has implemented this Statement for the fiscal year ended August 31, 2017 to comply with GASB requirements and the adoption of the Statement did not have an effect on the District's financial statements since the District has none of these types of pension plans.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

P. *New pronouncements - continued*

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. GASB 79 is generally effective for financial statements for periods beginning after December 15, 2015. The District has implemented this Statement for the fiscal year ended August 31, 2017 to comply with GASB requirements and the adoption of this Statement did not have an effect on the District's financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* (GASB 80). The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the usefulness of information reported in financial statements and enhances its value for assessing government accountability. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. GASB 80 is effective for financial statements for periods beginning after June 15, 2016. The District has implemented this Statement for the fiscal year ended August 31, 2017 to comply with GASB requirements and the adoption of this Statement did not have an effect on the District's financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 is generally effective for financial statements for periods beginning after June 15, 2016. The District has implemented this Statement for the fiscal year ended August 31, 2017 to comply with GASB requirements and the adoption of this Statement did not have a material effect on the District's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. *Pending pronouncements*

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. This Statement is effective for fiscal years beginning after June 15, 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. GASB 81 is effective for financial statements for periods beginning after December 15, 2016.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. In addition, this statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation, at least annually, and requires a government to evaluate all relevant factors, at least annually, to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. In cases where governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities, this statement requires disclosure of how those funding and assurance requirements are being met, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 is effective for reporting periods beginning after June 15, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. *Pending pronouncements - continued*

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 is effective for reporting periods beginning after December 15, 2018.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017* (GASB 85). The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). Specifically, this statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer-defined benefit OPEB plans

GASB 85 is effective for reporting periods beginning after June 15, 2017.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 86 is effective for reporting periods beginning after June 15, 2017.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. *Pending pronouncements - continued*

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after December 15, 2019.

The District has not yet completed the process of evaluating the impact of GASB Statement Nos. 75, 81, 83, 84, 85, 86 and 87 on its financial statements.

NOTE 3 – AUTHORIZED INVESTMENTS

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) local government investment pools continuously rated no lower than AAA or AAAm or equivalent by a nationally recognized rating service, (4) certificates of deposit and (5) other instruments and obligations authorized by statute and approved by Board policy.

NOTE 4 – DEPOSITS AND INVESTMENTS

The carrying amount of the District's deposits at August 31, 2017 and 2016 was $17,428,439 and $15,970,778, respectively. Total bank balances at August 31, 2017 and 2016 were $17,580,459 and $16,554,745, respectively. Of the bank balances, $1,029,578 and $1,060,814 were covered by federal deposit insurance and $16,550,881 and $15,493,931 were uninsured but collateralized in accordance with provisions of the Public Funds Investment Act as of August 31, 2017 and 2016, respectively. The Federal Deposit Insurance Corporation (FDIC) covers $250,000 per depositor, per insured bank, for each account ownership category.

Cash and Deposits as reported on Exhibit 1, Statements of Net Position, consist of the items reported below, as of August 31,:

	2017	2016
Bank Deposits		
Demand deposits	$ 17,428,439	$ 15,970,778
Cash on hand	7,471	5,958
Total Cash and Deposits	$ 17,435,910	$ 15,976,736

NOTE 4 – DEPOSITS AND INVESTMENTS - Continued

Reconciliation of deposits and investments to Exhibit 1, as of August 31,

Total deposits and investments:	2017	2016
Per Exhibit 1:		
Cash and cash equivalents	$ 17,958,827	$ 16,496,316
Total deposits and investments	$ 17,958,827	$ 16,496,316
Per Note 4:		
Deposits and cash on hand	$ 17,435,910	$ 15,976,736
Investments	522,917	519,580
Total	$ 17,958,827	$ 16,496,316

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

		Investment Maturities (in Years)
Investment Type	Amount	Less than 1
Investment Pool	$ 522,917	$ 522,917

The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

TexPool is managed according to requirements of the Public Funds Investment Act and TexPool Investment Policy. Investments in TexPool are stated at amortized cost. TexPool seeks to maintain a stable $1.00 price per unit; however, this is not guaranteed or insured by the State of Texas.

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

Credit Risk – In accordance with state law and the District’s investment policy, investments in investment pools must be rated at least AAA. The District’s investment pools are rated AAAm.

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

NOTE 5 – CAPITAL ASSETS

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

	Balance September 1, 2016	Increases	Decreases	Balance August 31, 2017
Not depreciated:				
Land	$ 371,871	$ -	$ -	$ 371,871
Construction in process	55,092	145,965	(61,042)	140,015
Subtotal	426,963	145,965	(61,042)	511,886
Buildings and other capital assets				
Buildings and building improvements	51,183,321	174,731	-	51,358,052
Leasehold improvements	16,949,206	19,400	(38,800)	16,929,806
Other real estate improvements	8,649,955	76,575	(7,375)	8,719,155
Total buildings and other real estate improvements	76,782,482	270,706	(46,175)	77,007,013
Library books	910,401	17,525	(32,913)	895,013
Furniture, machinery, and equipment	7,117,921	993,124	(36,153)	8,074,892
Total buildings and other capital assets	84,810,804	1,281,355	(115,241)	85,976,918
Accumulated depreciation				
Buildings and building improvements	(15,431,479)	(998,376)	-	(16,429,855)
Leasehold improvements	(1,824,028)	(491,018)	1,141	(2,313,905)
Other real estate improvements	(2,565,722)	(385,056)	1,327	(2,949,451)
Total buildings and other real estate improvements	(19,821,229)	(1,874,450)	2,468	(21,693,211)
Library books	(752,912)	(20,329)	32,736	(740,505)
Furniture, machinery, and equipment	(4,814,309)	(634,711)	34,639	(5,414,381)
Total buildings and other capital assets	(25,388,450)	(2,529,490)	69,843	(27,848,097)
Net capital assets	$ 59,849,317	$ (1,102,170)	$ (106,440)	$ 58,640,707

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

	Balance September 1, 2015	Increases	Decreases	Balance August 31, 2016
Not depreciated:				
Land	$ 371,871	$ -	$ -	$ 371,871
Construction in process	19,718	61,686	(26,312)	55,092
Subtotal	391,589	61,686	(26,312)	426,963

NOTE 5 – CAPITAL ASSETS - Continued

	Balance September 1, 2015	Increases	Decreases	Balance August 31, 2016
Buildings and other capital assets				
Buildings and building improvements	$ 49,044,164	$ 2,324,228	$ (185,071)	$ 51,183,321
Leasehold improvements	16,949,206	-	-	16,949,206
Other real estate improvements	8,559,525	378,830	(288,400)	8,649,955
Total buildings and other real estate improvements	74,552,895	2,703,058	(473,471)	76,782,482
Library books	901,035	16,913	(7,547)	910,401
Furniture, machinery, and equipment	6,971,600	421,991	(275,670)	7,117,921
Total buildings and other capital assets	82,425,530	3,141,962	(756,688)	84,810,804
Accumulated depreciation				
Buildings and building improvements	(14,572,999)	(892,443)	33,963	(15,431,479)
Leasehold improvements	(1,332,234)	(491,794)	-	(1,824,028)
Other real estate improvements	(2,229,854)	(364,708)	28,840	(2,565,722)
Total buildings and other real estate improvements	(18,135,087)	(1,748,945)	62,803	(19,821,229)
Library books	(739,277)	(20,519)	6,884	(752,912)
Furniture, machinery, and equipment	(4,429,599)	(640,644)	255,934	(4,814,309)
Total buildings and other capital assets	(23,303,963)	(2,410,108)	325,621	(25,388,450)
Net capital assets	$ 59,513,156	$ 793,540	$ (457,379)	$ 59,849,317

NOTE 6 – NON-CURRENT LIABILITIES

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

	Balance September 1, 2016	Additions	Reductions	Balance August 31, 2017	Current Portion
Leases, bonds and notes					
Leases	$ 58,983	$ 71,405	$ (11,901)	$ 118,487	$ 24,601
Bonds	27,545,000	12,780,000	(15,395,000)	24,930,000	1,550,000
Unamortized bond premium	(9,715)	1,608,866	(271,049)	1,328,102	-
Notes payable	269,487	-	(45,003)	224,484	38,839
Net pension liability	3,933,458	171,213	(318,937)	3,785,734	-
Total long-term liabilities	$ 31,797,213	$ 14,631,484	$(16,041,890)	$ 30,386,807	$ 1,613,440

NOTE 6 – NON-CURRENT LIABILITIES – Continued

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

	Balance September 1, 2015	Additions	Reductions	Balance August 31, 2016	Current Portion
Leases, bonds and notes					
Leases	$ 20,358	$ 61,039	$ (22,414)	$ 58,983	$ 10,534
Bonds	28,970,000	-	(1,425,000)	27,545,000	1,480,000
Unamortized bond premium	9,880	-	(19,595)	(9,715)	-
Notes payable	46,663	288,400	(65,576)	269,487	45,004
Net pension liability	3,780,489	1,465,318	(1,312,349)	3,933,458	-
Total long-term liabilities	$ 32,827,390	$ 1,814,757	$ (2,844,934)	$ 31,797,213	$ 1,535,538

NOTE 7 – DEBT AND LEASE OBLIGATIONS

Debt service requirements at August 31, 2017, were as follows:

For the year ending August 31,	Bonds Principal	Bonds Interest
2018	$ 1,550,000	$ 911,924
2019	1,590,000	869,080
2020	1,635,000	824,929
2021	1,685,000	774,076
2022	1,750,000	710,673
2023-2027	9,895,000	2,423,955
2028-2032	5,375,000	662,942
2033-2034	1,450,000	54,937
	$ 24,930,000	$ 7,232,516

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

For the year ending August 31,	
2018	$ 31,228
2019	31,228
2020	31,228
2021	28,184
2022	15,040
	136,908
Less interest portion	18,421
Present value of net minimum lease payments	118,487
Less current portion	24,601
Noncurrent portion	$ 93,886

NOTE 8 – BONDS PAYABLE

General information related to bonds payable is summarized below:

- General Obligation Refunding Bonds, Series 2016.
  - Refunded $13,840,000 of the General Obligation Bonds, Series 2007.
  - Issued refunding bonds on September 28, 2016.
  - $12,780,000, all authorized bonds have been issued.
  - Source of revenue for debt service – tuition pledge, building use fees, student service fees, lab fees, gross revenue of Auxiliary Services, other fees, and investment earnings on all investments.
  - $12,705,000 and $0 outstanding as of August 31, 2017 and 2016, respectively.

The range of installment payments on an annual basis is from $985,000 to $1,400,000 with interest rates ranging from 2.00% to 5.00%, with the final installment due February 15, 2028.

- Consolidated Fund Revenue Bonds, Series 2013.
  - Construction and equipment for two college buildings and related infrastructure.
  - Issued June 1, 2013.
  - $10,600,000: $9,790,000 "Tax-Exempt Bonds" and $810,000 "Taxable Bonds"; all authorized bonds have been issued.
  - Source of revenue for debt service – tuition pledge, building use fees, student service fees, lab fees, other fees, gross revenue of Auxiliary Services, and investment earnings on all investments.
  - $9,465,000 and $9,855,000 outstanding as of August 31, 2017 and 2016, respectively.

The range of installment payments on an annual basis is from $405,000 to $740,000 with an interest rate of 3.75%, with the final installment due October 1, 2033.

- Consolidated Fund Revenue Bonds, Series 2009.
  - Renovations, remodel and construction of student housing facilities.
  - Issued November 1, 2009.
  - $3,570,000; all authorized bonds have been issued.
  - Source of revenue for debt service – tuition pledge, building use fees, student service fees, lab fees, gross revenue of Auxiliary Services, other fees, and investment earnings on all investments.
  - $2,760,000 and $2,910,000 outstanding as of August 31, 2017 and 2016, respectively.

The range of installment payments on an annual basis is from $160,000 to $275,000 with an interest rate of 4.60%, with the final installment due October 1, 2029.

- General Obligation Bonds, Series 2007.
  - Renovation, construction, and equipment of college buildings.
  - Issued August 28, 2007.
  - $21,550,000; all authorized bonds have been issued.
  - Source of revenue for debt service – continuing direct annual ad valorem tax levied by the District on all taxable property therein.
  - $0 and $14,780,000 outstanding as of August 31, 2017 and 2016, respectively.

The outstanding bonds were refunded in September 2016 with the General Obligation Refunding Bonds, Series 2016.

NOTE 9 – ADVANCE REFUNDING BONDS

Information related to the District's advance refunding is summarized below:

- General Obligation Refunding Bonds, Series 2016.
  - Refunded $13,840,000 of the General Obligation Bonds, Series 2007.
  - Issued refunding bonds on September 28, 2016.
  - $12,780,000, all authorized bonds have been issued.
  - Average interest rate of bonds refunded 4.84%.
  - Net proceeds from the Refunding Series 2016 - $14,155,689; after payment of $233,174 in underwriting fees, insurance and other issuance costs and including a reoffering premium of $1,608,863.
  - The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 2007 Series bonds.
  - The 2007 Series bonds are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant Fund Group.
  - Advance refunding of the 2007 Series bonds reduced the District's debt service payments over the next 12 years by approximately $2.5 million.
  - Economic gain – the difference between the net present value of the old and new debt service payments is approximately $1.8 million.
  - The reacquisition price exceeded the net carrying amount of the old debt by $289,523. This amount is recorded as deferred outflows related to loss on refunding of debt and is amortized over the remaining life of the refunded debt.

NOTE 10 – CAPITAL LEASE AGREEMENTS

Certain leases to finance the purchase of equipment are capitalized at the present value of future minimum lease payments. The original capitalized cost of all such equipment under capital leases as of August 31, 2017 and 2016, is $132,444 and $61,039, respectively, and accumulated amortization on those assets is $15,905 and $2,507, respectively, as of August 31, 2017 and 2016. Amortization expense on assets recorded under capital leases is included with depreciation expense.

NOTE 11 – OPERATING LEASE AGREEMENTS

The District entered into a lease beginning September 1, 2008 for a facility under a long-term, non-cancelable operating lease agreement. The lease expires in 2018 and provides for a five-year renewal option. Lease expenses under these leases were $166,370 and $166,370 for the years ended August 31, 2017 and 2016, respectively.

The following is a schedule by year of future minimum rental payments required under the operating lease agreements:

For the year ending August 31,	
2018	$ 166,370

NOTE 12 – NOTES PAYABLE

The District has notes payable consisting of the following at August 31, 2017:

4.50% note payable, payable in monthly installments of $4,023, maturing November 2022, collateralized by the District's bank deposits	$ 224,484
Less current maturities	38,839
	$ 185,645

The following is a schedule by year of future maturities required under the notes:

Year ending August 31,	
2018	$ 38,839
2019	40,649
2020	42,527
2021	44,524
2022	46,599
2023	11,346
	$ 224,484

NOTE 13 – ENDOWMENTS

When spending an endowment's net appreciation, donor established guidelines are followed. If the donor does not provide specific guidelines, State law permits the Board of Trustees to authorize the expenditure of net appreciation of an endowment. The Scholarship Committee meets each semester to review awards and insure endowment guidelines are followed. District investment policy specifies permissible investments of endowment funds with maturity dates matching semester scholarship requirements.

At August 31, 2017, net appreciation on investment of donor-restricted endowments available for authorization for expenditure was $2,447, of which $2,440 was restricted for student aid, instruction, and athletics.

At August 31, 2016, net appreciation on investment of donor-restricted endowments available for authorization for expenditure was $2,467, of which $2,461 was restricted for student aid, instruction, and athletics.

NOTE 14 – DEFINED BENEFIT PENSION PLANS

Plan Description

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

NOTE 14 – DEFINED BENEFIT PENSION PLANS - Continued

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr 2016.pdf or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Contributions

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

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

Contribution Rates

	2017	2016
Member	7.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

NOTE 14 – DEFINED BENEFIT PENSION PLANS - Continued

	2017	2016
Member Contributions	$ 602,652	$ 521,645
State of Texas On-behalf Contributions	$ 201,630	$ 202,534
District Contributions	$ 329,473	$ 318,304

The District's contributions to the TRS pension plan in 2017 and 2016 were $329,473 and $318,304, respectively, as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2017 were $202,740.

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

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

Actuarial Assumptions

The total pension liability in the August 31, 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	3.50% to 9.50%
• Benefit changes during the year	None
• Ad hoc post-employment benefit changes	None

NOTE 14 – DEFINED BENEFIT PENSION PLANS - Continued

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

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 System's target asset allocation as of both measurement dates August 31, 2016 and 2015, are summarized below:

NOTE 14 – DEFINED BENEFIT PENSION PLANS - Continued

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

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

Source: Teacher Retirement System of Texas 2016 and 2015 Comprehensive Annual Financial Reports

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	$ 5,859,041	$ 3,785,734	$ 2,027,150

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	$ 6,162,988	$ 3,933,458	$ 2,076,399

NOTE 14 – DEFINED BENEFIT PENSION PLANS - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2017 and 2016, the District reported a liability of $3,785,734 and $3,933,458, respectively, for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

	2017	2016
District's proportionate share of the collective net pension liability	$ 3,785,734	$ 3,933,458
State's proportionate share that is associated with the District	2,393,316	2,417,113
Total	$ 6,179,050	$ 6,350,571

The net pension liability was measured as of August 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the periods September 1, 2015 thru August 31, 2016 and September 1, 2014 thru August 31, 2015, respectively.

At the measurement date of August 31, 2016, the employer's proportion of the collective net pension liability was 0.0100182133%, which was a decrease of 0.0011093867% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017, the District recognized pension expense of $248,369 and revenue of $248,369 for support provided by the State. For the year ended August 31, 2016, the District recognized pension expense of $344,400 and revenue of $344,400 for support provided by the State. The total payroll for all District employees was $13,911,903 and $13,715,982 for the fiscal years ended August 31, 2017 and 2016, respectively. The total payroll of employees covered by the Teacher Retirement System was $7,831,407 and $7,598,544.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	$ 59,360	$ 113,040
Changes in actuarial assumptions	115,382	104,936
Net difference between projected and actual investment earnings	320,568	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	1,002,296
Contributions paid to TRS subsequent to the measurement date	329,473	-
Total	$ 824,783	$1,220,272

NOTE 14 – DEFINED BENEFIT PENSION PLANS - Continued

The $329,473 reported as deferred outflows of resources related to pensions, resulting from contributions paid to TRS subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending August 31, 2018.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	$ 48,624	$ 151,166
Changes in actuarial assumptions	204,370	140,329
Net difference between projected and actual investment earnings	102,119	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	692,295
Contributions paid to TRS subsequent to the measurement date	318,304	-
Total	$ 673,417	$ 983,790

The $318,304 reported as deferred outflows of resources related to pensions, resulting from contributions paid to TRS subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended August 31, 2017.

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

For the year ending August 31,	Pension Expense Amount
2018	$ (161,602)
2019	(161,602)
2020	42,872
2021	(177,306)
2022	(214,407)
Thereafter	(52,917)
	$ (724,962)

NOTE 15 – DEFINED CONTRIBUTION PENSION PLANS

Optional Retirement Plan – Defined Contribution Plan

Plan Description. Participation in the Optional Retirement Plan 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.

NOTE 15 – DEFINED CONTRIBUTION PENSION PLANS - Continued

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 percent and 6.65 percent, respectively. The District contributes 0.71 percent for employees who were participating in the optional retirement program prior to September 1, 1995. 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. S.B.1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the District was $118,273 and $120,243 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 District.

The total payroll for all District employees was $13,911,903 and $13,715,982 for the fiscal years ended August 31, 2017 and 2016, respectively. The total payroll of employees covered by the Optional Retirement System was $4,184,074 and $4,250,781 for the fiscal years ended August 31, 2017 and 2016, respectively.

NOTE 16 – DEFERRED COMPENSATION PROGRAM

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. The District had no employees participating in the program during the years ended August 31, 2017 and 2016.

NOTE 17 – COMPENSABLE ABSENCES

All full-time exempt and non-exempt employees working twelve months are entitled to accrue paid vacation time from the date of employment. On September 1, current employees are credited 80 hours to be used during the year. Employees hired after September 1 accrue vacation time at 6.67 hours each month worked. The monthly vacation credit may be pro-rated if the employee's regular work week is less than 38 hours in the fall and spring; and 36 hours in the summer. The District's policy allows employees to carry their accrued leave forward from one fiscal year to the next fiscal year with a maximum accrual of 160 hours per employee. The District recognizes the accrued liability at August 31, 2017 and 2016 of $222,155 and $217,269, respectively, for the unpaid annual leave in the Unrestricted Current Fund. Sick leave is earned at the rate of 8 hours per month for non-faculty and 6 hours per month for faculty and may be pro-rated if the employee's work week is less than 40 hours. The maximum sick leave that may be accumulated is 720 hours. The District's policy is to recognize the cost of sick leave when paid. The liability is not recorded in the financial statements because experience indicates the expenditure for sick leave to be minimal.

NOTE 18 – HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was $617.30 per month for the year ended August 31, 2017 ($576.54 per month for 2016) and totaled $1,422,598 for 2017 ($1,303,158 for the year 2016). The cost of providing those benefits for 119 retirees in the year ended 2017 was $461,817 (retiree benefits for 100 retirees cost $400,540 in 2016). For 225 active employees, the cost of providing benefits was $960,781 for the year ended 2017 (active employee benefits for 228 employees cost $902,618 for the year ended 2016). S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

NOTE 19 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

ERS issues a 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.

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.

Beginning September 1, 2013, S.B. 1812 limited the state's contribution to 50% of eligible employees for community colleges.

The District's contributions to SRHP for the years ended August 31, 2017, 2016, and 2015 were $550,463, $479,957, and $439,859, respectively, which equaled the required contributions each year.

NOTE 20 – DISAGGREGATION OF RECEIVABLES BALANCES

Receivables at August 31 were as follows:

	2017	2016
Student receivables	$ 2,246,764	$ 2,117,697
Taxes receivable	733,345	553,740
Federal receivable	412,002	349,172
Accounts receivable	347,692	386,370
Gross receivables	3,739,803	3,406,979
Less: allowance for uncollectible accounts	(697,464)	(559,354)
Net total receivables	$ 3,042,339	$ 2,847,625

NOTE 21 – CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities.* Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contract and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. For federal and non-federal contract and grant awards, funds collected, but not expended, are reported as Unearned Revenue 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 $2,701,557 and $3,454,620, respectively. Of these amounts, $2,681,683 and $3,434,620 were from Federal Contract and Grant Awards and $19,874 and $20,000 were from State Contract and Grant Awards for the fiscal years ended August 31, 2017 and 2016, respectively.

NOTE 22 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries appropriate commercial insurance. For the years ended August 31, 2017 and 2016, the District also participated in a pool for its workers' compensation program.

Beginning in the year 2000, the District elected participation in the Texas Public and Junior Community College Employee Benefits Consortium. This pool is exclusively for public community and junior college entities thus providing a preferred risk pool for workers' compensation coverage. Under this agreement, the pool retains liability for claims under $750,000 or less per incident and purchases commercial insurance for claims in excess of the liability retained by the pool. The reinsurance covers losses to the specific and aggregate statutory limits required by the State of Texas. There was no significant reduction in insurance coverage from the year ended August 31, 2016 to the year ended August 31, 2017, and no settlements exceeded insurance for any of the past three fiscal years.

NOTE 22 – RISK MANAGEMENT - Continued

The claims liability of $80,516 and $59,092 reported in accrued liabilities at August 31, 2017 and 2016, respectively, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated based on actuarial calculations. Changes in the fund's claims liability amount in fiscal years 2017 and 2016 were:

	August 31, 2017	August 31, 2016
Balance at beginning of year	$ 59,092	$ 86,061
Current year claims and changes in estimates	30,315	(13,576)
Claims paid	(8,891)	(13,393)
Balance at end of year	$ 80,516	$ 59,092

NOTE 23 – PROPERTY TAXES

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

As of August 31,:

	2017	2016
Assessed valuation of the District	$ 3,572,652,220	$ 4,051,549,269
Less: Abatements	153,322,030	171,235,034
Less: Exemptions	631,915,770	594,409,519
Net assessed valuation of the District	$ 2,787,414,420	$ 3,285,904,716

	2017			2016		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per $100 Valuation (Maximum per enabling legislation)	0.700000	0.000000	0.700000	0.700000	0.000000	0.700000
Assessed Tax Rate per $100 Valuation	0.263163	0.050635	0.313798	0.201916	0.049707	0.251623

Taxes levied for the years ended August 31, 2017 and 2016, were $9,020,950 and $8,410,323, 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.

NOTE 23 – PROPERTY TAXES - Continued

	2017			2016		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	$ 7,279,648	$ 1,400,321	$ 8,679,969	$ 6,558,517	$ 1,614,521	$ 8,173,038
Delinquent taxes collected	56,123	14,751	70,874	57,001	15,771	72,772
Penalties and interest collected	69,091	15,364	84,455	53,806	14,460	68,266
Total collections	$ 7,404,862	$ 1,430,436	$ 8,835,298	$ 6,669,324	$ 1,644,752	$ 8,314,076

Tax collections for the years ended August 31, 2017 and 2016, were 96.62% and 97.27% of the current tax levy, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance, operations, and debt service.

NOTE 24 - TAX ABATEMENTS

The District has entered into property tax abatement agreements with local businesses under Texas Code Chapter 312, and as amended by the Tax Abatement Guidelines and Criteria adopted by Howard College. Under the Act, localities may grant property tax abatements of up to 100 percent of a business's property tax bill for attracting or retaining business within their jurisdictions. The abatements may be granted to any qualifying business located within or promising to relocate to the service area of the District.

For the fiscal years ended August 31, 2017 and 2016, the District abated property taxes totaling $324,765 and $276,963, respectively, under this program.

NOTE 25 – COMMITMENTS AND CONTINGENCIES

The District has received financial assistance from federal and state agencies in the form of grants. The acceptance of such grants requires compliance with special regulations and grant provisions, and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material adverse effect on the District's financial position at August 31, 2017.

The District has received appropriations from the State for the operation of the Southwest Collegiate Institute for the Deaf. The acceptance of these funds requires compliance with special purchasing regulations, and is subject to audit by the State. Any disallowed expenditures would have to be reimbursed by the District. However, in the opinion of management, the possible reimbursements, if any, will not have a material adverse effect on the District's financial position at August 31, 2017.

NOTE 26 – INCOME TAXES

The District is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the years ended August 31, 2017 and 2016.

REQUIRED SUPPLEMENTARY INFORMATION

Howard County Junior College District
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
Year ended August 31,
(unaudited)

Fiscal year ended August 31,*	2017**	2016**	2015**
TRS net position as percentage of total pension liability	78.00%	78.43%	83.25%
District's proportionate share of collective net pension liability (NPL) (%)	0.0100182%	0.0111276%	0.0141531%
District's proportionate share of collective net pension liability ($)	$ 3,785,734	$ 3,933,458	$ 3,780,489
Portion of NECE's total proportionate share of NPL associated with the District	2,393,316	2,417,113	1,950,379
Total	$ 6,179,050	$ 6,350,571	$ 5,730,868
District's covered payroll amount	$ 7,598,544	$ 7,789,830	$ 7,968,685
Ratio of: Employer (ER) proportionate share of collective NPL / ER's covered payroll amount	49.82%	50.49%	47.44%

* The amounts presented above are as of the measurement date of the collective net pension liability.
** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Howard County Junior College District
SCHEDULE OF DISTRICT CONTRIBUTIONS
Year ended August 31,
(unaudited)

Fiscal year ended August 31,*	2017**	2016**	2015**
Legally required contributions	$ 329,473	$ 318,304	$ 57,829
Actual contributions	329,473	318,304	57,829
Total	$ -	$ -	$ -
District's covered employee payroll amount	$ 7,831,407	$ 7,598,544	$ 7,789,830
Ratio of: Actual contributions / employer covered payroll amount	4.21%	4.19%	0.74%

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

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

SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

SCHEDULES

Howard County Junior College District
SCHEDULE OF OPERATING REVENUES
Schedule A
Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises
Tuition				
State Funded Credit Courses				
In-District Resident Tuition	$ 934,862	$ -	$ 934,862	$ -
Out-of-District Resident Tuition	6,073,257	-	6,073,257	-
TPEG-credit (set aside)*	76,868	-	76,868	-
Non-Resident Tuition	635,246	-	635,246	-
State Funded Continuing Education	245,878	-	245,878	-
TPEG-non-credit (set aside)*	14,056	-	14,056	-
Non-State Funded Continuing Education	17,859	-	17,859	-
Total tuition	7,998,026	-	7,998,026	-
Fees				
Building use fee	-	-	-	802,016
General fees	484,281	-	484,281	108
Student service fee	-	-	-	145,706
Laboratory fee	139,772	-	139,772	-
Total fees	624,053	-	624,053	947,830
Scholarship allowances and discounts				
Scholarship allowances	(286,761)	(535,904)	(822,665)	(144,454)
Remissions and exemptions	(1,203,211)	-	(1,203,211)	43,193
TPEG allowances	-	(91,128)	(91,128)	-
Federal grants to students	-	(2,611,462)	(2,611,462)	-
Other state	-	(181,362)	(181,362)	-
Total scholarship allowances	(1,489,972)	(3,419,856)	(4,909,828)	(101,261)
Total net tuition and fees	7,132,107	(3,419,856)	3,712,251	846,569
Other operating revenues				
Federal grants and contracts	11,336	2,107,979	2,119,315	-
State grants and contracts	-	612,539	612,539	-
Local grants and contracts	-	111,711	111,711	-
Nongovernmental grants and contracts	-	948,305	948,305	1,000
Sales and services of educational activities	408,984	-	408,984	-
Investment income (program restricted)	-	3,057	3,057	-
Other operating revenues	384,245	6,809	391,054	5
Total other operating revenues	804,565	3,790,400	4,594,965	1,005
Auxiliary enterprises				
Intercollegiate athletics	-	-	-	67,153
Diagnostic center	-	-	-	4,401
Residential life, net of discounts of $1,012,697 and $1,047,964	-	-	-	130,411
Bookstore, net of discounts of $63,816 and $66,519**	-	-	-	70,861
Total net auxiliary enterprises	-	-	-	272,826
Total operating revenues (Exh. 2)	$ 7,936,672	$ 370,544	$ 8,307,216	$ 1,120,400

* In accordance with Education Code 56.033, $90,924 and $91,849 of tuition was set aside for Texas Public Education Grants (TPEG)
** The bookstore auxiliary operations are outsourced.

	2017 Total	2016 Total
	$ 934,862	$ 847,847
	6,073,257	5,506,156
	76,868	75,199
	635,246	751,426
	245,878	236,470
	14,056	16,650
	17,859	24,368
	7,998,026	7,458,116
	802,016	675,089
	484,389	398,920
	145,706	111,977
	139,772	123,951
	1,571,883	1,309,937
	(967,119)	(932,998)
	(1,160,018)	(1,052,167)
	(91,128)	(103,590)
	(2,611,462)	(2,240,243)
	(181,362)	(146,837)
	(5,011,089)	(4,475,835)
	4,558,820	4,292,218
	2,119,315	2,357,836
	612,539	578,286
	111,711	109,508
	949,305	1,040,986
	408,984	395,734
	3,057	3,184
	391,059	454,893
	4,595,970	4,940,427
	67,153	70,356
	4,401	11,675
	130,411	136,368
	70,861	65,145
	272,826	283,544
	$ 9,427,616	$ 9,516,189
	(Exhibit 2)	(Exhibit 2)

Howard County Junior College District
SCHEDULE OF OPERATING EXPENSES BY OBJECT
Schedule B
Year ended August 31, 2017
(With Memorandum Totals for the Year ended August 31, 2016)

	Operating Expenses					
	Salaries and Wages	Benefits		Other Expenses	2017 Total	2016 Total
		State	Local			
Unrestricted - Educational Activities						
Instruction	$ 6,323,531	$ -	$1,249,714	$ 1,010,046	$ 8,583,291	$ 8,265,115
Public service	257,622	-	72,645	7,466	337,733	413,352
Academic support	873,909	-	176,556	449,211	1,499,676	1,528,159
Student services	1,307,365	-	278,123	230,350	1,815,838	1,735,411
Institutional support	2,714,949	-	1,017,652	1,980,807	5,713,408	4,974,261
Operation and maintenance of plant	956,854	-	344,157	2,295,610	3,596,621	3,302,622
Scholarships and fellowships	-	-	-	38,490	38,490	22,472
Total Unrestricted - Educational Activities	12,434,230	-	3,138,847	6,011,980	21,585,057	20,241,392
Restricted - Educational Activities						
Instruction	152,652	713,244	30,929	49,086	945,911	1,166,944
Public service	507,191	-	143,485	116,864	767,540	728,453
Academic support	62,430	99,938	25,147	112,332	299,847	843,217
Student services	182,126	168,320	60,091	174,078	584,615	467,032
Institutional support	37,441	789,149	12,902	1,983	841,475	801,554
Operation and maintenance of plant	-	18,588	-	32,755	51,343	34,142
Scholarships and fellowships	-	-	-	1,929,719	1,929,719	1,931,034
Total Restricted - Educational Activities	941,840	1,789,239	272,554	2,416,817	5,420,450	5,972,376
Total Educational Activities	13,376,070	1,789,239	3,411,401	8,428,797	27,005,507	26,213,768
Auxiliary Enterprises	471,025	-	158,724	1,760,736	2,390,485	2,094,071
Depreciation Expense - Buildings and other real estate improvements	-	-	-	1,874,450	1,874,450	1,748,945
Depreciation Expense - Equipment and furniture	-	-	-	655,040	655,040	661,163
Total Operating Expenses	$13,847,095	$1,789,239	$3,570,125	$12,719,023	$31,925,482	$30,717,947
					(Exhibit 2)	(Exhibit 2)

Howard County Junior College District
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
Schedule C
Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Unrestricted	Restricted	Auxiliary Enterprises	2017 Total	2016 Total
NON-OPERATING REVENUES					
State appropriations					
Education and general state support	$ 9,166,404	$ -	$ -	$ 9,166,404	$ 9,157,213
SWCID central plant and HVAC upgrades	-	-	-	-	1,992,158
State group insurance	-	1,422,598	-	1,422,598	1,303,158
State retirement matching	-	366,641	-	366,641	464,643
Professional nursing shortage reduction	-	29,318	-	29,318	68,304
Total state appropriations	9,166,404	1,818,557	-	10,984,961	12,985,476
Property taxes for operations	7,604,949	-	-	7,604,949	6,798,219
Property taxes for debt service	-	1,463,648	-	1,463,648	1,673,612
Payments in lieu of taxes	156,356	-	-	156,356	152,542
Federal revenue, non operating	-	4,120,246	-	4,120,246	3,785,222
Investment income (net of investment expenses)	37,344	4,257	-	41,601	37,081
Other non-operating revenue	156,943	43,848	11,551	212,342	1,102,261
Total non-operating revenues	17,121,996	7,450,556	11,551	24,584,103	26,534,413
NON-OPERATING EXPENSES					
Interest on capital related debt	(725,921)	-	-	(725,921)	(1,234,696)
Loss on disposal of fixed assets	235,281	-	-	235,281	(420,295)
Total non-operating expenses	(490,640)	-	-	(490,640)	(1,654,991)
Net non-operating revenues	$16,631,356	$ 7,450,556	$ 11,551	$24,093,463	$24,879,422
				(Exhibit 2)	(Exhibit 2)

Howard County Junior College District
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
Schedule D
August 31, 2017
(With Memorandum Totals for August 31, 2016)

	Detail by Source				
		Restricted		Capital Assets Net of Depreciation & Related Debt	
	Unrestricted	Expendable	Non-Expendable		Total
Current:					
Unrestricted	$ 6,975,407	$ -	$ -	$ -	$ 6,975,407
Restricted	-	1,009,320	-	-	1,009,320
Auxiliary enterprises	2,049,584	-	-	-	2,049,584
Endowment:					
True endowment	-	-	1,177,723	-	1,177,723
Plant:					
Debt service	-	1,570,845	-	-	1,570,845
Investment in plant	-	-	-	32,305,911	32,305,911
Total Net Position, August 31, 2017	$ 9,024,991	$ 2,580,165	$ 1,177,723	$ 32,305,911	$45,088,790 (Exhibit 1)
Total Net Position, August 31, 2016	7,498,054	2,734,081	1,177,715	32,026,326	43,436,176 (Exhibit 1)
Net Increase (Decrease) in Net Position	$ 1,526,937	$ (153,916)	$ 8	$ 279,585	$ 1,652,614 (Exhibit 2)

Available for Current Operations	
Yes	No
$ 6,975,407	$ -
1,009,320	-
2,049,584	-
-	1,177,723
-	1,570,845
-	32,305,911
$ 10,034,311	$ 35,054,479
8,664,361	34,771,815
$ 1,369,950	$ 282,664

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Schedule E
For the Year Ended August 31, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures and Pass-Through Disbursements
U.S. Department of Education				
Direct Programs:				
Student Financial Aid Cluster				
SEOG 16/17	84.007			$ 65,205
Subtotal SEOG				65,205
Federal College Workstudy Program 15/16	84.033			6,133
Federal College Workstudy Program 16/17	84.033			32,531
Federal College Workstudy Program (100%) 16/17	84.033			12,891
Subtotal Federal College Workstudy Program				51,555
PELL 15/16	84.063			(3,688)
PELL 16/17	84.063			4,005,225
PELL 17/18	84.063			1,949
Subtotal PELL				4,003,486
Direct Student Loans 16/17	84.268			2,704,275
Subtotal Direct Student Loans				2,704,275
Total Student Financial Aid Cluster				6,824,521
eSTART 14/15	84.031C	P031C110093		5,318
eSTART 15/16	84.031C	P031C110093		125,669
Subtotal eSTART				130,987
Perfecting Achievement in Student Success 15/16	84.031S	P031S150131		356,833
Perfecting Achievement in Student Success 16/17	84.031S	P031S150131-16		337,042
Subtotal Perfecting Achievement in Student Success				693,875
Pass through from:				
Texas Workforce Commission				
Adult Education and Literacy 231 - BS 16/17	84.002A	1116AEL003		77,155
Adult Education and Literacy 231 Admin - BS 16/17	84.002A	1116AEL003		5,304
Adult Education and Literacy 225 - BS 16/17	84.002A	1116AEL003		13,914
Adult Education and Literacy Workforce Training - BS 16/17	84.002A	1116AEL003		1,118
Adult Education and Literacy 223 - BS 16/17	84.002A	1116AEL003		1,441
Adult Education and Literacy EI Civics - BS 16/17	84.002A	1116AEL003		2,453
Adult Education and Literacy EI Civics Admin - BS 16/17	84.002A	1116AEL003		199
Adult Education and Literacy Career Navigator - BS 16/17	84.002A	1116AEL000		35,184
Adult Education and Literacy Career Navigator Adm - BS 16/17	84.002A	1116AEL000		2,332
Adult Education and Literacy 231 - SA 16/17	84.002A	1216AEL001		205,703
Adult Education and Literacy 231 Admin - SA 16/17	84.002A	1216AEL001		9,650
Adult Education and Literacy 225 - SA 16/17	84.002A	1216AEL001		25,457
Adult Education and Literacy Workforce Training - SA 16/17	84.002A	1216AEL001		39,982
Adult Education and Literacy 223 - SA 16/17	84.002A	1216AEL001		6,574
Adult Education and Literacy EI Civics - SA 16/17	84.002A	1216AEL001		69,808
Adult Education and Literacy EI Civics Admin - SA 16/17	84.002A	1216AEL001		2,866
Adult Education and Literacy Career Navigator - SA 16/17	84.002A	1216AEL000		52,086
Adult Education and Literacy Federal Distance Learning - SA 16/17	84.002A	1216AEL001		725
Adult Education and Literacy Performance Award - SA 17/18	84.002A	1217PQI000		37,566
Adult Education and Literacy 231 - SA 17/18	84.002A	1216AELB01		5,766
Adult Education and Literacy 231 Admin - SA 17/18	84.002A	1216AELB01		938
Adult Education and Literacy 225 - SA 17/18	84.002A	1216AELB01		318
Adult Education and Literacy Workforce Training - SA 17/18	84.002A	1216AELB01		13
Adult Education and Literacy 223 - SA 17/18	84.002A	1216AELB01		1,337
Adult Education and Literacy El Civics - SA 17/18	84.002A	1216AELB01		9

(continued)

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Schedule E
For the Year Ended August 31, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures and Pass-Through Disbursements
Adult Education and Literacy - Site-Based Workplace Literacy Project	84.002A	2916AEL004		48,977
Subtotal Texas Workforce Commission				646,875
Angelo State University				
ASU-HC Cooperative H S I - Stem Coop Program 15/16	84.031C	P031C110142-15		5,747
Subtotal Angelo State University				5,747
Texas Higher Education Coordinating Board				
Annual Perkins 16/17	84.048	174237		133,070
Subtotal Texas Higher Education Coordinating Board				133,070
Total U.S. Department of Education				8,435,075
U.S. Department of Agriculture				
Pass through from:				
Texas Department of Agriculture				
Child & Adult Care Food Program	10.558	02501		18,192
Subtotal Texas Department of Agriculture				18,192
Total U.S. Department of Agriculture				18,192
U.S. Department of Defense				
Direct Programs:				
Goodfellow AFB Scholarship	12.000			6,518
Army Tuition Assistance	12.000			1,524
Navy Tuition Assistance	12.000			1,242
Total U.S. Department of Defense				9,284
U.S. Department of Labor				
Employment Service Cluster				
Pass through from:				
Concho Valley Workforce Development Board				
Supplying the Workforce Pipeline for the Energy Industry	17.207	0915WPB000		(1,934)
West Texas Energy Consortium Career in STEM	17.207	0916WPB000		16,671
Subtotal Concho Valley Workforce Development Board				14,737
Total Employment Service Cluster				14,737
WIOA Cluster				
Pass through from:				
Permian Basin Workforce Development Board				
Workforce Innovation and Opportunity Act - San Angelo	17.258			52,620
Workforce Innovation and Opportunity Act - Big Spring	17.258			460
Industry Recognized Certificate Welding Program	17.258			5,353
Subtotal Permian Basin Workforce Development Board				58,433
Concho Valley Workforce Development Board				
High-Demand Job Training Program Grant-Year 2	17.258	1215HJT000		75,000
Industry Recognized Skills Certificate Program	17.258	1215RSC000		232
Subtotal Concho Valley Workforce Development Board				75,232
Total WIOA Cluster				133,665
Total U.S. Department of Labor				148,402

(continued)

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Schedule E
For the Year Ended August 31, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures and Pass-Through Disbursements
National Science Foundation				
Pass through from:				
University of Texas at El Paso				
Alliance for Minority Participation, Year 5 - 16/17	47.076	HRD-1202008		8,200
Total National Science Foundation				8,200
U.S. Department of Veterans Affairs				
Direct Programs:				
Vocational Rehab for Disabled Veterans - BS	64.116			4,093
Vocational Rehab for Disabled Veterans - SA	64.116			30,672
Subtotal Vocational Rehab for Disabled Veterans				34,765
Post 9/11 Veterans Education Assistance - BS	64.130			62,512
Post 9/11 Veterans Education Assistance - SA	64.130			192,402
Subtotal Post 9/11 Veterans Education Assistance				254,914
Total U.S. Department of Veterans Affairs				289,679
U.S. Department of Health and Human Services				
TANF Cluster				
Pass through from:				
Texas Workforce Commission				
Adult Education and Literacy TANF - BS 16/17	93.558	1116AEL003		4,603
Adult Education and Literacy TANF Admin - BS 16/17	93.558	1116AEL003		398
Adult Education and Literacy TANF - SA 16/17	93.558	1216AEL001		22,101
Adult Education and Literacy TANF Admin - SA 16/17	93.558	1216AEL001		3,658
Adult Education and Literacy TANF - SA 17/18	93.558	1216AELB01		157
Subtotal Texas Workforce Commission				30,917
Total TANF Cluster				30,917
Total U.S. Department of Health and Human Services				30,917
Corporation for National & Community Service				
Direct Programs:				
AmeriCorps	94.006			4,087
Total Corporation for National & Community Service				4,087
Total Expenditures of Federal Awards				$ 8,943,836

The accompanying notes are an integral part of this schedule.

(continued)

Note 1: Financial assistance reconciliation

Federal revenues per Schedule A:	
Federal grants and contracts	$ 2,119,315
Add: Non-operating federal revenue from Schedule C	4,120,246
Add: Direct student loans	2,704,275
Total Federal Revenues per Schedule of Expenditures of Federal Awards	$ 8,943,836

Note 2: Significant accounting policies used in preparing the schedule

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from the amounts used in the preparation of the basic 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 District has followed all applicable guidelines issued by various entities in the preparation of the schedule. The District has elected not to use the 10% de minimis cost as permitted in the Uniform Guidance, Section 200.414.

Note 3. Expenditures not subject to federal single audit

All federal expenditures reported in the financial statements are subject to a federal single audit.

Note 4. Nonmonetary federal assistance received

The District did not receive any nonmonetary federal assistance during the fiscal year.

Note 5. Amounts passed through by Howard County Junior College District

The District did not pass through any federal assistance during the fiscal year.

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
Schedule F
For the Year Ended August 31, 2017

State Grantor/Program Title	Contract/ Award Number	Expenditures
Texas Higher Education Coordinating Board		
Texas Education Opportunity Grant – Initial 16/17		$ 126,024
Texas Education Opportunity Grant – Returning 16/17		53,454
Total TEOG		179,478
Professional Nursing Shortage (Regular Program) 14/15		13,180
Professional Nursing Shortage (Under 70) 16/17		16,138
Texas College Work Study Program 16/17		14,288
Total Texas Higher Education Coordinating Board		223,084
Department of Assistive and Rehabilitative Services		
DARS – Howard College BS		14,520
DARS – Howard College SA		76,955
DARS – SWCID		82,007
Total Department of Assistive and Rehabilitative Services		173,482
Texas Workforce Commission		
Adult Education and Literacy State - BS 16/17	1116AEL003	21,460
Adult Education and Literacy State Admin - BS 16/17	1116AEL003	3,894
Adult Education and Literacy State - SA 16/17	1216AEL001	54,579
Adult Education and Literacy State Admin - SA 16/17	1216AEL001	9,810
Adult Education and Literacy Skills for Small Business - SA 16/17	1216SSD000	21,092
Total Texas Workforce Commission		110,835
Total State of Texas Financial Assistance		$ 507,401

The accompanying notes are an integral part of this schedule.

(continued)

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS - CONTINUED
Schedule F
For the Year Ended August 31, 2017

Note 1. State Assistance Reconciliation

State Revenues – Per Schedule A:	
State of Texas Financial Assistance	
Per Schedule of Expenditures of State of Texas Awards	$ 507,401
State Financial Assistance	
State appropriated funds not included in Schedule A	
Professional Nursing Shortage Reduction	(29,318)
State aid from other states not included as State of Texas financial assistance	
Vocational Rehabilitation - SW	134,456
Total State Grants and Contracts Revenues per Schedule A	$ 612,539

Note 2.

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

(This page intentionally left blank)

Logan, Thomas & Johnson, LLC
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

The Board of Trustees
Howard County Junior College District
Big Spring, Texas

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

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2017-001.

5023 W. 120th Ave., #165, Broomfield, CO 80020

Calvin Logan	Jan Thomas	Pauline Davis
Phone 303 532 1000	Phone 303 569 6030	Phone 719 937 4270
Fax 303 532 1080	Fax 303 569 6031	Fax 719 937 4271

Compliance and Other Matters

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

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
December 29, 2017

Logan, Thomas & Johnson, LLC
Certified Public Accountants

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

The Board of Trustees
Howard County Junior College District
Big Spring, Texas

Report on Compliance for Each Major Federal Program

We have audited Howard County Junior College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

5023 W. 120th Ave., #165, Broomfield, CO 80020

Calvin Logan	Jan Thomas	Pauline Davis
Phone 303 532 1000	Phone 303 569 6030	Phone 719 937 4270
Fax 303 532 1080	Fax 303 569 6031	Fax 719 937 4271

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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.

Logan, Thomas + Johnson, LLC

Broomfield, Colorado
December 29, 2017

Howard County Junior College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_ yes X no
• Significant deficiency(ies) identified?	X yes _ none reported
Noncompliance material to financial statements noted?	_ yes X no

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	___ yes X no
• Significant deficiency(ies) identified?	___ yes X none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes X no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.033, 84.268, 84.007, 84.063	U.S. Department of Education, Student Financial Aid Programs

Dollar threshold used to distinguish between type A and type B federal programs: $ 750,000

Auditee qualified as low-risk auditee for federal awards? X yes __ no

Section II – Financial Statement Findings

Finding 2017-001 – Accounts Payable Cut Off

Criteria or specific requirement:	Internal controls should exist to ensure that there is a proper cut off in recording accounts payable so that transactions are recorded in the correct financial statement period.
Condition:	Several invoices tested at year end were not recorded in the proper accounting period.
Context:	The dollar amount of invoices tested for accounts payable cut off was \$1,629,370. Of the amount tested, \$129,817 was not accrued as of August 31, 2017 and should have been.
Cause:	The internal controls that were in place to ensure proper cut off of accounts payable were not adequately followed.
Effect:	Adjustments to the financial statements were required and management recorded the adjusting entries to correct the financial statements as of and for the year ended August 31, 2017.
Recommendation:	We recommend that the District adhere to its internal control policies regarding cut off of accounts payable at year end.
Views of responsible officials:	Agree. The District has procedures in place to monitor fiscal year end accounts payable transactions; however, the procedures were not fully completed. There has been complete turnover in the accounts payable area within the past fiscal year, and additional training by the Director of Financial Accounting with the accounts payable staff began upon the realization of the issue during audit site visit the week of October 23 – 27, 2017 and training continues. Training will be emphasized when there is turnover in the future as well. The Financial Accounting staff is implementing tracking procedures for recurring payments such as utilities and lease payments to help ensure all payments are accounted for in the appropriate fiscal year. The Director of Financial Accounting will review payables with the accounts payable staff at least quarterly including fiscal year end. Also, training will be offered to District employees who input purchase orders and/or approve invoices to help employees understand year end accounting procedures. Contact: Brenda Claxton Implementation date: October 24, 2017

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Howard County Junior College District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2017

No matters were reported.