

**TEMPLE COLLEGE**

**Temple, Texas**

**Annual Financial and Compliance Reports**

**for the Year Ended August 31, 2018**

# TEMPLE COLLEGE

## Table of Contents

	<u>Page</u>
Organizational Data .....	1
Independent Auditors' Report on the Financial Statements and Supplemental Information .....	2
Management's Discussion and Analysis .....	5
 <b><u>Financial Statements</u></b>	
Statement of Net Position (Exhibit 1).....	14
Statement of Financial Position (discretely presented component unit – Exhibit 1-A) .....	15
Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2).....	16
Statement of Activities 2016 (discretely presented component unit – Exhibit 2-A) .....	17
Statement of Activities 2015 (discretely presented component unit – Exhibit 2-B) .....	18
Statement of Cash Flows (Exhibit 3).....	19
Notes to Financial Statements.....	20
 <b><u>Required Supplementary Information (RSI) Schedules</u></b>	
Schedule of College's Proportionate Share of Net Pension Liability .....	49
Schedule of College's Contributions .....	50
Schedule of College's Proportionate Share of Net OPEB Liability .....	51
Schedule of College's Contributions for OPEB .....	52
Notes to Required Supplemental Information .....	53
 <b><u>Supplementary Schedules</u></b>	
Schedules	
A Schedule of Operating Revenues .....	54
B Schedule of Operating Expenses by Object .....	55
C Schedule of Non-Operating Revenues and Expenses .....	56
D Schedule of Net Position by Source and Availability .....	57
E Schedule of Expenditures of Federal Awards .....	58
Notes to Schedule of Expenditures of Federal Awards.....	59
F Schedule of Expenditures of State Awards .....	60
 <b><u>Auditors' Reports on Controls and Compliance</u></b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> ..	61
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and the State of Texas Single Audit Circular .....	63
Schedule of Findings and Questioned Costs.....	66

**TEMPLE COLLEGE  
 ORGANIZATIONAL DATA  
 For the Year Ended August 31, 2018**

**Board of Trustees**

		Term Expires
Mrs. Katie Burrows	Chair	<u>May</u> 2024
Mr. Bob Browder	Vice-Chair	2022
Mr. Harry Adams	Secretary	2022
Mr. John R. Bailey		2024
Dr. Alejandro C. Arroliga, MD, MSc, FCCP, FACP		2024
Mr. Stephen H. Niemeier		2020
Mrs. Lydia Santibanez		2020
Mr. Larry J. Wilkerson		2020
Dr. Andrejs Avots-Avotins, M.D., Ph.D.		2022

**Officers**

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



**LOTT, VERNON & COMPANY, P.C.**  
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American Institute & Texas Society of  
Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Temple College  
Temple, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Temple College, (the College) as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Temple, Texas  
November 30, 2018



This discussion and analysis of Temple College financial statements provides an overview of College financial activities for the year ended August 31, 2018. Management has prepared the financial statements and the related footnote disclosures and this discussion and analysis statement. Responsibility for the completeness and fairness of this information is that of the College management. The current report, for the year ended August 31, 2018, is issued under the Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.” This accounting policy established the reporting format for governmental annual financial statements. The State of Texas elected to adopt these reporting standards in the fiscal year 2001-2002, and Temple College as a component unit of state government converted its financial reporting to the GASB 34 format. The following sections present comparative financial data as called for by the reporting principle.

**Financial and Enrollment Highlights**

- ◆ Enrollment in the academic/technical programs increased 0.3% over the prior year (FY 2017) from 98,355 semester hours to 98,687 hours. This year marked the first increase in enrollment in six years.
- ◆ Enrollment in the Business and Continuing Education Division declined 15% compared to FY 2017.
- ◆ Tuition/Fee totals by resident type for this period were:

	<u>Fall 2017</u>	<u>Fall 2016</u>	<u>Fall 2015</u>
In-District	\$97/semester hour	\$89/semester hour	\$89/semester hour
Out-of-District	\$169/semester hour	\$159/semester hour	\$159/semester hour
Non-Resident	\$249/semester hour	\$239/semester hour	\$239/semester hour

- ◆ Students taking Health Science courses are charged an additional \$20/SCH. This tuition is a 20.6% increase for Health Science programs for resident students compared to general academic and other technical courses.
- ◆ The district property tax rate for FY 2018 decreased slightly from the prior year’s rate of \$0.2057/\$100 to \$0.2047/\$100. This rate is the combined debt/maintenance and operations rate.
- ◆ State funding (appropriations) decreased by 7% in FY 2018, which is the first year of the biennium.

**The Annual Report**

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

## TEMPLE COLLEGE

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

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

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

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

### **Statement of Net Position**

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

Receivables include delinquent property taxes, student accounts, Federal, State, and other miscellaneous receivables. Federal and State receivables increased by 11.1%. Student receivables decreased by 1.1%. Other receivables decreased by 21.7%, due mainly to receipt of funds for student sponsorships and collection of receivables from other agencies, such as the Temple College Foundation and Texas State Technical College.

Prepaid expenses (expenses related to next fiscal year) decreased by approximately 79%, mainly due to better scheduling of payments in the current fiscal year.

Non-Current Assets include Restricted Cash balances and Other Long-Term Investments. Restricted cash decreased by 18% compared to the prior year, mainly due to more TPEG funds utilized during the current year. Other Long-Term Investments remained nearly the same as the prior year.



**NET POSITIONS, END OF YEAR**  
(In Millions)  
**Temple College**

	<u>8/31/2018</u>	<u>8/31/2017</u>	<u>8/31/2016</u>
Current Assets	24.3	25.1	25.9
Non-Current Assets	<u>51.1</u>	<u>52.5</u>	<u>53.3</u>
Total Assets	<u><u>75.4</u></u>	<u><u>77.6</u></u>	<u><u>79.2</u></u>
Deferred Outflows	<u><u>2.0</u></u>	<u><u>1.7</u></u>	<u><u>1.8</u></u>
Current Liabilities	11.3	11.1	10.8
Non-Current Liabilities	<u>50.7</u>	<u>33.7</u>	<u>36.2</u>
Total Liabilities	<u><u>62.0</u></u>	<u><u>44.8</u></u>	<u><u>47.0</u></u>
Deferred Inflows	<u><u>6.4</u></u>	<u><u>1.3</u></u>	<u><u>1.8</u></u>
Net Positions:			
Invested in capital assets, net of related debt	17.4	15.6	14.0
Restricted	2.9	2.9	2.7
Unrestricted	<u>(11.3)</u>	<u>14.7</u>	<u>15.5</u>
Total Net Positions	<u><u>9.0</u></u>	<u><u>33.2</u></u>	<u><u>32.2</u></u>
Increase in Net Positions	<u><u>0.4</u></u>	<u><u>1.0</u></u>	<u><u>0.8</u></u>

Due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, during fiscal year 2018, the College is now required to report its proportionate share of the net postemployment benefits liability related to the Employees Retirement System of Texas (ERS). A restatement to the beginning net position was necessary as of September 1, 2017; the ending net position for fiscal year 2017 was not restated because actuarial calculations performed relative to the implementation did not provide sufficient information to restate the prior year amount. Therefore, current year and prior year amounts may not be comparative.

As a direct result of the implementation of GASB Statement No. 75, the College no longer has a positive unrestricted net position.

Compensable absences (vacation/sick leave) decreased slightly this year to \$879,659 and is a material liability to the College.

**Statement of Revenues, Expenses and Changes in Net Position**

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The Statement of Revenues, Expenses and Changes in Net Position presents the annual operating results for the College, as well as all non-operating revenues and expenses. Tuition and fee revenue, net of exemption allowances, increased by 4.1% in FY 2018. Tuition rates for students increased over the previous year. A significant portion of the tuition structure is a \$13 per SCH use fee. This charge is restricted for payment of debt service costs related to revenue bonds for facility construction and improvements on campus.

State allocations (appropriations) for instructional and support purposes decreased compared to the prior fiscal period. FY 2018 is the first year of the biennium; as mentioned in previous financial reports, ten percent (10%) of community college funding is now based upon student success points, a type of performance-based funding. As the state legislature moves forward with the evolution of student success points, the College will expect an increased emphasis on student performance, as opposed to headcount enrollment only.

Auxiliary Enterprise revenues consist primarily of vending sales and athletics. These revenues decreased by 18% from the previous year, to \$240,136.

The operating revenue category of Grants and Contracts does not include Title IV Grants. These Federal grant programs remained virtually unchanged from the previous fiscal year.

Title IV revenue is included in the Non-Operating Revenue section and increased by 4.1% for FY 2018.

**Operating Expenses**

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

**OPERATING EXPENSES BY NATURAL CLASSIFICATION**

(In Millions)  
**Temple College**

	Year Ended <u>8/31/2018</u>	Year Ended <u>8/31/2017</u>	Year Ended <u>8/31/2016</u>
<b>Operating Expenses</b>			
Salaries:			
Faculty	8.9	9.0	9.2
Staff	8.8	8.5	8.6
Benefits	6.2	6.0	5.8
Other Expenses	13.5	12.8	13.9
Depreciation	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>
<b>Total Operating Expenses</b>	<u><u>39.0</u></u>	<u><u>37.9</u></u>	<u><u>39.1</u></u>

## TEMPLE COLLEGE

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

### OPERATING EXPENSES BY FUNCTION

(In Millions)

#### Temple College

	Year Ended <u>8/31/2018</u>	Year Ended <u>8/31/2017</u>	Year Ended <u>8/31/2016</u>
<b>Educational &amp; General</b>			
Instruction	13.5	13.2	13.4
Public Service	1.0	1.0	1.3
Academic Support	2.6	2.6	2.6
Student Services	3.5	3.3	3.3
Institutional Support	6.7	6.4	6.0
Operations & Plant Maintenance	3.3	3.1	3.5
Student Aid	<u>5.4</u>	<u>5.4</u>	<u>6.3</u>
<b>Total Educational Activities</b>	<u>36.0</u>	<u>35.0</u>	<u>36.4</u>
<b>Auxiliary Enterprises</b>	1.4	1.3	1.1
<b>Depreciation</b>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>
<b>Total Operating Expenses</b>	<u>39.0</u>	<u>37.9</u>	<u>39.1</u>

In the schedules of operating expenses shown above, the total expenditures increased about 3% over the prior year. The bulk of this increase is in the natural category of Other Expenses and the functional categories of Instruction and Institutional Support.

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

All employees received a 2.5% raise in FY 2018. This increase in employee compensation was critical to maintain morale among employees and enhance the College's ability to attract and retain good employees.



**SALARY INCREASES (%)**  
(Fall Term)  
**Temple College**

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
2.5%	1.0% to 1.50%	3.0%	2.0%	2.5%	3%	0%

**OPERATING RESULTS FOR THE YEAR**  
(In Millions)  
**Temple College**

	<u>Year Ended 8/31/2018</u>	<u>Year Ended 8/31/2017</u>	<u>Year Ended 8/31/2016</u>
<b>Operating Revenues</b>			
Tuition & Fees (net of exemptions)	9.9	9.5	10.1
Grants, Contracts & Other	4.1	4.0	3.9
Total Operating Revenues	14.0	13.5	14.0
<b>Operating Expenses</b>	39.0	37.9	39.1
<b>Net Operating Revenues (Expenses)</b>	(25.0)	(24.4)	(25.1)
<b>Non-Operating Revenues (Expenses)</b>			
State Allocations	9.0	9.7	9.6
Maintenance & Obligation Ad Valorem Taxes	6.0	5.9	6.0
General Obligation Debt Taxes	2.4	2.4	2.1
Federal Revenue, Non-Operating	9.0	8.7	9.6
Gifts	0.0	0.0	0.0
Interest on Capital Related Debt	(1.1)	(1.2)	(1.2)
Other Non-Operating	0.1	(0.1)	(0.2)
Total Non-Operating Revenues (Expenses)	25.4	25.4	25.9
<b>Increase (Decrease in Net Position)</b>	0.4	1.0	0.8
<b>Net Position - Beginning of Year</b>	8.6	32.2	31.4
<b>Net Position - End of Year</b>	9.0	33.2	32.2
<b>Percent Increase/(Decrease)</b>	4.6%	3.1%	2.5%



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

	Rate/\$100 Value		
	2018	2017	2016
Maintenance	\$0.1467	\$0.1454	\$0.1483
Debt Service	0.0580	0.0603	0.0617
Total	\$0.2047	\$0.2057	\$0.2100

The net assessed valuation for the district increased for FY 2018 to \$4,608,681,213 from the previous year (FY 2017) amount of \$4,443,929,258. The property tax rate cap for the Temple College district is \$0.25/\$100 valuation. This is the maximum permissible rate for both debt service requirements and operations combined.

**Statement of Cash Flows**

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

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

The College liquidity position decreased \$1,204,326 during this year ended August 31, 2018, as shown in the chart below:

**CASH FLOWS FOR THE YEAR**  
(In Millions)  
**Temple College**

	Year Ended 8/31/18	Year Ended 8/31/17	Year Ended 8/31/16
Cash provided (used) by:			
Operating activities	(20.4)	(20.6)	(20.8)
Non-capital financing activities	24.4	24.5	25.1
Capital and related financing activities	(4.7)	(4.9)	(2.7)
Investing activities	(0.5)	(0.2)	(2.6)
Net Increase (decrease) in cash	(1.2)	(1.2)	(1.0)
Cash, beginning of the year	3.1	4.3	5.3
Cash, end of the year	1.9	3.1	4.3

## TEMPLE COLLEGE

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### Capital Asset and Debt Administration

On August 31, 2018, the College had \$70.1 million invested in capital assets, net of approximately \$25.7 million in accumulated depreciation.

#### CAPITAL ASSETS, NET OF DEPRECIATION (In Millions) Temple College

	Year Ended 8/31/18	Year Ended 8/31/17	Year Ended 8/31/16
Land	\$ 3.8	\$ 3.8	\$ 3.7
Buildings	34.5	34.8	33.3
Land Improvements	4.8	5.2	5.5
Construction in Progress	-	0.1	2.0
Furniture & Equipment	1.0	1.2	1.5
Library Materials	0.2	0.3	0.3
Totals	<u>\$ 44.3</u>	<u>\$ 45.4</u>	<u>\$ 46.3</u>

At year-end 2018, Temple College had approximately \$27.7 million in debt outstanding, a \$3.0 million decrease from the prior year-end balance of \$30.7 million. The table below summarizes this amount by debt type.

#### OUTSTANDING DEBT, AT YEAR-END Temple College

	8/31/18	8/31/17	8/31/16
<b>Bonds/Capital Leases</b>			
Revenue Bonds	\$ 9,695,000	\$ 10,945,000	\$ 12,155,000
General Obligation Bonds	16,345,000	17,770,000	19,135,000
Capital Leases	1,623,306	1,993,071	2,345,004
<b>TOTAL BONDS/LEASES</b>	<u>\$ 27,663,306</u>	<u>\$ 30,708,071</u>	<u>\$ 33,635,004</u>

During FY 2018, all scheduled debt service requirements were paid.

### Economic Factors That Will Affect the Future

The upcoming 86<sup>th</sup> Legislative Session will pose several concerns for Temple College. As one of a few community colleges with lower enrollment during the past year, expectations grow that future appropriations will drop, forcing the College to seek revenues from other sources. Upcoming legislation may also hinder the College's ability to increase property tax revenues, due to the introduction of legislation that is expected to lower the rollback rate from its current 8% level. These two trends could lead to additional tuition increases in the near future – a solution the Administration would like to avoid, if at all possible.

While the College overall is experiencing lower enrollments, our East Williamson County Higher Education Center in Hutto is moving in the opposite direction. Enrollments there are increasing, creating challenges to meet those increasing demands for instructional and support resources. Effectively managing this changing environment will be critical in the near term, as the College efficiently allocates its resources between its various campuses to meet the needs to its students.

## **FINANCIAL STATEMENTS**



Statement of Net Position  
August 31, 2018 and August 31, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 650,652	\$ 1,591,673
Short Term Investments	18,055,545	17,354,567
Accounts Receivable (net)	5,627,726	6,161,472
Prepaid Expenses	9,808	45,732
<b>Total Current Assets</b>	<u><b>24,343,731</b></u>	<u><b>25,153,444</b></u>
<b>Non-Current Assets</b>		
Restricted Cash and Cash Equivalents	1,195,781	1,459,086
Other Long-Term Investments	5,585,749	5,584,363
Capital Assets (net)(See note 6)	44,333,637	45,412,669
<b>Total Non-Current Assets</b>	<u><b>51,115,167</b></u>	<u><b>52,456,118</b></u>
<b>Total Assets</b>	<u><b>\$ 75,458,898</b></u>	<u><b>\$ 77,609,562</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	\$ 1,412,596	\$ 1,750,010
Deferred outflows related to OPEB	585,245	-
<b>Total Deferred Outflows of Resources</b>	<u><b>1,997,841</b></u>	<u><b>1,750,010</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	859,106	779,485
Unearned Revenue	6,576,643	6,585,966
Funds Held for Others	758,291	725,126
Capital Leases - Current Portion	257,355	369,765
Bonds Payable - Current Portion	2,785,000	2,675,000
Net OPEB Liability - Current Portion	107,026	-
<b>Total Current Liabilities</b>	<u><b>11,343,421</b></u>	<u><b>11,135,342</b></u>
<b>Non-Current Liabilities</b>		
Accrued Compensable Absences	879,659	901,889
Capital Leases	1,365,951	1,623,306
Bonds Payable	23,255,000	26,040,000
Net Pension Liability	4,214,600	5,128,695
Net OPEB Liability	20,985,503	-
<b>Total Non-Current Liabilities</b>	<u><b>50,700,713</b></u>	<u><b>33,693,890</b></u>
<b>Total Liabilities</b>	<u><b>\$ 62,044,134</b></u>	<u><b>\$ 44,829,232</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	1,755,528	1,282,353
Deferred inflows related to OPEB	4,663,660	-
<b>Total Deferred Inflows of Resources</b>	<u><b>6,419,188</b></u>	<u><b>1,282,353</b></u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	17,367,629	15,568,963
Restricted for:		
Non-expendable		
Student Aid	266,377	540,365
Expendable		
Loan	23,406	26,816
Debt Service	2,637,273	2,354,549
Unrestricted	(11,301,268)	14,757,294
<b>Total Net Position (Schedule D)</b>	<u><b>\$ 8,993,417</b></u>	<u><b>\$ 33,247,987</b></u>

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

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

Exhibit 1-A

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

**Statement of Revenues, Expenses, and Changes in Net Position  
Years Ended August 31, 2018 and August 31, 2017**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>		
Tuition and Fees (Net of Allowances and Discounts \$6,617,938 and \$5,888,636, respectively)	\$ 9,895,666	\$ 9,504,632
Federal Grants and Contracts	1,015,662	1,015,880
State Grants and Contracts	558,209	587,155
Private Gifts, Grants, and Contracts	1,565,445	1,425,440
Sales and Services of Educational Activities	5,268	16,899
Auxiliary Enterprises	240,136	292,870
Other Operating Revenues	693,109	625,148
<b>Total Operating Revenues (Schedule A)</b>	<u>13,973,495</u>	<u>13,468,024</u>
<b>Operating Expenses</b>		
Instruction	13,545,957	13,249,328
Public Service	979,593	1,018,036
Academic Support	2,655,103	2,626,018
Student Services	3,519,085	3,266,462
Institutional Support	6,696,787	6,354,163
Operation and Maintenance of Plant	3,268,126	3,148,387
Scholarships and Fellowships	5,435,826	5,366,887
Auxiliary Enterprises	1,358,238	1,244,708
Depreciation	1,602,358	1,612,166
<b>Total Operating Expenses (Schedule B)</b>	<u>39,061,073</u>	<u>37,886,155</u>
<b>Operating Loss</b>	<b>(25,087,578)</b>	<b>(24,418,131)</b>
<b>Non-Operating Revenues (Expenses)</b>		
State Appropriations	9,013,447	9,688,257
Maintenance Ad Valorem Taxes	6,059,368	5,832,268
Debt Service Ad Valorem Taxes	2,392,219	2,411,183
Federal Revenue, Non-Operating	9,023,757	8,665,337
Gifts	-	-
Investment Income	212,694	128,368
Interest on Capital Related Debt	(1,084,272)	(1,183,094)
Loss on Disposal of Fixed Assets	(15,170)	(19,913)
Other Non-Operating Revenues	330	-
Other Non-Operating Expenses	(148,209)	(132,104)
<b>Net Non-Operating Revenues (Expenses) (Schedule C)</b>	<u>25,454,164</u>	<u>25,390,302</u>
<b>Increase (Decrease) in Net Position</b>	<b>366,586</b>	<b>972,171</b>
<b>Net Position</b>		
Net Position - Beginning of Year	33,247,987	32,275,816
Cummulative effect of change in accounting principle	(24,621,156)	-
Net Position - Beginning of Year, as restated	<u>8,626,831</u>	<u>32,275,816</u>
<b>Net Position - End of Year</b>	<u><u>\$ 8,993,417</u></u>	<u><u>\$ 33,247,987</u></u>

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

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

Exhibit 2-A

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



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

Exhibit 2-B

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

## Statement of Cash Flows

For the Year Ended August 31, 2018 and August 31, 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 10,252,480	\$ 10,039,335
Receipts from grants and contracts	4,319,625	3,543,761
Payments to or on behalf of employees	(21,565,052)	(21,366,468)
Payments to suppliers for goods or services	(8,017,352)	(7,471,432)
Payments for scholarships and fellowships	(5,434,482)	(5,336,913)
<b>Net cash provided (used) by operating activities</b>	<b>(20,444,781)</b>	<b>(20,591,717)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	7,112,559	7,681,494
Receipts from non-operating federal revenue	9,023,757	8,665,337
Receipts from ad valorem taxes	8,409,221	8,257,075
Other payments	(147,879)	(132,104)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>24,397,658</b>	<b>24,471,802</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Issuance of capital debt	-	-
Purchases of capital assets	(538,496)	(778,030)
Payments on capital debt and leases - principal	(3,044,765)	(2,926,933)
Payments on capital debt and leases - interest	(1,084,272)	(1,183,094)
<b>Net cash provided (used) by capital and related financial activities</b>	<b>(4,667,533)</b>	<b>(4,888,057)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts from interest on investments	212,694	128,368
Purchase of investments	(28,596,678)	(38,431,917)
Proceeds from sales and maturities of investments	27,894,314	38,089,490
<b>Net cash provided (used) by investing activities</b>	<b>(489,670)</b>	<b>(214,059)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,204,326)</b>	<b>(1,222,031)</b>
Cash and cash equivalents - beginning of year	3,050,759	4,272,790
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,846,433</b>	<b>\$ 3,050,759</b>
<b>Reconciliation of operating income (loss) to net cash used by operating activities</b>		
Operating income (loss)	\$ (25,087,578)	\$ (24,418,131)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	1,602,358	1,612,166
Payments made directly by state for benefits	1,900,888	2,006,763
Changes in assets and liabilities		
Receivables (net)	576,112	(330,634)
Deferred outflow	332,102	85,832
Prepaid expenses	35,924	229,351
Accounts payable	80,965	(269,757)
Funds held for others	31,821	9,791
Unearned revenue	(9,323)	435,915
Compensated absences	(22,230)	13,325
Accrued liabilities	(5,022,655)	545,740
Deferred inflow	5,136,835	(512,078)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (20,444,781)</b>	<b>\$ (20,591,717)</b>

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

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

**1. Reporting Entity**

Temple Junior College District was established in 1926, in accordance with the laws of the State of Texas, to serve the educational needs of Temple and the surrounding communities. On April 22, 1996, the name of the Temple Junior College District was changed to Temple College. The College has a campus in Temple, Texas, Taylor, Texas and Hutto, Texas. Temple College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

**2. Summary of Significant Accounting Policies**

**Reporting Guidelines**

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges* and in accordance with generally accepted accounting policies. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

**Tuition Discounting**

Texas Public Education Grants

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

Title IV, HEA, Program Funds

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

Other Tuition Discounts

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

**Basis of Accounting**

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



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

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

**Budgetary Data**

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

**Cash and Cash Equivalents**

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

**Deferred Inflows**

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

**Deferred Outflows**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB.

**Investments**

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

**Capital Assets**

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



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

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

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

**Unearned Revenue**

Tuition and fees of \$6,575,480 and \$6,582,819 have been reported as unearned revenues at August 31, 2018 and August 31, 2017, respectively.

**Pensions**

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

**Other Post-Employment Benefits (OPEB)**

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

**Prior Year Restatement**

Effective for fiscal year 2018, the College implemented GASB Statement No. 75, *Accounting for OPEB*. Accordingly, a restatement to beginning net position was required for the recording of the beginning net OPEB liability and for the recording of deferred outflows of resources related to OPEB for contributions made to the ERS OPEB plan subsequent to the measurement date of the beginning net OPEB liability.

Because audited beginning balances could not be obtained for all of the deferred outflows of resources and deferred inflows of resources related to OPEB, the College determined it was impractical to restate its fiscal year 2017 financial statements. As such, the College recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle.

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

Beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75:

	<u>Sept. 1, 2017</u>
Beginning net position, as originally stated	\$33,247,987
Cummulative effect of change in accounting principle (GASB 75):	
Beginning net OPEB liability - measurement date as of 8/31/17	(25,201,089)
Deferred outflows - College contributions made during FY17	579,933
Total of prior period adjustmnets	(24,621,156)
 Beginning net position, as restated	 \$ 8,626,831

**Estimates**

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

**Operating and Non-Operating Revenue and Expense Policy**

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

**3. Authorized Investments**

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

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

**4. Deposits and Investments**

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

**Cash and Deposits**

Bank Deposits	<u>2018</u>	<u>2017</u>
Demand Deposits	\$ 1,842,626	\$ 3,046,952
Time Deposits	<u>-</u>	<u>-</u>
	\$ 1,842,626	\$ 3,046,952
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 3,807	\$ 3,807
Reimbursements in Transit	<u>-</u>	<u>-</u>
	\$ 3,807	\$ 3,807
 Total Cash and Cash Equivalents	 <u>\$ 1,846,433</u>	 <u>\$ 3,050,759</u>

**Reconciliation of Deposits and Investments to Exhibit 1**

Type of Security	<u>Market Value</u> <u>August 31, 2018</u>	<u>Market Value</u> <u>August 31, 2017</u>
Total Cash and Deposits	<u>\$ 1,846,433</u>	<u>\$ 3,050,759</u>
CD's	5,585,749	5,584,363
BBVA Compass Money Market	23,319	1,000
Tex Pool	2,062	2,012
Texas Class	<u>18,030,164</u>	<u>17,351,555</u>
Total Investments	<u>\$ 23,641,294</u>	<u>\$ 22,938,930</u>
 TOTAL DEPOSITS AND INVESTMENTS	 <u>\$ 25,487,727</u>	 <u>\$ 25,989,689</u>
Cash and Cash Equivalents (Exhibit 1)	650,652	1,591,673
Restricted Cash and Cash Equivalents (Exhibit 1)	1,195,781	1,459,086
Short Term Investments (Exhibit 1)	18,055,545	17,354,567
Other Long Term Investments (Exhibit 1)	<u>5,585,749</u>	<u>5,584,363</u>
 TOTAL DEPOSITS AND INVESTMENTS (Exhibit 1)	 <u>\$ 25,487,727</u>	 <u>\$ 25,989,689</u>



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>N/A</u>
		<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>	
Money Market Account	\$ 23,319	\$ 23,319			
Investment Pool	18,032,226	18,032,226	-	-	-
Certificate of Deposit	5,585,749	2,085,542	2,500,000	1,000,207	-
<b>Total Fair Value</b>	<b>\$ 23,641,294</b>	<b>\$ 20,141,087</b>	<b>\$ 2,500,000</b>	<b>\$ 1,000,207</b>	<b>\$ -</b>

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

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

The governing board has designated public fund investment pools comprised of \$18,032,226 and \$17,353,567 at August 31, 2018 and August 31, 2017, respectively to be short-term investments.

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

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

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

## 5. Derivatives

None.

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

**6. Capital Assets**

Capital assets activity for the year ended August 31, 2018 was as follows:

	<u>Balance</u> <u>9/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2018</u>
<b><u>Not Depreciated:</u></b>				
Land	\$ 3,793,005	\$ -	\$ -	\$ 3,793,005
Construction in Process	<u>112,568</u>	<u>-</u>	<u>112,568</u>	<u>-</u>
<b>Total Not Depreciated</b>	3,905,573	-	112,568	3,793,005
<b><u>Buildings and Other Capital Assets:</u></b>				
Buildings	47,109,854	542,874	-	47,652,728
Land Improvements	9,723,571	-	-	9,723,571
Library Books	1,898,006	27,796	49,295	1,876,507
Furniture, Machinery, Vehicles, And Other Equipment	2,374,088	80,393	14,538	2,439,943
Telecommunications and Peripheral Equipment	<u>4,588,174</u>	<u>-</u>	<u>-</u>	<u>4,588,174</u>
Total Buildings and Other Capital Assets	<u>65,693,693</u>	<u>651,063</u>	<u>63,833</u>	<u>66,280,923</u>
<b><u>Accumulated Depreciation:</u></b>				
Buildings	12,271,136	825,143	-	13,096,279
Land Improvements	4,544,150	403,170	-	4,947,320
Library Books	1,622,803	34,014	34,125	1,622,692
Furniture, Machinery, Vehicles, And Other Equipment	1,560,787	156,337	14,538	1,702,586
Telecommunications and Peripheral Equipment	<u>4,187,721</u>	<u>183,693</u>	<u>-</u>	<u>4,371,414</u>
Total Accumulated Depreciation	<u>\$24,186,597</u>	<u>\$ 1,602,357</u>	<u>\$ 48,663</u>	<u>\$ 25,740,291</u>
<b>Net Other Capital Assets</b>	<u>\$41,507,096</u>	<u>\$ (951,294)</u>	<u>\$ 15,170</u>	<u>\$ 40,540,632</u>
<b>Net Capital Assets</b>	<u>\$45,412,669</u>	<u>\$ (951,294)</u>	<u>\$ 127,738</u>	<u>\$ 44,333,637</u>

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

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

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



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

**7. Non-Current Liabilities**

Non-current liability activity for the year ended August 31, 2018 was as follows:

	<b>Balance</b>			<b>Balance</b>	
	<b>September 1,</b>			<b>August 31,</b>	<b>Current</b>
	<b><u>2017</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>2018</u></b>	<b><u>Portion</u></b>
<u>Bonds</u>					
General obligation bonds	\$ 17,770,000	\$ -	\$ 1,425,000	\$ 16,345,000	\$ 1,485,000
Revenue bonds	<u>10,945,000</u>	<u>-</u>	<u>1,250,000</u>	<u>9,695,000</u>	<u>1,300,000</u>
Subtotal	<u>\$ 28,715,000</u>	<u>\$ -</u>	<u>\$ 2,675,000</u>	<u>\$ 26,040,000</u>	<u>\$ 2,785,000</u>
Leases	1,993,071	-	369,765	1,623,306	257,355
Accrued compensable absences	901,889	516	22,746	879,659	-
Net pension liability	5,128,695	834	914,929	4,214,600	-
Net OPEB liability	<u>24,621,156</u>	<u>2,185,407</u>	<u>5,714,034</u>	<u>21,092,529</u>	<u>107,026</u>
<b>Total long-term liabilities</b>	<b><u>\$ 61,359,811</u></b>	<b><u>\$ 2,186,757</u></b>	<b><u>\$ 9,696,474</u></b>	<b><u>\$ 53,850,094</u></b>	<b><u>\$ 3,149,381</u></b>

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

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

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

**8. Debt and Lease Obligations**

For the Year Ended August 31,	General Obligation Bonds			Revenue Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	1,485,000	666,348	2,151,348	1,300,000	314,905	1,614,905	2,785,000	981,253	3,766,253
2020	1,545,000	603,011	2,148,011	1,345,000	270,905	1,615,905	2,890,000	873,916	3,763,916
2021	1,610,000	537,111	2,147,111	1,385,000	225,290	1,610,290	2,995,000	762,401	3,757,401
2022	1,675,000	468,401	2,143,401	1,025,000	178,133	1,203,133	2,700,000	646,534	3,346,534
2023	1,175,000	396,929	1,571,929	1,060,000	146,722	1,206,722	2,235,000	543,651	2,778,651
2024-2028	6,045,000	1,249,351	7,294,351	2,815,000	324,970	3,139,970	8,860,000	1,574,321	10,434,321
2029-2031	2,810,000	224,952	3,034,952	765,000	32,660	797,660	3,575,000	257,612	3,832,612
<b>Total</b>	<b><u>\$16,345,000</u></b>	<b><u>\$ 4,146,103</u></b>	<b><u>\$20,491,103</u></b>	<b><u>\$ 9,695,000</u></b>	<b><u>\$1,493,585</u></b>	<b><u>\$11,188,585</u></b>	<b><u>\$26,040,000</u></b>	<b><u>\$ 5,639,688</u></b>	<b><u>\$31,679,688</u></b>

Obligations under capital leases at August 31, 2018 were as follows:

	<b><u>Total</u></b>
2019	\$ 328,308
2020	333,942
2021	154,626
2022	94,493
2023	94,444
2024-2028	472,788
2029-2033	472,172
2034-2036	<u>283,394</u>
Total minimum lease payments	\$ 2,234,167
Less: Amount representing interest costs	<u>(610,861)</u>
Present value of minimum lease payment	<b><u>\$ 1,623,306</u></b>

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

Obligation under operating leases at August 31, 2018 were as follows:

<b>For the Year Ended August 31,</b>	<b><u>Total</u></b>
2019	\$ 683,831
2020	679,322
2021	644,085
2022	640,687
2023	598,298
2024-2028	2,932,364
2029-2033	2,810,587
2034-2036	<u>1,626,656</u>
Total minimum lease payments	\$10,615,830
Less: Amount representing interest costs	<u>-</u>
Present value of minimum lease payment	<u><u>\$10,615,830</u></u>

Temple College leases building space from Texas State Technical College under a non-cancellable operating lease agreement. The lease is for a 25 year term; the College has the option to renew the lease for two additional 25 year terms. Fiscal year 2012 was the first year this lease was in effect. The amount included in expenditures for rent under this agreement at August 31, 2018 and 2017 for rent under this lease were \$619,813 and \$622,270, respectively.

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

**9. Bonds Payable**

Bonds payable at August 31, 2018 are comprised of the following individual issues:



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

\$10,455,000 Limited Tax School Building and Equipment and Refunding Bonds, Series 2002, issued 1-22-02, due in annual installments of \$250,000 to \$735,000 through 7-1-22; interest at 4.90%, to provide funds for construction costs and equipment in College's building expansion and to refund certain of the College's outstanding bonds, secured by future ad valorem taxes. \$ 2,050,000

\$10,000,000 Revenue and Refunding Bonds, Series 2006, issued 12-21-06, due in installments of \$140,000 to \$545,000 from 7-1-09 through 7-1-25; interest at 4.00% to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations, or facilities of any nature; to refund Series 1996 bonds maturing 2013 through 2015, 2018 and 2021 inclusive on aggregate principal amount of \$3,540,000; for funding a reserve fund paying costs of issuance related to bonds; to refund Series 2000 maturing 7-1-13 through 7-1-25 in aggregate principal amount of \$3,885,000. 4,795,000

\$7,500,000 Limited Tax School Building and Equipment, Bonds Series 2007, issued 2-27-07, due in installments of \$155,000 to \$535,000, from 7-1-08 to 7-1-27; interest at 3.980% to provide funds for construction and equipment of school buildings, including a new science building and renovations to existing facilities of the district. 4,150,000

\$13,000,000 Temple Junior College District Limited Tax School Building Bonds, Series 2010 issued 12-30-10, due in installments of \$125,000 to \$975,000 from 7-1-10 to 8-31-31, interest at 3.950%, to provide funds for the construction and equipment of school buildings in said District, including a new instructional building; to provide funds for construction and renovations to existing facilities of the District, including academic buildings, parking facilities, streets, landscaping, and other campus infrastructure; to levy, pledge, and cause to be assessed and collected, annual ad valorem taxes on all property in said District sufficient to pay the principal of, and interest on said bonds, within the limit prescribed by law. 10,145,000

\$2,210,000 Revenue and Refunding Bonds, Series 2013 issued 5-14-13, due in installments of \$200,000 to \$235,000 from 7-1-14 through 7-1-23, interest at 1.45%, to refund Series 2003 Revenue and Refunding Bonds maturing 2014 through 2013 inclusive on aggregate principal amount of \$2,160,000, and to pay costs of issuance associated with the bonds, secured by a pledge of certain revenues and additionally secured by the Reserve fund. 1,155,000

\$4,120,000 Revenue Bonds, Series 2015 issued 12-10-15, due in installments of \$185,000 to \$385,000 from 7-1-17 through 7-1-30, interest at 2.84%; to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations or facilities, or any nature and paying cost of issuance with the bonds, secured by a pledge of certain revenues. 3,745,000

\$ 26,040,000

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

All authorized bonds were issued for each series.

For the year ended August 31, 2018 the College was in compliance with all significant covenants and restrictions that are contained in the various bond indentures. Revenues pledged for retirement of Revenue Bonds consist of tuition, fees and various auxiliary income.

**10. Advance Refunding Bonds**

Not applicable.

**11. Defeased Bonds Outstanding**

Not applicable.

**12. Short-term Debt**

Not applicable.

**13. Employees' Retirement Plan**

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

**Teacher Retirement System of Texas**

*Plan Description.* Temple College contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan, which has a special funding situation. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas State Legislature establishes benefit and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

*Benefits Provided.* TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees, and beneficiaries of employees, of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used.

The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered in under a previous rule.

There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the *Plan Description* above.

*Contributions.* Contribution requirements are not actuarially determined but established and amended by the Texas State Legislature, pursuant to Article 16, Section 67 of the Texas Constitution. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year; (2) Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Temple College - 2017 Employer Contributions		\$432,364
Temple College - 2017 NECE On-Behalf Contributions		\$339,661
Temple College - 2017 Member Contributions		\$327,558

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

• Valuation Date	August 31, 2017
• Actuarial Cost Method	Individual Entry Age Normal
• Asset Valuation Method	Market value
• Single Discount Rate	8.00%
• Long-term expected Investment Rate of Return	8.00%
• Inflation	2.5%
• Salary Increases including inflation	2.5% to 9.5%
• Payroll Growth Rate	2.5%
• Benefit changes during the year	None
• Ad hoc post-employment benefit changes	None

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014, and adopted on September 24, 2015.

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

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

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

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

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

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

Source: TRS 2017 Comprehensive Annual Financial Report

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

	<b>1% Decrease in Discount Rate (7.0%)</b>	<b>Discount Rate (8.0%)</b>	<b>1% Increase in Discount Rate (9.0%)</b>
<b>Temple College's proportionate share of the net pension liability:</b>	\$7,104,984	\$4,214,600	\$1,807,887

Subsequent to the release of the information in FY 2018 (relating to the measurement date of August 31, 2017), TRS announced their Board of Trustees voted to lower the investment return assumption from 8.0% to 7.25%. TRS stated that this will not change the strategic asset allocation. However, had this change been implemented in the current year, it would have resulted in the College incurring additional liabilities related to pensions.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2018, Temple College reported a liability of \$4,214,600 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

Temple College's proportionate share of the collective net pension liability	\$4,214,600
State's proportionate share that is associated with Temple College	\$3,320,711
Total	\$7,535,311

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



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

At the measurement date of August 31, 2017, the employer's proportion of the collective net pension liability was 0.0131811%, which was a decrease of 0.000391% from its proportion measured as of August 31, 2016.

*Changes Since the Prior Actuarial Valuation.* There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2018, Temple College recognized pension expense of \$253,291 and revenue of \$253,291 for support provided by the State.

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

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual economic experience	\$61,662	\$227,288
Changes in actuarial assumptions	\$191,982	\$109,905
Differences between projected and actual investment earnings	\$648,157	\$955,307
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$76,511	\$463,028
Contributions paid to TRS subsequent to the measurement date	<u>\$434,284</u>	<u>\$0</u>
<b>Total</b>	<b>\$1,412,596</b>	<b>\$1,755,528</b>

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:

<b><u>Year Ended August 31:</u></b>	<b><u>Pension Expense Amount</u></b>
2019	(\$230,617)
2020	\$38,412
2021	(\$251,280)
2022	(\$306,531)
2023	(\$7,837)
Thereafter	(\$19,365)

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

**Optional Retirement Plan**

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

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% (state = 3.3%, local = 3.3%) and 6.65%, respectively. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. SB 1812, effective September 1, 2013, limits the amount of the State's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the College was \$144,315 and \$148,973 for the fiscal years ended August 31, 2018 and 2017, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$17,874,978 and \$17,702,114 for fiscal years 2018 and 2017, respectively. The total payroll of employees covered by the Teacher Retirement System was \$10,074,295 and \$9,983,630 and the total payroll of employees covered by the Optional Retirement System was \$4,397,783 and \$4,368,930 for fiscal years 2018 and 2017, respectively.

**14. Deferred Compensation Program**

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The Plan is through AIG through the State.

As of August 31, 2018, the College has 4 employees participating in the program. These 4 employees were vested as of August 31, 2018. A total of \$14,800 in contributions was invested in the plan during the fiscal year. The funds are invested in Empower Retirement Services in each employee's accounts and are not a liability to Temple College.

**15. Compensable Absences**

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with Temple College. The College's policy is that an employee may carry his/her accrued leave forward with proper approval. Employees who terminate employment for whatever reason are entitled to payment for all accumulated annual leave up to a maximum of one year's worth of accumulation. The College recognized the accrued liability for the unpaid annual leave in the amount of \$382,903 and \$396,099 for fiscal years 2018 and 2017, respectively.

Sick leave, which is accumulated up to a limit of 1040 hours, is earned at the rate of 8 hours per month and is paid to an employee who misses work from illness or immediate family illness. Employees who terminate employment for whatever reason or upon death of the employee, in which the funds are paid to the estate of the employee, are entitled to payment of 173.33 hours provided the employee has worked 10 or more years of full-time employment at Temple College. The maximum sick leave that may be paid to the employee at termination of employment, or the employee's estate, is 173.33 hours. The College recognized the accrued liability for the unpaid sick leave in the amount of \$496,756 and \$505,790 for fiscal years 2018 and 2017, respectively.

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

**16. Pending Lawsuits and Claims**

As of August 31, 2018, there were no pending lawsuits or claims against the College.

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

**Receivables**

Receivables at August 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Student Receivables	\$ 4,885,334	\$ 4,940,104
Taxes Receivable	348,021	248,876
Federal Receivable	87,062	81,373
State Receivable	17,219	12,473
Other Receivable	<u>1,092,533</u>	<u>1,590,168</u>
Subtotal	\$ 6,430,169	\$ 6,872,994
Less: Allowance for Doubtful Accounts	<u>(802,443)</u>	<u>(711,522)</u>
<b>Total Receivables</b>	<b><u>\$5,627,726</u></b>	<b><u>\$ 6,161,472</u></b>

**Payables**

Payables at August 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Vendors Payable	\$ 912,222	\$ 771,688
Salaries & Benefits Payable	6,186	922
Students Payable	<u>(59,302)</u>	<u>6,875</u>
<b>Total Payables</b>	<b><u>\$ 859,106</u></b>	<b><u>\$ 779,485</u></b>

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

None.

**19. Contract and Grant Awards**

Contract and grants awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contracts and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2018 and 2017 for which monies have not been received nor funds expended totaled \$1,619,435 and \$7,049,866. Of these amounts, \$1,363,598 and \$6,886,042 were from Federal Contract and Grant Awards.



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

**20. Self-Insured Plans**

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

**21. Post-Retirement Health Care & Life Insurance Benefits**

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$911 per month for the year ended August 31, 2018 (\$907 per month for 2017) and totaled \$1,514,885 for 2018 (\$1,427,861 for 2017). The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

**22. Ad Valorem Tax**

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

At August 31:

	<u>2018</u>	<u>2017</u>
Assessed Valuation of the College:	\$ 6,042,015,268	\$5,863,605,086
Less: Exemptions	(1,073,755,411)	(1,012,403,847)
Less: Abatements	<u>(359,578,644)</u>	<u>(407,271,981)</u>
Net Assessed Valuation of the College	<u>\$ 4,608,681,213</u>	<u>\$ 4,443,929,258</u>

	<u>Current</u>	<u>2018</u>		<u>Current</u>	<u>2017</u>	
	<u>Operations</u>	<u>Debt</u>	<u>Total</u>	<u>Operations</u>	<u>Debt</u>	<u>Total</u>
Authorized						
Tax Rate per						
\$100 valuation	\$ -	\$ -	\$ 0.2500	\$ -	\$ -	\$ 0.2500
Assessed						
Tax Rate per						
\$100 valuation	\$ 0.1467	\$ 0.0580	\$ 0.2047	\$ 0.1454	\$ 0.0603	\$ 0.2057

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

Taxes levied for the year ended August 31, 2018 and 2017 amounted to \$9,356,828 and \$9,090,493, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	<u>Current</u>	<u>2018</u>		<u>Current</u>	<u>2017</u>	
	<u>Operations</u>	<u>Debt</u>	<u>Service</u>	<u>Operations</u>	<u>Debt</u>	<u>Service</u>
			<u>Total</u>			<u>Total</u>
Current Tax Collected	\$ 6,636,364	\$ 2,619,289	\$ 9,255,653	\$ 6,343,895	\$ 2,625,618	\$ 8,969,513
Delinquent Taxes Collected	111,253	45,558	156,811	51,731	20,266	71,997
Penalties & Interest Collected	<u>39,436</u>	<u>15,073</u>	<u>54,509</u>	<u>45,608</u>	<u>17,848</u>	<u>63,456</u>
Total Collections	<u>\$ 6,787,053</u>	<u>\$ 2,679,920</u>	<u>\$ 9,466,973</u>	<u>\$ 6,441,234</u>	<u>\$ 2,663,732</u>	<u>\$ 9,104,966</u>

Tax collections for the year ended August 31, 2018 and 2017 were 98.9% and 98.7%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service. The College remitted payments of \$1,015,386 and \$861,515 in fiscal years 2018 and 2017, respectively, for taxes collected on behalf of the Temple Increment Zone.

Tax Abatements

The City of Temple entered into abatement agreements that reduced ad valorem taxes payable on real property improvements. The total abated for FY 2018 was \$359,578,644, resulting in \$736,057 of forgone revenue, based on the College's tax rate of \$0.2047 per \$100 of value.

**23. Branch Campus Tax**

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

<u>County or I.S.D.</u>	<u>Collections (including penalties and interest)</u>	
	<u>FY 2018</u>	<u>FY 2017</u>
Hutto I.S.D.	\$ 1,375,355	\$ 1,180,639

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

**24. Income Taxes**

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2018 and 2017.

**25. Component Units**

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

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

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). Fiscal years 2017 and 2018 financial statements were not included, as the audit for those years were not completed by the date the College's financial statements were audited and submitted. Complete financial statements of Temple College Foundation can be obtained from the administrative office of the Foundation.

**26. Related Parties (Not a Component Unit)**

Not applicable.

**27. Subsequent Events**

None.

**28. Postemployment Benefits Other than Pensions**

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



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

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

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

*Contributions.* 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. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

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

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

Retiree only	\$617.30
Retiree & spouse	\$970.98
Retiree & children	\$854.10
Retiree & family	\$1,207.78

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

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

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

	<u>FY 2017</u>	<u>FY 2016</u>
Employers	\$890,735,173	\$663,986,538
Members (Employees)	\$195,806,162	\$183,284,339
Nonemployer Contributing Entity (State of Texas)	\$44,433,743	N/A

*Source: ERS FY 2017 Comprehensive Annual Financial Report*

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

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

Actuarial Assumptions  
ERS Group Benefits Program Plan

Valuation date	August 31, 2017
Actuarial cost method	Entry age
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.51%
Projected annual salary increase (includes inflation)	2.50% to 9.50%
Annual healthcare trend rate	8.50% for FY 2019, decreasing 0.5% per year to 4.50% for 2027 and later years
Inflation assumption rate	2.50%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014
Disability retirees	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3 year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active members	Sex Distinct RP-2014 Employee with Morality multiplied by 90% with full generational projection using Scale BB

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

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

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

*Discount Rate.* Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the *beginning* of the measurement year was 2.84%. The discount rate used to measure the total OPEB liability as of the *end* of the measurement year was 3.51%, which amounted to an



**Temple College**  
Notes to the Financial Statements  
August 31, 2018

increase of 0.67%) The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

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

	<b>1% Decrease in Discount Rate (2.51%)</b>	<b>Discount Rate (3.51%)</b>	<b>1% Increase in Discount Rate (4.51%)</b>
<b>Temple College's proportionate share of the net OPEB liability:</b>	\$25,178,318	\$21,092,529	\$17,927,722

*Healthcare Trend Rate Sensitivity Analysis.* The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (%) in measuring the net OPEB Liability.

	<b>1% Decrease in Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)</b>	<b>Current Healthcare Cost Trend Rates (8.5% decreasing to 4.5%)</b>	<b>1% Increase in Healthcare Cost Trend Rates (9.5% decreasing to 4.5%)</b>
<b>Temple College's proportionate share of the net OPEB liability:</b>	\$17,731,858	\$21,092,529	\$25,453,196

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At August 31, 2018, the College reported a liability of \$21,092,529 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

Temple College's Proportionate share of the collective net OPEB liability	\$21,092,529
State's proportionate share that is associated with Temple College	<u>\$16,628,986</u>
Total	<u>\$37,721,515</u>

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

At the measurement date of August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.06190392%, which was the same proportion measured as of August 31, 2016.

For the year ended August 31, 2018 the College recognized OPEB expense of \$457,411 and revenue of \$457,411 for support provided by the State.

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

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

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

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

**Temple College**  
Notes to the Financial Statements  
August 31, 2018

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$0	\$253,464
Changes in actuarial assumptions	\$0	\$4,410,196
Differences between projected and actual investment earnings	\$6,245	\$0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$0	\$0
Contributions paid to ERS subsequent to the measurement date	<u>\$579,000</u>	<u>\$0</u>
<b>Total</b>	<u>\$585,245</u>	<u>\$4,663,660</u>

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

<u>Year Ended August 31:</u>	<u>OPEB Expense Amount</u>
2019	(\$1,048,812)
2020	(\$1,048,812)
2021	(\$1,048,813)
2022	(\$1,048,813)
2023	(\$462,165)
Thereafter	\$0



**REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES**

Temple College  
Schedule of Temple College's Proportionate Share of Net Pension Liability  
Last 4 Fiscal Years\*\*

Fiscal year ending August 31*	2018	2017	2016	2015
Temple College's proportionate share of collective net pension liability	0.0131811%	0.0135721%	0.0129650%	0.0152423%
Temple College's proportionate share of collective net pension liability	\$ 4,214,600	\$ 5,128,695	\$ 4,582,955	\$ 4,071,429
State's proportionate share of net pension liability associated with Temple College	\$ 3,320,711	\$ 3,888,063	\$ 3,650,257	\$ 3,089,213
Total	\$ 7,535,311	\$ 9,016,758	\$ 8,233,212	\$ 7,160,642
Temple College's covered payroll amount	\$ 10,074,295	\$ 9,983,630	\$ 9,479,586	\$ 8,940,730
TC's proportionate share of collective net pension liability as a percentage of covered payroll	41.8%	51.4%	48.3%	45.5%
Plan fiduciary net position as percentage of total pension liability	82.17%	78.00%	78.43%	83.25%

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

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

**Temple College**  
**Schedule of Temple College's Contributions**  
**Last 4 Fiscal Years\*\***

<b>Fiscal year ending August 31*</b>	<b>2018</b>		<b>2017</b>		<b>2016</b>		<b>2015</b>	
Legally required contributions	\$	685,052	\$	678,887	\$	644,612	\$	607,970
Actual contributions	\$	685,052	\$	678,887	\$	644,612	\$	607,970
Contributions deficiency (excess)	\$	-	\$	-	\$	-	\$	-
Temple College's covered payroll amount	\$	10,074,295	\$	9,983,630	\$	9,479,586	\$	8,940,730
Contributions as a percentage of covered payroll		6.8%		6.8%		6.8%		6.8%

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

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

The accompanying notes are an integral part of the supplementary information schedules.



**Schedule of Temple College's Proportionate Share of Net OPEB Liability**  
**Employee Retirement System of Texas**  
**State Retirement Health Plan**  
**Last 1 Fiscal Year\*\***

<b>Fiscal year ending August 31*</b>	<b>2018</b>
Temple College's proportionate share of collective net OPEB liability	0.06190392%
Temple College's proportionate share of collective net OPEB liability	\$ 21,092,529
State's proportionate share of net OPEB liability associated with Temple College	\$ 16,628,986
Total	\$ 37,721,515
Temple College's covered employee payroll amount	\$ 15,742,739
TC's proportionate share of collective net OPEB liability as a percentage of covered employee payroll	134.0%
Plan fiduciary net position as percentage of total OPEB liability	2.04%

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

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

The accompanying notes are an integral part of the supplementary information schedules.

**Schedule of Temple College's Contributions for OPEB  
Employee Retirement System of Texas  
State Retiree Health Plan  
Last 1 Fiscal Year\*\***

<b>Fiscal year ending August 31*</b>	<b>2018</b>
Legally required contributions	\$ 2,256,524
Actual contributions	\$ 2,256,524
Contributions deficiency (excess)	\$ -
Temple College's covered employee payroll amount	\$ 15,742,739
Contributions as a percentage of covered employee payroll	14.3%

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

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

The accompanying notes are an integral part of the supplementary information schedules.

**Temple College**  
**Notes to Required Supplementary Information**  
**For the Year Ended August 31, 2018**

**1. Changes of Benefit Terms:**

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

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

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

**2. Changes of Assumptions:**

**Demographic Assumptions**

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

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

HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.

- Proportion of future retirees covering dependent children.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

**Economic Assumptions**

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

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

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

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



**SUPPLEMENTARY SCHEDULES**

**Schedule of Operating Revenues**  
**For the Year Ended August 31, 2018 (with Memorandum Totals for the Year Ended August 31, 2017)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational</u>	<u>Auxiliary Enterprises</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>Tuition</b>						
State funded courses						
District tuition	\$ 6,898,675	\$ -	\$ 6,898,675	\$ -	\$ 6,898,675	\$ 6,108,522
Out-of-district tuition	4,184,291	-	4,184,291	-	4,184,291	4,023,315
Non-resident tuition	436,685	-	436,685	-	436,685	390,654
Health science tuition	195,185	-	195,185	-	195,185	190,365
TPEG-Credit (set aside) *	393,173	-	393,173	-	393,173	392,097
State funded continuing education	555,614	-	555,614	-	555,614	528,511
TPEG-non-credit (set aside) *	39,694	-	39,694	-	39,694	31,247
Non-state funded continuing education	24,951	-	24,951	-	24,951	20,960
<b>Total Tuition</b>	<b><u>12,728,268</u></b>	<b><u>-</u></b>	<b><u>12,728,268</u></b>	<b><u>-</u></b>	<b><u>12,728,268</u></b>	<b><u>11,685,671</u></b>
<b>Fees</b>						
General fee	1,478,780	-	1,478,780	-	1,478,780	1,471,310
Laboratory fee	137,934	-	137,934	-	137,934	141,670
Other fees	2,168,622	-	2,168,622	-	2,168,622	2,094,617
<b>Total Fees</b>	<b><u>3,785,336</u></b>	<b><u>-</u></b>	<b><u>3,785,336</u></b>	<b><u>-</u></b>	<b><u>3,785,336</u></b>	<b><u>3,707,597</u></b>
<b>Scholarships Allowances and Discounts</b>						
Remissions, exemptions, waivers - state	(877,564)	-	(877,564)	-	(877,564)	(784,368)
Remissions, exemptions, waivers - local	(1,146,798)	-	(1,146,798)	-	(1,146,798)	(1,010,759)
TPEG discounts	(291,849)	-	(291,849)	-	(291,849)	(189,619)
Title IV federal grants discounts	(3,867,859)	-	(3,867,859)	-	(3,867,859)	(3,467,893)
Texas grants I & II discounts	(199,735)	-	(199,735)	-	(199,735)	(185,459)
Other local discounts	(234,133)	-	(234,133)	-	(234,133)	(250,538)
<b>Total Scholarship Allowances</b>	<b><u>(6,617,938)</u></b>	<b><u>-</u></b>	<b><u>(6,617,938)</u></b>	<b><u>-</u></b>	<b><u>(6,617,938)</u></b>	<b><u>(5,888,636)</u></b>
<b>Total Net Tuition and Fees</b>	<b><u>9,895,666</u></b>	<b><u>-</u></b>	<b><u>9,895,666</u></b>	<b><u>-</u></b>	<b><u>9,895,666</u></b>	<b><u>9,504,632</u></b>
<b>Additional Operating Revenues</b>						
Federal grants and contracts	-	1,015,662	1,015,662	-	1,015,662	1,015,880
State grants and contracts	-	558,209	558,209	-	558,209	587,155
Private gifts, grants, and contracts	1,565,445	-	1,565,445	-	1,565,445	1,425,440
Sales and services of educational activities	5,268	-	5,268	-	5,268	16,899
General operating revenue	693,109	-	693,109	-	693,109	625,148
<b>Total Additional Operating Revenue</b>	<b><u>2,263,822</u></b>	<b><u>1,573,871</u></b>	<b><u>3,837,693</u></b>	<b><u>-</u></b>	<b><u>3,837,693</u></b>	<b><u>3,670,522</u></b>
<b>Auxiliary Enterprises</b>						
Miscellaneous income	-	-	-	240,136	240,136	292,870
<b>Total Auxiliary Enterprises</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>240,136</u></b>	<b><u>240,136</u></b>	<b><u>292,870</u></b>
<b>Total Operating Revenues</b>	<b><u>\$ 12,159,488</u></b>	<b><u>\$ 1,573,871</u></b>	<b><u>\$ 13,733,359</u></b>	<b><u>\$ 240,136</u></b>	<b><u>\$ 13,973,495</u></b> (Exhibit 2)	<b><u>\$ 13,468,024</u></b> (Exhibit 2)

\*In accordance with Education Code 56.033, \$432,867 and \$423,344 for years August 31, 2018 and 2017, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

Schedule of Operating Expenses by Object  
Year Ended August 31, 2018 (with Memorandum Totals for the Year Ended August 31, 2017)

	Operating Expenses				2018	2017
	Salaries & Wages	State Benefits	Local Benefits	Other Expenses		
<b>Unrestricted-Educational Activities</b>						
Instruction	\$ 9,442,032	\$ -	\$ 1,814,503	\$ 999,411	\$ 12,255,946	\$ 12,010,354
Public Service	119,147	-	58,330	36,061	213,538	196,076
Academic Support	1,531,325	-	429,898	502,553	2,463,776	2,440,482
Student Services	1,922,037	-	605,143	311,901	2,839,081	2,612,401
Institutional Support	3,138,772	-	740,193	2,410,920	6,289,885	5,926,549
Operation and Maintenance of Plant	483,247	-	320,609	2,464,270	3,268,126	3,148,387
<b>Total Unrestricted Educational Activities</b>	<b>16,636,560</b>	<b>-</b>	<b>3,968,676</b>	<b>6,725,116</b>	<b>27,330,352</b>	<b>26,334,249</b>
<b>Restricted-Educational Activities</b>						
Instruction	-	1,284,111	-	5,900	1,290,011	1,238,974
Public Service	363,441	-	41,297	361,317	766,055	821,960
Academic Support	-	191,327	-	-	191,327	185,536
Student Services	310,108	120,137	15,027	234,732	680,004	654,061
Institutional Support	-	406,902	-	-	406,902	427,614
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarships & Fellowships	-	-	-	5,435,826	5,435,826	5,366,887
<b>Total Restricted Educational Activities</b>	<b>673,549</b>	<b>2,002,477</b>	<b>56,324</b>	<b>6,037,775</b>	<b>8,770,125</b>	<b>8,695,032</b>
<b>Total Educational Activities</b>	<b>17,310,109</b>	<b>2,002,477</b>	<b>4,025,000</b>	<b>12,762,891</b>	<b>36,100,477</b>	<b>35,029,281</b>
<b>Auxiliary Enterprises</b>	<b>418,530</b>	<b>-</b>	<b>133,876</b>	<b>805,832</b>	<b>1,358,238</b>	<b>1,244,708</b>
<b>Depreciation of Building and Improvements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,228,314</b>	<b>1,228,314</b>	<b>1,219,642</b>
<b>Depreciation of Equipment &amp; Furniture</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>374,044</b>	<b>374,044</b>	<b>392,524</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 17,728,639</b>	<b>\$ 2,002,477</b>	<b>\$ 4,158,876</b>	<b>\$ 15,171,081</b>	<b>\$ 39,061,073</b>	<b>\$ 37,886,155</b>
				(Exhibit 2)	(Exhibit 2)	



**Schedule of Non-Operating Revenues and Expenses**  
**Year Ended August 31, 2018 (with Memorandum Totals for the Year Ended August 31, 2017)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>Non-Operating Revenues</b>					
State Appropriations:					
Education and General State Support	\$ 7,073,302	\$ -	\$ -	\$ 7,073,302	\$ 7,634,003
State Group Insurance	-	1,503,282	-	1,503,282	1,454,301
State Retirement Matching	-	397,606	-	397,606	552,462
Professional Nursing Growth Shortage	-	-	-	-	-
Professional Nursing Over 70%	-	-	-	-	-
Small Institution, Article IX and Supplemental	39,257	-	-	39,257	47,491
<b>Total State Appropriations</b>	<b>7,112,559</b>	<b>1,900,888</b>	<b>-</b>	<b>9,013,447</b>	<b>9,688,257</b>
Maintenance Ad Valorem Taxes	6,059,368	-	-	6,059,368	5,832,268
Debt Service ad Valorem Taxes	2,392,219	-	-	2,392,219	2,411,183
Federal Revenue, Non-Operating	-	9,023,757	-	9,023,757	8,665,337
Gifts	-	-	-	-	-
Investment Income	212,694	-	-	212,694	128,368
Other Non-Operating Revenue	-	330	-	330	-
<b>Total Non-Operating Revenues</b>	<b>15,776,840</b>	<b>10,924,975</b>	<b>-</b>	<b>26,701,815</b>	<b>26,725,413</b>
<b>Non-Operating Expenses</b>					
Interest on Capital Related Debt	1,084,272	-	-	1,084,272	1,183,094
Loss on Disposal of Capital Assets	15,170	-	-	15,170	19,913
Other Non-Operating Expense	144,469	3,740	-	148,209	132,104
<b>Total Non-Operating Expenses</b>	<b>1,243,911</b>	<b>3,740</b>	<b>-</b>	<b>1,247,651</b>	<b>1,335,111</b>
<b>Net Non-Operating Revenues</b>	<b>\$ 14,532,929</b>	<b>\$ 10,921,235</b>	<b>\$ -</b>	<b>\$ 25,454,164</b>	<b>\$ 25,390,302</b>
				(Exhibit 2)	(Exhibit 2)

Schedule of Net Position by Source and Availability  
Year Ended August 31, 2018 (with Memorandum Totals for the Year Ended August 31, 2017)

	Detail by Source				Available for Current Operations	
	Restricted				Yes	No
	Unrestricted	Expendable	Non-Expendable	Net Investment in Capital Assets	Total	
Current:						
Unrestricted	\$ (20,127,625)	\$ -	\$ -	\$ -	\$ (20,127,625)	\$ -
Board designated	1,943,266	-	-	-	1,943,266	-
Restricted	-	-	266,377	-	266,377	-
Auxiliary enterprises	(701,098)	-	-	-	(701,098)	-
Loan	-	23,406	-	-	23,406	23,406
Plant						
Unexpended	5,859,189	-	-	-	5,859,189	5,859,189
Renewals	1,725,000	-	-	-	1,725,000	1,725,000
Debt service	-	2,637,273	-	-	2,637,273	2,637,273
Investment in plant	-	-	-	17,367,629	17,367,629	17,367,629
<b>Total Net Position, August 31, 2018</b>	<b>\$ (11,301,268)</b>	<b>\$ 2,660,679</b>	<b>\$ 266,377</b>	<b>\$ 17,367,629</b>	<b>\$ 8,993,417</b>	<b>\$ 27,612,497</b>
<b>Total Net Position, August 31, 2017</b>	<b>14,757,294</b>	<b>2,381,365</b>	<b>540,365</b>	<b>15,568,963</b>	<b>33,247,987</b>	<b>25,856,991</b>
<b>Prior Period Adjustment - Change in Accounting Principle</b>	<b>(24,621,156)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,621,156)</b>	<b>-</b>
<b>Total Net Position, September 1, 2017</b>	<b>(9,863,862)</b>	<b>2,381,365</b>	<b>540,365</b>	<b>15,568,963</b>	<b>8,626,831</b>	<b>25,856,991</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>\$ (1,437,406)</b>	<b>\$ 279,314</b>	<b>\$ (273,988)</b>	<b>\$ 1,798,666</b>	<b>\$ 366,586</b>	<b>\$ 1,755,506</b>
				(Exhibit 2)		

Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2018

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures &amp; Pass Through Disbursements</u>
<b>U.S. Department of Education</b>				
Direct Programs:				
Student Financial Aid Cluster				
SEOG	84.007			128,100
Federal College Workstudy Program	84.033			150,231
Federal PELL Grant	84.063			8,745,426
Wm D Ford Direct Loans	84.268			8,525,925
Total Student Financial Aid Cluster				<u>17,549,682</u>
Total Direct Programs				17,549,682
Pass-Through From:				
Texas Workforce Commission				
Adult Education and Literacy	84.002A	2616AEL004		32,336
Adult Education and Literacy	84.002A	2616AELB04	111,950	384,277
Adult Education and Literacy	84.002A	2618ALA001	1,571	35,014
EL Civics	84.002A	2616AEL004		28,485
EL Civics	84.002A	2616AELB04		44,041
EL Civics	84.002A	2618ALA001		1,759
Total CFDA 84.002A				<u>525,912</u>
Texas Higher Education Coordinating Board				
Carl Perkins Vocational Educ.- Basic	84.048	184202067120001		220,219
Carl Perkins State Leadership	84.048	184202077110001		63,336
Carl Perkins State Leadership	84.048	184202097110001		41,566
Total CFDA 84.048				<u>325,121</u>
<b>Total U. S. Department of Education</b>				<b>18,400,715</b>
<b>U.S. Department of Health &amp; Human Services</b>				
Pass-Through From:				
Texas Workforce Commission				
TANF	93.558	2616AEL004		18,304
TANF	93.558	2616AELB04	60,638	130,691
TANF	93.558	2618ALA001	1,910	9,734
Total CFDA 93.558				<u>158,729</u>
Central Texas Workforce Board				
Child Care Quality Funds, Federal Share	93.596	C1717, 07130C05FY18		5,900
<b>Total U.S. Department of Health &amp; Human Services</b>				<b>164,629</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b><u>\$ 18,565,344</u></b>

Notes to Schedule on Following Page.



**Notes to Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2018**

**Note 1: Federal Assistance Reconciliation**

Federal Grants and Contracts Revenue - per Schedule A	\$ 1,015,662
Add: Non-Operating Federal Revenue from Schedule C	9,023,757
Add: Wm. D. Ford Direct Loans	8,525,925
Total Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 18,565,344</u>

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds, which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the year. Some amounts reported in the schedule may differ from amounts used in the preparation of the financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**Note 3: Expenditures Not Subject to Federal Single Audit**

None

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

None

**Note 5: Nonmonetary Federal Assistance Received**

None

**Note 6: Amounts Passed Through by the College**

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

U.S. Department of Education	
Adult Education & Literacy (CFDA 84.002)	
Central Texas College	\$ 113,521
EL Civics (CFDA 84.002)	
Central Texas College	\$ -
U.S. Department of Health & Human Services	
TANF (CFDA 93.558)	
Central Texas College	\$ 62,548
Total amount passed through by the College	<u>\$ 176,069</u>

Temple College

Schedule F

Schedule of Expenditures of State Awards  
For the Year Ended August 31, 2018

<u>State Grantor/Program Title</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b>Texas Workforce Commission</b>		
Skills Development -SDF	2617SDF001	\$ 6,328
Skills Development -Skills for Small Businesses	2618SSD000	12,018
State Adult Education and Literacy	2616AEL004	5,616
State Adult Education and Literacy	2616AELB04	43,497
State Adult Education and Literacy	2618ALA001	16,686
<b>Total Texas Workforce Commission</b>		<b>\$ 84,145</b>
<b>Texas Higher Education Coordinating Board</b>		
Student Services Division		
Texas Grant Program-Texas Grant II TEOG Initial		285,883
Texas Grant Program-Texas Grant II TEOG Renewal		158,803
Texas College Work Study		29,378
<b>Total Texas Higher Education Coordinating Board</b>		<b>474,064</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<b>\$ 558,209</b>

**Note 1: State Assistance Reconciliation**

State Revenue - per Schedule A:		
State Grants and Contracts		558,209
State Appropriations - per Schedule C:		
Professional Nursing Shortage Reduction		-
Professional Nursing Growth Shortage Over 70%		-
		<b>\$ 558,209</b>

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

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

**AUDITORS' REPORTS ON CONTROLS AND COMPLIANCE**





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

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

Board of Trustees  
Temple College  
Temple, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Temple College (The "College"), as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

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

weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Public Funds Investment Act (Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act (Chapter 2256, Texas Government Code).

Purpose of this Report

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



Temple, Texas  
November 30, 2018





**LOTT, VERNON & COMPANY, P.C.**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Temple College  
Temple, Texas

Report on Compliance for Each Major Federal Program

We have audited Temple College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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



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

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.

*Jett, Newson & Co., P.C.*

Temple, Texas  
November 30, 2018

TEMPLE COLLEGE

Schedule of Findings and Questioned Costs  
August 31, 2018

I. Summary of Audit Results

Financial Statements

1. Type of auditor's report issued: *unmodified*
2. Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes X no  
Significant deficiencies identified that are not  
considered to be material weakness(es)? \_\_\_\_\_ yes X none reported
3. Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes X no

Federal Awards

4. Internal control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes X no  
Significant deficiencies identified that are not  
considered to be material weakness(es)? \_\_\_\_\_ yes X none reported
5. Type of auditor's report issued on compliance for  
major programs: *unmodified*
6. Any audit findings disclosed that are required to  
be reported in accordance with section 200.516(a)  
of the Uniform Guidance? \_\_\_\_\_ yes X no

7. Identification of major programs:

<u>Name of Federal Programs</u>	<u>Federal CFDA</u>	<u>Name of State Program</u>
U.S. Department of Education		N/A – State financial assistance was less than \$750,000 in fiscal year ending August 31, 2018.
<i>Student Financial Aid Cluster:</i>		
Supplemental Education		
Opportunity Grant	84.007	
Federal College Work-Study		
Program	84.033	
Federal Pell Grant Program	84.063	
William D Ford Direct Loans	84.268	

**TEMPLE COLLEGE**

**Schedule of Findings and Questioned Costs (Continued)**  
**August 31, 2018**

8.	Dollar threshold used to distinguish between type A and type B Programs (Federal):	\$750,000
	Dollar Threshold used to distinguish between type A and type B Programs (State):	\$300,000

9. Auditee qualified as low-risk auditee?       X   yes          no

II. Financial Statement Findings  
None.

III. Federal Awards Findings and  
Questioned Costs  
None.