

AMARILLO COLLEGE
Amarillo, Texas

ANNUAL FINANCIAL REPORT
August 31, 2013 and 2012

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**AMARILLO COLLEGE
ORGANIZATIONAL DATA
August 31, 2013**

Board of Regents

	<u>Officers</u>	Term Expires <u>May</u>
Don L. Nicholson	Chairperson	2015
Dr. Paul Proffer	Vice Chairperson	2019
Mary Jane Nelson	Secretary	2015

	<u>Members</u>	
Carroll M. Forrester	Amarillo, Texas	2017
Michele Fortunato	Amarillo, Texas	2017
John D. Hicks	Amarillo, Texas	2017
Johnny E. Mize	Amarillo, Texas	2019
Dr. Gene Norman	Amarillo, Texas	2015
Dr. David C. Woodburn	Amarillo, Texas	2019

Key Officers

Dr. Paul Matney	President
Robert Austin	Vice President of Student Affairs
Terry Berg	Vice President of Business Affairs
Dr. Russell Lowery-Hart	Vice President of Academic Affairs
Danita McAnally	Chief of Planning and Advancement
Ellen Green	Chief of Communication and Marketing
Lee Colaw	Chief Information Officer

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Independent Auditor's Report

Board of Regents
Amarillo College
Amarillo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Amarillo College (the College) as of and for the years ended August 31, 2013 and 2012, 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 audits 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 College'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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of August 31, 2013 and 2012, and the changes in financial position and, where applicable, 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 on pages 8-14 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 audits were conducted for the purpose of forming opinions on the basic financial statements of the College. The accompanying supplemental information listed in the table of contents, Schedules A, B, C and D, are likewise 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 of Texas Awards, Schedule F, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Schedule of Expenditures of State of Texas Awards, and the Other Supplemental Information 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 Schedule of Expenditures of Federal Awards, the Schedule of Expenditures of State of Texas Awards, and the Other Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2013, 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.

Connor, McMillan, Mitchell; Shennum, PLLC

Amarillo, Texas
November 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2013, 2012 and 2011**

INTRODUCTION

The 2013 fiscal year was the twelfth fiscal year that Amarillo College (the College) has presented financial statements in the format required by Governmental Accounting Standards Board (GASB) Statements No. 34 and 35. In the past, audit reports had the financial statements differentiating between the separate funds and fund groups of the College's general ledger. Under the new format, Exhibits 1, 2, and 3 present the financial data from all funds consolidated into a single column.

Exhibit 1, the Statements of Net Position corresponds to the Balance Sheet on prior year statements. This exhibit presents the assets, liabilities, and net position of the College in a single columnar format as of the end of the fiscal year.

Exhibit 2, the Statements of Revenues, Expenses, and Changes in Net Position presents the activity that occurred in the assets, liabilities, and net position for the fiscal year that resulted in the presentation of those items on Exhibit 1. Local ad valorem taxes assessed by the College, investment income, Title IV financial aid programs and state appropriations are reported as non-operating revenues.

Exhibit 3, the Statements of Cash Flows presents the inflow and outflow of cash collected and disbursed by the College for the fiscal year.

Schedule A, the Schedule of Operating Revenues presents a detailed list of the operating revenues, classified as Educational Activities (Unrestricted, Restricted) and Auxiliary Enterprises.

Schedule B, the Schedule of Operating Expenses by Object details the expenditures for the fiscal year classified by function (element of cost) and by natural (object code) classification.

Schedule C, the Schedule of Nonoperating Revenues and Expenses provides detail for the fiscal year classified as Unrestricted, Restricted and Auxiliary Enterprises.

Schedule D, the Schedule of Net Position by Source and Availability provides a reconciliation of fund balances to net position as well as funds available for current operations.

Schedule E, the Schedule of Expenditures of Federal Awards provides detail for the fiscal year for expenditures of federal financial assistance.

Schedule F, the Schedule of Expenditures of State of Texas Awards provides detail for the fiscal year for expenditures of state financial assistance.

CONDENSED COMPARATIVE FINANCIAL INFORMATION

This is the twelfth year that the College has prepared these financial statements in the GASB 34/35 format; following are the comparative financial statements for fiscal years 2013, 2012 and 2011:

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2013, 2012 and 2011**

CONDENSED COMPARATIVE FINANCIAL INFORMATION (CONTINUED)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Assets - Capital Net	\$ 129,333,874	\$ 119,652,063	\$ 113,813,600
Total Assets - Noncapital	63,772,933	71,584,047	59,150,709
Total Assets	<u>193,106,807</u>	<u>191,236,110</u>	<u>172,964,309</u>
Total Liabilities - Long Term	72,798,407	74,967,383	58,224,800
Total Liabilities - Other	21,384,163	14,187,423	14,001,272
Total Liabilities	<u>94,182,570</u>	<u>89,154,806</u>	<u>72,226,072</u>
Net Position - Capital	60,520,931	61,057,292	65,464,050
Net Position - Restricted	11,732,573	14,120,638	11,118,942
Net Position - Unrestricted	26,670,733	26,903,374	24,155,245
Total Net Position	<u>\$ 98,924,237</u>	<u>\$ 102,081,304</u>	<u>\$ 100,738,237</u>
Operating Revenues			
Tuition and Fees (Net of Discounts)	\$ 15,381,607	\$ 15,428,570	\$ 13,169,884
Grants and Contracts	10,151,837	9,234,200	9,838,737
Other Operating Revenues	644,534	613,463	739,094
Auxiliary Enterprises (Net of Discounts)	6,461,322	6,630,581	6,907,166
Total Operating Revenues	<u>32,639,300</u>	<u>31,906,814</u>	<u>30,654,881</u>
Operating Expenses			
Instruction	31,881,780	30,255,763	30,565,313
Public Service	3,703,808	3,401,869	3,616,734
Academic Support	3,108,820	2,675,556	3,316,197
Student Services	4,153,768	3,984,782	4,084,077
Institutional Support	13,591,661	12,586,315	12,321,987
Operation and Maintenance of Plant	7,668,873	7,411,238	7,168,504
Scholarships and Fellowships	10,316,241	11,832,994	15,328,731
Auxiliary Enterprises	6,563,844	6,576,563	6,595,472
Depreciation	5,274,380	4,993,630	4,568,277
Total Operating Expenses	<u>86,263,175</u>	<u>83,718,710</u>	<u>87,565,292</u>
Operating Loss	<u>(53,623,875)</u>	<u>(51,811,896)</u>	<u>(56,910,411)</u>
Nonoperating Revenues (Expenses)			
State Allocations	18,260,756	18,321,957	21,176,844
Ad Valorem Taxes	20,481,567	19,208,804	18,881,483
Federal Revenue, Nonoperating	16,355,816	17,424,307	20,067,090
Investment Income (Net)	466,308	444,440	570,613
Interest on Capital - Related Debt	(2,914,667)	(2,401,694)	(2,429,702)
Other Nonoperating Revenue (Expenses)	(1,776,418)	3,111,021	184,660
Net Nonoperating Revenues	<u>50,873,362</u>	<u>56,108,835</u>	<u>58,450,988</u>
Special Item			
Impairment loss on buildings	(406,554)	(2,953,872)	-
Increase (Decrease) in Net Position	(3,157,067)	1,343,067	1,540,577
Beginning Net Position	102,081,304	100,738,237	99,197,660
Ending Net Position	<u>\$ 98,924,237</u>	<u>\$ 102,081,304</u>	<u>\$ 100,738,237</u>

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2013, 2012 and 2011**

ANALYSIS OF COLLEGE'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

REVENUES

State Appropriations – State appropriations for educational and general state support have been declining. (See Schedule C.)

<u>Year</u>	<u>State Appropriations</u>	<u>Reduction from Prior Year</u>	<u>% Change</u>
2010	\$ 16,049,851	\$ 1,103,414	-6.4%
2011	15,893,223	156,628	-0.9%
2012	15,320,559	572,664	-3.6%
2013	15,097,688	222,871	-1.5%

Subsequently, the 2014 state appropriations have slightly increased by 1.2% or approximately \$180,000.

Auxiliary Enterprises – Profits from the College's auxiliary enterprises remain steady, which includes the operation of Family Housing at the East Campus and the operation of the campus bookstores. For several years profit from auxiliary enterprises has been used to supplement the operation of the College's physical plant.

Investment Income – From 2003 to 2007 interest rates rose, increasing investment revenue; during 2008 interest rates started declining and continued to do so through 2013.

Ad Valorem Tax Base – The Amarillo Junior College District property appraisal increased \$311 million or 3.0% from the 2012 tax year to the 2013 tax year, \$195 million or 1.9% from the 2011 tax year to the 2012 tax year, and \$205 million or 2.0% from the 2010 tax year to the 2011 tax year. The increase is made up of new properties, improvements to existing properties, and increased valuations.

With the passage of the bond initiative in November of 2007, and the subsequent sale of \$68.3 million of construction bonds, the total tax rate for the 2013 tax year was set at \$.19950 per \$100 valuation. The maintenance and operations portion of the tax rate increased \$.00432 over the previous year. The last bond sale associated with the November 2007 bond initiative was on June 19, 2012 in the amount of \$14,305,000.

In November of 2006, the voters of the Amarillo Junior College District passed the local option to freeze ad valorem taxes for seniors and disabled.

The Amarillo City Commission adopted Ordinance No. 7012 on December 19, 2006 providing for the creation of a contiguous geographic area within the City to be a zone known as the Tax Increment Zone Number One, City of Amarillo, Texas (TIRZ) and the establishment of a tax increment fund for the Zone. The Amarillo Junior College District boundaries encompass the TIRZ. At a special meeting in November of 2007, the Board of Regents approved participation in the TIRZ. The contribution by the College to the TIRZ district for 2012-13, 2011-12 and 2010-11 was \$102,499, \$81,184 and \$77,131, respectively.

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2013, 2012 and 2011**

ANALYSIS OF COLLEGE'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

REVENUES (CONTINUED)

Economic Outlook – While the recent recession has hit parts of the country very hard, the economic conditions in the College service area have not been that severe. The local unemployment rate of 4.8% is below the state and national averages of 6.4% and 7.3%, respectively. Local construction and home sales have slowed to some extent, but not the level experienced in other parts of the economy. As mentioned above, appropriations from the State of Texas have been decreased by 1.5% for fiscal year 2013 from 2012. State appropriations for fiscal year 2014 have slightly increased by 1.2% (\$180,000) from the 2013 appropriation.

EXPENSES

KACV Digital Conversion Effort – Over the past several years the College has expended \$5.7 million to convert KACV-TV from an analog transmission station to a digital transmission station. More than \$7.6 million has been raised from government agencies and private grants toward this effort. During the 2012, 2011, and 2010 fiscal years, \$1.1 million, \$0.8M and \$0.1M, respectively, was expended to continue digital conversion. KACV turned off the analog signal and started transmitting the new digital signal on February 17, 2009. As of August 9, 2012, the digital conversion was complete.

Employee Health Insurance – The College, by mandate from the State of Texas, offers its employees health insurance through the Employees Retirement System of Texas (ERS). Over the past several years various administrative changes have been made to ERS which have increased the amount the College has to contribute on behalf of its employees for health insurance. The 82nd Session of the Texas Legislature struggled to adopt a balanced budget for the 2013-2014 bienniums. One of the sources of reduced State spending was to cut back on the amount of state funding for health insurance for community colleges. The amount received was \$3.0 million, \$2.2 million and \$2.1 million for fiscal years 2014, 2013 and 2012, respectively. The projected reduction has been budgeted for in the 2013-14 budgets.

ORP/TRS Shortfall – As stated above, the 82nd session of the Texas Legislature struggled to adopt a balanced budget. Another source to reduce state funding was to decrease the amount contributed by the State to the pension plans for community college employees. The amount of the shortfall for the College for fiscal years 2013, 2012 and 2011 was \$693,872, \$627,972 and \$0-, respectively.

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2013, 2012 and 2011**

ANALYSIS OF COLLEGE'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets are defined as those items costing over \$5,000 and which have a normal useful life of more than two years. Below is a summary of the capital assets, as of August 31:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Percent Change</u>
Land	\$ 5,431,733	\$ 3,653,753	\$ 3,453,420	48.7%
Construction in progress	122,317	3,885,460	5,262,365	-96.9%
Buildings and building improvements	143,565,418	132,077,748	124,214,258	8.7%
Other real estate improvements	5,728,908	5,516,030	4,564,875	3.9%
Library books	1,314,246	1,358,221	1,393,288	-3.2%
Furniture, machinery, vehicles, and other equipment	29,524,422	28,505,652	26,464,609	3.6%
Assets held pending sale	2,299,539	-	-	0.0%
Total capital assets	<u>\$187,986,583</u>	<u>\$174,996,864</u>	<u>\$165,352,815</u>	7.4%

Certain buildings on the College's East Campus were determined to be obsolete. Impairment loss recognized for 2013, 2012, and 2011 are \$406,554, \$2,953,872, and \$-0-, respectively. The College has entered into various construction contracts. Total current commitments are \$35,113,139, of which \$32,496,906 was expended at August 31, 2013.

At August 31, 2013, the College had five bond issues outstanding, consisting of a revenue bond issue for \$4,470,000 and four general obligation bond issues for \$22,000,000, \$16,000,000, \$21,135,000, and \$14,305,000, respectively. Total bond long-term debt, excluding current portion, at August 31, 2013 is \$71,080,000.

Additional information on the College's capital assets and long-term liabilities can be found in Notes 5, 6, 7, 8 and 9, respectively, to the basic financial statements.

OTHER MATTERS AT THE COLLEGE

Amarillo Technical Center – Beginning with the 1996 fiscal year, the College assumed the operation of the Texas State Technical College Amarillo campus by act of the Texas State Legislature. The land and buildings were leased to the College through fiscal year 2002. On September 1, 2002 the land and facilities were transferred to the College by act of the Texas State Legislature. The Amarillo Technical Center has been renamed the Amarillo College East Campus. HB 521, which was passed in the Texas State Legislature, now gives the College the ability to dispose of excess acreage encompassed within the East Campus.

Moore County Branch Campus – In 1999 the voters of Moore County passed a Branch Campus Maintenance Tax to fund a branch campus of Amarillo College in Dumas, Texas.

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2013, 2012 and 2011**

ANALYSIS OF COLLEGE'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

OTHER MATTERS AT THE COLLEGE (CONTINUED)

The College agreed to underwrite the cost above revenues of the branch campus until the revenues generated by the operation of the campus were sufficient to cover the expenditures. The long-term financial plan for the Moore County Branch Campus projected that the campus would begin paying back the reserves used by the College in fiscal year 2004, and would have all of the reserves reimbursed during fiscal year 2006. During fiscal year 2003, the Moore County Branch Campus had paid back all underwriting funds.

The Amarillo College Moore County Campus Tactical Plan development for 2011-2015 has resulted in the construction of an approximately 30,000 square foot Career and Technical Center in Dumas, Texas. The Career and Technical Center has been built in the Dumas Economic Development Corporation (DEDC) Business Park, located at Hwy 287 and Success Boulevard. DEDC donated approximately 11 acres in the Business Park, with the understanding that construction was to commence within two years of the property being annexed to the City of Dumas and the utilities being located on the property. The Amarillo College Board of Regents approved the sale of \$4.5 million in Revenue Bonds to be used to finance the new Career and Technical Center. Construction on the Career and Technical Center was essentially completed by August 31, 2013.

Hereford Branch Campus – In 2003 citizens of Hereford, Texas, organized a steering committee to investigate the possibility of establishing a community college branch campus to be located in their city. The steering committee approached the College and discussions began concerning the establishment of a branch campus. In 2004, voters of the Hereford Independent School District passed a Branch Campus Maintenance Tax to fund a branch campus of Amarillo College in Hereford. The Hereford Branch Campus began operation for the 2005 Fall Semester.

During September of 2011, the College was approached by an individual wanting to make a monetary donation for construction of a new campus for Amarillo College in Hereford. In January of 2012, the Everett & Mabel McDougal Hinkson Foundation, Inc. was established with a gift of \$3,000,000 for construction of a new campus. Various covenants were specified, one of which was the requirement of the College to spend \$2,000,000 for the construction. The College contribution would be the first money used during construction, which was scheduled to begin in Fall of 2012 and will be completed for Spring 2014 classes. The total cost to the College will be approximately \$2.5 million, to be funded by use of AC reserves and Hereford Branch Campus reserves. The Hereford Economic Development Corporation donated approximately 10 acres and the College purchased an additional 10 acres of land for the site of the new campus. The Everett & Mabel McDougal Hinkson Foundation, Inc. is treated as a blended component unit and incorporated into the College's financials. As of August 31, 2013, all funds from the Everett & Mabel McDougal Hinkson Foundation, Inc. had been appropriated.

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2013, 2012 and 2011**

ANALYSIS OF COLLEGE'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

BOND ELECTION

At the regularly scheduled meeting in August 2007, the Board of Regents passed an election order calling for a \$68.3 million bond election in November of 2007. The proceeds from bond sales will be used for new construction, renovation of existing buildings, equipping classrooms, and technology infrastructure. On November 6, 2007, the Amarillo Junior College District bond election was passed by the voters of the district. Bonds in the amount of \$22,000,000, \$16,000,000, \$16,000,000 and \$14,305,000 were sold June 15, 2008, June 15, 2009, June 15, 2010, and June 19, 2012, respectively. Fitch's continues to provide the College's bond rating of AA+ based upon the College's strong and likely sustainable financial performance trend, evidenced by very strong reserves and substantial taxing flexibility. A parking lot expansion was completed in 2009. The Science Laboratory Building, expansion of the Chilled Water Loop on Washington Street Campus, the Nursing/Dental Building on West Campus, and Warren Hall renovations were completed in 2010. The East Campus HVAC and Parcels project were completed in 2011. Byrd Business Building and Allied Health renovations, along with the Downtown Campus Parking Lot, were completed in 2012. The Music Building, the ground floor of the Byrd Business Building and Parcels Hall were completed in 2013 as well as renovations to Building V & S on the East Campus. The Math Center project and the 2nd floor of the Lynn Library were funded partially by bond funds and partially by grant funds. Renovations of several existing buildings have been started and additional projects will also begin in 2013-2014.

AMARILLO FOUNDATION FOR EDUCATION AND BUSINESS

On November 14, 2012, the Board of Regents entered into an agreement with an independent foundation entitled Amarillo Foundation for Education and Business (AFEB) for the sole purpose of selling land on East Campus. The board of directors consists of five members, two members of which shall be appointed by PRANA Development Group, LLC, and three members of which will be appointed by the College. AFEB is considered a blended component unit of the College. As of August 31, 2013, two transactions have taken place for a total of 47.45 acres and gross proceeds of \$520,826.

FINANCIAL STATEMENTS

AMARILLO COLLEGE
STATEMENTS OF NET POSITION
AUGUST 31, 2013 and 2012
Exhibit 1

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,867,462	\$ 18,464,324
Short-term investments	26,847,101	25,684,048
Accounts receivable, net	15,132,807	4,578,563
Inventories	1,625,690	1,145,883
Other assets	600,192	175,408
Total current assets	53,073,252	50,048,226
NONCURRENT ASSETS		
Restricted cash and cash equivalents	7,583,916	18,371,126
Endowment investments	2,500,000	2,500,000
Capital assets, net	127,606,195	119,652,063
Capital assets held for sale, net	1,727,679	-
Unamortized debt issuance cost	606,457	655,077
Other noncurrent assets	9,308	9,618
Total noncurrent assets	140,033,555	141,187,884
TOTAL ASSETS	\$ 193,106,807	\$ 191,236,110
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,317,955	\$ 1,345,853
Accrued compensable absences - current portion	381,155	366,829
Funds held for others	6,169,598	203,089
Deferred revenues	9,967,170	9,842,956
Bonds payable - current portion	2,255,000	2,050,000
Retainage payable	996,794	378,696
Notes payable - current portion	296,491	-
Total current liabilities	21,384,163	14,187,423
NONCURRENT LIABILITIES		
Accrued compensable absences	730,372	709,424
Deposits payable	120,050	123,350
Bonds payable	71,080,000	73,335,000
Notes payable	112,377	-
Unamortized debt premium	755,608	799,609
Total noncurrent liabilities	72,798,407	74,967,383
TOTAL LIABILITIES	94,182,570	89,154,806

AMARILLO COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
AUGUST 31, 2013 and 2012
Exhibit 1

	2013	2012
LIABILITIES AND NET POSITION, CONTINUED		
NET POSITION		
Invested in capital assets, net of related debt	60,520,931	61,057,292
Restricted for:		
Nonexpendable:		
Endowment - True	2,500,000	2,500,000
Expendable:		
Capital projects	434,725	3,368,593
Debt service	2,906,229	2,507,097
Other, primarily donor restrictions	5,891,619	5,744,948
Unrestricted	26,670,733	26,903,374
Total net position (Schedule D)	98,924,237	102,081,304
TOTAL LIABILITIES AND NET POSITION	\$ 193,106,807	\$ 191,236,110

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

AMARILLO COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED AUGUST 31, 2013 AND 2012
Exhibit 2

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$7,745,507 and \$7,570,762 in 2013 and 2012, respectively)	\$ 15,381,607	\$ 15,428,570
Federal grants and contracts	4,943,705	3,902,692
State grants and contracts	1,885,080	1,691,485
Local grants and contracts	1,945,710	1,891,514
Nongovernmental grants and contracts	1,377,342	1,748,509
Sales and services of educational activities	528,656	532,085
Auxiliary enterprises (net of discounts)	6,461,322	6,630,581
Other operating revenues	115,878	81,378
Total operating revenues (Schedule A)	<u>32,639,300</u>	<u>31,906,814</u>
OPERATING EXPENSES		
Instruction	31,881,780	30,255,763
Public service	3,703,808	3,401,869
Academic support	3,108,820	2,675,556
Student services	4,153,768	3,984,782
Institutional support	13,591,661	12,586,316
Operation and maintenance of plant	7,668,873	7,411,238
Scholarships and fellowships	10,316,241	11,832,993
Auxiliary enterprises	6,563,844	6,576,563
Depreciation	5,274,380	4,993,630
Total operating expenses (Schedule B)	<u>86,263,175</u>	<u>83,718,710</u>
Operating loss	<u>(53,623,875)</u>	<u>(51,811,896)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	18,260,756	18,321,957
Maintenance ad valorem taxes		
Taxes for maintenance and operations	15,462,437	14,428,247
Taxes for general obligation bonds	5,019,130	4,780,557
Federal revenue, non-operating	16,355,816	17,424,307
Gifts	800,398	3,090,764
Investment income, net of investment expenses	466,308	444,440
Interest on capital-related debt	(2,914,667)	(2,401,694)
Loss on disposal of fixed assets	(3,114,569)	(23,745)
Other nonoperating revenue (expenses)	537,753	44,002
Net nonoperating revenues (Schedule C)	<u>50,873,362</u>	<u>56,108,835</u>
Income (loss) before special item	(2,750,513)	4,296,939
SPECIAL ITEM		
Impairment loss on buildings	(406,554)	(2,953,872)
Increase (decrease) in net position	(3,157,067)	1,343,067
NET POSITION - BEGINNING OF YEAR	<u>102,081,304</u>	<u>100,738,237</u>
NET POSITION - END OF YEAR	<u>\$ 98,924,237</u>	<u>\$ 102,081,304</u>

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

AMARILLO COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2013 AND 2012
Exhibit 3

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 21,984,888	\$ 21,940,911
Receipts from grants and contracts	10,500,223	17,783,918
Payments to suppliers for goods or services	(19,011,165)	(17,561,743)
Payments to or on behalf of employees	(50,937,537)	(47,323,967)
Payments of scholarships	(10,595,804)	(12,082,956)
Other cash receipts (payments)	(1,379,192)	(1,816,839)
	(49,438,587)	(39,060,676)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	18,254,449	18,328,492
Receipts from ad valorem taxes	20,547,004	19,244,503
Receipts from nonoperating federal revenue	9,126,480	17,424,307
Receipts from gift or grants	777,097	3,064,764
Student organization and other agency transactions	2,929,333	493,697
Receipts from notes payable	408,868	-
Other cash receipts	537,753	-
	52,580,984	58,555,763
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of bonds	-	18,775,000
Proceeds from sale of capital assets	602,069	141,771
Purchases of capital assets	(18,437,984)	(14,163,638)
Payments on capital debt principal	(2,050,000)	(2,100,000)
Payments on capital debt interest	(2,946,645)	(2,225,046)
	(22,832,560)	428,087
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	27,159,078	25,735,971
Purchases of investments	(28,239,845)	(29,152,597)
Investment earnings	386,858	268,951
	(693,909)	(3,147,675)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,384,072)	16,775,499
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	36,835,450	20,059,951
CASH AND CASH EQUIVALENTS, END OF YEAR (RESTRICTED AND UNRESTRICTED)	\$ 16,451,378	\$ 36,835,450

**AMARILLO COLLEGE
STATEMENTS OF CASH FLOWS, CONTINUED
YEARS ENDED AUGUST 31, 2013 AND 2012
Exhibit 3, Continued**

	2013	2012
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (53,623,875)	\$ (51,811,896)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	5,274,380	4,993,630
Bad debt expense	275,216	274,963
Changes in assets and liabilities:		
Accounts receivable, net	(622,080)	6,792,944
Inventories	(479,807)	41,944
Other assets	(427,307)	457,772
Other noncurrent assets	-	(4,041)
Accounts payable	8,698	(357,918)
Accrued compensable absences	35,274	58,056
Bank overdrafts	-	(398,104)
Deferred revenue	124,214	888,774
Deposits payable	(3,300)	3,200
	\$ (49,438,587)	\$ (39,060,676)

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

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 1 - REPORTING ENTITY

Amarillo College (the College) was established in 1929, in accordance with the laws of the State of Texas, to serve the educational needs of Amarillo and the surrounding communities. The College is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

The financial reporting entity includes both the primary institution and all of its component units. The Everett & Mabel McDougal Hinkson Foundation and the Amarillo Foundation for Education and Business are both considered blended component units. The blended component units, although legally separate, are in substance part of the Colleges operations and therefore are reported as if they were part of the college. See Note 23 for additional information.

NOTE 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*. The College applies all applicable GASB pronouncements. 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 §56.033). When the award for tuition is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program Funds

Certain Title IV HEA Program funds are received by the 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 tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition Discounting (Continued)

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.

Budgetary Data

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

Cash and Cash Equivalents

The 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.

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. Long-term investments have an original maturity of greater than one year at the time of purchase or are funds which have donor-imposed restrictions (endowments).

Inventories

Inventories consist of consumable office supplies, physical plant supplies (including fuel), computers and bookstore stock. Inventories are valued at the lower of cost (under the first-in, first-out method) or market and are charged to expense as consumed.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The capitalization policy includes items valued at \$5,000 or more and a useful life of greater than two years. Renovations of \$100,000 or more to buildings, infrastructures, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are charged to operating expense in the year in which the expense is incurred.

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

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

The GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, in November 2003. This Statement was effective for the College's fiscal year ending August 31, 2006. This Statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries. The College analyzed its capital assets for impairment in accordance with GASB Statement No. 42. As a result, impairment losses of \$406,554 and \$2,953,872 were recognized during 2013 and 2012, respectively.

The College capitalizes interest costs incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the assets to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$215,122 and \$229,658 in 2013 and 2012, respectively.

Deferred Revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2013 and 2012, respectively, have been deferred. Deferred revenues for August 31, 2013 and 2012 are \$9,967,170 and \$9,842,956, respectively.

Estimates

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

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Nonoperating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from nonoperating items. The College reports as a business-type activity and as a single, proprietary fund. 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 nonoperating revenues are state allocations, Title IV financial aid programs, and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Reclassification

Certain amounts in the 2012 financial statements have been reclassified to conform with the 2013 presentation.

NOTE 3 - AUTHORIZED INVESTMENTS

The 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.

NOTE 4 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents included on Exhibit 1, Statements of Net Position, consist of the items reported below:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents		
Demand deposits	\$ 3,049,777	\$ 5,539,999
TexPool	5,767,896	12,861,736
Petty cash on hand	49,789	62,589
Restricted TexPool	2,204,079	325,083
Restricted cash and cash equivalents	<u>5,379,837</u>	<u>18,046,043</u>
Total cash and cash equivalents (restricted and unrestricted)	<u>\$ 16,451,378</u>	<u>\$ 36,835,450</u>

The following represents a reconciliation of deposits and investments to Exhibit 1:

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Type of Security</u>	<u>Market Value</u>	
	<u>2013</u>	<u>2012</u>
Other instruments	\$ 29,347,101	\$ 28,184,048
Total investments (Exhibit 1)	<u>\$ 29,347,101</u>	<u>\$ 28,184,048</u>
Cash and cash equivalents (Exhibit 1)	\$ 16,451,378	\$ 36,835,450
Investments (Exhibit 1)	<u>29,347,101</u>	<u>28,184,048</u>
Total deposits and investments	<u>\$ 45,798,479</u>	<u>\$ 65,019,498</u>

Investments are classified as follows:

	<u>2013</u>	<u>2012</u>
Short-term investments	\$ 26,847,101	\$ 25,684,048
Endowment investments	<u>2,500,000</u>	<u>2,500,000</u>
Total investments	<u>\$ 29,347,101</u>	<u>\$ 28,184,048</u>

As of August 31, 2013, the College had the following investments and maturities:

<u>Investment type</u>	<u>Market Value</u>	<u>Investment Maturities (Years)</u>
Savings/mutual funds	\$ 3,910,776	Less than 1 year
Certificate of deposits	<u>25,436,325</u>	Less than 1 year
Total investments	<u>\$29,347,101</u>	

Interest Rate Risk - Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. In accordance with state law and Board policy, the College does not purchase any investments with maturities greater than one year except for endowed funds which can be invested to a maximum of five years. The College uses the specific identification method to disclose interest-rate risk.

Concentration of Credit Risk - Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The College's policy states that the balance in external investment pools shall not exceed 35% of the total College investment portfolio unless approved by the Investment Committee of the Board of Regents. The College has 11% of their investments in a Chase High Yield Savings account.

Credit Risk - In accordance with state law and the College's investment policy, investments must be an "A" or its equivalent for obligations of state agencies, counties, cities, or other political subdivisions of any state. As of August 31, 2013, the College's investment in all of its investments had a credit rating of AAA.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College is not exposed to custodial credit risk for its deposits and investments as all are insured, registered and held by the College or by its agent in the College's name.

Participation in External Investment Pools

As of August 31, 2013, the carrying amount of amounts invested in investment pools was \$7,971,975. Investment pools are recorded at cost, which approximated market value at August 31, 2013. All investment pools are uninsured and are not registered with the Securities and Exchange Commission. Investment pools are not subject to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.

The College's investment in investment pools is TexPool Participant Services. TexPool Participant Services' regulatory oversight agent is the Texas Treasury Safekeeping Trust Company and their credit risk rating is AAAM. Their financial reports may be obtained by writing Federated Investment Management Company, 1001 Texas Avenue, Suite 1400, Houston, TX 77002.

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>September 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>August 31, 2013</u>
Not depreciated:				
Land	\$ 3,653,753	\$ 1,784,768	\$ 6,788	\$ 5,431,733
Construction in progress	3,885,460	17,450,531	21,213,674	122,317
Total not depreciated	<u>7,539,213</u>	<u>19,235,299</u>	<u>21,220,462</u>	<u>5,554,050</u>
Other capital assets:				
Buildings and building improvements	132,077,748	20,742,490	9,254,820	143,565,418
Other real estate improvements	5,516,030	212,878	-	5,728,908
Total buildings and other real estate improvements	<u>137,593,778</u>	<u>20,955,368</u>	<u>9,254,820</u>	<u>149,294,326</u>
Library books	1,358,221	3,420	47,395	1,314,246
Furniture, machinery, vehicles and other equipment	28,505,652	1,883,738	864,968	29,524,422
Assets held pending sale	-	2,299,539	-	2,299,539
Total other capital assets	<u>167,457,651</u>	<u>25,142,065</u>	<u>10,167,183</u>	<u>182,432,533</u>
Accumulated depreciation:				
Buildings and building improvements	35,744,624	2,067,073	1,136,361	36,675,336
Other real estate improvements	1,457,001	331,144	-	1,788,145
Total buildings and other real estate improvements	<u>37,201,625</u>	<u>2,398,217</u>	<u>1,136,361</u>	<u>38,463,481</u>

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>September 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>August 31, 2013</u>
Library books	1,089,638	61,866	47,396	1,104,108
Furniture, machinery, vehicles and other equipment	17,053,538	2,242,437	782,715	18,513,260
Assets held pending sale	<u>—</u>	<u>571,860</u>	<u>—</u>	<u>571,860</u>
Total accumulated depreciation	<u>55,344,801</u>	<u>5,274,380</u>	<u>1,966,472</u>	<u>58,652,709</u>
Net other capital assets	<u>112,112,850</u>			<u>123,779,824</u>
Net capital assets	<u>\$ 119,652,063</u>			<u>\$ 129,333,874</u>

The College has entered into various construction contracts. Total current commitments are \$35,113,139 of which \$32,496,906 was expended at August 31, 2013.

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

	<u>Balance</u> <u>September 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>August 31, 2012</u>
Not depreciated:				
Land	\$ 3,453,420	\$ 200,333	\$ —	\$ 3,653,753
Construction in progress	<u>5,262,365</u>	<u>11,463,620</u>	<u>12,840,525</u>	<u>3,885,460</u>
Total not depreciated	<u>8,715,785</u>	<u>11,663,953</u>	<u>12,840,525</u>	<u>7,539,213</u>
Other capital assets:				
Buildings and building improvements	124,214,258	11,748,700	3,885,210	132,077,748
Other real estate improvements	<u>4,564,875</u>	<u>951,155</u>	<u>—</u>	<u>5,516,030</u>
Total buildings and other real estate improvements	<u>128,779,133</u>	<u>12,699,855</u>	<u>3,885,210</u>	<u>137,593,778</u>
Library books	1,393,288	5,480	40,547	1,358,221
Furniture, machinery, vehicles and other equipment	<u>26,464,609</u>	<u>2,435,215</u>	<u>394,172</u>	<u>28,505,652</u>
Total other capital assets	<u>156,637,030</u>	<u>15,140,550</u>	<u>4,319,929</u>	<u>167,457,651</u>
Accumulated depreciation:				
Buildings and building improvements	34,083,401	2,437,944	776,721	35,744,624
Other real estate improvements	<u>1,165,553</u>	<u>291,448</u>	<u>—</u>	<u>1,457,001</u>
Total buildings and other real estate improvements	<u>35,248,954</u>	<u>2,729,392</u>	<u>776,721</u>	<u>37,201,625</u>
Library books	1,060,180	70,005	40,547	1,089,638
Furniture, machinery, vehicles and other equipment	<u>15,230,081</u>	<u>2,194,233</u>	<u>370,776</u>	<u>17,053,538</u>
Total accumulated depreciation	<u>51,539,215</u>	<u>4,993,630</u>	<u>1,188,044</u>	<u>55,344,801</u>
Net other capital assets	<u>105,097,815</u>			<u>112,112,850</u>
Net capital assets	<u>\$ 113,813,600</u>			<u>\$ 119,652,063</u>

**AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012**

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2013, was as follows:

	<u>Balance</u> <u>September 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>August 31, 2013</u>	<u>Due Within</u> <u>One Year</u>
Bonds					
General obligation bonds	\$ 70,915,000	\$ -	\$ 1,875,000	\$ 69,040,000	\$ 2,075,000
Revenue bonds	<u>4,470,000</u>	<u>-</u>	<u>175,000</u>	<u>4,295,000</u>	<u>180,000</u>
Subtotal	75,385,000	-	2,050,000	73,335,000	2,255,000
Accrued compensable absences	1,076,253	35,274	-	1,111,527	381,155
Deposits	123,350	36,363	39,663	120,050	-
Notes payable	-	408,868	-	408,868	296,491
Unamortized debt premium	<u>799,609</u>	<u>-</u>	<u>44,001</u>	<u>755,608</u>	<u>-</u>
Long-term liabilities	<u>\$ 77,384,212</u>	<u>\$ 480,505</u>	<u>\$ 2,133,664</u>	75,731,053	<u>\$ 2,932,646</u>
Current portion				<u>(2,932,646)</u>	
				<u>\$ 72,798,407</u>	

Long-term liability activity for the year ended August 31, 2012, was as follows:

	<u>Balance</u> <u>September 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>August 31, 2012</u>	<u>Due Within</u> <u>One Year</u>
Bonds					
General obligation bonds	\$ 58,205,000	\$ 14,305,000	\$ 1,595,000	\$ 70,915,000	\$ 1,875,000
Revenue bonds	<u>505,000</u>	<u>4,470,000</u>	<u>505,000</u>	<u>4,470,000</u>	<u>175,000</u>
Subtotal	58,710,000	18,775,000	2,100,000	75,385,000	2,050,000
Accrued compensable absences	1,018,197	58,056	-	1,076,253	366,829
Deposits	120,150	90,384	87,184	123,350	-
Unamortized debt premium	<u>569,011</u>	<u>274,600</u>	<u>44,002</u>	<u>799,609</u>	<u>-</u>
Long-term liabilities	<u>\$ 60,417,358</u>	<u>\$ 19,198,040</u>	<u>\$ 2,231,186</u>	77,384,212	<u>\$ 2,416,829</u>
Current portion				<u>(2,416,829)</u>	
				<u>\$ 74,967,383</u>	

NOTE 7 - DEBT OBLIGATIONS

Debt service requirements at August 31, 2013, were as follows (amounts in 000's):

<u>For the Year Ended</u> <u>August 31,</u>	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Total Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,075	\$ 2,827	\$ 180	\$ 159	\$ 2,255	\$ 2,986
2015	2,310	2,751	180	155	2,490	2,906
2016	2,565	2,656	185	152	2,750	2,808
2017	2,790	2,549	190	146	2,980	2,695
2018	3,070	2,428	195	140	3,265	2,568
2019-2023	20,385	9,740	1,100	588	21,485	10,328
2024-2028	26,425	4,852	1,330	351	27,755	5,203
2029-2032	<u>9,420</u>	<u>352</u>	<u>935</u>	<u>76</u>	<u>10,355</u>	<u>428</u>
Total	<u>\$ 69,040</u>	<u>\$ 28,155</u>	<u>\$ 4,295</u>	<u>\$ 1,767</u>	<u>\$ 73,335</u>	<u>\$ 29,922</u>

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 8 - BONDS PAYABLE

General information related to bonds payable is summarized below:

Combined Fee Revenue Bonds, Series 2011

- To renovate and expand the Moore County Campus.
- Issued October 25, 2011.
- \$4,470,000 originally issued; all authorized bonds have been issued.
- Source of revenue for debt service - Certain pledged revenues consisting primarily of a portion of tuition charges and other fees. Outstanding balance at August 31, 2013: \$4,295,000.
- The bonds are due in annual installments varying from \$335,000 to \$339,600, including interest with interest rates from 2.0% to 4.0%, with the final installment due in 2031.

General Obligation Refunding Bonds, Series 2003

- Bond refunding of General Obligation Bonds, Series 1994, which was to construct and equip new buildings and renovate existing facilities.
- Issued December 15, 2003.
- \$6,374,999 originally issued; all authorized bonds have been issued.
- Average interest rate of bonds refunded: 5.80%
- Net proceeds from refunding series: \$6,558,355, after payment of \$123,842 in underwriting fees, insurance, and other issuance costs.
- Refunding of the 1994 Series Bonds reduced the College's debt service payments by approximately \$761,000 and resulted in an economic gain of approximately \$497,000.
- Included in the refunding series was \$339,999 of capital appreciation bonds that matured February 15, 2005.
- Source of revenue for debt service - Ad valorem tax levied by the District on taxable property. Outstanding balance at August 31, 2013 and 2012: \$0 and \$780,000, respectively.
- The bonds matured in 2013 with a final installment of \$794,040 and an interest rate of 3.6%.

General Obligation Bonds, Series 2008

- General Obligation Bonds, Series 2008 will be used to construct and equip new buildings and renovate existing facilities.
- Issued June 15, 2008 – 1st Issue.
- \$22,000,000 originally issued of the \$68,305,000 authorized.
- Source of revenue for debt service - Ad valorem tax levied by the District on taxable property. Outstanding balance at August 31, 2013 and 2012: \$19,650,000 and \$20,100,000, respectively.
- The bonds are due in annual installments varying from \$1,436,757 to \$1,936,194 including interest, with interest rates from 3.625% to 5.00% with the final installment due in 2028.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 8 - BONDS PAYABLE (CONTINUED)

General Obligation Bonds, Series 2009

- General Obligation Bonds, Series 2009 will be used to construct and equip new buildings and renovate existing facilities.
- Issued June 15, 2009 – 2nd Issue.
- \$16,000,000 second issue of the \$68,305,000 authorized in FY 2008.
- Source of revenue for debt service - Ad valorem tax levied by the District on taxable property. Outstanding balance at August 31, 2013 and 2012: \$16,000,000 and \$16,000,000, respectively.
- The bonds are due in annual installments varying from \$698,905 to \$1,469,278, including interest with interest rates from 4.00% to 4.80%, with the final installment due in 2029.

General Obligation Improvement and Refunding Bonds, Series 2010

- General Obligation Improvement and Refunding Bonds, Series 2010, will be used to construct and equip new buildings and renovate existing facilities and refund the outstanding balance of the General Obligation Refunding Bonds, Series 2005.
- Issued June 15, 2010.
- \$21,135,000 originally issued, of which \$5,135,000 was the Refunding of the General Obligation Refunding Bonds, Series 2005 and \$16,000,000 was the third issue of the \$68,305,000 authorized in FY 2008.
- Average interest rate of bonds refunded: 3.96%.
- Net proceeds from series: \$21,423,938, net of cost of issuance of \$99,250, of which \$5,340,062 used in the refunding of the General Obligation Refunding Bonds, Series 2005.
- Source of revenue for debt service – Ad valorem tax levied by the District on taxable property. Outstanding balance at August 31, 2013 and 2012: \$19,085,000 and \$19,730,000, respectively.
- The bonds are due in annual installments varying from \$1,107,500 to \$2,297,275, including interest with interest rates from 3.0% to 4.25%, with the final installment due in 2030.

General Obligation Bonds, Series 2012

- General Obligation Improvement and Refunding Bonds, Series 2012, will be used to construct and equip new buildings and renovate existing facilities.
- Issued June 19, 2012.
- \$14,305,000 fourth and final issue of the \$68,305,000 authorized in FY 2008.
- Source of revenue for debt service – Ad valorem tax levied by the District on taxable property. Outstanding balance at August 31, 2013 and 2012: \$14,305,000 and \$14,305,000, respectively.
- The bonds are due in annual installments varying from \$469,212 to \$1,276,178, including interest with interest rates from 2.0% to 4.0%, with the final installment due in 2032.

**AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012**

NOTE 9 - NOTES PAYABLE

The College received two U.S. Department of Education Grants to fund renovation projects. The Title III Hispanic-Serving Institution (HSI) STEM grant is funding the renovation of the Math Outreach Center. A Title V Grant is being used for the renovation of the Center for Teaching and Learning. Due to federal regulations and requirements, the College is not allowed to fund these projects up front and seek reimbursement for future years from the federal funding source. Therefore, a bank loan was required to complete two renovation projects. Both bank loans (including principle and interest) will be paid from federal grant sources and not by the College institutional funds.

Note payable for Title III (HSI) STEM Grant Contract

- Note will be used to equip and renovate existing facilities.
- Note is due in an annual installment of \$189,665, including interest with a rate of 4.0% with the final installment due in 2014.

Note payable for Title V Grant Contract

- Note will be used to equip and renovate existing facilities.
- Note is due in annual installments of \$117,505, including interest with a rate of 4.5% with the final installment due in 2015.

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

For the Year Ended August 31,	Title III (HSI) STEM Note		Title V Note		Total Notes	
	Principle	Interest	Principle	Interest	Principle	Interest
2014	\$ 183,962	\$ 5,703	\$ 112,529	\$ 4,976	\$ 296,491	\$ 10,679
2015	—	—	112,377	5,128	112,377	5,128
Total	\$ 183,962	\$ 5,703	\$ 224,906	\$ 10,104	\$ 408,868	\$ 15,807

NOTE 10 - EMPLOYEES' RETIREMENT PLAN

State-Sponsored Benefit Plans

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

Teacher Retirement System of Texas

Plan Description. The Amarillo College District contributes to the TRS, a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas State Legislature

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 10 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

State-Sponsored Benefit Plans (Continued)

has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013 and 2012 and a state contribution rate of 6.4% and 6.0% for fiscal years 2013 and 2012, respectively. In certain instances the reporting district is required to make all or a portion of the state's contribution for fiscal years 2013 and 2012.

Optional Retirement Plan

Plan Description. Participation in the Optional Retirement Program is in lieu of participation in the TRS. 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 State Legislature. The percentage of participant salaries currently contributed by the state is 6.0% for fiscal years 2013 and 2012. The participant contribution rate is 6.65% for both years. The College contributes 1.31% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment.

Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the state for the College was \$966,124, \$917,377 and \$1,738,850 for the fiscal years ended August 31, 2013, 2012 and 2011, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the College. The 83rd legislative session of the State of Texas allowed for shortfalls in the state match and for community colleges to make up short falls in the funding. In addition to the above state contributions, \$693,872, \$627,972 and \$-0- was paid by the College for the fiscal years 2013, 2012 and 2011, respectively, due to those shortfalls.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 10 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

State-Sponsored Benefit Plans (Continued)

The total payroll for all College employees was \$37,871,917, \$36,006,364 and \$36,519,939 for fiscal years 2013, 2012 and 2011, respectively. The total payroll of employees covered by the TRS was \$23,013,200, \$21,652,101 and \$21,329,281 and the total payroll of employees covered by the Optional Retirement Program was \$9,616,627, \$9,478,900 and \$10,109,130 for fiscal years 2013, 2012 and 2011, respectively.

College-Sponsored Benefit Plans

The College has a voluntary employee benefit plan administered by the plan's trustee. The plan is funded by matching employee and employer contributions of 6.65% of employee compensation. Plan funds are held in trust and are administered by the College's Vice-President of Business Affairs with oversight by the Board of Regents. Full-time employees and certain part-time employees are eligible to participate and are fully vested at all times. At August 31, 2013, 2012 and 2011, there were 947, 943 and 963, respectively, plan participants. The related expense was \$2,029,805, \$1,880,010 and \$1,954,629 for the years ended August 31, 2013, 2012 and 2011, respectively.

Part-time employees that are not covered by the defined contribution employee benefit plan are covered by a plan established pursuant to Internal Revenue Code (IRC) Section 457. As a result of the passage of the Small Business Job Protection Act of 1996, beginning January 1, 1999, part-time plan funds are held in an irrevocable trust for the exclusive benefit of the participants. The College is responsible for due care in managing the investments of the plan. The related expense was \$283,707, \$266,889 and \$226,450 for the years ended August 31, 2013, 2012 and 2011, respectively.

NOTE 11 - 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.

NOTE 12 - COMPENSABLE ABSENCES

Full-time employees earn annual leave from eight to twelve hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 160 for those employees with five or less years of service, up to 200 hours for those employees with more than five years but under ten years of service, and up to 240 hours for those employees with more than ten years of service. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for the unpaid annual leave in the amounts of \$1,111,527 and \$1,076,253 as of August 31, 2013 and

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 12 - COMPENSABLE ABSENCES (CONTINUED)

2012, respectively. Sick leave, which can be accumulated up to 120 days, is earned at the rate of eight hours per month; however, sick leave is not paid at termination. The College's policy is to recognize the cost of sick leave when utilized by employees.

NOTE 13 - COMMITMENTS, CONTINGENCIES AND LAWSUITS

The College participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of the College's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Additionally the College's students participate in the Federal Direct Loan Program for which the proceeds are used for tuition and education related costs. Regulations require that default rates pertaining to loans to persons attending the College not exceed certain levels at the College. In the event that specific levels were exceeded, the program could be discontinued at the College; however, the College does not anticipate this occurring. The total amount of Direct Loans made during 2013 and 2012 was approximately \$12,019,006 and \$9,814,809.

On August 31, 2013, various lawsuits and claims involving the College were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, if any, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

Teacher Retirement System (TRS) Shortfall

In past fiscal years, the State of Texas contributed to the Teacher Retirement System (TRS) on behalf of the College, "an amount not less than six percent nor more than 10 percent of the aggregate compensation paid to individuals participating in the system" as stated in the Texas Constitution Article 16, Section 67(b)(3). The 2012-13 State of Texas budget provides for state funding of TRS retirement for public community colleges as "For each public community/junior college district, the combined annual General Revenue Fund contributions to the Teacher Retirement System not exceed 6.0 percent of each district's unrestricted General Revenue appropriation in fiscal year 2012 and fiscal year 2013." These two approaches are fundamentally different. The 2012-13 budget defines funding limits in terms of the general appropriations to community colleges, while Section 67(b)(3) of the Constitution defines minimum funding in terms of the "aggregate compensation paid" to TRS participants.

The College's unrestricted General Revenue appropriation does not exceed the aggregate compensation paid to TRS participants of the College. Thus, a shortfall exists in the constitutionally required funding for TRS. This provision in the 2012-13 state budget is not consistent with Texas Constitution Article 16, Section 67(b)(3).

**AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012**

NOTE 13 - COMMITMENTS, CONTINGENCIES AND LAWSUITS (CONTINUED)

Teacher Retirement System (TRS) Shortfall (Continued)

In 2012, the College believed it was not responsible for the shortfall in funding for TRS contributions per Section 67(b)(3) which was \$627,972 for the fiscal year ended August 31, 2012. This amount was disclosed as a possible contingent liability for fiscal year ended August 31, 2012. Subsequently, the 83rd Legislative session passed legislation allowing community colleges to contribute this TRS shortfall to the state. In July 2013, payment was made in the amount of \$1,321,844 consisting of \$627,972 and \$693,872 for the fiscal years ended August 31, 2012 and 2013, respectively.

NOTE 14 - DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Accounts Receivable

Accounts receivable at August 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Student receivables	\$ 5,533,989	\$ 2,462,845
Taxes receivable	783,000	848,436
Government grants and contracts	8,466,931	1,163,330
Other receivables	<u>922,540</u>	<u>868,598</u>
Total accounts receivable	15,706,460	5,343,209
Allowance for doubtful accounts	<u>(573,653)</u>	<u>(764,646)</u>
Total accounts receivable, net	<u>\$ 15,132,807</u>	<u>\$ 4,578,563</u>

Accounts Payable

Accounts payable at August 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Vendors payable	\$ 676,310	\$ 686,878
Salaries and benefits payable	621,296	602,029
Interest payable	<u>20,349</u>	<u>56,946</u>
Total accounts payable	<u>\$ 1,317,955</u>	<u>\$ 1,345,853</u>

NOTE 15 - CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA) Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2, Schedule A and Schedule C.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 15 - CONTRACT AND GRANT AWARDS (CONTINUED)

For federal and nonfederal contract and grant awards, funds expended, but not collected, are reported as accounts receivable on Exhibit 1. For federal and nonfederal contract and grant awards, funds received, but not yet expended, are reported as deferred revenue on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2013 and 2012 for which monies have not been received nor funds expended totaled \$9,836,762 and \$8,319,386, respectively. Of these amounts, \$7,821,361 and \$5,849,880 were from federal contract and grant awards; \$1,149,416 and \$1,116,216 were from state contract and grant awards; and \$865,985 and \$1,353,290 were from private contract and grant awards for the fiscal years ended 2013 and 2012, respectively.

NOTE 16 - SELF-INSURED PLANS

The College does not participate in public entity risk pools. Claims and judgments are accounted for in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Property and casualty risks are insured through insurance contracts. Workers' compensation risks are substantially covered by insurance. Health claims are fully covered by the State of Texas.

NOTE 17 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees. The state's contribution per full-time employee was \$470.38 per month for the year ended August 31, 2013 (\$438.30 per month for the year ended August 31, 2012) and totaled \$2,196,944 for the year ended August 31, 2013 (\$2,084,021 for the year ended August 31, 2012).

NOTE 18 - 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 personal property located in the taxing jurisdiction.

**AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012**

NOTE 18 - AD VALOREM TAX (CONTINUED)

At August 31, 2013:

Assessed valuation of the District	\$ 12,442,881,689
Less: exemptions	<u>1,905,973,947</u>
Net assessed valuation of the District	<u>\$ 10,536,907,742</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized (Maximum per enabling legislation)	\$.20000	\$.50000	\$.70000
Tax rate per \$100 valuation for assessed	.15089	.04861	.19950

Taxes levied for the year ended August 31, 2013, were \$20,414,838 (which includes penalty and interest assessed and adjustments, if applicable). 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>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 15,345,537	\$ 4,912,968	\$ 20,258,505
Delinquent taxes collected	160,361	61,408	221,769
Penalties and interest collected	<u>195,946</u>	<u>54,338</u>	<u>250,284</u>
Total collections	<u>\$ 15,701,844</u>	<u>\$ 5,028,714</u>	<u>\$ 20,730,558</u>

At August 31, 2012:

Assessed valuation of the District	\$ 12,206,295,830
Less: exemptions	<u>1,864,211,464</u>
Net assessed valuation of the District	<u>\$ 10,342,084,366</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized (Maximum per enabling legislation)	\$.20000	\$.50000	\$.70000
Tax rate per \$100 valuation for assessed	.14241	.04697	.18938

Taxes levied for the year ended August 31, 2012, were \$19,104,454 (which includes penalty and interest assessed and adjustments, if applicable). 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.

**AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012**

NOTE 18 - AD VALOREM TAX (CONTINUED)

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 14,193,171	\$ 4,671,409	\$ 18,864,580
Delinquent taxes collected	207,613	67,960	275,573
Penalties and interest collected	<u>162,360</u>	<u>46,058</u>	<u>208,418</u>
Total collections	<u>\$ 14,563,144</u>	<u>\$ 4,785,427</u>	<u>\$ 19,348,571</u>

Tax collections for both of the years ended August 31, 2013 and 2012 were 99% of the current tax levy. Allowance for uncollectible taxes is based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking fund expenditures.

NOTE 19 - BRANCH CAMPUS MAINTENANCE TAX

A branch campus maintenance tax that is established by election is levied by Moore County and Hereford Independent School District. 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 the district. Collections are transferred to the College to be used for operation of a branch campus in Dumas, Texas, and Hereford, Texas. This revenue is reported under local grant contracts. Collections in fiscal years 2013 and 2012 (including penalties and interest) from Moore County totaled approximately \$1,165,200 and \$1,152,000, respectively, and from Hereford Independent School District totaled approximately \$584,000 and \$558,000, respectively.

NOTE 20 - INCOME TAXES

The College is exempt from income taxes under IRC Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under IRC Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The College had no significant unrelated business income for the years ended August 31, 2013 and 2012.

NOTE 21 - RELATED PARTIES

The Amarillo College Foundation, Incorporated (the Foundation) is a nonprofit organization with the primary purpose of supporting the educational and other activities of various entities, including the College. The Foundation solicits donations and awards scholarships, including substantial scholarships to students not attending the College. The College does not appoint a voting majority to the board of directors nor does it fund or is it obligated to pay debt related to the Foundation. Accordingly, the Foundation has not been presented as a discrete component unit of the College. During the fiscal year, the College furnished certain services, such as office space, utilities and some staff assistance, to the Foundation. The amount of such services provided by the College has not been determined.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 22 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. The College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contributions provisions of the SRHP are authorized by state law and may be amended by the Texas State Legislature. ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

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

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB Statement No. 45.

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

The College's contributions to SRHP for the years ended August 31, 2013, 2012, and 2011 were \$2,218,070, \$2,027,642 and \$1,768,138, respectively, which equaled the required contributions each year.

NOTE 23 - BLENDED COMPONENT UNITS

The Everett & Mabel McDougal Hinkson Foundation

The Everett & Mabel McDougal Hinkson Foundation, Inc. (the Hinkson Foundation) was formed October 25, 2011, as a support organization of Amarillo College under Section 506(a) of the Internal Revenue Code. The College appoints the directors of the Hinkson Foundation. The Hinkson Foundation was set up solely to support the College with all funds in the Hinkson Foundation being used primarily to provide for the construction, improvement and maintenance of the Everett & Mabel McDougal Hinkson campus of Amarillo College in Deaf Smith County. Secondly, the Hinkson Foundation will provide support for the educational purposes that benefit the students and community served by the Everett & Mabel McDougal Hinkson campus. As of August 31, 2013 and 2012, the organization had \$812,064 and \$3,005,599, respectively, in a money market account. This organization does not publish separate financial statements. The College has treated the Hinkson Foundation as a blended component unit and has included the transactions in the College's financial statements.

**AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012**

NOTE 23 - BLENDED COMPONENT UNITS (CONTINUED)

Amarillo Foundation for Education and Business

On November 14, 2012, the Board of Regents entered into an agreement with an independent foundation entitled Amarillo Foundation for Education and Business (AFEB) for the sole purpose of selling land on East Campus. The land is held by the College which, in turn, sells the land to AFEB when AFEB has found a buyer. The board of directors consists of five members, two of which are appointed by PRANA Development Group, LLC, and three members which are appointed by the College. AFEB is considered a blended component unit of the College. As of August 31, 2013, AFEB has sold 47.45 acres in two separate transactions, resulting in a total gross proceeds of \$520,826.

**Condensed Statements of Net Position
August 31, 2013**

	<u>Hinkson Foundation</u>	<u>AFEB</u>
Assets		
Current assets	\$ 812,064	\$ 52,183
Total assets	<u>812,064</u>	<u>52,183</u>
Liabilities		
Current liabilities	812,064	—
Total liabilities	<u>812,064</u>	<u>—</u>
Net position		
Restricted	—	52,183
Total net position	<u>\$ —</u>	<u>\$ 52,183</u>

**Condensed Statements of Revenues, Expenses and Changes in Net Position
August 31, 2013**

	<u>Hinkson Foundation</u>	<u>AFEB</u>
Operating revenues	\$ —	\$ —
Total revenues	<u>—</u>	<u>—</u>
Operating expenses		
Miscellaneous expense	15	—
Total expenses	<u>15</u>	<u>—</u>

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 23 - BLENDED COMPONENT UNITS (CONTINUED)

Condensed Statements of Revenues, Expenses and Changes in Net Position (Continued)
August 31, 2013

	<u>Hinkson Foundation</u>	<u>AFEB</u>
Nonoperating revenues (expenses)		
Gifts	–	100
Investment income	5,629	–
Transfer to college	(3,011,213)	–
Gain on sale of land	<u>–</u>	<u>52,083</u>
Total nonoperating revenues (expenses)	<u>(3,005,584)</u>	<u>52,183</u>
Increase (decrease) in net position	(3,005,599)	52,183
Net position		
Net position, beginning of year	<u>3,005,599</u>	<u>–</u>
Net position, end of year	<u><u>\$ –</u></u>	<u><u>\$ 52,183</u></u>

Condensed Statements of Cash Flows
August 31, 2013

	<u>Hinkson Foundation</u>	<u>AFEB</u>
Net cash provided (used) by operating activities	\$ (2,199,164)	\$ –
Net cash provided (used) by non-operating activities	–	52,183
Net cash provided (used) by investing activities	<u>5,629</u>	<u>–</u>
Net increase (decrease) in cash and cash equivalents	(2,193,535)	52,183
Cash and cash equivalents, beginning of year	<u>3,005,599</u>	<u>–</u>
Cash and cash equivalents, end of year	<u><u>\$ 812,064</u></u>	<u><u>\$ 52,183</u></u>

NOTE 24 - NEW GASB PRONOUNCEMENTS

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The College has implemented this reporting for the year ended August 31, 2013. The components of net position were renamed to reflect the requirements of this statement.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 25 - SUBSEQUENT EVENTS

In October 2013, the College sold surplus land, buildings and equipment on the College's East Campus. The sale was facilitated by AFEB. The College received \$48,848 from this sale resulting in a loss of approximately \$1,679,000.

In September 2013, the College was notified by their insurance company that they would receive approximately \$3,377,000 to repair roofs damaged by a hail storm in May 2013.

This information is an integral part of the accompanying financial statements.

OTHER SUPPLEMENTAL INFORMATION

**AMARILLO COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2013
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2012)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2013</u>	<u>2012</u>
TUITION						
State-funded courses						
In-district resident tuition	\$ 9,168,902	\$ -	\$ 9,168,902	\$ -	\$ 9,168,902	\$ 9,230,084
Out-of-district resident tuition	2,189,340	-	2,189,340	-	2,189,340	2,183,382
Non-resident tuition	567,260	-	567,260	-	567,260	647,749
TPEG - Credit (set aside)*	469,003	-	469,003	-	469,003	486,083
State-funded continuing education	885,926	506,227	1,392,153	-	1,392,153	1,534,656
TPEG - Non-credit (set aside)*	53,091	30,374	83,465	-	83,465	92,110
Non-state funded continuing education	577,885	125,064	702,949	-	702,949	728,856
Total tuition	<u>13,911,407</u>	<u>661,665</u>	<u>14,573,072</u>	<u>-</u>	<u>14,573,072</u>	<u>14,902,920</u>
FEES						
Distance learning fee	492,819	-	492,819	-	492,819	505,123
General fee	3,904,296	-	3,904,296	-	3,904,296	3,456,104
Technology fee	1,735,022	-	1,735,022	-	1,735,022	1,672,146
Student service fee	298,576	-	298,576	-	298,576	319,564
Laboratory fee	384,335	-	384,335	-	384,335	406,976
Other fees	1,696,657	42,337	1,738,994	-	1,738,994	1,736,499
Total fees	<u>8,511,705</u>	<u>42,337</u>	<u>8,554,042</u>	<u>-</u>	<u>8,554,042</u>	<u>8,096,412</u>
SCHOLARSHIP ALLOWANCES AND DISCOUNTS						
Scholarship allowances	(774,015)	-	(774,015)	-	(774,015)	(714,417)
Remissions and exemptions - State	(1,803,065)	-	(1,803,065)	-	(1,803,065)	(1,791,151)
TPEG allowances	(390,043)	-	(390,043)	-	(390,043)	(573,922)
State grants to students	(652,089)	-	(652,089)	-	(652,089)	(631,008)
Title IV federal grants	(4,045,454)	-	(4,045,454)	-	(4,045,454)	(3,799,353)
Other local grants	(80,841)	-	(80,841)	-	(80,841)	(60,911)
Total scholarship allowances and discounts	<u>(7,745,507)</u>	<u>-</u>	<u>(7,745,507)</u>	<u>-</u>	<u>(7,745,507)</u>	<u>(7,570,762)</u>
Total net tuition and fees	<u>14,677,605</u>	<u>704,002</u>	<u>15,381,607</u>	<u>-</u>	<u>15,381,607</u>	<u>15,428,570</u>

**AMARILLO COLLEGE
SCHEDULE A, CONTINUED
SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2013
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2012)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2013</u>	<u>2012</u>
ADDITIONAL OPERATING REVENUES						
Federal grants and contracts	194,299	4,749,406	4,943,705	-	4,943,705	3,902,692
State grants and contracts	8,578	1,876,502	1,885,080	-	1,885,080	1,691,485
Local grants and contracts	1,945,710	-	1,945,710	-	1,945,710	1,891,514
Nongovernmental grants and contracts	198,064	1,179,278	1,377,342	-	1,377,342	1,748,509
Sales and services of educational activities	528,577	79	528,656	-	528,656	532,085
General operating revenues	-	115,878	115,878	-	115,878	81,378
Total additional operating revenues	<u>2,875,228</u>	<u>7,921,143</u>	<u>10,796,371</u>	<u>-</u>	<u>10,796,371</u>	<u>9,847,663</u>
AUXILIARY ENTERPRISES						
Bookstore	-	-	-	4,942,217	4,942,217	5,046,324
Less: discounts	-	-	-	(1,368,375)	(1,368,375)	(1,330,760)
Residential	-	-	-	2,668,778	2,668,778	2,690,715
Student programs	-	-	-	17,329	17,329	7,511
Other auxiliary enterprises	-	-	-	201,373	201,373	216,791
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,461,322</u>	<u>6,461,322</u>	<u>6,630,581</u>
TOTAL OPERATING REVENUES	<u>\$17,552,833</u>	<u>\$ 8,625,145</u>	<u>\$26,177,978</u>	<u>\$ 6,461,322</u>	<u>\$32,639,300</u>	<u>\$31,906,814</u>
					(Exhibit 2)	(Exhibit 2)

*In accordance with Education Code 56.033, \$552,468 and \$578,193 for years August 31, 2013 and 2012, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

**AMARILLO COLLEGE
SCHEDULE B
SCHEDULE OF OPERATING EXPENSES BY OBJECT
YEAR ENDED AUGUST 31, 2013
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2012)**

	<u>Operating Expenses</u>					
	<u>Salaries and Wages</u>	<u>Benefits</u>				<u>Other Expenses</u>
		<u>State</u>	<u>Local</u>			
				<u>2013</u>	<u>2012</u>	
UNRESTRICTED EDUCATIONAL ACTIVITIES						
Instruction	\$19,546,880	\$ -	\$3,930,863	\$ 1,772,973	\$ 25,250,716	\$23,798,731
Public service	1,764,383	-	362,993	298,899	2,426,275	2,239,752
Academic support	1,995,352	-	461,604	440,611	2,897,567	2,480,681
Student services	2,794,458	-	721,759	313,529	3,829,746	3,682,820
Institutional support	5,273,767	-	2,411,609	4,723,444	12,408,820	11,381,585
Operation and maintenance of plant	2,605,683	-	1,086,332	3,976,858	7,668,873	7,411,238
Total unrestricted educational activities	<u>33,980,523</u>	<u>-</u>	<u>8,975,160</u>	<u>11,526,314</u>	<u>54,481,997</u>	<u>50,994,807</u>
RESTRICTED EDUCATIONAL ACTIVITIES						
Instruction	2,300,323	1,861,486	455,360	2,013,895	6,631,064	6,457,032
Public service	261,315	141,997	63,139	811,082	1,277,533	1,162,117
Academic support	-	211,221	-	32	211,253	194,875
Student services	-	324,022	-	-	324,022	301,962
Institutional support	418,032	624,340	106,237	34,232	1,182,841	1,204,731
Scholarships and fellowships	-	-	-	10,316,241	10,316,241	11,832,993
Total restricted educational activities	<u>2,979,670</u>	<u>3,163,066</u>	<u>624,736</u>	<u>13,175,482</u>	<u>19,942,954</u>	<u>21,153,710</u>
Total educational activities	<u>36,960,193</u>	<u>3,163,066</u>	<u>9,599,896</u>	<u>24,701,796</u>	<u>74,424,951</u>	<u>72,148,517</u>
AUXILIARY ENTERPRISES	921,894	-	340,329	5,301,621	6,563,844	6,576,563
DEPRECIATION EXPENSE - buildings and other real estate improvements	-	-	-	2,923,176	2,923,176	2,729,392
DEPRECIATION EXPENSE - equipment and furniture	-	-	-	2,351,204	2,351,204	2,264,238
TOTAL OPERATING EXPENSES	<u>\$37,882,087</u>	<u>\$3,163,066</u>	<u>\$9,940,225</u>	<u>\$35,277,797</u>	<u>\$86,263,175</u>	<u>\$83,718,710</u>
					(Exhibit 2)	(Exhibit 2)

**AMARILLO COLLEGE
SCHEDULE C
SCHEDULE OF NONOPERATING REVENUES AND EXPENSES
YEAR ENDED AUGUST 31, 2013
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2012)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2013</u>	<u>2012</u>
NONOPERATING REVENUES					
State appropriations:					
Education and general state support	\$ 15,097,688	\$ -	\$ -	\$ 15,097,688	\$ 15,320,559
State group insurance	-	2,196,944	-	2,196,944	2,084,021
State retirement matching	-	966,124	-	966,124	917,377
Total state appropriations	15,097,688	3,163,068	-	18,260,756	18,321,957
Maintenance ad valorem taxes	15,462,437	-	-	15,462,437	14,428,247
General obligation bonds taxes	-	5,019,130	-	5,019,130	4,780,557
Federal revenue, nonoperating	47,922	16,307,894	-	16,355,816	17,424,307
Gifts	800,298	100	-	800,398	3,090,764
Investment income	58,287	408,021	-	466,308	444,440
Other nonoperating revenues	-	537,753	-	537,753	44,002
Total nonoperating revenues	<u>31,466,632</u>	<u>25,435,966</u>	<u>-</u>	<u>56,902,598</u>	<u>58,534,274</u>
NONOPERATING EXPENSES					
Interest on capital related debt	-	(2,914,667)	-	(2,914,667)	(2,401,694)
Loss on disposal of fixed assets	468,744	(3,583,313)	-	(3,114,569)	(23,745)
Total nonoperating expenses	<u>468,744</u>	<u>(6,497,980)</u>	<u>-</u>	<u>(6,029,236)</u>	<u>(2,425,439)</u>
NET NONOPERATING REVENUES	<u>\$ 31,935,376</u>	<u>\$ 18,937,986</u>	<u>\$ -</u>	<u>\$ 50,873,362</u> (Exhibit 2)	<u>\$ 56,108,835</u> (Exhibit 2)

**AMARILLO COLLEGE
SCHEDULE D
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
YEAR ENDED AUGUST 31, 2013
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2012)**

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Nonexpendable				
CURRENT							
Unrestricted	\$ 20,817,952	\$ -	\$ -	\$ -	\$ 20,817,952	\$ 20,817,952	\$ -
Board designated	-	-	-	-	-	-	-
Restricted	-	4,904,499	-	-	4,904,499	4,904,499	-
Auxiliary enterprises	5,852,781	-	-	-	5,852,781	5,852,781	-
LOAN	-	-	-	-	-	-	-
ENDOWMENT							
Quasi:							
Unrestricted	-	987,120	-	-	987,120	-	987,120
Restricted	-	-	-	-	-	-	-
Endowment							
True	-	-	2,500,000	-	2,500,000	-	2,500,000
Term (per instructions at maturity)	-	-	-	-	-	-	-
Life income contracts	-	-	-	-	-	-	-
Annuities	-	-	-	-	-	-	-
PLANT							
Unexpended	-	434,725	-	-	434,725	-	434,725
Renewals	-	-	-	-	-	-	-
Debt service	-	2,906,229	-	-	2,906,229	-	2,906,229
Investment in plant	-	-	-	60,520,931	60,520,931	-	60,520,931
Total net position, August 31, 2013	26,670,733	9,232,573	2,500,000	60,520,931	98,924,237 (Exhibit 1)	31,575,232	67,349,005
Total net position, August 31, 2012	26,903,374	11,620,638	2,500,000	61,057,292	102,081,304 (Exhibit 1)	31,830,826	70,250,478
NET INCREASE (DECREASE) IN NET POSITION	<u>\$ (232,641)</u>	<u>\$ (2,388,065)</u>	<u>\$ -</u>	<u>\$ (536,361)</u>	<u>\$ (3,157,067)</u> (Exhibit 2)	<u>\$ (255,594)</u>	<u>\$ (2,901,473)</u>

**AMARILLO COLLEGE
SCHEDULE E
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures and Pass-Through Disbursements</u>
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant	84.007	-	\$ 195,487
Federal College Work Study Program	84.033	-	238,830
Federal Pell Grant Program	84.063	-	15,921,499
Federal Direct Student Loans	84.268	-	12,019,006
Title III, Hispanic-Serving Institutions Science, Technology, Engineering and Math	84.031C	-	823,988
Title V Grant Developing Hispanic Serving Institutions	84.031S	-	842,991
Total CFDA No. 84.031			<u>1,666,979</u>
Trio - Student Support Services	84.042A	-	609,568
Migrant Education High School Equivalency Program	84.141A	-	438,173
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	-	720,556
Pass-Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education - Basic	84.048	134217	556,262
Perkins State Leadership Unlimited Potential	84.048	131109	38,956
Total CFDA No. 84.048			<u>595,218</u>
Total U.S. Department of Education			<u>32,405,316</u>
U.S. Department of Commerce			
Pass-Through From:			
Public Broadcasting Service			
Warning, Alert and Response Network Act	11.553	51-51W1060624	223,735
Total U.S. Department of Commerce			<u>223,735</u>
U.S. Department of Labor			
Direct Programs:			
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	-	356,358
Pass-Through From:			
Texas Workforce Commission			
Apprenticeship Training Program	17.278	0113ATP000	39,409
Total U.S. Department of Labor			<u>395,767</u>
National Science Foundation			
Direct Programs:			
National Science Foundation Advanced Technological Education Solar	47.076	DUE 1002535	155,206
Pass-Through From:			
Texas Engineering Experiment Station			
National Science Foundation - Science, Technology, Engineering and Mathematics	47.076	32525-B4870	97,364
Total National Science Foundation			<u>252,570</u>
U.S. Department of Health and Human Services			
Pass-Through From:			
Partnership for Environmental Technology Education (PETE)			
National Institute of Environmental Health Sciences (NIEHS)	93.142	1U45ES019338-01	41,139
Total U.S. Department of Health and Human Services			<u>41,139</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 33,318,527</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

AMARILLO COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
August 31, 2013

NOTE 1 - FEDERAL ASSISTANCE RECONCILIATION

A reconciliation of federal financial assistance per the schedule of operating revenues and nonoperating revenues to the Schedule of Expenditures of Federal Awards is as follows:

Federal Grants and Contracts Revenue per Schedule A	\$ 4,943,705
Federal Grants and Contracts Revenue per Schedule C	16,355,816
Federal Direct Student Loans	<u>12,019,006</u>
Total federal revenues per Schedule of	
Expenditures of Federal Awards	<u>\$33,318,527</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 that 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 fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**AMARILLO COLLEGE
SCHEDULE F
SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013**

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
Texas Workforce Commission		
Apprenticeship Training Program	0113ATP000	\$ 62,319
Total Texas Workforce Commission		<u>62,319</u>
Texas Department of Criminal Justice		
Pass-Through From:		
Panhandle Regional Planning Commission		
Law Enforcement Training	1426913	<u>74,548</u>
Texas Higher Education Coordinating Board		
Texas Grant Program	-	605,601
Texas Educational Opportunity Grant	-	192,066
Regional College Readiness Special Advisor (RCRSA)	04254	23,808
Accelerated Development Education Pilot Project	05799	33,981
Top Ten Percent Scholarships	-	114,000
Nursing Shortage Reduction <70	-	321,422
Adult Basic Education Innovation Grant (ABEIG)	07045	305,872
Advancement Via Individual Determination (AVID)	07245	59,282
Development Education Scaling and Sustaining Success	10890	88,181
Pass-Through From:		
Trinity Valley Community College		
Nursing Innovation Grant	-	<u>4,000</u>
Total Texas Higher Education Coordinating Board		<u>1,748,213</u>
TOTAL EXPENDITURES OF STATE OF TEXAS AWARDS		<u>\$ 1,885,080</u>

See accompanying notes to the Schedule of Expenditures of State of Texas Awards.

AMARILLO COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
August 31, 2013

NOTE 1 - STATE ASSISTANCE RECONCILIATION

A reconciliation of state financial assistance per the schedule of operating revenues to the Schedule of Expenditures of State of Texas Awards is as follows:

State Grants and Contracts Revenue per Schedule A	<u>\$ 1,885,080</u>
Total Grants and Contracts Revenue per Schedule F	<u>\$ 1,885,080</u>

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

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

SINGLE AUDIT SECTION

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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 Regents
Amarillo College
Amarillo, 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 Amarillo College (the College) as of and for the year ended August 31, 2013, 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 26, 2013.

Internal Control Over Financial Reporting

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

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

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

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, 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*.

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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.

Connor, McMillon, Mitchell & Shennum, PLLC

Amarillo, Texas
November 26, 2013

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**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133 and
the State of Texas Single Audit Circular**

Board of Regents
Amarillo College
Amarillo, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Amarillo College's (the College) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2013. The College's major federal and state 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 and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular, 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 or state program, occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Adult Basic Education Innovation Grant

As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding Adult Basic Education Innovation Grant (ABEIG) as described in finding numbers 2013-004 for allowability and 2013-005 for eligibility. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

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Qualified Opinion on Adult Basic Education Innovation Grant

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on ABEIG for the year ended August 31, 2013.

Unmodified Opinion on Each of the Other Major Federal and State Programs

In our opinion, the College complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its other major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular which are described in the accompanying schedule of findings and questioned costs as items 2013-001, 2013-002, 2013-003, and 2013-006. Our opinion on each major federal and state program is not modified with respect to these matters.

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

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 and state 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 and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 or state 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 or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-003, 2013-004 and 2013-005 to be material weaknesses.

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 the federal or state 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-001, 2013-002 and 2013-006 to be significant deficiencies.

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Connor, McMillon, Mitchell & Steennum, PLLC

Amarillo, Texas
November 26, 2013

**AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2013**

SECTION I – Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued:

The Auditor's report expresses an unmodified opinion on the financial statements of Amarillo College.

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Type of Auditor's report issued on compliance for major programs: Qualified for Adult Basic Education Innovational Grant. Unmodified all other major programs

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal/State Program or Cluster</u>
<i>Federal programs</i>	U.S. Department of Education <i>Student Financial Aid Cluster</i>
84.007	Federal Supplemental Educational Opportunity Grant Program (FSEOG)
84.033	Federal College Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
17.282	Department of Labor Trade Adjustment Assistance Community College and Career Training (TAACCCT)
47.076	National Science Foundation National Science Foundation Advanced Technological Education Solar/Science, Technology, Engineering, and Math
<i>State programs</i>	Texas Higher Education Coordinating Board
N/A	Adult Basic Education Innovation Grant (ABEIG)
N/A	Nursing Shortage Reduction < 70

Dollar threshold used to distinguish between Type A and Type B programs was: \$ 300,000 - Federal
\$ 300,000 - State

Auditee qualified as a low-risk auditee? X yes no

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION II – Financial Statement Findings

None noted.

SECTION III – Federal and State Award Findings and Questioned Costs

Finding 2013-001

Program: Student Financial Aid Cluster

Condition: Five students that graduated during the year were not reported to the National Student Clearinghouse within the 30 days required. Additionally, we noted two students were missed and not reported at all to the National Student Clearinghouse.

Criteria: Per the OMB A-133 Compliance Supplement, all student enrollment changes should be reported on a timely basis to the National Student Clearinghouse.

Cause: The College did not send the upload file for late graduates for Fall 2012 until April 2013. The Register's office is using a manual graduation process for late graduates on a weekly basis. They sent an upload file late the next semester. On the two students that were missed, the College graduated the students after the original upload file was sent. No procedure is in place to verify that there are no additional graduates to be reported.

Effect: The National Student Clearinghouse does not have correct information for their purposes.

Context: A sample of 68 student files was reviewed. This finding represents seven of the 68 files tested.

Recommendation: Implement procedures and controls to ensure all students are included in reports to the National Student Clearinghouse.

Views of Responsible Officials and Corrective Action Plan: Updated process as of October 5, 2013 to ensure accurate reporting to the clearinghouse includes:

- Compiling of the graduate report will only happen the next business day after the graduates were processed in the system.
- Additional reporting of the graduates for the previous term will happen at least three additional times throughout the current term following the initial end-of-term graduate report has been submitted.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-002

Program: 47.076 National Science Foundation Advanced Technology Education Solar (NSF ATE Solar)

Condition: Payroll expenditures were charged to the grant subsequent to the end of the grant's period of availability. The direct charges caused indirect charges to be overstated.

Questioned Costs: Payroll expenditures of \$2,055.79 were charged to the grant subsequent to the end of the grant's period of availability. The direct charges caused indirect charges to be overstated by \$165.

Criteria: Expenses incurred after the period of availability are not allowed to be claimed for reimbursement.

Cause: A personnel change form had been submitted to the payroll department in May 2013 in which payroll was instructed to cease booking expenditures to the NSF ATE Solar grant as of July 31, 2013. However, the form was not processed timely and grant management did not review the general ledger in detail before requesting reimbursement.

Effect: Non-compliance with grantor and OMB requirements could result in a possible loss of grant funding.

Context: Sample of 36 payroll expenditures were reviewed. This item represents seven items tested.

Recommendation: Implement procedures and controls to ensure grants with expected payroll expenditures should be monitored closely to ensure that expenditures are not booked outside of the project's period of availability.

Views of Responsible Officials and Corrective Action Plan: **Human Resource Response:**

This was a case of human error during Human Resources/Payroll's busiest time of the year. The Personnel Form 310 was simply overlooked. To attempt to avoid a repeat, Human Resources will maintain and closely monitor a log of 310 Forms.

Grant Accounting, Grant Compliance Response:

Grant Accounting and Grant Compliance have instituted a three-step process to ensure that all costs for a grant are appropriate for the grant.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-002 (Continued)

Views of Responsible Officials and Corrective Action Plan (Continued): **Grant Accounting, Grant Compliance Response (Continued):**

- 1) When a grant is ending, Grant Compliance and Grant Accounting will work with the Grant Project Director to ensure that Personnel Forms for all grant-paid employees, ending their work on the grant, are completed and submitted in a timely manner. This will be done before the end date of the grant. This will allow Human Resources time to input the forms before the end of the grant. Additionally, all other non-personnel direct expenses will be processed prior to the end of the grant.
- 2) When a Personnel Form is received for a grant which is ending, Grant Accounting will do the following:
 - a) Review the Personnel Form to ensure that all information is included and correct. Particular attention will be paid to the end date to ensure that it is on or before the end of the grant.
 - b) Return the Personnel Form to Human Resources after a copy has been made for Grant Accounting's records.
 - c) Prior to the end of the grant, Grant Accounting will contact Human Resources to check on the status of all Personnel Forms and make sure that all forms have been processed before the end date of the grant.
- 3) During the month after the end of the grant, Grant Accounting and Grant Compliance will review all expenditures to the closed grant taking place in that month. Any and all reports, forms, or other documentation will be run and reviewed to ensure that any expenditures occurring subsequent to the grant ending are appropriate and allowable.

Finding 2013-003

Program: Adult Basic Education Innovation Grant (ABEIG)
Condition: Management override of controls.
Criteria: Management override of controls is always a concern in any organization. The College's grant accounting and compliance personnel could not enforce the proper controls due to this control override.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-003 (Continued)

Cause: The grant manager refused to follow the internal control policies and procedures established by the grant compliance department. The grant manager went to the Texas Higher Education Coordinating Board (THECB), the award grantee, to get "permission" for latitude in the grant operation and also went to a vice president and complained about the grant department. The vice president sent an e-mail to the grant department informing them that they were to allow the grant manager of the ABEIG grant to be given "the latitude to execute the grant." The grant department felt they had no choice but concede as this directive came from a vice president of the College.

Effect: The override of controls by management can allow for improper handling of transactions, improper payments of expenses, misstatement of accounts and possible fraud.

Context: We reviewed the e-mail sent to the grant compliance personnel from the vice president and interviewed the grant compliance personnel involved.

Recommendation: We recommend that the president of the College work with the grant director of ABEIG and the vice president to impress upon them the impropriety of management override of control. The grant department was established to keep grant funding in compliance with adequate internal controls and accounting procedures. The grant department should be allowed to administer their positions without interference.

Views of Responsible Officials and Corrective Action Plan: The College fully understands the seriousness of this finding and the severity of potential impact it has on the institution. Immediately upon being briefed concerning this and other audit findings, the College's President proactively initiated a corrective action plan that will ensure that all managerial controls are identified and followed, pursuant to the College's policies.

The primary focus of the corrective action is a shift to a centralized approach to grant management which balances the College's content expertise and grant management authority. This approach will add additional layers of internal safeguards and controls. The main features of the new centralized structure include:

- 1) Establish a position of Senior Director of Grant Management (SDGM) with the primary purpose of daily oversight of all College grants to avoid any conflict of interest and ensure internal controls. All federal and state grant project directors/coordinators will be jointly supervised: 1) by the SDGM position for grant compliance,

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-003 (Continued)

*Views of Responsible
Officials and
Corrective Action
Plan (Continued):*

fiscal management, and required documentation; and 2) by the internal content expert(s) for grant programmatic direction. The SDGM will conduct monthly meetings (at a minimum) with the grant project directors/coordinators to offer guidance; to verify that all deliverables and reports are being accomplished in a timely manner; and that all documentation is being adequately maintained. A special emphasis will be placed on budgetary issues including preapproval of budget amendments; review of eligibility requirements and documentation; and overall budget management.

- 2) The Adult Basic Education Innovation Grant (ABEIG) along with other related state grants represent a unique structure within the College's grant management system. While most grants have an independent purpose and dedicated grant funded personnel, the ABEIG family of grants all have an interwoven purpose with very few dedicated grant funded personnel (which contributed to the issues identified in the audit findings). As an additional corrective measure, the new centralized structure will include a full time dedicated grant coordinator position that will provide grant management support for all of the ABEIG related grants. The internal content expert(s) will provide program design and delivery. The grant coordinator will take care of the day to day budget management, grant documentation, and management of grant timelines and other requirements. This grant coordinator position will report directly to the SDGM.
- 3) The SDGM will report directly to the College's Chief of Planning and Advancement, thus creating the centralized structure. Grant development and grant compliance are located in the Division of Planning and Advancement and will continue to provide critical compliance oversight. The grant management structure will continue to closely coordinate with the Grant Accounting office (see attached grant management organizational chart).
- 4) Recommendation for a College Board of Regents policy statement to be included in the College's Board Policy Manual which identifies the aforementioned changes and mandates that the managerial controls for grant management must be followed. All grant project directors/coordinators, all internal content experts assigned to grant projects, and immediate supervisors for the grant related personnel will receive a grant management orientation and will sign an acknowledgement that they will abide by the policy statement.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-003 (Continued)

*Views of Responsible
Officials and
Corrective Action
Plan (Continued):*

5) This new, centralized grant management structure will provide a process in which grant compliance questions will be reviewed and resolved through a collaborative approach. When consensus for compliance issues cannot be achieved at the grant management/project content expert level, the College's Chief of Planning and Advancement will be responsible for advancing the issue to the appropriate College's senior leadership and facilitating the joint effort to resolve questions regarding grant internal controls. In every instance that a grant compliance issue reaches the senior leadership level, the President will be apprised of the issue and the final resolution.

The new grant management structure creates a team of management and compliance professionals who fully understand the necessity for (and the level of) documentation required on federal and state grants.

Specifically addressing the recommendation cited for Finding 2013-003, the President has met with all senior leadership to impress upon them the "impropriety of management override of control." This message will also be communicated to all grant project directors/coordinators, and all internal content experts assigned to grant projects. As a follow-up, the President will recommend a Board of Regents policy statement to be included in the College's Board Policy Manual which mandates that the managerial controls for grant management must be followed. All grant project directors/coordinators, all internal content experts assigned to grant projects, and immediate supervisors for the grant related personnel will receive a grant management orientation and will sign an acknowledgement that they will abide by the policy statement.

The President's corrective action plan provides two additional layers of management and safeguards for the cited grant and the other related state grants. Moreover, with the addition of an extra layer of safeguards for all federal and state grants, the centralized approach will strengthen the overall management and compliance process.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-004

Program: Adult Basic Education Innovation Grant (ABEIG)

Condition: There was little or no documentation on the student incentive expenses. We noted that scholarships, gas cards, books, uniforms and stipends were given to students. All of these are considered allowable expenses; however, without proper documentation we were unable to tell if some of these expenses were given to ineligible recipients. We performed additional procedures to gain assurance that the expenses were proper so as to determine whether we had a scope limitation or not. We were able to sample the students receiving stipends and scholarships and determined from our test work that students receiving the tested stipends and scholarships were enrolled in the programs that were supported by this grant. See finding 2013-005 for further information. However, on a few other expenses, e.g., books and uniforms, we were unable to obtain sufficient documentation to determine if the incentives were given to eligible recipients.

Questioned Costs: We noted that books to help study for the GED were obtained; however, there was no documentation of who received these books. The cost of these books was \$954.22. We also noted an expense of \$100 for uniforms for which there was no documentation to whom the uniforms were given. These two situations result in a total of \$1,054.22 in questioned costs and represent 2 of 44 items tested.

Criteria: Per the OMB A-133 Compliance supplement and the State of Texas Single Audit Circular, expenses need to be properly documented to determine allowability. Also, the College's policy for expense reimbursements states that there should be proper documentation.

Cause: The grant manager of the ABEIG grant refused to comply with the grant department's request for documentation. A vice president sent an e-mail to the grant department personnel indicating the grant manager be "given the latitude to execute the grant."

Effect: Awarding of disallowed expenses could result in the College being required to reimburse grant funds and even lose state funding.

Context: A sample of 44 expenditures were tested in the allowability testwork and an additional 78 expenditures were tested in the eligibility testwork.

Recommendation: We recommend that grant department work with the President of the College, due to the override of controls, to let the grant manager know that these deviations are considered serious. The grant manager needs to be informed that she is to comply with the requests of the grant compliance department, and the College's internal control procedures are to be followed.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-004 (Continued)

Views of Responsible Officials and Corrective Action Plan: The College has implemented a corrective action plan which ensures a heightened level of grant compliance while also maintaining vital project direction from content experts. This collaborative approach will improve grant management accountability for all grants. The primary change is a shift to a centralized approach of grant management which balances the College's content expertise and grant management authority. This approach balances the expectations of internal safeguards and controls with assurance that the College's viability and sustainability is accomplished. *Please see full description of new centralized grant management structure under the response to Finding 2013-003.*

In reference to the questioned costs cited in Finding 2013-004, the College will reimburse the funding agency (if requested) from institutional funds.

Specifically addressing the recommendation cited for Finding 2013-004, the President has met with all senior leadership to impress upon them the "impropriety of management override of control." This message will also be communicated to all grant project directors/coordinators, and all internal content experts assigned to grant projects. As a follow-up, the President will recommend a Board of Regents policy statement to be included in the College's Board Policy Manual which mandates that the managerial controls for grant management must be followed. All grant project directors/coordinators, all internal content experts assigned to grant projects, and immediate supervisors for the grant related personnel will receive a grant management orientation and will sign an acknowledgement that they will abide by the policy statement.

In addition to the emphasis on the Board policy adherence, the new centralized approach will strengthen the overall management and compliance process. Grant accountability will be increased for all grants, and the new, centralized grant management structure provides a process in which grant compliance questions will be reviewed and resolved through a collaborative approach. When consensus for compliance issues cannot be achieved at the grant management/project content expert level, the College's Chief of Planning and Advancement will be responsible for advancing the issue to the appropriate College senior leadership and facilitating the joint effort to resolve questions regarding grant internal controls. In every instance that a grant compliance issue reaches the senior leadership level, the President will be apprised of the issue and the final resolution.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-005

Program: Adult Basic Education Innovation Grant (ABEIG)

Condition: No documentation is being maintained on student eligibility. We reviewed student stipends and scholarships issued. Four students did not have high enough TABE scores to receive scholarships or stipends under this grant. Also, there were no TABE scores available for one of the students that received both a scholarship and stipend.

Questioned Cost: Scholarships and stipends totaling \$1,566 were paid out to students who did not have high enough test scores on the TABE or there were no test scores available to review.

Criteria: Per the OMB A-133 Compliance Supplement and the State of Texas Single Audit Circular, documentation needs to be maintained on all individuals receiving funding. The grant specifies which students were eligible for funding under this grant and documentation should be maintained to document the eligibility.

Cause: The grant manager refused to follow the internal control policies and procedures established by the grant compliance department. The grant manager went to the THECB, the award grantee, to get "permission" for latitude in the grant operation and also went to a vice president and complained about the grant department. The vice president sent an e-mail to the grant department informing them that they were to allow the grant manager of the ABEIG grant to be given "the latitude to execute the grant." The grant department felt they had no choice but concede as this directive came from a vice president of the College.

Effect: Since there were no records maintained on the students participating in the program, student incentives were given to ineligible recipients. The College may be required to repay funds to the grantee or even lose future state funding.

Context: We reviewed 78 transactions to students and verified their eligibility status through access to student financial aid records and business office records.

Recommendation: We recommend that grant department work with the President of the College, due to the override of controls, to let the grant manager know that these deviations are considered serious. The grant manager needs to be informed that she is to comply with the requests of the grant compliance department and the College's internal control procedures are to be followed.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-005 (Continued)

Views of Responsible Officials and Corrective Action Plan: Immediately upon being briefed concerning this and other audit findings, the College's President proactively initiated a corrective action plan that will ensure that all managerial controls are identified and followed, pursuant to the College's policy.

Under the new centralized grant management approach (*please see full description of new centralized grant management structure under the response to Finding 2013-003*) each grant will have adequate management and support to ensure that all participant records are developed and maintained in such a manner that program eligibility will be adequately documented.

In reference to the questioned costs cited in Finding 2013-005, the College will reimburse the funding agency (if requested) from institutional funds.

Specifically, the ABEIG grant will have a new full time dedicated grant coordinator assigned to provide management support. The grant's internal content expert(s) will continue to play a vital role in providing program design and delivery. The grant coordinator will take care of the day to day budget management, grant documentation including participant files, and management of grant timelines. This position will report directly to the Senior Director of Grant Management.

The new grant management structure creates a team of management and compliance professionals who fully understand the necessity for (and the level of) documentation required on federal and state grants. It also allows the grant content experts to concentrate on the advances in education that are achieved through the work of the grants.

Finding 2013-006

Program: Adult Basic Education Innovation Grant (ABEIG)

Condition: The Year One final program report was due no later than September 17, 2012. Per review of the submitted report, it was filed four days late on September 21, 2012. The Year Two interim program report was due no later than December 31, 2012. Per review of the report the College submitted, the Year Two interim report was submitted 3.5 months late on April 17, 2013.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-006 (Continued)

Criteria: Per an email from the THECB, the Year One final report was due September 17, 2012. Per THECB Notice of State Grant Award, Amendment No. 1, Year Two interim program reports are due no later than December 31, 2012.

Cause: The grant manager failed to comply with the filing deadlines.

Effect: Funding for the grant was based on the submission of timely reports. The late filing of these reports could have resulted in delayed funding on the grants.

Context: This represents two of three reports that we reviewed.

Recommendation: We recommend that grant manager comply with reporting deadlines.

Views of Responsible Officials and Corrective Action Plan: Immediately upon being briefed concerning this and other audit findings, the College's President proactively initiated a corrective action plan that will ensure that all managerial controls are identified and followed, pursuant to the College's policy.

Under the new centralized grant management approach (*please see full description of new centralized grant management structure under the response to Finding 2013-003*) each grant will have adequate management and support to ensure that all grant reporting requirements are fully executed and reports are submitted in a timely manner.

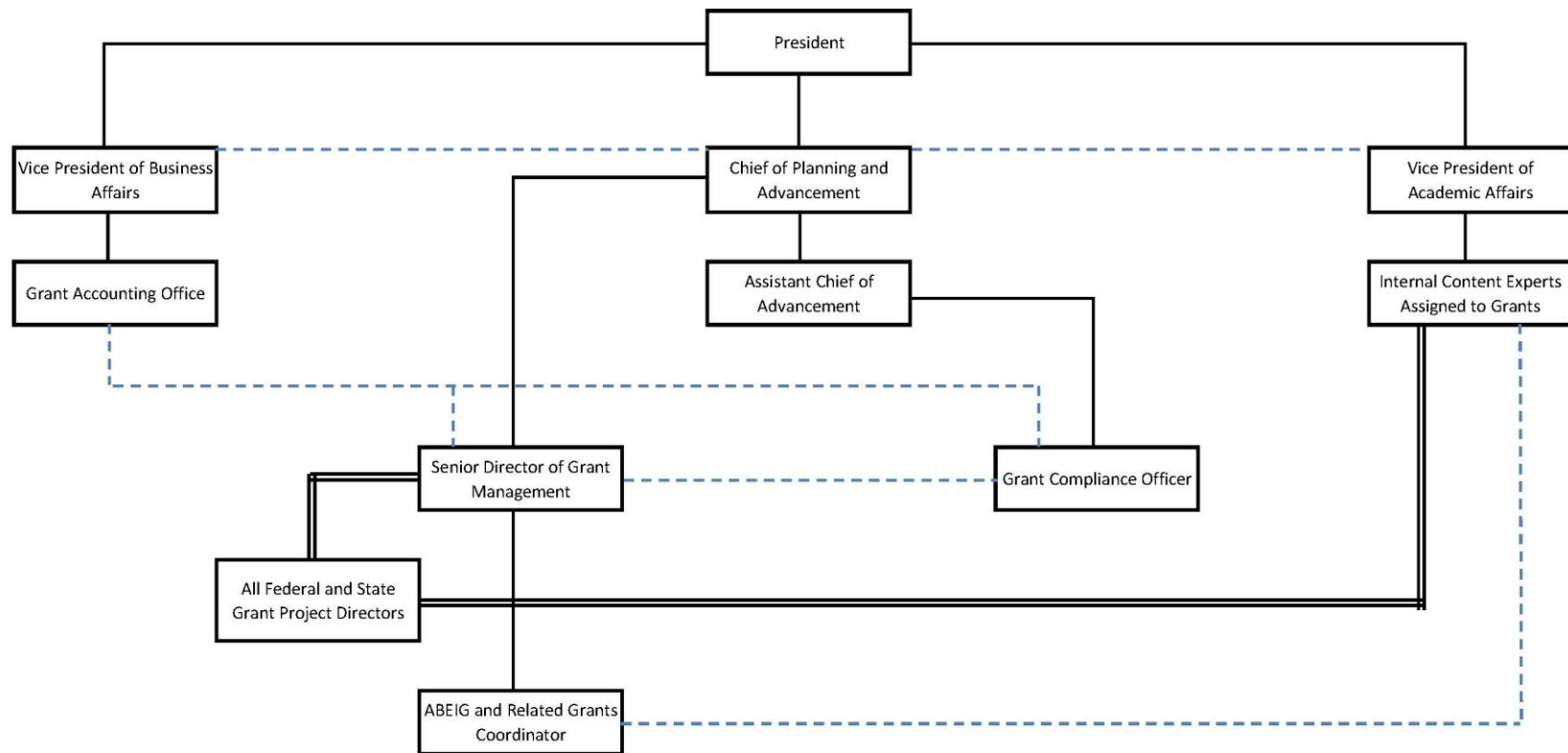
The new grant management structure creates a team of management and compliance professionals who fully understand the necessity for (and the level of) documentation required on federal and state grants. This structure also allows the grant content experts to concentrate on the advances in education that are achieved through the work of the grants. Specifically, the ABEIG grant reports will be completed as a collaborative effort by the new ABEIG related grants coordinator and the internal content expert(s) assigned to the grant.

Since the Senior Director of Grants Management will provide oversight for the timely submission of all grant reports, late submissions will be avoided via this corrective action plan. The only late submission of a grant report that will be permissible is one in which the grant funding agency has provided written permission of a revised submission date prior to the original due date for the report.

The new grant management structure creates a team of management and compliance professionals who fully understand the necessity for timely submission of reports required on federal and state grants.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2013

Amarillo College Centralized Grant Management
Organizational Chart



NOTE: Solid black lines represent direct report (supervisory) relationships.
 Blue dashed lines represent functional collaboration across departments to effectively operate and manage grant projects.
 Double black lines represent joint supervision by Senior Director of Grant Management and assigned Content Expert.
 AC policy for quarterly grant compliance review meetings will continue to include grant compliance, grant accounting, the new Senior Director of Grant Management.

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**AMARILLO COLLEGE
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2013**

Finding 2013-001

Condition: Five students that graduated during the year were not reported to the National Student Clearinghouse within the 30 days required. Additionally, we noted two students, were missed and not reported at all to the National Student Clearinghouse.

Corrective Action Plan: Updated process as of October 5, 2013 to ensure accurate reporting to the clearinghouse includes:

- Compiling of the graduate report will only happen the next business day after the graduates were processed in the system.
- Additional reporting of the graduates for the previous term will happen at least three additional times throughout the current term following the initial end-of-term graduate report has been submitted.

Finding 2013-002

Condition: Payroll expenditures were charged to the grant subsequent to the end of the grant's period of availability. The direct charges caused indirect charges to be overstated.

Corrective Action Plan:

Human Resource Response:

This was a case of human error during Human Resources/Payroll's busiest time of the year. The Personnel Form 310 was simply overlooked. To attempt to avoid a repeat, Human Resources will maintain and closely monitor a log of 310 Forms.

Grant Accounting, Grant Compliance Response:

Grant Accounting and Grant Compliance have instituted a three-step process to ensure that all costs for a grant are appropriate for the grant.

- 1) When a grant is ending, Grant Compliance and Grant Accounting will work with the Grant Project Director to ensure that Personnel Forms for all grant-paid employees, ending their work on the grant, are completed and submitted in a timely manner. This will be done before the end date of the grant. This will allow Human Resources time to input the forms before the end of the grant. Additionally, all other non-personnel direct expenses will be processed prior to the end of the grant.

**AMARILLO COLLEGE
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2013**

Finding 2013-002 (Continued)

*Corrective Action
Plan (Continued):*

Grant Accounting, Grant Compliance Response (Continued):

- 2) When a Personnel Form is received for a grant which is ending, Grant Accounting will do the following:
 - a) Review the Personnel Form to ensure that all information is included and correct. Particular attention will be paid to the end date to ensure that it is on or before the end of the grant.
 - b) Return the Personnel Form to Human Resources after a copy has been made for Grant Accounting's records.
 - c) Prior to the end of the grant, Grant Accounting will contact Human Resources to check on the status of all Personnel Forms and make sure that all forms have been processed before the end date of the grant.
- 3) During the month after the end of the grant, Grant Accounting and Grant Compliance will review all expenditures to the closed grant taking place in that month. Any and all reports, forms, or other documentation will be run and reviewed to ensure that any expenditures occurring subsequent to the grant ending are appropriate and allowable.

Finding 2013-003

Condition:

Management override of controls.

*Corrective Action
Plan:*

The College fully understands the seriousness of this finding and the severity of potential impact it has on the institution. Immediately upon being briefed concerning this and other audit findings, the College's President proactively initiated a corrective action plan that will ensure that all managerial controls are identified and followed, pursuant to the College's policies.

The primary focus of the corrective action is a shift to a centralized approach to grant management which balances the College's content expertise and grant management authority. This approach will add additional layers of internal safeguards and controls. The main features of the new centralized structure include:

- 1) Establish a position of Senior Director of Grant Management (SDGM) with the primary purpose of daily oversight of all College grants to avoid any conflict of interest and ensure internal controls. All federal and state grant project directors/coordinators will be jointly supervised: 1) by the SDGM position for grant compliance,

**AMARILLO COLLEGE
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS, CONTIUNED
Year Ended August 31, 2013**

Finding 2013-003 (Continued)

*Corrective Action
Plan (Continued):*

fiscal management, and required documentation; and 2) by the internal content expert(s) for grant programmatic direction. The SDGM will conduct monthly meetings (at a minimum) with the grant project directors/coordinators to offer guidance; to verify that all deliverables and reports are being accomplished in a timely manner; and that all documentation is being adequately maintained. A special emphasis will be placed on budgetary issues including preapproval of budget amendments; review of eligibility requirements and documentation; and overall budget management.

- 2) The Adult Basic Education Innovation Grant (ABEIG) along with other related state grants represent a unique structure within the College's grant management system. While most grants have an independent purpose and dedicated grant funded personnel, the ABEIG family of grants all have an interwoven purpose with very few dedicated grant funded personnel (which contributed to the issues identified in the audit findings). As an additional corrective measure, the new centralized structure will include a full time dedicated grant coordinator position that will provide grant management support for all of the ABEIG related grants. The internal content expert(s) will provide program design and delivery. The grant coordinator will take care of the day to day budget management, grant documentation, and management of grant timelines and other requirements. This grant coordinator position will report directly to the SDGM.
- 3) The SDGM will report directly to the College's Chief of Planning and Advancement, thus creating the centralized structure. Grant development and grant compliance are located in the Division of Planning and Advancement and will continue to provide critical compliance oversight. The grant management structure will continue to closely coordinate with the Grant Accounting office (see attached grant management organizational chart).
- 4) Recommendation for a College Board of Regents policy statement to be included in the College's Board Policy Manual which identifies the aforementioned changes and mandates that the managerial controls for grant management must be followed. All grant project directors/coordinators, all internal content experts assigned to grant projects, and immediate supervisors for the grant related personnel will receive a grant management orientation and will sign an acknowledgement that they will abide by the policy statement.

**AMARILLO COLLEGE
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS, CONTIUNED
Year Ended August 31, 2013**

Finding 2013-003 (Continued)

*Corrective Action
Plan (Continued):*

5) This new, centralized grant management structure will provide a process in which grant compliance questions will be reviewed and resolved through a collaborative approach. When consensus for compliance issues cannot be achieved at the grant management/project content expert level, the College's Chief of Planning and Advancement will be responsible for advancing the issue to the appropriate College's senior leadership and facilitating the joint effort to resolve questions regarding grant internal controls. In every instance that a grant compliance issue reaches the senior leadership level, the President will be apprised of the issue and the final resolution.

The new grant management structure creates a team of management and compliance professionals who fully understand the necessity for (and the level of) documentation required on federal and state grants.

Specifically addressing the recommendation cited for Finding 2013-003, the President has met with all senior leadership to impress upon them the "impropriety of management override of control." This message will also be communicated to all grant project directors/coordinators, and all internal content experts assigned to grant projects. As a follow-up, the President will recommend a Board of Regents policy statement to be included in the College's Board Policy Manual which mandates that the managerial controls for grant management must be followed. All grant project directors/coordinators, all internal content experts assigned to grant projects, and immediate supervisors for the grant related personnel will receive a grant management orientation and will sign an acknowledgement that they will abide by the policy statement.

The President's corrective action plan provides two additional layers of management and safeguards for the cited grant and the other related state grants. Moreover, with the addition of an extra layer of safeguards for all federal and state grants, the centralized approach will strengthen the overall management and compliance process.

**AMARILLO COLLEGE
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS, CONTIUNED
Year Ended August 31, 2013**

Finding 2013-004

Condition: There was little or no documentation on the student incentive expenses. We noted that scholarships, gas cards, books, uniforms and stipends were given to students. All of these are considered allowable expenses; however, without proper documentation we were unable to tell if some of these expenses were given to ineligible recipients. We performed additional procedures to gain assurance that the expenses were proper so as to determine whether we had a scope limitation or not. We were able to sample the students receiving stipends and scholarships and determined from our test work that students receiving the tested stipends and scholarships were enrolled in the programs that were supported by this grant. See finding 2013-005 for further information. However, on a few other expenses, e.g., books and uniform, we were unable to obtain sufficient documentation to determine if the incentives were given to eligible recipients.

Corrective Action Plan: The College has implemented a corrective action plan which ensures a heightened level of grant compliance while also maintaining vital project direction from content experts. This collaborative approach will improve grant management accountability for all grants. The primary change is a shift to a centralized approach of grant management which balances the College's content expertise and grant management authority. This approach balances the expectations of internal safeguards and controls with assurance that the College's viability and sustainability is accomplished. *Please see full description of new centralized grant management structure under the response to Finding 2013-003.*

In reference to the questioned costs cited in Finding 2013-004, the College will reimburse the funding agency (if requested) from institutional funds.

Specifically addressing the recommendation cited for Finding 2013-004, the President has met with all senior leadership to impress upon them the "impropriety of management override of control." This message will also be communicated to all grant project directors/coordinators, and all internal content experts assigned to grant projects. As a follow-up, the President will recommend a Board of Regents policy statement to be included in the College's Board Policy Manual which mandates that the managerial controls for grant management must be followed. All grant project directors/coordinators, all internal content experts assigned to grant projects, and immediate supervisors for the grant related personnel will receive a grant management orientation and will sign an acknowledgement that they will abide by the policy statement.

**AMARILLO COLLEGE
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS, CONTIUNED
Year Ended August 31, 2013**

Finding 2013-004 (Continued)

*Corrective Action
Plan (Continued):*

In addition to the emphasis on the Board policy adherence, the new centralized approach will strengthen the overall management and compliance process. Grant accountability will be increased for all grants, and the new, centralized grant management structure provides a process in which grant compliance questions will be reviewed and resolved through a collaborative approach. When consensus for compliance issues cannot be achieved at the grant management/project content expert level, the College's Chief of Planning and Advancement will be responsible for advancing the issue to the appropriate College senior leadership and facilitating the joint effort to resolve questions regarding grant internal controls. In every instance that a grant compliance issue reaches the senior leadership level, the President will be apprised of the issue and the final resolution.

Finding 2013-005

Condition:

No documentation is being maintained on student eligibility. We reviewed student stipends and scholarships issued. Four students did not have high enough TABE scores to receive scholarships or stipends under this grant. Also, there were no TABE scores available for one of the students that received both a scholarship and stipend.

*Corrective Action
Plan:*

Immediately upon being briefed concerning this and other audit findings, the College's President proactively initiated a corrective action plan that will ensure that all managerial controls are identified and followed, pursuant to the College's policy.

Under the new centralized grant management approach (*please see full description of new centralized grant management structure under the response to Finding 2013-003*) each grant will have adequate management and support to ensure that all participant records are developed and maintained in such a manner that program eligibility will be adequately documented.

In reference to the questioned costs cited in Finding 2013-005, the College will reimburse the funding agency (if requested) from institutional funds.

Specifically, the ABEIG grant will have a new full time dedicated grant coordinator assigned to provide management support. The grant's internal content expert(s) will continue to play a vital role in providing

**AMARILLO COLLEGE
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS, CONTIUNED
Year Ended August 31, 2013**

Finding 2013-005 (Continued)

Corrective Action Plan (Continued): program design and delivery. The grant coordinator will take care of the day to day budget management, grant documentation including participant files, and management of grant timelines. This position will report directly to the Senior Director of Grant Management.

The new grant management structure creates a team of management and compliance professionals who fully understand the necessity for (and the level of) documentation required on federal and state grants. It also allows the grant content experts to concentrate on the advances in education that are achieved through the work of the grants.

Finding 2013-006

Condition: The Year One final program report was due no later than September 17, 2012. Per review of the submitted report, it was filed four days late on September 21, 2012. The Year Two interim program report was due no later than December 31, 2012. Per review of the report the College submitted, the Year Two interim report was submitted 3.5 months late on April 17, 2013.

Views of Responsible Officials and Corrective Action Plan: Immediately upon being briefed concerning this and other audit findings, the College's President proactively initiated a corrective action plan that will ensure that all managerial controls are identified and followed, pursuant to the College's policy.

Under the new centralized grant management approach (please see full description of new centralized grant management structure under the response to Finding 2013-003) each grant will have adequate management and support to ensure that all grant reporting requirements are fully executed and reports are submitted in a timely manner.

The new grant management structure creates a team of management and compliance professionals who fully understand the necessity for (and the level of) documentation required on federal and state grants. This structure also allows the grant content experts to concentrate on the advances in education that are achieved through the work of the grants. Specifically, the ABEIG grant reports will be completed as a collaborative effort by the new ABEIG related grants coordinator and the internal content expert(s) assigned to the grant.

**AMARILLO COLLEGE
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS, CONTIUNED
Year Ended August 31, 2013**

Finding 2013-006 (Continued)

*Corrective Action
Plan (Continued):*

Since the Senior Director of Grants Management will provide oversight for the timely submission of all grant reports, late submissions will be avoided via this corrective action plan. The only late submission of a grant report that will be permissible is one in which the grant funding agency has provided written permission of a revised submission date prior to the original due date for the report.

The new grant management structure creates a team of management and compliance professionals who fully understand the necessity for timely submission of reports required on federal and state grants.

AMARILLO COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended August 31, 2013

Finding 2012-01

Program: Student Financial Aid Cluster

Condition: Two students that graduated during the year were not reported to the National Student Clearinghouse as graduated.

Recommendation: Implement procedures and controls to ensure all students are included in reports to the National Student Clearinghouse.

Current Status: Processes were amended to include notification to the Clearinghouse for any individual who graduated on a case-by-case basis after end-of-term processes are completed. Processes were put in place to report any new graduates, but gaps were still discovered whereby we still missed reporting a graduate. New process as of October 5, 2012, to ensure accurate reporting to the clearinghouse includes:

- New computer programming to post "official degree date" for each student who graduates. (NOTE: This is the step that has been added since the previous audit.)
- Process to find all students who graduated within a specified date range. (Previously students were missed in this step because the graduation process simply ended an academic program rather than posting the "official degree date.")
- Report submitted to clearinghouse weekly.
- This process was fully tested and is in place in the live Colleague account.

Review of Process:

The Admissions Office runs a weekly report and continually monitors those students who have not been reported to the Clearinghouse.

Finding 2012-02

Program: Student Financial Aid Cluster

Condition: The amount of total Pell expenditures as reported on the annual Fiscal Operations Report and Application to Participate (FISAP) was incorrect.

Recommendation: An individual in either the Student Financial Aid department or the grant accounting department should perform a documented review and approval of the FISAP before it is submitted. The person performing this review and approval should be different than the individual responsible for completing the FISAP.

AMARILLO COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, CONTINUED
Year Ended August 31, 2013

Finding 2012-02 (Continued)

Current Status: This corrective action plan was implemented when the FISAP for the 2012-2013 years was completed and electronically submitted to the U.S. Department of Education. The FISAP was required to be submitted no later than October 1, 2013. Before its submission it was reviewed by the Associate Director of Financial Aid. A signed and dated copy is kept in the Director's Office with signatures verifying that the FISAP was reviewed for accuracy.

Finding 2012-03

Program: 84.334A Gaining Early Awareness and Readiness for Undergraduate Programs

Condition: A program expenditure had no documentation of approval by either the project manager's supervisor or the grant accounting manager.

Recommendation: The College should initiate a documented review process for all inter-college charges to grant programs.

Current Status: On October 29, 2012, all Grant Project Directors were emailed procedures and processes for obtaining prior approval on certain types of purchases such as Print Shop Charge, Bookstore purchases, procurement card purchases, etc. Additionally, these procedures were and are discussed at the quarterly meetings with Grant Compliance, Grant Accounting and Grant Project Directors and their staff.

The procedure is regularly reviewed to see if any modifications or changes need to be made. If any changes or modifications to the procedures are made then an updated procedure is sent to Project Directors with the changes noted.

Finding 2012-04

Program: 47.076 National Science Foundation – Science, Technology, Engineering and Mathematics

Condition: Adequate internal controls are not in place to help ensure that the program stays in compliance with the *Statement of Services To Be Performed* as outlined in the grant Intrasystem Agreement.

Recommendation: The College should designate an individual to monitor all scholarship recipients and to ensure that each recipient meets the program requirements outlined in the grant Intrasystem Agreement. Adequate documentation should be kept of each recipient's compliance with the grant requirements.

AMARILLO COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, CONTINUED
Year Ended August 31, 2013

Finding 2012-04 (Continued)

Current Status: The new S-STEM project management duties for the Senior Director of Grants were approved by the immediate supervisor, the College's Chief of Planning and Advancement.

During the 2012-2013 academic year, the Senior Director of Grants' additional S-STEM duties have included the following:

- Reviewing procedures and documents related to the S-STEM project.
- Developing and calendaring schedule for management of Year Two scholarship award cycles.
- Attending meetings with the Principal Investigator and S-STEM Coordinator to ensure communication and coordination of effort.
- Monitoring the process of collecting/verifying student contracts, activity logs and other S-STEM documentation.
- Developing the Year Two draft Annual Performance Report, in accordance with revised report review procedures.

The duties listed above are ongoing and will continue to be this position's responsibility throughout the S-STEM project period.

Finding 2012-05

Program: 47.076 National Science Foundation – Science, Technology, Engineering and Mathematics

Condition: Eight scholarship recipients did not participate in a minimum of five hours of mentoring activities per month, and three scholarship recipients did not meet with an advisor for academic advising, career advising and/or transfer to a four-year university advising.

Recommendation: The College should designate an individual to monitor all scholarship recipients and to ensure that each recipient meets the program requirements outlined in the grant Intrasystem Agreement. Adequate documentation should be kept of each recipient's compliance with the grant requirements

Current Status: The new S-STEM project management duties for the Senior Director of Grants were approved by the immediate supervisor, the College's Chief of Planning and Advancement.

During the 2012-2013 academic year, the Senior Director of Grants' additional S-STEM duties have included the following:

- Reviewing procedures and documents related to the S-STEM project.

AMARILLO COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, CONTINUED
Year Ended August 31, 2013

Finding 2012-05 (Continued)

- Developing and calendaring schedule for management of Year Two scholarship award cycles.
- Attending meetings with the Principal Investigator and S-STEM Coordinator to ensure communication and coordination of effort.
- Monitoring the process of collecting/verifying student contracts, activity logs and other S-STEM documentation.
- Developing the Year Two draft Annual Performance Report in accordance with revised report review procedures.

The duties listed above are ongoing and will continue to be this position's responsibility throughout the S-STEM project period.

Finding 2012-06

Program: 47.076 National Science Foundation – Science, Technology, Engineering and Mathematics

Condition: The amount of total scholarship awards as reported to the National Science Foundation in the annual performance report was incorrect.

Recommendation: An individual should review the completed annual performance report and reconcile total scholarship awards reported to total scholarship awards per the Student Financial Aid office. Documentation of this reconciliation should be kept. The person reviewing the report and performing the reconciliation should be different than the individual who prepares the report.

Current Status: The S-STEM annual performance report for Year Two was submitted to NSF on April 15, 2013. Since the 2011-2012 annual report was previously submitted and finalized, the College incorporated the correction into the 2012-2013 performance report as part of the "Changes" section on research.gov. As an additional part of its strengthened internal controls, the College revised the S-STEM annual report review process prior to the report's submission to NSF. Procedures for S-STEM report review and submission are included in the attached file entitled "Procedures for S-STEM Reporting."

STATISTICAL SUPPLEMENT
(Unaudited)

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Amarillo College
Statistical Supplement 1
Net Position by Component
Fiscal Years 2004 to 2013
(unaudited)

For the Fiscal Year Ended August 31,
(amounts expressed in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Invested in capital assets, net of related debt	\$ 60,520	\$ 61,057	\$ 65,464	\$ 66,184	\$ 71,483	\$ 71,488	\$ 74,600	\$ 73,263	\$ 80,492	\$ 80,473
Restricted - expendable	9,233	11,621	8,499	8,428	8,250	8,406	8,730	8,117	7,121	6,592
Restricted - nonexpendable	2,500	2,500	2,620	2,590	2,590	2,530	2,530	2,500	2,500	2,000
Unrestricted	26,671	26,903	24,155	21,996	21,079	19,507	17,294	15,780	15,237	14,594
Total primary government net position	\$ 98,924	\$ 102,081	\$ 100,738	\$ 99,198	\$ 103,402	\$ 101,931	\$ 103,154	\$ 99,660	\$ 105,350	\$ 103,659

Amarillo College
Statistical Supplement 2
Revenues by Source
Fiscal Years 2004 to 2013
(unaudited)

For the Year Ended August 31,
(amounts expressed in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and fees (net of discounts)	\$ 15,382	\$ 15,428	\$ 13,170	\$ 12,778	\$ 11,741	\$ 10,579	\$ 9,899	\$ 9,385	\$ 8,715	\$ 7,780
Governmental grants and contracts										
Federal grants and contracts	4,944	3,903	4,452	6,172	4,924	3,447	2,874	2,702	2,171	2,111
State grants and contracts	1,885	1,691	1,876	1,788	1,191	1,213	1,212	1,449	1,065	1,520
Local grants and contracts	1,946	1,891	1,953	1,813	2,009	1,582	1,444	1,282	1,173	889
Nongovernmental grants and contracts	1,377	1,749	1,557	1,164	1,438	1,190	1,220	1,725	2,357	1,165
Sales and services of educational activities	529	532	524	580	540	464	457	440	464	547
Auxiliary enterprises	6,461	6,631	6,907	7,182	6,931	6,245	6,066	6,842	6,420	6,048
Other operating revenues	116	82	215	186	285	222	222	207	133	7
Total operating revenues	32,640	31,907	30,654	31,663	29,059	24,942	23,394	24,032	22,498	20,067
State appropriations	18,261	18,322	21,177	21,458	22,597	22,511	22,003	21,787	19,766	19,410
Ad valorem taxes	20,481	19,209	18,881	18,160	17,668	14,855	13,555	12,774	12,304	11,505
Federal revenue, nonoperating	16,356	17,424	20,067	17,153	11,569	8,609	7,995	8,591	8,777	9,027
Gifts	800	3,091	186	39	38	138	45	6	849	77
Investment income	466	444	571	334	545	744	1,545	1,169	707	383
Other nonoperating revenues	538	44	30	76	18	27	5	9	10	2
Total nonoperating revenues	56,902	58,534	60,912	57,220	52,435	46,884	45,148	44,336	42,413	40,404
TOTAL REVENUES	\$ 89,542	\$ 90,441	\$ 91,566	\$ 88,883	\$ 81,494	\$ 71,826	\$ 68,542	\$ 68,368	\$ 64,911	\$ 60,471

For the Year Ended August 31,

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and fees (net of discounts)	17.18%	17.06%	14.38%	14.38%	14.41%	14.73%	14.44%	13.73%	13.43%	12.87%
Governmental grants and contracts										
Federal grants and contracts	5.52%	4.32%	4.86%	6.94%	6.04%	4.80%	4.19%	3.95%	3.34%	3.49%
State grants and contracts	2.11%	1.87%	2.05%	2.01%	1.46%	1.69%	1.77%	2.12%	1.64%	2.51%
Local grants and contracts	2.17%	2.09%	2.13%	2.04%	2.47%	2.20%	2.11%	1.88%	1.81%	1.47%
Nongovernmental grants and contracts	1.54%	1.93%	1.70%	1.31%	1.77%	1.66%	1.78%	2.52%	3.63%	1.93%
Sales and services of educational activities	0.59%	0.59%	0.57%	0.65%	0.66%	0.65%	0.67%	0.64%	0.71%	0.90%
Auxiliary enterprises	7.22%	7.33%	7.55%	8.08%	8.50%	8.69%	8.85%	10.01%	9.89%	10.00%
Other operating revenues	0.13%	0.09%	0.24%	0.21%	0.35%	0.31%	0.32%	0.30%	0.20%	0.01%
Total operating revenues	36.46%	35.28%	33.48%	35.62%	35.66%	34.73%	34.13%	35.15%	34.65%	33.18%
State appropriations	20.39%	20.26%	23.13%	24.14%	27.73%	31.34%	32.10%	31.87%	30.45%	32.10%
Ad valorem taxes	22.87%	21.24%	20.62%	20.43%	21.68%	20.68%	19.78%	18.68%	18.96%	19.03%
Federal revenue, nonoperating	18.27%	19.26%	21.92%	19.30%	14.20%	11.99%	11.66%	12.57%	13.52%	14.93%
Gifts	0.89%	3.42%	0.20%	0.04%	0.05%	0.19%	0.08%	0.01%	1.31%	0.13%
Investment income	0.52%	0.49%	0.62%	0.38%	0.66%	1.03%	2.24%	1.71%	1.09%	0.63%
Other nonoperating revenues	0.60%	0.05%	0.03%	0.09%	0.02%	0.04%	0.01%	0.01%	0.02%	0.00%
Total nonoperating revenues	63.54%	64.72%	66.52%	64.38%	64.34%	65.27%	65.87%	64.85%	65.35%	66.82%
TOTAL REVENUES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Amarillo College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2004 to 2013
(unaudited)

For the Year Ended August 31,
(amounts expressed in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	\$ 31,882	\$ 30,256	\$ 30,565	\$ 31,266	\$ 29,108	\$ 26,239	\$ 25,492	\$ 27,077	\$ 24,912	\$ 22,842
Research	-	-	-	-	-	-	-	-	-	-
Public service	3,704	3,402	3,617	3,536	3,456	3,329	3,081	2,922	2,605	2,475
Academic support	3,109	2,675	3,316	3,291	3,223	2,912	2,894	1,657	1,727	1,763
Student services	4,154	3,985	4,084	3,912	3,793	3,159	2,998	2,935	2,810	2,987
Institutional support	13,592	12,586	12,322	12,176	11,584	11,271	10,307	9,605	9,308	8,349
Operation and maintenance of plant	7,669	7,411	7,168	8,104	6,165	5,783	5,636	5,468	4,807	4,688
Scholarships and fellowships	10,316	11,833	15,329	13,418	8,793	5,731	5,048	6,745	7,156	7,735
Auxiliary enterprises	6,564	6,577	6,596	6,742	6,171	5,920	5,589	5,552	5,271	5,182
Depreciation	5,274	4,994	4,568	4,145	3,585	3,452	3,453	3,563	3,212	3,141
Total operating expenses	86,264	83,719	87,565	86,590	75,878	67,796	64,498	65,524	61,808	59,162
Interest on capital related debt	2,915	2,401	2,430	1,959	1,515	484	538	678	1,093	899
Loss on disposal of fixed assets	3,115	24	31	66	141	206	14	35	310	11
Total nonoperating expenses	6,030	2,425	2,461	2,025	1,656	690	552	713	1,403	910
TOTAL EXPENSES	\$ 92,294	\$ 86,144	\$ 90,026	\$ 88,615	\$ 77,534	\$ 68,486	\$ 65,050	\$ 66,237	\$ 63,211	\$ 60,072

For the Year Ended August 31,

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	34.54%	35.12%	33.95%	35.28%	37.54%	38.31%	39.19%	40.88%	39.41%	38.02%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	4.01%	3.95%	4.02%	3.99%	4.46%	4.86%	4.74%	4.41%	4.12%	4.12%
Academic support	3.36%	3.10%	3.68%	3.71%	4.16%	4.25%	4.45%	2.50%	2.73%	2.93%
Student services	4.50%	4.63%	4.54%	4.41%	4.89%	4.61%	4.61%	4.43%	4.45%	4.97%
Institutional support	14.73%	14.61%	13.69%	13.74%	14.94%	16.46%	15.84%	14.50%	14.73%	13.90%
Operation and maintenance of plant	8.31%	8.60%	7.96%	9.15%	7.95%	8.45%	8.66%	8.26%	7.60%	7.80%
Scholarships and fellowships	11.18%	13.74%	17.03%	15.14%	11.34%	8.37%	7.76%	10.18%	11.32%	12.88%
Auxiliary enterprises	7.11%	7.63%	7.33%	7.61%	7.96%	8.64%	8.59%	8.38%	8.34%	8.63%
Depreciation	5.71%	5.80%	5.07%	4.68%	4.62%	5.04%	5.31%	5.38%	5.08%	5.23%
Total operating expenses	93.45%	97.18%	97.27%	97.71%	97.86%	98.99%	99.15%	98.92%	97.78%	98.48%
Interest on capital related debt	3.16%	2.79%	2.70%	2.22%	1.96%	0.71%	0.83%	1.03%	1.73%	1.50%
Loss on disposal of fixed assets	3.39%	0.03%	0.03%	0.07%	0.18%	0.30%	0.02%	0.05%	0.49%	0.02%
Total nonoperating expenses	6.55%	2.82%	2.73%	2.29%	2.14%	1.01%	0.85%	1.08%	2.22%	1.52%
TOTAL EXPENSES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Amarillo College
Statistical Supplement 4
Tuition and Fees
Last Ten Academic Years
(unaudited)

Resident
Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Learning Resource Fee (per student)	In-District Tuition	Out-of-District Tuition	Matriculation & General Fee	Technology Fees	Student Activity Fees	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2012	\$ -	\$ 42.00	\$ 39.00	\$ 23.00	\$ 10.00	\$ 1.75	\$ 921.00	\$ 1,389.00	10.04%	9.46%
2011	-	40.00	36.00	19.00	9.00	1.75	837.00	1,269.00	11.16%	24.78%
2010	-	36.00	22.00	16.00	9.00	1.75	753.00	1,017.00	6.81%	11.88%
2009	-	34.00	17.00	15.00	8.00	1.75	705.00	909.00	0.00%	0.00%
2008	-	34.00	17.00	15.00	8.00	1.75	705.00	909.00	9.30%	8.60%
2007	-	32.00	16.00	13.00	7.00	1.75	645.00	837.00	9.14%	6.90%
2006	-	32.00	16.00	11.00	5.00	1.25	591.00	783.00	26.28%	20.83%
2005	3.00	30.00	15.00	7.50	-	1.25	468.00	648.00	9.86%	9.09%
2004	3.00	27.00	14.00	7.00	-	1.25	426.00	594.00	7.58%	10.00%
2003	3.00	26.00	12.00	5.50	-	1.25	396.00	540.00	10.92%	10.43%

Non-Resident
Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Learning Resource Fee (per student)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Matriculation & General Fee	Technology Fees	Student Activity Fees	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
2012	\$ -	\$ 142.00	\$ -	\$ 23.00	\$ 10.00	\$ 1.75	\$ 2,121.00	\$ -	6.64%	-
2011	-	136.00	-	19.00	9.00	1.75	1,989.00	-	32.87%	-
2010	-	98.00	-	16.00	9.00	1.75	1,497.00	-	11.63%	-
2009	-	87.00	-	15.00	8.00	1.75	1,341.00	-	0.00%	-
2008	-	87.00	-	15.00	8.00	1.75	1,341.00	-	7.71%	-
2007	-	82.00	-	13.00	7.00	1.75	1,245.00	-	4.53%	-
2006	-	82.00	-	11.00	5.00	1.25	1,191.00	-	14.08%	-
2005	3.00	78.00	-	7.50	-	1.25	1,044.00	-	6.75%	-
2004	3.00	73.00	-	7.00	-	1.25	978.00	-	8.67%	-
2003	3.00	68.00	-	5.50	-	1.25	900.00	-	11.52%	-

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees.

Amarillo College
Statistical Supplement 5
Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(unaudited)

Fiscal Year	(Amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2012-13	\$ 12,442,882	\$ 1,905,974	\$ 10,536,908	84.68%	0.15089	0.04861	0.19950
2011-12	12,206,296	1,864,211	10,342,085	84.73%	0.14241	0.04697	0.18938
2010-11	11,735,501	1,598,430	10,137,071	86.38%	0.14149	0.04847	0.18996
2009-10	11,643,501	1,574,152	10,069,349	86.48%	0.14064	0.04349	0.18413
2008-09	11,336,432	1,553,559	9,782,873	86.30%	0.14064	0.04331	0.18395
2007-08	10,688,693	1,484,717	9,203,976	86.11%	0.13650	0.02393	0.16043
2006-07	9,795,811	1,379,051	8,416,760	85.92%	0.13467	0.02576	0.16043
2005-06	9,237,011	1,336,897	7,900,114	85.53%	0.13296	0.02747	0.16043
2004-05	8,857,623	1,277,888	7,579,735	85.57%	0.13169	0.02874	0.16043
2003-04	8,086,847	963,665	7,123,182	88.08%	0.12868	0.03074	0.15942

Source: Local Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

Amarillo College
Statistical Supplement 6
State Appropriation per FTSE and Contact Hour
Last Ten Fiscal Years

(unaudited)

(dollar amounts expressed in thousands)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2012-13	\$ 15,098	7,637	\$ 1,977	\$ 2,856	\$ 1,920	\$ 4,776	\$ 3.16
2011-12	15,321	7,967	1,923	3,018	2,006	5,024	3.05
2010-11	15,893	8,091	1,964	3,093	2,097	5,190	3.06
2009-10	16,049	7,516	2,135	3,012	1,974	4,986	3.22
2008-09	17,153	6,725	2,551	2,696	1,881	4,577	3.75
2007-08	17,153	6,894	2,488	2,646	1,928	4,574	3.75
2006-07	16,828	6,943	2,424	2,662	1,926	4,588	3.67
2005-06	16,828	7,170	2,347	2,816	1,987	4,803	3.50
2004-05	15,694	7,556	2,077	2,920	2,026	4,946	3.17
2003-04	15,690	7,303	2,148	2,814	1,945	4,759	3.30

Notes:

FTSE is defined as the number of full time students plus total hours taken by part-time students divided by 12.

(a) Source CBM001

(b) Source CBM00A

**Amarillo College
Statistical Supplement 7
Principal Taxpayers
Last Ten Tax Years**
(unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Southwestern Public Service	Utility	\$ 93,024	\$ 86,005	\$ 72,317	\$ 71,458	\$ 78,390	\$ 76,543	\$ 86,938	\$ 106,535	\$ 109,819	\$ 113,266
UHS of Amarillo Inc	Hospital	-	-	-	-	-	-	-	84,456	80,327	73,941
Wal Mart Stores Inc	Retail Store	85,933	85,542	84,559	84,745	84,578	79,734	80,832	63,757	57,090	42,927
Amarillo Mall LCC	Retail	63,926	63,940	63,954	63,971	64,087	64,078	60,532	60,540	60,566	54,988
Southwestern Bell Telephone	Utility	-	-	33,121	38,423	42,236	48,997	45,418	47,618	45,570	50,486
BNSF Railway Co	Railroad	67,338	60,513	52,160	47,574	46,339	42,088	37,210	33,334	31,041	33,202
Amarillo National Bank	Banking	37,584	36,937	37,357	36,860	35,520	34,525	30,056	29,340	29,101	25,893
Atmos Corp/Energas Co	Utility	41,336	33,281	-	27,376	28,763	30,446	26,408	24,182	-	19,606
TCA Cable Partners II	Cable/Utility	-	-	-	-	-	-	-	16,793	22,155	22,721
United Supermarkets	Grocery/Retail	-	-	-	-	-	-	-	16,412	21,292	-
Anderson Merchandisers Inc	Warehouse	-	-	-	-	-	-	-	-	70,348	-
KIR Amarillo/Soncy LP	Retail	-	-	-	-	-	-	-	-	-	22,021
Northwest Texas Healthcare Systems Inc	Hospital	84,729	84,352	86,142	84,248	82,687	85,284	84,286	-	-	-
TCA Cable of Amarillo Inc	Cable/Utility	-	-	-	-	-	-	18,535	-	-	-
Auto Nation	Auto Dealer	-	-	-	-	-	-	19,267	-	-	-
Ben E. Keith Company	Warehouse	48,877	49,022	47,962	47,954	34,512	34,550	-	-	-	-
Case Newport LP	Housing	36,883	34,858	33,337	33,345	35,915	32,855	-	-	-	-
Amarillo Economic Development Corp.	Com/Eco Dev	41,926	39,667	37,797	-	-	-	-	-	-	-
Totals		\$ 601,556	\$ 574,117	\$ 548,706	\$ 535,954	\$ 533,027	\$ 529,100	\$ 489,482	\$ 482,967	\$ 527,309	\$ 459,051
Total Taxable Assessed Value		\$10,536,908	\$10,342,085	\$10,137,071	\$10,069,349	\$9,782,873	\$9,203,976	\$8,416,760	\$7,900,114	\$7,579,735	\$7,123,182

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Southwestern Public Service	Utility	0.88%	0.83%	0.71%	0.71%	0.80%	0.83%	1.03%	1.35%	1.45%	1.59%
UHS of Amarillo Inc	Hospital	-	-	-	-	-	-	-	1.07%	1.06%	1.04%
Wal Mart Stores Inc	Retail Store	0.82%	0.83%	0.83%	0.84%	0.86%	0.87%	0.96%	0.81%	0.75%	0.60%
Amarillo Mall LCC	Retail	0.61%	0.62%	0.63%	0.64%	0.66%	0.70%	0.72%	0.77%	0.80%	0.77%
Southwestern Bell Telephone	Utility	-	-	0.33%	0.38%	0.43%	0.53%	0.54%	0.60%	0.60%	0.71%
BNSF Railway Co	Railroad	0.64%	0.59%	0.51%	0.47%	0.47%	0.46%	0.44%	0.42%	0.41%	0.47%
Amarillo National Bank	Banking	0.36%	0.36%	0.37%	0.37%	0.36%	0.38%	0.36%	0.37%	0.38%	0.36%
Atmos Corp/Energas Co	Utility	0.39%	0.32%	-	0.27%	0.29%	0.33%	0.31%	0.31%	-	0.28%
TCA Cable Partners II	Cable/Utility	-	-	-	-	-	-	-	0.21%	0.29%	0.32%
United Supermarkets	Grocery/Retail	-	-	-	-	-	-	-	0.21%	0.28%	-
Anderson Merchandisers Inc	Warehouse	-	-	-	-	-	-	-	-	0.93%	-
KIR Amarillo/Soncy LP	Retail	-	-	-	-	-	-	-	-	-	0.31%
Northwest Texas Healthcare Systems Inc	Hospital	0.80%	0.82%	0.85%	0.84%	0.85%	0.93%	1.00%	-	-	-
TCA Cable of Amarillo Inc	Cable/Utility	-	-	-	-	-	-	0.22%	-	-	-
Auto Nation	Auto Dealer	-	-	-	-	-	-	0.23%	-	-	-
Ben E. Keith Company	Warehouse	0.46%	0.47%	0.47%	0.48%	0.35%	0.38%	-	-	-	-
Case Newport LP	Housing	0.35%	0.34%	0.33%	0.33%	0.37%	0.36%	-	-	-	-
Amarillo Economic Development Corp.	Com/Eco Dev	0.40%	0.38%	0.37%	-	-	-	-	-	-	-
Totals		5.71%	5.56%	5.40%	5.33%	5.44%	5.77%	5.81%	6.12%	6.95%	6.45%

Source: Local County Appraisal District

Amarillo College
Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Tax Years
(unaudited)
(dollar amounts expressed in thousands)

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
2013	\$ 20,415	\$ (64)	\$ 20,351	\$ 20,038	98.46%	\$ -	\$ -	\$ 20,038	98.46%
2012	19,104	32	19,136	18,792	98.20%	-	-	18,792	98.20%
2011	18,750	18	18,768	18,406	98.07%	138	93	18,637	99.30%
2010	18,097	(32)	18,065	17,690	97.92%	244	35	17,969	99.47%
2009	17,559	(24)	17,535	17,150	97.80%	294	25	17,469	99.62%
2008	14,766	(13)	14,753	14,437	97.86%	263	10	14,710	99.71%
2007	13,503	(23)	13,480	13,203	97.95%	237	5	13,445	99.74%
2006	12,674	(19)	12,655	12,393	97.93%	231	3	12,627	99.78%
2005	12,304	-	12,304	11,886	96.60%	392	2	12,280	99.80%
2004	11,505	-	11,505	11,120	96.65%	359	2	11,481	99.79%

Source: Local Tax Assessor/Collector and District records.

(a) As reported in notes to the financial statements for the year of the levy.

(b) As of August 31st of the current reporting year.

(c) Property tax only - does not include penalties and interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy.

(e) Represents current year collections of prior years levies.

Total Collections = C + D + E

**Amarillo College
Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)**

For the Year Ended August 31
(dollar amounts expressed in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Bonded Debt										
General obligation bonds	\$ 69,040	\$ 70,915	\$ 58,205	\$ 60,320	\$ 46,650	\$ 33,355	\$ 13,155	\$ 14,880	\$ 16,475	\$ 17,565
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	69,040	70,915	58,205	60,320	46,650	33,355	13,155	14,880	16,475	17,565
Other Debt										
Revenue bonds	4,295	4,470	505	740	965	1,180	1,385	1,580	1,765	1,940
Notes	409	-	-	-	-	-	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	31	62	91
Total Outstanding Debt	\$ 73,744	\$ 75,385	\$ 58,710	\$ 61,060	\$ 47,615	\$ 34,535	\$ 14,540	\$ 16,491	\$ 18,302	\$ 19,596

General Bonded Debt Ratios

Per Capita	**	**	**	\$ 0.32	\$ 0.25	\$ 0.18	\$ 0.07	\$ 0.08	\$ 0.09	\$ 0.10
Per FTSE	9.04	8.90	7.19	8.03	6.94	4.84	1.89	2.08	2.18	2.41
As a percentage of Taxable Assessed Value	0.66%	0.69%	0.57%	0.59%	0.48%	0.36%	0.16%	0.19%	0.22%	0.25%

Total Outstanding Debt Ratios

Per Capita	**	**	**	\$ 0.32	\$ 0.25	\$ 0.19	\$ 0.08	\$ 0.09	\$ 0.10	\$ 0.11
Per FTSE	9.66	9.46	7.26	8.12	7.08	5.01	2.09	2.30	2.42	2.68
As a percentage of Taxable Assessed Value	0.70%	0.73%	0.58%	0.60%	0.49%	0.38%	0.17%	0.21%	0.24%	0.28%

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time-equivalent enrollment.

** Per the Bureau of Economic Analysis: Estimates of per capital personal income for 2011 will be released with the rest of the Local Area Estimates on November 26th.

Amarillo College
Statistical Supplement 10
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

For the Year Ended August 31
(dollar amounts expressed in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Taxable Assessed Value	\$ 10,536,908	\$ 10,342,085	\$ 10,137,071	\$ 10,069,349	\$ 9,782,873	\$ 9,203,976	\$ 8,416,760	\$ 7,900,114	\$ 7,579,735	\$ 7,123,182
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	52,685	51,710	50,685	50,347	48,914	46,020	42,084	39,501	37,899	35,616
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	52,685	51,710	50,685	50,347	48,914	46,020	42,084	39,501	37,899	35,616
Current Year Debt Service Requirements	4,885	4,076	4,784	4,307	4,250	2,197	2,168	2,170	2,178	2,189
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 47,800	\$ 47,634	\$ 45,901	\$ 46,040	\$ 44,664	\$ 43,823	\$ 39,916	\$ 37,331	\$ 35,721	\$ 33,427
Net Current Requirements as a % of Statutory Limit	9.27%	7.88%	9.44%	8.55%	8.69%	4.77%	5.15%	5.49%	5.75%	6.14%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

Amarillo College
Statistical Supplement 11
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)											Debt Service Requirements (\$000 omitted)			
	Tuition	General Fee	Matriculation Fees	Distance Learning Fee	Out of District Fees	Misc Income Fees	Interest Income	Indirect Cost Recovery	Unrestricted Private Grants	Sales of Educational Activities	Total	Principal	Interest	Total	Coverage Ratio
2013	\$ 2,531	\$ 3,904	\$ -	\$ 493	\$ -	\$ 1,381	\$ 58	\$ 242	\$ 2,152	\$ 529	\$ 11,290	\$ 180	\$ 159	\$ 339	33.30
2012	2,568	3,456	-	505	-	1,538	80	229	2,063	531	10,970	175	162	337	32.55
2011	398	3,082	-	-	1,233	1,338	161	216	2,161	524	9,113	235	36	271	33.63
2010	390	2,826	-	-	969	1,211	70	176	1,997	609	8,248	225	47	272	30.32
2009	337	2,475	-	-	999	996	464	245	2,188	556	8,260	215	57	272	30.36
2008	342	1,118	958	-	943	1,141	571	166	1,807	473	7,519	205	67	272	27.65
2007	343	587	993	-	921	176	941	142	1,710	459	6,272	195	75	270	23.23
2006	348	261	1,042	-	878	221	789	151	1,556	441	5,687	185	84	269	21.14
2005	357	274	1,095	-	792	133	477	165	1,468	464	5,225	175	92	267	19.57
2004	341	89	889	-	683	7	189	169	1,280	541	4,188	170	99	269	15.57

Amarillo College
Statistical Supplement 12
Demographic and Economic Statistics - Taxing District
Last Ten Fiscal Years
(unaudited)

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2012	195,250	*	*	4.8%
2011	193,678	7,159,888	36,968	5.4%
2010	191,331	6,817,124	35,630	5.5%
2009	189,392	6,467,737	34,150	5.2%
2008	187,236	6,502,519	34,729	3.5%
2007	186,106	6,165,506	33,129	3.3%
2006	184,893	5,745,550	31,075	3.7%
2005	183,021	5,403,695	29,525	3.9%
2004	180,490	5,013,110	27,775	4.5%
2003	178,543	4,766,027	26,694	5.2%

Sources:

Population from U.S. Bureau of the Census.
Personal income from U.S. Bureau of Economic Analysis
Unemployment rate from Texas Workforce Commission

Notes:

Prior to 2003, District Personal Income per Capita is based on the Amarillo Metropolitan Statistical Area (Armstrong, Carson, Potter & Randall Counties).

* Per the Bureau of Economic Analysis: Estimates of per capita personal income for 2012 will be released with the rest of the Local Area estimates on November 21st.

Amarillo College
Statistical Supplement 13
Principal Employers
Current Fiscal Year
(unaudited)

Employer	Number of Employees	Percentage of Total Employment
Amarillo Independent School District	4,298	4.39%
Tyson Foods, Inc.	3,700	3.78%
B&W Pantex	3,233	3.30%
Baptist St. Anthony's Health Care Systems	2,330	2.38%
City of Amarillo	2,045	2.09%
Northwest Texas Healthcare System	1,393	1.42%
Bell Helicopter Textron, Inc.	1,270	1.30%
Texas Department of Criminal Justice	1,246	1.27%
Affiliated Foods	1,200	1.23%
Western National Life Insurance Company	1,002	1.02%
Total	<u>21,717</u>	<u>22.18%</u>

Source:

Amarillo Chamber of Commerce
U.S. Department of Labor - Bureau of Labor Statistics

Note:

Amarillo College has elected to implement "Nine Years Prior" prospectively.

Amarillo College
Statistical Supplement 14
Faculty, Staff, and Administrators Statistics
Last Ten Fiscal Years
(unaudited)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Faculty										
Full-Time	225	218	221	234	235	221	229	226	227	223
Part-Time	586	581	556	548	519	565	577	603	572	606
Total	811	799	777	782	754	786	806	829	799	829
Percent										
Full-Time	27.7%	27.3%	28.4%	29.9%	31.2%	28.1%	28.4%	27.3%	28.4%	26.9%
Part-Time	72.3%	72.7%	71.6%	70.1%	68.8%	71.9%	71.6%	72.7%	71.6%	73.1%
Staff and Administrators										
Full-Time	466	456	482	473	473	451	450	451	444	432
Part-Time	287	266	269	283	263	247	252	232	210	228
Total	753	722	751	756	736	698	702	683	654	660
Percent										
Full-Time	61.9%	63.2%	64.2%	62.6%	64.3%	64.6%	64.1%	66.0%	67.9%	65.5%
Part-Time	38.1%	36.8%	35.8%	37.4%	35.7%	35.4%	35.9%	34.0%	32.1%	34.5%
FTSE per Full-Time Faculty	33.94	36.55	36.61	32.12	28.62	31.19	30.10	31.73	33.29	32.75
FTSE per Full-Time Staff Member	16.39	17.47	16.79	15.89	14.22	15.29	15.32	15.90	17.02	16.91
Average Annual Faculty Salary	\$ 65,862	\$ 64,569	\$ 64,087	\$ 61,787	\$ 57,744	\$ 58,042	\$ 56,529	\$ 55,912	\$ 52,391	\$ 52,433

Amarillo College
Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(unaudited)

Student Classification	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	7,525	67.01%	6,600	58.26%	7,959	68.97%	6,856	62.64%	6,983	69.67%
31-60 hours	2,618	23.31%	3,341	29.49%	2,594	22.48%	2,913	26.62%	2,402	23.96%
> 60 hours	1,087	9.68%	1,388	12.25%	987	8.55%	1,176	10.74%	638	6.37%
Total	11,230	100.00%	11,329	100.00%	11,540	100.00%	10,945	100.00%	10,023	100.00%

Semester Hour Load	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	80	0.71%	68	0.60%	82	0.71%	122	1.12%	105	1.05%
3-5 semester hours	2,734	24.35%	2,323	20.50%	2,487	21.55%	2,498	22.82%	2,336	23.31%
6-8 semester hours	3,277	29.18%	3,329	29.39%	3,190	27.64%	3,223	29.45%	2,925	29.18%
9-11 semester hours	2,425	21.59%	2,341	20.66%	2,187	18.95%	2,011	18.37%	2,000	19.95%
12-14 semester hours	2,417	21.52%	2,868	25.32%	3,178	27.54%	2,693	24.61%	2,276	22.71%
15-17 semester hours	271	2.41%	283	2.50%	305	2.65%	297	2.71%	258	2.57%
18 & over	26	0.24%	117	1.03%	111	0.96%	101	0.92%	123	1.23%
Total	11,230	100.00%	11,329	100.00%	11,540	100.00%	10,945	100.00%	10,023	100.00%

Average course load	7.8	8.3	8.3	8.1	8.0
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Tuition Status	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	7,922	70.54%	7,979	70.43%	8,079	70.01%	7,298	66.68%	5,723	57.10%
Texas Resident (Out-of-District)	3,002	26.73%	3,041	26.84%	3,125	27.08%	3,256	29.75%	3,913	39.04%
Non-Resident Tuition	306	2.73%	309	2.73%	336	2.91%	391	3.57%	387	3.86%
Total	11,230	100.00%	11,329	100.00%	11,540	100.00%	10,945	100.00%	10,023	100.00%

Amarillo College
Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)

	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<u>Gender</u>										
Female	6,947	61.86%	6,923	61.11%	7,044	61.04%	6,536	59.72%	6,158	61.44%
Male	4,283	38.14%	4,406	38.89%	4,496	38.96%	4,409	40.28%	3,865	38.56%
Total	<u>11,230</u>	<u>100.00%</u>	<u>11,329</u>	<u>100.00%</u>	<u>11,540</u>	<u>100.00%</u>	<u>10,945</u>	<u>100.00%</u>	<u>10,023</u>	<u>100.00%</u>

	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<u>Ethnic Origin</u>										
White	6,231	55.49%	6,512	57.48%	6,828	59.17%	6,899	63.03%	6,403	63.88%
Hispanic	3,806	33.89%	3,602	31.79%	3,479	30.15%	3,023	27.62%	2,608	26.02%
African American	493	4.39%	502	4.43%	471	4.08%	529	4.84%	479	4.78%
Asian	270	2.40%	262	2.31%	258	2.23%	265	2.42%	269	2.68%
Foreign	17	0.15%	4	0.04%	3	0.03%	2	0.02%	11	0.11%
Native American	66	0.59%	70	0.62%	70	0.61%	79	0.72%	89	0.89%
Other	347	3.09%	377	3.33%	431	3.73%	148	1.35%	164	1.64%
Total	<u>11,230</u>	<u>100.00%</u>	<u>11,329</u>	<u>100.00%</u>	<u>11,540</u>	<u>100.00%</u>	<u>10,945</u>	<u>100.00%</u>	<u>10,023</u>	<u>100.00%</u>

	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<u>Age</u>										
Under 18	2,325	20.70%	2,055	18.14%	2,070	17.94%	2,099	19.18%	1,999	19.94%
18 - 21	3,691	32.87%	3,761	33.20%	3,842	33.29%	3,587	32.77%	3,319	33.11%
22 - 24	1,323	11.78%	1,418	12.52%	1,479	12.82%	1,355	12.38%	1,259	12.56%
25 - 35	2,507	22.32%	2,641	23.31%	2,669	23.13%	2,502	22.86%	2,189	21.84%
36 - 50	1,121	9.98%	1,199	10.58%	1,219	10.56%	1,165	10.64%	1,046	10.44%
51 & over	263	2.35%	255	2.25%	261	2.26%	237	2.17%	211	2.11%
Total	<u>11,230</u>	<u>100.00%</u>	<u>11,329</u>	<u>100.00%</u>	<u>11,540</u>	<u>100.00%</u>	<u>10,945</u>	<u>100.00%</u>	<u>10,023</u>	<u>100.00%</u>

Average Age	24	25	25	25	24
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Amarillo College
Statistical Supplement 17
Transfers to Senior Institutions
2012-2013 Graduates, Completers, and Non-Returners as of Fall 2013
(Includes only public senior colleges in Texas)
(unaudited)

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all Sample Transfer Students	% of all Sample Transfer Students
	Academic	Technical	Tech-Prep		
1 West Texas A&M University	880	16	73	969	66.92%
2 Texas Tech University	191	3	6	200	13.81%
3 Texas A&M University	57	0	1	58	4.01%
4 The University of Texas at Austin	36	0	0	36	2.49%
5 University of North Texas	29	1	0	30	2.07%
6 The University of Texas at Arlington	20	0	1	21	1.45%
7 Texas State University - San Marcos	17	0	2	19	1.31%
8 Texas Tech University Health Sciences Center	13	0	2	15	1.04%
9 Angelo State University	13	1	0	14	0.97%
10 Midwestern State University	9	2	2	13	0.90%
11 Tarleton State University	12	0	0	12	0.83%
12 The University of Texas at San Antonio	11	1	0	12	0.83%
13 Stephen F. Austin State University	5	1	2	8	0.55%
14 The University of Texas at Dallas	7	0	0	7	0.48%
15 Texas Woman's University	4	0	2	6	0.41%
16 University of Houston	4	0	1	5	0.35%
17 The University of Texas at Tyler	4	0	0	4	0.28%
18 Texas A&M University at Galveston	3	0	0	3	0.21%
19 Prarie View A&M University	2	0	0	2	0.14%
20 Sam Houston State University	2	0	0	2	0.14%
21 Sul Ross State University	2	0	0	2	0.14%
22 Texas A&M University - Corpus Christi	2	0	0	2	0.14%
23 Texas A&M University - Commerce	1	0	0	1	0.07%
24 Texas A&M University - Kingsville	1	0	0	1	0.07%
25 The University of Texas at El Paso	1	0	0	1	0.07%
26 The University of Texas of the Permian Basin	1	0	0	1	0.07%
27 Texas A&M University System Health Science Center	1	0	0	1	0.07%
28 The University of Texas Health Science Center at Houston	1	0	0	1	0.06%
29 The University of Texas - Pan American	0	0	1	1	0.06%
30 The University of Texas M.D. Anderson Cancer Center	0	0	1	1	0.06%
Totals	1,329	25	94	1,448	100.00%

NOTE: Totals may not equal those from the Automated Student and Adult Learner Follow-up System Results since non-disclosure students are not included in this report.

Amarillo College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2009 to 2013
(unaudited)

	Fiscal Year				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Academic buildings	32	34	36	35	33
Square footage (in thousands)	1,005	955	991	930	824
Libraries*	1	1	1	1	1
Square footage (in thousands)	16	16	16	14	14
Number of Volumes (in thousands)	59	60	62	74	75
Administrative and support buildings	6	5	5	4	4
Square footage (in thousands)	170	147	147	117	117
Rentals					
Apartment Bldgs (formerly Dorms)	-	1	1	1	1
Square footage (in thousands)	-	6	6	6	6
Number of Beds	-	10	10	10	10
Rental Housing Units	335	336	336	336	336
Square footage (in thousands)	493	493	493	425	425
Commercial Rentals	4	5	6	9	9
Square footage (in thousands)	29	35	41	35	35
Dining Facilities*	-	-	2	2	2
Square footage (in thousands)	-	-	15	15	15
Athletic Facilities (sum of below)	5	5	5	5	5
Square footage(in thousands)	85	85	85	80	80
Stadiums	-	-	-	-	-
Gymnasiums*	5	5	5	5	5
Fitness Centers*	2	2	2	2	2
Tennis Court	-	-	-	-	-
Plant facilities	7	7	7	8	8
Square footage (in thousands)	130	130	130	163	163
Transportation (Total)	143	134	136	120	117
Cars	32	30	33	29	26
Semi Trucks / Heavy Trucks (Instructional)	23	22	21	17	19
Light Trucks/Vans (includes Instructional)	72	67	70	68	66
Buses (Instructional)	10	9	8	4	4
Motorcycles (Instructional)	6	6	4	2	2

* May be within other buildings