

TEMPLE COLLEGE

Temple, Texas

Annual Financial and Compliance Reports

for the Year Ended August 31, 2013

TEMPLE COLLEGE

Table of Contents

	<u>Page</u>
Organizational Data	1
Independent Auditors' Report on the Financial Statements and Supplemental Information	2
Management's Discussion and Analysis	5
 <u>Financial Statements</u>	
Statement of Net Position (Exhibit 1).....	15
Statement of Financial Position (discretely presented component unit – Exhibit 1-A)	16
Statement of Revenues, Expenses, and Changes in Net Assets (Exhibit 2)	17
Statement of Activities 2012 (discretely presented component unit – Exhibit 2-A)	18
Statement of Activities 2011 (discretely presented component unit – Exhibit 2-B)	19
Statement of Cash Flows (Exhibit 3).....	20
Notes to Financial Statements.....	21
 <u>Supplementary Schedules</u>	
Schedules	
A Schedule of Operating Revenues	37
B Schedule of Operating Expenses by Object	38
C Schedule of Non-Operating Revenues and Expenses	39
D Schedule of Net Assets by Source and Availability	40
E Schedule of Expenditures of Federal Awards	41
Notes to Schedule of Expenditures of Federal Awards.....	42
F Schedule of Expenditures of State Awards	43
 <u>Auditors' Reports on Controls and Compliance</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> ..	44
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	46
Schedule of Findings and Questioned Costs.....	49

**TEMPLE COLLEGE
ORGANIZATIONAL DATA
For the Year Ended August 31, 2013**

Board of Trustees

		Term Expires
Mr. Michael W. Thompson	Chair	<u>May</u> 2018
Mr. Stephen H. Niemeier	Vice Chair	2014
Andrejs Avots-Avotins, M.D., Ph.D.	Secretary	2016
Mr. Harry Adams		2016
Mr. Jack W. Jones, Jr.		2016
Mr. John R. Bailey		2018
Mrs. Lydia Santibanez		2014
Mr. Larry J. Wilkerson		2014
Mrs. Katie Burrows		2018

Officers

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



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

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

KILLEEN • COPPERAS COVE • TEMPLE

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

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Trustees
Temple College
Temple, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Temple College, (the College) as of and for the years ended August 31, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Temple College as of August 31, 2013 and 2012, and the respective changes in financial position, and cash flows for the years then ended in conformity 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 5 through 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary schedules (schedules A through D) as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by 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, and are also not a required part of the financial statements. The supplementary schedules, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)**

financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 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.

Jett, Vernon & Co., P.C.

Temple, Texas
October 25, 2013

This discussion and analysis of Temple College financial statements provides an overview of College financial activities for the year ended August 31, 2013. Management has prepared the financial statements and the related footnote disclosures and this discussion and analysis statement. Responsibility for the completeness and fairness of this information is that of the College management. The current report, for the year ended August 31, 2013, is issued under the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This accounting policy established the reporting format for governmental annual financial statements. The State of Texas elected to adopt these new reporting standards in the fiscal year 2001-2002, and Temple College as a component unit of state government converted its financial reporting to the GASB 34 format. The following sections present comparative financial data as called for by the reporting principle.

Financial and Enrollment Highlights

- ◆ Enrollment in the academic/technical programs decreased 5.1% over the prior year (FY 2012) from 119,972 semester hours to 113,870 hours. Over the five (5) year period (FY 2009-2013), however, enrollment growth has shown a 7.2% increase. This year marked the second consecutive decrease in enrollment since the middle of the previous decade.
- ◆ Enrollment in the Continuing Education/Adult Division decreased 6.3% compared to the FY 2012 production. The decrease was primarily the result of limited offerings during the summer quarter due to the re-location of division offices from the Downtown Center to the Main Campus.
- ◆ Tuition/Fee totals by resident type for this period were:

	<u>Fall 2012</u>	<u>Fall 2011</u>	<u>Fall 2010</u>
In-District	\$88/semester hour	\$88/semester hour	\$80/semester hour
Out-of-District	\$154/semester hour	\$154/semester hour	\$130/semester hour
Non-Resident	\$234/semester hour	\$234/semester hour	\$196/semester hour

- ◆ Students taking Health Science courses are charged an additional \$20/SCH. This tuition is a 22% increase for Health Science programs for resident students compared to general academic and other technical courses.
- ◆ The district property tax rate for FY 2013 was lowered slightly from the prior year's rate of \$0.2054/\$100 to \$0.2036/\$100. This rate is the combined debt and maintenance/operation rate.
- ◆ State funding (allocations) was decreased for FY 2013 by almost \$318,000 compared to the prior year. This reduction in funding occurred primarily in the area of State

TEMPLE COLLEGE

Retirement matching. The overall cost of attending a community college continues to shift from the State to the student and local taxpayer.

The Annual Report

This report consists of three basic financial statements:(1) the Statement of Net Position; (2) the Statement of Revenues, Expenses, and Changes in Net Position; and (3) the Statement of Cash Flows. These three statements provide information on the College as a whole (excluding the Temple College Foundation activities) and present a long-term view of the financial position of the College. One of the most important questions asked about finances is, "Is Temple College as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on total institution activities in a way that helps to answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as Temple College's operating results.

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

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

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

Statement of Net Position

Cash and short-term investment balances decreased slightly compared to the prior year, the decrease being the result of continued construction from a \$13 million GO Bond issue in November 2010 and the transfer of some long-term investments to investments with shorter maturity dates.

Receivables include delinquent property taxes, student accounts, Federal, State, and other miscellaneous receivables. Federal and State receivables decreased by about 54%. The majority of this reduction resulted from a large one-time state grant (JET) received in the prior year that was not received in the current year. Student receivables decreased by

TEMPLE COLLEGE

1.5%. Other receivables decreased by 26%, due mainly to payment of pledges from the Foundation for the construction of the Rehearsal Hall.

Deferred expense (expense related to next fiscal year) decreased 96% compared to the prior year. This significant decrease was the result of a re-statement of the previous year's statement brought about by GASB 65, related to the reporting of bond issuance costs. More information is provided in Footnote 2 of the financial report. Other receivable categories were consistent with the prior year.

Non-Current Assets include Restricted Cash balances and Other Long-Term Investments which are held in a bond investment fund. Non-Current Assets increased by 5% over the prior year. Other Long-Term Investments decreased by 42%.

NET POSITIONS, END OF YEAR

(In Millions)

Temple College

	<u>8/31/2013</u>	<u>8/31/2012</u>	<u>8/31/2011</u>
Current Assets	28.7	30.3	38.6
Non-Current Assets	51.3	48.8	40.6
Total Assets	<u>80</u>	<u>79.1</u>	<u>79.2</u>
Current Liabilities	11.4	11.9	14.5
Non-Current Liabilities	36	36.6	39.0
Total Liabilities	<u>47.4</u>	<u>48.5</u>	<u>53.5</u>
Net Positions:			
Invested in capital assets, net of related debt	9.6	9.0	6.8
Restricted	8.6	8.4	8.2
Unrestricted	14.4	13.1	10.7
Total Net Positions	<u>32.6</u>	<u>30.5</u>	<u>25.7</u>
Increase in Net Positions	<u>2.1</u>	<u>4.8</u>	<u>4.0</u>

Most of the College's unrestricted net position has been designated for operating contingencies. The recent flurry of construction activity is nearing completion. While debt service requirements have increased in recent years, the growth of payments has now stabilized and the College possesses more efficient and modern facilities to support enrollment growth.

Compensable absences (vacation/sick leave) increased slightly this year to \$851,664, and is still a material liability to the College.

TEMPLE COLLEGE

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the annual operating results for the College, as well as all non-operating revenues and expenses. Tuition and fee revenue, net of exemption allowances, decreased by 3% in FY 2013. This decline was primarily due to lower student enrollment. While the College continues a tuition/fee discounting practice, the impact of the discounting practice increased this past year. The special local exemption type, for example, increased from \$783,159 to \$1,005,769 this year (a 28% increase). The Temple College tuition schedule ranks in the top 20% of community college pricing (FY 2013 data) in Texas; however, the primary component that causes the higher rate is the building use fee charge. This charge is restricted for payment of debt service costs related to facility construction and renewals of new or renovated student classroom buildings on campus.

State allocations (appropriations) for instructional and support purposes decreased compared to the prior fiscal period. FY 2013 is the second year of the biennium; in past years, this would have meant funding comparable to the previous year. This year, however, the state implemented a redistribution of community college appropriations based upon non-base year enrollment changes. A slight reduction in enrollment at the College resulted in a slight reduction in state appropriations.

Auxiliary Enterprise revenues consist of vending sales and golf course lease income. Lease income has diminished with the permanent closing of the golf course in January of 2013. Bookstore revenue which has traditionally been reported as auxiliary-type revenue is now considered private contract revenue since the store is operated by a contractor.

The operating revenue category of Grants and Contracts does not include Title IV Grants. These Federal grant programs experienced a significant decrease of 17% in FY 2013 year. This reduction, however, was partially offset by an increase in the area of Private Gifts.

Title IV revenue is included in the Non-Operating Revenue section and decreased by 8% for FY 2013.

TEMPLE COLLEGE

Operating Expenses

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

OPERATING EXPENSES BY NATURAL CLASSIFICATION
(In Millions)
Temple College

	Year Ended <u>8/31/2013</u>	Year Ended <u>8/31/2012</u>	Year Ended <u>8/31/2011</u>
Operating Expenses			
Salaries:			
Faculty	8.9	8.6	8.9
Staff	7.6	7.2	7.4
Benefits	4.9	4.3	4.6
Other Expenses	17.5	18.0	17.5
Depreciation	<u>1.5</u>	<u>1.3</u>	<u>1.3</u>
Total Operating Expenses	<u><u>40.4</u></u>	<u><u>39.4</u></u>	<u><u>39.7</u></u>

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

OPERATING EXPENSES BY FUNCTION
(In Millions)
Temple College

	Year Ended <u>8/31/2013</u>	Year Ended <u>8/31/2012</u>	Year Ended <u>8/31/2011</u>
Educational & General			
Instruction	13.4	12.9	13.0
Public Service	0.6	0.6	1.0
Academic Support	2.5	2.4	2.4
Student Services	2.8	2.6	2.4
Institutional Support	6.2	5.0	5.5
Operations & Plant Maintenance	3.0	3.2	3.0
Student Aid	<u>9.3</u>	<u>10.4</u>	<u>10.0</u>
Total Educational Activities	<u><u>37.8</u></u>	<u><u>37.1</u></u>	<u><u>37.3</u></u>
Auxiliary Enterprises	1.1	1.0	1.1
Depreciation	<u>1.5</u>	<u>1.3</u>	<u>1.3</u>
Total Operating Expenses	<u><u>40.4</u></u>	<u><u>39.4</u></u>	<u><u>39.7</u></u>

In the schedules of operating expenses shown above, the total expenditures increased about 2% over the prior year. The bulk of this increase is in the natural category of Salaries and Benefits and the functional category of Instruction and Institutional Support.

TEMPLE COLLEGE

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

After no salary increases the previous year, all employees received a 3% raise in FY 2013. This increase in employee compensation was critical to improve both morale among employees and the College's ability to attract and retain good employees.

SALARY INCREASES (%)
(Fall Term)
Temple College

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
3%	0%	2% or 1.5%	3% or 1.5%	4%	3%	4%	3%

TEMPLE COLLEGE

OPERATING RESULT FOR THE YEAR
(In Millions)
Temple College

	Year Ended 8/31/2013	Year Ended 8/31/2012	Year Ended 8/31/2011
Operating Revenues			
Tuition & Fees (net of exemptions)	12.2	12.6	9.9
Grants, Contracts & Other	2.6	2.9	3.4
Total Operating Revenues	14.8	15.5	13.3
Operating Expenses	40.4	39.4	39.8
Net Operating Revenues (Expenses)	(25.6)	(23.9)	(26.5)
Non-Operating Revenues (Expenses)			
State Allocations	9.2	9.5	10.0
Maintenance & Obligation Ad Valorem Taxes	5.2	5.0	5.3
General Obligation Debt Taxes	2.1	2.1	1.8
Federal Revenue, Non-Operating	13.1	14.3	14.4
Gifts	0.1	0.0	1.1
Interest on Capital Related Debt	(1.5)	(1.9)	(1.2)
Other Non-Operating	(0.5)	(0.2)	(0.9)
Total Non-Operating Revenues (Expenses)	27.7	28.7	30.5
Increase (Decrease in Net Position)	2.1	4.8	4.0
Net Position - Beginning of Year	30.5	25.7	21.7
Net Position - End of Year	32.6	30.5	25.7
Percent Increase/(Decrease)	6.9%	18.7%	18.4%

Although, property taxes are considered non-operating revenue by GASB, this revenue is a major component of the College operating budget. For the FY 2013, the property tax rate decreased slightly from \$.2054/\$100 to \$0.2036/\$100.

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

	Rate/\$100 Value		
	2013	2012	2011
Maintenance	\$ 0.1459	\$ 0.1440	\$ 0.1567
Debt Service	0.0577	0.0614	0.0533
Total	\$ 0.2036	\$ 0.2054	\$ 0.2100

The net assessed valuation for the district increased for FY 2013 to \$3,572,768,211 from the previous year (FY 2012) amount of \$3,478,759,357. The property tax rate cap for the Temple College district is \$0.25/\$100 valuation. This is the maximum permissible rate for both debt service requirements and operations combined.

TEMPLE COLLEGE

Statement of Cash Flows

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

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

The College liquidity position increased \$2,206,838 during this year ended August 31, 2013, as shown in the chart below:

CASH FLOWS FOR THE YEAR

(In Millions)

Temple College

	Year Ended <u>8/31/2013</u>	Year Ended <u>8/31/2012</u>	Year Ended <u>8/31/2011</u>
Cash provided (used) by:			
Operating activities	(22.3)	(20.7)	(23.1)
Non-capital financing activities	28.1	29.1	29.5
Capital and related financing activities	(7.3)	(11.7)	7.3
Investing activities	<u>3.7</u>	<u>2.6</u>	<u>(15.1)</u>
Net Increase (decrease) in cash	2.2	(0.7)	(1.4)
Cash, beginning of the year	<u>1.8</u>	<u>2.5</u>	<u>3.9</u>
Cash, end of the year	<u><u>4.0</u></u>	<u><u>1.8</u></u>	<u><u>2.5</u></u>

TEMPLE COLLEGE

Capital Asset and Debt Administration

On August 31, 2013, the College had \$64.7 million invested in capital assets, net of approximately \$18.6 million in accumulated depreciation.

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

	Year Ended <u>8/31/2013</u>	Year Ended <u>8/31/2012</u>	Year Ended <u>8/31/2011</u>
Land	\$ 3.2	\$ 1.8	\$ 1.8
Buildings	34.9	27.7	27.3
Land Improvements	6.5	4.6	3.6
Construction in Progress	-	6.9	2.2
Furniture & Equipment	1.3	1.2	1.1
Library Materials	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>
Totals	<u>\$ 46.1</u>	<u>\$ 42.5</u>	<u>\$ 36.3</u>

At year-end 2013, Temple College had approximately \$37.8 million in debt outstanding, a \$0.5 million decrease from the prior year-end balance of \$38.3 million. The table below summarizes this amount by debt type.

OUTSTANDING DEBT, AT YEAR-END
(as of August 31)
Temple College

	<u>8/31/2013</u>	<u>8/31/2012</u>	<u>8/31/2011</u>
Bonds/Capital Leases			
Revenue Bonds	\$ 11,600,000	\$12,635,000	\$ 13,492,264
General Obligation Bonds	22,920,000	24,090,000	25,095,000
Leases	<u>3,313,713</u>	<u>1,536,013</u>	<u>1,777,459</u>
TOTAL BONDS/LEASES	<u>\$ 37,833,713</u>	<u>\$38,261,013</u>	<u>\$ 40,364,723</u>

During FY 2013, all scheduled debt service requirements were paid.

Economic Factors That Will Affect the Future

In recent years, the greatest concern facing Temple College has been the economic uncertainty created by inadequate resources for higher education from the State of Texas. The 83rd session of the state legislature, however, was surprisingly kind to community colleges in Texas. Overall funding increased despite a statewide decrease in enrollment. The increase failed to compensate for increased enrollments in recent years, but the overall effect was positive for community colleges.

One of the most positive developments for the future was the apparent resolution of “proportionality” as it relates to employee benefits. After a decade of acrimony between community colleges and the state legislature, the issue seems to have been resolved with an agreement for the state and colleges to equally share the costs of health insurance and retirement for all eligible employees. Although this resolution may not be exactly what colleges had hoped for, the agreement provides a degree of stability that will be a drastic improvement as administrators plan for the future.

The Board of Trustees and Administration continue to be optimistic that the economic outlook for the Temple College service area remains strong. New industry continues to relocate to Central Texas due to the strong economic climate this area has to offer. That industry, along with continued population growth in Temple – as well as East Williamson County – promises a strengthening tax base for the College. As that growth continues, Temple College will play a crucial role by providing a trained and educated workforce for Central Texas.

FINANCIAL STATEMENTS

Statement of Net Position
August 31, 2013 and August 31, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 735,974	\$ (944,683)
Short Term Investments	21,211,597	23,440,014
Accounts Receivable (net)	6,692,317	7,726,967
Prepaid Expenses	17,999	107,691
Total Current Assets	<u>28,657,887</u>	<u>30,329,989</u>
Non-Current Assets		
Restricted Cash and Cash Equivalents	3,275,216	2,749,035
Other Long-Term Investments	2,000,000	3,482,450
Capital Assets (net)(See note 6)	46,072,921	42,535,725
Total Non-Current Assets	<u>51,348,137</u>	<u>48,767,210</u>
Total Assets	<u>\$ 80,006,024</u>	<u>\$ 79,097,199</u>
LIABILITIES & FUND BALANCE		
Current Liabilities		
Accounts Payable	857,276	1,551,774
Deferred Revenue	7,292,055	7,281,188
Funds Held for Others	566,003	611,971
Capital Leases - Current Portion	314,258	202,800
Bonds Payable - Current Portion	2,355,000	2,255,000
Total Current Liabilities	<u>11,384,592</u>	<u>11,902,733</u>
Non-Current Liabilities		
Accrued Compensable Absences	851,664	849,710
Capital Leases	2,999,455	1,333,213
Bonds Payable	32,165,000	34,470,000
Total Non-Current Liabilities	<u>36,016,119</u>	<u>36,652,923</u>
Total Liabilities	<u>\$ 47,400,711</u>	<u>\$ 48,555,656</u>
NET POSITION		
Invested in capital assets, net of related debt	9,614,068	8,953,640
Restricted for:		
Nonexpendable		
Student Aid	669,309	554,160
Expendable		
Loan	28,466	29,015
Debt Service	7,874,560	7,845,553
Unrestricted	14,418,910	13,159,175
Total Net Position (Schedule D)	<u>32,605,313</u>	<u>30,541,543</u>
Total Liabilities and Net Position	<u>\$ 80,006,024</u>	<u>\$ 79,097,199</u>

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

Temple Junior College Foundation, Inc.
Statement of Financial Position
August 31, 2012

Exhibit 1-A

Assets	2012	2011
Current Assets:		
Cash and cash equivalents	\$ 191,486	\$ 154,933
Investments	190,818	806,332
Short-term note receivable	23,293	7,497
Unconditional promises to give, less allowance for uncollectible promises of \$0 and \$0	151,580	152,869
Other receivables	20,336	12,694
Total Current Assets	577,513	1,134,325
Endowment Investments:		
Cash and cash equivalents	686,244	354,278
Investments	3,798,807	2,977,857
Total Endowment Investments	4,485,051	3,332,135
Buildings, furniture, and equipment, net	6,399,837	6,650,330
Assets held in trust - long term	452,706	426,269
Long-term unconditional promises to give, less allowance for uncollectible promises of \$14,450 and \$3,200	204,550	339,300
Investment in real estate	329,582	329,582
Bond issuance costs, net of accumulated amortization of \$0	672,650	707,442
Total Assets	\$ 13,121,889	\$ 12,919,383
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 77,811	\$ 74,626
Accrued vacation payable	14,933	13,108
Accrued other	30,098	14,257
Accrued interest payable	427,997	371,824
Current portion - bonds payable	125,000	95,000
Deferred revenue	121,707	136,005
Total Current Liabilities	797,546	704,820
Long-term Liabilities:		
Bonds payable, net of current portion and bond discount	10,672,700	10,785,425
Promissory note	1,049,034	848,329
Total Liabilities	12,519,280	12,338,574
Net Assets:		
Unrestricted Net Assets:		
Operating	(11,420,697)	(5,812,012)
Fixed assets	6,399,837	1,082,377
Total Unrestricted Net Assets	(5,020,860)	(4,729,635)
Temporarily restricted net assets	1,075,668	1,890,100
Permanently restricted net assets	4,547,801	3,420,344
Total Net Assets	602,609	580,809
Total Liabilities and Net Assets	\$ 13,121,889	\$ 12,919,383

Statement of Revenues, Expenses, and Changes in Net Position
Years Ended August 31, 2013 and August 31, 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Tuition and Fees (Net of Allowances and Discounts \$6,043,721 and \$5,971,247, respectively)	\$ 12,237,686	\$ 12,584,768
Federal Grants and Contracts	526,766	637,960
State Grants and Contracts	441,922	792,545
Private Gifts, Grants, and Contracts	872,231	640,785
Sales and Services of Educational Activities	3,119	7,762
Auxiliary Enterprises	295,841	314,672
General Operating Revenues	451,194	533,858
Total Operating Revenues (Schedule A)	<u>14,828,759</u>	<u>15,512,350</u>
Operating Expenses		
Instruction	13,343,474	12,936,785
Public Service	640,914	587,634
Academic Support	2,450,670	2,445,822
Student Services	2,809,378	2,579,001
Institutional Support	6,221,177	5,028,984
Operation and Maintenance of Plant	3,014,972	3,215,803
Scholarships and Fellowships	9,340,659	10,366,804
Auxiliary Enterprises	1,079,387	1,003,810
Depreciation	1,490,217	1,322,852
Total Operating Expenses (Schedule B)	<u>40,390,848</u>	<u>39,487,495</u>
Operating Loss	(25,562,089)	(23,975,145)
Non-Operating Revenues (Expenses)		
State Appropriations	9,221,179	9,539,157
Maintenance Ad Valorem Taxes	5,217,902	5,037,586
Debt Service Ad Valorem Taxes	2,057,274	2,131,269
Federal Revenue, Non Operating	13,088,298	14,274,113
Gifts	59,400	-
Investment Income	18,502	29,514
Interest on Capital Related Debt	(1,510,134)	(1,881,968)
Loss on Disposal of Fixed Assets	(413,527)	(39,622)
Other Non-Operating Revenues	262	330
Other Non-Operating Expenses	(113,297)	(239,898)
Net Non-Operating Revenues (Expenses) (Schedule C)	<u>27,625,859</u>	<u>28,850,481</u>
Increase (Decrease) in Net Position	2,063,770	4,875,336
Net Position		
Net Position - Beginning of Year, as Restated (See Note 2)	30,541,543	25,666,207
Net Position - End of Year	<u>\$ 32,605,313</u>	<u>\$ 30,541,543</u>

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

Temple Junior College Foundation, Inc.
Statement of Activities
Year Ended August 31, 2012

Exhibit 2-A

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
Contributions	\$ 132,058	\$ 66,055	\$ 882,941	\$ 1,081,054
Special events	-	116,681	-	116,681
Interest and dividends	15,463	-	111,008	126,471
Gain/(loss) on Sale of Assets	(3,560)	-	37,578	34,018
Unrealized gain/(losses)	9,314	-	171,939	181,253
Rental income, net	1,027,771	-	-	1,027,771
Miscellaneous income	78,469	-	-	78,469
Assets released from restrictions	1,016,123	(940,114)	(76,009)	-
	<u>2,275,638</u>	<u>(757,378)</u>	<u>1,127,457</u>	<u>2,645,717</u>
Expenses and Losses				
Programs:				
Rental operating expenses	558,110	-	-	558,110
Scholarship Awards	735,295	-	-	735,295
Special events	-	57,054	-	57,054
	<u>1,293,405</u>	<u>57,054</u>	<u>-</u>	<u>1,350,459</u>
Administration	485,831	-	-	485,831
Interest	703,042	-	-	703,042
Other Expenses	84,585	-	-	84,585
	<u>2,566,863</u>	<u>57,054</u>	<u>-</u>	<u>2,623,917</u>
Change in net assets	(291,225)	(814,432)	1,127,457	21,800
Net assets as of beginning of year	(4,729,635)	1,890,100	3,420,344	580,809
Net assets as of end of year	<u>\$ (5,020,860)</u>	<u>\$ 1,075,668</u>	<u>\$ 4,547,801</u>	<u>\$ 602,609</u>

Temple Junior College Foundation, Inc.
Statement of Activities
Year Ended August 31, 2011

Exhibit 2-B

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	\$ 26,769	\$ 349,034	\$ 739,065	\$ 1,114,868
Special events	-	105,000	-	105,000
Interest and dividends	26,606	2,772	77,252	106,630
Gain/(loss) on Sale of Assets	5,823	-	175,352	181,175
Rental income, net	931,827	-	-	931,827
Miscellaneous income	56,182	-	-	56,182
Unrealized gain/(losses)	337	-	61,584	61,921
Assets released from restrictions	408,065	(330,813)	(77,252)	-
Total revenues, gains and other support	1,455,609	125,993	976,001	2,557,603
Expenses and Losses				
Programs:				
Rental operating expenses	584,757	-	-	584,757
Scholarship Awards	171,240	-	-	171,240
MAMPAC	127,790	-	-	127,790
Special events	-	66,066	-	66,066
Total programs	883,787	66,066	-	949,853
Administration	397,175	-	-	397,175
Interest	703,092	-	-	703,092
Other Expenses	82,690	-	-	82,690
Total expenses and losses	2,066,744	66,066	-	2,132,810
Change in net assets	(611,135)	59,927	976,001	424,793
Net assets as of beginning of year	(4,118,500)	1,830,173	2,444,343	156,016
Net assets as of end of year	\$ (4,729,635)	\$ 1,890,100	\$ 3,420,344	\$ 580,809

Statement of Cash Flows
For the Year Ended August 31, 2013 and August 31, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 12,832,303	\$ 14,831,380
Receipts from grants and contracts	3,089,607	3,222,715
Payments to or on behalf of employees	(20,064,238)	(18,585,725)
Payments to suppliers for goods and services	(8,814,617)	(9,833,711)
Payments for scholarships and fellowships	(9,354,178)	(10,308,614)
Net cash provided (used) by operating activities	<u>(22,311,123)</u>	<u>(20,673,955)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	7,847,519	7,955,025
Receipts from non operating federal revenue	13,088,298	14,274,113
Receipts from ad valorem taxes	7,284,785	7,189,084
Other payments	(113,035)	(338,305)
Net cash provided (used) by non-capital financing activities	<u>28,107,567</u>	<u>29,079,917</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of capital debt	4,161,168	-
Purchases of capital assets	(5,381,541)	(7,605,852)
Payments on capital debt and leases - principle	(4,588,468)	(2,103,710)
Payments on capital debt and leases - interest	(1,510,134)	(2,047,107)
Net cash provided (used) by capital and related financial activities	<u>(7,318,975)</u>	<u>(11,756,669)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from interest on investments	18,502	29,514
Purchase of investments	(54,941,113)	(33,873,684)
Proceeds from sales and maturities of investments	58,651,980	36,484,850
Net cash provided (used) by investing activities	<u>3,729,369</u>	<u>2,640,680</u>
Increase (decrease) in cash and cash equivalents	2,206,838	(710,027)
Cash and cash equivalents - beginning of year	1,804,352	2,514,379
Cash and cash equivalents - end of year	<u>\$ 4,011,190</u>	<u>\$ 1,804,352</u>
Reconciliation of operating income (loss) to net cash used		
by operating activities		
Operating income (loss)	\$ (25,562,089)	\$ (23,975,145)
Adjustments to reconcile operating loss to net cash used		
by operating activities:		
Depreciation expense	1,490,217	1,322,852
Payments made directly by state for benefits	1,373,661	1,584,131
Changes in assets and liabilities		
Receivables, net	317,239	2,488,001
Deferred expense	797,494	617,567
Accounts payable	(708,017)	(2,126,694)
Funds held for others	(32,449)	65,608
Deferred revenue	10,867	(629,432)
Compensated absences	1,954	(20,843)
Net cash provided (used) by operating activities	<u>\$ (22,311,123)</u>	<u>\$ (20,673,955)</u>

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

Temple College
Notes to the Financial Statements
August 31, 2013

1. Reporting Entity

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

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants

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

Title IV, HEA, Program Funds

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

Other Tuition Discounts

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

Basis of Accounting

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

Temple College
Notes to the Financial Statements
August 31, 2013

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

Budgetary Data

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. The governing board has designated Tex Pool investment pools comprised of \$20,748 and \$18,432,119 at August 31, 2013 and August 31, 2012, respectively to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

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

Deferred Revenue

Tuition and fees of \$6,965,158 and \$6,973,953 have been reported as deferred revenues at August 31, 2013 and August 31, 2012, respectively.

Temple College
Notes to the Financial Statements
August 31, 2013

Prior Year Restatement – Change in Accounting Principal

GASB recently issued two statements, Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, both of which were implemented by the College during FY 2013. These statements require that certain items that were reported as assets and liabilities now be classified as deferred inflows and outflows. In addition, net assets will now be presented as net position. The College did not have any items that needed to be reclassified from assets and liabilities to deferred inflows and outflows; however, the College expensed all unamortized bond issuance costs as incurred (pursuant to GASB 65) resulting in beginning net position balances to be restated as follows:

	Sept. 1, 2012	Sept. 1, 2011
Beginning Net Position, as originally stated	\$30,855,130	\$26,078,531
Restatement due to GASB 65	(313,587)	(412,324)
Beginning Net Position, as restated	\$30,541,543	\$25,666,207

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

3. Authorized Investments

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

Temple College
Notes to the Financial Statements
August 31, 2013

4. Deposits and Investments

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

Cash and Deposits

Bank Deposits	2013	2012
Demand Deposits	\$4,007,633	\$1,640,070
Time Deposits	-	160,877
	<u>\$4,007,633</u>	<u>\$1,800,947</u>
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 3,557	\$ 3,405
Reimbursements in Transit	-	-
	<u>\$ 3,557</u>	<u>\$ 3,405</u>
 Total Cash and Cash Equivalents	 <u>\$4,011,190</u>	 <u>\$1,804,352</u>

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Market Value <u>August 31, 2013</u>	Market Value <u>August 31, 2012</u>
Total Cash and Deposits	\$ 4,011,190	\$ 1,804,352
U.S. Government Securities	-	3,482,450
Corporate Stock	-	-
American Bank CD's	4,000,000	-
Chase Bank Savings Account	5,358,827	5,006,895
BBVA Compass Money Market	10,000	-
Tex Pool	20,748	18,432,119
MBIA	13,822,022	1,000
Total Investments	<u>\$ 23,211,597</u>	<u>\$ 26,922,464</u>
 TOTAL DEPOSITS AND INVESTMENTS	 <u>\$ 27,222,787</u>	 <u>\$ 28,726,816</u>
Cash and Cash Equivalents (Exhibit 1)	735,974	(944,683)
Restricted Cash and Cash Equivalents (Exhibit 1)	3,275,216	2,749,035
Short Term Investments (Exhibit 1)	21,211,597	23,440,014
Other Long Term Investments (Exhibit 1)	<u>2,000,000</u>	<u>3,482,450</u>
 TOTAL DEPOSITS AND INVESTMENTS (Exhibit 1)	 <u>\$ 27,222,787</u>	 <u>\$ 28,726,816</u>

Temple College
Notes to the Financial Statements
August 31, 2013

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>N/A</u>
		<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>	
Savings Account	\$ 5,358,827	\$ 5,358,827	\$ -	\$ -	\$ -
Money Market Account	10,000	10,000	-	-	-
U.S. Government Securities	-	-	-	-	-
U.S. Treasuries (GNMA)	-	-	-	-	-
Commercial Paper	-	-	-	-	-
Investment Pool	13,842,770	13,842,770	-	-	-
Certificate of Deposit	4,000,000	2,000,000	2,000,000	-	-
Municipal Bonds	-	-	-	-	-
Common Stock	-	-	-	-	-
Total Fair Value	\$ 23,211,597	\$ 21,211,597	\$ 2,000,000	\$ -	\$ -

The governing board has designated Tex Pool investment pools comprised of \$20,748 and \$18,432,119 at August 31, 2013 and August 31, 2012, respectively to be short-term investments.

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

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

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

5. Derivatives

None.

6. Capital Assets

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

	<u>Balance</u> <u>9/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2013</u>
Not Depreciated:				
Land	\$ 1,850,055	\$ 1,383,710	\$ -	\$ 3,233,765
Construction in Process	<u>6,877,556</u>	<u>3,645,087</u>	<u>10,522,643</u>	<u>-</u>
Total Not Depreciated	8,727,611	5,028,797	10,522,643	3,233,765

Temple College
Notes to the Financial Statements
August 31, 2013

	<u>Balance</u> <u>9/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2013</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	36,235,076	8,132,211	399,142	43,968,145
Land Improvements	7,194,609	2,281,731	119,043	9,357,297
Library Books	1,915,810	46,060	31,617	1,930,253
Furniture, Machinery, Vehicles, And Other Equipment	2,033,819	81,881	34,588	2,081,112
Telecommunications and Peripheral Equipment	<u>3,704,617</u>	<u>392,902</u>	<u>-</u>	<u>4,097,519</u>
Total Buildings and Other Capital Assets	<u>51,083,931</u>	<u>10,934,785</u>	<u>584,390</u>	<u>61,434,326</u>
<u>Accumulated Depreciation:</u>				
Buildings	8,500,611	716,593	102,451	9,114,753
Land Improvements	2,591,780	356,334	56,248	2,891,866
Library Books	1,669,589	44,357	(19,557)	1,733,503
Furniture, Machinery, Vehicles, And Other Equipment	1,102,760	186,353	31,721	1,257,392
Telecommunications and Peripheral Equipment	<u>3,411,077</u>	<u>186,579</u>	<u>-</u>	<u>3,597,656</u>
Total Accumulated Depreciation	<u>\$17,275,817</u>	<u>\$ 1,490,216</u>	<u>\$ 170,863</u>	<u>\$ 18,595,170</u>
Net Other Capital Assets	<u>\$33,808,114</u>	<u>\$ 9,444,569</u>	<u>\$ 413,527</u>	<u>\$ 42,839,156</u>
Net Capital Assets	<u>\$42,535,725</u>	<u>\$14,473,366</u>	<u>\$10,936,170</u>	<u>\$ 46,072,921</u>

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

	<u>Balance</u> <u>9/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2012</u>
<u>Not Depreciated:</u>				
Land	\$ 1,850,055	\$ -	\$ -	\$ 1,850,055
Construction in Process	<u>2,160,911</u>	<u>6,234,021</u>	<u>1,517,376</u>	<u>6,877,556</u>
Total Not Depreciated	4,010,966	6,234,021	1,517,376	8,727,611

Temple College
Notes to the Financial Statements
August 31, 2013

	<u>Balance</u> <u>9/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2012</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	35,202,292	1,032,784	-	36,235,076
Land Improvements	5,901,104	1,293,505	-	7,194,609
Library Books	1,909,506	41,225	34,921	1,915,810
Furniture, Machinery, Vehicles, And Other Equipment	1,797,777	453,203	217,161	2,033,819
Telecommunications and Peripheral Equipment	<u>3,636,124</u>	<u>68,493</u>	<u>-</u>	<u>3,704,617</u>
Total Buildings and Other Capital Assets	<u>48,446,803</u>	<u>2,889,210</u>	<u>252,082</u>	<u>51,083,931</u>
<u>Accumulated Depreciation:</u>				
Buildings	7,866,503	634,108	-	8,500,611
Land Improvements	2,315,889	275,891	-	2,591,780
Library Books	1,652,475	47,507	30,393	1,669,589
Furniture, Machinery, Vehicles, And Other Equipment	1,111,280	173,546	182,066	1,102,760
Telecommunications and Peripheral Equipment	<u>3,219,277</u>	<u>191,800</u>	<u>-</u>	<u>3,411,077</u>
Total Accumulated Depreciation	<u>\$16,165,424</u>	<u>\$1,322,852</u>	<u>\$ 212,459</u>	<u>\$ 17,275,817</u>
Net Other Capital Assets	<u>\$32,281,379</u>	<u>\$1,566,358</u>	<u>\$ 39,623</u>	<u>\$ 33,808,114</u>
Net Capital Assets	<u>\$36,292,345</u>	<u>\$7,800,379</u>	<u>\$1,556,999</u>	<u>\$ 42,535,725</u>

7. Long Term Liabilities

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

	<u>Balance</u> <u>September 1,</u> <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>August 31,</u> <u>2013</u>	<u>Current</u> <u>Portion</u>
<u>Bonds</u>					
General obligation bonds	\$ 24,090,000	\$ -	\$ 1,170,000	\$ 22,920,000	\$ 1,210,000
Revenue bonds	<u>12,635,000</u>	<u>2,210,000</u>	<u>3,245,000</u>	<u>11,600,000</u>	<u>1,145,000</u>
Subtotal	<u>\$ 36,725,000</u>	<u>\$ 2,210,000</u>	<u>\$ 4,415,000</u>	<u>\$ 34,520,000</u>	<u>\$ 2,355,000</u>
<u>Leases</u>	1,536,013	1,951,168	173,468	3,313,713	314,258
<u>Accrued compensable absences</u>	<u>849,710</u>	<u>16,611</u>	<u>14,657</u>	<u>851,664</u>	<u>-</u>
Total long-term liabilities	<u>\$ 39,110,723</u>	<u>\$ 4,177,779</u>	<u>\$ 4,603,125</u>	<u>\$ 38,685,377</u>	<u>\$ 2,669,258</u>

Temple College
Notes to the Financial Statements
August 31, 2013

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

	Balance September 1, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance August 31, <u>2012</u>	<u>Current Portion</u>
<u>Bonds</u>					
General obligation bonds	\$ 25,095,000	\$ -	\$ 1,005,000	\$ 24,090,000	\$ 1,170,000
Revenue bonds	<u>13,492,264</u>	<u>-</u>	<u>857,264</u>	<u>12,635,000</u>	<u>1,085,000</u>
Subtotal	<u>\$ 38,587,264</u>	<u>\$ -</u>	<u>\$ 1,862,264</u>	<u>\$ 36,725,000</u>	<u>\$ 2,255,000</u>
<u>Leases</u>	1,777,459	-	241,446	1,536,013	202,800
<u>Accrued compensable absences</u>	<u>870,553</u>	<u>-</u>	<u>20,843</u>	<u>849,710</u>	<u>-</u>
Total long-term liabilities	<u>\$ 41,235,276</u>	<u>\$ -</u>	<u>\$ 2,124,553</u>	<u>\$ 39,110,723</u>	<u>\$ 2,457,800</u>

8. Debt and Lease Obligations

For the Year Ended August 31,	General Obligation Bonds			Revenue Bonds			Total Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 1,210,000	\$ 946,442	\$ 2,156,442	\$ 1,145,000	\$ 407,551	\$ 1,552,551	\$ 2,355,000	\$ 1,353,993	\$ 3,708,993
2015	1,260,000	894,939	2,154,939	1,190,000	364,031	1,554,031	2,450,000	1,258,970	3,708,970
2016	1,315,000	841,268	2,156,268	1,230,000	323,212	1,553,212	2,545,000	1,164,480	3,709,480
2017	1,365,000	785,231	2,150,231	1,025,000	280,855	1,305,855	2,390,000	1,066,086	3,456,086
2018	1,425,000	727,071	2,152,071	1,060,000	245,337	1,305,337	2,485,000	972,408	3,457,408
2019-2023	7,490,000	2,671,800	10,161,800	4,885,000	663,805	5,548,805	12,375,000	3,335,605	15,710,605
2024-2028	6,045,000	1,249,351	7,294,351	1,065,000	64,400	1,129,400	7,110,000	1,313,751	8,423,751
2029-2032	<u>2,810,000</u>	<u>224,952</u>	<u>3,034,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,810,000</u>	<u>224,952</u>	<u>3,034,952</u>
Total	<u>\$ 22,920,000</u>	<u>\$ 8,341,054</u>	<u>\$ 31,261,054</u>	<u>\$ 11,600,000</u>	<u>\$ 2,349,191</u>	<u>\$ 13,949,191</u>	<u>\$ 34,520,000</u>	<u>\$ 10,690,245</u>	<u>\$ 45,210,245</u>

Temple College
Notes to the Financial Statements
August 31, 2013

Obligations under capital leases at August 31, 2013 were as follows:

For the Year Ended August 31,	<u>Total</u>
2014	\$ 432,987
2015	437,837
2016	442,903
2017	447,987
2018	453,478
2019-2023	1,005,813
2024-2028	472,788
2029-2033	472,172
2034-2036	<u>283,396</u>
Total minimum lease payments	\$ 4,449,361
Less: Amount representing interest costs	<u>(1,135,648)</u>
Present value of minimum lease payment	<u>\$ 3,313,713</u>

Obligation under operating leases at August 31, 2013 were as follows:

For the Year Ended August 31,	<u>Total</u>
2014	\$ 588,325
2015	601,700
2016	614,872
2017	622,270
2018	619,813
2019-2023	3,035,619
2024-2028	2,932,364
2029-2033	2,810,587
2034-2036	<u>1,626,656</u>
Total minimum lease payments	\$ 13,452,206
Less: Amount representing interest costs	<u>-</u>
Present value of minimum lease payment	<u>\$ 13,452,206</u>

Temple College leases building space from Texas State Technical College under a non-cancellable operating lease agreement. The lease is for a 25 year term; the College has the option to renew the lease for two additional 25 year terms. Fiscal year 2012 is the first year this lease was in effect. The amount included in expenditures for rent under this agreement at August 31, 2013 and 2012 for rent under this lease were \$575,099 and \$415,176, respectively.

9. Bonds Payable

Bonds payable at August 31, 2013 are comprised of the following individual issues:

Temple College
Notes to the Financial Statements
August 31, 2013

<p>\$10,000,000 Revenue and Refunding Bonds, Series 2006, issued 12-21-06, due in installments of \$140,000 to \$545,000 from 7-01-09 through 7-01-25; interest at 4.00% to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations or facilities of any nature; to refund Series 1996 bonds maturing 2013 through 2015, 2018 and 2021 inclusive on aggregate principal amount of \$3,540,000; for funding a reserve fund paying costs of issuance related to bonds; to refund Series 2000 maturing 7-01-13 through 7-01-25 in aggregate principal amount of \$3,885,000.</p>	<p>\$ 8,700,000</p>
<p>\$7,500,000 Limited Tax School Building and Equipment, Bonds Series 2007, issued 2-27-07, due in installments of \$155,000 to \$535,000, from 7-01-08 to 7-01-27; interest at 3.980% to provide funds for construction and equipment of school buildings, including a new science building and renovations to existing facilities of the District.</p>	<p>5,905,000</p>
<p>\$10,455,000 Limited Tax School Building and Equipment and Refunding Bonds, Series 2002, issued 1-22-02, due in annual installments of \$250,000 to \$735,000 through 7-1-22; interest at 4.90%, to provide funds for construction costs and equipment in College's building expansion and to refund certain of the College's outstanding bonds, secured by future ad valorem taxes.</p>	<p>4,140,000</p>
<p>\$4,480,000 Revenue & Refunding Bonds, Series 2003 issued 8-15-03, due in installments of \$150,000 to \$360,000 from 1-1-2005 to 7-1-23 interest at 2.5% to 4.75%, to provide funds to construct, equipment and renovate education facilities, provide funds for capitalized interest, refund certain of Districts outstanding Series 1994 Housing System and Use Fee Revenue Bonds, and to pay costs of issuance associated with the bonds, secured by a pledge of certain revenues and additionally secured by the Reserve fund.</p>	<p>-</p>
<p>\$13,000,000 Temple Junior College District Limited Tax School Building Bonds, Series 2010 issued December 30, 2010, due in installments of \$125,000 to \$975,000 from July 1, 2010 to August 31, 2031, interest at 3.950% to provide funds for the construction and equipment of school buildings in said District, including a new instructional building, and construction and renovations to existing facilities of the District, including academic buildings, parking facilities, streets, landscaping, and other campus infrastructure, and to levy, pledge, and cause to be assessed and collected, annual ad valorem taxes on all property in said District sufficient to pay the principal of, and interest on said bonds, within the limit prescribed by law.</p>	<p>12,875,000</p>
<p>\$1,500,000 Revenue Bonds, Series 2009 issued June 18, 2009, due in installments of \$190,000 to \$240,000 from July 1, 2010 through July 1, 2016; interest at 3.38%, to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations or facilities, or any nature and paying cost of issuance associated with the bonds, secured by a pledge of certain revenues.</p>	<p>690,000</p>
<p>\$2,210,000 Revenue and Refunding Bonds, Series 2013 issued May 14, 2013, due in installments of \$200,000 to \$235,000 from July 1, 2014 through July 1, 2023, interest at 1.45%, to refund Series 2003 Revenue and Refunding Bonds maturing 2014 through 2013 inclusive on aggregate principal amount of \$2,160,000, and to pay costs of issuance associated with the bonds, secured by a pledge of certain revenues and additionally secured by the Reserve fund.</p>	<p><u>2,210,000</u></p>

Temple College
Notes to the Financial Statements
August 31, 2013

All authorized bonds were issued for each series.

\$ 34,520,000

For the year ended August 31, 2013 the College was in compliance with all significant covenants and restrictions that are contained in the various bond indentures. Revenues pledged for retirement of Revenue Bonds consist of tuition, fees and various auxiliary income.

10. Advance Refunding Bonds

Not applicable.

11. Defeased Bonds Outstanding

Not applicable.

12. Short-term Debt

Not applicable.

13. Employees' Retirement Plan

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

Teacher Retirement System of Texas

Plan Description. Temple College contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. 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 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 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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent 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 percent for Fiscal Years 2013 and 2012 and a state contribution rate of 6.4 percent for Fiscal Year 2013 and 6.0 percent for Fiscal Year 2012. In certain instances the reporting district is required to make all or a portion of the state's 6.4% contribution for Fiscal Year 2013 and 6.0% for Fiscal Year 2012.

Temple College
Notes to the Financial Statements
August 31, 2013

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the College was \$506,327 and \$761,378 for the fiscal years ended August 31, 2013 and 2012 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$16,683,282 and \$15,965,123 for fiscal years 2013 and 2012 respectively. The total payroll of employees covered by the Teacher Retirement System was \$9,224,211 and \$8,417,055 and the total payroll of employees covered by the Optional Retirement System was \$5,505,860 and \$5,566,636 for fiscal years 2013 and 2012, respectively.

14. Deferred Compensation Program

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

As of August 31, 2013, the College has 3 employees participating in the program. Three employees were vested as of August 31, 2013. A total of \$14,040 in contributions was invested in the plan during the fiscal year. The funds are invested in Great-West Retirement Services in each employee's accounts and are not a liability to Temple College.

15. Compensable Absences

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with Temple College. The College's policy is that an employee may carry his/her accrued leave forward with proper approval. Employees who terminate employment for whatever reason are entitled to payment for all accumulated annual leave up to a maximum of one year's worth of accumulation. The College recognized the accrued liability for the unpaid annual leave in the amount of \$380,878 and \$364,924 for fiscal years 2013 and 2012, respectively.

Sick leave, which is accumulated up to a limit of 1040 hours, is earned at the rate of 8 hours per month and is paid to an employee who misses work from illness or immediate family illness. Employees who terminate employment for whatever reason or upon death of the employee, in which the funds are paid to the estate of the employee, are entitled to payment of 173.33 hours provided the employee has worked 10 or more years of full-time employment at Temple College. The maximum sick leave that may be paid to the employee at termination of employment, or the employee's estate, is 173.33 hours. The College recognized the accrued liability for the unpaid sick leave in the amount of \$470,786 and \$484,786 for fiscal years 2013 and 2012, respectively.

Temple College
Notes to the Financial Statements
August 31, 2013

16. Pending Lawsuits and Claims

As of August 31, 2013, there were no pending lawsuits or claims against the College.

17. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Student Receivables	\$ 5,820,163	\$ 5,911,485
Taxes Receivable	263,841	262,475
Federal Receivable	157,021	133,788
State Receivable	73,673	373,743
Other Receivable	<u>1,208,454</u>	<u>1,729,111</u>
Subtotal	\$ 7,523,152	\$ 8,410,602
Less: Allowance for Doubtful Accounts	<u>(830,835)</u>	<u>(683,635)</u>
Total Receivables	<u>\$ 6,692,317</u>	<u>\$ 7,726,967</u>

Payables

Payables at August 31, 2013 and 2012, were as follows:

	<u>2013</u>	<u>2012</u>
Vendors Payable	\$ 872,303	\$ 1,619,813
Salaries & Benefits Payable	111,524	125,272
Students Payable	<u>(126,551)</u>	<u>(193,311)</u>
Total Payables	<u>\$ 857,276</u>	<u>\$ 1,551,774</u>

18. Funds Held in Trust by Others

None.

19. Contract and Grant Awards

Contract and grants awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contracts and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2013 and 2012 for which monies have not been received nor funds expended totaled \$13,220,843 and \$13,334,251. Of these amounts, \$13,154,692 and \$13,133,797 were from Federal Contract and Grant Awards.

20. Self-Insured Plans

The College participates in self-insured worker's compensation and unemployment compensation plans. Employee health insurance is offered through the State of Texas Employee Retirement System group plan.

Temple College
Notes to the Financial Statements
August 31, 2013

The Worker's Compensation plan is a self-insured group comprised of approximately fifteen (15) state community colleges and a loss fund is set up on the College books to record the estimated exposure each year. Unemployment claims are managed by the Texas Workforce Commission and payments are made on a claims-made basis.

21. Post-Retirement Health Care & Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$912.76 per month for the year ended August 31, 2013 (\$876.86 per month for 2012) and totaled \$867,334 for 2013 (\$822,753 for 2012). The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

22. Ad Valorem Tax

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

At August 31:

	<u>2013</u>	<u>2012</u>
Assessed Valuation of the College:	\$ 4,515,039,905	\$4,402,911,661
Less: Exemptions	(895,139,778)	(881,988,070)
Less: Abatements	<u>(47,131,916)</u>	<u>(42,164,234)</u>
Net Assessed Valuation of the College	<u>\$ 3,572,768,211</u>	<u>\$ 3,478,759,357</u>

	<u>Current</u>	<u>2013</u>		<u>Current</u>	<u>2012</u>	
	<u>Operations</u>	<u>Debt</u>	<u>Total</u>	<u>Operations</u>	<u>Debt</u>	<u>Total</u>
Authorized						
Tax Rate per						
\$100 valuation	\$ -	\$ -	\$ 0.2500	\$ -	\$ -	\$ 0.2500
Assessed						
Tax Rate per						
\$100 valuation	\$ 0.1459	\$ 0.0577	\$ 0.2036	\$ 0.1440	\$ 0.0614	\$ 0.2054

Taxes levied for the year ended August 31, FY 2013 and FY 2012 amounted to \$7,244,764 and \$7,112,852, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Temple College
Notes to the Financial Statements
August 31, 2013

	<u>2013</u>			<u>2012</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Tax Collected	\$ 5,127,485	\$2,023,507	\$ 7,150,992	\$4,921,870	\$2,093,113	\$ 7,014,983
Delinquent Taxes Collected	49,783	18,656	68,439	71,252	22,420	93,672
Penalties & Interest Collected	40,634	15,111	55,745	44,464	15,736	60,200
Total Collections	<u>\$ 5,217,902</u>	<u>\$2,057,274</u>	<u>\$ 7,275,176</u>	<u>\$5,037,586</u>	<u>\$2,131,269</u>	<u>\$ 7,168,855</u>

Tax collections for the year ended August 31, FY 2013 and FY 2012 were 98.7 percent and 98.6 percent, respectively of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

23. Branch Campus Tax

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

<u>County or I.S.D.</u>	<u>Collections (including penalties and interest)</u>	
	<u>August 31, 2013</u>	<u>August 31, 2012</u>
Hutto I.S.D.	\$ 771,140	\$ 730,917

24. Income Taxes

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

25. Component Units

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

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

Temple College
Notes to the Financial Statements
August 31, 2013

- The economic resources held by the Foundation that the College is entitled to or has the ability to otherwise access are significant to the College.

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). Fiscal year 2013 financial statements were not included, as the audit for 2013 was not completed by the date the College's financial statements were audited and submitted. Complete financial statements of Temple College Foundation can be obtained from the administrative office of the Foundation.

26. Related Parties (Not a Component Unit)

Not applicable.

27. Subsequent Events

None.

28. Postemployment Benefits Other than Pensions

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

ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

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

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

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 \$3,526,858, \$2,771,082, and \$2,433,777, respectively, which equaled the required contributions each year.

SUPPLEMENTARY SCHEDULES

Schedule of Operating Revenues

For the Year Ended August 31, 2013 (with Memorandum Totals for the Year Ended August 31, 2012)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational</u>	<u>Auxiliary Enterprises</u>	<u>2013 Total</u>	<u>2012 Total</u>
Tuition						
State funded courses:						
District tuition	\$ 6,593,636	\$ -	\$ 6,593,636	\$ -	\$ 6,593,636	\$ 6,855,392
Out-of-district tuition	4,496,208	-	4,496,208	-	4,496,208	4,646,770
Non-resident tuition	430,774	-	430,774	-	430,774	354,736
Health science tuition	207,862	-	207,862	-	207,862	219,576
TPEG-Credit (set aside) *	424,523	-	424,523	-	424,523	443,321
State funded community education	547,706	-	547,706	-	547,706	479,481
TPEG-non-credit (set aside) *	70,086	-	70,086	-	70,086	60,884
Non-state funded continuing education	128,886	-	128,886	-	128,886	151,813
Total Tuition	12,899,681	-	12,899,681	-	12,899,681	13,211,973
Fees						
General fee	2,175,122	-	2,175,122	-	2,175,122	2,255,514
Laboratory fee	199,314	-	199,314	-	199,314	211,323
Other fees	3,007,290	-	3,007,290	-	3,007,290	2,877,205
Total Fees	5,381,726	-	5,381,726	-	5,381,726	5,344,042
Scholarships Allowances and Discounts						
Remissions, exemptions, waivers - state	(1,032,240)	-	(1,032,240)	-	(1,032,240)	(846,122)
Remissions, exemptions, waivers - local	(1,005,769)	-	(1,005,769)	-	(1,005,769)	(783,159)
TPEG discounts	(103,847)	-	(103,847)	-	(103,847)	(93,393)
Title IV federal grants discounts	(3,669,589)	-	(3,669,589)	-	(3,669,589)	(3,994,307)
Texas grants I & II discounts	(75,800)	-	(75,800)	-	(75,800)	(106,605)
Other local discounts	(156,476)	-	(156,476)	-	(156,476)	(147,661)
Total Scholarship Allowances	(6,043,721)	-	(6,043,721)	-	(6,043,721)	(5,971,247)
Total Net Tuition and Fees	12,237,686	-	12,237,686	-	12,237,686	12,584,768
Additional Operating Revenues						
Federal grants and contracts	-	526,766	526,766	-	526,766	637,960
State grants and contracts	-	441,922	441,922	-	441,922	792,545
Private gifts, grants, and contracts	872,231	-	872,231	-	872,231	640,785
Sales and services of educational activities	3,119	-	3,119	-	3,119	7,762
General operating revenue	451,194	-	451,194	-	451,194	533,858
Total Additional Operating Revenue	1,326,544	968,688	2,295,232	-	2,295,232	2,612,910
Auxiliary Enterprises						
Miscellaneous income	-	-	-	295,841	295,841	314,672
Total Auxiliary Enterprises	-	-	-	295,841	295,841	314,672
Total Operating Revenues	\$ 13,564,230	\$ 968,688	\$ 14,532,918	\$ 295,841	\$ 14,828,759	\$ 15,512,350
					(Exhibit 2)	(Exhibit 2)

*In accordance with Education Code 56.033, \$494,609 and \$504,205 for years August 31, 2013 and 2012, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

Schedule of Operating Expenses by Object
Year Ended August 31, 2013 (with memorandum Totals for the Year Ended August 31, 2012)

	Operating Expenses				2013	2012
	Salaries & Wages	Benefits		Other Expenses		
		State Benefits	Local Benefits			
Unrestricted-Educational Activities						
Instruction	\$ 9,327,771	\$ -	\$ 1,658,039	\$ 1,378,025	\$ 12,363,835	\$ 11,518,460
Public Service	212,612	-	34,130	43,521	290,263	324,021
Academic Support	1,458,242	-	277,429	536,441	2,272,112	2,242,598
Student Services	1,294,139	-	422,714	301,329	2,018,182	1,700,214
Institutional Support	2,800,723	-	755,499	2,442,625	5,998,847	4,753,164
Operation and Maintenance of Plant	539,762	-	218,972	2,254,558	3,013,292	3,215,411
Total Unrestricted Educational Activities	15,633,249	-	3,366,783	6,956,499	25,956,531	23,753,868
Restricted-Educational Activities						
Instruction	4,167	959,763	1,254	14,455	979,639	1,418,325
Public Service	192,733	-	24,488	133,430	350,651	263,613
Academic Support	-	178,558	-	-	178,558	203,224
Student Services	433,906	66,890	47,838	242,562	791,196	878,787
Institutional Support	36,731	166,770	4,264	14,565	222,330	275,820
Operation and Maintenance of Plant	-	1,680	-	-	1,680	392
Scholarships & Fellowships	-	-	-	9,340,659	9,340,659	10,366,804
Total Restricted Educational Activities	667,537	1,373,661	77,844	9,745,671	11,864,713	13,406,965
Total Educational Activities	16,300,786	1,373,661	3,444,627	16,702,170	37,821,244	37,160,833
Auxiliary Enterprises	238,548	-	82,231	758,608	1,079,387	1,003,810
Depreciation of Building and Improvements	-	-	-	1,072,927	1,072,927	909,998
Depreciation of Equipment & Furniture	-	-	-	417,290	417,290	412,854
TOTAL OPERATING EXPENSES	\$ 16,539,334	\$ 1,373,661	\$ 3,526,858	\$ 18,950,995	\$ 40,390,848	\$ 39,487,495
					(Exhibit 2)	(Exhibit 2)

Schedule of Non-Operating 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 Total</u>	<u>2012 Total</u> (As Restated)
Non-Operating Revenues					
State Appropriations:					
Education and General State Support	\$ 7,403,785	\$ -	\$ -	\$ 7,403,785	\$ 7,419,032
State Group Insurance	-	867,334	-	867,334	822,753
State Retirement Matching	-	506,327	-	506,327	761,378
Professional Nursing Growth Shortage	-	7,562	-	7,562	-
Professional Nursing Over 70%	-	35,063	-	35,063	134,580
Small Institution and Article IX	401,108	-	-	401,108	401,414
Total State Appropriations	7,804,893	1,416,286	-	9,221,179	9,539,157
Maintenance Ad Valorem Taxes	5,217,902	-	-	5,217,902	5,037,586
Debt Service Ad Valorem Taxes	2,057,274	-	-	2,057,274	2,131,269
Federal Revenue, Non Operating	-	13,088,298	-	13,088,298	14,274,113
Gifts	59,400	-	-	59,400	-
Investment Income	18,502	-	-	18,502	29,514
Other Non-operating Revenue	-	262	-	262	330
Total Non-operating Revenues	15,157,971	14,504,846	-	29,662,817	31,011,969
Non-operating Expenses					
Interest on Capital Related Debt	1,510,134	-	-	1,510,134	1,881,968
Loss on Disposal of Capital Assets	413,527	-	-	413,527	39,622
Other Non-operating Expense	112,486	811	-	113,297	239,898
Total Non-operating Expenses	2,036,147	811	-	2,036,958	2,161,488
Net Non-operating Revenues	\$ 13,121,824	\$ 14,504,035	\$ -	\$ 27,625,859	\$ 28,850,481
				(Exhibit 2)	(Exhibit 2)

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		
	Restricted					Total	Yes	No
	Unrestricted	Expendable	Non-Expendable	Capital Assets Net of Depreciation & Related Debt				
Current:								
Unrestricted	\$ 10,402,842	\$ -	\$ -	\$ -	\$ 10,402,842	\$ 10,402,842	\$ -	
Board designated	1,868,635	-	-	-	1,868,635	1,868,635	-	
Restricted	-	-	669,309	-	669,309	669,309	-	
Auxiliary enterprises	(3,764)	-	-	-	(3,764)	(3,764)	-	
Loan	-	28,466	-	-	28,466	-	28,466	
Plant								
Unexpended	933,182	-	-	-	933,182	-	933,182	
Renewals	1,218,015	-	-	-	1,218,015	-	1,218,015	
Debt service	-	7,874,560	-	-	7,874,560	-	7,874,560	
Investment in plant	-	-	-	9,614,068	9,614,068	-	9,614,068	
Total Net Position, August 31, 2013	\$ 14,418,910	\$ 7,903,026	\$ 669,309	\$ 9,614,068	\$ 32,605,313	\$ 12,937,022	\$ 19,668,291	
Total Net Position, August 31, 2012								
- As Restated	13,159,175	7,874,568	554,160	8,953,640	30,541,543	11,569,210	18,972,333	
Net Increase (Decrease) in Position Assets	\$ 1,259,735	\$ 28,458	\$ 115,149	\$ 660,428	\$ 2,063,770	\$ 1,367,812	\$ 695,958	

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 & Pass Through Disbursements</u>
U.S. Department of Transportation			
Tarleton State University			
NSF Central Texas 2-STEP Project	47.000		\$ 55,561
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
SEOG	84.007		152,492
Federal College Workstudy Program	84.033		162,915
Federal PELL Grant	84.063		12,544,837
Wm D Ford Direct Loans	84.268		22,432,032
TRIO Cluster			
TRIO Student Support Services	84.042A	P-042A100581-11	228,054
Pass-Through From:			
Texas Education Agency			
Adult Basic Education	84.002A	134100017110466	145,751
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Educ.- Basic	84.048	1342020671200000	258,613
Total U. S. Department of Education			<u>35,924,694</u>
U.S. Department of Health & Human Services			
Pass-Through From:			
Texas Education Agency			
TANF	93.558	133625017110440	50,547
Texas Workforce Commission			
The Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	C1712, C3712, C2013	10,311
Dallas County Community College			
Health Information Technology Grant	93.721		5,983
Total U.S. Department of Health & Human Services			<u>66,841</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 36,047,096</u>

Notes to Schedule on Following Page.

Notes to Schedule of Expenditures of Federal Awards
Year Ended August 31, 2013

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	\$ 526,766
Add: Non Operating Federal Revenue from Schedule C	13,088,298
Add: Wm. D. Ford Direct Loans	22,432,032
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 36,047,096</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Expenditures Not Subject to Federal Single Audit

None

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

None

Note 5: Nonmonetary Federal Assistance Received

None

Temple College

Schedule F

Schedule of Expenditures of State Awards
For the Year Ended August 31, 2013

<u>State Grantor/Program Title</u>		<u>Expenditures</u>
Texas Workforce Commission		
Skills Development	2612SDF000	\$ 112,590
Texas Education Agency		
State Adult Education		41,763
Texas Higher Education Coordinating Board		
Student Services Division		
Texas Grant Program-Texas Grant I Initial		104,002
Texas Grant Program-Texas Grant I Renewal		90,000
Texas Grant Program-Texas Grant II Initial TEOG Initial		23,232
Texas Grant Program-Texas Grant II Renewal TEOG Renewal		29,400
Texas College Work Study		27,987
Top 10% Scholarship		4,000
Be On Time		2,328
Professional Nursing Reduction Shortage (Regular Program)		7,562
Professional Nursing Growth Shortage Over 70%		35,063
		<hr/>
Total Texas Higher Education Coordinating Board		323,574
Texas Department of State Health Services		
EMS DSHS Grant	2013-042929	1,112
Comptroller of Public Accounts		
Jobs and Education for Texans Equipment Grant	6095-07	5,508
Total Comptroller of Public Accounts		<hr/> 5,508
TOTAL STATE FINANCIAL ASSISTANCE		<hr/> \$ 484,547 <hr/>

Note 1: State Assistance Reconciliation

State Revenue - per Schedule A:		
State Grants and Contracts		441,922
State Appropriations - per Schedule C:		
Professional Nursing Growth Shortage Reduction		7,562
Professional Nursing Over 70%		35,063
		<hr/>
		\$ 484,547 <hr/>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

AUDITORS' REPORT ON CONTROLS AND COMPLIANCE



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

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

KILLEEN • COPPERAS COVE • TEMPLE

Member of
American Institute & Texas Society of
Certified Public Accountants

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

Board of Trustees
Temple College
Temple, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Temple College (the College), as of and for the years ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 25, 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

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


any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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


Temple, Texas
October 25, 2013



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

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

KILLEEN • COPPERAS COVE • TEMPLE

Member of
American Institute & Texas Society of
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Temple College
Temple, Texas

Report on Compliance for Each Major Federal Program

We have audited Temple College's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)**

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

Opinion on Each Major Federal Program

In our opinion, Temple College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)**

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

Jett, Vernon & Co., P.C.

Temple, Texas
October 25, 2013

TEMPLE COLLEGE

Schedule of Findings and Questioned Costs
August 31, 2013

I. Summary of Audit Results

Financial Statements

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

Federal and State Awards

4. Internal control over major programs:
 Material weakness(es) identified? _____ yes X no
 Significant deficiencies identified that are
 not considered to be material
 weakness(es)? _____ yes X none reported
5. Type of auditor's report issued on compliance
 for major programs: *unqualified*
6. Any audit findings disclosed that are required
 to be reported in accordance with section
 510(a) of Circular A-133 or the State of Texas
 Uniform Grant Management Standards? _____ yes X no

7. Identification of major programs:

<u>Federal Programs</u>	<u>CFDA</u>	<u>State Programs</u>
Student Financial Aid Cluster:		
- FSEOG	84.007	N/A – State financial assistance was less than \$500,000 in fiscal year ending August 31, 2013.
- Federal College Work-Study Program	84.033	
- Federal Pell Grant Program	84.063	
- Wm D Ford Direct Loans	84.268	
TRIO Student Support Services	84.042A	

TEMPLE COLLEGE

Schedule of Findings and Questioned Costs (Continued)
August 31, 2013

8. Dollar threshold used to distinguish between type A and type B federal programs: \$300,000
9. Auditee qualified as low-risk auditee for federal single audit. X yes no

II. Financial Statement Findings
- None.

III. Findings and Questioned Costs for Federal and State Awards
- None.