

TEMPLE COLLEGE

Temple, Texas

Annual Financial and Compliance Reports

for the Year Ended August 31, 2012

TEMPLE COLLEGE

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**TEMPLE COLLEGE
 ORGANIZATIONAL DATA
 For the Year Ended August 31, 2012**

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.	Interim Vice President for Administrative Services and 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.

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

Board of Trustees
Temple College
Temple, Texas

Members of the Board:

We have audited the accompanying financial statements of Temple College (the College), as of and for the year ended August 31, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Temple College as of August 31, 2012 and 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the financial statements. Such information, although not a part of the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The supplemental 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 supplemental schedules, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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.

Jett, Vernon & Co., P.C.

Temple, Texas
November 23, 2012

Management's Discussion and Analysis Exhibit,
Fiscal Year Ended August 31, 2012

This discussion and analysis of Temple College financial statements provides an overview of College financial activities for the year ended August 31, 2012. 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, 2012, 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 0.3% over the prior year (FY2011) from 118,640 semester hours to 118,227 hours. Over the seven (7) year period (FY 2006-2012), however, enrollment growth has shown a 35% increase. This year marked the first decrease in enrollment since the middle of the previous decade.
- ◆ Enrollment in the Continuing Education/Adult Division increased 18.7% compared to the FY 2011 production.

Tuition/Fee totals by resident type for this period were:

	<u>Fall 2011</u>	<u>Fall 2010</u>	<u>Fall 2009</u>
In-District	\$88/semester hour	\$80/semester hour	\$75/semester hour
Out-of-District	\$154/semester hour	\$130/semester hour	\$120/semester hour
Non-Resident	\$234/semester hour	\$196/semester hour	\$190/semester hour

Students taking Health Science courses are charged an additional \$20/SCH. This tuition is a 22.7% increase for Health Science programs for resident students compared to general academic and other technical courses.

- ◆ The district property tax rate for FY 2012 was lowered slightly from the prior year's rate of \$0.21/\$100 to \$.2054/\$100. This rate is the combined debt and maintenance/operation rate.

- ◆ State funding (allocations) was decreased for FY 2012 by almost \$500,000 compared to the prior year. This reduction in funding occurred in all major areas of state funding: Education and General State Support, State Group insurance, and State Retirement Matching. The cost of attending a community college has dramatically shifted 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 Assets; (2) the Statement of Revenues, Expenses, and Changes in Net Assets; 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 Assets and the Statement of Revenues, Expenses, and Changes in Net Assets 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 assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses can be thought of as Temple College's operating results.

These two statements report the College's net assets 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, increases or decreases in the College net assets are 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 Assets

Cash and short-term investment balances decreased compared to the prior year, the decrease being the result of continued construction from a \$13 million GO Bond issue in November 2010.

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Receivables include delinquent property taxes, student accounts, Federal, State, and other miscellaneous receivables. Federal and State receivables increased by about 50%. A significant increase of 258% in Student receivables occurred due to an administrative decision to delay the disbursement of student financial aid until after the official census date in mid-September. This resulted in a one-time aberration that will not occur in future years unless the College returns to its previous method of disbursement at the time of registration. Other receivables decreased by 29%.

Deferred expense (expense related to next fiscal year) decreased 94% compared to the prior year due to the previously mentioned timing issue regarding financial aid disbursements. 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. Each category experienced significant growth of approximately 40% over the previous fiscal year.

NET ASSETS, END OF YEAR

(In Millions)

Temple College

	<u>8/31/2012</u>	<u>8/31/2011</u>	<u>8/31/2010</u>
Current Assets	30.6	39.0	25.5
Non-Current Assets	48.8	40.6	37.5
Total Assets	<u>79.4</u>	<u>79.6</u>	<u>63.0</u>
Current Liabilities	11.9	14.5	12.8
Non-Current Liabilities	36.6	39.0	28.1
Total Liabilities	<u>48.5</u>	<u>53.5</u>	<u>40.9</u>
Net Assets:			
Invested in capital assets, net of related debt	9.0	6.8	5.9
Restricted	8.7	8.6	8.6
Unrestricted	13.2	10.7	7.6
Total Net Assets	<u>30.9</u>	<u>26.1</u>	<u>22.1</u>
Increase in Net Assets	<u>4.8</u>	<u>4.0</u>	<u>2.9</u>

Most of the College's unrestricted net assets have 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

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now stabilized and the College possesses more efficient and modern facilities to support enrollment growth.

Compensable absences (vacation/sick leave) decreased slightly this year to \$849,710, but is still a material liability to the College.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the annual operating results for the College, as well as all non-operating revenues and expenses. Tuition and fee revenue, net of exemption allowances, increased by 27% in FY 2012. This growth was primarily the result of a 10% tuition increase. While the College continues a tuition/fee discounting practice, the impact of the discounting practice was reduced this past year. The special local exemption type, for example, decreased from \$1,428,933 to \$783,159 this year (a 45% decrease). The Temple College tuition schedule ranks in the top 20% of community college pricing (FY 2012 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 2012 is the first year of the biennium; funding from the state decreased over the previous biennium despite a significant increase in enrollment and contact hours.

Auxiliary Enterprise revenues consist of vending sales and golf course lease income. 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 62% in FY 2012 year. This reduction, however, was partially offset by increases in the areas of State Grants and Private Gifts.

Title IV revenue is included in the Non-Operating Revenue section and remained essentially unchanged for FY 2012.

Operating Expenses

A comparison chart is presented below of expense arranged in the natural classification categories.

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OPERATING EXPENSES BY NATURAL CLASSIFICATION
(In Millions)
Temple College

	Year Ended <u>8/31/2012</u>	Year Ended <u>8/31/2011</u>	Year Ended <u>8/31/2010</u>
Operating Expenses			
Salaries:			
Faculty	8.6	8.9	8.6
Staff	7.2	7.4	7.6
Benefits	4.3	4.6	4.5
Other Expenses	18.0	17.5	15.1
Depreciation	<u>1.3</u>	<u>1.3</u>	<u>1.2</u>
Total Operating Expenses	<u><u>39.4</u></u>	<u><u>39.7</u></u>	<u><u>37.0</u></u>

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

OPERATING EXPENSES BY FUNCTION
(In Millions)
Temple College

	Year Ended <u>8/31/2012</u>	Year Ended <u>8/31/2011</u>	Year Ended <u>8/31/2010</u>
Educational & General			
Instruction	12.9	13.0	12.4
Public Service	0.6	1.0	0.9
Academic Support	2.4	2.4	2.3
Student Services	2.6	2.4	2.3
Institutional Support	5.0	5.5	5.3
Operations & Plant Maintenance	3.2	3.0	2.7
Student Aid	<u>10.4</u>	<u>10.0</u>	<u>8.7</u>
Total Educational Activities	<u><u>37.1</u></u>	<u><u>37.3</u></u>	<u><u>34.6</u></u>
Auxiliary Enterprises	1.0	1.1	1.2
Depreciation	<u>1.3</u>	<u>1.3</u>	<u>1.2</u>
Total Operating Expenses	<u><u>39.4</u></u>	<u><u>39.7</u></u>	<u><u>37.0</u></u>

In the schedules of operating expenses shown above, the total expenditures decreased about 1% over the prior year. The bulk of this decrease is in the natural category of

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Salaries and Benefits and the functional category of Public Service and Institutional Support. 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 is nearing completion of a \$13 million GO Bond construction project that is providing new facilities and parking. However, as these projects end 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.

There were no employee salary increases in FY 2012. This inability to increase employee compensation has obviously had a negative impact on morale and the College could expect to lose good employees if such practice continues.

SALARY INCREASES (%) (Fall Term) Temple College

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

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OPERATING RESULT FOR THE YEAR
(In Millions)
Temple College

	Year Ended 8/31/2012	Year Ended 8/31/2011	Year Ended 8/31/2010
Operating Revenues			
Tuition & Fees (net of exemptions)	12.6	9.9	9.1
Grants, Contracts & Other	2.9	3.4	2.7
Total Operating Revenues	<u>15.5</u>	<u>13.3</u>	<u>11.8</u>
Operating Expenses	<u>39.4</u>	<u>39.8</u>	<u>37.0</u>
Net Operating Revenues (Expenses)	<u>(23.9)</u>	<u>(26.5)</u>	<u>(25.2)</u>
Non-Operating Revenues (Expenses)			
State Allocations	9.5	10.0	10.1
Maintenance & Obligation Ad Valorem Taxes	5.0	5.3	5.3
General Obligation Debt Taxes	2.1	1.8	1.8
Federal Revenue, Non-Operating	14.3	14.4	12.4
Gifts	0.0	1.1	0.0
Interest on Capital Related Debt	(1.9)	(1.2)	(1.3)
Other Non-Operating	(0.3)	(0.9)	(0.2)
Total Non-Operating Revenues (Expenses)	<u>28.7</u>	<u>30.5</u>	<u>28.1</u>
Increase (Decrease in Net Assets)	4.8	4.0	2.9
Net Assets - Beginning of Year	<u>26.1</u>	<u>22.1</u>	<u>19.2</u>
Net Assets - End of Year	<u>30.9</u>	<u>26.1</u>	<u>22.1</u>
Percent Increase/(Decrease)	18.4%	18.1%	15.1%

Although, property taxes are considered non-operating revenue by GASB, this revenue is a major component of the College operating budget. For the FY 2012, the property tax rate decreased slightly from \$.21/\$100 to \$.2054/\$100.

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

	Rate/\$100 Value		
	2012	2011	2010
Maintenance	\$ 0.1440	\$ 0.1567	\$ 0.1575
Debt Service	0.0614	0.0533	0.0525
Total	<u>\$ 0.2054</u>	<u>\$ 0.2100</u>	<u>\$ 0.2100</u>

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The net assessed valuation for the district increased slightly for FY 2012 to \$3,478,759,357 from the previous year (FY 2011) amount of \$3,357,005,058. 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.

The Statement of Cash Flows

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

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

The College liquidity position decreased \$710,027 during this year ended August 31, 2012, as shown in the chart below:

CASH FLOWS FOR THE YEAR

(In Millions)

Temple College

	Year Ended <u>8/31/2012</u>	Year Ended <u>8/31/2011</u>	Year Ended <u>8/31/2010</u>
Cash provided (used) by:			
Operating activities	(20.7)	(23.1)	(21.2)
Non-capital financing activities	29.1	29.5	27.1
Capital and related financing activities	(11.7)	7.3	(4.8)
Investing activities	<u>2.6</u>	<u>(15.1)</u>	<u>(0.3)</u>
Net Increase (decrease) in cash	(0.7)	(1.4)	0.8
Cash, beginning of the year	<u>2.5</u>	<u>3.9</u>	<u>3.1</u>
Cash, end of the year	<u><u>1.8</u></u>	<u><u>2.5</u></u>	<u><u>3.9</u></u>

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Capital Asset and Debt Administration

On August 31, 2012, the College had \$59.8 million invested in capital assets, net of approximately \$17.3 million in accumulated depreciation.

CAPITAL ASSETS, NET OF DEPRECIATION

(In Millions)

Temple College

	Year Ended 8/31/2012	Year Ended 8/31/2011	Year Ended 8/31/2010
Land	\$ 1.8	\$ 1.8	\$ 1.8
Buildings	27.7	27.3	27.4
Land Improvements	4.6	3.6	3.8
Construction in Progress	6.9	2.2	0.5
Furniture & Equipment	1.2	1.1	1.4
Library Materials	0.3	0.3	0.3
Totals	<u>\$ 42.5</u>	<u>\$ 36.3</u>	<u>\$ 35.2</u>

At year-end 2012, Temple College had approximately \$38.3 million in debt outstanding, a \$2.1 million decrease from the prior year-end balance of \$40.4 million. The table below summarizes this amount by debt type.

OUTSTANDING DEBT, AT YEAR-END

(as of August 31)

Temple College

	8/31/2012	8/31/2011	8/31/2010
Bonds/Capital Leases			
Revenue Bonds	\$ 12,635,000	\$13,492,264	\$ 14,331,975
General Obligation Bonds	24,090,000	25,095,000	13,060,000
Leases	1,536,013	1,777,459	2,041,740
TOTAL BONDS/LEASES	<u>\$ 38,261,013</u>	<u>\$40,364,723</u>	<u>\$ 29,433,715</u>

During FY 2012, all scheduled debt service requirements were paid.

Economic Factors That Will Affect the Future

The greatest concern facing Temple College is the economic uncertainty created by inadequate resources for higher education from the State of Texas. The 83rd session of the Texas Legislature will meet in the Spring of 2013 and there is very little reason for community colleges to be optimistic. Fiscal demands on the state will leave far too few resources for providing adequate funding for colleges like TC to meet its instructional demands for the next biennium.

The rapid enrollment growth experienced by Texas community colleges has apparently subsided somewhat. While that may be seen as a good thing by state leaders struggling with meeting the increased demand, it is a bad thing for the colleges themselves that have come to rely more heavily on student tuition and fees to cover its rising costs of operations.

The Board of Trustees and Administration remain optimistic, however, 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 Assets
August 31, 2012 and August 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ (944,683)	\$ 536,560
Short Term Investments	23,440,014	27,151,551
Accounts Receivable (net)	7,726,967	4,219,501
Deferred Expense	421,278	7,054,541
Total Current Assets	<u>30,643,576</u>	<u>38,962,153</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	2,749,035	1,977,819
Other Long-Term Investments	3,482,450	2,382,079
Capital Assets (net)(See note 6)	42,535,725	36,292,345
Total Noncurrent Assets	<u>48,767,210</u>	<u>40,652,243</u>
Total Assets	<u>\$ 79,410,786</u>	<u>\$ 79,614,396</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	1,551,774	3,901,796
Deferred Revenue	7,281,188	7,910,619
Funds Held for Others	611,971	488,174
Capital Leases - Current Portion	202,800	308,781
Bonds Payable - Current Portion	2,255,000	1,862,264
Total Current Liabilities	<u>11,902,733</u>	<u>14,471,634</u>
Noncurrent Liabilities		
Accrued Compensable Absences	849,710	870,553
Capital Leases	1,333,213	1,468,678
Bonds Payable	34,470,000	36,725,000
Total Noncurrent Liabilities	<u>36,652,923</u>	<u>39,064,231</u>
Total Liabilities	<u>\$ 48,555,656</u>	<u>\$ 53,535,865</u>
NET ASSETS		
Invested in capital assets, net of related debt	8,953,640	6,765,414
Restricted for:		
Nonexpendable		
Student Aid	554,160	459,024
Expendable		
Loan	29,015	30,021
Debt Service	8,159,140	8,112,936
Unrestricted	13,159,175	10,711,136
Total Net Assets (Schedule D)	<u>30,855,130</u>	<u>26,078,531</u>
Total Liabilities and Net Assets	<u>\$ 79,410,786</u>	<u>\$ 79,614,396</u>

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

Temple Junior College Foundation, Inc.
Statement of Financial Position
August 31, 2011 and 2010

Exhibit 1-A

Assets	2011	2010
Current Assets:		
Cash and cash equivalents	\$ 154,933	\$ 659,748
Investments	806,332	520,486
Short term note receivables	7,497	-
Unconditional promises to give	152,869	18,779
Conditional promises to give	-	-
Other receivables	12,694	26,106
Total Current Assets	1,134,325	1,225,119
Endowment Investments:		
Cash and cash equivalents	354,278	52,245
Investments	2,977,857	2,305,648
Total Endowment Investments	3,332,135	2,357,893
Buildings, furniture, and equipment, net	6,650,330	6,935,284
Assets held in trust - long term	426,269	403,894
Long-term unconditional promises to give, less allowance for uncollectible promises of \$3,200 and \$3,200	339,300	313,482
Long-term conditional promises to give, less allowance for uncollectible promises of \$0 and \$0	-	1,000
Investment in real estate	329,582	329,582
Bond issuance costs, net of accumulated amortization of \$336,323 and \$301,531	707,442	742,234
Total Assets	\$ 12,919,383	\$ 12,308,488
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 74,626	\$ 77,219
Accrued vacation payable	13,108	10,546
Accrued other	14,257	16,821
Accrued interest payable	371,824	345,999
Current portion - bonds payable	95,000	70,000
Deferred revenue	136,005	23,192
Tenant security deposits	-	300
Total Current Liabilities	704,820	544,077
Long-term Liabilities:		
Bonds payable, net of current portion and bond discount	10,785,425	10,868,151
Promissory note	848,329	740,244
Total Liabilities	12,338,574	12,152,472
Net Assets:		
Unrestricted Net Assets:		
Operating	(5,812,012)	(11,053,784)
Fixed assets	1,082,377	6,935,284
Total Unrestricted Net Assets	(4,729,635)	(4,118,500)
Temporarily restricted net assets	1,890,100	1,830,173
Permanently restricted net assets	3,420,344	2,444,343
Total Net Assets	580,809	156,016
Total Liabilities and Net Assets	\$ 12,919,383	\$ 12,308,488

**Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended August 31, 2012 and August 31, 2011**

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Tuition and Fees (Net of Allowances and Discounts \$5,971,247 and \$6,777,510, respectively)	\$ 12,584,768	\$ 9,891,698
Federal Grants and Contracts	637,960	1,655,990
State Grants and Contracts	792,545	682,003
Private Gifts, Grants, and Contracts	640,785	79,786
Sales and Services of Educational Activities	7,762	5,482
Auxiliary Enterprises	314,672	350,987
General Operating Revenues	533,858	530,522
Total Operating Revenues (Schedule A)	<u>15,512,350</u>	<u>13,196,468</u>
Operating Expenses		
Instruction	12,936,785	12,981,271
Public Service	587,634	1,021,402
Academic Support	2,445,822	2,400,693
Student Services	2,579,001	2,428,936
Institutional Support	5,028,984	5,481,748
Operation and Maintenance of Plant	3,215,803	2,972,570
Scholarships and Fellowships	10,366,804	10,071,348
Auxiliary Enterprises	1,003,810	1,124,467
Depreciation	1,322,852	1,272,113
Total Operating Expenses (Schedule B)	<u>39,487,495</u>	<u>39,754,548</u>
Operating Loss	(23,975,145)	(26,558,080)
Non-Operating Revenues (Expenses)		
State Appropriations	9,539,157	10,008,660
Maintenance Ad Valorem Taxes	5,037,586	5,301,008
Debt Service Ad Valorem Taxes	2,131,269	1,789,962
Federal Revenue, Non Operating Gifts	14,274,113	14,364,741
Investment Income	29,514	31,761
Interest on Capital Related Debt	(1,881,968)	(1,193,717)
Loss on Disposal of Fixed Assets	(39,622)	(21,548)
Other Non-Operating Revenues	330	1,175
Other Non-Operating Expenses	(338,635)	(867,882)
Net Non-Operating Revenues and Expenses (Schedule C)	<u>28,751,744</u>	<u>30,541,976</u>
Increase (Decrease) in Net Assets	4,776,599	3,983,896
Net Assets		
Net Assets - Beginning of Year	26,078,531	22,094,635
Net Assets - End of Year	<u>\$ 30,855,130</u>	<u>\$ 26,078,531</u>

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

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

Exhibit 2-A

	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
Unrealized (gain) / losses	-	-	-	-
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	<u>\$ (4,729,635)</u>	<u>\$ 1,890,100</u>	<u>\$ 3,420,344</u>	<u>\$ 580,809</u>

Temple Junior College Foundation, Inc.
Statement of Activities
Year Ended August 31, 2010

Exhibit 2-B

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
Contributions	\$ 28,239	\$ 967,319	\$ 204,622	\$ 1,200,180
Special events	-	105,473	-	105,473
Interest and dividends	37,539	2,658	54,503	94,700
Gain/(loss) on Sale of Assets	60,434	9,013	231,458	300,905
Rental income, net	929,771	-	-	929,771
Miscellaneous income	145,598	-	-	145,598
Assets released from restrictions	675,338	(620,835)	(54,503)	-
	<u>1,876,919</u>	<u>463,628</u>	<u>436,080</u>	<u>2,776,627</u>
Total revenues, gains and other support				
Expenses and Losses				
Programs:				
Rental operating expenses	576,834	-	-	576,834
Scholarship Awards	605,300	-	-	605,300
Special events	-	47,096	-	47,096
	<u>1,182,134</u>	<u>47,096</u>	<u>-</u>	<u>1,229,230</u>
Total programs				
Administration	457,828	-	-	457,828
Interest	679,893	-	-	679,893
Other Expenses	63,216	-	-	63,216
Unrealized (gain) / losses	34,932	5,210	133,790	173,932
	<u>2,418,003</u>	<u>52,306</u>	<u>133,790</u>	<u>2,604,099</u>
Total expenses and losses				
Change in net assets	(541,084)	411,322	302,290	172,528
Net assets as of beginning of year	<u>(3,577,416)</u>	<u>1,418,851</u>	<u>2,142,053</u>	<u>(16,512)</u>
Net assets as of end of year	<u>\$ (4,118,500)</u>	<u>\$ 1,830,173</u>	<u>\$ 2,444,343</u>	<u>\$ 156,016</u>

Statement of Cash Flows
For the Year Ended August 31, 2012 and August 31, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 14,831,380	\$ 10,834,078
Receipts from grants and contracts	3,222,715	1,799,768
Payments to or on behalf of employees	(18,585,725)	(18,647,878)
Payments to suppliers for goods and services	(9,833,711)	(6,920,949)
Payments for scholarships and fellowships	(10,308,614)	(10,122,592)
Net cash provided (used) by operating activities	<u>(20,673,955)</u>	<u>(23,057,573)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	7,955,025	7,794,296
Receipts from non operating federal revenue	14,274,113	14,364,741
Receipts from ad valorem taxes	7,189,084	7,103,968
Gifts and Grants (other than capital)	-	1,127,816
Student organization and other agency transactions	-	(213,508)
Other payments	(338,305)	(653,199)
Net cash provided (used) by non-capital financing activities	<u>29,079,917</u>	<u>29,524,114</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of capital debt	-	13,000,000
Purchases of capital assets	(7,605,852)	(2,314,851)
Payments on capital debt and leases - principle	(2,103,710)	(2,068,992)
Payments on capital debt and leases - interest	(2,047,107)	(1,337,175)
Net cash provided (used) by capital and related financial activities	<u>(11,756,669)</u>	<u>7,278,982</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from interest on investments	29,514	31,761
Purchase of investments	(33,873,684)	(66,492,734)
Proceeds from sales and maturities of investments	36,484,850	51,350,818
Net cash provided (used) by investing activities	<u>2,640,680</u>	<u>(15,110,155)</u>
Increase (decrease) in cash and cash equivalents	(710,027)	(1,364,632)
Cash and cash equivalents - beginning of year	<u>2,514,379</u>	<u>3,879,011</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,804,352</u></u>	<u><u>\$ 2,514,379</u></u>
Reconciliation of operating income (loss) to net cash used		
by operating activities		
Operating income (loss)	\$ (23,975,145)	\$ (26,558,080)
Adjustments to reconcile operating loss to net cash used		
by operating activities:		
Depreciation expense	1,322,852	1,272,113
Payments made directly by state for benefits	1,584,131	2,214,364
Changes in assets and liabilities		
Receivables, net	2,488,001	(1,312,487)
Deferred expense	617,567	(556,197)
Accounts payable	(2,126,694)	467,497
Funds held for others	65,608	74,466
Deferred revenue	(629,432)	1,231,596
Compensated absences	(20,843)	109,155
Net cash provided (used) by operating activities	<u><u>\$ (20,673,955)</u></u>	<u><u>\$ (23,057,573)</u></u>

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

Temple College
Notes to the Financial Statements
August 31, 2012

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, 2012

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 \$18,432,119 and \$27,148,537 at August 31, 2012 and August 31, 2011, 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 \$6,973,953 and \$7,731,048 have been reported as deferred revenues at August 31, 2012 and August 31, 2011, respectively.

Temple College
Notes to the Financial Statements
August 31, 2012

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.

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	2012	2011
Demand Deposits	\$ 1,640,070	\$ 2,331,579
Time Deposits	160,877	178,964
	<u>\$ 1,800,947</u>	<u>\$ 2,510,543</u>
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 3,405	\$ 3,836
Reimbursements in Transit	-	-
	<u>\$ 3,405</u>	<u>\$ 3,836</u>
Total Cash and Cash Equivalents	<u>\$ 1,804,352</u>	<u>\$ 2,514,379</u>

Temple College
Notes to the Financial Statements
August 31, 2012

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Market Value <u>August 31, 2012</u>	Market Value <u>August 31, 2011</u>
Total Cash and Deposits	\$ 1,804,352	\$ 2,514,379
U.S. Government Securities	3,482,450	2,382,079
Corporate Stock	-	-
Tex Pool	18,432,119	27,148,537
Chase Bank Savings Account	5,006,895	-
MBIA	1,000	3,014
Total Investments	<u>\$ 26,922,464</u>	<u>\$ 29,533,630</u>
 TOTAL DEPOSITS AND INVESTMENTS	 <u>\$ 28,726,816</u>	 <u>\$ 32,048,009</u>
Cash and Cash Equivalents (Exhibit 1)	(944,683)	536,560
Restricted Cash and Cash Equivalents (Exhibit 1)	2,749,035	1,977,819
Short Term Investments (Exhibit 1)	23,440,014	27,151,551
Endowment Investments (Exhibit 1)	-	-
Other Long Term Investments (Exhibit 1)	<u>3,482,450</u>	<u>2,382,079</u>
 TOTAL DEPOSITS AND INVESTMENTS (Exhibit 1)	 <u>\$ 28,726,816</u>	 <u>\$ 32,048,009</u>

As of August 31, 2012, 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>	
U.S. Government Securities	\$ 2,627,366	\$ -	\$ -	\$ 2,627,366	\$ -
U.S. Treasuries (GNMA)	855,084	170,466	-	684,618	-
Commercial Paper	-	-	-	-	-
Investment Pool	23,440,014	-	-	-	-
Certificate of Deposit	-	-	-	-	-
Municipal Bonds	-	-	-	-	-
Common Stock	-	-	-	-	-
Total Fair Value	<u>\$26,922,464</u>	<u>\$ 170,466</u>	<u>\$ -</u>	<u>\$ 3,311,984</u>	<u>\$ -</u>

Temple College
Notes to the Financial Statements
August 31, 2012

The governing board has designated Tex Pool investment pools comprised of \$18,432,119 and \$27,148,537 at August 31, 2012 and August 31, 2011, respectively to be short-term investments.

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

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

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

5. Derivatives

None.

Temple College
Notes to the Financial Statements
August 31, 2012

6. Capital Assets

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
<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>

Temple College
Notes to the Financial Statements
August 31, 2012

Capital assets activity for the year ended August 31, 2011, was as follows:

	<u>Balance</u> <u>9/1/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2011</u>
<u>Not Depreciated:</u>				
Land	\$ 1,850,055	\$ -	\$ -	\$ 1,850,055
Construction in Process	<u>550,035</u>	<u>2,178,726</u>	<u>567,850</u>	<u>2,160,911</u>
Total Not Depreciated	2,400,090	2,178,726	567,850	4,010,966
<u>Buildings and Other Capital Assets:</u>				
Buildings	34,634,442	567,850	-	35,202,292
Land Improvements	5,901,104	-	-	5,901,104
Library Books	1,895,052	45,939	31,485	1,909,506
Furniture, Machinery, Vehicles, And Other Equipment	1,735,251	73,526	11,000	1,797,777
Telecommunications and Peripheral Equipment	<u>3,619,464</u>	<u>16,660</u>	<u>-</u>	<u>3,636,124</u>
Total Buildings and Other Capital Assets	<u>47,785,313</u>	<u>703,975</u>	<u>42,485</u>	<u>48,446,803</u>
<u>Accumulated Depreciation:</u>				
Buildings	7,245,627	620,876	-	7,866,503
Land Improvements	2,069,101	246,788	-	2,315,889
Library Books	1,604,976	57,436	9,937	1,652,475
Furniture, Machinery, Vehicles, And Other Equipment	963,622	158,658	11,000	1,111,280
Telecommunications and Peripheral Equipment	<u>3,030,922</u>	<u>188,355</u>	<u>-</u>	<u>3,219,277</u>
Total Accumulated Depreciation	<u>\$14,914,248</u>	<u>\$1,272,113</u>	<u>\$ 20,937</u>	<u>\$ 16,165,424</u>
Net Other Capital Assets	<u>\$32,871,065</u>	<u>\$ (568,138)</u>	<u>\$ 21,548</u>	<u>\$ 32,281,379</u>
Net Capital Assets	<u>\$35,271,155</u>	<u>\$1,610,588</u>	<u>\$ 589,398</u>	<u>\$ 36,292,345</u>

Temple College
Notes to the Financial Statements
August 31, 2012

7. Long Term Liabilities

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>857,264</u>	<u>12,635,000</u>	<u>1,085,000</u>
Subtotal	<u>\$ 38,587,264</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>20,843</u>	<u>849,710</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>

Long-term liability activity for the year ended August 31, 2011 was as follows:

	Balance September 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance August 31, <u>2011</u>	<u>Current Portion</u>
<u>Bonds</u>					
General obligation bonds	\$ 13,060,000	\$ 13,000,000	\$ 965,000	\$ 25,095,000	\$ 1,005,000
Revenue bonds	<u>14,331,975</u>	-	<u>839,711</u>	<u>13,492,264</u>	<u>857,264</u>
Subtotal	<u>\$ 27,391,975</u>	<u>\$ 13,000,000</u>	<u>\$ 1,804,711</u>	<u>\$ 38,587,264</u>	<u>\$ 1,862,264</u>
<u>Leases</u>	2,041,740	-	264,281	1,777,459	308,781
<u>Accrued compensable absences</u>	<u>761,398</u>	<u>109,155</u>	-	<u>870,553</u>	-
Total long-term liabilities	<u>\$ 30,195,113</u>	<u>\$ 13,109,155</u>	<u>\$ 2,068,992</u>	<u>\$ 41,235,276</u>	<u>\$ 2,171,045</u>

Temple College
Notes to the Financial Statements
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8. Debt and Lease Obligations

For the Year Ended <u>August 31,</u>	<u>General Obligation Bonds</u>			<u>Revenue Bonds</u>			<u>Total Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,170,000	\$ 999,732	\$ 2,169,732	\$ 1,085,000	\$ 510,401	\$ 1,595,401	\$ 2,255,000	\$ 1,510,133	\$ 3,765,133
2014	1,210,000	946,442	2,156,442	1,120,000	468,335	1,588,335	2,330,000	1,414,777	3,744,777
2015	1,260,000	894,939	2,154,939	1,165,000	424,899	1,589,899	2,425,000	1,319,838	3,744,838
2016	1,315,000	841,268	2,156,268	1,210,000	379,447	1,589,447	2,525,000	1,220,715	3,745,715
2017	1,365,000	785,231	2,150,231	1,010,000	332,060	1,342,060	2,375,000	1,117,291	3,492,291
2018-2022	7,740,000	3,001,942	10,741,942	5,215,000	1,003,630	6,218,630	12,955,000	4,005,572	16,960,572
2023-2027	6,350,000	1,500,920	7,850,920	1,830,000	139,550	1,969,550	8,180,000	1,640,470	9,820,470
2028-2031	<u>3,680,000</u>	<u>370,312</u>	<u>4,050,312</u>	-	-	-	<u>3,680,000</u>	<u>370,312</u>	<u>4,050,312</u>
Total	<u>\$ 24,090,000</u>	<u>\$ 9,340,786</u>	<u>\$ 33,430,786</u>	<u>\$ 12,635,000</u>	<u>\$ 3,258,322</u>	<u>\$ 15,893,322</u>	<u>\$ 36,725,000</u>	<u>\$ 12,599,108</u>	<u>\$ 49,324,108</u>

Obligations under capital leases at August 31, 2012 were as follows:

For the Year Ended August 31,	Total
2013	\$ 202,800
2014	207,600
2015	212,400
2016	217,500
2017	222,700
2018-2021	<u>761,400</u>
Total minimum lease payments	\$ 1,824,400
Less: Amount representing interest costs	<u>(288,387)</u>
Present value of minimum lease payment	<u>\$ 1,536,013</u>

Temple College
Notes to the Financial Statements
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9. Bonds Payable

Bonds payable at August 31, 2012 are comprised of the following individual issues:

<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>\$ 9,400,000</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>6,215,000</p>
<p>\$945,000 Housing System and Use Fee Revenue and Capital Appreciation Bonds, Series 1996, issued 6-1-96, due in installments of \$315,000 at 7-01-10, \$315,000 at 7-01-11, and \$315,000 at 7-01-12; interest accreted at 6.0%, to provide funds to pay costs of construction, improvement, renovation and/or rehabilitation of the College's buildings and educational facilities, secured by a lien on pledged housing system revenues and student use fees.</p>	<p>-</p>
<p>\$5,900,000 Revenue and Refunding Bonds, Series 2000, issued 9-1-00, due in installments of \$25,000 to \$405,000 from 7-1-01 through 7-1-12; interest at 4.45% to 5.65%, to provide funds to construct and equip new education facilities and renovate existing facilities; to refund the College's outstanding Revenue Bonds, series 1973; to pay capitalized interest; to fund a debt service reserve fund and pay issuance costs associated with the Bonds.</p>	<p>-</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>4,875,000</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>2,330,000</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</p>	

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Notes to the Financial Statements
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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. 13,000,000

\$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. 905,000
\$ 36,725,000

All authorized bonds were issued for each series.

For the year ended, August 31, 2012 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 the 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

Temple College
Notes to the Financial Statements
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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 2012 and 2011 and a state contribution rate of 6.0 percent for Fiscal Year 2012 and 6.644 percent for Fiscal Year 2011. In certain instances the reporting district is required to make all or a portion of the state's 6.0% contribution for Fiscal Year 2012 and 6.644% for Fiscal Year 2011.

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 \$761,378 and \$835,088 for the fiscal years ended August 31, 2012 and 2011, 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 \$15,965,123 and \$16,464,139 for fiscal years 2012 and 2011 respectively. The total payroll of employees covered by the Teacher Retirement System was \$8,417,055 and \$8,672,152, and the total payroll of employees covered by the Optional Retirement System was \$5,566,636 and \$5,518,771 for fiscal years 2012 and 2011, 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, 2012, the College has 4 employees participating in the program. Four employees were vested as of August 31, 2012. A total of \$14,920 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

Temple College
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recognized the accrued liability for the unpaid annual leave in the amount of \$364,924 and \$375,087 for fiscal year 2012 and 2011, respectively.

Sick leave, which is accumulated up to a limit of 1,040 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 the 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 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 \$484,786 and \$495,466 for fiscal year 2012 and 2011, respectively.

16. Pending Lawsuits and Claims

As of August 31, 2012, one lawsuit and claim involving Temple College was pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent provided for by insurance or otherwise, is not likely to have a material effect on the College.

17. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Student Receivables	\$ 5,911,485	\$ 1,652,935
Taxes Receivable	262,475	284,047
Federal Receivable	133,788	288,305
State Receivable	373,743	50,297
Other Receivable	<u>1,729,111</u>	<u>2,515,608</u>
Subtotal	<u>\$ 8,410,602</u>	<u>\$ 4,791,192</u>
Less: Allowance for Doubtful Accounts	<u>(683,635)</u>	<u>(571,691)</u>
Total Receivables	<u>\$ 7,726,967</u>	<u>\$ 4,219,501</u>

Payables

Payables at August 31, 2012 and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Vendors Payable	\$ 1,619,813	\$ 1,523,610
Salaries & Benefits Payable	125,272	(7,104)
Students Payable	(193,311)	2,220,151
Accrued Interest	<u>-</u>	<u>165,139</u>
Total Payables	<u>\$ 1,551,774</u>	<u>\$ 3,901,796</u>

Temple College
Notes to the Financial Statements
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18. Funds Held in Trust by Others

None.

19. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contracts and grant awards, funds expended, but not collected, are reported as Accounts Receivables 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 2012 and 2011 for which monies have not been received nor funds expended totaled \$13,334,251 and \$14,593,619. Of these amounts, \$13,133,797 and \$14,156,118 were from Federal Contract and Grant Awards.

20. Self-Insured Plans

The College participates in self-insured worker's compensation and unemployment compensation plans. Employee health insurance is offered through the State of Texas Employee Retirement System group plan. The Worker's Compensation plan is a self-insured group comprised of approximately fifteen (15) state community colleges and a loss fund is set up on the College books to record the estimated exposure each year. 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 \$876.86 per month for the year ended August 31, 2012 (\$628.88 per month for 2011) and totaled \$822,753 for 2012 (\$1,379,276 for 2011). 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 district.

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At August 31:

	<u>2012</u>	<u>2011</u>
Assessed Valuation of the College:	\$ 4,402,911,661	\$4,213,568,538
Less: Exemptions	(881,988,070)	(841,368,868)
Less: Abatements	<u>(42,164,234)</u>	<u>(15,194,612)</u>
Net Assessed Valuation of the College	<u>\$ 3,478,759,357</u>	<u>\$3,357,005,058</u>

	<u>Current</u> <u>Operations</u>	<u>2012</u> <u>Debt</u> <u>Service</u>	<u>Total</u>	<u>Current</u> <u>Operations</u>	<u>2011</u> <u>Debt</u> <u>Service</u>	<u>Total</u>
Authorized						
Tax Rate per						
\$100 valuation	\$ -	\$ -	\$ 0.25	\$ -	\$ -	\$ 0.25
Assessed						
Tax Rate per						
\$100 valuation	\$ 0.1440	\$ 0.0614	\$ 0.2054	\$ 0.1567	\$ 0.0533	\$ 0.21

Taxes levied for the year ended August 31, FY 2012 and FY 2011 amounted to \$7,112,852 and \$7,011,727, respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	<u>Current</u> <u>Operations</u>	<u>2012</u> <u>Debt</u> <u>Service</u>	<u>Total</u>	<u>Current</u> <u>Operations</u>	<u>2011</u> <u>Debt</u> <u>Service</u>	<u>Total</u>
Current Tax Collected	\$ 4,921,870	\$2,093,113	\$ 7,014,983	\$5,149,786	\$1,747,232	\$ 6,897,018
Delinquent Taxes Collected	71,252	22,420	93,672	95,354	26,471	121,825
Penalties & Interest Collected	<u>44,464</u>	<u>15,736</u>	<u>60,200</u>	<u>55,708</u>	<u>16,259</u>	<u>71,967</u>
Total Collections	<u>\$ 5,037,586</u>	<u>\$2,131,269</u>	<u>\$ 7,168,855</u>	<u>\$5,300,848</u>	<u>\$1,789,962</u>	<u>\$ 7,090,810</u>

Tax collections for the year ended August 31, FY 2012 and FY 2011 were 98.6 percent and 98.4 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 that is established by election has been 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.

Temple College
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County or I.S.D.	Collections (including penalties and interest)	
	FY 2012	FY 2011
Hutto I.S.D.	\$ 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 year ended August 31, 2012 and 2011.

25. Component Units

Temple College Foundation – Discrete Component Unit

Temple College Foundation (the Foundation) was established as a separate nonprofit organization in 1982, for the purpose of providing student scholarships and assistance in the development and growth of the College. Under Governmental Accounting Standards Board Statement No 39, Determining Whether Certain Organizations are Component Units, the Foundation is a component unit of the College because: The College provides financial support to the Foundation and the economic resources received or held by the Foundation are entirely for the benefit of the College.

The College is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the Foundation.

The economic resources held by the Foundation that the College is entitled 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 2012 financial statements were not included, as the audit for 2012 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.

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Notes to the Financial Statements
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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 colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

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

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

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

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

The College's contributions to SRHP for the years ended August 31, 2012, 2011, and 2010, were \$2,771,082, \$2,433,777, and \$2,263,039, respectively, which equaled the required contributions each year.

29. Contingencies

Texas Constitution article 16, section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system," referring to the State's Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP). During the 2011 legislative session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the State's contribution to TRS/ORP on behalf of community colleges to only six percent of each district's unrestricted general revenue appropriation for each year of the biennium state budget. There is no pending litigation concerning this issue to construe the constitutional funding requirements; or to hold that the State biennium appropriations satisfy those requirements; or to attempt to collect any shortfall contributions from any community college district.

The TRS System of Texas has expectations that the College will provide the difference between the formula required contribution and the amount provided by the State, which is less than the amount believed to be required by the constitution. The College estimates the contribution shortage to be \$292,137. It is the College's contention that the State is the employer government legally responsible for the required contributions under GASB No. 27. It is conceivable that at some future point, the College may be required to pay from local funds the disputed TRS/ORP contributions. Should that occur, the College will record a current period expenditure in the year in which the payment is made.

SUPPLEMENTARY SCHEDULES

Schedule of Operating Revenues

For the Year Ended August 31, 2012 (with Memorandum Totals for the Year Ended August 31, 2011)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational</u>	<u>Auxiliary Enterprises</u>	<u>2012 Total</u>	<u>2011 Total</u>
Tuition						
State funded credit courses:						
In-district tuition	\$ 6,855,392	\$ -	\$ 6,855,392	\$ -	\$ 6,855,392	\$ 6,255,109
Out-of-district tuition	4,646,770	-	4,646,770	-	4,646,770	3,892,656
Non-resident tuition	354,736	-	354,736	-	354,736	370,908
Health science tuition	219,576	-	219,576	-	219,576	163,358
TPEG-Credit (set aside) *	443,321	-	443,321	-	443,321	404,189
State funded continuing education	479,481	-	479,481	-	479,481	440,469
TPEG-non-credit (set aside) *	60,884	-	60,884	-	60,884	36,258
Non-state funded continuing education	151,813	-	151,813	-	151,813	140,165
Total Tuition	13,211,973	-	13,211,973	-	13,211,973	11,703,112
Fees						
General fee	2,255,514	-	2,255,514	-	2,255,514	2,368,728
Laboratory fee	211,323	-	211,323	-	211,323	206,401
Other fees	2,877,205	-	2,877,205	-	2,877,205	2,390,969
Total Fees	5,344,042	-	5,344,042	-	5,344,042	4,966,098
Scholarships Allowances and Discounts						
Remissions and exemptions - state	(846,122)	-	(846,122)	-	(846,122)	(545,895)
Remissions and exemptions - local	(783,159)	-	(783,159)	-	(783,159)	(1,428,934)
TPEG awards	(93,393)	-	(93,393)	-	(93,393)	(92,647)
Title IV federal grants	(3,994,307)	-	(3,994,307)	-	(3,994,307)	(4,375,335)
Texas grants I & II	(106,605)	-	(106,605)	-	(106,605)	(158,581)
Other local awards	(147,661)	-	(147,661)	-	(147,661)	(176,120)
Total Scholarship Allowances	(5,971,247)	-	(5,971,247)	-	(5,971,247)	(6,777,512)
Total Net Tuition and Fees	12,584,768	-	12,584,768	-	12,584,768	9,891,698
Additional Operating Revenues						
Federal grants and contracts	-	637,960	637,960	-	637,960	1,655,990
State grants and contracts	-	792,545	792,545	-	792,545	682,003
Private gifts, grants, and contracts	640,785	-	640,785	-	640,785	79,786
Sales and services of educational activities	7,762	-	7,762	-	7,762	5,482
General operating revenue	533,858	-	533,858	-	533,858	530,522
Total Additional Operating Revenue	1,182,405	1,430,505	2,612,910	-	2,612,910	2,953,783
Auxiliary Enterprises						
Miscellaneous income	-	-	-	314,672	314,672	350,987
Total Auxiliary Enterprises	-	-	-	314,672	314,672	350,987
Total Operating Revenues	\$ 13,767,173	\$ 1,430,505	\$ 15,197,678	\$ 314,672	\$ 15,512,350	\$ 13,196,468
					(Exhibit 2)	(Exhibit 2)

*In accordance with Education Code 56.033, \$504,205 and \$440,447 for years August 31, 2012 and 2011, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

Schedule of Operating Expenses by Object

Year Ended August 31, 2012 (with memorandum Totals for the Year Ended August 31, 2011)

	Operating Expenses					2012	2011
	Salaries & Wages	Benefits		Other Expenses			
		State Benefits	Local Benefits				
Unrestricted-Educational Activities							
Instruction	\$ 8,946,620	\$ -	\$ 1,233,828	\$ 1,338,012	\$ 11,518,460	\$ 11,565,672	
Public Service	232,104	-	35,562	56,355	324,021	333,421	
Academic Support	1,399,439	-	279,695	563,464	2,242,598	2,085,275	
Student Services	1,183,432	-	291,436	225,346	1,700,214	1,564,010	
Institutional Support	2,638,682	-	528,223	1,586,259	4,753,164	4,328,330	
Operation and Maintenance of Plant	523,238	-	207,005	2,485,168	3,215,411	2,972,570	
Total Unrestricted Educational Activities	14,923,515	-	2,575,749	6,254,604	23,753,868	22,849,278	
Restricted-Educational Activities							
Instruction	16,244	1,035,913	4,857	361,311	1,418,325	1,415,599	
Public Service	168,752	-	24,575	70,286	263,613	687,981	
Academic Support	-	203,224	-	-	203,224	315,418	
Student Services	442,100	116,820	58,351	261,516	878,787	864,926	
Institutional Support	32,047	227,781	3,397	12,595	275,820	1,153,418	
Operation and Maintenance of Plant	-	392	-	-	392	-	
Scholarships & Fellowships	-	-	-	10,366,804	10,366,804	10,071,348	
Total Restricted Educational Activities	659,143	1,584,130	91,180	11,072,512	13,406,965	14,508,690	
Total Educational Activities	15,582,658	1,584,130	2,666,929	17,327,116	37,160,833	37,357,968	
Auxiliary Enterprises	231,522	-	83,773	688,515	1,003,810	1,124,467	
Depreciation of Building and Improvements	-	-	-	909,998	909,998	867,663	
Depreciation of Equipment & Furniture	-	-	-	412,854	412,854	404,450	
TOTAL OPERATING EXPENSES	\$ 15,814,180	\$ 1,584,130	\$ 2,750,702	\$ 19,338,483	\$ 39,487,495	\$ 39,754,548	
					(Exhibit 2)	(Exhibit 2)	

Schedule of Non-Operating Revenues and Expenses

Year Ended August 31, 2012 (with Memorandum Totals for the Year Ended August 31, 2011)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2012 Total</u>	<u>2011 Total</u>
Non-Operating Revenues					
State Appropriations:					
Education and General State Support	\$ 7,419,032	\$ -	\$ -	\$ 7,419,032	\$ 7,654,460
State Group Insurance	-	822,753	-	822,753	1,379,276
Dramatic Growth	-	-	-	-	7,190
State Retirement Matching	-	761,378	-	761,378	835,088
Professional Nursing Growth Shortage	-	-	-	-	92,427
Professional Nursing Over 70%	-	134,580	-	134,580	40,219
Small Institution and Article IX	401,414	-	-	401,414	-
Total State Appropriations	7,820,446	1,718,711	-	9,539,157	10,008,660
Maintenance Ad Valorem Taxes	5,037,586	-	-	5,037,586	5,301,008
Debt Service ad Valorem Taxes	2,131,269	-	-	2,131,269	1,789,962
Federal Revenue, Non Operating	-	14,274,113	-	14,274,113	14,364,741
Gifts	-	-	-	-	1,127,816
Investment Income	29,514	-	-	29,514	31,761
Other Non-operating Revenue	-	330	-	330	1,175
Total Non-operating Revenues	15,018,815	15,993,154	-	31,011,969	32,625,123
Non-operating Expenses					
Interest on Capital Related Debt	1,881,968	-	-	1,881,968	1,193,717
Loss on Disposal of Capital Assets	39,622	-	-	39,622	21,548
Other Non-operating Expense	337,299	1,336	-	338,635	867,882
Total Non-operating Expenses	2,258,889	1,336	-	2,260,225	2,083,147
Net Non-operating Revenues	\$ 12,759,926	\$ 15,991,818	\$ -	\$ 28,751,744	\$ 30,541,976
				(Exhibit 2)	(Exhibit 2)

Schedule of Net Assets by Source and Availability
Year Ended August 31, 2012 (with Memorandum Totals for the Year Ended August 31, 2011)

	Detail by Source				Available for Current Operations	
	Restricted		Non-Expendable		Total	No
	Unrestricted	Expendable	Expendable	Yes		
Current:						
Unrestricted	\$ 9,312,694	\$ -	\$ -	\$ -	\$ 9,312,694	\$ -
Board designated	1,705,647	-	-	-	1,705,647	-
Restricted	-	-	554,160	-	554,160	-
Auxiliary enterprises	(3,291)	-	-	-	(3,291)	-
Loan	-	29,015	-	-	29,015	29,015
Plant						
Unexpended	1,141,978	-	-	-	1,141,978	1,141,978
Renewals	1,002,147	-	-	-	1,002,147	1,002,147
Debt service	-	8,159,140	-	-	8,159,140	8,159,140
Investment in plant	-	-	-	8,953,640	8,953,640	8,953,640
Total Net Assets, August 31, 2012	\$ 13,159,175	\$ 8,188,155	\$ 554,160	\$ 8,953,640	\$ 30,855,130	\$ 19,285,920
Total Net Assets, August 31, 2011	10,711,136	8,142,957	459,024	6,765,414	26,078,531	17,507,295
Net Increase (Decrease) in Net Assets	\$ 2,448,039	\$ 45,198	\$ 95,136	\$ 2,188,226	\$ 4,776,599	\$ 1,778,625

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2012

<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 Labor			
College Credit for Heroes Initiative	17.278	2611WSW000	\$ 116,569
Total U.S. Department of Labor			<u>116,569</u>
U.S. Department of Transportation			
Tarleton State University			
NSF Central Texas 2-STEP Project	47.000		48,039
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
SEOG	84.007		169,133
Federal College Workstudy Program	84.033		134,277
Federal PELL Grant	84.063		13,780,965
Wm D Ford Direct Loans	84.268		22,852,572
TRIO Cluster			
TRIO Student Support Services	84.042A		189,738
Pass-Through From:			
Texas Education Agency			
Adult Basic Education	84.002A	124100017110392	146,345
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Educ.- Basic	84.048	124269	228,992
Total U. S. Department of Education			<u>37,502,022</u>
U.S. Department of Health & Human Services			
Pass-Through From:			
Texas Education Agency			
TANF	93.558	123625017110367	50,187
Texas Workforce Commission			
The Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		23,439
Dallas County Community College			
Health Information Technology Grant	93.721		24,389
Total U.S. Department of Health & Human Services			<u>98,015</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 37,764,645</u>

Notes to Schedule on Following Page.

**Notes to Schedule of Expenditures of Federal Awards
Year Ended August 31, 2012**

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	\$ 637,960
Add: Non Operating Federal Revenue from Schedule C	14,274,113
Add: Wm. D. Ford Direct Loans	<u>22,852,572</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 37,764,645</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, 2012

<u>State Grantor/Program Title</u>	<u>Contract Number</u>	<u>Expenditures</u>
Texas Workforce Commission Skills Development	120100017110392	\$ 18,993
Texas Education Agency State Adult Education		48,088
Texas Higher Education Coordinating Board Student Services Division		
Texas Grant Program-Texas Grant I Initial		167,618
Texas Grant Program-Texas Grant I Renewal		115,700
Texas Grant Program-Texas Grant II Initial TEOG Initial		31,150
Texas Grant Program-Texas Grant II Renewal TEOG Renewal		48,195
Texas College Work Study		27,695
Be On Time		3,560
Professional Nursing Growth Shortage Over 70%		134,580
Total Texas Higher Education Coordinating Board		<u>528,498</u>
Texas Department of State Health Services EMS DSHS Grant	2011-037319	1,679
Comptroller of Public Accounts Jobs and Education for Texans Equipment Grant		329,867
Total Comptroller of Public Accounts		<u>329,867</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 927,125</u>

Note 1: State Assistance Reconciliation

State Revenue - per Schedule A:		
State Grants and Contracts		792,545
State Appropriations - per Schedule C:		
Professional Nursing Over 70%		134,580
		<u>\$ 927,125</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

AUDITORS' REPORTS ON CONTROLS AND COMPLIANCE



LOTT, VERNON & COMPANY, P.C.
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**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

Members of the Board:

We have audited the financial statements of Temple College (the College), as of and for the year ended August 31, 2012 and 2011, and have issued our report thereon dated November 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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* and the State of Texas Single Audit Circular.

We noted certain other matters that we reported to management of the College in a separate letter dated November 23, 2012.

This report is intended solely for the information and use of the Audit Committee, Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jett, Vernon & Co., P.C.

Temple, Texas
November 23, 2012



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE
OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Trustees
Temple College
Temple, Texas

Members of the Board:

Compliance

We have audited Temple College's (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the College's major federal or state programs for the year ended August 31, 2012. The College's major federal and state programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, Temple College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2012.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE
OF TEXAS SINGLE AUDIT CIRCULAR (CONTINUED)**

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jett, Vernon & Co., P.C.

Temple, Texas
November 23, 2012

TEMPLE COLLEGE

**Schedule of Findings and Questioned Costs
August 31, 2012**

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>
Student Financial Aid Cluster:	
- FSEOG	84.007
- 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

State Programs
 - Jobs and Education for Texans
 JET Equipment Grant

TEMPLE COLLEGE

**Schedule of Findings and Questioned Costs (Continued)
August 31, 2012**

8. Dollar threshold used to distinguish between type A and type B federal programs: \$300,000
9. Dollar threshold used to distinguish between type A and type B state programs: \$300,000
10. Auditee qualified as low-risk auditee for federal single audit? X yes no
11. Auditee qualified as low-risk auditee for state single audit? X yes no
- II. Financial Statement Findings
- None.
- III. Findings and Questioned Costs for Federal and State Awards
- None.