

**TEMPLE COLLEGE**

**Temple, Texas**

**Annual Financial and Compliance Reports**

**for the Year Ended August 31, 2014**

TEMPLE COLLEGE

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**TEMPLE COLLEGE  
 ORGANIZATIONAL DATA  
 For the Year Ended August 31, 2014**

**Board of Trustees**

		Term Expires
Mr. Stephen H. Niemeier	Chair	<u>May</u> 2020
Andrejs Avots-Avotins, M.D., Ph.D.	Vice Chair	2016
Mrs. Katie Burrows	Secretary	2018
Mr. Harry Adams		2016
Mr. John R. Bailey		2018
Mrs. Lydia Santibanez		2020
Mr. Larry J. Wilkerson		2020
Mr. Michael W. Thompson		2018
Mr. Bob Browder		2016

**Officers**

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



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American Institute & Texas Society of  
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## **INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

Board of Trustees  
Temple College  
Temple, Texas

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

We have audited the accompanying financial statements of Temple College, (the College) as of and for the years ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Temple College as of August 31, 2014 and 2013, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary schedules (schedules A through D) as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular, and are also not a required part of the financial statements. The supplementary schedules, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Temple, Texas  
October 23, 2014

Management’s Discussion and Analysis Exhibit,  
Fiscal Year Ended August 31, 2014

This discussion and analysis of Temple College financial statements provides an overview of College financial activities for the year ended August 31, 2014. 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, 2014, 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 0.8% over the prior year (FY 2013) from 113,870 semester hours to 112,926 hours. This year marked the third consecutive decrease in enrollment.
- ◆ Enrollment in the Continuing Education/Adult Division increased 10.5% compared to FY 2013. The increase was partially the result of the division completing its first full year in its new location – Berry Hall – on the Main Campus.
- ◆ Tuition/Fee totals by resident type for this period were:

	<u>Fall 2013</u>	<u>Fall 2012</u>	<u>Fall 2011</u>
In-District	\$88/semester hour	\$88/semester hour	\$88/semester hour
Out-of-District	\$154/semester hour	\$154/semester hour	\$154/semester hour
Non-Resident	\$234/semester hour	\$234/semester hour	\$234/semester hour

- ◆ Students taking Health Science courses are charged an additional \$20/SCH. This tuition is a 22% increase for Health Science programs for resident students compared to general academic and other technical courses.
- ◆ The district property tax rate for FY 2014 was the same as the prior year’s rate of \$0.2036/\$100. This rate is the combined debt and maintenance/operation rate.
- ◆ State funding (allocations) increased for FY 2014 by approximately \$415,000 compared to the prior year. This modest increase was the result of a philosophical change in community college funding from the state legislature. Ten percent (10%) of appropriation dollars are now the result of performance-based funding and are based upon student success points.

## **The Annual Report**

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

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

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

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

## **Statement of Net Position**

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Cash and short-term investment balances decreased compared to the prior year, the decrease being the result of decreased enrollment revenue and the transfer of some short-term investments to investments with longer maturity dates.

Receivables include delinquent property taxes, student accounts, Federal, State, and other miscellaneous receivables. Federal and State receivables decreased by about 48%. The majority of this reduction resulted from less federal student aid awards being utilized. Student receivables decreased by 6%. Other receivables decreased by 16%, due mainly to payment of pledges from the Foundation for the construction of the Carpenter Rehearsal Hall.



## TEMPLE COLLEGE

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Deferred expense (expense related to next fiscal year) increased significantly compared to the prior year. The increase was the result of several large expenses being pre-paid before the end of the fiscal year.

Non-Current Assets include Restricted Cash balances and Other Long-Term Investments. Non-Current Assets increased by 10% over the prior year. Other Long-Term Investments increased by 123%; this increase is largely due to the reallocation of invested funds from short-term to long-term maturities.

### NET POSITIONS, END OF YEAR

(In Millions)

#### Temple College

	<u>8/31/2014</u>	<u>8/31/2013</u>	<u>8/31/2012</u>
Current Assets	24.3	28.7	30.3
Non-Current Assets	<u>53.9</u>	<u>51.3</u>	<u>48.8</u>
Total Assets	<u><u>78.2</u></u>	<u><u>80.0</u></u>	<u><u>79.1</u></u>
Current Liabilities	10.6	11.4	11.9
Non-Current Liabilities	<u>33.3</u>	<u>36.0</u>	<u>36.6</u>
Total Liabilities	<u><u>43.9</u></u>	<u><u>47.4</u></u>	<u><u>48.5</u></u>
Net Positions:			
Invested in capital assets, net of related debt	10.9	9.6	9.0
Restricted	8.5	8.6	8.4
Unrestricted	<u>14.9</u>	<u>14.4</u>	<u>13.1</u>
Total Net Positions	<u><u>34.3</u></u>	<u><u>32.6</u></u>	<u><u>30.5</u></u>
Increase in Net Positions	<u><u>1.7</u></u>	<u><u>2.1</u></u>	<u><u>4.8</u></u>

Most of the College's unrestricted net position has been designated for operating contingencies. Recent construction projects are now complete and debt service requirements are consistent from year-to-year. The result of the recent borrowing is more efficient and modern facilities for the College to support future enrollment growth.

Compensable absences (vacation/sick leave) increased slightly this year to \$863,150, and is still a material liability to the College.

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

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The Statement of Revenues, Expenses and Changes in Net Position presents the annual operating results for the College, as well as all non-operating revenues and expenses. Tuition and fee revenue, net of exemption allowances, decreased by 6% in FY 2014. This decline was primarily due to lower student enrollment. Thanks to three consecutive years of stable tuition, the Temple College tuition (for in-district tuition) no longer ranks

## TEMPLE COLLEGE

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in the top 20% of community college pricing (FY 2014 data) in Texas. A significant portion of the tuition structure is a \$17 per SCH use fee. 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 increased compared to the prior fiscal period. FY 2014 is the first year of the biennium; as mentioned earlier, ten percent (10%) of community college funding is now based upon student success points, a type of performance-based funding. As the state legislature moves forward with the evolution of student success points, the College will expect an increased emphasis on student performance, as opposed to headcount enrollment only.

Auxiliary Enterprise revenues consist of vending sales and athletics. Past revenue from golf course lease income has been eliminated with the permanent closing of the golf course in January of 2013.

The operating revenue category of Grants and Contracts does not include Title IV Grants. These Federal grant programs experienced a decrease of 7% in FY 2014 year. This reduction, however, was partially offset by an increase in the area of Private Gifts.

Title IV revenue is included in the Non-Operating Revenue section and decreased by 3% for FY 2014.

### Operating Expenses

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

#### OPERATING EXPENSES BY NATURAL CLASSIFICATION

(In Millions)

#### Temple College

	Year Ended <u>8/31/2014</u>	Year Ended <u>8/31/2013</u>	Year Ended <u>8/31/2012</u>
<b>Operating Expenses</b>			
Salaries:			
Faculty	9.2	8.9	8.6
Staff	8.0	7.6	7.2
Benefits	5.0	4.9	4.3
Other Expenses	17.2	17.5	18.0
Depreciation	<u>1.6</u>	<u>1.5</u>	<u>1.3</u>
<b>Total Operating Expenses</b>	<u><u>41.0</u></u>	<u><u>40.4</u></u>	<u><u>39.4</u></u>

## TEMPLE COLLEGE

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

**OPERATING EXPENSES BY FUNCTION**  
(In Millions)  
**Temple College**

	Year Ended <u>8/31/2014</u>	Year Ended <u>8/31/2013</u>	Year Ended <u>8/31/2012</u>
<b>Educational &amp; General</b>			
Instruction	13.8	13.4	12.9
Public Service	0.6	0.6	0.6
Academic Support	2.6	2.5	2.4
Student Services	3.1	2.8	2.6
Institutional Support	6.2	6.2	5.0
Operations & Plant Maintenance	3.4	3.0	3.2
Student Aid	8.7	9.3	10.4
	<u>38.4</u>	<u>37.8</u>	<u>37.1</u>
<b>Total Educational Activities</b>	<u>38.4</u>	<u>37.8</u>	<u>37.1</u>
<b>Auxiliary Enterprises</b>	1.0	1.1	1.0
<b>Depreciation</b>	1.6	1.5	1.3
<b>Total Operating Expenses</b>	<u>41.0</u>	<u>40.4</u>	<u>39.4</u>

In the schedules of operating expenses shown above, the total expenditures increased about 1.5% over the prior year. The bulk of this increase is in the natural category of Salaries and Benefits and the functional category of Instruction and Operations and Plant Maintenance.

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

**TEMPLE COLLEGE**

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All employees received a 2.5% raise in FY 2014. This increase in employee compensation was critical to improve both morale among employees and the College's ability to attract and retain good employees.

**SALARY INCREASES (%)**

(Fall Term)

**Temple College**

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
3%	3%	0%	2% or 1.5%	3% or 1.5%	4%	3%	4%

**OPERATING RESULT FOR THE YEAR**

(In Millions)

**Temple College**

	<u>Year Ended 8/31/2014</u>	<u>Year Ended 8/31/2013</u>	<u>Year Ended 8/31/2012</u>
<b>Operating Revenues</b>			
Tuition & Fees (net of exemptions)	11.5	12.2	12.6
Grants, Contracts & Other	2.8	2.6	2.9
Total Operating Revenues	<u>14.3</u>	<u>14.8</u>	<u>15.5</u>
<b>Operating Expenses</b>	<u>41.0</u>	<u>40.4</u>	<u>39.4</u>
<b>Net Operating Revenues (Expenses)</b>	<u>(26.7)</u>	<u>(25.6)</u>	<u>(23.9)</u>
<b>Non-Operating Revenues (Expenses)</b>			
State Allocations	9.6	9.2	9.5
Maintenance & Obligation Ad Valorem Taxes	5.5	5.2	5.0
General Obligation Debt Taxes	2.1	2.1	2.1
Federal Revenue, Non-Operating	12.7	13.1	14.3
Gifts	0.0	0.1	0.0
Interest on Capital Related Debt	(1.3)	(1.5)	(1.9)
Other Non-Operating	(0.2)	(0.5)	(0.2)
Total Non-Operating Revenues (Expenses)	<u>28.4</u>	<u>27.7</u>	<u>28.7</u>
<b>Increase (Decrease in Net Position)</b>	1.7	2.1	4.8
<b>Net Position - Beginning of Year</b>	<u>32.6</u>	<u>30.5</u>	<u>25.7</u>
<b>Net Position - End of Year</b>	<u>34.3</u>	<u>32.6</u>	<u>30.5</u>
<b>Percent Increase/(Decrease)</b>	5.2%	6.9%	18.7%

## TEMPLE COLLEGE

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Although, property taxes are considered non-operating revenue by GASB, this revenue is a major component of the College operating budget. For the FY 2014, the property tax rate remained the same as the prior year at \$0.2036/\$100.

### PROPERTY TAX RATES

(per \$100 value)

#### Temple College

	Rate/\$100 Value		
	2014	2013	2012
Maintenance	\$ 0.1466	\$ 0.1459	\$ 0.1440
Debt Service	0.0570	0.0577	0.0614
Total	<u>\$ 0.2036</u>	<u>\$ 0.2036</u>	<u>\$ 0.2054</u>

The net assessed valuation for the district increased for FY 2014 to \$3,770,613,516 from the previous year (FY 2013) amount of \$3,572,768,211. The property tax rate cap for the Temple College district is \$0.25/\$100 valuation. This is the maximum permissible rate for both debt service requirements and operations combined.

### Statement of Cash Flows

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

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

The College liquidity position increased \$1,367,597 during this year ended August 31, 2014, as shown in the chart below:

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

	Year Ended <u>8/31/2014</u>	Year Ended <u>8/31/2013</u>	Year Ended <u>8/31/2012</u>
Cash provided (used) by:			
Operating activities	(24.1)	(22.3)	(20.7)
Non-capital financing activities	28.1	28.1	29.1
Capital and related financing activities	(5.5)	(7.3)	(11.7)
Investing activities	<u>2.9</u>	<u>3.7</u>	<u>2.6</u>
Net Increase (decrease) in cash	1.4	2.2	(0.7)
Cash, beginning of the year	<u>4.0</u>	<u>1.8</u>	<u>2.5</u>
Cash, end of the year	<u><u>5.4</u></u>	<u><u>4.0</u></u>	<u><u>1.8</u></u>

**Capital Asset and Debt Administration**

On August 31, 2014, the College had \$66.0 million invested in capital assets, net of approximately \$20.0 million in accumulated depreciation.

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

	Year Ended <u>8/31/2014</u>	Year Ended <u>8/31/2013</u>	Year Ended <u>8/31/2012</u>
Land	\$ 3.2	\$ 3.2	\$ 1.8
Buildings	34.8	34.9	27.7
Land Improvements	6.3	6.5	4.6
Construction in Progress	0.1	-	6.9
Furniture & Equipment	1.4	1.3	1.2
Library Materials	<u>0.2</u>	<u>0.2</u>	<u>0.3</u>
Totals	<u><u>\$ 46.0</u></u>	<u><u>\$ 46.1</u></u>	<u><u>\$ 42.5</u></u>

## TEMPLE COLLEGE

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At year-end 2014, Temple College had approximately \$35.2 million in debt outstanding, a \$2.6 million decrease from the prior year-end balance of \$37.8 million. The table below summarizes this amount by debt type.

### OUTSTANDING DEBT, AT YEAR-END

(as of August 31)

#### Temple College

	<u>8/31/2014</u>	<u>8/31/2013</u>	<u>8/31/2012</u>
<b>Bonds/Capital Leases</b>			
Revenue Bonds	\$ 10,455,000	\$11,600,000	\$ 12,635,000
General Obligation Bonds	21,710,000	22,920,000	24,090,000
Leases	<u>2,999,597</u>	<u>3,313,713</u>	<u>1,536,013</u>
<b>TOTAL BONDS/LEASES</b>	<u>\$ 35,164,597</u>	<u>\$37,833,713</u>	<u>\$ 38,261,013</u>

During FY 2014, all scheduled debt service requirements were paid.

#### Economic Factors That Will Affect the Future

As we enter a new biennium, the Texas Legislature is providing community colleges with a much more stable outlook for state appropriations. The debate over “proportionality” has seemingly been resolved. State contributions for employee benefits are now set and colleges can accurately plan for future levels of benefits funding from the state. The move toward performance-based funding (student success points) has been embraced by community colleges and the state legislature.

The College will continue to rely heavily upon student tuition and fees for funding the majority of its operational expenses. Tuition rates have been held constant for three consecutive years allowing us to be more competitive with other community colleges around the state. If enrollment growth remains stagnant during the coming fiscal year, the College may have to once again turn to higher tuition and fees to meet its ongoing financial obligations.

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

## **FINANCIAL STATEMENTS**



Statement of Net Position  
August 31, 2014 and August 31, 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,903,291	\$ 735,974
Short Term Investments	15,857,053	21,211,597
Accounts Receivable (net)	6,001,884	6,692,317
Prepaid Expenses	518,827	17,999
<b>Total Current Assets</b>	<u>24,281,055</u>	<u>28,657,887</u>
<b>Non-Current Assets</b>		
Restricted Cash and Cash Equivalents	\$3,475,496	3,275,216
Other Long-Term Investments	4,462,014	2,000,000
Capital Assets (net)(See note 6)	45,943,898	46,072,921
<b>Total Non-Current Assets</b>	<u>53,881,408</u>	<u>51,348,137</u>
<b>Total Assets</b>	<u>\$ 78,162,463</u>	<u>\$ 80,006,024</u>
<b>Deferred Outflows of Resources</b>	-	-
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	727,345	857,276
Unearned Revenue	6,541,110	7,292,055
Funds Held for Others	605,851	566,003
Capital Leases - Current Portion	319,299	314,258
Bonds Payable - Current Portion	2,450,000	2,355,000
<b>Total Current Liabilities</b>	<u>10,643,605</u>	<u>11,384,592</u>
<b>Non-Current Liabilities</b>		
Accrued Compensable Absences	863,150	851,664
Capital Leases	2,680,298	2,999,455
Bonds Payable	29,715,000	32,165,000
<b>Total Non-Current Liabilities</b>	<u>33,258,448</u>	<u>36,016,119</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 43,902,053</u>	<u>\$ 47,400,711</u>
<b>Deferred Inflows of Resources</b>	-	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	10,893,689	9,614,068
Restricted for:		
Non-expendable		
Student Aid	723,256	669,309
Expendable		
Loan	28,466	28,466
Debt Service	7,758,261	7,874,560
Unrestricted	14,856,738	14,418,910
<b>Total Net Position (Schedule D)</b>	<u>34,260,410</u>	<u>32,605,313</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 78,162,463</u>	<u>\$ 80,006,024</u>

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

Temple Junior College Foundation, Inc.

Exhibit 1-A

Statement of Financial Position

August 31, 2013

Assets	2013	2012
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 136,158	\$ 191,486
Investments	303,330	190,818
Short-term note receivable	21,761	23,293
Unconditional promises to give, less allowance for uncollectible promises of \$0 and \$0	126,597	151,580
Other receivables	24,538	20,336
Total Current Assets	612,384	577,513
<b>Endowment Investments:</b>		
Cash and cash equivalents	43,069	686,244
Investments	4,787,279	3,798,807
Total Endowment Investments	4,830,348	4,485,051
Buildings, furniture, and equipment, net	6,167,533	6,399,837
Assets held in trust - long term	497,502	452,706
Long-term unconditional promises to give, less allowance for uncollectible promises of \$14,450 and \$3,200	65,550	204,550
Investment in real estate	329,582	329,582
Bond issuance costs, net of accumulated amortization of \$0	637,857	672,650
Total Assets	\$ 13,140,756	\$ 13,121,889
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 73,178	\$ 77,811
Accrued vacation payable	16,226	14,933
Accrued other	36,335	30,098
Accrued interest payable	484,007	427,997
Current portion - bonds payable	130,000	125,000
Deferred revenue	115,754	121,707
Total Current Liabilities	855,500	797,546
<b>Long-term Liabilities:</b>		
Bonds payable, net of current portion and bond discount	10,554,975	10,672,700
Promissory note	1,244,033	1,049,034
Total Liabilities	12,654,508	12,519,280
<b>Net Assets:</b>		
<b>Unrestricted Net Assets:</b>		
Operating	(11,190,685)	(11,420,697)
Fixed assets	6,167,533	6,399,837
Total Unrestricted Net Assets	(5,023,152)	(5,020,860)
Temporarily restricted net assets	677,052	1,075,668
Permanently restricted net assets	4,832,348	4,547,801
Total Net Assets	486,248	602,609
Total Liabilities and Net Assets	\$ 13,140,756	\$ 13,121,889

Statement of Revenues, Expenses, and Changes in Net Position  
Years Ended August 31, 2014 and August 31, 2013

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues</b>		
Tuition and Fees (Net of Allowances and Discounts \$6,448,110 and \$6,043,721, respectively)	\$ 11,467,980	\$ 12,237,686
Federal Grants and Contracts	516,099	526,766
State Grants and Contracts	384,191	441,922
Private, Gifts, Grants, and Contracts	1,012,625	872,231
Sales and Services of Educational Activities	2,000	3,119
Auxiliary Enterprises	323,505	295,841
Other Operating Revenues	548,767	451,194
<b>Total Operating Revenues (Schedule A)</b>	<u>14,255,167</u>	<u>14,828,759</u>
<b>Operating Expenses</b>		
Instruction	13,801,015	13,343,474
Public Service	628,553	640,914
Academic Support	2,568,976	2,450,670
Student Services	3,061,536	2,809,378
Institutional Support	6,234,634	6,221,177
Operation and Maintenance of Plant	3,364,739	3,014,972
Scholarships and Fellowships	8,747,793	9,340,659
Auxiliary Enterprises	1,034,566	1,079,387
Depreciation	1,572,653	1,490,217
<b>Total Operating Expenses (Schedule B)</b>	<u>41,014,465</u>	<u>40,390,848</u>
<b>Operating Loss</b>	<b>(26,759,298)</b>	<b>(25,562,089)</b>
<b>Non-Operating Revenues (Expenses)</b>		
State Appropriations	9,636,601	9,221,179
Maintenance Ad Valorem Taxes	5,524,656	5,217,902
Debt Service Ad Valorem Taxes	2,140,412	2,057,274
Federal Revenue, Non-Operating	12,687,320	13,088,298
Gifts	-	59,400
Investment Income	10,734	18,502
Interest on Capital Related Debt	(1,353,992)	(1,510,134)
Loss on Disposal of Fixed Assets	(63,329)	(413,527)
Other Non-Operating Revenues	-	262
Other Non-Operating Expenses	(168,007)	(113,297)
<b>Net Non-Operating Revenues (Expenses) (Schedule C)</b>	<u>28,414,395</u>	<u>27,625,859</u>
<b>Increase (Decrease) in Net Position</b>	<b>1,655,097</b>	<b>2,063,770</b>
<b>Net Position</b>		
Net Position - Beginning of Year	32,605,313	30,541,543
<b>Net Position - End of Year</b>	<u><u>\$ 34,260,410</u></u>	<u><u>\$ 32,605,313</u></u>

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

Temple Junior College Foundation, Inc.  
Statement of Activities  
Year Ended August 31, 2013

Exhibit 2-A

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains and Other Support</b>				
Contributions	\$ 25,822	\$ 81,829	\$ 166,598	\$ 274,249
Special events	-	78,956	-	78,956
Interest and dividends	14,754	-	137,617	152,371
Gain/(loss) on Sale of Assets	18,344	-	267,464	285,808
Unrealized gain/(losses)	(7,828)	1,474	27,354	21,000
Rental income, net	1,068,480	-	-	1,068,480
Miscellaneous income	62,618	-	-	62,618
Assets released from restrictions	828,991	(514,505)	(314,486)	-
<b>Total revenues, gains and other support</b>	<b>2,011,181</b>	<b>(352,246)</b>	<b>284,547</b>	<b>1,943,482</b>
<b>Expenses and Losses</b>				
<b>Programs:</b>				
Rental operating expenses	520,494	-	-	520,494
Scholarship Awards	238,810	-	-	238,810
Special events	-	46,370	-	46,370
<b>Total programs</b>	<b>759,304</b>	<b>46,370</b>	<b>-</b>	<b>805,674</b>
Administration	448,560	-	-	448,560
Interest	706,735	-	-	706,735
Other Expenses	98,874	-	-	98,874
<b>Total expenses and losses</b>	<b>2,013,473</b>	<b>46,370</b>	<b>-</b>	<b>2,059,843</b>
<b>Change in net assets</b>	<b>(2,292)</b>	<b>(398,616)</b>	<b>284,547</b>	<b>(116,361)</b>
<b>Net assets as of beginning of year</b>	<b>(5,020,860)</b>	<b>1,075,668</b>	<b>4,547,801</b>	<b>602,609</b>
<b>Net assets as of end of year</b>	<b>\$ (5,023,152)</b>	<b>\$ 677,052</b>	<b>\$ 4,832,348</b>	<b>\$ 486,248</b>

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

Exhibit 2-B

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

**Statement of Cash Flows**  
**For the Year Ended August 31, 2014 and August 31, 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 10,935,013	\$ 12,832,303
Receipts from grants and contracts	2,814,493	3,089,607
Payments to or on behalf of employees	(20,537,226)	(20,064,238)
Payments to suppliers for goods or services	(8,604,898)	(8,814,617)
Payments for scholarships and fellowships	(8,755,407)	(9,354,178)
<b>Net cash provided (used) by operating activities</b>	<u>(24,148,025)</u>	<u>(22,311,123)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from state appropriations	7,966,261	7,847,519
Receipts from non-operating federal revenue	12,687,320	13,088,298
Receipts from ad valorem taxes	7,656,851	7,284,785
Other payments	(168,007)	(113,035)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>28,142,425</u>	<u>28,107,567</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of capital debt	-	4,161,168
Purchases of capital assets	(1,506,960)	(5,381,541)
Payments on capital debt and leases - principal	(2,669,116)	(4,588,468)
Payments on capital debt and leases - interest	(1,353,992)	(1,510,134)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(5,530,068)</u>	<u>(7,318,975)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts from interest on investments	10,734	18,502
Purchase of investments	(41,015,655)	(54,941,113)
Proceeds from sales and maturities of investments	43,908,186	58,651,980
<b>Net cash provided (used) by investing activities</b>	<u>2,903,265</u>	<u>3,729,369</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>1,367,597</u>	<u>2,206,838</u>
Cash and cash equivalents - beginning of year	4,011,190	1,804,352
<b>Cash and cash equivalents - end of year</b>	<u><u>5,378,787</u></u>	<u><u>\$ 4,011,190</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities</b>		
Operating income (loss)	\$ (26,759,298)	\$ (25,562,089)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	1,572,653	1,490,217
Payments made directly by state for benefits	1,670,340	1,373,661
Changes in assets and liabilities		
Receivables, net	(154,989)	317,239
Deferred expense	352,811	797,494
Accounts payable	(137,545)	(708,017)
Funds held for others	47,462	(32,449)
Deferred revenue	(750,945)	10,867
Compensated absences	11,486	1,954
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (24,148,025)</u></u>	<u><u>\$ (22,311,123)</u></u>

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

**Temple College**  
Notes to the Financial Statements  
August 31, 2014

**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.

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

**Temple College**  
Notes to the Financial Statements  
August 31, 2014

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 \$2,000 and \$20,748 at August 31, 2014 and August 31, 2013, 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

**Unearned Revenue**

Tuition and fees of \$6,444,134 and \$6,965,158 have been reported as deferred revenues at August 31, 2014 and August 31, 2013, respectively.



**Temple College**  
Notes to the Financial Statements  
August 31, 2014

**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	2014	2013
Demand Deposits	\$ 5,374,981	\$ 4,007,633
Time Deposits	-	-
	<u>\$ 5,374,981</u>	<u>\$ 4,007,633</u>
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 3,806	\$ 3,557
Reimbursements in Transit	-	-
	<u>\$ 3,806</u>	<u>\$ 3,557</u>
Total Cash and Cash Equivalents	<u>\$ 5,378,787</u>	<u>\$ 4,011,190</u>

**Temple College**  
Notes to the Financial Statements  
August 31, 2014

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

Type of Security	Market Value <u>August 31, 2014</u>	Market Value <u>August 31, 2013</u>
Total Cash and Deposits	<u>\$ 5,378,787</u>	<u>\$ 4,011,190</u>
CD's	4,462,014	4,000,000
Chase Bank Savings Account	5,029,719	5,358,827
BBVA Compass Money Market	1,000	10,000
Tex Pool	2,000	20,748
Texas Class	10,824,334	13,822,022
Total Investments	<u>\$ 20,319,067</u>	<u>\$ 23,211,597</u>
<b>TOTAL DEPOSITS AND INVESTMENTS</b>	<u><u>\$ 25,697,854</u></u>	<u><u>\$ 27,222,787</u></u>
Cash and Cash Equivalents (Exhibit 1)	1,903,291	735,974
Restricted Cash and Cash Equivalents (Exhibit 1)	3,475,496	3,275,216
Short Term Investments (Exhibit 1)	15,857,053	21,211,597
Other Long Term Investments (Exhibit 1)	<u>4,462,014</u>	<u>2,000,000</u>
<b>TOTAL DEPOSITS AND INVESTMENTS (Exhibit 1)</b>	<u><u>\$ 25,697,854</u></u>	<u><u>\$ 27,222,787</u></u>

As of August 31, 2014, the College had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>N/A</u>
		<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>	
Savings Account	\$ 5,029,719	\$ 5,029,719			
Money Market Account	\$ 1,000	\$ 1,000			
Commercial Paper	-	-	-	-	-
Investment Pool	10,826,334	10,826,334	-	-	-
Certificate of Deposit	4,462,014	-	4,462,014	-	-
Municipal Bonds	-	-	-	-	-
Common Stock	-	-	-	-	-
<b>Total Fair Value</b>	<u><u>\$20,319,067</u></u>	<u><u>\$15,857,053</u></u>	<u><u>\$4,462,014</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The governing board has designated Tex Pool investment pools comprised of \$2,000 and \$20,748 at August 31, 2014 and August 31, 2013, 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.

**Temple College**  
Notes to the Financial Statements  
August 31, 2014

**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.

During fiscal year 2014, the College experienced eighteen days where deposits at local banks were under collateralized. The average amount that was under collateralized was approximately \$3.1 million. Temple College is working with our local banks to ensure that sufficient collateral is on hand to cover all of the College’s deposits.

**5. Derivatives**

None.

**6. Capital Assets**

Capital assets activity for the year ended August 31, 2014, was as follows:

	<u>Balance</u> <u>9/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2014</u>
<b><u>Not Depreciated:</u></b>				
Land	\$ 3,233,765	\$ -	\$ -	\$ 3,233,765
Construction in Process	<u>-</u>	<u>74,144</u>	<u>-</u>	<u>74,144</u>
<b>Total Not Depreciated</b>	3,233,765	74,144	-	3,307,909
<b><u>Buildings and Other Capital Assets:</u></b>				
Buildings	43,968,145	764,598	-	44,732,743
Land Improvements	9,357,297	280,459	-	9,637,756
Library Books	1,930,253	46,824	59,227	1,917,850
Furniture, Machinery, Vehicles, And Other Equipment	2,081,112	293,815	125,184	2,249,743
Telecommunications and Peripheral Equipment	<u>4,097,519</u>	<u>47,120</u>	<u>-</u>	<u>4,144,639</u>
Total Buildings and Other Capital Assets	<u>61,434,326</u>	<u>1,432,816</u>	<u>184,411</u>	<u>62,682,731</u>

**Temple College**  
Notes to the Financial Statements  
August 31, 2014

	<u>Balance</u> <u>9/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2014</u>
<b><u>Accumulated Depreciation:</u></b>				
Buildings	9,114,753	789,480	-	9,904,233
Land Improvements	2,891,866	408,626	-	3,300,492
Library Books	1,733,503	39,832	12,149	1,761,186
Furniture, Machinery, Vehicles, And Other Equipment	1,257,392	180,957	108,932	1,329,417
Telecommunications and Peripheral Equipment	<u>3,597,656</u>	<u>153,758</u>	<u>-</u>	<u>3,751,414</u>
Total Accumulated Depreciation	<u>\$18,595,170</u>	<u>\$1,572,653</u>	<u>\$ 121,081</u>	<u>\$ 20,046,742</u>
<b>Net Other Capital Assets</b>	<u>\$42,839,156</u>	<u>\$ (139,837)</u>	<u>\$ 63,330</u>	<u>\$ 42,635,989</u>
<b>Net Capital Assets</b>	<u>\$46,072,921</u>	<u>\$ (65,693)</u>	<u>\$ 63,330</u>	<u>\$ 45,943,898</u>

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

	<u>Balance</u> <u>9/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2013</u>
<b><u>Not Depreciated:</u></b>				
Land	\$ 1,850,055	\$ 1,383,710	\$ -	\$ 3,233,765
Construction in Process	<u>6,877,556</u>	<u>3,645,087</u>	<u>10,522,643</u>	<u>-</u>
<b>Total Not Depreciated</b>	8,727,611	5,028,797	10,522,643	3,233,765
<b><u>Buildings and Other Capital Assets:</u></b>				
Buildings	36,235,076	8,132,211	399,142	43,968,145
Land Improvements	7,194,609	2,281,731	119,043	9,357,297
Library Books	1,915,810	46,060	31,617	1,930,253
Furniture, Machinery, Vehicles, And Other Equipment	2,033,819	81,881	34,588	2,081,112
Telecommunications and Peripheral Equipment	<u>3,704,617</u>	<u>392,902</u>	<u>-</u>	<u>4,097,519</u>
Total Buildings and Other Capital Assets	<u>51,083,931</u>	<u>10,934,785</u>	<u>584,390</u>	<u>61,434,326</u>

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	<u>Balance</u> <u>9/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2013</u>
<b><u>Accumulated Depreciation:</u></b>				
Buildings	8,500,611	716,593	102,451	9,114,753
Land Improvements	2,591,780	356,334	56,248	2,891,866
Library Books	1,669,589	44,357	(19,557)	1,733,503
Furniture, Machinery, Vehicles, And Other Equipment	1,102,760	186,353	31,721	1,257,392
Telecommunications and Peripheral Equipment	<u>3,411,077</u>	<u>186,579</u>	<u>-</u>	<u>3,597,656</u>
Total Accumulated Depreciation	<u>\$17,275,817</u>	<u>\$ 1,490,216</u>	<u>\$ 170,863</u>	<u>\$ 18,595,170</u>
<b>Net Other Capital Assets</b>	<u>\$33,808,114</u>	<u>\$ 9,444,569</u>	<u>\$ 413,527</u>	<u>\$ 42,839,156</u>
<b>Net Capital Assets</b>	<u>\$42,535,725</u>	<u>\$14,473,366</u>	<u>\$10,936,170</u>	<u>\$ 46,072,921</u>

**7. Long Term Liabilities**

Long-term liability activity for the year ended August 31, 2014 was as follows:

	<u>Balance</u> <u>September 1,</u> <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>August 31,</u> <u>2014</u>	<u>Current</u> <u>Portion</u>
<u>Bonds</u>					
General obligation bonds	\$ 22,920,000	\$ -	\$ 1,210,000	\$ 21,710,000	\$ 1,260,000
Revenue bonds	<u>11,600,000</u>	<u>-</u>	<u>1,145,000</u>	<u>10,455,000</u>	<u>1,190,000</u>
Subtotal	<u>\$ 34,520,000</u>	<u>\$ -</u>	<u>\$ 2,355,000</u>	<u>\$ 32,165,000</u>	<u>\$ 2,450,000</u>
<u>Leases</u>	3,313,713	-	314,116	2,999,597	319,299
<u>Accrued compensable absences</u>	<u>851,664</u>	<u>14,651</u>	<u>3,165</u>	<u>863,150</u>	<u>-</u>
<b>Total long-term liabilities</b>	<u>\$ 38,685,377</u>	<u>\$ 14,651</u>	<u>\$ 2,672,281</u>	<u>\$ 36,027,747</u>	<u>\$2,769,299</u>

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

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

## 8. Debt and Lease Obligations

For the Year Ended	<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>
<u>August 31,</u>									
2015	\$ 1,260,000	\$ 894,939	\$ 2,154,939	\$ 1,190,000	\$ 364,031	\$ 1,554,031	\$ 2,450,000	\$ 1,258,970	\$ 3,708,970
2016	1,315,000	841,268	2,156,268	1,230,000	323,212	1,553,212	2,545,000	1,164,480	3,709,480
2017	1,365,000	785,231	2,150,231	1,025,000	280,855	1,305,855	2,390,000	1,066,086	3,456,086
2018	1,425,000	727,071	2,152,071	1,060,000	245,337	1,305,337	2,485,000	972,408	3,457,408
2018	1,485,000	666,348	2,151,348	1,105,000	208,547	1,313,547	2,590,000	874,895	3,464,895
2020-2024	7,225,000	2,355,831	9,580,831	4,300,000	497,858	4,797,858	11,525,000	2,853,689	14,378,689
2025-2029	5,725,000	1,009,967	6,734,967	545,000	21,800	566,800	6,270,000	1,031,767	7,301,767
2030-2031	<u>1,910,000</u>	<u>113,957</u>	<u>2,023,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,910,000</u>	<u>113,957</u>	<u>2,023,957</u>
<b>Total</b>	<b><u>\$21,710,000</u></b>	<b><u>\$ 7,394,612</u></b>	<b><u>\$29,104,612</u></b>	<b><u>\$10,455,000</u></b>	<b><u>\$1,941,640</u></b>	<b><u>\$12,396,640</u></b>	<b><u>\$32,165,000</u></b>	<b><u>\$ 9,336,252</u></b>	<b><u>\$41,501,252</u></b>

**Temple College**  
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Obligations under capital leases at August 31, 2014 were as follows:

<b>For the Year Ended August 31,</b>	<b><u>Total</u></b>
2015	\$ 437,837
2016	442,903
2017	447,987
2018	453,620
2019	328,308
2020-2024	772,073
2025-2029	472,558
2030-2034	472,371
2035-2036	<u>188,859</u>
Total minimum lease payments	\$ 4,016,516
Less: Amount representing interest costs	<u>(1,016,919)</u>
Present value of minimum lease payment	<u>\$ 2,999,597</u>

Obligation under operating leases at August 31, 2014 were as follows:

<b>For the Year Ended August 31,</b>	<b><u>Total</u></b>
2015	\$ 601,700
2016	614,872
2017	622,270
2018	619,813
2019	616,330
2020-2024	3,014,582
2025-2029	2,907,907
2030-2034	2,787,907
2035-2036	<u>1,078,500</u>
Total minimum lease payments	\$12,863,881
Less: Amount representing interest costs	<u>-</u>
Present value of minimum lease payment	<u>\$12,863,881</u>

Temple College leases building space from Texas State Technical College under a non-cancellable operating lease agreement. The lease is for a 25 year term; the College has the option to renew the lease for two additional 25 year terms. Fiscal year 2012 is the first year this lease was in effect. The amount included in expenditures for rent under this agreement at August 31, 2014 and 2013 for rent under this lease were \$588,325 and \$575,099, respectively.

**Temple College**  
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**9. Bonds Payable**

Bonds payable at August 31, 2014 are comprised of the following individual issues:

\$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. \$ 3,760,000

\$10,000,000 Revenue and Refunding Bonds, Series 2006, issued 12-21-06, due in installments of \$140,000 to \$545,000 from 7-1-09 through 7-1-25; interest at 4.00% to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations, or facilities of any nature; to refund Series 1996 bonds maturing 2013 through 2015, 2018 and 2021 inclusive on aggregate principal amount of \$3,540,000; for funding a reserve fund paying costs of issuance related to bonds; to refund Series 2000 maturing 7-1-13 through 7-1-25 in aggregate principal amount of \$3,885,000. 7,975,000

\$7,500,000 Limited Tax School Building and Equipment, Bonds Series 2007, issued 2-27-07, due in installments of \$155,000 to \$535,000, from 7-1-08 to 7-1-27; interest at 3.980% to provide funds for construction and equipment of school buildings, including a new science building and renovations to existing facilities of the district. 5,580,000

\$1,500,000 Revenue Bonds, Series 2009 issued 6-18-09, due in installments of \$190,000 to \$240,000 from 7-1-10 through 7-1-16, 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 with the bonds, secured by a pledge of certain revenues. 470,000

\$13,000,000 Temple Junior College District Limited Tax School Building Bonds, Series 2010 issued 12-30-10, due in installments of \$125,000 to \$975,000 from 7-1-10 to 8-31-31, interest at 3.950%, to provide funds for the construction and equipment of school buildings in said District, including a new instructional building; to provide funds for construction and renovations to existing facilities of the District, including academic buildings, parking facilities, streets, landscaping, and other campus infrastructure; to levy, pledge, and cause to be assessed and collected, annual ad valorem taxes on all property in said District sufficient to pay the principal of, and interest on said bonds, within the limit prescribed by law. 12,370,000

\$2,210,000 Revenue and Refunding Bonds, Series 2013 issued 5-14-13, due in installments of \$200,000 to \$235,000 from 7-1-14 through 7-1-23, interest at 1.45%, to refund Series 2003 Revenue and Refunding Bonds maturing 2014 through 2013 inclusive on aggregate principal amount of \$2,160,000, and to pay costs of issuance associated with the bonds, secured by a pledge of certain revenues and additionally secured by the Reserve fund. 2,010,000

All authorized bonds were issued for each series. \$32,165,000



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For the year ended August 31, 2014 the College was in compliance with all significant covenants and restrictions that are contained in the various bond indentures. Revenues pledged for retirement of Revenue Bonds consist of tuition, fees and various auxiliary income.

**10. Advance Refunding Bonds**

Not applicable.

**11. Defeased Bonds Outstanding**

Not applicable.

**12. Short-term Debt**

Not applicable.

**13. Employees' Retirement Plan**

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

**Teacher Retirement System of Texas**

*Plan Description.* Temple College contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy.* Contribution requirements are not actuarially determined but established and amended by the Texas state legislature. The state funding policy is as follows; (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for Fiscal Years 2014 and 2013 and a state contribution rate of 6.8% for Fiscal Year 2014 and 6.4% for Fiscal Year 2013. In certain instances the reporting district is required to make all or a portion of the state's 6.8% contribution for Fiscal Year 2014 and 6.4% for Fiscal Year 2013.

**Optional Retirement Plan**

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

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant

**Temple College**  
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are 6.6% 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 \$178,051 and \$506,327 for the fiscal years ended August 31, 2014 and 2013 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College. This was reduced to 50% in FY 2014.

The total payroll for all College employees was \$17,321,596 and \$16,683,282 for fiscal years 2014 and 2013 respectively. The total payroll of employees covered by the Teacher Retirement System was \$8,516,459 and \$9,224,211 and the total payroll of employees covered by the Optional Retirement System was \$5,395,479 and \$5,505,860 for fiscal years 2014 and 2013, 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, 2014, the College has 4 employees participating in the program. Three employees were vested as of August 31, 2014. A total of \$11,200 in contributions was invested in the plan during the fiscal year. The funds are invested in Great-West Retirement Services in each employee's accounts and are not a liability to Temple College.

**15. Compensable Absences**

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with Temple College. The College's policy is that an employee may carry his/her accrued leave forward with proper approval. Employees who terminate employment for whatever reason are entitled to payment for all accumulated annual leave up to a maximum of one year's worth of accumulation. The College recognized the accrued liability for the unpaid annual leave in the amount of \$395,286 and \$380,878 for fiscal years 2014 and 2013, respectively.

Sick leave, which is accumulated up to a limit of 1040 hours, is earned at the rate of 8 hours per month and is paid to an employee who misses work from illness or immediate family illness. Employees who terminate employment for whatever reason or upon death of the employee, in which the funds are paid to the estate of the employee, are entitled to payment of 173.33 hours provided the employee has worked 10 or more years of full-time employment at Temple College. The maximum sick leave that may be paid to the employee at termination of employment, or the employee's estate, is 173.33 hours. The College recognized the accrued liability for the unpaid sick leave in the amount of \$467,864 and \$470,786 for fiscal years 2014 and 2013, respectively.

**16. Pending Lawsuits and Claims**

As of August 31, 2014, there were no pending lawsuits or claims against the College.

**Temple College**  
Notes to the Financial Statements  
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**17. Disaggregation of Receivables and Payables Balances**

**Receivables**

Receivables at August 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Student Receivables	\$ 5,489,832	\$ 5,820,163
Taxes Receivable	267,493	263,841
Federal Receivable	104,800	157,021
State Receivable	14,113	73,673
Other Receivable	<u>967,424</u>	<u>1,208,454</u>
Subtotal	\$ <u>6,843,662</u>	\$ <u>7,523,152</u>
Less: Allowance for Doubtful Accounts	<u>(841,778)</u>	<u>(830,835)</u>
<b>Total Receivables</b>	<b><u>\$6,001,884</u></b>	<b><u>\$ 6,692,317</u></b>

**Payables**

Payables at August 31, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
Vendors Payable	\$ 746,047	\$ 872,303
Salaries & Benefits Payable	57	111,524
Students Payable	<u>(18,759)</u>	<u>(126,551)</u>
<b>Total Payables</b>	<b><u>\$ 727,345</u></b>	<b><u>\$ 857,276</u></b>

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

None.

**19. Contract and Grant Awards**

Contract and grants awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contracts and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2014 and 2013 for which monies have not been received nor funds expended totaled \$14,066,214 and \$13,220,843. Of these amounts, \$14,045,803 and \$13,154,692 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.

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**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 \$971.98 per month for the year ended August 31, 2014 (\$912.76 per month for 2013) and totaled \$1,202,730 for 2014 (\$867,334 for 2013). The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

**22. Ad Valorem Tax**

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

At August 31:

	<u>2014</u>	<u>2013</u>
Assessed Valuation of the College:	\$ 4,729,825,493	\$4,515,039,905
Less: Exemptions	(898,251,162)	(895,139,778)
Less: Abatements	<u>(60,960,815)</u>	<u>(47,131,916)</u>
Net Assessed Valuation of the College	<u>\$ 3,770,613,516</u>	<u>\$ 3,572,768,211</u>

	<u>Current</u>	<u>2014</u>	<u>Debt</u>	<u>Service</u>	<u>Total</u>	<u>Current</u>	<u>2013</u>	<u>Debt</u>	<u>Service</u>	<u>Total</u>
Authorized										
Tax Rate per										
\$100 valuation	\$ -	\$ -	\$ -	\$ 0.25	\$ -	\$ -	\$ -	\$ -	\$ 0.25	\$ 0.25
Assessed										
Tax Rate per										
\$100 valuation	\$ 0.1466	\$ 0.0570	\$ 0.2036	\$ 0.1459	\$ 0.0577	\$ 0.2036	\$ 0.1459	\$ 0.0577	\$ 0.2036	\$ 0.2036

Taxes levied for the year ended August 31, 2014 and 2013 amounted to \$7,645,910 and \$7,244,764, 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>2014</u>	<u>Debt</u>	<u>Service</u>	<u>Total</u>	<u>Current</u>	<u>2013</u>	<u>Debt</u>	<u>Service</u>	<u>Total</u>
Current Tax Collected	\$ 5,426,555	\$ 2,106,114	\$ 7,532,669	\$ 5,127,485	\$ 2,023,507	\$ 7,150,992				
Delinquent Taxes Collected	48,090	16,980	65,070	49,783	18,656	68,439				
Penalties & Interest Collected	<u>50,011</u>	<u>17,318</u>	<u>67,329</u>	<u>40,634</u>	<u>15,111</u>	<u>55,745</u>				
Total Collections	<u>\$ 5,524,656</u>	<u>\$ 2,140,412</u>	<u>\$ 7,665,068</u>	<u>\$ 5,217,902</u>	<u>\$ 2,057,274</u>	<u>\$ 7,275,176</u>				

**Temple College**  
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Tax collections for the year ended August 31, 2014 and 2013 were 98.5% and 98.7%, respectively of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

**23. Branch Campus Tax**

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

County or I.S.D.	Collections (including penalties and interest)	
	FY 2014	FY 2013
Hutto I.S.D.	\$ 798,000	\$ 771,140

**24. Income Taxes**

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2014 and 2013.

**25. Component Units**

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

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

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). Fiscal year 2014 financial statements were not included, as the audit for 2014 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.

**Temple College**  
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**27. Subsequent Events**

None.

**28. Postemployment Benefits Other than Pensions**

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

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

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

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

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

The College's contributions to SRHP for the years ended August 31, 2014, 2013 and 2012 were \$3,382,109, \$3,526,858, and \$2,771,082, respectively, which equaled the required contributions each year.

**29. Subsequent Accounting Pronouncements**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27, was issued June of 2012 and will apply to the College's financial statements beginning with the year ended August 31, 2015. This statement will require the College to recognize a liability for its proportionate share of the net pension liability.

**SUPPLEMENTARY SCHEDULES**

Schedule of Operating Revenues  
For the Year Ended August 31, 2014 (with Memorandum Totals for the Year Ended August 31, 2013)

	Unrestricted	Restricted	Total Educational	Auxiliary Enterprises	2014 Total	2013 Total
<b>Tuition</b>						
State funded courses						
District tuition	\$ 6,474,155	\$ -	\$ 6,474,155	\$ -	\$ 6,474,155	\$ 6,593,636
Out-of-district tuition	4,271,630	-	4,271,630	-	4,271,630	4,496,208
Non-resident tuition	474,041	-	474,041	-	474,041	430,774
Health science tuition	191,658	-	191,658	-	191,658	207,862
TPEG-Credit (set aside)*	417,629	-	417,629	-	417,629	424,523
State funded community education	578,842	-	578,842	-	578,842	547,706
TPEG-Non-Credit (set aside)*	78,333	-	78,333	-	78,333	70,086
Non-state funded continuing education	149,610	-	149,610	-	149,610	128,886
<b>Total Tuition</b>	<b>12,635,898</b>	<b>-</b>	<b>12,635,898</b>	<b>-</b>	<b>12,635,898</b>	<b>12,899,681</b>
<b>Fees</b>						
General fee	2,135,776	-	2,135,776	-	2,135,776	2,175,122
Laboratory fee	204,970	-	204,970	-	204,970	199,314
Other fees	2,939,446	-	2,939,446	-	2,939,446	3,007,290
<b>Total Fees</b>	<b>5,280,192</b>	<b>-</b>	<b>5,280,192</b>	<b>-</b>	<b>5,280,192</b>	<b>5,381,726</b>
<b>Scholarships Allowances and Discounts</b>						
Remissions, exemptions, waivers - state	(1,168,578)	-	(1,168,578)	-	(1,168,578)	(1,032,240)
Remissions, exemptions, waivers - local	(975,967)	-	(975,967)	-	(975,967)	(1,005,769)
TPEG discounts	(125,618)	-	(125,618)	-	(125,618)	(103,847)
Title IV federal grants discounts	(3,926,619)	-	(3,926,619)	-	(3,926,619)	(3,669,589)
Texas grants I & II discounts	(80,972)	-	(80,972)	-	(80,972)	(75,800)
Other local discounts	(170,356)	-	(170,356)	-	(170,356)	(156,476)
<b>Total Scholarship Allowances</b>	<b>(6,448,110)</b>	<b>-</b>	<b>(6,448,110)</b>	<b>-</b>	<b>(6,448,110)</b>	<b>(6,043,721)</b>
<b>Total Net Tuition and Fees</b>	<b>11,467,980</b>	<b>-</b>	<b>11,467,980</b>	<b>-</b>	<b>11,467,980</b>	<b>12,237,686</b>
<b>Additional Operating Revenues</b>						
Federal grants and contracts	-	516,099	516,099	-	516,099	526,766
State grants and contracts	-	384,191	384,191	-	384,191	441,922
Private gifts, grants, and contracts	1,012,625	-	1,012,625	-	1,012,625	872,231
Sales and services of educational activities	2,000	-	2,000	-	2,000	3,119
General operating revenue	548,767	-	548,767	-	548,767	451,194
<b>Total Additional Operating Revenue</b>	<b>1,563,392</b>	<b>900,290</b>	<b>2,463,682</b>	<b>-</b>	<b>2,463,682</b>	<b>2,295,232</b>
<b>Auxiliary Enterprises</b>						
Miscellaneous income	-	-	-	323,505	323,505	295,841
<b>Total Auxiliary Enterprises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>323,505</b>	<b>323,505</b>	<b>295,841</b>
<b>Total Operating Revenues</b>	<b>\$ 13,031,372</b>	<b>\$ 900,290</b>	<b>\$ 13,931,662</b>	<b>\$ 323,505</b>	<b>\$ 14,255,167</b>	<b>\$ 14,828,759</b>
					(Exhibit 2)	(Exhibit 2)

\*In accordance with Education Code 56.033, \$495,962 and \$494,609 for years August 31, 2014 and 2013, respectively, of tuition was set aside for Texas Public Education grants (TPEG).



Schedule of Operating Expenses by Object  
 Year Ended August 31, 2014 (with memorandum Totals for the Year Ended August 31, 2013)

	Operating Expenses				2014	2013
	Salaries & Wages	State Benefits	Local Benefits	Other Expenses		
<b>Unrestricted-Educational Activities</b>						
Instruction	\$ 9,559,384	\$ -	\$ 1,772,818	\$ 1,591,285	\$ 12,923,487	\$ 12,363,835
Public Service	229,777	-	37,462	27,120	294,359	290,263
Academic Support	1,520,406	-	367,312	542,610	2,430,328	2,272,112
Student Services	1,480,944	-	327,142	374,722	2,182,808	2,018,182
Institutional Support	2,939,117	-	481,486	2,327,070	5,747,673	5,998,847
Operation and Maintenance of Plant	544,777	-	233,164	2,586,798	3,364,739	3,013,292
<b>Total Unrestricted Educational Activities</b>	<b>16,274,405</b>	<b>-</b>	<b>3,219,384</b>	<b>7,449,605</b>	<b>26,943,394</b>	<b>25,956,531</b>
<b>Restricted-Educational Activities</b>						
Instruction	-	872,773	-	4,755	877,528	979,639
Public Service	204,861	-	29,490	99,843	334,194	350,651
Academic Support	-	138,648	-	-	138,648	178,558
Student Services	396,202	217,717	43,192	221,617	878,728	791,196
Institutional Support	39,271	441,202	4,336	2,152	486,961	222,330
Operation and Maintenance of Plant	-	-	-	-	-	1,680
Scholarships & Fellowships	-	-	-	8,747,793	8,747,793	9,340,659
<b>Total Restricted Educational Activities</b>	<b>640,334</b>	<b>1,670,340</b>	<b>77,018</b>	<b>9,076,160</b>	<b>11,463,852</b>	<b>11,864,713</b>
<b>Total Educational Activities</b>	<b>16,914,739</b>	<b>1,670,340</b>	<b>3,296,402</b>	<b>16,525,765</b>	<b>38,407,246</b>	<b>37,821,244</b>
<b>Auxiliary Enterprises</b>	<b>251,864</b>	<b>-</b>	<b>85,707</b>	<b>696,995</b>	<b>1,034,566</b>	<b>1,079,387</b>
<b>Depreciation of Building and Improvements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,198,106</b>	<b>1,198,106</b>	<b>1,072,927</b>
<b>Depreciation of Equipment &amp; Furniture</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>374,547</b>	<b>374,547</b>	<b>417,290</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 17,166,603</b>	<b>\$ 1,670,340</b>	<b>\$ 3,382,109</b>	<b>\$ 18,795,413</b>	<b>\$ 41,014,465</b>	<b>\$ 40,390,848</b>
				(Exhibit 2)	(Exhibit 2)	

Schedule of Non-Operating Revenues and Expenses  
Year Ended August 31, 2014 (with Memorandum Totals for the Year Ended August 31, 2013)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2014 Total</u>	<u>2013 Total</u>
<b>Non-Operating Revenues</b>					
State Appropriations:					
Education and General State Support	\$ 7,854,386	\$ -	\$ -	\$ 7,854,386	\$ 7,403,785
State Group Insurance	-	1,202,730	-	1,202,730	867,334
Dramatic Growth	-	-	-	-	-
State Retirement Matching	-	467,610	-	467,610	506,327
Professional Nursing Growth Shortage	-	26,451	-	26,451	7,562
Professional Nursing Over 70%	-	46,637	-	46,637	35,063
Small Institution, Article IX & Supplemental	38,787	-	-	38,787	401,108
<b>Total State Appropriations</b>	<b>7,893,173</b>	<b>1,743,428</b>	<b>-</b>	<b>9,636,601</b>	<b>9,221,179</b>
Maintenance Ad Valorem Taxes	5,524,656	-	-	5,524,656	5,217,902
Debt Service ad Valorem Taxes	2,140,412	-	-	2,140,412	2,057,274
Federal Revenue, Non Operating	-	12,687,320	-	12,687,320	13,088,298
Gifts	-	-	-	-	59,400
Investment Income	10,734	-	-	10,734	18,502
Other Non-operating Revenue	-	-	-	-	262
<b>Total Non-operating Revenues</b>	<b>15,568,975</b>	<b>14,430,748</b>	<b>-</b>	<b>29,999,723</b>	<b>29,662,817</b>
<b>Non-operating Expenses</b>					
Interest on Capital Related Debt	1,353,992	-	-	1,353,992	1,510,134
Loss on Disposal of Capital Assets	63,329	-	-	63,329	413,527
Other Non-operating Expense	168,007	-	-	168,007	113,297
<b>Total Non-operating Expenses</b>	<b>1,585,328</b>	<b>-</b>	<b>-</b>	<b>1,585,328</b>	<b>2,036,958</b>
<b>Net Non-operating Revenues</b>	<b>\$ 13,983,647</b>	<b>\$ 14,430,748</b>	<b>\$ -</b>	<b>\$ 28,414,395</b>	<b>\$ 27,625,859</b>
				(Exhibit 2)	(Exhibit 2)

Temple College  
 Schedule of Net Position by Source and Availability  
 Year Ended August 31, 2014 (with Memorandum Totals for the Year Ended August 31, 2013)

	Detail by Source				Available for Current Operations	
	Restricted				Yes	No
	Unrestricted	Expendable	Non-Expendable	Capital Assets Net of Depreciation & Related Debt		
Current:						
Unrestricted	\$ 10,566,872	\$ -	\$ -	\$ -	\$ 10,566,872	\$ -
Board designated	1,912,772	-	-	-	1,912,772	-
Restricted	-	-	723,256	-	723,256	-
Auxiliary enterprises	6,541	-	-	-	6,541	-
Loan	-	28,466	-	-	28,466	28,466
Plant						
Unexpended	936,594	-	-	-	936,594	936,594
Renewals	1,433,959	-	-	-	1,433,959	1,433,959
Debt service	-	7,758,261	-	-	7,758,261	7,758,261
Investment in plant	-	-	-	10,893,689	10,893,689	10,893,689
<b>Total Net Position, August 31, 2014</b>	<b>\$ 14,856,738</b>	<b>\$ 7,786,727</b>	<b>\$ 723,256</b>	<b>\$ 10,893,689</b>	<b>\$ 34,260,410</b>	<b>\$ 21,050,969</b>
<b>Total Net Position, August 31, 2013</b>	<b>14,418,910</b>	<b>7,903,026</b>	<b>669,309</b>	<b>9,614,068</b>	<b>32,605,313</b>	<b>19,668,291</b>
				(Exhibit 1)		
<b>Net Increase (Decrease) in Net Position</b>	<b>\$ 437,828</b>	<b>\$ (116,299)</b>	<b>\$ 53,947</b>	<b>\$ 1,279,621</b>	<b>\$ 1,655,097</b>	<b>\$ 1,382,678</b>
				(Exhibit 1)		
				(Exhibit 2)		

Temple College  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended August 31, 2014

Schedule E

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures &amp; Pass Through Disbursements</u>
<b>U.S. Department of Transportation</b>			
Tarleton State University			
NSF Central Texas 2-STEP Project	47.000	CL#2442	45,759
<b>U.S. Department of Education</b>			
Direct Programs:			
Student Financial Aid Cluster			
SEOG	84.007		137,935
Federal College Workstudy Program	84.033		142,897
Federal PELL Grant	84.063		12,218,813
Wm D Ford Direct Loans	84.268		18,164,845
TRIO Cluster			
TRIO Student Support Services	84.042A	P-042A100581-11	187,675
Pass-Through From:			
Texas Workforce Commission			
Adult Education and Literacy	84.002A	2614ABE001	132,531
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Educ.- Basic	84.048	14420206	234,585
<b>Total U. S. Department of Education</b>			<u>31,219,281</u>
<b>U.S. Department of Health &amp; Human Services</b>			
Pass-Through From:			
Texas Workforce Commission			
TANF	93.558	2614ABE001	98,469
Central Texas Workforce Board			
Child Care Quality Funds, Federal Share	93.596	C2013, C1814	4,755
<b>Total U.S. Department of Health &amp; Human Services</b>			<u>103,224</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u><u>\$ 31,368,264</u></u>

Notes to Schedule on Following Page.

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2014**

**Note 1: Federal Assistance Reconciliation**

Federal Grants and Contracts Revenue - per Schedule A	\$ 516,099
Add: Non Operating Federal Revenue from Schedule C	12,687,320
Add: Wm. D. Ford Direct Loans	18,164,845
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 31,368,264</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 of Expenditures of State Awards  
 For the Year Ended August 31, 2014

Schedule F

<u>State Grantor/Program Title</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b>Texas Workforce Commission</b>		
Skills Development	2612SDF000, 2613SSD000, 2614SSD001	\$ 59,535
State Adult Education and Literacy	2614ABE001	43,659
		<u>103,194</u>
<b>Texas Higher Education Coordinating Board</b>		
Student Services Division		
Texas Grant Program-Texas Grant I Initial		98,714
Texas Grant Program-Texas Grant I Renewal		76,564
Texas Grant Program-Texas Grant II Initial TEOG Initial		36,490
Texas Grant Program-Texas Grant II Renewal TEOG Renewal		31,680
Texas College Work Study		37,549
Professional Nursing Reduction Shortage (Regular Program)		26,451
Professional Nursing Growth Shortage Over 70%		46,637
		<u>354,085</u>
<b>Total Texas Higher Education Coordinating Board</b>		<b>354,085</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<b>\$ <u>457,279</u></b>

**Note 1: State Assistance Reconciliation**

State Revenue - per Schedule A:		
State Grants and Contracts		384,191
State Appropriations - per Schedule C:		
Professional Nursing Growth Shortage Reduction		26,451
Professional Nursing Over 70%		46,637
		<u>\$ 457,279</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' REPORT ON CONTROLS AND COMPLIANCE**



**LOTT, VERNON & COMPANY, P.C.**  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Temple College  
Temple, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Temple College (the College), as of and for the years ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

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

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

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



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

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

Compliance and Other Matters

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

Purpose of this Report

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



Temple, Texas  
October 23, 2014



**LOTT, VERNON & COMPANY, P.C.**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
Temple College  
Temple, Texas

Report on Compliance for Each Major Federal Program

We have audited Temple College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Temple College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

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

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

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

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

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

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

Temple, Texas

October 23, 2014

TEMPLE COLLEGE

Schedule of Findings and Questioned Costs  
August 31, 2014

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

State Programs  
 N/A – State financial assistance was less than \$500,000 in fiscal year ending August 31, 2014.

TEMPLE COLLEGE

Schedule of Findings and Questioned Costs (Continued)

August 31, 2014

8. Dollar threshold used to distinguish between type A and type B federal programs: \$300,000

9. Auditee qualified as low-risk auditee for federal single audit.  X  yes   no

II. Financial Statement Findings

- None.

III. Findings and Questioned Costs for Federal and State Awards

- None.