

TEMPLE COLLEGE

Temple, Texas

Annual Financial and Compliance Reports

for the Year Ended August 31, 2015

TEMPLE COLLEGE

Table of Contents

Organizational Data	1
Independent Auditors' Report on the Financial Statements and Supplemental Information	2
Management's Discussion and Analysis	5
 <u>Financial Statements</u>	
Statement of Net Position (Exhibit 1).....	14
Statement of Financial Position (discretely presented component unit - Exhibit 1-A)	15
Statement of Revenues, Expenses, and Changes in Net Assets (Exhibit 2)	16
Statement of Activities 2014 (discretely presented component unit - Exhibit 2-A)	17
Statement of Activities 2013 (discretely presented component unit Exhibit 2-B)	18
Statement of Cash Flows (Exhibit 3)	19
Notes to Financial Statements	20
 <u>Required Supplementary Information (RSI) Schedules</u>	
Schedule of College's Share of Net Pension Liability	42
Schedule of College's Contributions	43
 <u>Supplementary Schedules</u>	
Schedules	
A Schedule of Operating Revenues	44
B Schedule of Operating Expenses by Object	45
C Schedule of Non-Operating Revenues and Expenses	46
D Schedule of Net Position by Source and Availability	47
E Schedule of Expenditures of Federal Awards	48
Notes to Schedule of Expenditures of Federal Awards	49
F Schedule of Expenditures of State Awards	50
 <u>Auditors' Reports on Controls and Compliance</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> .	51
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 and the State of Texas Single Audit Circular	53
Schedule of Findings and Questioned Costs	56

TEMPLE COLLEGE
 ORGANIZATIONAL DATA
 For the Year Ended August 31, 2015

Board of Trustees

		Term Expires
		May
Andrejs Avots-Avotins, M.D., Ph.D.	Chair	2016
Mrs. Katie Burrows	Vice-Chair	2018
Mr. Bob Browder	Secretary	2016
Mr. Harry Adams		2016
Mr. John R. Bailey		2018
Ms. Michelle Fettig		2018
Mr. Stephen H. Niemeier		2020
Mrs. Lydia Santibanez		2020
Mr. Larry J. Wilkerson		2020

Officers

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



LOTT, VERNON & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

KILLEEN • COPPERAS COVE • TEMPLE

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

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Trustees
Temple College
Temple, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Temple College, (the College) as of and for the years ended August 31, 2015 and 2014, 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 TJIE: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, 2015 and 2014, 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 and Schedule of College's Share of Net Pension Liability and Schedule of College Contributions on pages 42 through 43 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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015, 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.

A handwritten signature in blue ink that reads "Jett, Vernon & Co., P.C." in a cursive script.

Temple, Texas
November 9, 2015

This discussion and analysis of Temple College financial statements provides an overview of College financial activities for the year ended August 31, 2015. 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, 2015, 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 6.1% over the prior year (FY 2014) from 112,926 semester hours to 106,039 hours. This year marked the fourth consecutive decrease in enrollment.
- + Enrollment in the Continuing Education/Adult Division remained virtually unchanged compared to FY 2014. State-funded community education actually increased 5.7%, but was offset by a corresponding decrease in non-state-funded enrollment.
- Tuition/Fee totals by resident type for this period were:

	FY 2014	FY 2015	FY 2016
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 2015 increased slightly from the prior year's rate of \$0.2036/\$100 to \$0.2065/\$100. This rate is the combined debt and maintenance/operation rate.
- State funding (appropriations) increased slightly for FY 2015, by approximately \$65,000 compared to the prior year. This slight increase was the result of increased funding to cover the state's share of rising costs for group insurance for the fiscal year.

TEMPLE COLLEGE

The Annual Report

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

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

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

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

Statement of Net Position

Cash and short-term investment balances decreased 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 increased by about 26%. The majority of the increase resulted from larger grant awards received during fiscal year 2015. Student receivables decreased by 9%. Other receivables increased by 49%, due mainly to increases in student sponsorships, delinquent taxes, and receivables from other agencies, such as TSTC and the TC Foundation.

Deferred expense (expense related to next fiscal year) increased slightly compared to the prior year, by approximately \$72,000.

Non-Current Assets include Restricted Cash balances and Other Long-Term Investments. Restricted cash remained almost the same as the prior year, decreasing by about \$10,000. Other

TEMPLE COLLEGE

Long-Term Investments increased by 23%; 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

	8/31/2015	8/31/2014	8/31/2013
Current Assets	22.9	24.3	28.7
Non-Current Assets	54.2	53.9	51.3
Total Assets	<u>77.1</u>	<u>78.2</u>	<u>80.0</u>
Deferred Outflows	<u>0.7</u>	<u>0.0</u>	<u>0.0</u>
Current Liabilities	10.8	10.6	11.4
Non-Current Liabilities	34.4	33.3	36.0
Total Liabilities	<u>45.2</u>	<u>43.9</u>	<u>47.4</u>
Deferred Inflows	<u>1.2</u>	<u>0.0</u>	<u>0.0</u>
Net Positions:			
Invested in capital assets,			
net of related debt	12.8	10.9	9.6
Restricted	8.4	8.5	8.6
Unrestricted	10.2	14.9	14.4
Total Net Positions	<u>31.4</u>	<u>34.3</u>	<u>32.6</u>
Increase in Net Positions	<u>1.6</u>	<u>1.7</u>	<u>2.1</u>

Due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, during fiscal year 2015, the College is now required to report its proportionate share of the net pension liability related to the Teacher Retirement System of Texas (TRS). A restatement to the beginning net position was necessary as of September 1, 2014; the ending net position for fiscal year 2014 was not restated because actuarial calculations performed relative to the implementation did not provide sufficient information to restate the prior year amount. Therefore, current year and prior year amounts may not be comparative.

Most of the College's unrestricted net position has been designated for operating contingencies.

Compensable absences (vacation/sick leave) decreased slightly this year to \$826,290, and is still a material liability to the College.

TEIWIPLI COLLEGE

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the annual operating results for the College, as well as all non-operating revenues and expenses. Tuition and fee revenue, net of exemption allowances, decreased by 5% in FY 2015. This decline was primarily due to lower student enrollment. Thanks to four consecutive years of stable tuition, the Temple College tuition (for in-district tuition) no longer ranks in the top 20% of community college pricing (FY 2015 data) in Texas. A significant portion of the tuition structure is a \$13 per SCH use fee. This charge is restricted for payment of debt service costs related to facility construction and renewals of new or renovated student classroom buildings on campus.

State allocations (appropriations) for instructional and support purposes remained the same as the prior fiscal period. FY 2015 is the second 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 primarily of vending sales and athletics. These revenues dropped 2.1% from the previous year, to \$316,675.

The operating revenue category of Grants and Contracts does not include Title IV Grants. These Federal grant programs experienced an increase of 43% in FY 2015 year. The significant increase was due to an increase in funding for Adult Education and Literacy programs.

Title IV revenue is included in the Non-Operating Revenue section and decreased by 9% for FY 2015.

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	Year Ended	Year Ended
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Operating Expenses			
Salaries:			
Faculty	9.2	9.2	8.9
Staff	8.1	8.0	7.6
Benefits	5.2	5.0	4.9
Other Expenses	16.1	17.2	17.5
Depreciation	1.5	<u>1.6</u>	<u>1.5</u>
Total Operating Expenses	<u>40.1</u>	<u>41.0</u>	<u>40.4</u>

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

OPERATING EXPENSES BY FUNCTION
(In Millions)
Temple College

	Year Ended 8/31/2012	Year Ended 2/28/2011	Year Ended 8/31/2010
Educational & General			
Instruction	13.5	13.8	13.4
Public Service	0.9	0.6	0.6
Academic Support	2.5	2.6	2.5
Student Services	3.1	3.1	2.8
Institutional Support	6.0	6.2	6.2
Operations & Plant Maintenance	3.4	3.4	3.0
Student Aid	8.2	8.7	9.3
	<hr/>	<hr/>	<hr/>
Total Educational Activities	37.6	38.4	37.8
	<hr/>	<hr/>	<hr/>
Auxiliary Enterprises	1.0	1.0	1.1
Depreciation	1.5	1.6	1.5
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	40.1	41.0	40.4
	<hr/>	<hr/>	<hr/>

In the schedules of operating expenses shown above, the total expenditures decreased about 2% over the prior year. The bulk of this decrease is in the natural category of Other Expenses and the functional categories of Instruction and Student Aid.

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.

All employees received a 3.0% raise in FY 2015. This increase in employee compensation was critical to improve both morale among employees and the College's ability to attract and retain good employees.

TEMPLE COLLEGE

SALARY INCREASES ('Yo)
(Fall Term)
Temple College

2.911	2013	2012	2011	2010	2009	2008	2007
3.0%	2.5%	3%	0%	2% or 1.5%	3% or 1.5%	4%	3%

OPERATING RESULT FOR THE YEAR
(In Millions)
Temple College

	Year Ended 8/31/2015	Year Ended 8/31/2014	Year Ended 8/31/2013
Operating Revenues			
Tuition & Fees (net of exemptions)	10.9	11.5	12.2
Grants, Contracts & Other	3.4	2.8	2.6
Total Operating Revenues	14.3	14.3	14.8
Operating Expenses	40.1	41.0	40.4
Net Operating Revenues (Expenses)	(25.8)	(26.7)	(25.6)
Non-Operating Revenues (Expenses)			
State Allocations	9.7	9.6	9.2
Maintenance & Obligation Ad Valorem Taxes	5.3	5.5	5.2
General Obligation Debt Taxes	2.3	2.1	2.1
Federal Revenue, Non-Operating	11.6	12.7	13.1
Gilts	0.0	0.0	0.1
Interest on Capital Related Debt	(1.3)	(1.3)	(1.5)
Other Non-Operating	(0.2)	(0.1)	(0.1)
Total Non-Operating Revenues (Expenses)	27.4	28.4	27.7
Increase (Decrease in Net Position)	1.6	1.7	2.1
Net Position - Beginning of Year	29.8	32.6	30.5
Net Position - End of Year	31.4	34.3	32.6
Percent Increase/(Decrease)	5.4%	5.2%	6.9%

Although, property taxes are considered non-operating revenue by GASB, this revenue is a major component of the College operating budget. For the FY 2015, the property tax rate increased slightly from the prior year rate of \$0.2036/\$100 to \$0.2065/\$100.

TEMPLE COLLEGE

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

	<u>Rate/\$100 Value</u>		
	2015	2014	2013
Maintenance	\$ 0.1505	\$ 0.1466	\$ 0.1459
Debt Service	0.0560	0.0570	0.0577
Total	\$ 0.2065	\$ 0.2036	\$ 0.2036

The net assessed valuation for the district increased for FY 2015 to \$4,214,558,218 from the previous year (FY 2014) amount of \$3,770,613,516. 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

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

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

The College liquidity position decreased \$95,121 during this year ended August 31, 2015, as shown in the chart below:

CASH FLOWS FOR THE YEAR
(In Millions)
TEMPLE COLLEGE

	Year Ended 8/31/2015	Year Ended 8/31/2014	Year Ended 8/31/2013
Cash provided (used) by:			
Operating activities	(22.8)	(24.1)	(22.3)
Non-capital financing activities	27.0	28.1	28.1
Capital and related financing activities	(4.8)	(5.5)	(7.3)
Investing activities	0.5	2.9	3.7
Net Increase (decrease) in cash	(0.1)	1.4	2.2
Cash beginning of the year	5.4	4.0	1.8
Cash, end of the year	5.3	5.4	4.0

TEMPLE COLLEGE

Capital Asset and Debt Administration

On August 31, 2015, the College had \$66.6 million invested in capital assets, net of approximately \$21.4 million in accumulated depreciation.

CAPITAL ASSETS, NET OF DEPRECIATION

(In Millions)

Temple College

	Year Ended 8/31/2015	Year Ended 8/31/2014	Year Ended 8/31/2013
Land	\$ 3.2	\$ 3.2	\$ 3.2
Buildings	34.1	34.8	34.9
Land Improvements	5.9	6.3	6.5
Construction in Progress		0.1	
Furniture & Equipment	1.7	1.4	0.3
Library Materials	0.3	0.2	-
	-----	-----	-----
Totals	\$ 45.2	\$ 46.0	\$ 46.1

At year-end 2015, Temple College had approximately \$32.4 million in debt outstanding, a \$2.8 million decrease from the prior year-end balance of \$35.2 million. The table below summarizes this amount by debt type,

OUTSTANDING DEBT, AT YEAR-END

Temple College

	8/31/2015	8/31/2014	8/31/2013
Bonds/Capital Leases			
Revenue Bonds	\$ 9,265,000	\$ 10,455,000	\$ 11,600,000
General Obligation Bonds	20,450,000	21,710,000	22,920,000
Judgments	2,680,298	2,999,597	3,313,713
	-----	-----	-----
TOTAL BONDS/LEASES	\$ 32,395,298	\$ 35,164,597	\$ 37,833,713

During FY 2015, all scheduled debt service requirements were paid.

Economic Factors That Will Affect the Future

As we enter a new biennium, state funding once again is a cause for concern among all community colleges in the State of Texas. Increases in enrollment from previous years were never adequately funded by the State and now that enrollments are declining due to a strong

TEMPLE COLLEGE

economy, funding for community colleges has been cut from levels of the last biennium. The State continues to base a portion of the College's appropriation upon student success data, although the level of support for success point funding was reduced from the prior biennium.

For the first time in four years, the College has implemented a slight increase in tuition for the upcoming school year (2015-16). The increase was deemed necessary due to reduced state funding. Continued declines in state funding and enrollment could lead to additional increases in tuition and fees over the next few years.

The bright spot for the College continues to be the strong local economy. Continued economic growth in Temple and Williamson County has resulted in substantial increases in property valuations in recent years. That growth is expected to continue and will provide a strong economic foundation for Temple College in the coming years.

FINANCIAL STATEMENTS

Statement of Net Position
August 31, 2015 and August 31, 2014

ASSETS

Current Assets

Cash and Cash Equivalents	1,818,122	\$ 1,903,291
Short Term Investments	14,371,834	15,857,053
Accounts Receivable (net)	6,173,986	6,001,884
Prepaid Expenses	<u>590,908</u>	<u>518,522</u>
Total Current Assets	<u>22,454,850</u>	<u>29,280,750</u>

Non-Current Assets

Restricted Cash and Cash Equivalents	3,465,514	3,475,496
Other Long-Term Investments	5,497,125	4,462,014
Capital Assets (net) (See note 6)	<u>45,197,506</u>	<u>45,943,898</u>
Total Non-Current Assets	<u>54,160,155</u>	<u>53,881,408</u>

Total Assets \$ 77,615,025 \$ 78,162,463

Deferred Outflows of Resources

Deferred outflows related to pensions	\$ 711,513	\$
---------------------------------------	------------	----

LIABILITIES

Current Liabilities

Accounts Payable	792,243	727,345
Deferred Revenue	6,459,289	6,541,110
Funds Held for Others	640,630	605,851
Capital Leases - Current Portion	335,294	319,299
Bonds Payable - Current Portion	<u>2,545,000</u>	<u>2,450,000</u>
Total Current Liabilities	<u>10,772,456</u>	<u>10,643,605</u>

Non-Current Liabilities

Accrued Compensable Absences	826,290	863,150
Capital Leases	2,345,004	2,680,298
Bonds Payable	27,170,000	29,715,000
Net Pension Liability	<u>4,071,429</u>	<u>3,258,448</u>
Total Non-Current Liabilities	<u>24,412,723</u>	<u>33,258,448</u>

Total Liabilities \$ 45,185,179 \$ 43,902,053

Deferred Inflows of Resources

Deferred inflows related to pensions	\$ 1,245,462	\$
--------------------------------------	--------------	----

NET POSITION

Net Investment in Capital Assets	12,802,208	10,893,689
Restricted for:		
Non-expendable		
Student Aid	651,684	723,256
Expendable		
Loan	28,671	28,466
Debt Service	7,718,636	7,758,261
Unrestricted	<u>10,194,698</u>	<u>11,502,112</u>
Total Net Position (Schedule D)	<u>31,395,843</u>	<u>34,260,410</u>

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

Temple Junior College Foundation, Inc.
Statement of Financial Position
August 31, 2014 and 2013

Exhibit 1-A

	2014	2013
Assets		
Current Assets:		
Cash and cash equivalents	\$ 162,158	136,158
Investments	154,565	303,330
Short-term note receivable	39,590	21,761
Unconditional promises to give, less allowance for uncollectible promises of \$0 and \$0	87,789	126,597
Other receivables	79,081	24,538
Total Current Assets	<u>521,183</u>	<u>612,384</u>
Endowment Investments:		
Cash and cash equivalents	72,560	43,069
Investments	2,777,383	4,787,279
Total Endowment Investments	<u>2,849,943</u>	<u>4,830,348</u>
Buildings, furniture, and equipment, net	5,935,717	6,167,311
Assets held in trust - long term	583,997	497,502
Long-term unconditional promises to give, less allowance for uncollectible promises of \$0 and \$14,450		65,550
Investment in real estate	329,582	329,582
Bond issuance costs, net of accumulated amortization	603,065	637,857
Total Assets	<u>\$ 13,425,006</u>	<u>\$ 13,140,756</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 22,562	\$ 73,178
Accrued vacation payable	9,778	16,226
Accrued other	18,069	36,335
Accrued interest payable	553,686	484,007
Current portion - bonds payable	190,000	130,001
Deferred revenue	16,053	115,754
Total Current Liabilities	<u>810,148</u>	<u>855,501</u>
Long-term Liabilities:		
Bonds payable, net of current portion and bond discount	10,377,248	10,554,975
Promissory note	1,277,310	1,244,133
Total Liabilities	<u>11,654,558</u>	<u>11,799,108</u>
Net Assets:		
Unrestricted Net Assets:		
Operating	(1,520,392)	(1,191,685)
Fixed assets	6,112,212	6,167,533
Total Unrestricted Net Assets	<u>(5,851,566)</u>	<u>(5,123,152)</u>
Temporarily restricted net assets	649,547	677,052
Permanently restricted net assets	5,450,943	4,832,348
Total Net Assets	<u>1,248,927</u>	<u>1,192,248</u>
Total Liabilities and Net Assets	<u>\$ 13,425,006</u>	<u>\$ 13,140,756</u>

Statement of Revenues, Expenses, and Changes in Net Position
 Years Ended August 31, 2015 and August 31, 2014

	2015	2014
Operating Revenues		
Tuition and Fees (Net of Allowances and Discounts) \$5,938,467		
from \$6,448,110, respectively	\$ 10,841,836	\$ 11,467,980
Federal Grants and Contracts	736,113	516,099
State Grants and Contracts	758,710	384,191
Private Gifts, Grants, and Contracts	1,166,238	1,012,625
Sales and Services of Educational Activities		2,000
Auxiliary Enterprises	316,675	323,505
Other Operating Revenues	<u>456,740</u>	<u>548,767</u>
Total Operating Revenues (Schedule A)	14,276,312	14,255,167
Operating Expenses		
Instruction	13,530,849	13,801,015
Public Service	870,514	628,553
Academic Support	2,534,136	2,568,976
Student Services	3,097,365	3,061,536
Institutional Support	5,975,117	6,234,634
Operation and Maintenance of Plant	3,370,457	3,364,739
Scholarships and Fellowships	8,177,253	8,747,793
Auxiliary Enterprises	1,019,076	1,034,566
Depreciation	<u>1,514,890</u>	<u>1,572,653</u>
Total Operating Expenses (Schedule B)	40,089,657	41,014,465
Operating Loss	(25,813,345)	(26,759,298)
Non-Operating Revenues (Expenses)		
State Appropriations	9,701,523	9,636,601
Maintenance and Valorem Taxes	5,303,079	5,524,656
Debt Service and Valorem Taxes	2,340,631	2,140,412
Federal Revenue, Non-Operating	1,550,268	12,687,320
Gifts	9,500	
Investment Income	17,918	10,734
Interest on Capital Related Debt	(1,258,970)	(1,353,992)
Loss on Disposal of Fixed Assets	(137,499)	(63,329)
Other Non-Operating Revenues	255	
Other Non-Operating Expenses	<u>(88,572)</u>	<u>(168,007)</u>
Net Non-Operating Revenues (Expenses) (Schedule C)	27,438,133	28,414,395
Increase (Decrease) in Net Position	1,624,788	1,655,097
Net Position		
Net Position - Beginning of Year	34,260,410	32,605,313
Cumulative effect of change in accounting principle	<u>(4,489,301)</u>	
Net Position - Beginning of Year, as restated	<u>29,771,109</u>	<u>32,605,313</u>
Net Position - End of Year	<u>\$ 31,395,897</u>	<u>\$ 34,260,410</u>

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

Ternpie Junior College Foundation, Inc.
Statement of Activities
Year Ended August 31, 2014

Exhibit 2-A

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, (Gains and Other Support)				
Contributions	\$ 9,221	\$ 80,045	\$ 78,424	\$ 167,690
Special events		50,807		50,807
Interest and dividends	9,565		151,216	160,781
Gain/(loss) on Sale of Assets	20,246		214,816	235,062
Unrealized gain/(losses)	3,282		363,076	366,358
Rental income, net	1,077,180			1,077,180
Miscellaneous income	120,269			120,269
Assets released from restrictions	<u>(222,530)</u>	<u>(133,593)</u>	<u>(188,930)</u>	
Total revenues, gains and other support	<u>1,222,293</u>	<u>(2,741)</u>	618,595	<u>2,178,147</u>
Expenses and Losses				
Programs:				
Rental operating expenses	528,307			528,307
Scholarship Awards	254,066			254,066
Special events		<u>24,764</u>		24,764
Total programs	782,373	24,764		807,137
Administration	512,764			512,764
Interest	711,695			711,695
Other Expenses	<u>117,465</u>			<u>117,465</u>
Total expenses and losses	<u>2,124,297</u>	<u>24,764</u>		<u>2,149,061</u>
Change in net assets	(562,004)	(27,505)	618,595	29,086
Net assets as of beginning of year	(5,023,152)	(677,052)	4,832,348	(767,856)
Net assets as of end of year	<u>\$ (5,585,156)</u>	<u>\$ 649,547</u>	<u>\$ 5,450,943</u>	<u>\$ 515,334</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	\$ 25,822	\$ 81,829	\$ 166,598	\$ 271,219
Special events		78,956		78,956
Interest and dividends	11,754		137,617	152,371
(Gain)/loss on Sale of Assets	18,311		267,164	285,808
Unrealized gain/(losses)	(7,828)	1,474	27,351	21,000
Rental income, net	1,068,480			1,068,480
Miscellaneous income	62,618			62,618
Assets released from restrictions	828,991	<u>1,514,511</u>	<u>(314,486)</u>	
Total revenues, gains and other support	<u>2,011,181</u>	<u>(352,246)</u>	<u>284,547</u>	<u>1,943,482</u>
Expenses and Losses				
Programs:				
Rental operating expenses	520,494			520,194
Scholarship Awards	238,810			238,810
Special events		<u>46,370</u>		46,370
Total programs	<u>759,304</u>	<u>46,370</u>		<u>805,674</u>
Administration	448,560			448,560
Interest	706,735			706,735
Other Expenses	<u>98,874</u>			<u>98,874</u>
Total expenses and losses	<u>2,013,473</u>	<u>46,370</u>		<u>2,059,843</u>
Change in net assets	(2,292)	(398,616)	284,547	(116,361)
Net assets as of beginning of year	(5,020,860)	<u>1,075,668</u>	4,547,801	602,609
Net assets as of end of year	<u>\$ (5,023,152)</u>	<u>\$ 677,052</u>	<u>\$ 4,832,348</u>	<u>\$ 486,248</u>

Statement of Cash Flows

For the Year Ended August 31, 2015 and August 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 11,466,163	\$ 10,935,013
Receipts from grants and contracts	2,505,720	2,814,493
Payments to or on behalf of employees	(20,749,874)	(20,537,226)
Payments to suppliers for goods or services	(7,876,372)	(8,604,898)
Payments for scholarships and fellowships	(8,153,264)	<u>(8,755,071)</u>
Net cash provided (used) by operating activities	<u>---(22,807,627)</u>	<u>(24,148,025)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	7,950,724	7,966,261
Receipts from non-operating federal revenue	11,550,268	12,687,320
Receipts from ad valorem taxes	7,632,925	7,656,851
Other payments	(88,317)	<u>---</u>
Net cash provided (used) by non-capital financing activities	27,045,600	<u>28,142,425</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(772,851)	(1,506,960)
Payments on capital debt and leases - principal	(2,769,299)	(2,669,116)
Payments on capital debt and leases - interest	<u>li, 258,970</u>	(1,353,992)
Net cash provided (used) by capital and related financing activities	(4,801,120)	(5,530,068)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from interest on investments	17,918	10,734
Purchase of investments	(46,453,053)	(41,015,655)
Proceeds from sales and maturities of investments	<u>4903,1_Q1</u>	<u>43,908,186</u>
Net cash provided (used) by investing activities	468,026	2,903,265
Increase (decrease) in cash and cash equivalents	(95,121)	1,367,597
Cash and cash equivalents .. beginning of year	5,378,787	<u>4,011,190</u>
Cash and cash equivalents - end of year	<u>\$ 5,283,666</u>	<u>\$ 5,378,787</u>
Reconciliation of operating income (loss) to net cash used by operating activities		
Operating income (loss)	\$ (25,813,345)	\$ (26,759,298)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	1,514,890	1,572,653
Payments made directly by state for benefits	1,750,799	1,670,340
Changes in assets and liabilities		
Receivables (net)	378,683	(154,989)
Deferred outflow	(325,079)	
Prepaid expenses	(612,081)	352,811
Accounts payable	88,887	(137,545)
Funds held for others	10,790	47,462
Unearned revenue	(81,821)	(750,945)
Compensated absences	(36,860)	11,486
Accrued liabilities	(927,952)	
Deferred inflow	1,245,462	
Net cash provided (used) by operating activities	<u>---(22,807,627)</u>	<u>(24,148,025)</u>

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

Temple College
Notes to the Financial Statements
August 31, 2015

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, Baylor, 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

Temple Education Grant (TEG)

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 (TEG), 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 BEA Program

Certain Title IV BEA 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 Institutional Funds

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

Basis of Accounting

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

Temple College
Notes to the Financial Statements
August 31, 2015

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

Budgetary Data

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investments*, 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 \$2,000 at August 31, 2015 and August 31, 2014, respectively, to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

Capital Assets

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

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of

Temple College
Notes to the Financial Statements
August 31, 2015

resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB.

Deferred Outflows

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

Deferred Revenue

Tuition and fees of \$6,434,707 and \$6,444,134 have been reported as deferred revenues at August 31, 2015 and August 31, 2014, respectively.

Pensions

For the year ended August 31, 2015, Temple College implemented provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Prior Year Restatement

Beginning net position as of September 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Also during the current fiscal year, an error in the calculation of accumulated depreciation on library books in prior years was discovered. As such) the beginning net position for the current year was restated.

	Sept. 1, 2014
Beginning -Net Position, as originally stated	\$ 34,260,410
Prior Period Adjustment:	
Implementation of GASB 68:	
Net pension liability - measurement date as of 8/31/14	(4,999,381)
Deferred outflows - College contributions made during FY 14	386,434
Total for change in Accounting Principle	(4,612,947)
Accumulated depreciation on library books	1,21,60
Beginning Net Position) as restated	.. 27,021,101

Temple College
Notes to the Financial Statements
August 31, 2015

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 22.56, 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

	<u>2015</u>	<u>2014</u>
Bank Deposits		
Demand Deposits	\$ 5,279,889	\$ 5,374,981
Time Deposits		
	\$ 5,279,889	\$ 5,374,981
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 3,777	\$ 3,806
Investments in Transit		
	<u>3,777</u>	3,806
Total Cash and Cash Equivalents	\$5,283,666	\$5,378,787

Temple College
Notes to the Financial Statements
August 31, 2015

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Market Value August 31, 2015	Market Value August 31, 2014
Total Cash and Deposits	<u>5,283,666</u>	<u>\$ 5,378,787</u>
CD's	5,497,125	4,462,014
Chase Bank Savings Account	1,007	5,029,719
BBVA Compass Money Market	1	1,000
Tex Pool	2,000	2,000
Texas Class	14,368,826	14,243,334
Total Investments	\$ 19,868,959	<u>\$ 20,319,067</u>
TOTAL DEPOSITS AND INVESTMENTS	\$ 25,152,625	\$ 25,697,854
Cash and Cash Equivalents (Exhibit 1)	1,818,122	1,903,291
Restricted Cash and Cash Equivalents (Exhibit 1)	3,465,544	3,475,496
Short Term Investments (Exhibit 1)	14,371,834	15,857,053
Other Long Term Investments (Exhibit 1)	5,497,125	4,462,014
TOTAL DEPOSITS AND INVESTMENTS (Exhibit 1)	\$ 25,152,625	<u>\$ 25,697,854</u>

As of August 31, 2015, the College had the following investments and maturities:

<u>Investment</u>	Fair Value	Investment Maturities (in Years)			N/A
		Less than 1	1 to 2	Greater than 2	
Savings Account	\$ 1,007	\$ 1,007			
Money Market Account	\$ 1	\$ 1			
Investment Pool	14,370,826	14,370,826			
Certificate of Deposit	5,491,125	2,020	1,000,000		
Total Fair Value	\$ 19,868,959	\$ 19,848,853	\$ 1,000,000		

The governing board has designated Tex Pool investment pools comprised of \$2,000 and \$2,000 at August 31, 2015 and August 31, 2014, 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, 2015

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

5. Derivatives

None.

6. Capital Assets

Capital assets activity for the year ended August 31, 2015, was as follows:

	<u>Balance</u> <u>9/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2015</u>
<u>Not Depreciated:</u>				
Land	\$ 3,233,765	\$	\$	\$ 3,233,765
Construction in Process	<u>74,111</u>	<u>-</u>	<u>74,141</u>	<u> </u>
Total Not Depreciated	3,307,909		74,144	3,233,765
<u>Buildings and Other Capital</u>				
<u>Assets:</u> Buildings	44,732,743	181,878	140,330	44,774,291
Land Improvements	9,637,756			9,637,756
Library Books	1,917,850	48,658	63,265	1,903,243
Furniture, Machinery, Vehicles, And Other Equipment	2,249,743	145,633	10,000	2,385,376
Telecommunications and Peripheral Equipment	<u>1,111,332</u>	<u>112,612</u>	<u> </u>	<u>1,223,944</u>
Total Buildings and Other Capital Assets	<u>59,688,365</u>	<u>488,181</u>	<u>213,225</u>	<u>60,363,321</u>
<u>Accumulated</u>				
<u>Depreciation:</u>				
Buildings	9,904,233	793,162	18,945	10,678,450
Land Improvements	3,300,492	414,936		3,715,428
Library Books	1,637,540	37,667	47,150	1,628,057
Furniture, Machinery, Vehicles, And Other Equipment	1,329,417	156,083	10,000	1,475,500
Telecommunications and Peripheral Equipment	<u>1,751,411</u>	<u>113,041</u>	<u> </u>	<u>1,864,452</u>
Total Accumulated Depreciation	<u>16,932,693</u>	<u>1,514,889</u>	<u>76,095</u>	<u>18,323,677</u>
Net Other Capital Assets	<u>\$42,759,635</u>	<u>\$ (658,394)</u>	<u>\$ 137,500</u>	<u>\$42,238,741</u>
Net Capital Assets	<u>\$46,067,544</u>	<u>\$ (658,394)</u>	<u>\$ 211,644</u>	<u>\$45,620,794</u>

Temple College
Notes to the Financial Statements
August 31, 2015

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

	<u>Balance</u> <u>9/11/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2014</u>
Not Depreciated:				
Land	\$ 3,233,765	\$	\$	\$ 3,233,765
Construction in Process	-----	4,141	-----	74,141
Total Not Depreciated	3,233,765	74,144		3,307,909
Buildings and Other Capital Assets:				
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	1,975,511	12,200		2,087,711
Total Buildings and Other Capital Assets	\$1,112,626	1,281,896	174,411	62,682,731
Accumulated Depreciation:				
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	12,449	1,761,186
Furniture, Machinery, Vehicles, And Other Equipment	1,257,392	180,957	108,932	1,329,417
Telecommunications and Peripheral Equipment	3,227,958	153,280		3,381,238
Total Accumulated Depreciation	\$ 18,520,052	1,571,653	\$ 121,081	\$20,040,742
Net Other Capital Assets	\$1,112,626	1,281,896	\$ 174,411	\$1,552,925
Net Capital Assets	\$1,112,626	1,281,896	\$ 174,411	\$1,552,925

Temple College
Notes to the Financial Statements
August 31, 2015

7. Long Term Liabilities

Long-term liability activity for the year ended August 31, 2015 was as follows:

	Balance September 1, 2014	Additions	Deductions	Balance August 31, 2015	Current Portion
Bonds:					
General obligation bonds	\$ 21,710,000	\$	\$ 1,260,000	\$ 20,450,000	\$ 1,315,000
Revenue bonds	1,045,000	—	190,000	9,265,000	1,230,000
Subtotal	<u>\$ 22,755,000</u>	<u>—</u>	<u>1,450,000</u>	<u>\$ 29,265,000</u>	<u>\$ 2,545,000</u>
Leases	2,999,597		319,299	2,680,298	335,294
Accrued compensable absences	863,150	7,249	44,109	826,290	
Net pension liability	4,999,381	7,039,411	(1,112,344)	11,926,448	
Total long-term liabilities	\$ 31,617,138	\$ 11,946,660	\$ 1,881,752	\$ 43,782,046	\$ 3,195,294

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

	Balance September 1, 2013	Additions	Deductions	Balance August 31, 2014	Current Portion
Bonds					
General obligation bonds	\$22,920,000	\$	\$ 1,210,000	\$21,710,000	\$1,260,000
Revenue bonds	1,160,900	—	145,000	1,015,900	1,230,000
Subtotal	<u>\$24,080,900</u>	<u>—</u>	<u>\$1,355,000</u>	<u>\$20,725,900</u>	<u>\$2,490,000</u>
Leases	3,313,713		314,116	2,999,597	319,299
Accrued compensable absences	1,104,000	1,405,100	165,000	2,344,100	
Total Long-term liabilities	\$28,498,613	\$1,405,100	\$1,834,116	\$27,079,597	\$2,809,299

Temple College
Notes to the Financial Statements
August 31, 2015

8. Debt and Lease Obligations

For the Year Ended August 31,	General Obligation Bonds			Lease			Total Bonds		
	Principal	Interest	Total	Principal	Bonds Interest	Total	Principal	Total	Total
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	972,108	3,457,108
2019	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	1,545,000	603,011	2,148,011	1,145,000	170,085	1,315,085	2,690,000	773,096	3,463,096
2021-2025	6,915,000	2,054,866	8,999,866	3,700,000	319,573	4,019,573	10,645,000	2,110,439	13,011,943
2026-2030	5,395,000	783,366	6,178,366				5,395,000	783,366	6,178,366
2031	975,000	38,512	1,013,512				2,170,000	38,512	2,208,512
Total	\$20,450,000	\$6,499,673	\$26,949,673	\$11,145,000	\$1,577,609	\$12,722,609	\$29,715,000	\$8,077,282	\$37,792,282

Obligations under capital leases at August 31, 2015 were as follows:

For the Year Ended August 31,	
2016	\$ 442,903
2017	447,987
2018	453,620
2019	328,308
2020	333,942
2021-2025	532,619
2026-2030	472,524
2031-2035	472,338
2036	94,438
Total minimum lease payments	\$ 3,578,679
Less: Amount representing interest costs	(898,387)
Present value of minimum lease payment	<u>\$ 2,680,292</u>

Temple College
 Notes to the Financial Statements
 August 31, 2015

Obligation under operating leases at August 31, 2015 were as follows:

For the Year ended August 31	Total
2016	\$ 614,872
2017	622,270
2018	619,813
2019	616,330
2020	611,821
2021-2025	2,993,014
2026-2030	2,884,877
2031-2035	2,762,515
2036	1,166,669
Rotational lease payments	\$12,262,181
less: Amount representing interest costs	<u> </u>
Present value of remaining lease payments	\$12,262,181.

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, 2015 and 2014 for rent under this lease were \$601,700 and \$588,325, respectively.

9. Bonds Payable

Bonds payable at August 31, 2015 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. \$ 3,360,000

\$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. 7,225,000

Temple College
Notes to the Financial Statements
August 31, 2015

\$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. 5,245,000

\$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. 240,000

\$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 and interest on said bonds, within the limit prescribed by law. 11,845,000

\$2,210,000 Revenue and Refunding Bonds, Series 2013 issued 5-14-13, due in installments of \$200,000 to \$235,000 from 7-1-14 through 7-1-23, interest at 1.45%, to refund Series 2003 Revenue and Refunding Bonds maturing 2014 through 2013 inclusive on aggregate principal amount of \$2,160,000, and to pay costs of issuance associated with the bonds, secured by a pledge of certain revenues and additionally secured by the Reserve fund. 1,800,000

1,800,000
\$ 29,715,000

All authorized bonds were issued for each series.

For the year ended August 31, 2015 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.

Temple College
Notes to the Financial Statements
August 31, 2015

11. Defeascd Bonds Outstanding

Not applicable.

12. Short-term Debt

Not applicable.

13. Employees' Retirement Plan

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

Teacher Retirement System of Texas

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

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

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

Benefits Provided. TRS administers service and disability retirement, as well as death and survivor benefits, to eligible employees, and beneficiaries of employees, of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used.

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

Temple College
Notes to the Financial Statements
August 31, 2015

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<u>Contribution Rates</u>	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8CX1
Employers	6.8%	6.8%
Temple College - 2014 Employer Contributions		\$386,434
Temple College - 2014 NECE On-Behalf Contributions		\$292,585

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by amounts described below which are paid by the employers.

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 or the Texas Education Code.
- During a new member's first 90 days of employment.
- **When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.**

Temple College
Notes to the Financial Statements
August 31, 2015

- " When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

• Valuation Date	August 31, 2014
• Actuarial Cost Method	Individual Entry Age Normal
• Amortization Method	Level Percentage of Payroll, Open
• Remaining Amortization Period	30 years
• Asset Valuation Method	5 year market value
• Discount Rate	8.00%
• Long-term expected Investment Rate of Return*	8.00%
• Salary Increases*	4.25% - 7.25%
• Weighted-average al Valuation Date	5.55%
• Payroll Growth Rate	3.50%

*Includes inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011.

With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion to this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rate for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

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

Tcmpk CoUcgc
Notes to the Financial Statements
August 31, 2015

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014, as amended on October 1, 2014, are summarized below:

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used 1% less and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

Temple College
Notes to the Financial Statements
August 31, 2015

	1<y) Decrease in Dis count Rate (7.0%>)	Discount Rate (8.0%)	1<y) Increase in Dis count Rate (9.0 %o)
Temple College's proportionate share of the net pension liability:	\$7,275,397	\$4,071,429	\$1,675,458

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, Temple College reported a liability of \$4,071,429 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

Temple College's proportionate share of the collective net pension liability	\$ 4,071,429
State's proportionate share that is associated with Temple College	3,089,213
Total	\$ 7,160,642

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Temple College's proportion of the net pension liability was based on the College's contributions to the pension plan relative to the contributions of all employers to the plan for period September 1, 2013 through August 31, 2014.

If there were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time. For the year ended August 31, 2015, Temple College recognized pension expense of \$285,592 and revenue of \$285,592 for support provided by the State.

Temple College
 Notes to the Financial Statements
 August 31, 2015

At August 31, 2015, Temple College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 62,966	\$
Changes in actuarial assumptions	264,647	
Differences between projected and actual investment earnings		1,244,395
Changes in proportion and dilution between the employer's contributions and the proportionate share of contributions		1,067
Contributions paid to TRS subsequent to the measurement date	<u>38,300</u>	
Total	\$ 711,513	\$ 1,245,462

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

Year ended August 31:	<u>Pension Expense Amount</u>
2016	(\$256,011)
2017	(\$256,011)
2018	(\$256,011)
2019	(\$256,011)
2020	\$55,088
Thereafter	\$51,107

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% 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 unincurred liability for this program.

The retirement expense to the State for the College was \$174,317 and \$178,051 for the fiscal years ended August 31, 2015 and 2014, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

J'rempk College
Notes to the Financial Statements
August 31, 2015

The total payroll for all College employees was \$17,449,519 and \$17,321,596 for fiscal years 2015 and 2014, respectively. The total payroll of employees covered by the Teacher Retirement System was \$8,940,730 and \$8,516,459 and the total payroll of employees covered by the Optional Retirement System was \$5,282,331 and \$5,395,479 for fiscal years 2015 and 2014, 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, 2015, the College has 5 employees participating in the program. These 5 employees were vested as of August 31, 2015. A total of \$50,300 in contributions was invested in the plan during the fiscal year. The funds are invested in Inlpo\ver Zetirentent 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 \$377,235 and \$395,286 for fiscal years 2015 and 2014, 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 \$449,055 and \$467,864 for fiscal years 2015 and 2014, respectively.

16. Pending Lawsuits and Claims

As of August 31, 2015, there were no pending lawsuits or claims against the College.

Temple College
Notes to the Financial Statements
August 31, 2015

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

Receivables

Receivables at August 31, 2015 and 2014 were as follows:

Student Receivables	\$ 4,980,780	\$ 5,489,832
Taxes Receivable	286,865	267,493
Federal Receivable	1,178,000	104,800
State Receivable	32,055	14,113
Other Receivable	<u>1,548,563</u>	<u>967,424</u>
Subtotal	\$ 6,966,063	\$ 6,843,662
Less: Allowance for Doubtful Accounts	(ZCJ), 71)	(841,71)
Total Receivables	<u>\$6,173,986</u>	<u>\$ 6,001,884</u>

Payables

Payables at August 31, 2015 and 2014, were as follows:

	2015	2014
Vendors Payable	\$ 795,935	\$ 746,047
Salaries & Benefits Payable	1,247	57
Students Payable	<u>(1,222)</u>	(8,759)
Total Payables	<u>\$ 795,960</u>	<u>\$ 737,345</u>

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

None.

19. **Contract and Grant Awards**

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contracts and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit I. 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 2015 and 2014 for which monies have not been received nor funds expended totaled \$10,469,721 and \$14,066,214. Of these amounts, \$10,360,676 and \$14,045,803 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 claim-by-claim basis.

Temple College
Notes to the Financial Statements
August 31, 2015

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 \$1,055.64 per month for the year ended August 31, 2015 (\$971.98 per month for 2014) and totaled \$1,290,890 for 2015 (\$1,202,730 for 2014). 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:

	2015	2014
Assessed Valuation of the College:	\$ 5,253,074,234	\$ 4,729,825,493
Less: Exemptions	(976,412,118)	(898,251,162)
Less: Abatements	12,189,815	(60,960,815)
Net Assessed Valuation of the College	\$ 4,214,558,218	\$ 3,770,613,516

	2015 Current Operations	2015 Debt Service	2014 Current Operations	2014 Debt Service	Total
Authorized Tax Rate per \$100 valuation	\$ 0.2500		\$ 0.2500		\$ 0.2500
Assessed Tax Rate per \$100 valuation	\$ 0.1505	\$ 0.0560	\$ 0.2065	\$ 0.1466	\$ 0.2036

Taxes levied for the year ended August 31, 2015 and 2014 amounted to \$8,665,723 and \$7,645,910, 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.

	2015 Current Collections	2015 Debt Service	2015 Total	2014 Current Collections	2014 Debt Service	2014 Total
Current Tax Collected	\$ 6,223,321	\$ 2,312,203	\$ 8,535,524	\$ 5,426,555	\$ 2,106,114	\$ 7,532,669
Delinquent Taxes Collected	38,098	14,435	52,533	48,090	16,980	65,070
Penalties (Interest) Collected	38,054	22,222	60,276	29,011	11,118	40,129
Total Collections	\$ 6,299,469	\$ 2,348,860	\$ 8,648,329	\$ 5,493,655	\$ 2,134,212	\$ 7,627,867

Tax collections for the year ended August 31, 2015 and 2014 were 98.5% and 98.5%, 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.

Temple College
Notes to the Financial Statements
August 31, 2015

service. The College remitted payments of \$996,394 and \$337,758 in fiscal years 2015 and 2014, respectively, for taxes collected on behalf of the Temple Increment Zone.

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	Collections (including penalties and interest)
FY 2015	FY 2014
Hutto I.S.D.	\$ 948,355 \$ 798,000

24. Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, JI k:9me ..9L:Stle0>, j\!unicip3_Jities Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Jmposiljcm oLJJlx gll1!!relk! ec:l fotsincc Jncornl': Qf C:)@it.<l l:ileLJ\<.: Qrganjz alions. The College had no unrelated business income tax liability for the years ended August 31, 2015 and 2014.

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, j)ete11ning Wll_ll:i_d_C.:_g_i_ajil Qig_iJil_tj_Q_If;; filg_C_QJIIJ.QICnL1h5J, 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 2015 financial statements were not included, as the audit for 2015 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.

Temple College
Notes to the Financial Statements
August 31, 2015

26. Related Parties (Not a Component Unit)

Not applicable.

27. Subsequent Events

None.

28. Postemployment Benefits Other than Pensions

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

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

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

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

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

The College's contributions to SRHP for the years ended August 31, 2015, 2014, and 2013 were \$3,421,887, \$3,382,109, and \$3,526,858, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES

Temple College
 Schedule of Temple College's Share of Net Pension Liability
 For the Year Ended August 31, 2015

<u>Fiscal year ending August 31*</u>	<u>2015**</u>
Total TRS' pension liability	
TRS' net position	-
TRS' net pension liability	-
TRS net position as percentage of total pension liability	83.25%
Temple College's proportionate share of collective net pension liability	0.0152423%
Temple College's proportionate share of collective net pension liability	\$ 4,071,429
Portion of NECE's total proportionate share of NPL associated with Temple College	3,089,213
Total	\$ 7,160,642
Temple College's covered payroll amount	\$ 8,940,730
Ratio of TC's proportionate share of collective NPL /TC's covered payroll amount	45.5%

*The amounts presented above are as of the measurement date of the collective net pension liability.

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

Temple College
 Schedule of Temple College's Contributions
 For the Year Ended August 31, 2015

Fiscal year ending August 31*, _____	2015**
Legally required contributions	\$ 607,970
Actual contributions	607,970
Contributions deficiency (excess)	\$ _____
 Temple College's covered employee payroll amount	 \$ 8,940,730
Ratio of actual contributions /TC's covered payroll amount	6.8%

*The amounts presented above are as of TC's most recent fiscal year end.

**Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

Notes to Required Supplementary Information

1. Changes of Benefit Terms:

The college implemented a salary and wage increase effective September 1, 2014 for full time faculty/administrators and staff. When salary projections are developed for each succeeding academic year, base salaries may be adjusted either by a percentage amount, a specific dollar amount) or a combination of the two methods of adjustment. The Base Salary is the primary component for maintaining the competitiveness of Temple College faculty/administrators and staff salaries. Full time employees were given an increase consisting of an increase to the base salary and a possible step increase. The average increase for a faculty/administrator and staff position was 2.0%.

2. Changes of Assumptions

There were no changes of assumptions for the year ended August 31, 2015.

SUPPLEMENTARY SCHEDULES

Schedule of Operating Revenues
For the Year Ended August 31, 2015 (with Memorandum Totals for the Year Ended August 31, 2014)

	<u>Unrestricted</u>	Restricted	Total Educational	Auxiliary Enterprise	2015 Total	2014 Total
Tuition						
State funded courses						
District tuition	\$ 6,073,033	\$	\$ 6,073,033	\$	\$ 6,073,033	\$ 6,474,155
Out-of-district tuition	3,995,336		3,995,336		3,995,336	4,271,630
Non-resident tuition	356,428		356,428		356,428	474,041
Health science tuition	188,215		188,215		188,215	191,658
TPEG-CrediL (set aside) ***	391,405		391,405		391,405	417,629
State funded continuing education	611,669		611,669		611,669	578,842
TPEG--non--credit (set aside) *	70,827		70,827		70,827	78,333
Non-state funded continuing education	<u>120,624</u>		<u>120,624</u>		<u>120,624</u>	<u>120,624</u>
Total Tuition	<u>11,975,537</u>		<u>11,975,537</u>		<u>11,975,537</u>	<u>12,588,898</u>
Fees						
General fee	2,001,705		2,001,705		2,001,705	2,135,776
Laboratory fee	183,566		183,566		183,566	204,970
Other fees	<u>2,787,495</u>		<u>2,787,495</u>		<u>2,787,495</u>	<u>2,939,448</u>
Total Fees	<u>4,972,766</u>		<u>4,972,766</u>		<u>4,972,766</u>	<u>5,279,192</u>
Scholarships Allowances and Discounts						
Remissions, exceptions, waivers - state	(808,928)		(808,928)		(808,928)	(1,168,578)
Remissions, exceptions, waivers - local	(1,053,046)		(1,053,046)		(1,053,046)	(975,967)
TPEG discounts	(159,662)		(159,662)		(159,662)	(125,618)
Title IV federal grants discounts	(3,599,657)		(3,599,657)		(3,599,657)	(3,926,619)
Texas grants I & II discounts	(170,045)		(170,045)		(170,045)	(80,972)
Other local discounts	<u>(147,129)</u>		<u>(147,129)</u>		<u>(147,129)</u>	<u>(170,356)</u>
Total Scholarship Allowances	<u>(5,938,467)</u>		<u>(5,938,467)</u>		<u>(5,938,467)</u>	<u>(6,448,114)</u>
Total Net Tuition and Fees	<u>10,841,836</u>		<u>10,841,836</u>		<u>10,841,836</u>	<u>11,467,980</u>
Additional Operating Revenues						
Federal grants and contracts		736,113	736,113		736,113	516,099
State grants and contracts		758,710	758,710		758,710	384,191
Private gifts, grants, and contracts	1,166,238		1,166,238		1,166,238	1,012,625
Sales and services of educational activities						2,000
General operating revenue	<u>456,740</u>		<u>456,740</u>		<u>456,740</u>	<u>548,767</u>
Total Additional Operating Revenue	<u>1,622,978</u>	<u>1,494,523</u>	<u>3,117,501</u>		<u>3,117,501</u>	<u>2,463,682</u>
Auxiliary Enterprises						
Miscellaneous income				<u>316,675</u>	<u>316,675</u>	<u>1,350,505</u>
Total Auxiliary Enterprises				<u>316,675</u>	<u>316,675</u>	<u>323,505</u>
Total Operating Revenues	<u>12,464,814</u>	<u>1,494,833</u>	<u>13,959,637</u>	<u>667,675</u>	<u>14,276,312</u>	<u>15,117,167</u>
					(Exhibit 2)	(Exhibit 2)

*In accordance with Education Code 56.033, \$462,232 and \$495,962 for years August 31, 2015 and 2014, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

Schedule of Operating Expenses by Object
 Year Ended August 31, 2015 (with Memorial Totals for the Year Ended August 31, 2014)

	"Operating Expenses					2014	2015
	Salaries & Yrly Ag.	State Benefits	Local Benefits	Other Expenses	2014		
Unrestricted-Educational Activities					2014	2015	
Instruction	\$ 9,614,272	\$	\$ 1,438,569	\$ 1,244,006	12,296,847	\$ 12,923,487	
Public Service	211,146		25,935	21,657	258,738	294,359	
Academic Support	1,542,058		364,811	508,686	2,415,555	2,430,328	
Student Services	1,556,926		322,250	371,854	2,251,030	2,182,808	
Institutional Support	2,898,353		919,828	1,832,346	5,650,527	5,747,673	
Operation and Maintenance of Plant	488,274		184,650	2,697,533	3,370,457	3,364,739	
Total Unrestricted Educational Activities	16,311,029		3,256,043	6,676,082	26,243,154	26,943,394	
Restricted-Educational Activities							
Instruction	9,533	1,110,798	814	112,857	1,234,002	871,528	
Public Service	279,900		30,252	301,124	611,776	334,194	
Academic Support		118,581			118,581	138,648	
Student Services	390,760	196,830	29,422	229,323	846,335	878,728	
Institutional Support		324,590			324,590	486,961	
Operation and Maintenance of Plant							
Scholarships & Fellowships				8,171,253	8,177,253	8,747,793	
Total Restricted Educational Activities	680,191	1,750,122	30,486	8,821,000	10,033,276	11,463,852	
Total Educational Activities	16,991,222	1,750,799	3,316,531	15,497,139	37,555,691	38,407,246	
Auxiliary Enterprises	292,336		105,356	621,384	1,019,076	1,034,566	
Depreciation of Building and Improvements				1,208,099	1,208,099	1,198,106	
Depreciation of Equipment & Furniture				306,791	306,791	314,547	
TOTAL OPERATING EXPENSES	\$ 17,283,558	\$ 1,750,799	\$ 3,421,887	\$ 17,633,413	\$ 40,089,657	\$ 41,014,465	
				(Exhibit 2)	(Exhibit 2)		

Schedule of Non-Operating Revenues and Expenses

Year Ended August 31, 2015 (with Memorandum Totals for the Year Ended August 31, 2014)

	<u>On restricted</u>	<u>Restricted</u>	<u>Auxiliary Entirely</u>	<u>2015 Total</u>	<u>2014 Total</u>
Non-Operating Revenues					
State Appropriations:					
Education and General State Support	\$ 7,854,386	\$	\$	\$ 7,854,386	\$ 7,854,386
State Group Insurance		1,290,890		1,290,890	1,202,730
State Retirement Matching		459,909		459,909	467,610
Professional Nursing Growth Shortage		40,099		40,099	26,451
Professional Nursing (over 70%)		33,363		33,363	46,637
Small Institution, Article JX and Supplemental	<u>8,876</u>			<u>8,876</u>	<u>8,781</u>
Total State Appropriations	7,877,262	1,824,261		9,701,523	9,636,601
Maintenance Ad Valorem Taxes	5,303,079			5,303,079	5,524,656
Debt Service Ad Valorem Taxes	2,340,631			2,340,631	2,140,412
Federal Revenue, Non-Operating		11,550,268		11,550,268	12,687,320
Gifts	9,500			9,500	
Investment Income	17,918			17,918	10,734
Other Non-Operating Revenue		<u>255</u>		<u>255</u>	
Total Non-Operating Revenues	15,548,390	13,374,784		28,923,174	29,199,723
Non-Operating Expenses					
Interest on Capital Related Debt	1,258,970			1,258,970	1,353,992
Loss on Disposal of Capital Assets	137,499			137,499	63,329
Other Non-Operating Expense	88,522	<u>50</u>		<u>8,572</u>	<u>168,007</u>
Total Non-Operating Expenses	<u>1,484,991</u>	<u>50</u>		<u>1,467,041</u>	<u>1,585,328</u>
Net Non-Operating Revenues	<u>\$ 14,063,399</u>	<u>\$ 13,374,734</u>	<u>\$</u>	<u>\$ 27,438,133</u>	<u>\$ 28,414,395</u>
				(Exhibit 2)	(Exhibit 2)

Schedule of Net Position by Source and Availability
 Year Ended August 31, 2015 (With Memorandum Totals for the Year Ended August 31, 2014)

	Detail by Source				Available for Current Operations		
	Restricted			Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
	Unrestricted	Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 5,635,315	\$	\$	\$	\$ 5,635,315	\$ 5,635,315	\$
Board designated	1,968,328				1,968,328	1,968,328	
Restricted			651,684		651,684	651,684	
Auxiliary enterprises	35,162				35,162	35,162	
Loan		28,671			28,671		28,671
Plant							
Unexpended	905,265				905,265		905,265
Renovations	1,650,628				1,650,628		1,650,628
Debt service		7,718,636			7,718,636		7,718,636
Investment in plant				12,802,208	12,802,208		12,802,208
Total Net Position, August 31, 2015	\$ 10,194,698	\$ 7,747,307	\$ 651,684	\$ 12,802,208	\$ 31,395,897	\$ 8,290,489	\$ 23,105,408
Total Net Position, August 31, 2014	14,856,738	7,786,727	723,256	10,893,689	34,260,410	13,209,441	21,050,969
Prior Period Adjustment - Change in Accounting Principle	(4,612,947)			123,646	(4,489,301)	(4,612,947)	123,646
Total Net Position, September 1, 2014	(1,243,791)	7,786,727	723,256	11,017,335	29,771,109	8,596,494	21,174,615
Net Increase (Decrease) in Net Position	\$ (49,093)	\$ (39,420)	\$ (71,572)	\$ 1,784,873	\$ 1,624,788	\$ (306,005)	\$ 1,930,793

(Exhibit 2)

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2015

Federal Grantor/Pass Through Grantor/Program Title	Federal (F)A Number	Pass-Through Grantor's Number	Expenditures & Pass Through Disbursements
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
SEOG	84.007		162,270
Federal College Workstudy Program	84.033		153,633
Federal PELI Grant	84.063		11,053,232
Winiford Direct Loans	84.268		15,943,985
TRIO Cluster			
TRIO Student Support Services	84.042A	P042A100581-11	181,133
Pass-Through From:			
Community Action, Inc.			
Adult Education and Literacy	84.002A		11,997
Pass-Through From:			
Texas Workforce Commission			
Adult Education and Literacy	84.002A	2614AEL000	348,227
EL Civics	84.002A	2614AELO00	56,653
Subtotal 84.002			<u>416,877</u>
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Educ.- Basic	84.048	1542020601	<u>231,808</u>
Total U. S. Department of Education			<u>28,142,938</u>
U.S. Department of Health & Human Services			
Pass-Through From:			
Texas Workforce Commission			
TANF	93.558	2614AELO00	70,412
Central Texas Workforce Board			
Child Care Quality Funds, Federal Share	93.596	C1814, C0715	<u>16,016</u>
Total U.S. Department of Health & Human Services			<u>86,428</u>
National Endowment for the Humanities			
Pass-Through From:			
Humanities Texas			
Humanities Texas Initiative	45.129	2014-4697	1,000
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 28,230,366</u>

Notes to Schedule on Following Page.

Notes to Schedule of Expenditures of Federal Awards
Year Ended August 31, 2015

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	\$ 736,113
Add: Non-Operating Federal Revenue from Schedule <=	11,550,268
Add: World Ford Direct Loans	<u>294,985</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 28,719,366</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Expenditures Not Subject to Federal Single

Audit None

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

Schedule None

Note 5: Nonmonetary Federal Assistance Received

None

Temple College

Schedule F

Schedule of Expenditures of State Awards
For the Year Ended August 31, 2015

<u>State Grantor/Program Title</u>	<u>Contract Number</u>	<u>Expenditures</u>
Texas Workforce Commission		
Skills Development - Skills for Small Business	2614SSDOOI	\$ 7,049
Skills Development -Skills for Vets	2614SDF001	22,495
State Adult Education and Literacy	2614AELOOO	80,298
State TANF	2614AELOOO	19,775
Total Texas Workforce Commission		<u>\$ 129,617</u>
Texas Higher Education Coordinating Board		
Student Services Division		
Texas Grant Program-Texas Grant I Renewal		54,664
Texas Grant Program-Texas Grant II TEOG Initial		396,277
Texas Grant Program-Texas Grant II TEOG Renewal		40,140
Texas College Work Study		31,771
Professional Nursing Reduction Shortage (Regular Program)		40,099
Professional Nursing Growth Shortage Over 70%		33,363
Nursing and Allied Health	14140	1,06,241
Total Texas Higher Education Coordinating Board		<u>702,555</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 832,172</u>

Note 1: State Assistance Reconciliation

State Revenue - per Schedule A:	
State Grants and Contracts	758,710
State Appropriations - per Schedule C:	
Professional Nursing Shortage Reduction	40,099
Professional Nursing Growth Shortage Over 70%	33,363
	<u>\$ 832,172</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

AUDITORS' REPORTS ON CONTROLS AND COMPLIANCE



LOTT, VERNON & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

KILLEEN • COPPERAS COVE • TEMPLE

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OFFINANCIAL 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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 9, 2015.

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
November 9, 2015

LOTT, VERNON & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778 14783
POST OFFICE BOX 160 800/460 14783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

Member of
American Institute & Texas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Trustees
Temple College
Temple, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Temple College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2015. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR (CONTINUED)

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

Opinion on Each Major Federal and State 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 and state programs for the year ended August 31, 2015.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of 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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *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 or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR (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 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Jett, Vernon & Co., P.C.

Temple, Texas
November 9, 2015

TEMPLE COLLEGE

Schedule of Findings and Questioned Costs
August 31, 2015

I. Summary of Audit Results

Financial Statements

1. Type of auditor's report issued: *unmodified*

2. Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

3. Noncompliance material to financial statements noted? yes no

Federal and State Awards

4. Internal control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

5. Type of auditor's report issued on compliance for major programs: *unmodified*

6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or the State of Texas Uniform Grant Management Standards? yes no

7. Identification of major programs:

<p>EgfilJLQ.t;Eill1s_</p> <p>Student Financial Aid Cluster:</p> <p>FSEOG</p> <p>Federal College</p> <p>Work-Study Program</p> <p>Federal Pell Grant</p> <p>Program</p> <p>Wm D Ford Direct Loans</p> <p>Adult Education - Basic</p>	<p>CFDA</p> <p>84.007</p> <p>84.033</p> <p>84.063</p> <p>84.268</p> <p>84.002</p>	<p><u>5\£1\<e t::Qgran:ls</u></p> <p>- Texas Grant II Initial TEOG</p> <p>- Nursing and Allied Health</p>
---	---	--

TEMPLE COLLEGE

Schedule of Findings and Questioned Costs (Continued)

August 31, 2015

- 8. Dollar threshold used to distinguish between type A and type B federal and state programs: JQQ,QQO

- 9. Auditee qualified as low-risk auditee for federal and state single audits. X yes no

- II. Findings and Questioned Costs:
None.

- III. Findings and Questioned Costs:
None.