

TEXARKANA COLLEGE

Texarkana, Texas

*ANNUAL FINANCIAL **REPORT***

For The Years Ended

August 31, 2015 and 2014

TEXARKANA COLLEGE

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ORGANIZATIONAL DATA

TEXARKANA COLLEGE

ORGANIZATIONAL DATA

FOR THE YEAR ENDED AUGUST 31, 2015

Board of Trustees

Officers

Kyle Davis	President
Terry Taylor	Vice President
Jane Daines	Secretary

Members

		Term Expires <u>December 31</u>
Ernie Cochran	Texarkana, Texas	2018
Anne Farris	Texarkana, Texas	2018
Kaye Ellison	Texarkana, Texas	2020
Ken Reese	Texarkana, Texas	2016

Key Officers

James Henry Russell	President
Kimberly Jones	Vice President of Finance / Chief Financial Officer
Donna McDaniel	Vice President of Instruction
Mike Dumdei	Vice President of Information Technology
Robert Jones	Dean of Students
Phyllis Deese	Director of Human Resources
Jamie Ashby	Director of Institutional Research and Effectiveness
Suzy Irwin	Director of Institutional Advancement and Public Relations
Steve Mitchell	Director of Radio Station
Rick Boyette	Director of Facilities Services
J. Dixon Boyles	Director of SACSCOC Reaffirmation
Katie Andrus	Texarkana College Foundation Director and Development Officer

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION, SUPPLEMENTARY INFORMATION, AND OTHER INFORMATION

To the Board of Trustees
of Texarkana College and the
Texarkana College Foundation, Inc.

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Texarkana College (the College) as of and for the years ended August 31, 2015 and 2014, and the related notes to the financial statements. We have also audited the accompanying financial statements of the Texarkana College Foundation, Inc. (the Foundation), a component unit of the College, which comprise the statements of financial position as of August 31, 2015, and August 31, 2014, the related statements of activities and statements of cash flows for the twelve-month and eight-month periods then ended, and the related notes to the financial statements. Collectively, these comprise the College's and the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 the business-type activities and the aggregate discretely presented component unit of Texarkana College as of August 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended, and the Texarkana College Foundation, Inc., as of August 31, 2015, and August 31, 2014, and the respective changes in financial position and cash flows thereof for the twelve-month and eight-month periods then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the College adopted new accounting requirements, Government Accounting Standards Board (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*. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 9, the schedule of the College's share of net pension liability on page 44, and the schedule of the College's contributions on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Texarkana College and the Texarkana College Foundation, Inc.'s basic financial statements.

The Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenues and Expenses, and Schedule of Net Position by Source and Availability presented on pages 46 through 50 are presented as for purposes of additional analysis as required by the *Texas Higher Education Coordinating Board* and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and schedule of expenditures of state awards 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*, respectively, and are also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenues and Expenses, Schedule of Net Position by Source and Availability, schedule of expenditures of federal awards, schedule of expenditures of state awards, and Statement of Income and Expenses – Auxiliary Enterprises are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules referenced in the first sentence of this paragraph are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Insurance in Force has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2015, on our consideration of the Texarkana College and the Texarkana College Foundation, Inc.'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 Texarkana College and the Texarkana College Foundation, Inc.'s internal control over financial reporting and compliance

Thomas & Thomas LLP

Certified Public Accountants

Texarkana, Texas
December 14, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Texarkana College
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2015 and 2014

This section of Texarkana College's annual financial report presents management's discussion and analysis of the financial performance of the College during the fiscal years ending 2015, 2014, and 2013. This discussion should be read in conjunction with the accompanying financial statements, notes to the financial statements, and supplemental information. This discussion focuses on currently known facts, decisions and conditions that have an impact on the financial activities for the College, and is intended to assist the reader in the interpretation of the financial statements. The financial statements, notes to the financial statements, supplemental information, and this discussion are the responsibility of Texarkana College's management.

A Brief Discussion of the Basic Financial Statements

This annual report contains financial statements prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities* and as amended by GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These financial statements differ significantly, in both the form and the accounting principles utilized, from financial statements issued prior to 2002. The financial statements presented in years prior to 2002 focused on the accountability of fund groups, while these statements focus on the financial condition, the results of operations, and cash flows of the College as a whole.

The financial statements prescribed by GASB No. 35, 63, & 65 (the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) present financial information similar to that used by commercial enterprises. The statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, when applicable. Decreases over time in the net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows or resources) would be one indicator of the deterioration of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related financing, and investing activities. The statement helps measure the ability to pay operating expenses with operating revenues and the extent that capital assets are financed.

The financial statements for the College's discrete component unit, Texarkana College Foundation, Inc., are issued independent of the College. The Foundation's financial information is shown on separate pages behind the College's basic financial statements. Refer to Note 21 in the Notes to the Basic Financial Statements for more detail on the Foundation.

Texarkana College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
August 31, 2015 and 2014

Financial Position Summary

Assets	2015	2014	2013
Current and other assets	\$ 15,366,719	\$ 13,762,412	\$ 14,393,246
Capital assets, net	<u>23,434,502</u>	<u>23,599,973</u>	<u>22,853,546</u>
Total assets	<u>38,801,221</u>	<u>37,362,385</u>	<u>37,246,792</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	560,673		
Liabilities			
Current liabilities	6,686,929	5,978,582	5,635,401
Noncurrent liabilities	<u>6,543,758</u>	<u>4,025,736</u>	<u>4,429,701</u>
Total liabilities	<u>13,230,687</u>	<u>10,004,318</u>	<u>10,065,102</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	976,878		
Net Position			
Invested in capital assets, net of debt	19,985,284	19,954,792	20,774,345
Restricted	1,729,355	1,846,193	1,903,985
Unrestricted	<u>3,439,690</u>	<u>5,557,082</u>	<u>4,503,360</u>
Total net position	<u>\$ 25,154,329</u>	<u>\$ 27,358,067</u>	<u>\$ 27,181,690</u>

The College's capital assets, net of accumulated depreciation, represent 60% and 63% of the total assets at August 31, 2015 and 2014, respectively. The largest component of capital assets is the College's investment in buildings. The buildings represent 78% of the capital assets at the end of the 2015 fiscal year, compared to 79% for 2014. Adequate facilities are an important factor in the ability of the College to meet the educational needs of current and future students.

Summary of Changes in Net Position

Operating Revenues:	2015	2014	2013
Net Tuition and Fees	\$ 5,442,105	\$ 4,446,599	\$ 4,054,815
Federal Grants and Contracts	586,917	748,894	1,357,288
State Grants and Contracts	949,216	495,866	1,235,721
Non-Governmental Grants	32,380	69,127	143,838
Sales and Services Activities	203,685	222,712	297,991
Net Auxiliary Enterprises	706,381	788,934	796,150
Other	<u>138,037</u>	<u>422,045</u>	<u>188,340</u>
Total Operating Revenue	<u>\$ 8,058,721</u>	<u>\$ 7,194,177</u>	<u>\$ 8,074,143</u>

Texarkana College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
August 31, 2015 and 2014

Summary of Changes in Net Position (continued)

Operating Expenses:	2015	2014	2013
Instruction	\$ 11,741,367		\$
Academic Support	2,056,780		
Student Services	2,111,353		
Institutional Support	4,343,979		
Operation and Maintenance of Plant	2,292,714		
Scholarships and Fellowships	4,140,758		
Auxiliary Enterprises	2,080,647		
Depreciation	1,774,956		
Total Operating Expenses	<u>30,542,554</u>		
Operating Loss	<u>(22,483,833)</u>		
Non-Operating Income (Expenses)			
State Appropriations	8,551,082		
Taxes	5,397,077		
Federal Grants Non Operating	8,525,513		
Gifts	1,266,327		
Investment Income	82,426		
Rent Income	114,413		
Other Non-Operating Income	35,699		
Gain on Exchange Transaction			
Gain (Loss) on Disposal of Assets	14,000		
Interest on Capital Related Debt	(88,277)		
Net Non-Operating Revenues	<u>23,898,260</u>		
Increase in Net Position	<u>1,414,427</u>		
Net Position-Beginning of Year, as previously reported	27,358,067		
Cumulative Effect of Change in Accounting Principle	(3,618,165)		
Net Position-Beginning of Year, as restated	<u>23,739,902</u>		
Net Position-End of Year	<u>\$ 25,154,329</u>	<u>\$ 27,358,067</u>	<u>\$ 27,181,690</u>

The College's net position increased \$1,414,427 for the year ended August 31, 2015 compared to an increase of \$176,377 for the year ended August 31, 2014. The increase between 2015 and 2014 of \$1,238,050 was predominately from cost savings as a result of the implementation of a new enterprise resource planning software in August 2014.

Texarkana College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
August 31, 2015 and 2014

Summary of Changes in Net Position (continued)

The College's net position increased \$176,377 and \$1,120,952 for the years ended August 31, 2014 and 2013, respectively. The 2014 increase was primarily caused by absence during the current year of the large gain on exchange transactions and the additional gifts, both recognized in the prior year. The 2013 increase in net position resulted in largely from significant gain on exchange transactions and additional gifts received.

As discussed in Note 2, the College implemented GASB 68, which required accounting changes related to pensions for the year ended August 31, 2015. However, information was not available for restatement of the years ended August 31, 2014 and 2013.

The College's unrestricted net position decreased by \$2,117,392 for the year ended August 31, 2015. The unrestricted net position is the assets that generate the College's investment income. This decrease was due to the implementation of GASB 68 for the current year which mandated a prior period adjustment that decreased unrestricted net position by \$3,618,165.

The College's cash and cash equivalents increased \$1,837,027 during the year ended August 31, 2015.

The College's cash and cash equivalents decreased \$3,800,770 during the year ended August 31, 2014.

Analysis of College's Overall Financial Position and Results of Operation

Current and other assets, as of August 31, 2015, totaled \$15,366,719 which is 40% of the total assets. Approximately 69% of the current assets are in cash or are invested in certificates of deposit at August 31, 2015.

Current and other assets, as of August 31, 2014, totaled \$13,762,412 which is 37% of the total assets. Approximately 64% of the current assets are in cash or are invested in certificates of deposit at August 31, 2014.

Current and other assets, as of August 31, 2013, totaled \$14,393,246 which is 39% of the total assets. Approximately 66% of the current assets are in cash or are invested in certificates of deposit at August 31, 2013.

Current liabilities total \$6,686,929 for 2015 and \$5,978,582 for 2014. Unearned revenue is 57% for 2015 and 64% for 2014 of the total current liabilities. Unearned revenue is the tuition and fees collected prior to year-end for the fall classes. These are unearned because the revenue has not been earned as of the end of the year. These monies are for classes that will be primarily conducted in the next fiscal year.

The college incurred a net operating loss for the year ended August 31, 2015, 2014, and 2013, because state appropriations, Title IV funds and property tax collections are classified as non-operating revenues.

Net operating loss is an excess of the cost to provide educational instruction to our students over income from grants and funds charged to students.

Texarkana College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
August 31, 2015 and 2014

Analysis of College's Overall Financial Position and Results of Operation (continued)

Net operating income is an excess of grants and funds charged to students over the cost to provide educational instruction to our students.

State and Federal funds amounted to 58% and charges to students amounted to 19% of total revenues for the year ended August 31, 2015.

State and Federal funds amounted to 59% and charges to students amounted to 17% of total revenues for the year ended August 31, 2014.

Salaries and benefits are approximately 57% of total operating expenses for the year ended August 31, 2015.

Salaries and benefits are approximately 53% of total operating expenses for the year ended August 31, 2014.

Non-operating revenues primarily consist of state appropriations, property tax, federal grants and contracts, gifts, and investment income.

The College had negative cash flows from operating activities for the years ended August 31, 2015, 2014 and 2013 because a significant portion of the revenue, state appropriations, Title IV funds, and taxes, are considered non-operating revenue.

The College purchased capital assets during the years ended August 31, 2015 and 2014 totaling \$1,609,485 and \$2,608,716, respectively.

Changes in credit ratings

There has not been a change in the credit rating of Texarkana College.

Debt limitations that may affect the financing of planned facilities or services

In March of 2013, the College Board of Trustees authorized a maintenance note in the amount of \$3,500,000 to provide funds for an energy management and roofing project. A portion of the note is anticipated to be repaid by energy savings generated by the HVAC project.

In August of 2013, the College entered into an exchange Agreement with the Texas A&M University System. As part of the agreement Texarkana College agreed to lease the Academic Building from Texas A&M University. The lease began August 1, 2013 and ends July 31, 2016. At the end of the term of the lease, Texarkana College will fulfill its obligation by paying \$340,000, and in return, the building will become the property of Texarkana College.

Texarkana College
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
August 31, 2015 and 2014

Discussion of currently known facts, decisions, or conditions

Texarkana College has continued the focused objective of returning to the historically sound financial principles and stability for which the institution was known. Based on the actions taken by the board, administration, and the continued evaluations of performance measures, Texarkana College was able to once again add to the net assets during this past fiscal year.

With the continued decline in state appropriations, the college is forced to rely on tuition, fees and local taxes to support its mission. In November 2012, the College was able to successfully expand the taxing district through annexation of territory that lies within the state designated service area. The voters of Bowie County approved the annexation, which increased the college's appraised property values. This increase in tax revenue brought a much needed perpetual revenue source to the college however, additional reductions in expenditures are also necessary for the college to remain financially sound.

In August of 2013, the Board of Trustees approved the purchase of a new Enterprise Resource System (ERP). While the purchase of the new system required a one-time cash outlay of an estimated \$1.7 million over a period of two fiscal years, the college anticipated annual savings of approximately \$1 million per year over the current annual ERP expenditures after the initial year. The college was fully converted and successfully operating on the new ERP system as of August 31, 2014. The college realized the anticipated savings of the newly implemented ERP system during the fiscal year ended August 31, 2015, with total expenditures decreasing from \$31,239,068 in 2014 to \$30,542,554 in 2015.

The college is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the subsequent fiscal year.

Based on the continued evaluations, data-driven decisions and future plans, Texarkana College is well on its way to regaining its strong financial position and will continue to serve the constituents of this region with affordable, accessible, and high quality educational opportunities for future generations to come.

Texarkana College affirms, as its mission, the commitment to provide, within the resources available, educational programs and services that meet the individual and community needs.

FINANCIAL STATEMENTS

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TEXARKANA COLLEGE

EXHIBIT I - STATEMENTS OF NET POSITION

AUGUST 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,637,705	\$ 3,751,642
Investments - other	3,041,808	3,010,007
Accounts receivable, net of allowance for doubtful accounts	4,177,382	4,452,678
Inventories	578,154	567,379
Total Current Assets	<u>13,435,049</u>	<u>11,781,706</u>
Noncurrent Assets		
Restricted cash and cash equivalents	1,931,670	1,980,706
Capital assets, net of accumulated depreciation	23,434,502	23,599,973
Total Noncurrent Assets	<u>25,366,172</u>	<u>25,580,679</u>
Total Assets	<u>38,801,221</u>	<u>37,362,385</u>
Deferred Outflow.; of Resources		
Deferred outflows related to pensions	560,673	
LIABILITIES		
Current Liabilities		
Accounts payable	1,176,958	764,687
Accrued liabilities	529,680	547,689
Accrued interest	23,928	25,436
Funds held for others	561,120	569,214
Deposits	18,502	20,502
Unearned revenues	3,833,656	3,853,091
Capital Lease Obligation - current portion	340,000	
Notes payable - current portion	203,085	197,963
Total Current Liabilities	<u>6,686,929</u>	<u>5,978,582</u>
Noncurrent Liabilities		
Accounts payable restricted	23,696	146,907
Accrued compensable absences payable	420,503	431,611
Capital Lease Obligation - non-current portion		340,000
Note payable - non-current portion	2,906,133	3,107,218
Net Pension Liability	3,193,426	
Total Noncurrent Liabilities	<u>6,543,758</u>	<u>4,025,736</u>
Total Liabilities	<u>13,230,687</u>	<u>10,004,318</u>
Deferred Inflow.; of Resources		
Deferred inflows related to pensions	976,878	
NET POSITION		
Invested in capital assets, net of related debt	19,985,284	19,954,792
Restricted for:		
Nonexpendable		
Student Aid	1,584,156	1,722,764
Expendable		
Student Aid	145,199	123,429
Unrestricted	3,439,690	5,557,082
Total Net Position	<u>\$ 25,154,329</u>	<u>\$ 27,358,067</u>

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

TEXARKANA COLLEGE FOUNDATION, INC.

COMPONENT UNIT

STATEMENT OF FINANCIAL NET POSITION

AS OF AUGUST 31, 2015 AND 2014

	ASSETS	
	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 505,509	\$ 492,144
Investments	1,535,926	523,252
Accrued interest and dividends	9,685	8,801
Unconditional promises to Give	64,000	50,000
TOTAL CURRENT ASSETS	2,115,120	1,074,197
NONCURRENT ASSETS		
Investments - restricted	2,466,945	2,420,756
TOTAL NONCURRENT ASSETS	2,466,945	2,420,756
TOTAL ASSETS	4,582,065	3,494,953
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Due to College	27,715	150,428
TOTAL CURRENT LIABILITIES	27,715	150,428
TOTAL LIABILITIES	27,715	150,428
NET POSITION		
Unrestricted	2,083,855	973,768
Temporarily restricted	959,262	953,470
Permanently restricted	1,511,233	1,417,287
TOTAL NET POSITION	4,554,350	3,344,525
TOTAL LIABILITIES NET POSITION	\$ 4,582,065	\$ 3,494,953

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

TEXARKANA COLLEGE

EXHIBIT 2 - STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION AUGUST 31, 2015 and 2014

	2015	2014
REVENUES		
Operating Revenues		
Tuition and fees (net of grant and scholarship allowances of \$3,012,866 and \$3,980,736, respectively)	\$ 5,442,105	\$ 4,446,599
Federal grants and contracts	586,917	748,894
State grants and contracts	949,216	495,866
Non-Governmental grants and contracts	32,380	69,127
Sales and services of educational activities	203,685	222,712
Auxiliary enterprises (net of grant and scholarship allowances of \$1,557,667 and \$1,744,913, respectively)	706,381	788,934
Other operating revenues	138,037	422,045
Total Operating Revenues	8,058,721	7,194,177
EXPENSES		
Operating Expenses		
Instruction	11,741,367	11,433,463
Academic Support	2,056,780	2,355,149
Student Services	2,111,353	1,921,802
Institutional Support	4,343,979	5,331,547
Operation and maintenance of plant	2,292,714	2,326,517
Scholarships and fellowships	4,140,758	3,755,534
Auxiliary enterprises	2,080,647	2,252,769
Depreciation	1,774,956	1,862,287
Total Operating Expenses	30,542,554	31,239,068
Operating Loss	(22,483,833)	(24,044,891)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	8,551,082	8,116,276
Maintenance ad-valorem taxes		
Taxes for maintenance & operations	5,397,077	5,325,560
Federal grants and contracts non-operating	8,525,513	9,267,346
Gifts	1,266,327	1,314,860
Investment income (net of investment expenses)	82,426	74,221
Rent income	114,413	122,007
Other non-operating revenues	35,699	998
Gain on disposal of fixed assets	14,000	
Interest on capital related debt	(88,277)	
Net non-operating revenues	23,898,260	24,221,268
Increase in Net Position	1,414,427	176,377
NET POSITION		
Net Position - Beginning of Year, as previously reported	27,358,067	27,181,690
Cumulative Effect of Change in Accounting Principle (Note 2)	(3,618,165)	
Net Position - Beginning of Year, as restated	23,739,902	
Net Position - End of Year	\$ 25,154,329	\$ 27,358,067

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

TEXARKANA COLLEGE FOUNDATION, INC.

COMPONENT UNIT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2015, AND THE EIGHT MONTH PERIOD ENDED AUGUST 31, 2014

	2015	
UNRESTRICTED NET POSITION		
Revenues and gains:		
Contributions and fund raising	\$ 1,347,067	\$ 249,895
Interest income	17,283	7,653
Dividend income	20,240	5,208
Net realized gain (loss) on investments	(47)	(40,342)
Net unrealized gain (loss) on investments	(63,378)	7,704
Total unrestricted revenues and gains	1,321,165	230,118
Changes in Net assets restrictions:		
Temporarily restricted assets	(10,000)	(33,921)
Permanently restricted assets	(3,135)	(50,000)
Satisfaction of scholarships and other restrictions	234,449	25,201
Total change in net assets restrictions	221,314	(58,720)
Total unrestricted support and gains	1,542,479	171,398
EXPENSES		
Program services:		
Donation to Texarkana College	301,620	150,000
Salaries	43,168	
Scholarships	54,836	50,428
Advertising	61	3,922
Professional Fees	11,917	7,059
Miscellaneous	20,790	10,066
Total expenses	432,392	221,475
Increase (decrease) in unrestricted net position	1,110,087	(50,077)
TEMPORARILY RESTRICTED NET POSITION		
Support:		
Contributions	262,169	45,880
Interest income	22,065	12,525
Dividend income	25,706	11,297
Net realized gain on investments	1,048	95,775
Net unrealized gain (loss) on investments	(80,747)	72,168
Changes in net assets restriction:		
Temporarily restricted assets	10,000	33,921
Satisfaction of scholarship and other restrictions	(234,449)	(25,201)
Increase (decrease) in temporarily restricted net position	5,792	246,365
PERMANENTLY RESTRICTED NET POSITION		
Revenues and gains:		
Contributions	93,946	164,764
Interest income	775	425
Dividend income	924	372
Net realized gain on investments	(17)	2,323
Net unrealized gain (loss) on investments	(4,817)	3,133
Changes in net assets restriction:		
Permanently restricted assets	3,135	50,000
Increase in permanently restricted net position	93,946	221,017
INCREASE IN NET POSITION	1,209,825	417,305
NET POSITION, BEGINNING OF YEAR	3,344,525	2,927,220
NET POSITION, END OF YEAR	\$ 4,554,350	\$ 3,344,525

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

TEXARKANA COLLEGE

EXHIBIT 3-STATEMENTS OF CASH FLOWS

AUGUST 31, 2015 and 2014

Cash Flow From Operating Activities	2015	2014
Receipts from students and other customers	\$ 5,917,084	\$ 5,337,449
Receipts of grants and contracts	1,568,513	1,313,887
Other receipts	138,037	422,045
Payments to or on behalf of employees	(11,221,309)	(11,743,934)
Payments to suppliers for goods or services	(10,583,025)	(12,276,484)
Payments of scholarships	(4,140,758)	(3,755,534)
Net cash used by operating activities	<u>(18,321,458)</u>	<u>(20,702,571)</u>
Cash Flow From Non-capital Financing Activities		
Receipts from state appropriations	6,686,954	6,689,546
Ad valorem tax revenues	5,360,187	5,247,863
Federal revenue non-operating	8,525,513	9,267,346
Gifts and grants (other than capital)	1,266,327	1,314,860
Other receipts	<u>150,112</u>	<u>123,005</u>
Net cash provided by non-capital financing activities	<u>21,989,093</u>	<u>22,642,620</u>
Cash Flow From Capital and Related Financing Activities		
Payments on capital debt - principal	(195,963)	(194,819)
Payments on capital debt - interest	(89,785)	(92,722)
Purchases of capital assets	<u>(1,595,485)</u>	<u>(2,517,492)</u>
Net cash used by capital and related financing activities	<u>(1,881,233)</u>	<u>(2,805,033)</u>
Cash Flow From Investing Activities		
Investment earnings	82,426	74,221
Payments for purchase of investments	<u>(31,801)</u>	<u>(3,010,007)</u>
Net cash provided (used) by investing activities	<u>50,625</u>	<u>(2,935,786)</u>
Increase (Decrease) in cash and cash equivalents	1,837,027	(3,800,770)
Cash and cash equivalents - September 1,	<u>5,732,348</u>	<u>9,533,118</u>
Cash and cash equivalents - August 31,	<u>\$ 7,569,375</u>	<u>\$ 5,732,348</u>

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

TEXARKANA COLLEGE

EXHIBIT 3 - STATEMENTS OF CASH FLOWS (continued)

AUGUST 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (22,483,833)	\$ (24,044,891)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Staff benefits paid directly by state	1,864,128	1,426,730
Depreciation expense	1,774,956	1,862,287
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable, net	312,186	71,557
Inventories	{10,775}	{153,789}
Deferred outflows of resources related to pensions	(611)	
Accounts payable	289,060	335,233
Accrued Expenses	(18,009)	131,267
Funds held for others	(8,094)	(24,608)
Unearned revenue	(19,435)	(192,353)
Deposits held for others	{2,000}	(4,639)
Compensated absences	{11,108}	(109,365)
Deferred inflows of resources related to pensions	976,878	
Net pension liability	(984,801)	
Net cash used by operating activities	<u>\$ (18,321,458)</u>	<u>\$ (20,702,571)</u>

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

TEXARKANA COLLEGE FOUNDATION, INC.

COMPONENT UNIT

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2015, AND THE EIGHT MONTH PERIOD ENDED AUGUST 31, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ 1,209,825	\$ 417,305
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Net realized and unrealized investment gain (loss)	(143,124)	135,305
(Increase) decrease in assets:		
Accrued interest and dividends	(884)	(2,270)
Unconditional promises to Give-Net	(14,000)	(50,000)
Increase (decrease) in liabilities:		
Due to College	(122,713)	150,428
Due to Brokers	(99,821)	(99,821)
	929,104	550,947
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of restricted investments		(1,500,321)
Net sales of unrestricted investments	(915,739)	286,086
	(915,739)	(1,214,235)
CASH USED FOR INVESTING ACTIVITIES	(915,739)	(1,214,235)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,365	(663,288)
CASH AT BEGINNING OF YEAR	492,144	1,155,432
CASH AT END OF YEAR	\$ 505,509	\$ 492,144

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

NOTES TO THE FINANCIAL STATEMENTS

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 1 - Reporting Entity

Texarkana College (the College) was established in 1927 in accordance with the laws of the State of Texas to serve the educational needs of Texarkana and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 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.

The College Board of Trustees (the Board), a seven member group, has governance responsibilities over all activities related to the College. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

These statements include, as a component unit, Texarkana College Foundation, Inc. (the Foundation), as discussed in Note 21.

Note 2 - Summary of Significant Accounting Policies

Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements and is reported as a special-purpose government engaged in business-type activities.

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 reduced to a legal or contractual obligation to pay.

Inventories

Inventories consist of bookstore stock as of August 31, 2015 and 2014. Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method and are charged to expense as consumed.

Texarkana College Foundation, Inc. - Net Position

Temporarily restricted net assets are available for the purposes designated by the donor, primarily scholarships. These net assets consist primarily of investment earnings from permanently restricted assets.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies – (continued)

Texarkana College Foundation, Inc. - Net Position (continued)

Permanently restricted net assets are to provide a permanent endowment. The investment income from these endowments is temporarily restricted to fund scholarship grants.

Tuition Discounting

Texas Public Education Grants - Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set-aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set-aside amount (Texas Education Code §56.033). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding 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. Higher Education Act (HEA) Program Funds - Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as revenue. When funds are awarded to students and used for tuition and fees, the amounts are recorded as tuition discounts. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

The College also originates Direct Student loans under Title IV. These loans are not included as revenues in the accompanying financial statements. Student loans remitted to students are not recorded as revenues or expenses in the accompanying financial statements as they are not revenues of the College and instead are passed through from the Department of Education. The amounts passed through the College are included as a reconciling item in the notes to the supplemental Schedule E – Schedule of Expenditures of Federal Awards.

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

Budgetary Data

The College is required by Texas 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 and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies -(continued)

Cash and Cash Eguivalents

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. The College had no cash equivalents as of August 31, 2015 and 2014.

Investments

In accordance with GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments are those that have an original maturity greater than three months but less than one year at the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase. The College's investments included certificates of deposit with original maturities greater than three months. These investments are carried at cost, which approximates fair value.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position includes 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 future periods and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB. The College's sole deferred inflow of resources is related to pensions.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position includes 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 future periods and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. The College's sole deferred outflow of resources is related to pensions.

Operating and Non-Operating Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. The College's operating activities are shown as a business-type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees, federal grants, state grants and auxiliary enterprises. The major non-operating revenues are state appropriations, property taxes, Title IV funds, gifts, and investment income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies -(continued)

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation. For equipment, the College's capitalization policy requires capitalization of items with a unit cost of \$5,000 or more and an estimated life greater than one year. Renovations of \$100,000 or more to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The cost 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 under the half-year convention using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for depreciable assets are as follows:

Building	50 years
Facilities and Other Improvements	20 years
Library Books	15 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years
Software Costs	3 years

Unearned Revenues

Tuition and fes of \$3,222,392 and \$3,408,035 and federal, state, and local grants of \$61 1,264 and \$445,056 have been reported as unearned revenues at August 31, 2015 and 2014, respectively.

Estimates

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

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. None of the reclassifications affect the previously reported change in net position.

Date of Management's Review

Subsequent events were evaluated through December 14, 2015, which is the date the financial statements were available to be issued.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies -(continued)

Pensions

For the year ended August 31, 2015, the College implemented the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 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 based on the flow of economic resource 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, and 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*:

Beginning net position, as previously reported	27,358,067
Prior period adjustment - Implementation of GASB 68:	
Net pension liability (measurement date of August 31, 2013; adopted as of August 31, 2014)	(3,921,264)
Deferred outflows - the College's contributions made during the year ended August 31, 2014	<u>303,099</u>
Adjustment to beginning net position	<u>(3,618,165)</u>
Beginning net position, as restated	<u>23,739,902</u>

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The provisions of GASB 68 improve accounting and financial reporting by state and local governments for pensions. The Statement also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities, in part by requiring state or local government employers to recognize a net pension liability for defined benefit pension plans. GASB No. 68 was effective for fiscal years beginning after June 15, 2014. As discussed above, the adoption of this Statement by the College resulted in a reduction of \$3,618,165 in the beginning net position of the College.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies -(continued)

Recently Issued Accounting Pronouncements (continued)

GASB Statement No. 71 (*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*), issued November 2013, amended GASB No. 68 to clarify the measurement date of the net pension liability required to be recognized and disclosed as part of GASB No. 68. This Statement was required to be applied simultaneously with GASB No. 68.

Note 3 - Authorized Investments

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

Note 4 - Deposits and Investments

Cash and Deposits reported on Exhibit I, Statement of Net Position, consist of the items reported below:

	<u>2015</u>	<u>2014</u>
Bank Deposits		
Demand Deposits	7,566,570	5,729,143
Certificates of Deposit	3,041,808	3,010,007
Cash and Cash Equivalents		
Petty Cash on Hand	<u>2,805</u>	<u>3,205</u>
Total Cash and Deposits	<u>10,611,183</u>	<u>8,742,355</u>

Reconciliation of deposits and investments to the Statement of Net Position:

Type of Security	Market Value 2015	Market Value 2014
Total Cash and Investments	<u>\$ 10,611,183</u>	<u>\$ 8,742,355</u>
Cash and Cash Equivalents (Exhibit I)	5,637,705	3,751,642
Restricted cash and cash equivalents (Exhibit I)	<u>1,931,670</u>	<u>1,980,706</u>
Total Cash and Cash equivalents	<u>7,569,375</u>	<u>5,732,348</u>
Short-term investments (Exhibit I)	<u>3,041,808</u>	<u>3,010,007</u>
Total Investments	<u>3,041,808</u>	<u>3,010,007</u>
Total Deposits and Investments	<u>\$ 10,611,183</u>	<u>\$ 8,742,355</u>

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 4 - Deposits and Investments (continued)

Cash and deposits for the Foundation reported on the Statement of Net Position consist of the following:

	August 31, 2015	August 31, 2014
Cash and Cash Equivalents		
Cash on Deposit	\$ 999	\$ 7,316
Money Market Funds	504,510	484,828
Total Cash and Deposits	<u>\$ 505,509</u>	<u>\$ 492,144</u>

Investments for the Foundation reported on the Statements of Financial Net Position are as follows:

Type of Security	Market Value August 31, 2015	Market Value August 31, 2014
U.S. Government Agencies Securities	\$ 331,338	\$ 358,377
Corporate Debt Instruments	1,197,915	695,954
Mutual Funds		
Common Stock		
Exchange Traded Funds (ETFs)	2,473,618	1,889,677
Total Investments	<u>\$ 4,002,871</u>	<u>\$ 2,944,008</u>

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

Investment Type	Credit Rating	Cost	Market Value	Weighted Average Maturity (Years)
Certificates of Deposit	N/A	\$3,041,808	\$ 3,041,808	1.66
Total Texarkana College		<u>\$3,041,808</u>	<u>\$ 3,041,808</u>	

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 4 - Deposits and Investments (continued)

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

	Credit Rating	Cost	Market Value	Weighted Average Maturity (Years)
U.S. Government Agencies Securities	AA+	\$ 325,000	\$ 331,338	4.17
Corporate Debt Instruments	BBB+ to AA+	1,202,697	1,197,915	4.53
Exchange Traded Funds (ETFs)	N/A	2,458,357	2,473,618	N/A
Total Texarkana College Foundation, Inc.		\$3,986,054	\$ 4,002,871	

Interest Rate Risk: In accordance with state law and the 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 as well.

Concentration of Credit Risk: The College and the Foundation do not place a limit on the amount that may be invested in any one issuer.

More than 5% of the Foundation's investments are in Vanguard (49%), MSC! (13%), Federal Farm Credit Bank (FFCB) (6%) and General Electric (5%).

Custodial Credit Risk: At August 31, 2015, the carrying amount of the College's bank deposits was \$10,611,183 and total bank balances equaled \$10,850,064. Bank balances totaling \$500,000 at two separate banks were secured by the Federal Deposit Insurance Corporation (FDIC) and \$1,348,738 were secured by collateral pledged in the College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College.

At August 31, 2014, the carrying amount of the College's bank deposits was \$8,742,355 and total bank balances equaled \$9,063,867. Bank balances of \$500,000 were secured by the FDIC and \$9,877,803 were secured by collateral pledged in the College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 5 - Delinquent Property Taxes and Taxes Receivable

The College's *ad valorem* property tax is levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed. The Board contracted with the Bowie Central Appraisal District for the collection of district taxes. Collections of current taxes are remitted to the College daily; delinquent taxes are remitted monthly.

	August 31	
	2015	2014
Assessed valuation of the District	\$ 5,196,828,352	\$ 5,159,567,889
Less: Exemptions	(81,087,262)	(78,269,860)
Net assessed Valuation of the District	\$ 5,115,741,090	\$ 5,081,298,029

	Current Operations	Debt Service	Total
Tax rate authorized per \$100 valuation	1.0000	0.00000	1.00000
Tax rate assessed per \$100 valuation for 2015	0.10527	0.00000	0.10527
Tax rate assessed per \$100 valuation for 2014	0.10527	0.00000	0.10527

Taxes levied for the years ended August 31, 2015 and 2014, were \$5,433,698 and \$5,352,936, respectively including any penalty and interest assessed.

Taxes Collected	Current Operations	
	2015	2014
Current Taxes Collected	\$ 5,253,494	\$ 5,248,115
Delinquent Taxes Collected	84,604	32,477
Penalties and Interest Collected	58,979	44,968
Total Collections	\$ 5,397,077	\$ 5,325,560

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 6 – Capital Assets

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

	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015
Not Depreciated:				
Land	\$ 1,549,157	\$	\$	\$ 1,549,157
Construction in Process		186,623		186,623
Total Not Depreciated	1,549,157	186,623		1,735,780
<u>Buildings and Other Capital Assets:</u>				
Infrastructure	462,825			462,825
Buildings	29,685,859	589,605		30,275,464
Land Improvements	3,323,236			3,323,236
Software	1,381,772	76,495		1,458,267
Library Books	2,388,536	52,091		2,440,627
Furniture and Equipment	4,885,971	704,671	(44,500}	5,546,142
Total Building and Other Capital Assets	42,128,199	1,422,862	(44,500}	43,506,561
Accumulated Depreciation				
Infrastructure	450,446	4,393		454,839
Buildings	10,756,795	1,084,063		12,040,858
Land Improvements	2,937,493	65,003		3,002,496
Software	1,009,519	90,372		1,099,891
Library Books	1,885,535	64,303		1,949,838
Furniture and Equipment	2,837,595	466,822	(44,500}	3,259,917
Total Accumulated Depreciation	20,077,383	1,774,956	(44,500}	21,807,839
Net Capital Assets	\$ 23,599,973	\$ (165,471}	\$	\$ 23,434,502

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 6 -Capital Assets (continued)

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

	Balance August 31, 2013	Increases	Decreases	Balance August 31, 2014
Not Depreciated:				
Land	\$ 1,520,105	\$ 29,052	\$	\$ 1,549,157
Construction in Process	1,739,201		(1,739,201}	
Total Not Depreciated	<u>3,259,306</u>	<u>29,052</u>	<u>(1,739,201}</u>	<u>1,549,157</u>
<u>Buildings and Other Capital Assets:</u>				
Infrastructure	462,825			462,825
Buildings	26,157,258	3,528,601		29,685,859
Land Improvements	3,303,236	20,000		3,323,236
Software	968,158	413,614		1,381,772
Library Books	2,341,508	47,028		2,388,536
Furniture and Equipment	<u>4,576,349</u>	<u>309,622</u>		<u>4,885,971</u>
Total Building and Other Capital Assets	<u>37,809,334</u>	<u>4,318,865</u>		<u>42,128,199</u>
Accumulated Depreciation				
Infrastructure	445,200	5,247		450,446
Buildings	10,012,587	944,210		10,956,795
Land Improvements	2,858,779	78,713		2,937,493
Software	672,023	337,496		1,009,519
Library Books	1,820,944	64,589		1,885,533
Furniture and Equipment	<u>2,405,561</u>	<u>432,032</u>		<u>2,837,593</u>
Total Accumulated Depreciation	<u>18,215,094</u>	<u>1,862,287</u>		<u>20,077,383</u>
Net Capital Assets	<u>\$ 22,853,546</u>	<u>\$ 2,485,630</u>	<u>\$(1,739,201}</u>	<u>\$ 23,599,973</u>

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 7 -Restricted Plant Funds

On March 28, 2013, the Board of Trustees of the College acting by resolution adopted by a majority vote of the Board of Directors authorized a maintenance note in the amount of \$3,500,000 pursuant to Section 45.108 of the Texas Education Code. The maintenance note was authorized to provide funds for an energy management and roofing project. Pursuant to this authorization, in May of 2013, the College borrowed \$3,500,000 from Guaranty Bond Bank, collateralized by the College's future tax collections, to upgrade HYAC systems, controls, lighting, pumping, and other modifications to existing buildings. As of August 31, 2013, the College had \$2,152,543 of net position restricted for this project. All such funds were expended during the year ended August 31, 2014.

Note 8-Noncurrent Liabilities

Noncurrent liability activity for the year ended August 31, 2015, was as follows:

	Balance August 31, 2014	Additions	Reductions	Balance August 31, 2015	Current Portion
Notes payable	\$ 3,107,218	\$	\$ (201,085)	\$2,906,133	\$203,085
Capital lease obligation	340,000		(340,000)		340,000
Compensated absences	431,611		(11,108)	420,503	
Accounts payable restricted	146,907		(123,211)	23,696	
Net pension liability		3,193,426		3,193,426	
Total long-term liabilities	<u>\$ 4,025,736</u>	<u>\$ 3,193,426</u>	<u>\$ (675,404)</u>	<u>\$ 6,543,758</u>	<u>\$543,085</u>

Noncurrent liability activity for the year ended August 31, 2014, was as follows:

	Balance August 31, 2013	Additions	Reductions	Balance August 31, 2014	Current Portion
Notes payable	\$ 3,305,181	\$	\$ (197,963)	\$3,107,218	\$197,963
Capital lease obligation	340,000			340,000	
Compensated absences	540,976		(109,365)	431,611	
Accounts payable restricted	<u>243,544</u>		(96,637)	146,907	
Total long-term liabilities	<u>\$ 4,429,701</u>	<u>\$</u>	<u>\$ (403,965)</u>	<u>\$ 4,025,736</u>	<u>\$197,963</u>

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 8 - Long-term Liabilities (continued)

The debt service requirements as of August 31, 2015, were as follows:

For the Year Ended August 31,	Maintenance Note		
	Principal	Interest	Total
2016	\$ 203,085	\$ 82,394	\$ 285,479
2017	208,813	77,013	285,826
2018	214,231	71,479	285,710
2019	219,946	65,802	285,748
2020	225,700	59,973	285,673
2021-2025	1,213,915	207,009	1,420,924
2026-2028	823,528	44,193	867,721
	<u>\$ 3,109,218</u>	<u>\$ 607,863</u>	<u>\$ 3,717,081</u>

Note 9 - 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*. Contracts and grant revenues are recognized on Exhibit 2 and Schedule A as funds are actually expended. For federal and non-federal contracts and grants awards, funds expended, but not collected, are reported as Accounts Receivables on Exhibit 1. Contracts and grant awards that are not funded and for which the institution has not performed services are not included in the financial statements. Contract and grant award funds already committed or funds awarded during the fiscal year 2015 for which monies have not been received nor funds expended totaled \$408,384 from federal contracts and grant awards and \$264,311 from state contracts and grant awards.

Federal funds receivable included in accounts receivable on Exhibit 1 are as follows:

	2015	2014
Pell Grant Program	\$ 50,084	\$ 266,257
Supplemental Educational Opportunity Grants	52,792	11,186
Federal Work-study Program	12,061	3,535
TRIO - Student Support Services Grant	126,944	63,694
TRIO - Talent Search Grant	144,093	65,079
Carl Perkins Grant	56,061	36,298
H2P Grant	22,196	176,673
Total	<u>\$ 464,231</u>	<u>\$ 622,722</u>

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 10 - Employees' Retirement Plan

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

Teacher Retirement System of Texas - Defined Benefit Plan

Plan Description - The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 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 Legislature establishes benefits 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 Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained 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 provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) 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 credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. 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.

Contributions - Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas 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 paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 10- Employees' Retirement Plan (continued)

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

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2014</u>
Member	6.7%	6.4%
Non-Employer Contribution Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2014 College Contributions	\$ 303,099	
FY 2014 State of Texas On-beha If Contributions	\$ 218,416	

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 the 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 of 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.
- 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 the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 10 - Employees' Retirement Plan (continued)

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% to 7.25%
• Weighted-Average at 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 of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were 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 percent. 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 make all future benefit payments of current plan members. 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%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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, are summarized on the following page.

TEXARKANA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2015 and 2014

Note 10- Employees' Retirement Plan (continued)

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Source: Teacher Retirement System of Texas 2014 Comprehensive Annual Financial Report

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 10-Employees' Retirement Plan (continued)

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability	\$ 5,706,459	\$ 3,193,426	\$ 1,314,146

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2014, the College reported a liability of \$3,193,426 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:

College's proportionate share of the collective net pension liability	\$ 3,193,426
State's proportionate share that is associated with College	<u>2,306,110</u>
Total	<u>\$ 5,499,536</u>

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. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013, thru August 31, 2014.

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.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 10 - Employees' Retirement Plan (continued)

For the year ended August 31, 2014, the College recognized pension expense of \$213,196 and revenue of \$213,196 for support provided by the State.

At August 31, 2014, the 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 49,387	\$
Changes in actuarial assumptions	207,576	
Difference between projected and actual investment earnings		976,041
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		837
Contributions paid to TRS subsequent to the measurement date	303,710	
Total	<u>\$ 560,673</u>	<u>\$ 976,878</u>

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 (measurement date of August 31, 2015)	\$ (200,802)
2017 (measurement date of August 31, 2016)	(200,802)
2018 (measurement date of August 31, 2017)	(200,802)
2019 (measurement date of August 31, 2018)	(200,802)
2020 (measurement date of August 31, 2019)	43,208
Thereafter	40,085

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 10- Employees' Retirement Plan (continued)

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 contributed by the state and each participant are 6.6% in fiscal years 2015 and 2014 (6.0% in fiscal year 2013) and 6.65% in fiscal years 2015 and 2014 (6.4% in fiscal year 2013), respectively. The College contributes no amounts for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense related to ORP contributions paid by the state for the College was \$128,996 and \$129,172 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.

The total payroll for all of the College employees was \$13,074,331 and \$13,061,299 for fiscal years 2015 and 2014, respectively. The total payroll of employees covered by the Teacher Retirement System was \$7,753,711 and \$7,614,974, and the total payroll of employees covered by the Optional Retirement Program was \$3,870,416 and \$4,124,854 for fiscal years 2015 and 2014, respectively.

Note 11-Compensable Absences

Sick leave is accumulated by employees of the institution at the rate of one day per thirty calendar days worked up to a maximum of ninety days. Effective September 1, 2000, upon retirement or termination, employees with ten years or more service with the College may be paid for any accumulated sick leave in excess of thirty days at a rate of one-half of the employee's current salary. Full-time non-contractual personnel or employees with twelve month contracts accrue vacation benefits from the date of employment at the rate of one day for each full calendar month worked up to ten vacation days per year. Employees may carry a maximum of 40 hours of accrued vacation forward from one fiscal year through September 30 of the next fiscal year. All vacation accrued in the prior fiscal year is forfeited on December 1 unless administrative approval is granted on a case-by-case basis. All accrued unused vacation time computed at the employee's daily rate of compensation is paid to the employee or his beneficiary in the event of termination, retirement, or death. Sick leave and vacation benefits of \$420,503 and \$431,611 have been accrued and reported in the accompanying Statement of Net Position as "accrued compensable absences payable" at August 31, 2015 and 2014, respectively.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 12 - Staff Benefits

The College provides staff benefits for its employees in the form of hospital/medical insurance, salary continuance insurance, and life insurance equal to twice the employee's annual contractual salary up to a maximum of \$45,000.

Note 13 - Deferred Compensation Plan

The 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 and in Senate Bill No. 872 of the 63rd Legislature. The employees' investments are held in tax-deferred annuity plans pursuant to Internal Revenue Code Section 403(b). As of August 31, 2015 and 2014, the College had 35 and 33 employees, respectively, participating in the program. A total of \$175,113 and \$183,854 in payroll deductions were invested in approved plans during the years ended August 31, 2015 and 2014, respectively.

Note 14 - Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the College. 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 and retiree was \$537.66 per month plus fifty percent of spouse and/or dependent coverage as of August 31, 2015, and totaled \$1,298,757 for the year then ended. The cost of providing those benefits for 141 retirees was \$505,562 and for 221 active employees was \$793,195.

The state's contribution per full-time employee and retiree was \$503.14 per month plus fifty percent of spouse and/or dependent coverage as of August 31, 2014, and totaled \$1,210,059 for the year then ended. The cost of providing those benefits for 139 retirees was \$895,384 and for 222 active employees was \$314,675.

Note 15 - Post Employment Benefits Other than Pensions

Plan Description

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

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

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 15- Post Employment Benefits Other than Pensions (continued)

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 amount 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 cost 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 \$3,052,861, \$2,793,770 and \$2,441,028, respectively, which equaled the required contribution each year.

Note 16- Risk Management - Claims and Judgments

In the normal course of operations, the College is exposed to risks of loss from a number of sources including fire and casualty, errors and omissions by board members and employees, and injuries to employees during the course of performing their duties.

The College attempts to cover these losses by the purchase of insurance. Significant risks are covered by commercial insurance for property and liability programs. There has been no significant reduction in coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

In management's estimation, there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

Note 17- Commitments and Contingencies

Grant Programs

The College participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability may be impaired of any related receivable at August 31, 2015. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 18-Fund Endowments

The fund balances of the various Endowment Funds included in the Statement of Net Position are as follows:

	2015	2014
Endowment Funds		
Palmer Foundation	\$ 109,618	\$ 109,618
Endowed Chair for Teaching Excellence	185,110	186,689
J.R. Johnson	310,909	310,909
Parker-Akin Memorial	8,284	8,284
B & PW Scholarship	27,879	27,879
Leonard Scholarship	196,554	196,554
Teachers Credit Union Scholarship	23,733	23,733
Music Scholarship	27,707	27,707
General Scholarship	283,684	283,684
A1 Barton Bladesmithing	5,128	5,128
Eliza beth Shaw Memorial	5,496	5,496
Conner Student Loan	400,036	537,065
Business Administration	18	18
Quasi Endowment Funds		
Eldridge Scholarship	145,199	123,429
Totals	<u>\$ 1,729,355</u>	<u>\$ 1,846,193</u>

Note 19-Contingent Liability

The College entered into an agreement with the Texas Community College Employee Benefits Consortium to self-fund their workers' compensation plan. The agreement was effective September 1, 1991, and is administered by Hibbs - Hallmark & Company.

The College agreed to pay into the fund a fixed cost amount of \$29,644 and a maximum loss fund amount of \$91,085 for the year ended August 31, 2015. The loss fund amount was for Texarkana College's claims and for claims of other group members in excess of their loss fund maximum.

The College agreed to pay into the fund a fixed cost amount of \$35,396 and a maximum loss fund amount of \$107,273 for the year ended August 31, 2014. The loss fund amount was for Texarkana College's claims and for claims of other group members in excess of their loss fund maximum.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 19-Contingent Liability (continued)

The College incurred expenses under the plan as follows:

	<u>2015</u>	<u>2014</u>
Fixed cost	\$ 29,644	\$ 35,396
Actual claims	10,285	21,412
Increase (decrease) in accrued liabilities	<u>11,054</u>	<u>11,949</u>
Total Expense	<u>\$ 50,983</u>	<u>\$ 68,757</u>

The College's maximum liability for the three years ended August 31, 2015 under this agreement is \$315,703 computed as follows:

2012-2013 Maximum loss fund	\$ 117,345
2013-2014 Maximum loss fund	107,273
2014-2015 Maximum loss fund	<u>91,085</u>
Total	<u>\$ 315,703</u>

The administration of the Plan has estimated the liability for claims that have been reported but not paid and claims incurred but not reported to be \$115,013 and \$103,959 as of August 31, 2015 and 2014, respectively. This liability has been accrued in the financial statements as of August 31, 2015 and 2014.

Note 20-Disaggregating of Receivables and Payables Balances

Receivables were as follows:

	<u>2015</u>	<u>2014</u>
Student Receivables	\$ 5,264,112	\$ 4,910,834
Due from Foundation	6,479	150,428
Taxes Receivable	152,594	115,704
Federal Receivable	464,231	622,722
Interest Receivable		
Other Receivables	36,976	
Allowance for Uncollectible	<u>(1,747,010)</u>	<u>(1,347,010)</u>
Total Accounts Receivable	<u>\$ 4,177,382</u>	\$ 4,452,678

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 20 - Disaggregating of Receivables and Payables Balances (continued)

Payables were as follows:

	<u>2015</u>	<u>2014</u>
Accounts Payable		
Vendors Payable	\$ 1,200,654	\$ 911,594
Accrued Liabilities:		
Salaries & Benefits Payable	\$ 461,947	\$ 461,608
Sales Tax Payable	52,233	54,776
Other Liabilities	15,500	31,305
Total Accrued Liabilities	<u>\$ 529,680</u>	<u>\$ 547,689</u>

Note 21 - Component Unit

The Foundation is a separate non profit corporation organized under the Texas Nonprofit Corporation Act in 1959. The purpose of the Foundation is to solicit and manage funds for the sole benefit of Texarkana College. The Foundation primarily provides scholarships to students at the College. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Under Governmental Standards Board Statement No 39, Determining Whether Certain Organizations are Component Units, an organization should report as a discretely presented component those organizations that raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation financial statements are included in the College's annual report as a discretely presented component unit.

During 2014, the Board of Directors of the Foundation elected to change the fiscal year from December 31 to August 31 in order to coincide with the financial statements of the College, which has a fiscal year-end of August 31. As such, the financial statements of the Foundation are presented as of and for the twelve-month period ended August 31, 2015, with comparative statements presented as of and for the eight-month period ended December 31, 2014. The change in fiscal years was not deemed to have a significant effect on the change in net position reported by the Foundation.

Note 22 - Related Party Transactions and Balances

During the year ended August 31, 2015, the Foundation provided support to the College in the aggregate of \$301,620, of which \$6,479 was receivable by the College as of August 31, 2015.

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 23 -Construction in Process

During 2013, the College began an energy management and roofing project which was to be completed in two separate phases. Phase I was in process as of August 31, 2013, and was therefore recorded in the financial statements as construction in process at that time. The project was completed during the year ended August 31, 2014, and was transferred to permanent property, plant, and equipment at that time.

During 2015, the College began a remodel of the KTXK radio station facilities located on campus. The renovation was in process as of August 31, 2015.

Note 24 -Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.," although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2015 and 2014.

Note 25 -Pending Lawsuits and Claims

As of August 31, 2015, there were no known pending lawsuits or claims involving the College. While unasserted lawsuits and claims may exist, for which a liability cannot be reasonably estimated, any potential liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

Note 26 -Capital Lease

During the fiscal year ended August 31, 2013, the College entered into an exchange agreement which involved the lease of the Academic Building from the Texas A&M University System. The lease period ends July 31, 2016, at which time the College will pay \$340,000 and will assume ownership of the building. The lease of the building is in essence a purchase and is shown as a capital lease obligation in the statement of financial position.

The future minimum lease payments on the agreement consist solely of a payment of \$340,000 due during the year ended August 31, 2016.

Buildings under capital lease have been included in capital assets at August 31, 2015 and 2014, as follows:

	2015	2014
Buildings under capital lease	\$ 773,059	\$ 773,059
Accumulated depreciation	<u>(64,422)</u>	<u>(38,653)</u>
Net buildings under capital lease	<u>\$ 708,637</u>	<u>\$ 734,406</u>

TEXARKANA COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

Note 27 -Subsequent Events

In accordance with the Financial Accounting Standards Board (FASB) – Accounting Standards Codification (ASC) – *Subsequent Events*, the College has evaluated events through December 14, 2015, the date the financial statements were available to be issued, and has determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

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REQUIRED SUPPLEMENTAL INFORMATION

TEXARKANA COLLEGE

SCHEDULE OF COLLEGE'S SHARE OF NET PENSION LIABILITY

For the Year Ended August 31, 2015

Fiscal year ending August 31*,	2015**
Plan fiduciary net position as a percentage of total pension liability	83.25%
College's proportionate share of the collective net pension liability (%)	0.0119553%
College's proportionate share of the collective net pension liability {\$)	\$ 3,193,426
State's proportionate share of the net pension liability associated with the College	<u>2,306,110</u>
Total	\$ 5,499,536
College's covered payroll amount	\$ 7,753,711
College's share of the net pension liability as a percentage of covered payroll	41.2%

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

** Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS
For the Year Ended August 31, 2015

Fiscal year ending August 31 *	2015**
Legally required contributions	\$ 303,710
Actual contributions	<u>303,710</u>
Contributions deficiency (excess)	\$
College's covered payroll amount	\$ 7,753,711
College's actual contributions as a percentage of covered payroll	3.92%

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

*** Only one year of data is presented in accordance with GASE 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."*

SUPPLEMENTAL INFORMATION

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TEXARKANA COLLEGE

SCHEDULE A – SCHEDULE OF OPERATING REVENUES

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

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total 8/31/15	Totals 8/31/14
Tuition						
State funded courses						
In-district resident tuition	\$ 1,557,929	\$	\$ 1,557,929	\$	\$ 1,557,929	\$ 1,442,870
Out-of-district resident tuition	507,450		507,450		507,450	1,083,012
TPEG (set aside)		121,970	121,970		121,970	166,339
Non-resident tuition	512,309		512,309		512,309	424,907
State funded continuing education	924,082		924,082		924,082	576,258
Non-State funded educational programs	466,852		466,852		466,852	266,874
Total Tuition	3,968,622	121,970	4,090,592		4,090,592	3,960,260
Fees						
General Fees	2,087,761		2,087,761		2,087,761	2,123,943
Student Service fees	339,443		339,443		339,443	344,291
Course Fees	618,022	51,770	669,792		669,792	628,681
Laboratory fees						84,937
Out-of-District Fees	1,267,383		1,267,383		1,267,383	1,285,223
Total Fees	4,312,609	51,770	4,364,379		4,364,379	4,467,075
Scholarship allowances and discounts						
Scholarship allowances		(404,154)	(404,154)		(404,154)	(435,022)
Rising star scholarships						
Remissions and exemptions	(168,680)		(168,680)		(168,680)	(184,095)
TPEG allowances		(141,629)	(141,629)		(141,629)	(142,663)
Title IV allowances		(2,298,403)	(2,298,403)		(2,298,403)	(3,218,956)
Total Scholarship Allowances	(168,680)	(2,844,186)	(3,012,866)		(3,012,866)	(3,980,736)
Total Net Tuition and Fees	8,112,551	(2,670,446)	5,442,105		5,442,105	4,446,599

TEXARKANA COLLEGE

SCHEDULE A – SCHEDULE OF OPERATING REVENUES (continued)

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

	Un restricted	Res tricted	Total Educational Activities	Auxiliary EnterJ!rises	Total 8/31/15	Totals 8/31/14
Other Operati ng Reven ues						
Federal grants and contracts	80,946	505,971	586,917		586,917	748,894
State grants and contracts		949,216	949,216		949,216	495,866
No n govern mental gran ts an d contracts	5,893	26,487	32,380		32,380	69,127
Sales an d Serv ices of educational activ ities	203,685		203,685		203,685	222,712
Other operating revenues	138,037		138,037		138,037	422,045
Total Other Ope rnti ng Reven ues	<u>428,561</u>	<u>1,481,674</u>	<u>1,910,235</u>		<u>1,910,235</u>	<u>1,958,644</u>
Auxiliary Enterpris es						
Bookstore				1,862,695	1,862,695	2,163,322
Less discounts				(1,544,467)	(1,544,467)	(1,724,313)
Res idential Life				23,131	23,131	22,244
Less discounts				(13,200)	(13,200)	(20,600)
Ca feteria				110,202	110,202	95,573
Less discounts						
Radio			268,020	252,708		
Total Net Auxiliary Enterprises			<u>706,381</u>	<u>788,934</u>		
Total Operating Revenues	<u>\$ 8,541,112</u>	<u>\$ (1,188,772)</u>	<u>\$ 7,352,340</u>	<u>\$ 706,381</u>	<u>\$ 8,058,721</u>	<u>\$ 7,194,177</u>

TEXARKANA COLLEGE

SCHEDULE B – SCHEDULE OF OPERATING EXPENSES BY OBJECT

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

	Operating Expenses					
	Salaries and Wages	Benefits		Other Expenses	Total 8/31/15	Total 8/31/14
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 7,226,279	\$	\$ 985,424	\$ 1,504,249	\$ 9,715,952	\$ 9,700,203
Academic Support	1,098,642		238,414	527,247	1,864,303	2,188,071
Student Services	860,766		231,840	150,082	1,242,688	1,147,481
Institutional Support	2,050,061		464,056	1,488,156	4,002,273	5,116,096
Operation and Maintenance of Plant	665,483		243,131	1,384,100	2,292,714	2,326,517
Total Unrestricted Educational Activities	11,901,231		2,162,865	5,053,834	19,117,930	20,478,368
Restricted - Educational Activities						
Instruction	385,539	1,198,915	97,785	343,176	2,025,415	1,733,260
Academic Support		182,276		10,201	192,477	167,078
Student Services	494,491	142,810	99,887	131,477	868,665	774,321
Institutional Support	1,000	340,127	80	499	341,706	215,451
Scholarships and Fellowships				4,140,758	4,140,758	3,755,534
Total Restricted Educational Activities	881,030	1,864,128	197,752	4,626,111	7,569,021	6,645,644
Total Educational Activities	12,782,261	1,864,128	2,360,617	9,679,945	26,686,951	27,124,012
Auxiliary Enterprises	292,070	69,300		1,719,277	2,080,647	2,252,769
Depreciation Expense:						
Building & Improvements				1,153,459	1,153,459	1,028,170
Software				90,372	90,372	337,496
Equipment & Furniture				466,822	466,822	432,032
Library Books				64,303	64,303	64,589
Total Auxiliary Activities & Depreciation	292,070	69,300		3,494,233	3,855,603	4,115,056
Total	\$ 13,074,331	\$ 1,933,428	\$ 2,360,617	\$ 13,174,178	\$ 30,542,554	\$ 31,239,068

TEXARKANA COLLEGE

SCHEDULE C - SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

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

	Un restricted	Res tricted	Auxiliary Ente rprises	Total 8/31/15	Total 8/31/14
No n-o pe rating re ve nues					
Education and general state support	\$ 6,686,954	\$	\$	\$ 6,686,954	
State group insurance		1,298,756		1,298,756	
State retirement matching		565,372		565,372	
Total State Appropiatio n	<u>6,686,954</u>	<u>1,864,128</u>		8,551,082	
Othe r no n-o pe rating re ve nues					
Ad-valorem taxes	5,397,077			5,397,077	
Federal Revenue non operating		8,525,513		8,525,513	
Gifts	1,209,812	56,515		1,266,327	
Investment income	82,086	340		82,426	
Rent Income	114,413			114,413	
Other non-ope rating revenues	35,699			35,699	
Total Othe r No n-o pe rating Re ve nues	<u>6,839,087</u>	<u>8,582,368</u>		15,421,455	
Total No n-o pe rating Re ve nues	<u>13,526,041</u>	<u>10,446,496</u>		23,972,537	
No n-O pe rating (Ex pe nses)					
Gain on disposal of fixed assets	14,000			14,000	
Inte rest on capital related debt		(88,277)		(88,277)	
Total No n Ope rating (Ex pe ns es)	<u>14,000</u>	<u>(88,277)</u>		(74,277)	
Ne t No n-O pe rating Re ve nues	<u>\$ 13,540,041</u>	<u>\$ 10,358,219</u>	\$	\$ 23,898,260	

TEXARKANA COLLEGE

SCHEDULE D - SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY

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

	Detail By Source						Available for	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Current Operations		
		Expendable	Non Expendable			Yes	No	
Current:								
Unrestricted	1,584,323				1,584,323	1,584,323		
Restricted								
Auxiliary	1,855,367				1,855,367	1,855,367		
Endowment:								
Restricted		145,199	1,584,156		1,729,355		1,729,355	
Plant:								
Unexpended								
Investment in Plant				19,985,284	19,985,284		19,985,284	
Total Net Position, August 31, 2015	3,439,690	145,199	1,584,156	19,985,284	25,154,329	3,439,690	21,714,639	
Total Net Position, August 31, 2014, as previously reported	5,557,082	123,429	1,722,764	19,954,792	27,358,067	5,557,082	21,800,985	
Cumulative effect of change in accounting principle	(3,618,165)				(3,618,165)	(3,618,165)		
Net Increase (Decrease) in Net Position	\$ 1,500,773	\$ 21,770	\$ (138,608)	\$ 30,492	\$ 1,414,427	\$ 1,500,773	\$ (86,346)	

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TEXARKANA COLLEGE

SCHEDULE E - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2015

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	F.xpenditures and Pass Through Disbursements
U.S. Department of Education			
Direct Programs:			
<i>Student Financial Assistance Cluster:</i>			
Federal Supplemental F.ducation			
Opportunity Grants (FSEOG)	84.007 *	NIA	92,782
Federal Work Study Program (FWS)	84.033 *	NIA	56,237
Direct Student Loans	84.268 *	NIA	6,555,280
Federal Pell Grant	84.063 *	NIA	7,904,046
Allocated Indirect Costs - Federal Pell Grant	84.063 *	NIA	14,055
<i>Subtotal Student Financial Assistance Cluster</i>			14,622,400
<i>TRIO Cluster:</i>			
TRIO - Student Support Services (SSS)	84.042	P042A I 10002 - 13	225,398
Allocated Indirect Costs - SSS	84.042	P042A 110002 - 13	18,032
TRIO - Talent Search (TS)	84.044	P044A 110012 - 13	259,332
Allocated Indirect Costs - TS	84.044	P044A 110012 - 13	20,746
<i>Subtotal TRIO Cluster</i>			523,508
Passed Through the Texas Higher F.ducation Coordinating Board			
Vocational F.ducation - Basic Grant	84.048 *	NIA	294,558
Allocated Indirect Costs - Vocational F.ducation	84.048 *	NIA	14,728
Total Passed Through the Texas Higher Education Coordinating Board			309,286
Total US Dertment of Education			15,455,194
U.S. Department of Labor			
Direct Programs:			
Health Professional Pathways Consortiu m (HPPC)	17.282	TC-22486-1 1-60-A-39	145,097
Allocated Indirect Costs - HPPC	17.282	TC-22486-1 1-60-A -39	7,645
Total Direct Programs			152,742
Passed Through the Texas Higher Education Coordinating Board			
National Emergency Grant	17.277	NIA	55,486
Allocated Indirect Costs - National Emergency Grant	17.277	NIA	4,288
Total Passed Through the Texas Higher Education Coordinating Board			59,774
Total U.S. Dertment of Labor			212,516
Total Federal Financial Assistance			\$ 15,667,710

* Major Program

TEXARKANA COLLEGE

SCHEDULE E - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

For the Year Ended August 31, 2015

Notes to the Schedule of Expenditures of State Awards

Note 1 - Federal Assistance Reconciliation

Federal Grants and Contract Revenue -	
Per Schedule of Operating Revenues (Schedule A)	\$ 586,917
Per Schedule of Operating Revenues (Schedule C)	8,525,513
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets	<u>\$ 9,112,430</u>
Reconciling item:	
Add: Direct Student Loans	<u>\$ 6,555,280</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 15,667,710</u>

Note 2 - Significant Accounting Policies

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

Note 3 - Expenditures Not Subject to Federal Single Audit

None

Note 4 - Student Loans Processed and Administrative Costs Recovered

None

Note 5 - Amounts Passed Through by the College

None

TEXARKANA COLLEGE

SCHEDULE F - SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended August 31, 2015

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Grantors Number</u>	<u>Expenditures and Pass Through Disbursements</u>
<u>Texas Higher Education Coordinating Board</u>		
Texas Grant Program	NIA	\$ 8,626
Texas Educational Opportunity Grant	*	263,047
Nursing Innovation Grant	NIA	94,600
Texas College Work Study	NIA	17,874
Innovative Grant - Accelerate Texas	NIA	96,459
Professional Nursing Shortage Reduction	NIA	<u>5,062</u>
Total Texas Higher Education Coordinating Board		<u>485,668</u>
<u>Texas Workforce Commission</u>		
Dual Credit - Skills Development	NIA	<u>53,594</u>
Total Texas Workforce Commission		<u>53,594</u>
<u>Texas Commission of Agriculture</u>		
Parallel Pathways to Success	NIA	<u>76,068</u>
Total Texas Commission of Agriculture		76,068
<u>Texas Military Preparedness Commission</u>		
Defense Economic Adjustment Assistance Grant	*	<u>209,079</u>
Total Texas Military Preparedness Commission		<u>209,079</u>
Texas Commission of Environmental Quality		
Passed Through Sulphur River Basin Authority		
Clean Rivers Grant	NIA	<u>116,641</u>
Total Texas Commission on Environmental Quality		<u>116,641</u>
Total State Financial Assistance		<u>\$ 941,050</u>

* Major Program

Notes to the Schedule of Expenditures of State Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of state awards has been prepared on the accrual basis of accounting. The expenditures included in this schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the College for the purposes of the award. The College has followed the applicable guidelines issued by the various entities in the preparation of the schedule.

TEXARKANA COLLEGE

SCHEDULE G - AUXILIARY ENTERPRISES - STATEMENT OF INCOME AND EXPENDITURES

For the Year Ended August 31, 2015 (With Comparative Figures for the Year Ended August 31, 2014)

	2015					2014				
	Cafete ria	Bookstore	Housing	Radio	Total	Cafete ria	Bookstore	Housing	Radio	Total
Sales and Gross Profit										
Saks	\$ 110.202	\$1,862.695	\$23.131	\$ 268,020	\$ 2,264,048	\$95,573	\$ 2,163,322	\$ 22,244	\$252,708	\$2,533.847
Total Sales	110.202	1,862.695	23.131	268.020	2,264,048	95,573	2,163,322	22,244	252,708	2,533.847
Less Direct Cost										
Cost Of goods sold	77.205	1,462.932			1,540,137	73.119	1,629,761			1,702,880
Salaries	5,000	1,54,903		132.167	292,070	1,250	1,68,031		121,080	290,361
Total Direct Cost	82.205	1,617.835		132.167	1,832,207	74.369	1,797,792		121,080	1,993,241
Gross Profit	27,997	244,860	23,131	135,853	431,841	21,204	365,530	22,244	131,628	540,606
Operating Expenditures										
Benel'its	402	39,455		29,443	69,300	388	37,026		23,886	61,300
Sup plies	7,200	1,1959	2,036	325	21,520	10,585	30,305		4,039	44,929
Travel				420	420		1,387		464	1,851
Contracted Services	3,155	7,283		146,548	156,986	1,050	17,657		131,872	150,579
Capital Outlay										
Student Aid										
Utilities										
Deprciat ion										
Construction										
IVliscellaneous		214			214	135	429		305	869
Total Operating Expenditures	10,757	58,911	2,036	176,736	248,440	12,158	86,804		160,566	259,528
Excess (Deficiency) of Income Over Expense	\$ 17,240	\$ 185,949	\$ 21,095	\$ (40,883)	\$ 183,401	\$ 9,046	\$ 278,726	\$ 22,244	\$ (28,938)	\$ 281,078

TEXARKANA COLLEGE

SCHEDULE H - INSURANCE IN FORCE

As of August 31, 2015

Company	Policy Number	Coverage	Coverage (in thousands)	Expiration Date
Texas Association of Public Schools	TX-1 0093-M	Property	\$ 99,328	September 1, 2015
Texas Association of Public Schools	TX-1 0093-M	Automobile Liability	\$ 1,000	September 1, 2015
Texas Association of Public Schools	TX-1 0093-M	Crime	\$ 250	September 1, 2015
Texas Association of Public Schools	TX-1 0093-M	Mobile Equipment	\$ 99	September 1, 2015
Texas Association of Public Schools	TX-1 0093-M	General Liability	\$ 1,000	September 1, 2015
Texas Association of Public Schools	TX-1 0093-M	Board Liability	\$ 1,000	September 1, 2015

*FEDERAL FINANCIAL ASSISTANCE INFORMATION
SINGLE AUDIT*

**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***

To the Board of Trustees of
Texarkana College
Texarkana, 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 the business-type activities and the aggregate discretely presented component unit of Texarkana 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 Texarkana College's basic financial statements and have issued our report thereon dated December 14, 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2015-001, 2015-002, and 2015-003 that we consider to be significant deficiencies.

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, of the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003.

The College's Response to Findings

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Texarkana, Texas
December 14, 2015

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

To the Board of Trustees
of Texarkana College
Texarkana, Texas

Report on Compliance for Each Major Federal Program

We have audited the Texarkana College's (the College) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2015. Texarkana College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Texarkana College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003, that we consider to be significant deficiencies.

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

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

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Certified Public Accountants

Texarkana, Texas
December 14, 2015

Texarkana College

Schedule of Findings and Questioned Costs

Year Ended August 31, 2015

Section Summary of Auditor's Results

Financial Statements

The Type of auditor's report issued on the financial statements: Unmodified

Internal control over financial reporting:

Material weaknesses identified? None Reported

Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? None Reported

Significant deficiencies identified that are not considered to be material weaknesses? Yes

Type of auditor's report issued on compliance for major programs: Unmodified

Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007	Student Financial Assistance Cluster -FSEOG
84.033	Student Financial Assistance Cluster -FWS
84.063	Student Financial Assistance Cluster -PELL
84.268	Student Financial Assistance Cluster -Direct Loans
84.048	Career and Technical Education - Basic Grants to States

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

Auditee qualified as low risk auditee? No

Texarkana College

Schedule of Findings and Questioned Costs Year Ended August 31, 2015

Section II – Federal Award Findings and Questioned Costs

Finding 2015-001

Department of Education

Student Financial Assistance -CFDA# 84.007/84.033/84.063/84.268

Award year – July 1, 2014 to June 30, 2015

Award numbers -P063P142318, P268K152318, P007A144134, and P033A144134

Special Tests and Provisions -Return of Title IV Funds

Type of Finding – Significant Deficiency and Noncompliance

Condition:

The Return of funds to Title IV (R2T4) was not performed on a timely basis throughout the year.

Criteria:

The amount of earned Title IV funding is calculated by determining the percentage of Title IV assistance that has been earned by a student and applying that percentage to the total amount of Title IV assistance that was or could have been disbursed to the student for the payment period of enrollment as of the student's withdrawal date. A student earns 100% if his or her withdrawal date is after the completion of 60% or more of the period of enrollment for a program measured in credit hours.

When a recipient of Title IV assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment.

Cause:

The College produces reports on a regular basis to determine which students have withdrawn from classes. During the year, the reports were produced for a time period starting on the date the previous report ended through the date the report was generated. The College later noted that student withdrawals were being updated in the system less frequently. This caused instances where the reports generated were incomplete; therefore, not providing timely information for the College to prepare the Return to Title IV calculations.

Effect:

Funding not returned to Title IV on a timely basis could be construed as the College utilizing government funds for their use during the year.

Texarkana College

Schedule of Findings and Questioned Costs Year Ended August 31, 2015

Section II-Federal Award Findings and Questioned Costs (continued)

Finding 2015-001 (continued)

Context:

A sample of 60 students was selected for audit from a population of 860 students receiving Title IV aid who withdrew during the year. The tests disclosed that 4 return to Title IV remittances were not submitted within the allowed 45 day timeframe. Of that sample, 17 were properly returned within the established guidelines while 39 did not require amounts to be returned.

Questioned Costs:

Questioned costs are indeterminable because the calculation would require an overall approach to determining when amounts should have been remitted, when amounts were actually remitted and any earnings due the government.

Recommendation:

The College should implement a formal monthly process whereby Return to Title IV calculations are performed based on a consistent basis of academic enrollment reporting to ensure that those amounts are remitted to the state within the required 45 days after the date the institution determines that the students withdrew.

Management's Response:

Texarkana College has been working diligently to establish control procedures to ensure accurate and timely calculations and returns of Title IV funds. To minimize the risk of untimely returns, our institution has chosen not to draw down all authorized and available federal funds and has made disbursements to students that exceed the amount the school has drawn down throughout the year. The college kept a sizeable balance available on GS at all times during the year for both Pell and Loans that was not drawn down. Due to the past R2T4 issues, we performed a 100% review of all drops and R2T4's for the year. All amounts owed were returned to COD and at no time were actual funds required to be returned due to the sizeable available balance we left on GS. This 100% review is where we discovered our report from our new ERP system was not providing sufficient data on all required returns. This report has been adjusted and is now providing the sufficient information. The report is reviewed weekly for any required R2T4 calculations. Texarkana College continues to make improvements on our R2T4 process and we will continue to increase our focus on this area and will implement further procedures to better streamline the process and improve timeliness.

Responsible Individual: Kim Jones, CFO

Anticipated Completion Date: Fiscal Year 2015-2016

Texarkana College

Schedule of Findings and Questioned Costs

Year Ended August 31, 2015

Section II -Federal Award Findings and Questioned Costs (continued)

Finding 2015-002

Department of Education

Student Financial Assistance -CFDA# 84.007/84.033/84.063/84.268

Award year – July 1, 2014 to June 30, 2015

Award numbers -P063P142318, P268K152318, P007A144134, and P033A144134

Eligibility

Type of Finding -Significant Deficiency and Noncompliance

Condition:

Total award need was calculated incorrectly in determining student eligibility for Title IV funds.

Criteria:

Before need-based Title IV funds are awarded to students, the College must perform a financial need calculation for each student to determine the total amount of Title IV funding the student is eligible to receive, if any. The sum of all need-based funds awarded to the student must not exceed the student's total financial need.

Cause:

During the fall semester of 2014, the cost of attendance utilized in the financial need calculation was based on the actual term of enrollment for the fall 2014 semester and full-time enrollment for the spring semester of 2015. The calculation was not adjusted in the spring semester of 2015 if the student's enrollment was less than full-time.

Effect:

Students who were enrolled less than full-time during the spring semester of 2015, or enrolled during the summer semester of 2015, may have received awards in excess of their financial need based on actual cost of attendance.

Context:

A sample of 60 students was selected to test the eligibility compliance requirement for Title IV funding. Of this sample, 33 were selected from a population of 2,496 students receiving Pell funding, 27 were selected from a population of 1,155 students receiving Direct Loans, 1 was selected from a population of 231 Federal Supplemental Educational Opportunity Grant (FSEOG) transactions (118 individual students), and 1 was selected from a population of 36 Federal Work-study Students (FWS). Of the sample of 27 Direct Loan students, one student's total awards exceeded the total financial need as the student was enrolled less than full-time during the fall 2014 and spring 2015 semesters.

Texarkana College

Schedule of Findings and Questioned Costs

Year Ended August 31, 2015

Section II - Federal Award Findings and Questioned Costs (continued)

Finding 2015-002 (continued)

Questioned Costs:

Questioned costs are indeterminate because the calculation would require an overall approach to determining what amounts should have been awarded.

Recommendation:

The College should implement procedures to ensure a student's cost of attendance, as utilized in the financial need calculation, is based on the enrollment status as the semester in which the award is provided. In addition, the College should have procedures in place to identify students who are scheduled to receive awards in excess actual cost of attendance.

Management's Response:

During August of 2014, in an effort to improve accounting and reporting, the College purchased a new accounting and financial aid system. The new system defaulted the student's enrollment for the semester following fall 2014 to full time even though the fall semester was entered at the correct less than full-time enrollment. This default system issue was discovered in the spring and many students were manually corrected, however there is one student who was inadvertently missed during the manual corrections. The financial aid staff is now very aware of the system default and has implemented additional manual reviews along with the development of a report to check the data that will help ensure this issue does not reoccur in the future.

Responsible Individual: Kim Jones, CFO

Anticipated Completion Date: Fiscal Year 2015-2016

Texarkana College

Schedule of Findings and Questioned Costs
Year Ended August 31, 2015

Section II -Federal Award Findings and Questioned Costs (continued)

Finding 2015-003

Department of Education
Student Financial Assistance-CFDA# 84.007/84.033/84.063/84.268
Award year -July 1,2014 to June 30, 2015
Award numbers -P063P1423 18, P268K1523 18, P007A144134, and P033A144134

Special Tests and Provisions -Disbursements to Students

Type of Finding -Significant Deficiency and Noncompliance

Condition:

Refunds to students were not made on a timely basis.

Criteria:

Once student aid has been determined, the amounts must be distributed to the student through a credit to the student's account. A credit balance occurs whenever the College credits federal student financial aid program funds to a student's account, and the total amount of those funds exceeds the student's allowable charges. If the disbursement to the student's account creates a credit balance, the College must pay the credit balance directly to the student or parent as soon as possible, but not later than 14 days after the date the balance occurred on the student's account, if the balance occurred after the first day of class of a payment period, or the first day of classes of the payment period of the credit balance occurred on or before the first day of class of that payment period.

Cause:

The College makes every effort to ensure that financial aid is awarded based on the appropriate criteria. During the year, there were instances where students were flagged for additional review before disbursing the refunds to the student's account or preparing a check.

Effect:

Students were not refunded credit balances on their account within the required timeframe.

Texarkana College

Schedule of Findings and Questioned Costs

Year Ended August 31, 2015

Section II - Federal Award Findings and Questioned Costs (continued)

Finding 2015-003 (continued)

Context:

A sample of 60 students was selected to test the eligibility compliance requirement for Title IV funding. Of this sample, 33 were selected from a population of 2,496 students receiving Pell funding, 27 were selected from a population of 1,155 students receiving Direct Loans, 1 was selected from a population of 231 Federal Supplemental Educational Opportunity Grant (FSEOG) transactions (118 individual students), and 1 was selected from a population of 36 Federal Work-study Students (FWS). Of the samples of 33 Pell students and 27 Direct Loan students, two students' (one out of each sample) disbursements were not remitted in a timely manner.

Questioned Costs:

None noted

Recommendation:

We recommend that the College continue its efforts to determine financial aid appropriately awarded, and focus its efforts on timely remittance of refunds to students.

Management's Response:

Texarkana College's practice is to process student refunds weekly to make certain that any credit balances owed to students are refunded to the student within the required 14 day timeframe. After a review of the two students noted in the auditors sample, we believe both cases to be isolated occurrences and attributable to issues encountered with the new accounting software. Additional reviews and training have since been implemented to help make certain that all future credit balances are refunded to the student within the required 14 day timeframe.

Responsible Individual: Kim Jones, CFO

Anticipated Completion Date: Fiscal Year 2015-2016

Texarkana College

Schedule of Findings and Questioned Costs

Year Ended August 31, 2015

Section III – Findings and Questioned Costs – Major Federal Award Programs

Prior Year Findings and Questioned Costs Relating to Federal Awards

Finding 2014-1- Student Financial Assistance – Return of Title IV Funds

This same finding occurred during the 2014-2015 audit. See responses in finding 2015-001 .

STATE FINANCIAL ASSISTANCE INFORMATION

Certified Public Accountants

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

To the Board of Trustees
of Texarkana College
Texarkana, Texas

Report on Compliance for Each Major State Program

We have audited the Texarkana College's (the College) compliance with the types of compliance requirements described in the State of Texas Single Audit Circular, *Uniform Grant Management Standards*, that could have a direct and material effect on each of the College's major state programs for the year ended August 31, 2015. Texarkana College's major state programs are identified in the summary of auditor's results section of the accompanying state 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 state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Texarkana College's major 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; and the State of Texas Single Audit Circular, *Uniform Grant Management Standards*. Those standards and *Uniform Grant Management 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 state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Texarkana 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 state programs for the year ended August 31, 2015.

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Little Rock Office + 201 E. Markham, Suite 500, Little Rock, Arkansas 72201 + Telephone (501) 375-2025 + FAX (501) 375-8704

Report on Internal Control over Compliance

Management of Texarkana 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 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 state program and to test and report on internal control over compliance in accordance with *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 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 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.

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 the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

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Certified Public Accountants

Texarkana, Texas
December 14, 2015

Texarkana College

State Grant Schedule of Findings and Questioned Costs

Year Ended August 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

The Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	None Reported

State Awards

Internal control over major programs:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular?	None Reported

Identification of major programs:

Name of State Program or Cluster

Texas Educational Opportunity Grant
Defense Economic Adjustment Assistance Grant

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

Auditee qualified as low risk auditee? No

Texarkana College

State Grant Schedule of Findings and Questioned Costs
Year Ended August 31, 2015

Section II – State Award Findings and Questioned Costs

During the year ended August 31, 2015, there were no findings or questioned costs reported for state major programs.