

Financial Statements and
Independent Auditor's Report

[Howard County Junior College District](#)

August 31, 2015 and 2014

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Howard County Junior College District
 ORGANIZATIONAL DATA
 For the Fiscal Year 2015

Board of Trustees

Officers

Board Title

Dr. John E. Freeman	Chairman
Mr. Maxwell Barr	Vice Chairman
Mrs. Marie Ethridge	Secretary

Members

Address

Term Expires

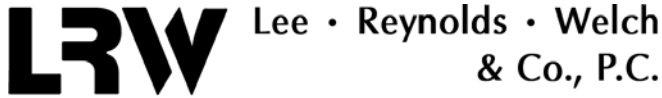
Dr. John E. Freeman	Big Spring, Texas	May, 2020
Mr. Adrian Calvio	Big Spring, Texas	May, 2018
Mrs. Marie Ethridge	Coahoma, Texas	May, 2020
Mr. Maxwell Barr	Coahoma, Texas	May, 2018
Mr. Michael L. Flores	Big Spring, Texas	May, 2016
Mr. Murray Murphy	Big Spring, Texas	May, 2016
Dr. Charles O. Warren	Big Spring, Texas	May, 2020

Principal Administrative Officers and the Business and Financial Staff

Key Officers

Title

Dr. Cheryl T. Sparks	President
Dr. Amy Burchett	Vice President Academic and Student Affairs
Mr. Steve Smith	Chief Business Officer
Mr. John Parsons	Chief Facilities Operations Officer
Ms. Brenda Claxton	Chief Financial Officer
Dr. Kinsey Hansen	Executive Dean, Big Spring Area
Ms. Jamie Rainey	Executive Dean, San Angelo
Mr. Danny Campbell	Co-Executive Dean, Southwest Collegiate Institute for the Deaf
Ms. Nancy Bonura	Co-Executive Dean, Southwest Collegiate Institute for the Deaf



CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 3469 * Big Spring, Texas 79721 * 432-267-5293

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Howard County Junior College District
Big Spring, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Howard County Junior College District (the District) as of and for the years ended August 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of August 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 16, the schedule of employer's share of net pension liability on page 43, and the schedule of District contributions on page 44 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

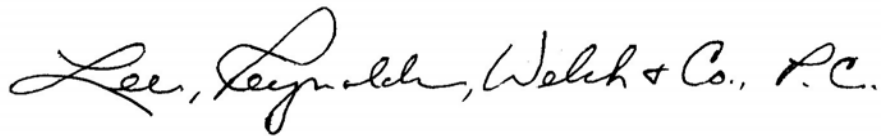
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the schedule of expenditures of State of Texas 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, and are also not a required part of the basic financial statements.

The supplementary schedules, the schedule of expenditures of federal awards and the schedule of expenditures of State of Texas awards 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 the auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules, the schedule of expenditures of federal awards and the schedule of expenditures of State of Texas awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2016, on our consideration of the District'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 District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lee, Reynolds, Welch & Co., P.C." The signature is written in black ink and is positioned above the typed address and date.

Big Spring, Texas
January 22, 2016

Howard County Junior College District
Management's Discussion and Analysis
August 31, 2015 and 2014

As management of the Howard County Junior College District, we offer this narrative overview and analysis of the college district's financial activities for the fiscal years ended August 31, 2015 and 2014. Since this management's discussion and analysis focuses on current activities, resulting changes, and currently known facts, we encourage readers to consider it in conjunction with the college district's financial statements and related notes.

Financial Highlights

FYE 2015

The college district's net position increased by \$1 million before applying the cumulative effect of change in accounting principle related to GASB 68 (\$4.3 million) to FY 14/15 beginning net position for an overall decrease of \$3.3 million in 2015 and an increase of \$2.4 million in 2014.

For the year ended August 31, 2015, the college district 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*. This resulted in two new categories to the Statement of Net Position, Deferred outflows related to pensions and Deferred inflows related to pensions, and the Cumulative effect of change in accounting principle reflected in the college's net position as noted above.

The assets of the college district exceeded its liabilities (net position) by \$39.4 million after the cumulative effect of change in accounting principle related to GASB 68 and \$42.7 million, as of August 31, 2015 and 2014, respectively. Approximately \$4.8 million of the net position, as of August 31, 2015, was available for spending at the college district's discretion (unrestricted net position). In comparison, as of August 31, 2014, \$9.6 million was classified as unrestricted net position.

FYE 2014

The college district's financial position, as a whole, improved during the fiscal years ended August 31, 2014 and 2013. Net position increased by \$2.4 million and \$2.3 million in 2014 and 2013, respectively.

The assets of the college district exceeded its liabilities (net position) by \$42.7 million and \$40.3 million, as of August 31, 2014 and 2013, respectively. Approximately \$9.6 million of the net position as of August 31, 2014 was available for spending at the college district's discretion (unrestricted net position). In comparison, as of August 31, 2013, \$9.5 million was classified as unrestricted net position.

Brief Overview of the Financial Statements

This annual financial report consists of five components: Management's Discussion and Analysis, the basic financial statements, the notes to the financial statements, required supplementary information, and other supplementary information.

The Statements of Net Position present the current and long-term assets, deferred inflows and outflows of resources, and liabilities separately with the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the college district is improving or deteriorating. However, one may need to consider other non-financial factors to assess the overall health of the college district.

The Statements of Revenues, Expenses, and Changes in Net Position present the change in the college district's net position as a result of the fiscal year's operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transaction occurs. Thus, revenues and expenses may be reported for items that may not affect cash until future fiscal periods.

The Statements of Cash Flows present the operating cash inflows and outflows resulting in net cash flows from operations. These statements are prepared using the direct method as prescribed by the Governmental Accounting Standards Board (GASB) Statement 34.

The college district is reported as a special-purpose government engaged in business-type activities using the full accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they have been reduced to a legal or contractual obligation to pay.

The Notes to the Financial Statements provide additional information that is essential to a better understanding of the data provided in the financial statements.

Other Supplementary Information is provided in addition to the basic financial statements and accompanying notes.

Financial Analysis

Net Position

FYE 2015

The schedule below was prepared from the Statements of Net Position. Total net position, which is the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, at August 31, 2015 and 2014, was \$39.4 million and \$42.7 million, respectively. This represents an overall decrease of 7.69% from the prior fiscal year. The majority of the decrease was due to the cumulative effect of change in accounting principle related to GASB 68 of \$4.3 million. However, there was an increase of \$1.6 million in the category of invested in capital assets, net of related debt, due to the various improvements and construction projects that continued to take place throughout the college district. Refer to the Capital Assets section for further details.

The college's unrestricted net position decreased \$4.7 million for the fiscal year ended August 31, 2015 of which \$4.3 million was the cumulative effect of change in accounting principle related to GASB 68 as noted above. The remaining decrease in the unrestricted net position was largely in part due to the planned spending of reserves to complete, furnish, and equip the two new buildings at the San Angelo site. The college district continued to exercise conservative spending habits in response to reduced state funding and an ongoing reduction in tuition and fees revenue as a result of the slight decline in enrollment due to the improved economy in the state and locally. Refer to the next section on Revenues, Expenses, and Changes in Net Position for further details.

FYE 2014

The schedule below was prepared from the Statements of Net Position. Total net position, which is the difference in total assets and total liabilities, at August 31, 2014 and 2013, was \$42.7 million and \$40.3 million, respectively. This represents an overall increase of 5.86% from the prior fiscal year. The majority of the increase was in the category of invested in capital assets, net of related debt, due to the various improvement and construction projects that continued to take place throughout the college district. Refer to the Capital Assets section for further details.

The college's unrestricted net position increased \$80 thousand for the fiscal year ended August 31, 2014. The increase in the unrestricted net position was not as much as in the past in part due to planned spending of reserves towards the two new buildings at the San Angelo site and the furniture and equipment for these buildings. Even with these additional planned expenditures of approximately \$319 thousand, the district was able to increase its unrestricted net position through conservative spending. The conservative spending was also in response to continued reduced state funding and a reduction in tuition and fees revenue as a result of a slight decline in enrollment due to the improved economy in the state and locally. Refer to the next section on Revenues, Expenses, and Changes in Net Position for further details.

STATEMENTS OF NET POSITION

ASSETS	2015	2014	2013
Total current assets	\$ 17,706,049	\$ 18,454,080	\$ 17,287,128
Restricted cash equivalents	-	3,257,507	10,500,949
Total capital assets, net	59,513,156	58,244,277	48,736,918
Total Assets	77,219,205	79,955,864	76,524,995
Deferred outflows related to pensions	362,031	-	-
LIABILITIES			
Total current liabilities	5,689,446	8,210,398	5,697,393
Total noncurrent liabilities	31,351,969	29,081,533	30,527,058
Total Liabilities	37,041,415	37,291,931	36,224,451
Deferred inflows related to pensions	1,156,463	-	-
NET POSITION			
Invested in capital assets, net of related debt	30,510,564	28,888,094	27,726,115
Restricted			
Nonexpendable	1,217,709	1,217,702	1,217,695
Expendable	2,815,886	2,987,519	1,865,747
Unrestricted	4,839,199	9,570,618	9,490,987
TOTAL NET POSITION	\$ 39,383,358	\$ 42,663,933	\$ 40,300,544

Revenues, Expenses, and Changes in Net Position

FYE 2015

The change in net position is the result of operating and non-operating activities combined during the fiscal year. The college's net position decreased \$3.3 million (7.69%) for the fiscal year ended August 31, 2015 and increased \$2.4 million (5.86%) for the fiscal year ended August 31, 2014.

Total operating revenues decreased \$687 thousand (6.35%) overall from the prior fiscal year, mainly due to the factors as outlined below:

- Nongovernmental grants and contracts decreased by \$648 thousand (40.84%) mainly due to private donations received in 13/14 for the equipment and furniture for the two new buildings in San Angelo, as well as a donation for program improvements of an instructional program.
- State grants and contracts decreased by \$405 thousand (40.84%) mainly due to the completion of a Skills Development Oil and Gas grant in 13/14 and a reduction in funding for the Adult Education and Literacy grants in 14/15.

Operating expenses decreased \$110 thousand (less than 1%) overall from the prior fiscal year.

As in the past, the district continues to be very dedicated to conservative spending habits and controlling expenditures in all areas.

Net non-operating revenues decreased \$178 thousand, mostly in the category of federal financial aid programs due to the decrease in enrollment as noted above. However, as a result of the upswing in the local economy, there was an 8.29% increase in Maintenance and Operations tax revenue.

FYE 2014

The change in net position is the result of operating and non-operating activities combined during the fiscal year. The college's net position increased \$2.4 million (5.86%) and \$2.3 million (5.91%) for the fiscal years ended August 31, 2014 and 2013, respectively.

Total operating revenues increased \$343 thousand (3.28%) overall from the prior fiscal year, mainly due to the factors as outlined below:

- Nongovernmental grants and contracts increased approx. \$759 thousand (91.8%) mainly due to private donations for the equipment and furniture for the two new buildings in San Angelo, as well as a donation for program improvements of an instructional program.
- Federal grants and contracts decreased by \$553 thousand (16.29%) mainly due to the reduction in the Title V grants.

Operating expenses decreased \$684 thousand (2.08%) overall from the prior fiscal year. Per Schedule B, notable decreases included \$305 thousand in the restricted academic support as a result of the decrease in the Title V grants as noted in the operating revenues section and \$664 thousand in restricted scholarships as well as slight changes in all other areas. The notable decrease in unrestricted institutional support of \$1.1 million was offset by changes in the other unrestricted cost categories. The district continues to be very dedicated to controlling expenditures in all areas.

Net non-operating revenues decreased \$672 thousand, mostly in the category of federal financial aid programs due to the slight decrease in enrollment. However, as a result of the upswing in the local economy as noted above, there was an 11.59% increase in Maintenance and Operations tax revenue.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2015	2014	2013
REVENUES			
Operating revenues			
Tuition & fees (net of discounts)	\$ 3,784,684	\$ 4,180,218	\$ 4,183,889
Federal grants and contracts	3,674,792	2,841,448	3,394,294
State grants and contracts	586,130	990,745	755,728
Local grants and contracts	12,868	11,479	15,640
Nongovernmental grants and contracts	938,759	1,586,823	827,336
Sales and services of educational activities	363,384	399,371	321,156
Auxiliary enterprises (net of discounts)	259,837	297,683	390,461
Other operating revenues	509,751	509,022	585,193
Total operating revenues	<u>10,130,205</u>	<u>10,816,789</u>	<u>10,473,697</u>
EXPENSES			
Operating expenses			
Instruction	9,724,068	10,675,989	10,348,744
Public service	1,047,065	1,296,592	847,318
Academic support	3,131,692	2,902,692	3,042,472
Student services	2,061,395	2,139,733	2,162,027
Institutional support	5,724,173	5,346,324	6,667,071
Operation and maintenance of plant	3,810,866	3,543,242	2,934,716
Scholarships and fellowships	2,411,217	2,691,540	3,371,558
Auxiliary enterprises	2,103,818	1,805,103	1,770,572
Depreciation	2,108,847	1,832,120	1,772,697
Total operating expenses	<u>32,123,141</u>	<u>32,233,335</u>	<u>32,917,175</u>
Operating loss	(21,992,936)	(21,416,546)	(22,443,478)
NON-OPERATING REVENUES (EXPENSES)			
State appropriations	11,446,649	11,498,988	11,508,679
Property taxes for operations	5,542,489	5,118,233	4,586,829
Property taxes for debt service	1,647,492	1,791,602	1,718,328
Payments in lieu of taxes	148,822	145,192	141,651
Federal revenue, non-operating	4,436,533	5,037,332	6,277,122
Investment income (net of investment expenses)	38,060	38,785	39,105
Interest on capital related debt	(896,481)	(935,326)	(973,556)
Loss on disposal of fixed assets	(16,911)	(150,215)	-
Other non-operating revenues	425,717	405,935	324,572
	<u>22,772,370</u>	<u>22,950,526</u>	<u>23,622,730</u>
Income before other revenue	779,434	1,533,980	1,179,252
Other revenue			
Capital contributions	223,303	829,409	1,071,366
Increase in net position	<u>1,002,737</u>	<u>2,363,389</u>	<u>2,250,618</u>
Net Position – beginning of year, as previously reported	42,663,933	40,300,544	38,049,926
Cumulative effect of change in accounting principle	(4,283,312)	-	-
Net Position – beginning of year, as adjusted	<u>38,380,621</u>	<u>40,300,544</u>	<u>38,049,926</u>
Net Position – end of year	<u>\$ 39,383,358</u>	<u>\$ 42,663,933</u>	<u>\$ 40,300,544</u>

Cash Flows

FYE 2015

In addition to the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, presented below, are another way to assess the financial health of the college. Its primary purpose is to provide relevant information about the cash receipts and cash payments by the college district during the fiscal year. There was a decrease in cash and cash equivalents of \$3.78 million for the year ended August 31, 2015. Most of this decrease was attributable to spending of the remaining \$3.3 million in bond proceeds for the two new buildings at the San Angelo site mentioned earlier.

FYE 2014

In addition to the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, presented below, are another way to assess the financial health of the college. Its primary purpose is to provide relevant information about the cash receipts and cash payments by the college district during the fiscal year. There was a decrease in cash and cash equivalents of \$6 million for the year ended August 31, 2014. Most of this decrease was attributable to the construction of the two new buildings at the San Angelo site mentioned earlier.

STATEMENTS OF CASH FLOWS

Cash Provided (Used) by:	2015	2014	2013
Operating activities	\$ (17,828,194)	\$ (17,675,324)	\$ (19,938,635)
Noncapital financing activities	20,003,866	20,563,475	21,498,254
Capital and related financing activities	(5,997,650)	(8,904,721)	8,720,225
Investing activities	38,060	38,785	39,105
Net increase (decrease) in cash and cash equivalents	(3,783,918)	(5,977,785)	10,318,949
Cash and cash equivalents Sept 1	18,302,665	24,280,450	13,961,501
Cash and cash equivalents Aug 31	\$ 14,518,747	\$ 18,302,665	\$ 24,280,450

Overall Financial Position

FYE 2015

As reflected in the schedules and narrative, the college's financial position improved during the fiscal ended August 31, 2015 prior to the \$4.3 million adjustment for the cumulative effect of change in accounting principle to the FY 14/15 beginning net position due to the implementation of GASB 68. A brief explanation for the significant changes is discussed in other sections of the Financial Analysis. The college district shares a competitive market and strives to provide quality instructional programs and services while continuing to be committed to controlling expenditures. This commitment has helped to maintain the stability of the college's financial position.

As in the past, the college continues to seek additional funding from outside sources such as federal, state, and non-governmental grants. In an effort to meet the needs of the college's thirteen county service area, the college continues to seek ways to enhance existing programs, pursue new course

delivery methods, and to provide new services as needed or requested. The college also continues to control expenditures through conservative budgeting strategies, freezing the filling of some vacant positions, limiting or reducing staff in certain areas, as well as purchasing techniques and controls that reduce costs and maximizes value.

FYE 2014

As reflected in the schedules and narrative, the college's financial position improved during the fiscal year ended August 31, 2014. A brief explanation for the significant changes is discussed in other sections of the Financial Analysis. Considering the fact that the cost of goods and services and the cost of delivering college programs continue to rise, the college's continued commitment to control expenditures has helped to maintain the stability of the college's financial position.

As in the past, the college continued to seek additional funding from outside sources such as federal, state, and non-governmental grants. In an effort to meet the needs of the college's thirteen county service area, the college continued to seek ways to enhance existing programs, pursue new course delivery methods, and to provide new services as needed or requested. The college continued to control expenditures through conservative budgeting strategies, freezing the filling of some vacant positions, limiting or reducing staff in certain areas, as well as purchasing techniques and controls that reduced costs and maximized value.

Capital Assets

FYE 2015

As of August 31, 2015 and 2014, the college district had invested \$82.8 million and \$79.9 million, respectively, in capital assets. Net of accumulated depreciation, the college district's net capital assets at August 31, 2015 totaled \$59.5 million and totaled \$58.2 million at August 31, 2014. The approximate \$1.3 million increase in net capital assets was mainly due to the completion of the expansion and construction projects at the San Angelo site and two remodeled biology labs at the San Angelo site made possible with grant funds.

FYE 2014

As of August 31, 2014 and 2013, the college district had invested \$79.9 million and \$68.9 million, respectively, in capital assets. Net of accumulated depreciation, the college district's net capital assets at August 31, 2014 totaled \$58.2 million and totaled \$48.7 million at August 31, 2013. The approximate \$9.5 million increase in net capital assets was mainly due to the continuation and near completion of the expansion and construction projects at the San Angelo site. The total construction commitment totals approximately \$11.7 million.

Debt Administration

FYE 2015

The college district's long-term debt was comprised of capital lease agreements, notes payable, the general obligation bond issued August 2007, a consolidated revenue bond issued November 2009, and a consolidated revenue bond issued June 2013. The current portion was \$1,475,421 and the non-current portion was \$27,571,480 for a total of \$29,046,901 at August 31, 2015. The college entered into operating lease agreements beginning September 1, 2008 for two facilities in San Angelo with the lease with Shannon Medical Center being amended twice for additional space effective July 2009 and July 2011. See Notes 6, 7, 8, 9, 10 and 11 to the financial statements for detailed information.

The college district continues to maintain a bond rating of "AA-" with Standard and Poor's and Fitch Ratings on the General Obligation Bond, Series 2007.

FYE 2014

The college district's long-term debt was comprised of capital lease agreements, notes payable, the general obligation bond issued August 2007, a consolidated revenue bond issued November 2009, and a \$10.6 million consolidated revenue bond issued June 2013. The current portion was \$1,412,135 and the non-current portion was \$29,081,533 for a total of \$30,493,668 at August 31, 2014. The college entered into operating lease agreements beginning September 1, 2008 for two facilities in San Angelo with the lease with Shannon Medical Center being amended twice for additional space effective July 2009 and July 2011. The college also entered into operating leases beginning September 2009, September 2010, and October 2010 for copiers with various terms under long-term, non-cancelable agreements. See Notes 6, 7, 8, 9, 10 and 11 to the financial statements for detailed information.

The college district continues to maintain a bond rating of "AA-" with Standard and Poor's and Fitch Ratings on the General Obligation Bond, Series 2007.

Currently Known Facts, Decisions, or Conditions

In 2000, the Texas Higher Education Coordinating Board (THECB) adopted *Closing the Gaps by 2015* as the state's 15-year higher education plan. The four major goals of the initiative were participation, success, excellence and research in higher education in Texas. One of the targets was to increase enrollment in Texas' higher education institutions by 500,000 students by 2015. The following information has been reported for Howard College to the THECB:

<u>Category</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Unduplicated Credit Enrollment	5,601	5,461	5,894	6,207	6,494	5,761	5,073	4,457
Associate Degrees & Certificates	711	736	788	775	645	629	443	420
Targeted Technical Degrees & Certificates	53	72	66	55	55	49	24	37
Allied Health/Nursing Degrees & Certificates	98	121	141	135	146	139	129	118

As illustrated by the table above, the college has generally experienced an increase in credit enrollment and in total degrees and certificates awarded. The college district was committed in helping to meet the *Closing the Gaps by 2015* initiative and these efforts will have a positive impact on the local community, the college, and the students in the future.

The District's main sources of revenue are tuition and fees, State funding, local taxes, and gifts and grants. The overall economic condition of the state and the local area, both of which are heavily dependent on the oil and natural gas industry, have an impact on each of these funding sources. The rapid growth in the oil and natural gas industry the past several years has attributed to the decline in enrollment the past few academic years. There has been a downward trend in the industry this past year which affected mineral values significantly resulting a decline in the tax base for the 2015 tax year. However, the fall semester 2015 enrollment figures indicate a slight increase in enrollment possibly in response to this downward trend.

Effective with the 2014/15 biennium, the state modified the funding methodology for community colleges from strictly contact hour funding to a three part model including base funding, contact hour funding and student success points. The new funding model, combined with the decline in enrollment the past few years, resulted in a decrease in tuition/fee revenues and state funding for the college. Also, effective the 2014/15 biennium, the state mandated that community colleges fund 50% of an employee's TRS and ORP contributions. Both of these continue for the 2016/17 biennium which reflects the state's continued downward trend of support for community colleges.

According to a recent economic impact study of Howard College, conducted by Economic Modeling Specialist Intl., the college plays a "key role" in student employability by providing learners with skills to prosper their career in an environment which increases their self-confidence, well-being, and overall health. Even though the college has an overall impact to the region, the largest impact is the education and training provided to local residents according to the study. This is evidence the college strives to fulfill its mission "Working as one, Howard College builds communities through quality, innovative education for lifelong learning." The ability to continue fulfilling the mission is requiring the college to become more and more resourceful as it responds to the continued decrease in state support and the effects of the economic condition of the state and local area.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Howard County Junior College District's finances for all those with an interest in the college's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Chief Financial Officer, Howard College, 1001 Birdwell Lane, Big Spring, TX 79720.

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Howard County Junior College District
STATEMENTS OF NET POSITION

Exhibit 1
August 31,

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14,518,747	\$ 15,045,158
Accounts receivable, net	2,919,394	2,689,968
Prepaid expenses	248,733	708,254
Inventories for resale	19,175	10,700
Total current assets	17,706,049	18,454,080
Noncurrent Assets		
Restricted cash equivalents	-	3,257,507
Capital assets, net of accumulated depreciation	59,513,156	58,244,277
Total noncurrent assets	59,513,156	61,501,784
TOTAL ASSETS	77,219,205	79,955,864
Deferred Outflows of Resources		
Deferred outflows related to pensions	362,031	-
LIABILITIES		
Current liabilities		
Accounts payable	1,028,424	3,578,284
Accrued liabilities	1,660,860	1,663,983
Deposits payable	40,200	38,502
Unearned revenue	1,265,493	1,291,149
Accrued compensable absences	219,048	226,345
Bonds and notes payable – current portion	1,461,264	1,399,392
Capital lease agreements – current portion	14,157	12,743
Total current liabilities	5,689,446	8,210,398
Noncurrent liabilities		
Bonds and notes payable, noncurrent portion	27,565,279	29,061,175
Capital lease agreements, noncurrent portion	6,201	20,358
Net pension liability	3,780,489	-
Total noncurrent liabilities	31,351,969	29,081,533
TOTAL LIABILITIES	37,041,415	37,291,931
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,156,463	-
NET POSITION		
Net investment in capital assets	30,510,564	28,888,094
Restricted for:		
Nonexpendable		
Student aid	1,217,709	1,217,702
Expendable		
Student aid	608,612	551,350
Instructional programs	415,576	667,219
Capital projects	2,502	2,502
Debt service	1,521,636	1,491,323
Other	267,560	275,125
Unrestricted	4,839,199	9,570,618
TOTAL NET POSITION (Schedule D)	\$ 39,383,358	\$ 42,663,933

The accompanying notes are an integral part of these statements.

Howard County Junior College District
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Exhibit 2
Year Ended August 31,

	2015	2014
REVENUES		
Operating revenues		
Tuition and fees (net of discounts of \$4,150,470 and \$4,514,307)	\$ 3,784,684	\$ 4,180,218
Federal grants and contracts	3,674,792	2,841,448
State grants and contracts	586,130	990,745
Local grants and contracts	12,868	11,479
Nongovernmental grants and contracts	938,759	1,586,823
Sales and services of educational activities	363,384	399,371
Auxiliary enterprises (net of discounts of \$1,140,457 and \$1,359,856)	259,837	297,683
Other operating revenues	509,751	509,022
Total operating revenues (Schedule A)	10,130,205	10,816,789
EXPENSES		
Operating expenses		
Instruction	9,724,068	10,675,989
Public service	1,047,065	1,296,592
Academic support	3,131,692	2,902,692
Student services	2,061,395	2,139,733
Institutional support	5,724,173	5,346,324
Operation and maintenance of plant	3,810,866	3,543,242
Scholarships and fellowships	2,411,217	2,691,540
Auxiliary enterprises	2,103,818	1,805,103
Depreciation	2,108,847	1,832,120
Total operating expenses (Schedule B)	32,123,141	32,233,335
Operating loss	(21,992,936)	(21,416,546)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	11,446,649	11,498,988
Property taxes for operations	5,542,489	5,118,233
Property taxes for debt service	1,647,492	1,791,602
Payments in lieu of taxes	148,822	145,192
Federal revenue, non operating	4,436,533	5,037,332
Investment income (net of investment expenses)	38,060	38,785
Interest on capital related debt	(896,481)	(935,326)
Loss on disposal of fixed assets	(16,911)	(150,215)
Other non-operating revenues	425,717	405,935
Net non-operating revenues (Schedule C)	22,772,370	22,950,526
Income before other revenue	779,434	1,533,980
Other revenue		
Capital contributions	223,303	829,409
Increase in net position	1,002,737	2,363,389
Net position – beginning of year	42,663,933	40,300,544
Cumulative effect of change in accounting principle	(4,283,312)	-
Net position – beginning of year, as adjusted	38,380,621	40,300,544
Net position – end of year	\$ 39,383,358	\$ 42,663,933

The accompanying notes are an integral part of these statements.

Howard County Junior College District
STATEMENTS OF CASH FLOWS
Exhibit 3
Year ended August 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Receipts from students and other customers	\$ 4,910,048	\$ 4,776,674
Receipts of grants and contracts	4,938,458	5,632,936
Other receipts	935,468	914,957
Payments to or on behalf of employees	(17,315,697)	(18,199,875)
Payments to suppliers for goods and services	(8,885,254)	(8,108,476)
Payments of scholarships	(2,411,217)	(2,691,540)
Net cash used by operating activities	<u>(17,828,194)</u>	<u>(17,675,324)</u>
Cash flows from noncapital financing activities		
Property tax receipts and payments in lieu of taxes	5,685,167	5,246,077
Receipts of state appropriations	9,869,682	10,235,613
Receipts of non-operating federal revenue	4,449,017	5,081,785
Net cash provided by noncapital financing activities	<u>20,003,866</u>	<u>20,563,475</u>
Cash flows from capital and related financing activities		
Property tax receipts	1,648,774	1,784,960
Capital contracts, grants, and gifts	181,036	829,409
Payments from accounts payable related to fixed asset additions	(2,365,445)	(496,202)
Purchases of capital assets	(2,727,535)	(8,738,617)
Payments on capital debt and leases	(1,420,896)	(1,037,524)
Interest payments on capital debt and leases	(1,313,584)	(1,246,747)
Net cash used by capital and related financing activities	<u>(5,997,650)</u>	<u>(8,904,721)</u>
Cash flows from investing activities		
Investment earnings	38,060	38,785
Decrease in cash and cash equivalents	(3,783,918)	(5,977,785)
Cash and cash equivalents – September 1	<u>18,302,665</u>	<u>24,280,450</u>
Cash and cash equivalents – August 31	<u>\$ 14,518,747</u>	<u>\$ 18,302,665</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (21,992,936)	\$ (21,416,546)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	2,108,847	1,832,120
Other revenue	425,717	405,935
Payments made directly by state for benefits	1,576,967	1,263,375
Changes in assets and liabilities:		
Receivables, net	(237,048)	39,987
Inventories	(8,475)	6,375
Other assets	455,976	28,336
Deferred outflows related to pensions	(362,031)	-
Accounts payable	(424,652)	73,995
Accrued liabilities	7,056	3,280
Unearned revenue	(25,656)	81,754
Deposits payable	1,698	(3,967)
Accrued compensable absences	(7,297)	10,032
Net pension liability	(502,823)	-
Deferred inflows related to pensions	1,156,463	-
Net cash used by operating activities	<u>\$ (17,828,194)</u>	<u>\$ (17,675,324)</u>
Noncash investing, capital, and financing activities:		
Acquisition of capital assets through accounts payable	\$ 240,237	\$ 2,365,445
Acquisition of capital assets through capitalized interest	384,598	385,632
Amortization of prepaid bond insurance and bond premium	22,326	29,838
Net effect of noncash transactions	<u>\$ 647,161</u>	<u>\$ 2,780,915</u>

The accompanying notes are an integral part of these statements.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 1 – REPORTING ENTITY

The Howard County Junior College District (District) was created by a county-wide vote on November 17, 1945. The District is located in Howard County, Texas, and operates as a county-wide Junior College District under the laws of the State of Texas, to serve the educational needs of Howard County and the surrounding communities. The District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The District also operates extension campuses, some of which are located outside of Howard County. The District also operates the Southwest Collegiate Institute for the Deaf (SWCID), located in Big Spring, which was established as part of the District by the Board on November 6, 1979. All of the extension campuses' financial activity is included in the District's financial statements. While the District 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 District offers course work designed to prepare students to continue their education at senior institutions or to enter specific occupational areas at the end of a one- or two-year period of specialized training in occupational education. Arts and Sciences programs are designed for transfer to baccalaureate degree-granting institutions. Associate in Arts and Associate in Science degrees are available to students completing a two-year curriculum. Vocational/Technical Education programs seek to develop intellectual abilities and skills that will enable the student to enter a technical or semi-professional occupation. It is the purpose of these programs to prepare the student for jobs in industry.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting guidelines*

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

B. *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 Sec. 56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program Funds

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

Other tuition discounts

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

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. *Basis of accounting*

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

D. *Budgetary data*

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District'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.

E. *Cash and cash equivalents*

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

F. *Deferred inflows*

In addition to liabilities, the District is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to 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.

G. *Deferred outflows*

In addition to assets, the District is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to 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. A typical deferred outflow for community colleges is a deferred charge on refunding debt.

H. *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. The governing board has designated public funds investment pools comprised of \$518,210 and \$517,964 as of August 31, 2015 and 2014, respectively, to be cash equivalents.

I. *Inventories*

Inventories consist of livestock. Inventories are stated at the lower of cost or market on a first-in, first-out basis and are charged to expense as consumed.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. *Restricted cash equivalents*

Restricted cash equivalents consist of bond proceeds and earnings thereon that are required to be spent for construction and for debt service payments by the bond order.

K. *Capital assets*

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The District's capitalization policy includes real or personal property with a value equal to or greater than \$5,000 and has an estimated life of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred. The District reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Buildings	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

L. *Capitalization of interest costs on borrowings*

The District capitalizes interest costs on borrowings incurred during the new construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. For the years ended August 31, 2015 and 2014, the District capitalized \$384,598 and \$385,632 of interest, respectively, in connection with various capital expansion projects. The total amount of interest cost incurred for the year ended August 31, 2015 and 2014 was \$1,281,079 and \$1,320,958, respectively.

M. *Unearned revenue*

Tuition and fees of \$1,015,993 and \$986,916, federal grants of \$22,719 and \$87,197, state grants of \$83,342 and \$114,605, local grants of \$500 and \$6,698, and private grants of \$142,939 and \$95,733 have been reported as unearned revenue at August 31, 2015 and 2014, respectively.

N. *Estimates*

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

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O. *Operating and non-operating revenue and expense policy*

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

It is the District’s policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

P. *Pensions*

For the year ended August 31, 2015, the District 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.

Q. *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	\$ 42,663,933
Prior period adjustment – implementation of GASB 68:	
Net pension liability (measurement date as of August 31, 2014)	(4,642,133)
Deferred outflows – District contributions made during FY2014	<u>358,821</u>
Beginning net position, as restated	<u>\$ 38,380,621</u>

NOTE 3 – AUTHORIZED INVESTMENTS

The District 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) local government investment pools continuously rated no lower than AAA or AAAM or equivalent by a nationally recognized rating service, (4) certificates of deposit and (5) other instruments and obligations authorized by statute and approved by Board policy.

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2015 and 2014

NOTE 4 – DEPOSITS AND INVESTMENTS

Cash and Deposits as reported on Exhibit 1, Statements of Net Position, consist of the items reported below, as of August 31,:

	2015	2014
Bank Deposits		
Demand deposits	\$ 13,993,877	\$ 17,778,041
Cash on hand	6,660	6,660
Total Cash and Deposits	\$ 14,000,537	\$ 17,784,701

Reconciliation of deposits and investments to Exhibit 1, as of August 31,

	2015	2014
<u>Total deposits and investments:</u>		
Per Exhibit 1:		
Cash and cash equivalents	\$ 14,518,747	\$ 15,045,158
Restricted cash equivalents	-	3,257,507
Total deposits and investments	\$ 14,518,747	\$ 18,302,665
Per Note 4:		
Deposits and cash on hand	\$ 14,000,537	\$ 17,784,701
Investments	518,210	517,964
Total	\$ 14,518,747	\$ 18,302,665

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

		Investment Maturities (in Years)
Investment Type	Fair Value	Less than 1
Investment Pool	\$ 518,210	\$ 518,210

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

Credit Risk – In accordance with state law and the District’s investment policy, investments in investment pools must be rated at least AAA. The District’s investment pools are rated AAAM.

Concentration of Credit Risk – The District does not place a limit on the amount the District may invest in any one issuer.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 5 – CAPITAL ASSETS

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

	Balance September 1, 2014	Increases	Decreases	Balance August 31, 2015
Not depreciated:				
Land	\$ 371,871	\$ -	\$ -	\$ 371,871
Construction in process	<u>5,830,285</u>	<u>1,895,547</u>	<u>(7,706,114)</u>	<u>19,718</u>
Subtotal	<u>6,202,156</u>	<u>1,895,547</u>	<u>(7,706,114)</u>	<u>391,589</u>
Buildings and other capital assets				
Buildings and building improvements	48,848,947	195,217	-	49,044,164
Leasehold improvements	8,989,328	7,959,878	-	16,949,206
Other real estate improvements	<u>8,543,796</u>	<u>15,729</u>	<u>-</u>	<u>8,559,525</u>
Total buildings and other real estate improvements	66,382,071	8,170,824	-	74,552,895
Library books	888,776	20,594	(8,335)	901,035
Furniture, machinery, and equipment	<u>6,396,679</u>	<u>1,013,786</u>	<u>(438,865)</u>	<u>6,971,600</u>
Total buildings and other capital assets	<u>73,667,526</u>	<u>9,205,204</u>	<u>(447,200)</u>	<u>82,425,530</u>
Accumulated depreciation				
Buildings and building improvements	(13,692,312)	(880,687)	-	(14,572,999)
Leasehold improvements	(1,007,712)	(324,522)	-	(1,332,234)
Other real estate improvements	<u>(1,865,932)</u>	<u>(363,922)</u>	<u>-</u>	<u>(2,229,854)</u>
Total buildings and other real estate improvements	(16,565,956)	(1,569,131)	-	(18,135,087)
Library books	(727,209)	(20,389)	8,321	(739,277)
Furniture, machinery, and equipment	<u>(4,332,240)</u>	<u>(519,327)</u>	<u>421,968</u>	<u>(4,429,599)</u>
Total buildings and other capital assets	<u>(21,625,405)</u>	<u>(2,108,847)</u>	<u>430,289</u>	<u>(23,303,963)</u>
Net capital assets	<u>\$ 58,244,277</u>	<u>\$ 8,991,904</u>	<u>\$ (7,723,025)</u>	<u>\$ 59,513,156</u>

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

	Balance September 1, 2013	Increases	Decreases	Balance August 31, 2014
Not depreciated:				
Land	\$ 371,871	\$ -	\$ -	\$ 371,871
Construction in process	<u>1,389,919</u>	<u>10,833,951</u>	<u>(6,393,585)</u>	<u>5,830,285</u>
Subtotal	<u>1,761,790</u>	<u>10,833,951</u>	<u>(6,393,585)</u>	<u>6,202,156</u>

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 5 – CAPITAL ASSETS - Continued

	Balance September 1, 2013	Increases	Decreases	Balance August 31, 2014
Buildings and other capital assets				
Buildings and building improvements	48,685,918	163,029	-	48,848,947
Leasehold improvements	3,175,429	5,988,899	(175,000)	8,989,328
Other real estate improvements	<u>8,126,788</u>	<u>417,008</u>	<u>-</u>	<u>8,543,796</u>
Total buildings and other real estate improvements	59,988,135	6,568,936	(175,000)	66,382,071
Library books	877,365	25,653	(14,242)	888,776
Furniture, machinery, and equipment	<u>6,273,368</u>	<u>454,739</u>	<u>(331,428)</u>	<u>6,396,679</u>
Total buildings and other capital assets	<u>67,138,868</u>	<u>7,049,328</u>	<u>(520,670)</u>	<u>73,667,526</u>
Accumulated depreciation				
Buildings and building improvements	(12,821,202)	(871,110)	-	(13,692,312)
Leasehold improvements	(828,498)	(210,714)	31,500	(1,007,712)
Other real estate improvements	<u>(1,522,860)</u>	<u>(343,072)</u>	<u>-</u>	<u>(1,865,932)</u>
Total buildings and other real estate improvements	(15,172,560)	(1,424,896)	31,500	(16,565,956)
Library books	(721,377)	(19,939)	14,107	(727,209)
Furniture, machinery, and equipment	<u>(4,269,803)</u>	<u>(387,285)</u>	<u>324,848</u>	<u>(4,332,240)</u>
Total buildings and other capital assets	<u>(20,163,740)</u>	<u>(1,832,120)</u>	<u>370,455</u>	<u>(21,625,405)</u>
Net capital assets	<u>\$ 48,736,918</u>	<u>\$ 16,051,159</u>	<u>\$ (6,543,800)</u>	<u>\$ 58,244,277</u>

NOTE 6 – NON-CURRENT LIABILITIES

Non-current liability activity for the year ended August 31, 2015 was as follows:

	Balance September 1, 2014	Additions	Reductions	Balance August 31, 2015	Current Portion
Leases, bonds and notes					
Leases	\$ 33,101	\$ -	\$ (12,743)	\$ 20,358	\$ 14,157
Bonds	30,335,000	-	(1,365,000)	28,970,000	1,425,000
Unamortized bond premium	35,752	-	(25,872)	9,880	-
Notes payable	89,815	-	(43,152)	46,663	36,264
Net pension liability	<u>-</u>	<u>3,780,489</u>	<u>-</u>	<u>3,780,489</u>	<u>-</u>
Total long-term liabilities	<u>\$ 30,493,668</u>	<u>\$ 3,780,489</u>	<u>\$ (1,446,767)</u>	<u>\$ 32,827,390</u>	<u>\$ 1,475,421</u>

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 6 – NON-CURRENT LIABILITIES – Continued

Non-current liability activity for the year ended August 31, 2014 was as follows:

	Balance September 1, 2013	Additions	Reductions	Balance August 31, 2014	Current Portion
Leases, bonds and notes					
Leases	\$ 45,135	\$ -	\$ (12,034)	\$ 33,101	\$ 12,743
Bonds	31,290,000	-	(955,000)	30,335,000	1,365,000
Unamortized bond premium	69,134	-	(33,382)	35,752	-
Notes payable	160,305	-	(70,490)	89,815	34,392
Total long-term liabilities	<u>\$ 31,564,574</u>	<u>\$ -</u>	<u>\$ (1,070,906)</u>	<u>\$ 30,493,668</u>	<u>\$ 1,412,135</u>

NOTE 7 – DEBT AND LEASE OBLIGATIONS

Debt service requirements at August 31, 2015, were as follows:

For the year ending <u>August 31,</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,425,000	\$ 1,247,987
2017	1,480,000	1,185,112
2018	1,545,000	1,121,355
2019	1,610,000	1,055,164
2020	1,680,000	985,485
2021-2025	9,665,000	3,670,524
2026-2030	8,770,000	1,308,815
2031-2034	<u>2,795,000</u>	<u>214,594</u>
	<u>\$ 28,970,000</u>	<u>\$ 10,789,036</u>

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

For the year ending <u>August 31,</u>	
2016	\$ 15,636
2017	<u>6,368</u>
	22,004
Less interest portion	<u>1,646</u>
Present value of net minimum lease payments	20,358
Less current portion	<u>14,157</u>
Noncurrent portion	<u>\$ 6,201</u>

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 8 – BONDS PAYABLE

General information related to bonds payable is summarized below:

- Consolidated Fund Revenue Bonds, Series 2013.
 - Construction and equipment for two college buildings and related infrastructure.
 - Issued June 1, 2013.
 - \$10,600,000: \$9,790,000 “Tax-Exempt Bonds” and \$810,000 “Taxable Bonds”; all authorized bonds have been issued.
 - Source of revenue for debt service – tuition pledge, building use fees, student service fees, lab fees, other fees, gross revenue of Auxiliary Services, and investment earnings on all investments.
 - \$10,235,000 and \$10,600,000 outstanding as of August 31, 2015 and 2014, respectively.

The range of installment payments on an annual basis is from \$380,000 to \$740,000 with an interest rate of 3.75%, with the final installment due October 1, 2033.

- Consolidated Fund Revenue Bonds, Series 2009.
 - Renovations, remodel and construction of student housing facilities.
 - Issued November 1, 2009.
 - \$3,570,000; all authorized bonds have been issued.
 - Source of revenue for debt service – tuition pledge, building use fees, student service fees, lab fees, gross revenue of Auxiliary Services, other fees, and investment earnings on all investments.
 - \$3,055,000 and \$3,195,000 outstanding as of August 31, 2015 and 2014, respectively.

The range of installment payments on an annual basis is from \$145,000 to \$275,000 with an interest rate of 4.60%, with the final installment due October 1, 2029.

- General Obligation Bonds, Series 2007.
 - Renovation, construction, and equipment of college buildings.
 - Issued August 28, 2007.
 - \$21,550,000; all authorized bonds have been issued.
 - Source of revenue for debt service – continuing direct annual ad valorem tax levied by the District on all taxable property therein.
 - \$15,680,000 and \$16,540,000 outstanding as of August 31, 2015 and 2014, respectively.

The range of installment payments on an annual basis is from \$900,000 to \$1,595,000 with interest rates from 4.25% to 5.00%, with the final installment due February 15, 2028.

NOTE 9 – CAPITAL LEASE AGREEMENTS

Certain leases to finance the purchase of equipment are capitalized at the present value of future minimum lease payments. The original capitalized cost of all such equipment under capital leases as of August 31, 2015 and 2014, is \$60,527 and \$60,527, respectively, and accumulated amortization on those assets is \$43,492 and \$31,387, respectively, as of August 31, 2015 and 2014. Amortization expense on assets recorded under capital leases is included with depreciation expense.

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2015 and 2014

NOTE 10 – OPERATING LEASE AGREEMENTS

The District entered into a lease beginning September 1, 2008 for a facility under a long-term, non-cancelable operating lease agreement. The lease expires in 2018 and provides for a five-year renewal option. The District also entered into leases beginning in September 2009 for copiers under various terms under long-term, non-cancelable operating lease agreements. The leases expired in 2014. Lease expenses under these leases were \$166,370 and \$171,255 for the years ended August 31, 2015 and 2014, respectively.

The following is a schedule by year of future minimum rental payments required under the operating lease agreements:

For the year ending		
<u>August 31,</u>		
2016	\$	166,370
2017		166,370
2018		<u>166,370</u>
	\$	<u>499,110</u>

NOTE 11 – NOTES PAYABLE

The District has notes payable consisting of the following at August 31, 2015:

5.00% note payable, payable in semi-annual installments of \$8,013, maturing December 2016, collateralized by the District’s bank deposits	\$ 22,943
5.50% note payable, payable in quarterly installments of \$5,648, maturing February 2017, collateralized by trailers	<u>23,720</u>
	46,663
Less current maturities	<u>36,264</u>
	<u>\$ 10,399</u>

The following is a schedule by year of future maturities required under the notes:

<u>Year ending August 31,</u>	
2016	\$ 36,264
2017	<u>10,399</u>
	<u>\$ 46,663</u>

NOTE 12 – ENDOWMENTS

When spending an endowment’s net appreciation, donor established guidelines are followed. If the donor does not provide specific guidelines, State law permits the Board of Trustees to authorize the expenditure of net appreciation of an endowment. The Scholarship Committee meets each semester to review awards and insure endowment guidelines are followed. District investment policy specifies permissible investments of endowment funds with maturity dates matching semester scholarship requirements.

At August 31, 2015, net appreciation on investment of donor-restricted endowments available for authorization for expenditure was \$3,046, of which \$3,038 was restricted for student aid, instruction, and athletics.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 12 – ENDOWMENTS - Continued

At August 31, 2014, net appreciation on investment of donor-restricted endowments available for authorization for expenditure was \$3,055, of which \$3,048 was restricted for student aid, instruction, and athletics.

NOTE 13 – DEFINED BENEFIT PENSION PLANS

Plan Description

The District 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.

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2015 and 2014

NOTE 13 – DEFINED BENEFIT PENSION PLANS - Continued

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. 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>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2014 District Contributions	\$	358,821
FY 2014 State of Texas On-behalf Contributions	\$	184,724

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.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 13 – DEFINED BENEFIT PENSION PLANS - 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 was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate

The discount rate used to measure the total pension liability was 8.0 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 System's target asset allocation as of August 31, 2014, are summarized below:

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 13 – DEFINED BENEFIT PENSION PLANS - Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns*</u>
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	<u>5.0%</u>	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			<u>1.0%</u>
Total	<u>100.0%</u>		<u>8.7%</u>

* 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

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.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's proportionate share of the net pension liability	\$ 6,755,504	\$ 3,780,489	\$ 1,555,731

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2015 and 2014

NOTE 13 – DEFINED BENEFIT PENSION PLANS - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2015, the District reported a liability of \$3,780,489 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District 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 District were as follows:

District’s proportionate share of the collective net pension liability	\$ 3,780,489
State’s proportionate share that is associated with the District	<u>1,950,379</u>
Total	<u>\$ 5,730,868</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 09/01/2014. The amount of the expected resultant change in the employer’s proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$180,309 and revenue of \$180,309 for support provided by the State. The total payroll for all District employees was \$14,113,853 and \$14,583,222 for the fiscal years ended August 31, 2015 and 2014, respectively. The total payroll of employees covered by the Teacher Retirement System was \$7,789,830 and \$7,968,685.

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

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experience	\$ 58,466	\$ -
Changes in actuarial assumptions	245,736	-
Difference between projected and actual investment earnings	-	1,155,472
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	-	991
Contributions paid to TRS subsequent to the measurement date	<u>57,829</u>	-
Total	<u>\$ 362,031</u>	<u>\$1,156,463</u>

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2015 and 2014

NOTE 13 – DEFINED BENEFIT PENSION PLANS - Continued

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:

For the year ending <u>August 31,</u>	<u>Pension Expense Amount</u>
2016	\$ (237,716)
2017	(237,716)
2018	(237,716)
2019	(237,716)
2020	51,152
Thereafter	<u>47,451</u>
	<u>\$ (852,261)</u>

NOTE 14 – DEFINED CONTRIBUTION PENSION PLANS

Optional Retirement Plan – Defined Contribution Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6 percent and 6.65 percent, respectively. The District contributes 0.71 percent 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. S.B.1812, effective September 1, 2013, limits the amount of the state’s contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the District was \$146,930 and \$155,079 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 District.

The total payroll for all District employees was \$14,113,853 and \$14,583,222 for the fiscal years ended August 31, 2015 and 2014, respectively. The total payroll of employees covered by the Optional Retirement System was \$4,457,476 and \$4,822,377 for the fiscal years ended August 31, 2015 and 2014, respectively.

NOTE 15 – DEFERRED COMPENSATION PROGRAM

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. The District had no employees participating in the program during the years ended August 31, 2015 and 2014.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 16 – COMPENSABLE ABSENCES

All full-time exempt and non-exempt employees working twelve months are entitled to accrue paid vacation time from the date of employment. On September 1, current employees are credited 80 hours to be used during the year. Employees hired after September 1 accrue vacation time at 6.67 hours each month worked. The monthly vacation credit may be pro-rated if the employee's regular work week is less than 40 hours. The District's policy allows employees to carry their accrued leave forward from one fiscal year to the next fiscal year with a maximum accrual of 160 hours per employee. The District recognizes the accrued liability at August 31, 2015 and 2014 of \$219,048 and \$226,345, respectively, for the unpaid annual leave in the Unrestricted Current Fund. Sick leave is earned at the rate of 8 hours per month for non-faculty and 6 hours per month for faculty and may be pro-rated if the employee's work week is less than 40 hours. The maximum sick leave that may be accumulated is 720 hours. The District's policy is to recognize the cost of sick leave when paid. The liability is not recorded in the financial statements because experience indicates the expenditure for sick leave to be minimal.

NOTE 17 – HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$537.66 per month for the year ended August 31, 2015 (\$503.14 per month for 2014) and totaled \$1,249,728 for 2015 (\$1,263,375 for the year 2014). The cost of providing those benefits for 88 retirees in the year ended 2015 was \$369,171 (retiree benefits for 94 retirees cost \$333,212 in 2014). For 238 active employees, the cost of providing benefits was \$880,557 for the year ended 2015 (active employee benefits for 242 employees cost \$930,163 for the year ended 2014). S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

NOTE 18 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. The District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the ERS. SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

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

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

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2015 and 2014

NOTE 18 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

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

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

Beginning September 1, 2013, S.B. 1812 limited the state’s contribution to 50% of eligible employees for community colleges.

The District’s contributions to SRHP for the years ended August 31, 2015, 2014, and 2013 were \$70,687, \$68,663, and \$76,421, respectively, which equaled the required contributions each year.

NOTE 19 – DISAGGREGATION OF RECEIVABLES BALANCES

Receivables at August 31 were as follows:

	2015	2014
Student receivables	\$ 2,023,232	\$ 1,996,224
Taxes receivable	416,703	380,533
Federal receivable	736,308	420,620
Accounts receivable	212,283	297,168
Gross receivables	3,388,526	3,094,545
Less: allowance for uncollectible accounts	(469,132)	(404,577)
Net total receivables	\$ 2,919,394	\$ 2,689,968

NOTE 20 – CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contract and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. For federal and non-federal contract and grant awards, funds collected, but not expended, are reported as Unearned Revenue on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2015 and 2014 for which monies have not been received nor funds expended totaled \$1,236,982 and \$4,559,644, respectively. Of these amounts, \$1,139,575 and \$4,458,372 were from Federal Contract and Grant Awards and \$97,407 and \$101,272 were from State Contract and Grant Awards for the fiscal years ended August 31, 2015 and 2014, respectively.

Howard County Junior College District
 NOTES TO THE FINANCIAL STATEMENTS
 August 31, 2015 and 2014

NOTE 21 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries appropriate commercial insurance. For the years ended August 31, 2015 and 2014, the District also participated in a pool for its workers' compensation program.

Beginning in the year 2000, the District elected participation in the Texas Public and Junior Community College Employee Benefits Consortium. This pool is exclusively for public community and junior college entities thus providing a preferred risk pool for workers' compensation coverage. Under this agreement, the pool retains liability for claims under \$750,000 or less per incident and purchases commercial insurance for claims in excess of the liability retained by the pool. The reinsurance covers losses to the specific and aggregate statutory limits required by the State of Texas. There was no significant reduction in insurance coverage from the year ended August 31, 2014 to the year ended August 31, 2015, and no settlements exceeded insurance for any of the past three fiscal years.

The claims liability of \$86,061 and \$113,860 reported in accrued liabilities at August 31, 2015 and 2014, respectively, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated based on actuarial calculations. Changes in the fund's claims liability amount in fiscal years 2015 and 2014 were:

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Balance at beginning of year	\$ 113,860	\$ 82,727
Current year claims and changes in estimates	1,274	50,157
Claims paid	<u>(29,073)</u>	<u>(19,024)</u>
Balance at end of year	<u>\$ 86,061</u>	<u>\$ 113,860</u>

NOTE 22 – PROPERTY TAXES

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

As of August 31,:

	<u>2015</u>	<u>2014</u>
Assessed valuation of the District	\$ 4,758,514,254	\$ 4,064,991,735
Less: Abatements	187,552,733	205,561,872
Less: Exemptions	<u>540,200,760</u>	<u>486,885,093</u>
Net assessed valuation of the District	<u>\$ 4,030,760,761</u>	<u>\$ 3,372,544,770</u>

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 22 – PROPERTY TAXES - Continued

	2015			2014		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized Tax Rate per \$100 Valuation (Maximum per enabling legislation)	0.700000	0.000000	0.700000	0.700000	0.000000	0.700000
Assessed Tax Rate per \$100 Valuation	0.136171	0.040449	0.176620	0.150880	0.052858	0.203738

Taxes levied for the years ended August 31, 2015 and 2014, were \$7,166,547 and \$6,920,580, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	2015			2014		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 5,432,696	\$ 1,612,794	\$ 7,045,490	\$ 4,994,671	\$ 1,749,676	\$ 6,744,347
Delinquent taxes collected	43,344	14,930	58,274	48,981	17,741	66,722
Penalties and interest collected	<u>32,126</u>	<u>9,487</u>	<u>41,613</u>	<u>47,770</u>	<u>15,724</u>	<u>63,494</u>
Total collections	<u>\$ 5,508,166</u>	<u>\$ 1,637,211</u>	<u>\$ 7,145,377</u>	<u>\$ 5,091,422</u>	<u>\$ 1,783,141</u>	<u>\$ 6,874,563</u>

Tax collections for the years ended August 31, 2015 and 2014, were 98.15% and 98.37% of the current tax levy, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance, operations, and debt service.

NOTE 23 – COMMITMENTS AND CONTINGENCIES

The District has received financial assistance from federal and state agencies in the form of grants. The acceptance of such grants requires compliance with special regulations and grant provisions, and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material adverse effect on the District's financial position at August 31, 2015.

The District has received appropriations from the State for the operation of the Southwest Collegiate Institute for the Deaf. The acceptance of these funds requires compliance with special purchasing regulations, and is subject to audit by the State. Any disallowed expenditures would have to be reimbursed by the District. However, in the opinion of management, the possible reimbursements, if any, will not have a material adverse effect on the District's financial position at August 31, 2015.

Howard County Junior College District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2015 and 2014

NOTE 24 – INCOME TAXES

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

REQUIRED SUPPLEMENTARY INFORMATION

Howard County Junior College District
 SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
 Year ended August 31, 2015
 (unaudited)

Fiscal year ending August 31,*	2015**
TRS net position as percentage of total pension liability	83.25%
District's proportionate share of collective net pension liability (NPL) (%)	0.0141531%
District's proportionate share of collective net pension liability (\$)	\$ 3,780,489
Portion of NECE's total proportionate share of NPL associated with the District	1,950,379
Total	\$ 5,730,868
District's covered payroll amount	\$ 7,968,685
Ratio of: Employer (ER) proportionate share of collective NPL / ER's covered payroll amount	47.44%

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

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

Howard County Junior College District
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 Year ended August 31, 2015
 (unaudited)

Fiscal year ending August 31,*	2015**
Legally required contributions	\$ 57,829
Actual contributions	57,829
Total	\$ -
District's covered employee payroll amount	\$ 7,789,830
Ratio of: Actual contributions / employer covered payroll amount	0.74%

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

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

SUPPLEMENTARY INFORMATION

SCHEDULES

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Howard County Junior College District
SCHEDULE OF OPERATING REVENUES
Schedule A
Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>
Tuition				
State Funded Credit Courses				
In-District Resident Tuition	\$ 835,717	\$ -	\$ 835,717	\$ -
Out-of-District Resident Tuition	5,095,484	-	5,095,484	-
TPEG-credit (set aside)*	73,108	-	73,108	-
Non-Resident Tuition	696,803	-	696,803	-
State Funded Continuing Education	190,485	-	190,485	-
TPEG-non-credit (set aside)*	13,748	-	13,748	-
Non-State Funded Continuing Education	24,383	-	24,383	-
Total tuition	<u>6,929,728</u>	<u>-</u>	<u>6,929,728</u>	<u>-</u>
Fees				
Building use fee	-	-	-	366,569
General fees	391,492	-	391,492	-
Student service fee	-	-	-	119,419
Laboratory fee	127,946	-	127,946	-
Total fees	<u>519,438</u>	<u>-</u>	<u>519,438</u>	<u>485,988</u>
Scholarship allowances and discounts				
Scholarship allowances	(301,158)	(401,282)	(702,440)	(69,101)
Remissions and exemptions	(914,564)	-	(914,564)	24,503
TPEG allowances	-	(125,090)	(125,090)	-
Federal grants to students	-	(2,282,558)	(2,282,558)	-
Other state	-	(81,220)	(81,220)	-
Total scholarship allowances	<u>(1,215,722)</u>	<u>(2,890,150)</u>	<u>(4,105,872)</u>	<u>(44,598)</u>
Total net tuition and fees	<u>6,233,444</u>	<u>(2,890,150)</u>	<u>3,343,294</u>	<u>441,390</u>
Other operating revenues				
Federal grants and contracts	12,344	3,662,448	3,674,792	-
State grants and contracts	-	586,130	586,130	-
Local grants and contracts	-	12,868	12,868	-
Nongovernmental grants and contracts	90,212	848,547	938,759	-
Sales and services of educational activities	363,384	-	363,384	-
Investment income (program restricted)	-	3,930	3,930	-
Other operating revenues	502,534	2,088	504,622	1,199
Total other operating revenues	<u>968,474</u>	<u>5,116,011</u>	<u>6,084,485</u>	<u>1,199</u>
Auxiliary enterprises				
Intercollegiate athletics	-	-	-	74,092
Diagnostic center	-	-	-	14,305
Residential life, net of discounts of \$1,075,538 and \$1,286,426	-	-	-	99,911
Bookstore, net of discounts of \$64,919 and \$73,430**	-	-	-	71,529
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,837</u>
Total operating revenues (Exh. 2)	<u>\$ 7,201,918</u>	<u>\$ 2,225,861</u>	<u>\$ 9,427,779</u>	<u>\$ 702,426</u>

* In accordance with Education Code 56.033, \$86,856 and \$94,437 of tuition was set aside for Texas Public Education Grants (TPEG)

** The bookstore auxiliary operations are outsourced.

<u>2015</u>	<u>2014</u>
<u>Total</u>	<u>Total</u>
\$ 835,717	\$ 909,884
5,095,484	5,609,731
73,108	81,149
696,803	750,048
190,485	188,416
13,748	13,288
24,383	16,966
6,929,728	7,569,482
366,569	415,023
391,492	418,837
119,419	139,667
127,946	151,516
1,005,426	1,125,043
(771,541)	(865,734)
(890,061)	(932,175)
(125,090)	(72,752)
(2,282,558)	(2,598,380)
(81,220)	(45,266)
(4,150,470)	(4,514,307)
3,784,684	4,180,218
3,674,792	2,841,448
586,130	990,745
12,868	11,479
938,759	1,586,823
363,384	399,371
3,930	4,056
505,821	504,966
6,085,684	6,338,888
74,092	67,291
14,305	20,289
99,911	126,478
71,529	83,625
259,837	297,683
\$ 10,130,205	\$ 10,816,789
(Exhibit 2)	(Exhibit 2)

Howard County Junior College District
SCHEDULE OF OPERATING EXPENSES BY OBJECT
Schedule B
Year ended August 31, 2015
(With Memorandum Totals for the Year ended August 31, 2014)

	Operating Expenses			2015 Total	2014 Total	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 6,523,453	\$ -	\$1,319,522	\$ 869,989	\$ 8,712,964	\$ 9,600,058
Public service	346,985	-	96,751	3,117	446,853	416,331
Academic support	941,747	-	202,927	243,291	1,387,965	1,268,661
Student services	1,287,767	-	299,648	222,054	1,809,469	1,874,164
Institutional support	2,599,160	-	810,639	1,645,644	5,055,443	4,710,195
Operation and maintenance of plant	945,596	-	432,950	2,296,006	3,674,552	3,344,249
Scholarships and fellowships	-	-	-	28,088	28,088	26,842
Total Unrestricted - Educational Activities	<u>12,644,708</u>	<u>-</u>	<u>3,162,437</u>	<u>5,308,189</u>	<u>21,115,334</u>	<u>21,240,500</u>
Restricted - Educational Activities						
Instruction	139,026	669,011	27,517	175,550	1,011,104	1,075,931
Public service	407,867	-	100,283	92,062	600,212	880,261
Academic support	419,783	102,321	129,885	1,091,738	1,743,727	1,634,031
Student services	14,714	142,402	4,013	90,797	251,926	265,569
Institutional support	-	640,838	-	27,892	668,730	636,129
Operation and maintenance of plant	-	22,395	-	113,919	136,314	198,993
Scholarships and fellowships	-	-	-	2,383,129	2,383,129	2,664,698
Total Restricted - Educational Activities	<u>981,390</u>	<u>1,576,967</u>	<u>261,698</u>	<u>3,975,087</u>	<u>6,795,142</u>	<u>7,355,612</u>
Total Educational Activities	13,626,098	1,576,967	3,424,135	9,283,276	27,910,476	28,596,112
Auxiliary Enterprises	419,048	-	137,784	1,546,986	2,103,818	1,805,103
Depreciation Expense - Buildings and other real estate improvements	-	-	-	1,569,131	1,569,131	1,424,896
Depreciation Expense - Equipment and furniture	-	-	-	539,716	539,716	407,224
Total Operating Expenses	<u>\$14,045,146</u>	<u>\$1,576,967</u>	<u>\$3,561,919</u>	<u>\$12,939,109</u>	<u>\$32,123,141</u> (Exhibit 2)	<u>\$32,233,335</u> (Exhibit 2)

Howard County Junior College District
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
Schedule C
Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	Unrestricted	Restricted	Auxiliary Enterprises	2015 Total	2014 Total
NON-OPERATING REVENUES					
State appropriations					
Education and general state support	\$ 9,765,534	\$ -	\$ -	\$ 9,765,534	\$ 9,765,534
Hazlewood Legacy Act reimbursement	-	-	-	-	18,360
State group insurance	-	1,249,728	-	1,249,728	1,263,375
State retirement matching	-	327,239	-	327,239	361,687
Professional nursing shortage reduction	-	104,148	-	104,148	90,032
Total state appropriations	9,765,534	1,681,115	-	11,446,649	11,498,988
Property taxes for operations	5,542,489	-	-	5,542,489	5,118,233
Property taxes for debt service	-	1,647,492	-	1,647,492	1,791,602
Payments in lieu of taxes	148,822	-	-	148,822	145,192
Federal revenue, non operating	-	4,436,533	-	4,436,533	5,037,332
Investment income (net of investment expenses)	33,118	4,942	-	38,060	38,785
Other non-operating revenue	350,723	20,012	54,982	425,717	405,935
Total non-operating revenues	15,840,686	7,790,094	54,982	23,685,762	24,036,067
NON-OPERATING EXPENSES					
Interest on capital related debt	(896,481)	-	-	(896,481)	(935,326)
Loss on disposal of fixed assets	(16,911)	-	-	(16,911)	(150,215)
Total non-operating expenses	(913,392)	-	-	(913,392)	(1,085,541)
Net non-operating revenues	\$14,927,294	\$ 7,790,094	\$ 54,982	\$22,772,370	\$22,950,526
				(Exhibit 2)	(Exhibit 2)

Howard County Junior College District
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
Schedule D
August 31, 2015
(With Memorandum Totals for August 31, 2014)

	Detail by Source				
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total
		Expendable	Non- Expendable		
Current:					
Unrestricted	\$ 2,036,777	\$ -	\$ -	\$ -	\$ 2,036,777
Restricted	-	1,294,250	-	-	1,294,250
Auxiliary enterprises	2,802,422	-	-	-	2,802,422
Endowment:					
True endowment	-	-	1,217,709	-	1,217,709
Plant:					
Debt service	-	1,521,636	-	-	1,521,636
Investment in plant	-	-	-	30,510,564	30,510,564
 Total Net Position, August 31, 2015	 \$ 4,839,199	 \$ 2,815,886	 \$ 1,217,709	 \$ 30,510,564	 \$ 39,383,358 (Exhibit 1)
 Cumulative Effect of Change in Accounting Principle	 (4,283,312)	 -	 -	 -	 (4,283,312)
 Total Net Position, August 31, 2014	 <u>9,570,618</u>	 <u>2,987,519</u>	 <u>1,217,702</u>	 <u>28,888,094</u>	 <u>42,663,933</u> (Exhibit 1)
Net Increase (Decrease) in Net Position	<u>\$ (448,107)</u>	<u>\$ (171,633)</u>	<u>\$ 7</u>	<u>\$ 1,622,470</u>	<u>\$ 1,002,737</u> (Exhibit 2)

Available for
Current Operations

Yes	No
\$ 2,036,777 1,294,250 2,802,422 - - -	\$ - - - 1,217,709 1,521,636 30,510,564
\$ 6,133,449	\$ 33,249,909
-	(4,283,312)
11,066,814	31,597,119
\$ (4,933,365)	\$ 5,936,102

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Schedule E
For the Year Ended August 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
SEOG 14/18	84.007		\$ 81,918
Subtotal SEOG			81,918
Federal College Workstudy Program 12/13	84.033		(1,305)
Federal College Workstudy Program 13/14	84.033		5,705
Federal College Workstudy Program 14/15	84.033		38,167
Federal College Workstudy Program (100%) 14/15	84.033		6,661
Federal College Workstudy Program 15/16	84.033		2,352
Subtotal Federal College Workstudy Program			51,580
PELL 13/14	84.063		(611)
PELL 14/15	84.063		4,299,680
PELL 15/16	84.063		3,966
Subtotal PELL			4,303,035
Direct Student Loans 12/13	84.268		(5,446)
Direct Student Loans 13/14	84.268		(5,444)
Direct Student Loans 14/15	84.268		2,117,715
Subtotal Direct Student Loans			2,106,825
READE 13/14	84.031S	P031S100004	130,484
READE 14/15	84.031S	P031S100004	592,449
Subtotal Reaching Excellence for All in Development Education			722,933
eSTART 12/13	84.031C	P031C110093	48,651
eSTART 13/14	84.031C	P031C110093	377,460
eSTART 14/15	84.031C	P031C110093	798,906
Subtotal eSTART			1,225,017
Pass through from:			
Texas Workforce Commission			
Adult Basic Education 225 - BS 13/14	84.002A	1114ABE000	14,448
Adult Basic Education 231 - BS 13/14	84.002A	1114ABE000	2,343
Adult Education and Literacy 231 BS - 14/15	84.002A	1114AELA01	66,431
Adult Education and Literacy 225 - BS 14/15	84.002A	1114AELA01	10,922
Adult Education and Literacy 231 Admin BS - 14/15	84.002A	1114AELA01	6,724
Adult Education and Literacy 223 - BS 14/15	84.002A	1114AELA01	6,034
Adult Education and Literacy El Civics BS - 14/15	84.002A	1114AELA01	2,880
Adult Education and Literacy El Civics Admin BS - 14/15	84.002A	1114AELA01	172
Adult Basic Education 225 - SA 13/14	84.002A	1214ABE000	1,575
Adult Basic Education 231 - SA 13/14	84.002A	1214ABE000	363
Adult Education and Literacy 231 SA - 14/15	84.002A	1214AELA00	225,149
Adult Education and Literacy 225 - SA 14/15	84.002A	1214AELA00	33,467
Adult Education and Literacy 231 Admin SA - 14/15	84.002A	1214AELA00	12,750
Adult Education and Literacy 223 - SA 14/15	84.002A	1214AELA00	15,558

(continued)

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Schedule E
For the Year Ended August 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
Adult Education and Literacy El Civics SA - 14/15	84.002A	1214AELA00	48,377
Adult Education and Literacy El Civics Admin SA - 14/15	84.002A	1214AELA00	3,160
Adult Education and Literacy DL Expansion SA - 14/15	84.002A	1214AELA00	11,802
Subtotal Texas Workforce Commission			<u>462,155</u>
Angelo State University			
ASU-HC Cooperative H S I - Stem Program 11/12	84.031C	P031C110142	7
ASU-HC Cooperative H S I - Stem Program 12/13	84.031C	P031C110142-12	46,175
ASU-HC Cooperative H S I - Stem Coop Program 13/14	84.031C	P031C110142-13	243,848
ASU-HC Cooperative H S I - Stem Coop Program 14/15	84.031C	P031C110142-14	386,647
Subtotal Angelo State University			<u>676,677</u>
Texas Higher Education Coordinating Board			
Annual Perkins	84.048	142042	206,970
Subtotal Texas Higher Education Coordinating Board			<u>206,970</u>
Total U.S. Department of Education			<u>9,837,110</u>
U.S. Department of Agriculture			
Pass through from:			
Texas Health & Human Services Commission			
Child & Adult Care Food Program	10.558	TX-114-0006	16,513
Subtotal Texas Health & Human Services Commission			<u>16,513</u>
Total U.S. Department of Agriculture			<u>16,513</u>
U.S. Department of Defense			
Direct Programs:			
Goodfellow AFB Scholarship	12.000		7,033
Army Tuition Assistance	12.000		2,320
Army Tuition Assistance	12.000		3,143
Military Spouse Career Advancement - SA	12.000		5,302
Total U.S. Department of Defense			<u>17,798</u>
U.S. Department of Labor			
Employment Service Cluster			
Pass through from:			
Concho Valley Workforce Development Board			
Supplying the Workforce Pipeline for the Energy Industry	17.207	0915WPB000	37,334
Supplying the Workforce Pipeline for the Energy Industry	17.207	0915WPB000	11,621
Subtotal Concho Valley Workforce Development Board			<u>48,955</u>
WIA Cluster			
Pass through from:			
Permian Basin Workforce Development Board			
West Texas Opportunities	17.258		574
Subtotal Permian Basin Workforce Development Board			<u>574</u>

(continued)

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Schedule E
For the Year Ended August 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
Concho Valley Workforce Development Board			
Concho Valley WFDB - San Angelo	17.258		14,558
High-Demand Job Training Program Grant	17.258	1215HJT000	4,816
Subtotal Concho Valley Workforce Development Board			<u>19,374</u>
Total U.S. Department of Labor			<u>68,903</u>
National Science Foundation			
Pass through from:			
University of Texas of El Paso			
Alliance for Minority Participation, Year 2 - 13/14	47.076	HRD-1202008	2,000
Alliance for Minority Participation, Year 3 - 14/15	47.076	HRD-1202008	11,896
Total National Science Foundation			<u>13,896</u>
U.S. Department of Veterans Affairs			
Direct Programs:			
Vocational Rehab for Disabled Veterans BS			
Vocational Rehab for Disabled Veterans SA	64.116		3,785
Vocational Rehab for Disabled Veterans SA	64.116		14,509
Subtotal Vocational Rehab for Disabled Veterans			<u>18,294</u>
Post 9/11 Veterans Education Assistance BS			
Post 9/11 Veterans Education Assistance SA	64.130		58,199
Post 9/11 Veterans Education Assistance SA	64.130		167,597
Subtotal Post 9/11 Veterans Education Assistance			<u>225,796</u>
Total U.S. Department of Veterans Affairs			<u>244,090</u>
U.S. Department of Health and Human Services			
Pass through from:			
Texas Workforce Commission			
Adult Basic Education TANF – SA 13/14	93.558	1214ABE000	1,553
Adult Education and Literacy TANF - BS 14/15	93.558	1114AELA01	5,071
Adult Education and Literacy TANF Admin - BS 14/15	93.558	1114AELA01	631
Adult Education and Literacy TANF - SA 14/15	93.558	1214AELA00	10,379
Adult Education and Literacy TANF Admin - SA 14/15	93.558	1214AELA00	2,206
Subtotal Texas Workforce Commission			<u>19,840</u>
Total U.S. Department of Health and Human Services			<u>19,840</u>
Total Federal Financial Assistance			<u>\$ 10,218,150</u>

The accompanying notes are an integral part of this schedule.

(continued)

Howard County Junior College District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Schedule E
For the Year Ended August 31, 2015

Note 1: Financial assistance reconciliation

Federal revenues per Schedule A:	
Federal grants and contracts	\$ 3,674,792
Add: Non-operating federal revenue from Schedule C	4,436,533
Add: Direct student loans	<u>2,106,825</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 10,218,150</u>

Note 2: Significant accounting policies used in preparing the schedule

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from the amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3. Expenditures not subject to federal single audit

All federal expenditures reported in the financial statements are subject to a federal single audit.

Note 4. Nonmonetary federal assistance received

The District did not receive any nonmonetary federal assistance during the fiscal year.

Note 5. Amounts passed through by Howard County Junior College District

The District did not pass through any federal assistance during the fiscal year.

Howard County Junior College District
 SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
 Schedule F
 For the Year Ended August 31, 2015

State Grantor/Program Title	Contract/ Award Number	Expenditures
Texas Higher Education Coordinating Board		
Toward EXcellence, Access and Success (TEXAS) Grant - Returning 14/15		\$ 20,149
Total TEXAS Grant		<u>20,149</u>
Texas Education Opportunity Grant – Initial 14/15		130,278
Texas Education Opportunity Grant – Returning 14/15		7,426
Total TEOG		<u>137,704</u>
Professional Nursing Shortage (Under 70) 14/15		95,195
Professional Nursing Shortage (Regular Program) 14/15		8,953
Texas College Work Study Program 14/15		19,169
Total Texas Higher Education Coordinating Board		<u>281,170</u>
Department of Assistive and Rehabilitative Services		
DARS – Howard College BS		3,031
DARS – Howard College SA		33,073
DARS – SWCID		81,253
Total Department of Assistive and Rehabilitative Services		<u>117,357</u>
Texas Workforce Commission		
Adult Basic Education SA 13/14	1214ABE000	2,105
Adult Education and Literacy State - BS 14/15	1114AELA01	27,836
Adult Education and Literacy State Admin - BS 14/15	1114AELA01	4,895
Adult Education and Literacy State - SA 14/15	1214AELA00	63,032
Adult Education and Literacy State Admin - SA 14/15	1214AELA00	7,783
Adult Education and Literacy TANF - BS 14/15	1114AELA01	2,687
Adult Education and Literacy TANF Admin - BS 14/15	1114AELA01	334
Adult Education and Literacy TANF - SA 14/15	1214AELA00	7,849
Adult Education and Literacy TANF Admin - SA 14/15	1214AELA00	1,668
Adult Education and Literacy State - SA 15/16	1214AELB00	28
Total Texas Workforce Commission		<u>118,217</u>
Total State of Texas Financial Assistance		<u><u>\$ 516,744</u></u>

The accompanying notes are an integral part of this schedule.

(continued)

Howard County Junior College District
 SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS - CONTINUED
 Schedule F
 For the Year Ended August 31, 2015

Note 1. State Assistance Reconciliation

State Revenues – Per Schedule A:	
State of Texas Financial Assistance	
Per Schedule of Expenditures of State of Texas Awards	\$ 516,744
State Financial Assistance	
State appropriated funds not included in Schedule A	
Professional Nursing Shortage Reduction	(104,148)
State aid from other states not included as State of Texas	
financial assistance	
Vocational Rehabilitation - SW	<u>173,534</u>
Total State Grants and Contracts Revenues per Schedule A	<u>\$ 586,130</u>

Note 2.

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the District’s significant accounting policies. These expenditures are reported on the District’s fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

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

The Board of Trustees
Howard County Junior College District
Big Spring, Texas

We have audited, 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, the financial statements of Howard County Junior College District (the District) as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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. 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.

Compliance and Other Matters

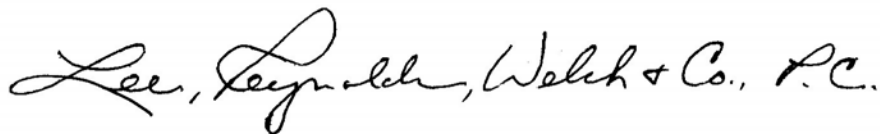
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Public Funds Investment Act

We have performed tests designed to verify the District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2015, no instances of noncompliance were found.

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.

A handwritten signature in cursive script that reads "Lee, Reynolds, Welch & Co., P.C.".

Big Spring, Texas
January 22, 2016

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

The Board of Trustees
Howard County Junior College District
Big Spring, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Howard County Junior College District's (the District) 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 District's major federal programs and the requirements in the grant documents that could have a direct and material effect on each of the District's major State of Texas programs for the year ended August 31, 2015. The District's major federal and State of Texas programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal and State of Texas Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and State of Texas 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 the State of Texas Single Audit Circular and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal and State of Texas program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and State of Texas program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and State of Texas program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

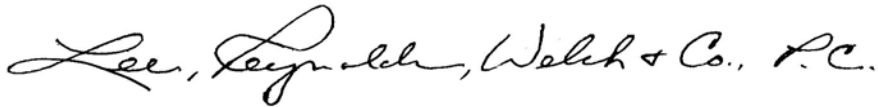
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or State of Texas program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or State of Texas 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 and 2015-002, that we consider to be significant deficiencies.

The District's responses to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

A handwritten signature in cursive script that reads "Lee, Reynolds, Welch & Co., P.C.".

Big Spring, Texas
January 22, 2016

Howard County Junior College District
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? __ yes X no
- Significant deficiency(ies) identified? __ yes X none reported

Noncompliance material to financial statements noted? __ yes X no

Federal and State of Texas Awards

Internal control over major federal and State of Texas programs:

- Material weakness(es) identified? __ yes X no
- Significant deficiency(ies) identified? X yes __ none reported

Type of auditor’s report issued on compliance for major federal and State of Texas programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes __ no

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of State of Texas Single Audit Circular? __ yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.268, 84.007, 84.063 84.031	U.S. Department of Education, Student Financial Aid Programs Title V – READE, e-Science & Technology Across Rural Texas, and HSI - Stem Program

Identification of major State of Texas programs:

<u>Contract Number</u>	<u>Name of State of Texas Program</u>
N/A	Texas Education Opportunity Grant

Howard County Junior College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
For the Year Ended August 31, 2015

Section I – Summary of Auditor’s Results - Continued

Dollar threshold used to distinguish between type A and type B federal programs: \$ 306,545
Dollar threshold used to distinguish between type A and type B state programs: \$ 300,000

Auditee qualified as low-risk auditee for federal awards? X yes ___ no
Auditee qualified as low-risk auditee for State of Texas awards? X yes ___ no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal and State of Texas Award Findings and Questioned Costs

Finding 2015-001 – U. S. Department of Education, Student Financial Aid Programs, CFDA #84.033, 84.268, 84.007, 84.063

Criteria: Pell, CFDA # 84.063 - Under 34 CFR 690.83, institutions must report student payment data within 30 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Key items reported include the actual disbursement date and disbursement amount. The actual disbursement date is defined as the date the money was credited to the student’s account at the school or the date the funds were otherwise made available to the student.

Condition and context: Pell, CFDA #84.063 – Of the 25 students tested that received Pell disbursements, 24 had disbursement dates reported to COD that did not match the actual disbursement date on the students’ accounts.

Questioned costs: None.

Cause: The District utilizes a clearing house for student financial aid reporting that represents it does not have the function to be able to report disbursements by the actual disbursement dates.

Effect: The District is not in compliance with the various reporting regulations for the Student Financial Aid Programs.

Howard County Junior College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
For the Year Ended August 31, 2015

Section III – Federal and State of Texas Award Findings and Questioned Costs - Continued

Finding 2015-001 – U. S. Department of Education, Student Financial Aid Programs, CFDA #84.033, 84.268, 84.007, 84.063 - Continued

Recommendation: We recommend the District investigate other methods of reporting Pell disbursements to the Common Origination and Disbursement (COD) system to include direct reporting to COD via their free software in order to meet compliance requirements.

Views of responsible officials and planned corrective action:

Agree.

The issue that Howard College continues to experience is as follows: The disbursement date reported to Common Origination and Disbursement (COD) is the date of the initial disbursement which is applied no more than ten days before the first class day. Howard College only credits enough funds to cover the initial cost of tuition and fees. Since the full award is not applied at initial disbursement, subsequent disbursements are required. As additional disbursements and/or adjustments are applied to the student's accounts these subsequent disbursements must be reported via batch. The date of the batch may not always coincide with the actual date of disbursement. It is our understanding that this situation is common within the Community College sector because of the delay in processing from software providers. We have discussed this matter with our software provider, and their suggestion to correct this problem would entail the development of a new program for the software system. Howard College will continue to pursue this option with the software provider and work with the Informational Technology support staff to implement a process that will send disbursements electronically to maintain compliance with reporting deadlines.

Howard College will continue to work on implementing and enforcing a process district wide starting Spring 2016. As before, Pell grants will be disbursed ten days before classes begin. Additional disbursements/or adjustments may be applied to student's accounts daily, but the transmitting of funds will not be permitted after 4:00pm each day. At that time the Financial Aid office will run the process to upload all financial aid disbursements to COD using the software provided by the department of education (ED-EXPRESS).

Over the past year, the financial aid department was provided demonstrations on different software options to try to eliminate the need for ED-EXPRESS. Financial Aid has contracted with Education Partners for verification and mailbox tools and the implementation has begun. Financial aid would like to upgrade with Education Partner's financial aid suite, which will eliminate the need for ED-EXPRESS. The suite will be an additional expense. Howard College is also in

Howard County Junior College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
For the Year Ended August 31, 2015

Section III – Federal and State of Texas Award Findings and Questioned Costs - Continued

Finding 2015-001 – U. S. Department of Education, Student Financial Aid Programs, CFDA #84.033, 84.268, 84.007, 84.063 - Continued

Views of responsible officials and planned corrective action - continued: the process of selecting a new student information system, which may also eliminate the need for ED-EXPRESS in financial aid. The Howard College Financial Aid office will still continue to research and pursue other software options that may be available for use in transmitting data directly to COD.

Contact: Candice Draper
Implementation date: Spring 2016

Finding 2015-002 – U. S. Department of Education, Student Financial Aid Programs, CFDA #84.033, 84.268, 84.007, 84.063

Criteria: Direct Loans, CFDA # 84.268 - Under 34 CFR 685.309, institutions must notify NSLDS within 30 days, or include in the school's next Roster File within 60 days, changes in a student's status as a result of a student's not enrolling or ceasing to be enrolled on at least a half-time basis.

Condition and context: Direct Loans, CFDA #84.268 – Ten graduates and ten withdrawal students from the 14/15 school year were tested for timely status change reporting to NSLDS. Six of the status changes reported had not been reported timely to NSLDS.

Questioned costs: None.

Cause: The District does not have adequate internal controls over timely reporting status changes to NSLDS.

Effect: The District is not in compliance with the various reporting regulations for the Student Financial Aid Programs.

Recommendation: We recommend the District review and revise as needed internal controls over timely reporting of changes in status to NSLDS.

Howard County Junior College District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
For the Year Ended August 31, 2015

Section III – Federal and State of Texas Award Findings and Questioned Costs - Continued

Finding 2015-002 – U. S. Department of Education, Student Financial Aid Programs, CFDA #84.033, 84.268, 84.007, 84.063 - Continued

Views of responsible officials and planned corrective action:

Agree.

There were 6 withdrawal students that were not reported on time to NSLDS via school batch. All students were reported with the school batch to the National Student Clearinghouse, but were not within the timeframe regulation. Howard College will implement an internal process starting Spring 2016 by manually updating all of the enrollment reporting directly to NSLDS for withdraws and graduate students. The Clearinghouse has had numerous reports of their delays in enrollment reporting over the previous year. In November 2015, the Clearinghouse notified participants that they are developing solutions to alleviate processing delays. Instead of reporting the students in the school batch through the Clearinghouse, the financial aid office will run a withdrawal report weekly to be able to directly report in NSLDS withdrawal students within the 30 days.

Contact: Candice Draper
Implementation date: Spring 2016

Howard County Junior College District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2015

Federal and State Award Findings and Questioned Costs

Finding 2014-001 – U. S. Department of Education, Student Financial Aid Programs, CFDA #84.033, 84.268, 84.007, 84.063, 84.375

Condition and context: Pell, CFDA #84.063 – Of the 22 students tested that received Pell disbursements, 21 had disbursement dates reported to COD that did not match the actual disbursement date on the students' accounts.

Status: Pell – See current year finding 2015-001.