

TEMPLE COLLEGE

Temple, Texas

Annual Financial and Compliance Reports

for the Year Ended August 31, 2016

TEMPLE COLLEGE

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**TEMPLE COLLEGE
 ORGANIZATIONAL DATA
 For the Year Ended August 31, 2016**

Board of Trustees

		Term Expires
		<u>May</u>
Andrejs Avots-Avotins, M.D., Ph.D.	Chair	2022
Mrs. Katie Burrows	Vice-Chair	2018
Mr. Bob Browder	Secretary	2022
Mr. Harry Adams		2022
Mr. John R. Bailey		2018
Ms. Michelle Fettig		2018
Mr. Stephen H. Niemeier		2020
Mrs. Lydia Santibanez		2020
Mr. Larry J. Wilkerson		2020

Officers

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



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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Trustees
Temple College
Temple, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Temple College, (the College) as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

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

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Temple College as of August 31, 2016 and 2015, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary schedules (schedules A through D) as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

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

Requirements for Federal Awards, and the State of Texas Single Audit Circular, and are also not a required part of the financial statements. The supplementary schedules, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Jott, Vernon & Co., P.C.

Temple, Texas
December 3, 2016

This discussion and analysis of Temple College financial statements provides an overview of College financial activities for the year ended August 31, 2016. Management has prepared the financial statements and the related footnote disclosures and this discussion and analysis statement. Responsibility for the completeness and fairness of this information is that of the College management. The current report, for the year ended August 31, 2016, is issued under the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This accounting policy established the reporting format for governmental annual financial statements. The State of Texas elected to adopt these new reporting standards in the fiscal year 2001-2002, and Temple College as a component unit of state government converted its financial reporting to the GASB 34 format. The following sections present comparative financial data as called for by the reporting principle.

Financial and Enrollment Highlights

- ◆ Enrollment in the academic/technical programs decreased 2.7% over the prior year (FY 2015) from 106,039 semester hours to 103,142 hours. This year marked the fifth consecutive decrease in enrollment.
- ◆ Enrollment in the Continuing Education/Adult Division declined 13.5% compared to FY 2015. This significant drop was the result of the closing of a contract program of instruction with SubSeq Robotics. The program was cancelled due to failure to gain approval from VA for student tuition benefits.
- ◆ Tuition/Fee totals by resident type for this period were:

	<u>Fall 2015</u>	<u>Fall 2014</u>	<u>Fall 2013</u>
In-District	\$89/semester hour	\$88/semester hour	\$88/semester hour
Out-of-District	\$159/semester hour	\$154/semester hour	\$154/semester hour
Non-Resident	\$239/semester hour	\$234/semester hour	\$234/semester hour

- ◆ Students taking Health Science courses are charged an additional \$20/SCH. This tuition is a 22.5% increase for Health Science programs for resident students compared to general academic and other technical courses.
- ◆ The district property tax rate for FY 2016 increased slightly from the prior year's rate of \$0.2065/\$100 to \$0.2100/\$100. This rate is the combined debt/maintenance and operations rate.
- ◆ State funding (appropriations) decreased slightly for FY 2016, by approximately \$16,000, compared to the prior year. This slight decrease was the result of the first year of a new biennial appropriation based upon lower enrollment in the most recent base period.

The Annual Report

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

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

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

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

Statement of Net Position

Cash and short-term investment balances increased compared to the prior year, the increase being the result of some assets being reclassified from restricted to unrestricted.

Receivables include delinquent property taxes, student accounts, Federal, State, and other miscellaneous receivables. Federal and State receivables decreased by about 5.3%. The decrease resulted from the reliance on fewer grant awards during the summer term of 2016. Student receivables decreased by 4.5%. Other receivables decreased by 7%, due mainly to receipt of funds for student sponsorships and collection of delinquent taxes and receivables from other agencies, such as the Temple College Foundation.

Prepaid expenses (expenses related to next fiscal year) decreased by approximately 53%, mainly due to better scheduling of payments in the current fiscal year.

Non-Current Assets include Restricted Cash balances and Other Long-Term Investments. Restricted cash decreased by 56% compared to the prior year, due to funds being reclassified from

TEMPLE COLLEGE

restricted to unrestricted. Other Long-Term Investments remained nearly the same as the prior year.

NET POSITIONS, END OF YEAR

(In Millions)

Temple College

	<u>8/31/2016</u>	<u>8/31/2015</u>	<u>8/31/2014</u>
Current Assets	25.9	22.9	24.3
Non-Current Assets	<u>53.3</u>	<u>54.2</u>	<u>53.9</u>
Total Assets	<u>79.2</u>	<u>77.1</u>	<u>78.2</u>
Deferred Outflows	<u>1.8</u>	<u>0.7</u>	<u>0.0</u>
Current Liabilities	10.8	10.8	10.6
Non-Current Liabilities	<u>36.2</u>	<u>34.4</u>	<u>33.3</u>
Total Liabilities	<u>47.0</u>	<u>45.2</u>	<u>43.9</u>
Deferred Inflows	<u>1.8</u>	<u>1.2</u>	<u>0.0</u>
Net Positions:			
Invested in capital assets, net of related debt	14.0	12.8	10.9
Restricted	2.7	8.4	8.5
Unrestricted	<u>15.5</u>	<u>10.2</u>	<u>14.9</u>
Total Net Positions	<u>32.2</u>	<u>31.4</u>	<u>34.3</u>
Increase in Net Positions	<u>0.8</u>	<u>1.6</u>	<u>1.7</u>

During FY 2015, the College implemented 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). GASB 68 requires the College to report its proportionate share of the net pension liability related to the Teacher Retirement System of Texas (TRS). A restatement to the beginning net position was necessary for FY 2015; the ending net position for fiscal year 2014 was not restated because actuarial calculations performed relative to the implementation did not provide sufficient information to restate the prior year amount. As such, FY 2014 data may not be comparable to FY 2015 and FY 2016.

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

Compensable absences (vacation/sick leave) increased slightly this year to \$888,564 and is a material liability to the College.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the annual operating results for the College, as well as all non-operating revenues and expenses. Tuition and fee revenue, net of exemption allowances, decreased by 7% in FY 2016. Students incurred a modest increase in tuition rates - \$1/hr for in-district students and \$5/hr for out-of-district and non-resident students. Despite the rate increases, tuition and fee revenue declined due to lower student enrollment. A significant portion of the tuition structure is a \$13 per SCH use fee. This charge is restricted for payment of debt service costs related to revenue bonds for facility construction and improvements on campus.

State allocations (appropriations) for instructional and support purposes decreased slightly compared to the prior fiscal period. FY 2016 is the first year of the new biennium; as mentioned in previous financial reports, ten percent (10%) of community college funding is now based upon student success points, a type of performance-based funding. As the state legislature moves forward with the evolution of student success points, the College will expect an increased emphasis on student performance, as opposed to headcount enrollment only.

Auxiliary Enterprise revenues consist primarily of vending sales and athletics. These revenues dropped 10% from the previous year, to \$282,992.

The operating revenue category of Grants and Contracts does not include Title IV Grants. These Federal grant programs experienced an increase of 15% in FY 2016 year. The increase was mainly due to an increase in funding for Adult Education and Literacy programs and a new Perkins Leadership grant.

Title IV revenue is included in the Non-Operating Revenue section and decreased by 17% for FY 2016.

Operating Expenses

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

OPERATING EXPENSES BY NATURAL CLASSIFICATION

(In Millions)

Temple College

	Year Ended 8/31/2016	Year Ended 8/31/2015	Year Ended 8/31/2014
Operating Expenses			
Salaries:			
Faculty	9.2	9.2	9.2
Staff	8.6	8.1	8.0
Benefits	5.8	5.2	5.0
Other Expenses	13.9	16.1	17.2
Depreciation	1.6	1.5	1.6
Total Operating Expenses	39.1	40.1	41.0

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

OPERATING EXPENSES BY FUNCTION
(In Millions)
Temple College

	Year Ended <u>8/31/2016</u>	Year Ended <u>8/31/2015</u>	Year Ended <u>8/31/2014</u>
Educational & General			
Instruction	13.4	13.5	13.8
Public Service	1.3	0.9	0.6
Academic Support	2.6	2.5	2.6
Student Services	3.3	3.1	3.1
Institutional Support	6.0	6.0	6.2
Operations & Plant Maintenance	3.5	3.4	3.4
Student Aid	<u>6.3</u>	<u>8.2</u>	<u>8.7</u>
Total Educational Activities	<u><u>36.4</u></u>	<u><u>37.6</u></u>	<u><u>38.4</u></u>
Auxiliary Enterprises	1.1	1.0	1.0
Depreciation	<u>1.6</u>	<u>1.5</u>	<u>1.6</u>
Total Operating Expenses	<u><u>39.1</u></u>	<u><u>40.1</u></u>	<u><u>41.0</u></u>

In the schedules of operating expenses shown above, the total expenditures decreased about 2.5% over the prior year. The bulk of this decrease is in the natural category of Other Expenses and the functional category of Student Aid.

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

All employees received a one-step raise in FY 2016. For TC employees, one-step is equivalent to a 1.0 to 1.5% increase in overall compensation. Although small, this increase in employee compensation was critical to maintain morale among employees and the College's ability to attract and retain good employees.

SALARY INCREASES (%)

(Fall Term)

Temple College

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
1.0% to 1.50%	3.0%	2.5%	3%	0%	2% or 1.5%	3% or 1.5%	4%

OPERATING RESULT FOR THE YEAR

(In Millions)

Temple College

	<u>Year Ended 8/31/2016</u>	<u>Year Ended 8/31/2015</u>	<u>Year Ended 8/31/2014</u>
Operating Revenues			
Tuition & Fees (net of exemptions)	10.1	10.9	11.5
Grants, Contracts & Other	3.9	3.4	2.8
Total Operating Revenues	<u>14.0</u>	<u>14.3</u>	<u>14.3</u>
Operating Expenses	<u>39.1</u>	<u>40.1</u>	<u>41.0</u>
Net Operating Revenues (Expenses)	<u>(25.1)</u>	<u>(25.8)</u>	<u>(26.7)</u>
Non-Operating Revenues (Expenses)			
State Allocations	9.6	9.7	9.6
Maintenance & Obligation Ad Valorem Taxes	6.0	5.3	5.5
General Obligation Debt Taxes	2.1	2.3	2.1
Federal Revenue, Non-Operating	9.6	11.6	12.7
Gifts	0.0	0.0	0.0
Interest on Capital Related Debt	(1.2)	(1.3)	(1.3)
Other Non-Operating	(0.2)	(0.2)	(0.2)
Total Non-Operating Revenues (Expenses)	<u>25.9</u>	<u>27.4</u>	<u>28.4</u>
Increase (Decrease in Net Position)	0.8	1.6	1.7
Net Position - Beginning of Year	<u>31.4</u>	<u>29.8</u>	<u>32.6</u>
Net Position - End of Year	<u>32.2</u>	<u>31.4</u>	<u>34.3</u>
Percent Increase/(Decrease)	2.5%	5.4%	5.2%

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

	Rate/\$100 Value		
	2016	2015	2014
Maintenance	\$0.1483	\$0.1505	\$0.1466
Debt Service	0.0617	0.0560	0.0570
Total	<u>\$ 0.2100</u>	<u>\$ 0.2065</u>	<u>\$ 0.2036</u>

The net assessed valuation for the district increased for FY 2016 to \$4,539,386,727 from the previous year (FY 2015) amount of \$4,214,558,218. The property tax rate cap for the Temple College district is \$0.25/\$100 valuation. This is the maximum permissible rate for both debt service requirements and operations combined.

Statement of Cash Flows

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

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

The College liquidity position decreased \$1,010,876 during this year ended August 31, 2016, as shown in the chart below:

CASH FLOWS FOR THE YEAR
(In Millions)
TEMPLE COLLEGE

	Year Ended <u>8/31/2016</u>	Year Ended <u>8/31/2015</u>	Year Ended <u>8/31/2014</u>
Cash provided (used) by:			
Operating activities	(20.8)	(22.8)	(24.1)
Non-capital financing activities	25.1	27.0	28.1
Capital and related financing activities	(2.7)	(4.8)	(5.5)
Investing activities	<u>(2.6)</u>	<u>0.5</u>	<u>2.9</u>
Net Increase (decrease) in cash	(1.0)	(0.1)	1.4
Cash, beginning of the year	<u>5.3</u>	<u>5.4</u>	<u>4.0</u>
Cash, end of the year	<u><u>4.3</u></u>	<u><u>5.3</u></u>	<u><u>5.4</u></u>

Capital Asset and Debt Administration

On August 31, 2016, the College had \$69.1 million invested in capital assets, net of approximately \$22.8 million in accumulated depreciation.

**CAPITAL ASSETS, NET OF DEPRECIATION
(In Millions)
TEMPLE COLLEGE**

	Year Ended <u>8/31/2016</u>	Year Ended <u>8/31/2015</u>	Year Ended <u>8/31/2014</u>
Land	\$ 3.7	\$ 3.2	\$ 3.2
Buildings	33.3	34.1	34.8
Land Improvements	5.5	5.9	6.3
Construction in Progress	2.0	-	0.1
Furniture & Equipment	1.5	1.7	1.4
Library Materials	0.3	0.3	0.2
Totals	<u>\$ 46.3</u>	<u>\$ 45.2</u>	<u>\$ 46.0</u>

At year-end 2016, Temple College had approximately \$33.6 million in debt outstanding, a \$1.2 million increase from the prior year-end balance of \$32.4 million. The table below summarizes this amount by debt type.

Temple College

	<u>8/31/2016</u>	<u>8/31/2015</u>	<u>8/31/2014</u>
Bonds/Capital Leases			
Revenue Bonds	\$ 12,155,000	\$ 9,265,000	\$ 10,455,000
General Obligation Bonds	19,135,000	20,450,000	21,710,000
Capital Leases	2,345,004	2,680,298	2,999,597
TOTAL BONDS/LEASES	<u>\$ 33,635,004</u>	<u>\$ 32,395,298</u>	<u>\$ 35,164,597</u>

During FY 2016, all scheduled debt service requirements were paid.

Economic Factors That Will Affect the Future

Last year, the College implemented a tuition increase for the first time in five years. This increase was deemed necessary due to reduced state funding. Continued declines in state funding are expected as the next legislative session begins. Without a significant rebound in student

TEMPLE COLLEGE

enrollment, the administration anticipates it will be necessary to increase tuition and fees in the coming years to offset this shortfall.

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

Unfortunately, the strong local economy has also resulted in fewer students going to college for training and/or re-training. The College must increase its efforts on recruiting students to Temple College who are currently leaving the local area to attend college elsewhere. Additional student enrollment will be necessary to replace the revenues that continue to be lost due to inadequate levels of reimbursement from the State of Texas.

FINANCIAL STATEMENTS

Statement of Net Position
August 31, 2016 and August 31, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,735,251	\$ 1,818,122
Short Term Investments	17,062,896	14,371,834
Accounts Receivable (net)	5,844,462	6,173,986
Prepaid Expenses	275,083	590,908
Total Current Assets	<u>25,917,692</u>	<u>22,954,850</u>
Non-Current Assets		
Restricted Cash and Cash Equivalents	1,537,539	3,465,544
Other Long-Term Investments	5,533,607	5,497,125
Capital Assets (net)(See note 6)	46,266,718	45,197,506
Total Non-Current Assets	<u>53,337,864</u>	<u>54,160,175</u>
Total Assets	<u>\$ 79,255,556</u>	<u>\$ 77,115,025</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	\$ 1,835,842	\$ 711,513
LIABILITIES		
Current Liabilities		
Accounts Payable	1,079,216	792,243
Unearned Revenue	6,150,051	6,459,289
Funds Held for Others	685,361	640,630
Capital Leases - Current Portion	351,931	335,294
Bonds Payable - Current Portion	2,575,000	2,545,000
Total Current Liabilities	<u>10,841,559</u>	<u>10,772,456</u>
Non-Current Liabilities		
Accrued Compensable Absences	888,564	826,290
Capital Leases	1,993,073	2,345,004
Bonds Payable	28,715,000	27,170,000
Net Pension Liability	4,582,955	4,071,429
Total Non-Current Liabilities	<u>36,179,592</u>	<u>34,412,723</u>
Total Liabilities	<u>\$ 47,021,151</u>	<u>\$ 45,185,179</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	\$ 1,794,431	\$ 1,245,462
NET POSITION		
Net Investment in Capital Assets	14,005,005	12,802,208
Restricted for:		
Non-expendable		
Student Aid	637,013	651,684
Expendable		
Loan	26,966	28,671
Debt Service	2,074,177	7,718,636
Unrestricted	15,532,655	10,194,698
Total Net Position (Schedule D)	<u>\$ 32,275,816</u>	<u>\$ 31,395,897</u>

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

Temple Junior College Foundation, Inc.
Statement of Financial Position
August 31, 2015 and 2014

Exhibit 1-A

Assets	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 66,163	\$ 162,159
Investments	149,986	154,565
Short-term note receivable	60,611	39,590
Unconditional promises to give, less allowance for uncollectible promises of \$14,450 and \$14,450	28,926	87,789
Other receivables	86,312	79,081
Prepaid expenses	2,779	-
Total Current Assets	<u>394,777</u>	<u>523,184</u>
Endowment Investments:		
Cash and cash equivalents	53,160	72,560
Investments	5,248,935	5,377,383
Total Endowment Investments	<u>5,302,095</u>	<u>5,449,943</u>
Buildings, furniture, and equipment, net	<u>5,742,880</u>	<u>5,935,236</u>
Assets held in trust - long term	516,237	583,997
Long-term unconditional promises to give, less allowance for uncollectible promises of \$0 and \$0	-	-
Investment in real estate	329,582	329,582
Bond issuance costs, net of accumulated amortization	<u>568,273</u>	<u>603,065</u>
Total Assets	<u>\$ 12,853,844</u>	<u>\$ 13,425,007</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 120,338	\$ 85,111
Accrued vacation payable	11,695	9,778
Accrued other	68,987	18,269
Accrued interest payable	647,978	553,686
Current portion - bonds payable	180,000	190,000
Deferred revenue	31,216	16,053
Total Current Liabilities	<u>1,060,214</u>	<u>872,897</u>
Long-term Liabilities:		
Bonds payable, net of current portion and bond discount	10,209,522	10,377,248
Promissory note	2,014,993	1,659,528
Total Liabilities	<u>13,284,729</u>	<u>12,909,673</u>
Net Assets:		
Unrestricted Net Assets:		
Operating	(12,002,097)	(11,520,392)
Fixed assets	5,742,880	5,935,236
Total Unrestricted Net Assets	<u>(6,259,217)</u>	<u>(5,585,156)</u>
Temporarily restricted net assets	526,237	649,547
Permanently restricted net assets	5,302,095	5,450,943
Total Net Assets	<u>(430,885)</u>	<u>515,334</u>
Total Liabilities and Net Assets	<u>\$ 12,853,844</u>	<u>\$ 13,425,007</u>

**Statement of Revenues, Expenses, and Changes in Net Position
Years Ended August 31, 2016 and August 31, 2015**

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Tuition and Fees (Net of Allowances and Discounts \$5,923,614 and \$5,938,467, respectively)	\$ 10,102,218	\$ 10,841,836
Federal Grants and Contracts	1,243,725	736,113
State Grants and Contracts	588,682	758,710
Private Gifts, Grants, and Contracts	1,221,228	1,166,238
Sales and Services of Educational Activities	11,855	-
Auxiliary Enterprises	282,992	316,675
Other Operating Revenues	553,366	456,740
Total Operating Revenues (Schedule A)	<u>14,004,066</u>	<u>14,276,312</u>
Operating Expenses		
Instruction	13,399,344	13,530,849
Public Service	1,325,617	870,514
Academic Support	2,608,753	2,534,136
Student Services	3,299,988	3,097,365
Institutional Support	6,057,993	5,975,117
Operation and Maintenance of Plant	3,470,881	3,370,457
Scholarships and Fellowships	6,294,320	8,177,253
Auxiliary Enterprises	1,060,678	1,019,076
Depreciation	1,604,879	1,514,890
Total Operating Expenses (Schedule B)	<u>39,122,453</u>	<u>40,089,657</u>
Operating Loss	(25,118,387)	(25,813,345)
Non-Operating Revenues (Expenses)		
State Appropriations	9,685,321	9,701,523
Maintenance Ad Valorem Taxes	5,997,744	5,303,079
Debt Service Ad Valorem Taxes	2,101,241	2,340,631
Federal Revenue, Non-Operating	9,613,249	11,550,268
Gifts	-	9,500
Investment Income	71,397	17,918
Interest on Capital Related Debt	(1,229,788)	(1,258,970)
Loss on Disposal of Fixed Assets	(17,034)	(137,499)
Other Non-Operating Revenues	-	255
Other Non-Operating Expenses	(223,824)	(88,572)
Net Non-Operating Revenues (Expenses) (Schedule C)	<u>25,998,306</u>	<u>27,438,133</u>
Increase (Decrease) in Net Position	879,919	1,624,788
Net Position		
Net Position - Beginning of Year	31,395,897	34,260,410
Cummulative effect of accumulated depreciation adjustment	-	123,646
Cummulative effect of change in accounting principle	-	(4,612,947)
Net Position - Beginning of Year, as restated	<u>31,395,897</u>	<u>29,771,109</u>
Net Position - End of Year	<u>\$ 32,275,816</u>	<u>\$ 31,395,897</u>

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

Temple Junior College Foundation, Inc.
Statement of Activities
Year Ended August 31, 2015

Exhibit 2-A

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	\$ 47,830	\$ 79,464	\$ 98,990	\$ 226,284
Special events	-	87,606	-	87,606
Interest and dividends	3,623	-	130,169	133,792
Gain/(loss) on Sale of Assets	5,968	-	200,370	206,338
Unrealized gain/(losses)	(13,200)	-	(440,704)	(453,904)
Rental income, net	1,031,371	-	-	1,031,371
Miscellaneous income	119,321	-	-	119,321
Assets released from restrictions	385,861	(248,188)	(137,673)	-
Total revenues, gains and other support	1,580,774	(81,118)	(148,848)	1,350,808
Expenses and Losses				
Programs:				
Rental operating expenses	635,091	-	-	635,091
Scholarship Awards	109,613	-	-	109,613
Special events	-	42,192	-	42,192
Total programs	744,704	42,192	-	786,896
Administration	675,621	-	-	675,621
Interest	726,095	-	-	726,095
Other Expenses	108,415	-	-	108,415
Total expenses and losses	2,254,835	42,192	-	2,297,027
Change in net assets	(674,061)	(123,310)	(148,848)	(946,219)
Net assets as of beginning of year	(5,585,156)	649,547	5,450,943	515,334
Net assets as of end of year	<u>\$ (6,259,217)</u>	<u>\$ 526,237</u>	<u>\$ 5,302,095</u>	<u>\$ (430,885)</u>

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

Exhibit 2-B

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	\$ 9,221	\$ 80,045	\$ 78,424	\$ 167,690
Special events	-	50,807	-	50,807
Interest and dividends	9,565	-	151,216	160,781
Gain/(loss) on Sale of Assets	20,246	-	214,816	235,062
Unrealized gain/(losses)	3,282	-	363,076	366,358
Rental income, net	1,077,180	-	-	1,077,180
Miscellaneous income	120,269	-	-	120,269
Assets released from restrictions	322,530	(133,593)	(188,937)	-
Total revenues, gains and other support	1,562,293	(2,741)	618,595	2,178,147
Expenses and Losses				
Programs:				
Rental operating expenses	528,307	-	-	528,307
Scholarship Awards	254,066	-	-	254,066
Special events	-	24,764	-	24,764
Total programs	782,373	24,764	-	807,137
Administration	512,764	-	-	512,764
Interest	711,695	-	-	711,695
Other Expenses	117,465	-	-	117,465
Total expenses and losses	2,124,297	24,764	-	2,149,061
Change in net assets	(562,004)	(27,505)	618,595	29,086
Net assets as of beginning of year	(5,023,152)	677,052	4,832,348	486,248
Net assets as of end of year	<u>\$ (5,585,156)</u>	<u>\$ 649,547</u>	<u>\$ 5,450,943</u>	<u>\$ 515,334</u>

Statement of Cash Flows
For the Year Ended August 31, 2016 and August 31, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 10,294,251	\$ 11,466,163
Receipts from grants and contracts	3,731,267	2,505,720
Payments to or on behalf of employees	(21,586,800)	(20,749,874)
Payments to suppliers for goods or services	(7,021,307)	(7,876,372)
Payments for scholarships and fellowships	(6,259,214)	(8,153,264)
Net cash provided (used) by operating activities	<u>(20,841,803)</u>	<u>(22,807,627)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	7,671,412	7,950,724
Receipts from non-operating federal revenue	9,613,249	11,550,268
Receipts from ad valorem taxes	8,107,444	7,632,925
Other payments	(223,824)	(88,317)
Net cash provided (used) by non-capital financing activities	<u>25,168,281</u>	<u>27,045,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Issuance of capital debt	4,120,000	-
Purchases of capital assets	(2,691,125)	(772,851)
Payments on capital debt and leases - principal	(2,880,294)	(2,769,299)
Payments on capital debt and leases - interest	(1,229,788)	(1,258,970)
Net cash provided (used) by capital and related financial activities	<u>(2,681,207)</u>	<u>(4,801,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from interest on investments	71,397	17,918
Purchase of investments	(36,649,659)	(46,453,053)
Proceeds from sales and maturities of investments	33,922,115	46,903,161
Net cash provided (used) by investing activities	<u>(2,656,147)</u>	<u>468,026</u>
Increase (decrease) in cash and cash equivalents	(1,010,876)	(95,121)
Cash and cash equivalents - beginning of year	<u>5,283,666</u>	<u>5,378,787</u>
Cash and cash equivalents - end of year	<u>\$ 4,272,790</u>	<u>\$ 5,283,666</u>
Reconciliation of operating income (loss) to net cash used by operating activities		
Operating income (loss)	\$ (25,118,387)	\$ (25,813,345)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	1,604,879	1,514,890
Payments made directly by state for benefits	2,013,909	1,750,799
Changes in assets and liabilities		
Receivables (net)	321,065	378,683
Deferred outflow	315,825	(325,079)
Prepaid expenses	(1,124,329)	(612,081)
Accounts payable	322,079	88,887
Funds held for others	9,625	10,790
Unearned revenue	(309,238)	(81,821)
Compensated absences	548,969	(36,860)
Accrued liabilities	511,526	(927,952)
Deferred inflow	62,274	1,245,462
Net cash provided (used) by operating activities	<u>\$ (20,841,803)</u>	<u>\$ (22,807,627)</u>

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

Temple College
Notes to the Financial Statements
August 31, 2016

1. Reporting Entity

Temple Junior College District was established in 1926, in accordance with the laws of the State of Texas, to serve the educational needs of Temple and the surrounding communities. On April 22, 1996, the name of the Temple Junior College District was changed to Temple College. The College has a campus in Temple, Texas, Taylor, Texas and Cameron, Texas. Temple College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. Summary of Significant Accounting Policies

Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges* and in accordance with generally accepted accounting policies. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code 56.0333). When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, HEA, Program Funds

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

Other Tuition Discounts

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

Basis of Accounting

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

Temple College
Notes to the Financial Statements
August 31, 2016

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

Budgetary Data

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

Cash and Cash Equivalents

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

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB.

Deferred Outflows

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. The governing board has designated Tex Pool investment pools comprised of \$2,023 and \$2,000 at August 31, 2016 and August 31, 2015, respectively, to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the

Temple College
Notes to the Financial Statements
August 31, 2016

value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

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

Unearned Revenue

Tuition and fees of \$6,141,558 and \$6,434,707 have been reported as unearned revenues at August 31, 2016 and August 31, 2015, respectively.

Pensions

The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

Prior Year Restatement

In the year of implementation of GASB 68, as amended by GASB 71, a restatement to beginning net position was required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and beginning of the reporting entity's fiscal year.

Temple College
Notes to the Financial Statements
August 31, 2016

3. Authorized Investments

Temple College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The Board of Trustees of Temple College has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the College are in compliance with the Trustee's investment policies.

4. Deposits and Investments

Cash and Deposits included in Exhibit 1, Statement of Net Position, consists of the items reported below:

Cash and Deposits

Bank Deposits	<u>2016</u>	<u>2015</u>
Demand Deposits	\$4,269,126	\$5,279,889
Time Deposits	-	-
	<u>\$4,269,126</u>	<u>\$5,279,889</u>
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 3,664	\$ 3,777
Reimbursements in Transit	-	-
	<u>\$ 3,664</u>	<u>\$ 3,777</u>
Total Cash and Cash Equivalents	<u>\$4,272,790</u>	<u>\$5,283,666</u>

Temple College
Notes to the Financial Statements
August 31, 2016

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	<u>Market Value</u> <u>August 31, 2016</u>	<u>Market Value</u> <u>August 31, 2015</u>
Total Cash and Deposits	\$ 4,272,790	\$ 5,283,666
CD's	5,533,607	5,497,125
Chase Bank Savings Account	-	1,007
BBVA Compass Money Market	1,000	1
Tex Pool	2,023	2,000
Texas Class	17,059,873	14,368,826
Total Investments	<u>\$ 22,596,503</u>	<u>\$ 19,868,959</u>
TOTAL DEPOSITS AND INVESTMENTS	<u>\$ 26,869,293</u>	<u>\$ 25,152,625</u>
Cash and Cash Equivalents (Exhibit 1)	2,735,251	1,818,122
Restricted Cash and Cash Equivalents (Exhibit 1)	1,537,539	3,465,544
Short Term Investments (Exhibit 1)	17,062,896	14,371,834
Other Long Term Investments (Exhibit 1)	<u>5,533,607</u>	<u>5,497,125</u>
TOTAL DEPOSITS AND INVESTMENTS (Exhibit 1)	<u>\$ 26,869,293</u>	<u>\$ 25,152,625</u>

As of August 31, 2016, the College had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>N/A</u>
		<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>		
Savings Account	\$ -	\$ -				
Money Market Account	\$ 1,000	\$ 1,000				
Investment Pool	17,061,896	17,061,896	-	-	-	
Certificate of Deposit	<u>5,533,607</u>	<u>2,037,596</u>	<u>2,494,736</u>	<u>1,001,275</u>	<u>-</u>	
Total Fair Value	<u>\$22,596,503</u>	<u>\$19,100,492</u>	<u>\$2,494,736</u>	<u>\$ 1,001,275</u>	<u>\$ -</u>	

Temple College
Notes to the Financial Statements
August 31, 2016

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>N/A</u>
		<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>	
Savings Account	\$ 1,007	\$ 1,007			
Money Market Account	\$ 1	\$ 1			
Investment Pool	14,370,826	14,370,826	-	-	-
Certificate of Deposit	5,497,125	2,476,805	2,020,320	1,000,000	-
Total Fair Value	<u>\$19,868,959</u>	<u>\$16,848,639</u>	<u>\$2,020,320</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>

The governing board has designated Tex Pool investment pools comprised of \$2,023 and \$2,000 at August 31, 2016 and August 31, 2015, respectively to be short-term investments.

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

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

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

5. Derivatives

None.

Temple College
Notes to the Financial Statements
August 31, 2016

6. Capital Assets

Capital assets activity for the year ended August 31, 2016 was as follows:

	<u>Balance</u> <u>9/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2016</u>
<u>Not Depreciated:</u>				
Land	\$ 3,233,765	\$ 438,747	\$ -	\$ 3,672,512
Construction in Process	<u>-</u>	<u>2,008,239</u>	<u>-</u>	<u>2,008,239</u>
Total Not Depreciated	3,233,765	2,446,986	-	5,680,751
<u>Buildings and Other Capital Assets:</u>				
Buildings	44,774,291	-	-	44,774,291
Land Improvements	9,637,756	-	-	9,637,756
Library Books	1,903,243	43,780	44,379	1,902,644
Furniture, Machinery, Vehicles, And Other Equipment	2,385,376	178,073	64,950	2,498,499
Telecommunications and Peripheral Equipment	<u>4,624,965</u>	<u>22,287</u>	<u>-</u>	<u>4,647,252</u>
Total Buildings and Other Capital Assets	<u>63,325,631</u>	<u>244,140</u>	<u>109,329</u>	<u>63,460,442</u>
<u>Accumulated Depreciation:</u>				
Buildings	10,678,450	787,443	-	11,465,893
Land Improvements	3,715,428	414,323	-	4,129,751
Library Books	1,628,057	36,469	36,811	1,627,715
Furniture, Machinery, Vehicles, And Other Equipment	1,475,500	164,352	55,484	1,584,368
Telecommunications and Peripheral Equipment	<u>3,864,455</u>	<u>202,293</u>	<u>-</u>	<u>4,066,748</u>
Total Accumulated Depreciation	<u>\$21,361,890</u>	<u>\$ 1,604,880</u>	<u>\$ 92,295</u>	<u>\$ 22,874,475</u>
 Net Other Capital Assets	 <u>\$41,963,741</u>	 <u>\$ (1,360,740)</u>	 <u>\$ 17,034</u>	 <u>\$ 40,585,967</u>
 Net Capital Assets	 <u>\$45,197,506</u>	 <u>\$ 1,086,246</u>	 <u>\$ 17,034</u>	 <u>\$ 46,266,718</u>

Temple College
Notes to the Financial Statements
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Capital assets activity for the year ended August 31, 2015, was as follows:

	<u>Balance</u> <u>9/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>8/31/2015</u>
<u>Not Depreciated:</u>				
Land	\$ 3,233,765	\$ -	\$ -	\$ 3,233,765
Construction in Process	<u>74,144</u>	<u>-</u>	<u>74,144</u>	<u>-</u>
Total Not Depreciated	3,307,909	-	74,144	3,233,765
<u>Buildings and Other Capital Assets:</u>				
Buildings	44,732,743	181,878	140,330	44,774,291
Land Improvements	9,637,756	-	-	9,637,756
Library Books	1,917,850	48,658	63,265	1,903,243
Furniture, Machinery, Vehicles, And Other Equipment	2,249,743	145,633	10,000	2,385,376
Telecommunications and Peripheral Equipment	<u>4,144,639</u>	<u>480,326</u>	<u>-</u>	<u>4,624,965</u>
Total Buildings and Other Capital Assets	<u>62,682,731</u>	<u>856,495</u>	<u>213,595</u>	<u>63,325,631</u>
<u>Accumulated Depreciation:</u>				
Buildings	9,904,233	793,162	18,945	10,678,450
Land Improvements	3,300,492	414,936	-	3,715,428
Library Books	1,637,540	37,667	47,150	1,628,057
Furniture, Machinery, Vehicles, And Other Equipment	1,329,417	156,083	10,000	1,475,500
Telecommunications and Peripheral Equipment	<u>3,751,414</u>	<u>113,041</u>	<u>-</u>	<u>3,864,455</u>
Total Accumulated Depreciation	<u>\$19,923,096</u>	<u>\$1,514,889</u>	<u>\$ 76,095</u>	<u>\$ 21,361,890</u>
Net Other Capital Assets	<u>\$42,759,635</u>	<u>\$ (658,394)</u>	<u>\$ 137,500</u>	<u>\$ 41,963,741</u>
Net Capital Assets	<u>\$46,067,544</u>	<u>\$ (658,394)</u>	<u>\$ 211,644</u>	<u>\$ 45,197,506</u>

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7. Non-Current Liabilities

Non-current liability activity for the year ended August 31, 2016 was as follows:

	Balance September 1, 2015	Additions	Reductions	Balance August 31, 2016	Current Portion
Bonds					
General obligation bonds	\$ 20,450,000	\$ -	\$ 1,315,000	\$ 19,135,000	\$ 1,365,000
Revenue bonds	<u>9,265,000</u>	<u>4,120,000</u>	<u>1,230,000</u>	<u>12,155,000</u>	<u>1,210,000</u>
Subtotal	<u>\$ 29,715,000</u>	<u>\$ 4,120,000</u>	<u>\$ 2,545,000</u>	<u>\$ 31,290,000</u>	<u>\$ 2,575,000</u>
Leases	2,680,298	-	335,294	2,345,004	351,931
Accrued compensable absences	826,290	63,332	1,058	888,564	-
Net pension liability	<u>4,071,429</u>	<u>1,901,270</u>	<u>1,389,744</u>	<u>4,582,955</u>	<u>-</u>
Total long-term liabilities	<u>\$ 37,293,017</u>	<u>\$ 6,084,602</u>	<u>\$ 4,271,096</u>	<u>\$ 39,106,523</u>	<u>\$ 2,926,931</u>

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
Bonds					
General obligation bonds	\$ 21,710,000	\$ -	\$ 1,260,000	\$ 20,450,000	\$ 1,315,000
Revenue bonds	<u>10,455,000</u>	<u>-</u>	<u>1,190,000</u>	<u>9,265,000</u>	<u>1,230,000</u>
Subtotal	<u>\$ 32,165,000</u>	<u>\$ -</u>	<u>\$ 2,450,000</u>	<u>\$ 29,715,000</u>	<u>\$ 2,545,000</u>
Leases	2,999,597	-	319,299	2,680,298	335,294
Accrued compensable absences	863,150	7,249	44,109	826,290	-
Net pension liability	<u>4,999,381</u>	<u>703,944</u>	<u>1,631,896</u>	<u>4,071,429</u>	<u>-</u>
Total long-term liabilities	<u>\$ 41,027,128</u>	<u>\$ 711,193</u>	<u>\$ 4,445,304</u>	<u>\$ 37,293,017</u>	<u>\$ 2,880,294</u>

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8. Debt and Lease Obligations

For the Year Ended August 31,	<u>General Obligation Bonds</u>			<u>Revenue Bonds</u>			<u>Total Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1,365,000	785,231	2,150,231	1,210,000	397,863	1,607,863	2,575,000	1,183,094	3,758,094
2018	1,425,000	727,071	2,152,071	1,250,000	357,091	1,607,091	2,675,000	1,084,162	3,759,162
2019	1,485,000	666,348	2,151,348	1,300,000	314,905	1,614,905	2,785,000	981,253	3,766,253
2020	1,545,000	603,011	2,148,011	1,345,000	270,905	1,615,905	2,890,000	873,916	3,763,916
2021	1,610,000	537,111	2,147,111	1,385,000	225,290	1,610,290	2,995,000	762,401	3,757,401
2022-2026	6,655,000	1,769,685	8,424,685	4,170,000	575,133	4,745,133	10,825,000	2,344,818	13,169,818
2027-2031	5,050,000	569,948	5,619,948	1,495,000	107,352	1,602,352	6,545,000	677,300	7,222,300
Total	<u>\$19,135,000</u>	<u>\$ 5,658,405</u>	<u>\$24,793,405</u>	<u>\$12,155,000</u>	<u>\$2,248,539</u>	<u>\$14,403,539</u>	<u>\$31,290,000</u>	<u>\$ 7,906,944</u>	<u>\$39,196,944</u>

Obligations under capital leases at August 31, 2016 were as follows:

For the Year Ended August 31,	<u>Total</u>
2017	\$ 447,987
2018	453,620
2019	328,308
2020	333,942
2021	154,626
2022-2026	472,652
2027-2031	472,270
2032-2036	<u>472,371</u>
Total minimum lease payments	\$ 3,135,776
Less: Amount representing interest costs	<u>(790,772)</u>
Present value of minimum lease payment	<u>\$ 2,345,004</u>

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Obligation under operating leases at August 31, 2016 were as follows:

For the Year Ended August 31,	<u>Total</u>
2017	\$ 622,270
2018	619,813
2019	616,330
2020	611,821
2021	606,284
2022-2026	2,974,268
2027-2031	2,859,267
2032-2036	<u>2,737,256</u>
Total minimum lease payments	\$11,647,309
Less: Amount representing interest costs	<u>-</u>
Present value of minimum lease payment	<u><u>\$11,647,309</u></u>

Temple College leases building space from Texas State Technical College under a non-cancellable operating lease agreement. The lease is for a 25 year term; the College has the option to renew the lease for two additional 25 year terms. Fiscal year 2012 is the first year this lease was in effect. The amount included in expenditures for rent under this agreement at August 31, 2016 and 2015 for rent under this lease were \$614,872 and \$601,700, respectively.

9. Bonds Payable

Bonds payable at August 31, 2016 are comprised of the following individual issues:

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<p>\$10,455,000 Limited Tax School Building and Equipment and Refunding Bonds, Series 2002, issued 1-22-02, due in annual installments of \$250,000 to \$735,000 through 7-1-22; interest at 4.90%, to provide funds for construction costs and equipment in College's building expansion and to refund certain of the College's outstanding bonds, secured by future ad valorem taxes.</p>	<p>\$ 2,940,000</p>
<p>\$10,000,000 Revenue and Refunding Bonds, Series 2006, issued 12-21-06, due in installments of \$140,000 to \$545,000 from 7-1-09 through 7-1-25; interest at 4.00% to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations, or facilities of any nature; to refund Series 1996 bonds maturing 2013 through 2015, 2018 and 2021 inclusive on aggregate principal amount of \$3,540,000; for funding a reserve fund paying costs of issuance related to bonds; to refund Series 2000 maturing 7-1-13 through 7-1-25 in aggregate principal amount of \$3,885,000.</p>	<p>6,445,000</p>
<p>\$7,500,000 Limited Tax School Building and Equipment, Bonds Series 2007, issued 2-27-07, due in installments of \$155,000 to \$535,000, from 7-1-08 to 7-1-27; interest at 3.980% to provide funds for construction and equipment of school buildings, including a new science building and renovations to existing facilities of the district.</p>	<p>4,895,000</p>
<p>\$13,000,000 Temple Junior College District Limited Tax School Building Bonds, Series 2010 issued 12-30-10, due in installments of \$125,000 to \$975,000 from 7-1-10 to 8-31-31, interest at 3.950%, to provide funds for the construction and equipment of school buildings in said District, including a new instructional building; to provide funds for construction and renovations to existing facilities of the District, including academic buildings, parking facilities, streets, landscaping, and other campus infrastructure; to levy, pledge, and cause to be assessed and collected, annual ad valorem taxes on all property in said District sufficient to pay the principal of, and interest on said bonds, within the limit prescribed by law.</p>	<p>11,300,000</p>
<p>\$2,210,000 Revenue and Refunding Bonds, Series 2013 issued 5-14-13, due in installments of \$200,000 to \$235,000 from 7-1-14 through 7-1-23, interest at 1.45%, to refund Series 2003 Revenue and Refunding Bonds maturing 2014 through 2013 inclusive on aggregate principal amount of \$2,160,000, and to pay costs of issuance associated with the bonds, secured by a pledge of certain revenues and additionally secured by the Reserve fund.</p>	<p>1,590,000</p>
<p>\$4,120,000 Revenue Bonds, Series 2015 issued 12-10-15, due in installments of \$185,000 to \$385,000 from 7-1-17 through 7-1-30, interest at 2.84%; to provide funds to acquire, purchase, construct, improve, enlarge, equip, operate and/or maintain any property, buildings, structures, activities, operations or facilities, or any nature and paying cost of issuance with the bonds, secured by a pledge of certain revenues.</p>	<p>4,120,000</p>
	<p><u>\$ 31,290,000</u></p>

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All authorized bonds were issued for each series.

For the year ended August 31, 2016 the College was in compliance with all significant covenants and restrictions that are contained in the various bond indentures. Revenues pledged for retirement of Revenue Bonds consist of tuition, fees and various auxiliary income.

10. Advance Refunding Bonds

Not applicable.

11. Defeased Bonds Outstanding

Not applicable.

12. Short-term Debt

Not applicable.

13. Employees' Retirement Plan

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

Teacher Retirement System of Texas

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

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

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

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

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

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

Funding Policy. Contribution requirements are not actuarially determined but established and amended by the Texas state legislature, pursuant to Article 16, Section 67 of the Texas Constitution. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) Texas Government Code section 821.006 prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' 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 Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Temple College - 2015 Employer Contributions		\$383,900
Temple College - 2015 NECE On-Behalf Contributions		\$305,861
Temple College - 2015 Member Contributions		\$292,585

The College's contributions to the TRS pension plan in FY16 were \$644,612 as reported in the Schedule of Temple College's Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for FY 2016 were \$322,306.

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

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

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- 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 TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

• Valuation Date	August 31, 2015
• Actuarial Cost Method	Individual Entry Age Normal
• Asset Valuation Method	Market value
• Single Discount Rate	8.00%
• Long-term expected Investment Rate of Return*	8.00%
• Inflation	2.5%
• Salary Increases*	3.5% to 9.5%
• Payroll Growth Rate	2.5%
• Benefit changes during the year	None
• Ad hoc post-employment benefit changes	None

*Includes inflation of 2.5%

Actuarial methods and assumptions were updated based on a study of actual experience for the four year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. The most significant changes were related to the update of the post-retirement mortality rates based on the most recent TRS member experience and the decrease in the assumption for general wage inflation from 3.0% to 2.5%. Other changes to overall assumptions and methods had a minor impact on the results of the actuarial valuation and the related pension liability.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer

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contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to all future benefit payments of current plan members.

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015, are summarized below:

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

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

Source: TRS 2015 Comprehensive Annual Report

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Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used 1% less and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Temple College's proportionate share of the net pension liability:	\$7,180,627	\$4,582,955	\$2,419,256

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, Temple College reported a liability of \$4,582,955 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

Temple College's proportionate share of the collective net pension liability	\$4,582,955
State's proportionate share that is associated with Temple College	<u>\$3,650,257</u>
Total	<u><u>\$8,233,212</u></u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Temple College's proportion of the net pension liability was based on the College's contributions to the pension plan relative to the contributions of all employers to the plan for period September 1, 2014 through August 31, 2015.

At the measurement date of August 31, 2015, the employer's proportion of the collective net pension liability was 0.0129650%, which was a decrease of 0.0022773% from its proportion measured as of August 31, 2014.

For the year ended August 31, 2016, Temple College recognized pension expense of \$520,103 and revenue of \$520,103 for support provided by the State.

At August 31, 2016, Temple College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$52,367	\$176,127
Changes in actuarial assumptions	\$220,098	\$163,500
Differences between projected and actual investment earnings	\$1,128,680	\$933,296
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	(\$3)	\$521,508
Contributions paid to TRS subsequent to the measurement date	\$434,700	\$0
Total	\$1,835,842	\$1,794,431

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:

<u>Year Ended August 31:</u>	<u>Pension Expense Amount</u>
2017	(\$61,744)
2018	(\$61,744)
2019	(\$61,744)
2020	\$249,355
2021	(\$36,796)
Thereafter	(\$420,616)

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% (state = 3.234%, local = 3.366%) and 6.65%, respectively. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. SB 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 College was \$161,343 and \$174,317 for the fiscal years ended August 31, 2016 and 2015, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

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The total payroll for all College employees was \$17,980,546 and \$17,449,519 for fiscal years 2016 and 2015, respectively. The total payroll of employees covered by the Teacher Retirement System was \$9,479,586 and \$8,940,730, and the total payroll of employees covered by the Optional Retirement System was \$5,174,216 and \$5,282,331 for fiscal years 2016 and 2015, respectively.

14. Deferred Compensation Program

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The Plan is through AIG through the State.

As of August 31, 2016, the College has 5 employees participating in the program. These 5 employees were vested as of August 31, 2016. A total of \$29,700 in contributions was invested in the plan during the fiscal year. The funds are invested in Empower Retirement Services in each employee's accounts and are not a liability to Temple College.

15. Compensable Absences

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with Temple College. The College's policy is that an employee may carry his/her accrued leave forward with proper approval. Employees who terminate employment for whatever reason are entitled to payment for all accumulated annual leave up to a maximum of one year's worth of accumulation. The College recognized the accrued liability for the unpaid annual leave in the amount of \$406,642 and \$377,235 for fiscal years 2016 and 2015, respectively.

Sick leave, which is accumulated up to a limit of 1040 hours, is earned at the rate of 8 hours per month and is paid to an employee who misses work from illness or immediate family illness. Employees who terminate employment for whatever reason or upon death of the employee, in which the funds are paid to the estate of the employee, are entitled to payment of 173.33 hours provided the employee has worked 10 or more years of full-time employment at Temple College. The maximum sick leave that may be paid to the employee at termination of employment, or the employee's estate, is 173.33 hours. The College recognized the accrued liability for the unpaid sick leave in the amount of \$481,922 and \$449,055 for fiscal years 2016 and 2015, respectively.

16. Pending Lawsuits and Claims

As of August 31, 2016, there were no pending lawsuits or claims against the College.

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17. Disaggregation of Receivables and Payables Balances

Receivables

Receivables at August 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Student Receivables	\$ 4,752,982	\$ 4,980,780
Taxes Receivable	275,618	286,865
Federal Receivable	129,269	117,800
State Receivable	12,581	32,055
Other Receivable	<u>1,432,302</u>	<u>1,548,563</u>
Subtotal	\$ 6,602,752	\$ 6,966,063
Less: Allowance for Doubtful Accounts	<u>(758,290)</u>	<u>(792,077)</u>
Total Receivables	<u>\$5,844,462</u>	<u>\$ 6,173,986</u>

Payables

Payables at August 31, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Vendors Payable	\$ 1,075,394	\$ 795,935
Salaries & Benefits Payable	5,297	1,247
Students Payable	<u>(1,475)</u>	<u>(4,939)</u>
Total Payables	<u>\$1,079,216</u>	<u>\$ 792,243</u>

18. Funds Held in Trust by Others

None.

19. Contract and Grant Awards

Contract and grants awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contracts and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2016 and 2015 for which monies have not been received nor funds expended totaled \$7,923,586 and \$10,469,721. Of these amounts, \$7,786,710 and \$10,360,676 were from Federal Contract and Grant Awards.

20. Self-Insured Plans

The College participates in self-insured worker's compensation and unemployment compensation plans. Employee health insurance is offered through the State of Texas Employee Retirement System group plan. The Worker's Compensation plan is a self-insured group comprised of approximately fifteen (15) state community colleges and a loss fund is set up on the College books to record the estimated exposure each year.

Temple College
Notes to the Financial Statements
August 31, 2016

Unemployment claims are managed by the Texas Workforce Commission and payments are made on a claims-made basis.

21. Post-Retirement Health Care & Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$1,124 per month for the year ended August 31, 2016 (\$1,055.64 per month for 2015) and totaled \$1,332,463 for 2016 (\$1,290,890 for 2015). The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

22. Ad Valorem Tax

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

At August 31:

	<u>2016</u>	<u>2015</u>
Assessed Valuation of the College:	\$ 5,794,699,049	\$5,253,074,234
Less: Exemptions	(994,805,803)	(976,412,118)
Less: Abatements	<u>(260,506,519)</u>	<u>(62,103,898)</u>
Net Assessed Valuation of the College	<u>\$ 4,539,386,727</u>	<u>\$ 4,214,558,218</u>

	<u>2016</u>		<u>2015</u>			
	<u>Current</u>	<u>Debt</u>	<u>Current</u>	<u>Debt</u>	<u>Current</u>	<u>Total</u>
	<u>Operations</u>	<u>Service</u>	<u>Operations</u>	<u>Service</u>	<u>Operations</u>	<u>Total</u>
Authorized						
TaxRate per						
\$100 valuation	\$ -	\$ -	\$ 0.2500	\$ -	\$ -	\$ 0.2500
Assessed						
TaxRate per						
\$100 valuation	\$ 0.1483	\$ 0.0617	\$ 0.2100	\$ 0.1505	\$ 0.0560	\$ 0.2065

Taxes levied for the year ended August 31, 2016 and 2015 amounted to \$9,475,973 and \$8,665,723, 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.

Temple College
Notes to the Financial Statements
August 31, 2016

	<u>2016</u>			<u>2015</u>		
	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Total</u>	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Total</u>
Current Tax Collected	\$ 6,617,539	\$ 2,746,927	\$ 9,364,466	\$ 6,223,321	\$ 2,312,203	\$ 8,535,524
Delinquent Taxes Collected	56,098	20,379	76,477	38,098	14,435	52,533
Penalties & Interest Collected	<u>46,895</u>	<u>17,279</u>	<u>64,174</u>	<u>38,054</u>	<u>13,993</u>	<u>52,047</u>
Total Collections	<u>\$ 6,720,532</u>	<u>\$ 2,784,585</u>	<u>\$ 9,505,117</u>	<u>\$ 6,299,473</u>	<u>\$ 2,340,631</u>	<u>\$ 8,640,104</u>

Tax collections for the year ended August 31, 2016 and 2015 were 98.8% and 98.5%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service. The College remitted payments of \$1,406,131 and \$996,394 in fiscal years 2016 and 2015, respectively, for taxes collected on behalf of the Temple Increment Zone.

23. Branch Campus Tax

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

<u>County or I.S.D.</u>	<u>Collections (including</u> <u>penalties and interest)</u>	
	<u>FY 2016</u>	<u>FY 2015</u>
Hutto I.S.D.	\$ 1,017,832	\$ 948,355

24. Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2016 and 2015.

25. Component Units

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

- The College provides financial support to the Foundation and the economic resources received or held by the Foundation are entirely for the benefit of the College.

Temple College
Notes to the Financial Statements
August 31, 2016

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

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). Fiscal year 2016 financial statements were not included, as the audit for 2016 was not completed by the date the College's financial statements were audited and submitted. Complete financial statements of Temple College Foundation can be obtained from the administrative office of the Foundation.

26. Related Parties (Not a Component Unit)

Not applicable.

27. Subsequent Events

None.

28. Postemployment Benefits Other than Pensions

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

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

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

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

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

The College's contributions to SRHP for the years ended August 31, 2016, 2015, and 2014 were \$3,969,903, \$3,421,887, and \$3,382,109, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES

Temple College
Schedule of Temple College's Proportionate Share of Net Pension Liability
For the Year Ended August 31, 2016

Fiscal year ending August 31*	2016**	2015**
Total TRS' pension liability	\$ 163,887,375,172	\$ 159,496,075,886
TRS' net position	\$ (128,538,706,212)	\$ (132,779,243,085)
TRS' net pension liability	<u>\$ 35,348,668,960</u>	<u>\$ 26,716,832,801</u>
TRS net position as percentage of total pension liability	78.43%	83.25%
Temple College's proportionate share of collective net pension liability	0.0129650%	0.0152423%
Temple College's proportionate share of collective net pension liability	\$ 4,582,955	\$ 4,071,429
Portion of NECE's total proportionate share of NPL associated with Temple College	\$ 3,650,257	\$ 3,089,213
Total	<u>\$ 8,233,212</u>	<u>\$ 7,160,642</u>
Temple College's covered payroll amount	\$ 9,479,586	\$ 8,940,730
Ratio of TC's proportionate share of collective NPL / TC's covered payroll amount	48.3%	45.5%

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

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

Temple College
Schedule of Temple College's Contributions
For the Year Ended August 31, 2016

Fiscal year ending August 31*	2016**	2015**
Legally required contributions	\$ 644,612	\$ 607,970
Actual contributions	\$ 644,612	\$ 607,970
Contributions deficiency (excess)	\$ -	\$ -
Temple College's covered employee payroll amount	\$ 9,479,586	\$ 8,940,730
Ratio of actual contributions / TC's covered payroll amount	6.8%	6.8%

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

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

Temple College
Schedule of Temple College's Contributions
For the Year Ended August 31, 2016

1. Changes of Benefit Terms include:

The college implemented a salary and wage increase effective September 1, 2015 for full time faculty/administrators and staff. When salary projections are developed for each succeeding academic year, Base Salaries may be adjusted either by a percentage amount, a specific dollar amount, or a combination of the two methods of adjustment. The Base Salary is the primary component for maintaining the competitiveness of Temple College faculty/administrators and staff salaries. Full time employees were given an increase consisting of an increase to base salary and a possible step increase. The average increase for a faculty/administrator and staff position was approximately 3%.

2. Changes of Assumptions:

There were no changes of assumptions for the year ended August 31, 2016.

SUPPLEMENTARY SCHEDULES

Schedule of Operating Revenues

For the Year Ended August 31, 2016 (with Memorandum Totals for the Year Ended August 31, 2015)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational</u>	<u>Auxiliary Enterprises</u>	<u>2016 Total</u>	<u>2015 Total</u>
Tuition						
State funded courses						
District tuition	\$ 6,380,066	\$ -	\$ 6,380,066	\$ -	\$ 6,380,066	\$ 6,073,033
Out-of-district tuition	4,160,274	-	4,160,274	-	4,160,274	3,995,336
Non-resident tuition	337,633	-	337,633	-	337,633	356,428
Health science tuition	186,656	-	186,656	-	186,656	188,215
TPEG-Credit (set aside) *	409,578	-	409,578	-	409,578	391,405
State funded continuing education	477,189	-	477,189	-	477,189	611,669
TPEG-non-credit (set aside) *	37,699	-	37,699	-	37,699	70,827
Non-state funded continuing education	139,943	-	139,943	-	139,943	120,624
Total Tuition	12,129,038	-	12,129,038	-	12,129,038	11,807,537
Fees						
General fee	1,533,247	-	1,533,247	-	1,533,247	2,001,705
Laboratory fee	154,290	-	154,290	-	154,290	183,566
Other fees	2,209,257	-	2,209,257	-	2,209,257	2,787,495
Total Fees	3,896,794	-	3,896,794	-	3,896,794	4,972,766
Scholarships Allowances and Discounts						
Remissions, exemptions, waivers - state	(813,591)	-	(813,591)	-	(813,591)	(808,928)
Remissions, exemptions, waivers - local	(1,093,111)	-	(1,093,111)	-	(1,093,111)	(1,053,046)
TPEG discounts	(159,095)	-	(159,095)	-	(159,095)	(159,662)
Title IV federal grants discounts	(3,508,635)	-	(3,508,635)	-	(3,508,635)	(3,599,657)
Texas grants I & II discounts	(169,978)	-	(169,978)	-	(169,978)	(170,045)
Other local discounts	(179,204)	-	(179,204)	-	(179,204)	(147,129)
Total Scholarship Allowances	(5,923,614)	-	(5,923,614)	-	(5,923,614)	(5,938,467)
Total Net Tuition and Fees	10,102,218	-	10,102,218	-	10,102,218	10,841,836
Additional Operating Revenues						
Federal grants and contracts	-	1,243,725	1,243,725	-	1,243,725	736,113
State grants and contracts	-	588,682	588,682	-	588,682	758,710
Private gifts, grants, and contracts	1,221,228	-	1,221,228	-	1,221,228	1,166,238
Sales and services of educational activities	11,855	-	11,855	-	11,855	-
General operating revenue	553,366	-	553,366	-	553,366	456,740
Total Additional Operating Revenue	1,786,449	1,832,407	3,618,856	-	3,618,856	3,117,801
Auxiliary Enterprises						
Miscellaneous income	-	-	-	282,992	282,992	316,675
Total Auxiliary Enterprises	-	-	-	282,992	282,992	316,675
Total Operating Revenues	\$ 11,888,667	\$ 1,832,407	\$ 13,721,074	\$ 282,992	\$ 14,004,066	\$ 14,276,312
					(Exhibit 2)	(Exhibit 2)

*In accordance with Education Code 56.033, \$447,277 and \$462,232 for years August 31, 2016 and 2015, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

Schedule of Operating Expenses by Object
 Year Ended August 31, 2016 (with Memorandum Totals for the Year Ended August 31, 2015)

	Operating Expenses				2016	2015
	Salaries & Wages	State Benefits	Local Benefits	Other Expenses		
Unrestricted-Educational Activities						
Instruction	\$ 9,614,284	\$ -	\$ 1,697,183	\$ 906,997	\$ 12,218,464	\$ 12,296,847
Public Service	247,689	-	47,135	18,497	313,321	258,738
Academic Support	1,460,850	-	439,395	569,962	2,470,207	2,415,555
Student Services	1,763,006	-	565,800	211,455	2,540,261	2,251,030
Institutional Support	3,052,016	-	756,540	1,874,879	5,683,435	5,650,527
Operation and Maintenance of Plant	547,093	-	255,090	2,668,698	3,470,881	3,370,457
Total Unrestricted Educational Activities	16,684,938	-	3,761,143	6,250,488	26,696,569	26,243,154
Restricted-Educational Activities						
Instruction	17,228	1,146,088	2,954	14,610	1,180,880	1,234,002
Public Service	487,483	-	65,985	458,828	1,012,296	611,776
Academic Support	-	138,546	-	-	138,546	118,581
Student Services	322,926	156,919	26,390	253,492	759,727	846,335
Institutional Support	-	374,558	-	-	374,558	324,590
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarships & Fellowships	-	-	-	6,294,320	6,294,320	8,177,253
Total Restricted Educational Activities	827,637	1,816,111	95,329	7,021,250	9,760,327	11,312,537
Total Educational Activities	17,512,575	1,816,111	3,856,472	13,271,738	36,456,896	37,555,691
Auxiliary Enterprises	300,560	-	113,431	646,687	1,060,678	1,019,076
Depreciation of Building and Improvements	-	-	-	1,568,410	1,568,410	1,208,099
Depreciation of Equipment & Furniture	-	-	-	36,469	36,469	306,791
TOTAL OPERATING EXPENSES	\$ 17,813,135	\$ 1,816,111	\$ 3,969,903	\$ 15,523,304	\$ 39,122,453	\$ 40,089,657
				(Exhibit 2)	(Exhibit 2)	

Schedule of Non-Operating Revenues and Expenses

Year Ended August 31, 2016 (with Memorandum Totals for the Year Ended August 31, 2015)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2016 Total</u>	<u>2015 Total</u>
Non-Operating Revenues					
State Appropriations:					
Education and General State Support	\$ 7,634,005	\$ -	\$ -	\$ 7,634,005	\$ 7,854,386
State Group Insurance	-	1,332,463	-	1,332,463	1,290,890
State Retirement Matching	-	681,446	-	681,446	459,909
Professional Nursing Growth Shortage	-	-	-	-	40,099
Professional Nursing Over 70%	-	-	-	-	33,363
Small Institution, Article IX and Supplemental	37,407	-	-	37,407	22,876
Total State Appropriations	7,671,412	2,013,909	-	9,685,321	9,701,523
Maintenance Ad Valorem Taxes	5,997,744	-	-	5,997,744	5,303,079
Debt Service ad Valorem Taxes	2,101,241	-	-	2,101,241	2,340,631
Federal Revenue, Non-Operating	-	9,613,249	-	9,613,249	11,550,268
Gifts	-	-	-	-	9,500
Investment Income	71,397	-	-	71,397	17,918
Other Non-Operating Revenue	-	-	-	-	255
Total Non-Operating Revenues	15,841,794	11,627,158	-	27,468,952	28,923,174
Non-Operating Expenses					
Interest on Capital Related Debt	1,229,788	-	-	1,229,788	1,258,970
Loss on Disposal of Capital Assets	17,034	-	-	17,034	137,499
Other Non-Operating Expense	222,119	1,705	-	223,824	88,572
Total Non-Operating Expenses	1,468,941	1,705	-	1,470,646	1,485,041
Net Non-Operating Revenues	\$ 14,372,853	\$ 11,625,453	\$ -	\$ 25,998,306	\$ 27,438,133
				(Exhibit 2)	(Exhibit 2)

Schedule of Net Position by Source and Availability
 Year Ended August 31, 2016 (with Memorandum Totals for the Year Ended August 31, 2015)

	Detail by Source		Available for Current Operations	
	Unrestricted	Restricted	Yes	No
Current:				
Unrestricted	\$ 5,416,540	\$ -	\$ 5,416,540	\$ -
Board designated	1,975,589	-	1,975,589	-
Restricted	-	637,013	637,013	-
Auxiliary enterprises	(4,998)	-	(4,998)	-
Loan	-	26,966	-	26,966
Plant	-	-	-	-
Unexpended	6,290,214	-	6,290,214	6,290,214
Renewals	1,855,310	-	1,855,310	1,855,310
Debt service	-	2,074,177	-	2,074,177
Investment in plant	-	-	-	14,005,005
Total Net Position, August 31, 2016	\$ 15,532,655	\$ 2,101,143	\$ 32,275,816	\$ 24,251,672
Total Net Position, August 31, 2015	10,194,698	7,747,307	31,395,897	23,105,408
Net Increase (Decrease) in Net Position	\$ 5,337,957	\$ (5,646,164)	\$ 879,919	\$ 1,146,264
			(Exhibit 1)	(Exhibit 2)

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures & Pass Through Disbursements</u>
U.S. Department of Education				
Direct Programs:				
Student Financial Aid Cluster				
SEOG	84.007			84,334
Federal College Workstudy Program	84.033			133,524
Federal PELL Grant	84.063			9,337,040
Wm D Ford Direct Loans	84.268			11,787,694
Total Student Financial Aid Cluster				<u>21,342,592</u>
TRIO Cluster				
TRIO Student Support Services	84.042A	P042A100581-11		<u>58,351</u>
Total Direct Programs				21,400,943
Pass-Through From:				
Central Texas Workforce Board				
Interlocal Cooperative Contract	84.002A	IL0217		11,257
Community Action, Inc.				
Adult Education and Literacy	84.002A			14,203
Texas Workforce Commission				
Adult Education and Literacy	84.002A	2614AEL000	148,040	454,982
Adult Education and Literacy	84.002A	2616AEL004	22,990	106,231
EL Civics	84.002A	2614AEL000	17,945	87,773
EL Civics	84.002A	2616AEL004		15,297
Career Pathways	84.002A	2616AEL001		24,002
Total CFDA 84.002A				<u>713,745</u>
Texas Higher Education Coordinating Board				
Carl Perkins Vocational Educ.- Basic	84.048	1642020601		250,841
Carl Perkins State Leadership	84.048	1642020701		68,760
Total CFDA 84.048				<u>319,601</u>
Total U. S. Department of Education				22,434,289
U.S. Department of Health & Human Services				
Pass-Through From:				
Texas Workforce Commission				
TANF	93.558	2614AEL000	36,748	162,746
TANF	93.558	2616AEL004		36,908
Total CFDA 93.558				<u>199,654</u>
Central Texas Workforce Board				
Child Care Quality Funds, Federal Share	93.596	C1814, C0715, C1616		<u>10,725</u>
Total U.S. Department of Health & Human Services				210,379
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 22,644,668</u>

Notes to Schedule on Following Page.

Notes to Schedule of Expenditures of Federal Awards
Year Ended August 31, 2016

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	\$ 1,243,725
Add: Non-Operating Federal Revenue from Schedule C	9,613,249
Add: Wm. D. Ford Direct Loans	11,787,694
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 22,644,668</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Note 3: Expenditures Not Subject to Federal Single Audit

None

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

None

Note 5: Nonmonetary Federal Assistance Received

None

Note 6: Amounts Passed Through by the College

The following amounts were passed through to the listed sub-recipients by the College.

U.S. Department of Education	
Adult Education & Literacy (CFDA 84.002)	
Central Texas College	
EL Civics (CFDA 84.002)	\$ 171,030
Central Texas College	
U.S. Department of Health & Human Services	\$ 17,945
TANF (CFDA 93.558)	
Central Texas College	<u>\$ 36,748</u>
Total amount passed through by the College	<u>\$ 225,723</u>

Temple College

Schedule F

Schedule of Expenditures of State Awards
For the Year Ended August 31, 2016

<u>State Grantor/Program Title</u>	<u>Contract Number</u>	<u>Expenditures</u>
Texas Workforce Commission		
Skills Development - Skills for Small Business	2614SSD001	\$ 8,653
Skills Development - Skills for Small Business	2616SSD000	\$ 2,672
Total Skills Development		<u>\$ 11,325</u>
State Adult Education and Literacy	2614AEL000	82,483
Total Texas Workforce Commission		<u>\$ 93,808</u>
Texas Higher Education Coordinating Board		
Student Services Division		
Texas Grant Program-Texas Grant I Renewal		663
Texas Grant Program-Texas Grant II TEOG Initial		254,493
Texas Grant Program-Texas Grant II TEOG Renewal		180,747
Texas College Work Study		35,396
Nursing and Allied Health	14140	23,575
Total Texas Higher Education Coordinating Board		<u>494,874</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u><u>\$ 588,682</u></u>

Note 1: State Assistance Reconciliation

State Revenue - per Schedule A:		
State Grants and Contracts		588,682
State Appropriations - per Schedule C:		
Professional Nursing Shortage Reduction		-
Professional Nursing Growth Shortage Over 70%		-
		<u><u>\$ 588,682</u></u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

AUDITORS' REPORTS ON CONTROLS AND COMPLIANCE



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Temple College
Temple, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Temple College (the College), as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 3, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

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



Temple, Texas
December 3, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Temple College
Temple, Texas

Report on Compliance for Each Major Federal

We have audited Temple College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, and Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test-basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)**

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

Opinion on Each Major Federal Program

In our opinion, Temple College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control Over Compliance

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)**

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

Jett, Vernon & Co., P.C.

Temple, Texas
December 3, 2016

TEMPLE COLLEGE

Schedule of Findings and Questioned Costs
August 31, 2016

I. Summary of Audit Results

Financial Statements

1. Type of auditor's report issued: unmodified
2. Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiencies identified that are
not considered to be material
weakness(es)? _____ yes X none reported
3. Noncompliance material to financial statements
noted? _____ yes X no

Federal Awards

4. Internal control over major programs:
Material weakness(es) identified? _____ yes X no
Significant deficiencies identified that are
not considered to be material
weakness(es)? _____ yes X none reported
5. Type of auditor's report issued on compliance
for major programs: Unmodified
6. Any audit findings disclosed that are required
to be reported in accordance with Section
200.516a of the Uniform Guidance?
_____ yes X no

7. Identification of major programs:

<u>Federal Programs</u>	<u>CFDA</u>
Student Financial Aid Cluster:	
- FSEOG	84.007
- Federal College Work-Study Program	84.033
- Federal Pell Grant Program	84.063
- Wm D Ford Direct Loans	84.268

TEMPLE COLLEGE

**Schedule of Findings and Questioned Costs (Continued)
August 31, 2016**

8. Dollar threshold used to distinguish between type A and type B federal programs: \$750,000
9. Auditee qualified as low-risk auditee for federal single audits. X yes no

II. Financial Statement Findings
- None.

III. Findings and Questioned Costs for Federal Awards
- None.