RANGER COLLEGE DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2013

RANGER COLLEGE DISTRICT

TABLE OF CONTENTS

	Page	Exhibit
Organizational Data	1	
Financial Section		
Independent Auditor's Report	3	
Management's Discussion and Analysis	5	
Statements of Net Position	12	1
Statements of Revenues, Expenses and Changes in Net Position	14	2
Statements of Cash Flows	15	3
Notes to the Financial Statements	18	
Supplemental Information		Schedule
Schedule of Operating Revenues	33	A
Schedule of Operating Expenses by Object	34	B
Schedule of Non-Operating Revenues and Expenses	35	C
Schedule of Net Position by Source and Availability	36	D
Overall Compliance and Internal Controls Section		
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*	38	
Summary Schedule of Prior Audit Findings	40	
Schedule of Findings and Questioned Costs	41	
Corrective Action Plan	46	

RANGER COLLEGE DISTRICT

TABLE OF CONTENTS

Federal Awards Section		Schedule
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	50	
Schedule of Expenditures of Federal Awards	52	E
State Awards Section		
Schedule of Expenditures of State Awards	54	F

RANGER COLLEGE DISTRICT
ORGANIZATIONAL DATA
For the Year Ended August 31, 2013

Board of Regents

Officers

Doug Crawley	Chairman
Waymond Greenwood	Vice Chairman
A.J. Ratliff	Secretary

Members

		Term Expires
Waymond Greenwood	Ranger, Texas	2014
Doug Crawley	Ranger, Texas	2014
A.J. Ratliff	Ranger, Texas	2014
Randy Fambro	Strawn, Texas	2016
Sandi Herod	Ranger, Texas	2016
Jackie Stephens	Ranger, Texas	2016
Ron Butler	Ranger, Texas	2018
Joe Walraven	Ranger, Texas	2018
Gay A. Wolford	Ranger, Texas	2018

Key Administrative Personnel

Dr. William Campion	President
Dr. Don Bostic	Executive Vice President
Mr. Billy Adams	Vice President of Instruction
Dr. Kerry Schindler	Vice President of Erath County
Mr. John Slaughter	Dean of Enrollment Management
Ms. Tammy Adams	Chief Financial Officer
Mr. Johnny Gann	Dean of Students
Dr. Dava Washburn	Dean of Administration
Mr. David Deaver	Athletic Director/Physical Plant Director
Ms. Laura Yeck	Assistant to the President, Human Resources

FINANCIAL SECTION

SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Ranger College

Report on the Financial Statements

We have audited the accompanying financial statements of the Ranger College District as of and for the years ended August 31, 2013 and 2012, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ranger College District as of August 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

1207 Santa Fe Drive • Weatherford, Texas 76086 • 817-596-9301 • Fax 817-596-9304

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ranger College District's financial statements. The supplemental information and state awards section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of Ranger College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ranger College District's internal control over financial reporting and compliance.

Snow Garrett Williams

Snow Garrett Williams

December 16, 2013

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2013 and 2012

This section of the Ranger College District's annual financial report presents management's discussion and analysis of the College's financial activity during the fiscal years ended August 31, 2013 and 2012. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts, please read it in conjunction with the College's financial statements and the footnotes. Responsibility for the completeness and fairness of this information rests with the College.

FINANCIAL HIGHLIGHTS

The College's net position increased from August 31, 2012 to August 31, 2013 by $1,451,834, and increased from August 31, 2011 to August 31, 2012 by $1,246,270. As of August 31, 2013 and 2012, the College's net position was $6,478,309 and $5,026,475 which includes $1,426,003 and $1,253,052 in net investment in capital assets, $910,739 and $589,479 in restricted net position, and $4,141,567 and $3,183,944 in unrestricted net position, respectively.

Operating expenses for fiscal years 2013 and 2012 were $10,016,746 and $8,508,697, of which $4,267,911 and $3,181,717 were expended for instruction, $1,719,005 and $1,698,492 were expended for auxiliary enterprises, and $1,356,251 and $982,290 were expended for institutional support, respectively. In fiscal years 2013 and 2012, depreciation expense was $254,465 and $235,100, respectively.

Operating revenues for fiscal years 2013 and 2012 were $4,301,600 and $3,475,946, which includes $1,584,341 and $2,186,758 in tuition and fees (net of discounts), $765,116 and $508,652 in auxiliary revenue (net of discounts), and $564,206 and $265,670 in federal grants and contracts, respectively.

Net non-operating revenues for fiscal years 2013 and 2012 were $7,166,980 and $6,279,021, which includes $3,118,714 and $2,558,994 in state allocations, $3,738,783 and $3,315,444 in federal grants, and $260,751 and $252,523 in ad-valorem taxes for maintenance and operations, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements are comprised of three components: 1) basic financial statements, 2) notes to the financial statements, and 3) other supplementary information in addition to the basic financial statements.

The basic financial statements. The financial statements focus on the College as a whole. The statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the statement of net position is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources with capital assets and related debt.

The statement of revenues, expenses, and changes in net position focuses on both the gross costs and the net costs of the College's activities which are supported mainly by tuition and fees and by federal, state and other revenues. This approach is intended to summarize and simplify the user's analysis of the costs of various College services to students and the public.

The final required financial statement, the statement of cash flows, reports cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities.

The basic financial statements can be found on pages 12 through 16 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 18 through 31 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information included to supplement and provide more detail to the basic financial statements. The supplementary information can be found on pages 33 through 36 of this report.

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

Statement of Net Position

The statement of net position presents current assets (non restricted assets expected to provide support within a year), non current assets (restricted assets expected to provide long term benefit), current liabilities (obligations which must be met within the current year), and non-current liabilities (obligations which are not settled in the current year.) All assets and liabilities are presented using the accrual basis of accounting, which is similar to the accounting by most private-sector institutions. Net position, the difference between assets and liabilities, is one way to measure the financial position of the College. As of August 31, 2013, net position was $6,478,309 which was an increase of $1,451,834 from the period ended August 31, 2012. As of August 31, 2012, net position was $5,026,475, which was an increase of $1,246,270 from the period ended August 31, 2011. The College's financial position remains strong with adequate liquid assets at a reasonable level of unrestricted net position.

Net Position
As of August 31,

	2013	2012	2011
Current Assets	$ 7,497,825	$ 5,464,952	$ 3,925,250
Non-current Assets			
Capital Assets, Net of Depreciation	3,504,837	1,878,188	2,095,874
Other	2,293,774	603,902	577,355
Total Assets	13,296,436	7,947,042	6,598,479
Current Liabilities	3,641,081	2,426,428	2,169,305
Non-current Liabilities	3,177,046	494,139	648,969
Total Liabilities	6,818,127	2,920,567	2,818,274
Net Position			
Net Investment in Capital Assets	1,426,003	1,253,052	1,271,344
Restricted for: Expendable	910,739	589,479	559,086
Unrestricted	4,141,567	3,183,944	1,949,775
Total Net Position	$ 6,478,309	$ 5,026,475	$ 3,780,205

Investment in capital assets (e.g., land, building and improvements, land improvements, leasehold improvements, library books, and vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was $1,426,003 and $1,253,052 at August 31, 2013 and 2012, respectively. The College uses these assets to provide services to the students; consequently, they are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At August 31, 2013 and 2012, an additional $910,739 (or 14%) and $589,479 (or 12%), respectively, of the College's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the College is being held for future construction, debt service and scholarships. The remaining portion of the College's net position at August 31, 2013 and 2012 ($4,141,567 and $3,183,944, respectively) may be used to meet the College's ongoing obligations.

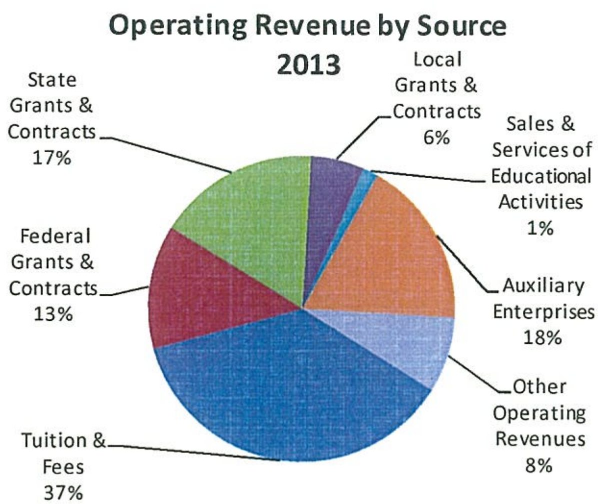
Statement of Revenues, Expenses and Changes in Net Position

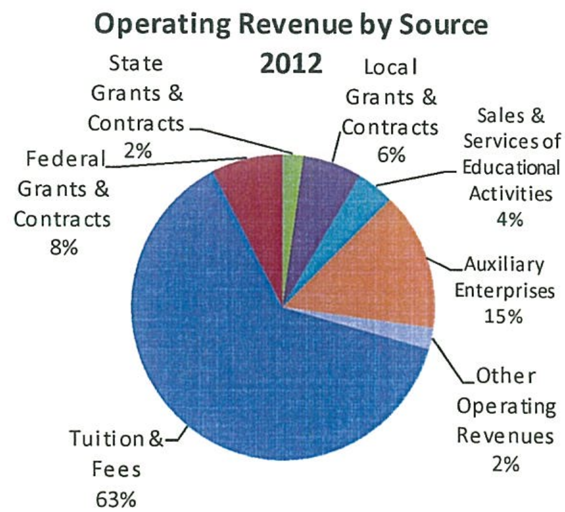
The statement of revenues, expenses and changes in net position presents the operating results of the College, as well as the non-operating revenue and expenses. Operating revenues are primarily those that result directly from instruction, the operation of the College's auxiliary services (cafeteria, dormitories, bookstore, etc.) and Federal, State and local grants. State Allocations and property tax receipts, while budgeted for operations, are considered non operating revenues and depreciation is shown in operating expenses according to accounting principles generally accepted in the United States of America.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2013 and 2012

Operating Results for the Years Ended August 31,

	2013	2012	2011
Operating Revenues			
Tuition and Fees (Less Discounts)	$ 1,584,341	$ 2,186,758	$ 1,478,986
Federal Grants and Contracts	564,206	265,670	300,092
State Grants and Contracts	730,739	75,981	72,486
Local Grants and Contracts	245,000	216,550	190,100
Sales and Services of Educational Activities	69,373	142,864	102,837
Auxiliary Enterprises (Less Discounts)	765,116	508,652	616,932
Other Operating Revenues	342,825	79,471	168,449
Total Operating Revenues	4,301,600	3,475,946	2,929,882
Less Operating Expenses	10,016,746	8,508,697	7,714,756
Net Operating Loss	(5,715,146)	(5,032,751)	(4,784,874)
Non-Operating Revenues (Expenses)			
State Allocations	3,118,714	2,558,994	2,438,122
Ad-Valorem Taxes for Maintenance and Operations	260,751	252,523	237,348
Federal Revenue, Non-Operating	3,738,783	3,315,444	2,528,332
Gifts	400	1,086	-
Investment Income (Net of Investment Expense)	162,516	191,338	204,685
Interest on Capital Related Debt	(114,184)	(40,364)	(46,935)
Total Non-Operating Revenues (Expenses)	7,166,980	6,279,021	5,361,552
Change in Net Position	1,451,834	1,246,270	576,678
Net Position, Beginning of Year	5,026,475	3,780,205	3,203,527
Net Position, End of Year	$ 6,478,309	$ 5,026,475	$ 3,780,205
Total Revenues	$ 11,582,764	$ 9,795,331	$ 8,338,369

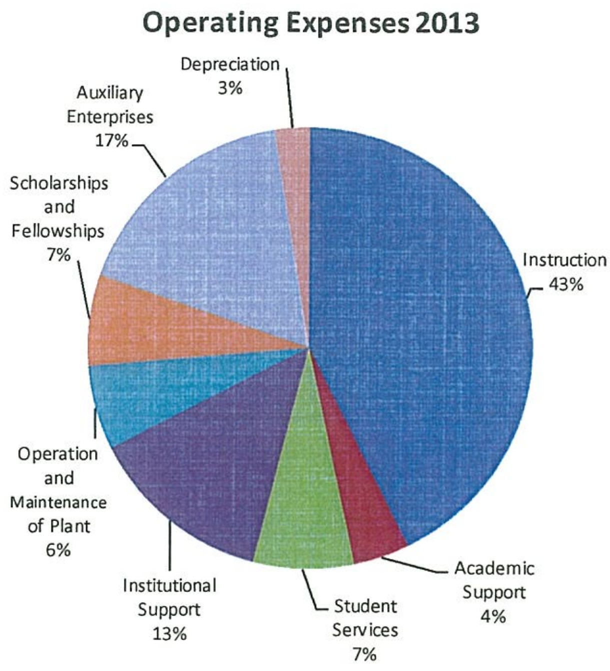


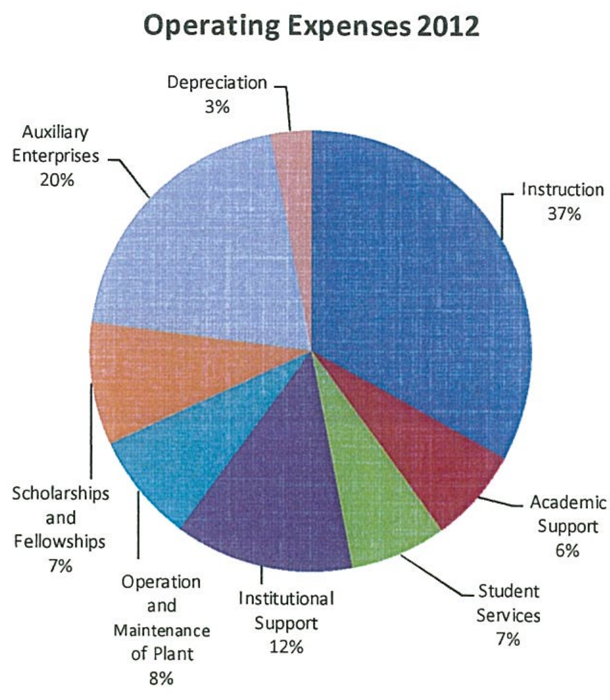


RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2013 and 2012

Operating Expenses
For the Years Ended August 31,

	2013	2012	2011
Operating Expenses			
Instruction	$ 4,267,911	$ 3,181,717	$ 2,564,998
Academic Support	408,790	527,891	569,998
Student Services	725,476	608,834	530,852
Institutional Support	1,356,251	982,290	1,027,166
Operation and Maintenance of Plant	621,487	637,384	575,727
Scholarships and Fellowships	663,361	636,989	690,658
Auxiliary Enterprises	1,719,005	1,698,492	1,519,891
Depreciation	254,465	235,100	235,466
Total	$ 10,016,746	$ 8,508,697	$ 7,714,756
Total Expenses (Including Interest Expense and Loss on Disposal of Capital Assets)	$ 10,130,930	$ 8,549,061	$ 7,761,691





CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The College's investment in total capital assets as of August 31, 2013 and 2012 amounts to $3,504,837 and $1,878,188, respectively, (net of accumulated depreciation). Investments in capital assets include land, construction in progress, buildings and improvements, land improvements, leasehold improvements, library books, and vehicles and equipment.

Major capital asset events during the current fiscal year include the following:

- Purchase of land and a building for a Stephenville campus location; and
- Machining and teleconferencing equipment related to grants.

Major capital asset events during the prior fiscal year include the following:

- Purchase of a Commercial Dishwasher; and
- Installation of bathrooms at the softball fields.

Capital Assets, Net
August 31,

	2013	2012	2011
Capital Assets			
Land	$ 600,602	$ 60,366	$ 60,366
Construction in Progress	25,430	10,264	50,413
Building and Improvements	4,357,134	3,287,106	3,269,918
Land Improvements	298,608	298,608	298,608
Leasehold Improvements	702,840	702,840	702,840
Library Books	150,185	150,185	150,185
Vehicles and Equipment	1,159,057	921,759	881,384
Total	7,293,856	5,431,128	5,413,714
Less Accumulated Depreciation	(3,789,019)	(3,552,940)	(3,317,840)
Net Capital Assets	$ 3,504,837	$ 1,878,188	$ 2,095,874

Additional information on the College's capital assets can be found in Note 6 on page 24 of this report.

Long-term debt. At August 31, 2013 and 2012, the College had total debt outstanding of $3,461,869 and $639,559, respectively. Of this amount, $461,869 and $602,090 represents maintenance tax notes at August 31, 2013 and 2012, respectively, $37,469 represents notes payable at August 31, 2012, and $3,000,000 represents bonds payable at August 31, 2013. The College's total debt increased by a net amount of $2,822,310, and decreased by a net amount of $203,240 during the fiscal years ending August 31, 2013 and 2012, respectively, due to regular scheduled payments and bond issuance.

Additional information on the College's long-term debt can be found in Notes 7 and 8 on pages 25 through 26 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Regents adopted the College's 2013 – 2014 budget and tax rate on August 27, 2013. The annual budget is developed to provide efficient, effective and economic uses of the College's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the Board of Regents sets the direction of the College, allocates its resources and establishes its priorities.

In considering the College budget for fiscal year 2014, the Board of Regents and management considered the following factors:

- The largest driver in budget decisions for Ranger College has been the rapid growth of the institution, primarily on the Brown County and Erath County campuses. The purchase of a building and renovation of that building in Erath County is a significant expense in fiscal year 2014.
- Another budgetary concern has been the overall decrease in state appropriations and benefits accompanying the rapid enrollment increase.
- The College plans to open a new Licensed Vocational Nursing Program in Erath County in the Spring of 2014 and welding, machining, and truck driving programs will commence on renewal campuses.
- The Quality Enhancement Plan has been a large projected expenditure to the college budget. The College has satisfied the Southern Association of Colleges and Schools requirements with this Quality Enhancement Plan which will enhance Technology at the College.
- Personnel costs to hire new faculty and staff at quasi-competitive rates greatly impacts this budget as personnel costs at this institution approach 80% of the total budget.
- In January 2014, the College will offer general academic courses in Olney, Texas. In addition, the institution will serve substantial manufacturing and industry needs in Olney and Young County.
- The entire fiscal year 2014 budget grew out of an extensive and ongoing institutional Strategic Master Plan developed in the last 15 months.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Ranger College District's finances and to show the College's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Financial Officer at 1100 College Circle, Ranger, Texas 76470.

RANGER COLLEGE DISTRICT
Statements of Net Position
August 31, 2013 and August 31, 2012

EXHIBIT 1

	2013	2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 3,815,452	$ 2,885,872
Short-Term Investments	266,835	266,835
Accounts Receivable (net)	2,415,087	1,891,381
Prepaid Expenses	175,100	40,793
Deferred Charges	824,601	379,321
Deposits	750	750
Total Current Assets	7,497,825	5,464,952
Non-Current Assets		
Restricted Cash and Cash Equivalents	1,976,749	289,974
Restricted Short-Term Investments	54,769	54,769
Other Long-Term Investments	262,256	244,736
Issuance Costs	-	14,423
Capital Assets, net of Accumulated Depreciation (See Note 6)	3,504,837	1,878,188
Total Non-Current Assets	5,798,611	2,482,090
Total Assets	$ 13,296,436	$ 7,947,042

The accompanying Notes to the Financial Statements are an integral part of this statement.

RANGER COLLEGE DISTRICT
Statements of Net Position
August 31, 2013 and August 31, 2012

EXHIBIT 1

	2013	2012
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 333,327	$ 266,782
Accrued Compensable Absences - Current Portion	80,148	68,263
Deferred Revenues	2,921,004	1,933,990
Notes Payable - Current Portion	146,602	157,393
Bonds Payable - Current Portion	160,000	-
Total Current Liabilities	3,641,081	2,426,428
Non-Current Liabilities		
Accrued Compensable Absences	21,779	11,973
Notes Payable	315,267	482,166
Bonds Payable	2,840,000	-
Total Non-Current Liabilities	3,177,046	494,139
Total Liabilities	6,818,127	2,920,567
NET POSITION		
Net Investment in Capital Assets	1,426,003	1,253,052
Restricted for:		
Expendable		
Student Aid	411,183	390,161
Debt Service	300,039	-
Other	199,517	199,318
Unrestricted	4,141,567	3,183,944
Total Net Position (Schedule D)	$ 6,478,309	$ 5,026,475

The accompanying Notes to the Financial Statements are an integral part of this statement.

RANGER COLLEGE DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2013 and August 31, 2012

EXHIBIT 2

	2013	2012
REVENUES		
Operating Revenues		
Tuition and Fees (Net of Discounts of $3,627,974 and $2,290,423, respectively)	$ 1,584,341	$ 2,186,758
Federal Grants and Contracts	564,206	265,670
State Grants and Contracts	730,739	75,981
Local Grants and Contracts	245,000	216,550
Sales and Services of Educational Activities	69,373	142,864
Auxiliary Enterprises (Net of Discounts of $944,215 and $1,077,590, respectively)	765,116	508,652
Other Operating Revenues	342,825	79,471
Total Operating Revenues (Schedule A)	4,301,600	3,475,946
EXPENSES		
Operating Expenses		
Instruction	4,267,911	3,181,717
Academic Support	408,790	527,891
Student Services	725,476	608,834
Institutional Support	1,356,251	982,290
Operation and Maintenance of Plant	621,487	637,384
Scholarships and Fellowships	663,361	636,989
Auxiliary Enterprises	1,719,005	1,698,492
Depreciation	254,465	235,100
Total Operating Expenses (Schedule B)	10,016,746	8,508,697
Operating Loss	(5,715,146)	(5,032,751)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	3,118,714	2,558,994
Maintenance Ad Valorem Taxes	260,751	252,523
Federal Revenue, Non-Operating	3,738,783	3,315,444
Gifts	400	1,086
Investment Income	162,516	191,338
Interest on Capital Related Debt	(114,184)	(40,364)
Net Non-Operating Revenues (Expenses) (Schedule C)	7,166,980	6,279,021
Change in Net Position	1,451,834	1,246,270
NET POSITION		
Net Position - Beginning of Year	5,026,475	3,780,205
Net Position - End of Year	$ 6,478,309	$ 5,026,475

RANGER COLLEGE DISTRICT
Statements of Cash Flows
For the Years Ended August 31, 2013 and August 31, 2012

EXHIBIT 3

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	$ 3,265,233	$ 2,813,664
Receipts from Grants and Contracts	1,344,744	645,390
Payments to or on Behalf of Employees	(4,611,357)	(4,219,937)
Payments to Suppliers for Goods or Services	(4,761,983)	(2,983,177)
Payments of Scholarships	(597,734)	(728,881)
Other receipts (payments)	342,825	79,471
Net Cash Used by Operating Activities	(5,018,272)	(4,393,470)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from State Appropriations	2,748,719	2,208,261
Receipts from Ad Valorem Taxes	267,627	248,496
Receipts from Non-Operating Federal Revenue	3,602,147	3,372,409
Receipts from Gifts and Grants (Other Than Capital)	400	1,086
Net Cash Provided by Non-Capital Financing Activities	6,618,893	5,830,252
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(1,881,114)	(17,414)
Proceeds from Revenue Bonds	3,000,000	-
Payments on Capital Debt - Principal	(177,690)	(203,240)
Payments on Capital Debt - Interest	(70,458)	(36,518)
Net Cash Provided/(Used) by Capital and Related Financing Activities	870,738	(257,172)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from Investment Earnings	144,996	162,413
Net Cash Provided by Investing Activities	144,996	162,413
Increase in Cash and Cash Equivalents	2,616,355	1,342,023
Cash and Cash Equivalents - September 1	3,175,846	1,833,823
Cash and Cash Equivalents - August 31	$ 5,792,201	$ 3,175,846
Reconciliation to Exhibit 1:		
Cash and Cash Equivalents	$ 3,815,452	$ 2,885,872
Restricted Cash and Cash Equivalents	1,976,749	289,974
Total Cash and Cash Equivalents	$ 5,792,201	$ 3,175,846
Non-Cash Investing Activities:		
Net Increase in Fair Value of Investments	$ 17,520	$ 28,925

The accompanying Notes to the Financial Statements are an integral part of this statement.

RANGER COLLEGE DISTRICT
Statements of Cash Flows
For the Years Ended August 31, 2013 and August 31, 2012

EXHIBIT 3

	2013	2012
Reconciliation of Operating Loss to Net Cash Used By Operating Activities:		
Operating Loss	$ (5,715,146)	$ (5,032,751)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	254,465	235,100
Bad Debt Expense	503,414	69,434
Payments Made Directly by State for Benefits	369,995	350,733
Changes in Assets and Liabilities:		
Receivables, Net	(897,360)	(911,070)
Deffered Charges	(445,280)	484,505
Other Assets	(134,307)	105,046
Accounts Payable	37,242	(50,148)
Deferred Revenue	987,014	350,276
Compensated Absences	21,691	5,405
Net Cash Used By Operating Activities	$ (5,018,272)	$ (4,393,470)

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Ranger College District (the College) was established in 1926, in accordance with the laws of the State of Texas, to serve the educational needs of Ranger and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in the Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity*. 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

Report Guidelines

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

Tuition Discounting

Texas Public Education Grants
Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program Funds
Certain Title IV HEA Program funds are received by the 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 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 amounts are recorded as 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.

Budgetary Data

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of cash flows, 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.

Non-Current Cash and Investments

Non-current cash and investments are set aside and classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited to obligations, such as, scholarships, grant requirements, revenue bonds, maintenance tax notes, and construction.

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. 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. The College has no formal capitalization policy, however capital assets are defined and include all items with a unit cost of $5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for facilities and other improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment, and 5 years for telecommunications and peripheral equipment.

Deferred Revenues

Revenues, primarily consisting of tuition, fees, meal charges, and resident hall charges related to academic terms in the next fiscal year are recorded on the balance sheet as deferred revenue in the current fiscal year. Tuition and fees of $2,921,004 and $1,933,990 have been reported as deferred revenue at August 31, 2013 and August 31, 2012, respectively.

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, 2013 and 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. 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 is not performed by the College.

Characterization of Title IV Grant Revenue

In response to guidance provided by the Government Accounting Standards Board (GASB) as question/Answer 7.72.10 in the Implementation Guide, revenue received for federal Title IV grant programs (i.e. Pell grants) is now characterized as non operating revenue as opposed to operating revenue.

Application of Restricted and Unrestricted Resources

The College's policy is to first apply an expense against restricted resources then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

New GASB Pronouncements

The Governmental Accounting Standards Board (GASB) has issued new pronouncements that the College has reviewed for application to their accounting and reporting.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, is effective for periods beginning after December 15, 2011. This standard improves financial reporting by contributing to the GASB's effort to codify all sources of generally accepted accounting principles for state and local governments so that they are derived from a single source. The College has implemented this statement in the year ended August 31, 2013. The College will not disclose that the College has elected to follow Pre-November 30, 1989 FASB and AICPA Pronouncement that did not conflict with GASB pronouncements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The College has implemented this reporting for the year ended August 31, 2013. The components of net position were renamed to reflect the requirements of this statement and the financial statement elements of deferred outflows of resources and deferred inflows of resources were added to the financial statements, where applicable.

3. AUTHORIZED INVESTMENTS

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

4. DEPOSITS AND INVESTMENTS

The College's deposits and investments are invested pursuant to the Investment Policy.

The College is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. US. Government obligations, State of Texas direct obligations, and obligations of states, agencies, countries and cities;
2. Collateralized Mortgage Obligations;
3. Bankers acceptance, Commercial Paper, and Repurchase Agreements;
4. Certificates of Deposits;
5. Share Certificates:
6. SEC regulated no-load money market mutual funds and SEC registered no-load mutual funds; and
7. Investment Pools.

No other investments shall be made without approval of a majority of the Board of Regents. Ranger College will invest only in Certificates of Deposit, however the College may hold investments that were authorized investments at the time of purchase or receipt.

Cash and Deposits

Cash and Cash Equivalents reported on Exhibit 1, Statements of Net Assets, consist of the items reported below:

Cash and Cash Equivalents	August 31, 2013	August 31, 2012
Bank Deposits		
Deposits with Financial Institutions	$ 5,789,861	$ 3,173,706
Total Bank Deposits	5,789,861	3,173,706
Petty Cash	2,340	2,140
Total Cash and Cash Equivalents	$ 5,792,201	$ 3,175,846

Investments

Investments reported on Exhibit 1, Statements of Net Assets, consist of the items reported below:

Types of Investments	Credit Rating	Market Value August 31, 2013	Market Value August 31, 2012
Short-Term Investments			
Certificates of Deposit - Current	n/a	$ 266,835	$ 266,835
Certificates of Deposit - Restricted	n/a	54,769	54,769
Total Short-Term Investments		321,604	321,604
Other Long-Term Investments			
US Common Stock:			
Chevron - 2,142 shares	AA	257,961	240,247
BP PLC - 104 shares	AA	4,295	4,489
Total Other Long-Term Investments		262,256	244,736
Total Investments		$ 583,860	$ 566,340

4. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – In accordance with the College's investment policy, the College does not purchase any investments with maturities greater than one year. As of August 31, 2013 and August 31, 2012, the College was not exposed to interest rate risk.

Credit Risk – The College has no formal policy addressing credit risk. However, the safety of principal is the primary objective of the College's investment policy. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of August 31, 2013 and August 31, 2012, the College's investments in common stock were rated AA by Standard & Poor's.

Concentration of Credit Risk - The College does not place a limit on the amount that may be invested in any one issue. As of August 31, 2013 and August 31, 2012, 55% and 57%, respectively, of the College's investments were included in certificates of deposit.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collaterized with securities held by the pledging financial institution's trust department or agent but not in the College's name. At August 31, 2013, $104,070 of the College's cash and cash equivalents and short-term investments were exposed to custodial credit risk. At August 31, 2012, the College's cash and cash equivalents and short-term investments were not exposed to custodial credit risk.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either the counterparty's trust department or agent but not in the College's name. At August 31, 2013 and August 31, 2012, the College's investment securities were not exposed to custodial credit risk.

Reconciliation of Deposits and Investments Between Note 4 and Exhibit 1 for Primary Government:

	August 31, 2013	August 31, 2012
Per Note 4:		
Cash and Cash Equivalents	$ 5,792,201	$ 3,175,846
Investments	583,860	566,340
Total Deposits and Investments	$ 6,376,061	$ 3,742,186
Per Exhibit 1:		
Cash and Cash Equivalents	$ 3,815,452	$ 2,885,872
Restricted Cash and Cash Equivalents	1,976,749	289,974
Short-Term Investments	266,835	266,835
Restricted Short-Term Investments	54,769	54,769
Other Long-Term Investments	262,256	244,736
Total Deposits and Investments	$ 6,376,061	$ 3,742,186

5. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2013 and 2012 were as follows:

	August 31, 2013	August 31, 2012
Student Receivables (Net of Allowances of $611,952 and $108,538 for 2013 and 2012, respectively)	$ 1,991,742	$ 1,797,677
Taxes Receivable (Net of Allowances of $22,917 and $20,143 for 2013 and 2012, respectively)	35,140	42,016
Federal, State, and Local Grants Receivable	361,261	29,424
Other Accounts Receivable	26,944	22,264
Total Accounts Receivable	$ 2,415,087	$ 1,891,381

Payables

Payables at August 31, 2013 and 2012 were as follows:

	August 31, 2013	August 31, 2012
Vendor Payable	$ 219,466	$ 272,064
Student Payable	65,627	-
Salary and Benefit Payable	18,931	(5,282)
Accrued Interest	29,303	-
Total Accounts Payable	$ 333,327	$ 266,782

6. CAPITAL ASSETS

Capital assets activity for the years ended August 31, 2013 and 2012 was as follows:

	Balance 9/1/2012	Increases	Decreases	Balance 8/31/2013
Not Depreciated:				
Land	$ 60,366	$ 540,236	$ -	$ 600,602
Construction in Progress	10,264	25,430	10,264	25,430
Subtotal	70,630	565,666	10,264	626,032
Other Capital Assets:				
Buildings and Improvements	3,287,106	1,070,028	-	4,357,134
Land Improvements	298,608	-	-	298,608
Leasehold Improvements	702,840	-	-	702,840
Library Books	150,185	-	-	150,185
Vehicles and Equipment	921,759	255,684	18,386	1,159,057
Subtotal	5,360,498	1,325,712	18,386	6,667,824
Accumulated Depreciation:				
Buildings and Improvements	2,213,072	63,238	-	2,276,310
Land Improvements	228,499	6,089	-	234,588
Leasehold Improvements	254,098	117,394	-	371,492
Library Books	79,077	10,010	-	89,087
Vehicles and Equipment	778,194	57,734	18,386	817,542
Subtotal	3,552,940	254,465	18,386	3,789,019
Net Other Capital Assets	1,807,558	1,071,247	-	2,878,805
Net Capital Assets	$ 1,878,188	$ 1,636,913	$ 10,264	$ 3,504,837

	Balance 9/1/2011	Increases	Decreases	Balance 8/31/2012
Not Depreciated:				
Land	$ 60,366	$ -	$ -	$ 60,366
Construction in Progress	50,413	10,264	50,413	10,264
Subtotal	110,779	10,264	50,413	70,630
Other Capital Assets:				
Buildings and Improvements	3,269,918	17,188	-	3,287,106
Land Improvements	298,608	-	-	298,608
Leasehold Improvements	702,840	-	-	702,840
Library Books	150,185	-	-	150,185
Vehicles and Equipment	881,384	40,375	-	921,759
Subtotal	5,302,935	57,563	-	5,360,498
Accumulated Depreciation:				
Buildings and Improvements	2,151,191	61,881	-	2,213,072
Land Improvements	222,410	6,089	-	228,499
Leasehold Improvements	136,705	117,393	-	254,098
Library Books	69,065	10,012	-	79,077
Vehicles and Equipment	738,469	39,725	-	778,194
Subtotal	3,317,840	235,100	-	3,552,940
Net Other Capital Assets	1,985,095	(177,537)	-	1,807,558
Net Capital Assets	$ 2,095,874	$ (167,273)	$ 50,413	$ 1,878,188

7. LONG-TERM LIABILITIES

Long-term liability activity for the years ended August 31, 2013 and 2012 was as follows:

	Balance September 1, 2012	Additions	Reductions	Balance August 31, 2013	Current Portion
Revenue Bonds Payable	$ -	$ 3,000,000	$ -	$ 3,000,000	$ 160,000
Maintenance Tax Note Payable	602,090	-	140,221	461,869	146,602
Notes Payable	37,469	-	37,469	-	-
Compensated Absences	80,236	102,531	80,840	101,927	80,148
Total Long-Term Liabilities	$ 719,795	$ 3,102,531	$ 258,530	$ 3,563,796	$ 386,750

	Balance September 1, 2011	Additions / Adjustments	Reductions	Balance August 31, 2012	Current Portion
Maintenance Tax Note Payable	$ 735,203	$ -	$ 133,113	$ 602,090	$ 140,221
Notes Payable	107,596	-	70,127	37,469	17,172
Compensated Absences	74,831	64,784	59,379	80,236	68,263
Total Long-Term Liabilities	$ 917,630	$ 64,784	$ 262,619	$ 719,795	$ 225,656

8. DEBT OBLIGATIONS

General information related to bonds payable is summarized below:

<u>Revenue Bonds</u>

- Combined Fee Revenue Bond, Series 2013
- To purchase and renovate a building in Stephenville to be used for instruction.
- Issued May 15, 2013.
- Original balance of $3,000,000 is payable in thirty semi-annual installments, which includes interest at a rate of 2.95%.
- Final installment is due June 1, 2028.
- Source of revenue for debt service – tuition and fees.
- Outstanding principal balance of $3,000,000 at August 31, 2013.

General information related to notes payable is summarized below:

<u>Maintenance Tax Note Payable</u>

- Maintenance Tax Notes, Series 2009
- To renovate and equip the real estate leased in Brown County for administrative offices and classrooms.
- Issued November 17, 2009.
- Original balance of $925,000 is payable in thirteen semi-annual installments, which includes interest at a rate of 4.5%.
- Final installment is due May 15, 2016.
- Source of revenue for debt service – unrestricted revenue.
- Outstanding principal balance of $461,869 and $602,090 at August 31, 2013 and August 31, 2012, respectively.

The maintenance tax notes payable is due in semi-annual installments of $82,838 with an interest rate of 4.5% with the final installment due May 15, 2016.

8. DEBT OBLIGATIONS (Continued)

Notes payable

Note Payable – First Financial Bank

- To purchase land and building in Comanche County.
- Issued September 1, 2004.
- Original balance of $142,000 is payable in 120 monthly installments of $1,577, which includes interest at a rate of 6%.
- Final installment due September 1, 2014.
- Source of revenue for debt service – unrestricted revenue.
- Outstanding balance of $37,469 at August 31, 2012.

Debt service requirements at August 31, 2013 were as follows:

	Maintenance Tax Note Payable			Revenue Bonds Payable		
Year Ended August 31,	Notes Principal	Interest	Total	Note Principal	Interest	Total
2014	$ 146,602	$ 19,075	$ 165,677	$ 160,000	$ 90,958	$ 250,958
2015	153,274	12,403	165,677	167,000	83,870	250,870
2016	161,993	5,429	167,422	172,000	78,854	250,854
2017	-	-	-	177,000	73,780	250,780
2018	-	-	-	182,000	68,558	250,558
2019-2023	-	-	-	993,000	259,040	1,252,040
2024-2028	-	-	-	1,149,000	103,603	1,252,603
Total	$ 461,869	$ 36,907	$ 498,776	$ 3,000,000	$ 758,663	$ 1,254,020

9. EMPLOYEES' RETIREMENT PLAN

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas.

Teacher Retirement System of Texas

Plan Description. The College contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of a 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.

9. EMPLOYEES' RETIREMENT PLAN (Continued)

Contribution rates and contributions for fiscal years 2013-2011 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

	Member		State		Statutory Minimum
Year	Rate	Amount	Rate	Amount	Amounts
2013	6.4%	$ 125,046	6.400%	$ 103,430	$ 228,476
2012	6.4%	$ 97,474	6.000%	$ 75,669	$ 173,143
2011	6.4%	$ 93,721	6.644%	$ 72,593	$ 166,314

Optional Retirement Plan

Plan Description. The State has also established an optional retirement program for institutions of higher education. 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% and 6.65%, respectively. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the College was $54,100 and $57,031 for the fiscal years ended August 31, 2013 and August 31, 2012, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was $4,052,031 and $3,634,545 for the fiscal years 2013 and 2012, respectively. The total payroll of employees covered by the Teacher Retirement System was $1,797,778 and $1,384,092, and the total payroll of employees covered by the Optional Retirement Program was $901,659 and $891,109 for fiscal years 2013 and 2012, respectively.

10. COMPENSABLE ABSENCES

Full-time employees earn annual leave at a rate of eight hours per month to a maximum of eighty hours each year. The College's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum of twenty days (160 hours). Employees who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for unpaid annual leave in the amount of $101,927 and $80,236 as of August 31, 2013 and August 31, 2012, respectively.

Sick leave is earned at the rate of eight hours per month per contract length and can be accumulated up to a maximum of 45 days (360 hours). The College's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since all accrued sick leave is forfeited by employees upon termination of employment.

11. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

In fiscal year 2013, the College rented facilities in Stephenville and Brownwood, Texas.

- The term of the Stephenville lease held for cosmetology instruction is $2,650 monthly rental for four years beginning on May 1, 2010 through April 30, 2014.
- The term of the Brownwood lease held for education instruction is amortized over a seven year period beginning July 1, 2009 through June 30, 2016 at $2,357 per month.
- The term of the Brownwood lease held for cosmetology instruction is $2,250 monthly rental for one year beginning January 1, 2013 through December 31, 2013.
- The term of the Olney lease held for education instruction is $300 monthly rental for 28 months beginning September 1, 2013 through January 1, 2018.

The College contracts with Stanley Convergent Security Solutions for security services on campus. The term of the contract is $2,304 quarterly beginning March 29, 2010 through March 29, 2015.

The College contracts with Blackboard to provide licensing for software for educational purposes. The term of the contract is annual installments ranging from $33,989 to $38,370 for five years beginning September 1, 2012.

The College entered into several 60 month operating leases with Xerox for copiers at various locations. The lease agreements are payable in monthly installments totaling $1,396, beginning February 2010.

Payments on the above leases of $163,427 and $119,057 were included in rent expense for the year ended August 31, 2013 and 2012, respectively.

The net future minimum lease rental payments under operating leases having an initial term in excess of one year as of August 31, 2013 are as follows:

Year Ended August 31,	Amount
2014	$ 113,046
2015	84,791
2016	66,555
2017	37,137
Total	$ 301,529

12. RISK MANAGEMENT

The College has the responsibility for making and carrying out decisions that will minimize the adverse effects of accidental losses that involve the College's assets. Accordingly, commercial insurance coverages are obtained to include general liability, property and casualty, employee and automobile liability, fidelity, public official's liability and certain other risks. The amounts of settlements during each of the past three fiscal years have not exceeded insurance coverage.

13. POST RETIREMENT, HEALTH CARE, AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the 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 $470 per month for the year ended August 31, 2013, and totaled $231,397 for the year. The cost of providing those benefits for 35 retirees was $210,510 and for 67 active employees amounted to $20,887. The State's contribution per full-time employee was $438 per month for the year ended August 31, 2012, and totaled $219,503 for the year. The cost of providing those benefits for 36 retirees was $201,902 and for 63 active employees amounted to $17,601.

14. 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 colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

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

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

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 No. 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 State's contributions to SRHP on the College's behalf for the years ended August 31, 2013, 2012, and 2011 were $231,397, $219,503, and $362,573, respectively, which equaled the required contributions each year. The College does not provide any other postemployment benefits other than those discussed in Notes 13 and 14.

15. AD VALOREM TAX

The College's ad valorem property taxes are 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, 2013	At August 31, 2012
Assessed Valuation of the College	$ 90,107,560	$ 90,726,248
Less: Exemptions	-	-
Less: Abatements	-	-
Net Assessed Valuation of the College	$ 90,107,560	$ 90,726,248

	Current Operations	Debt Service	Total
At August 31, 2013			
Tax Rate per $100 valuation of authorized	$ 0.50000	$ -	$ 0.50000
Tax Rate per $100 valuation of assessed	$ 0.27781	$ -	$ 0.27781
At August 31, 2012			
Tax Rate per $100 valuation of authorized	$ 0.50000	$ -	$ 0.50000
Tax Rate per $100 valuation of assessed	$ 0.27781	$ -	$ 0.27781

Taxes levied for the years ended August 31, 2013 and 2012 were $250,328, and $252,046, respectively. 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.

August 31, 2013	Current Operations	Debt Service	Total
Current Taxes Collected	$ 240,312	$ -	$ 240,312
Delinquent Taxes Collected	13,805	-	13,805
Penalties and Interest Collected	6,634	-	6,634
Total Collections	$ 260,751	$ -	$ 260,751

August 31, 2012	Current Operations	Debt Service	Total
Current Taxes Collected	$ 233,450	$ -	$ 233,450
Delinquent Taxes Collected	8,529	-	8,529
Penalties and Interest Collected	10,544	-	10,544
Total Collections	$ 252,523	$ -	$ 252,523

Tax collections for the years ended August 31, 2013 and 2012 were 104% and 96% of the current tax levy, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of current operations / maintenance.

16. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities.* Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contract and grant awards, funds expended, but not collected, are both included in Accounts Receivable (net) on Exhibit 1. Contract and grant awards that are not yet funded and for which the College 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 2013 and 2012 for which monies have not been received nor funds expended totaled $112,495 and $97,629, respectively, of which all were from Federal Contract and Grant Awards.

17. CONSTRUCTION COMMITMENT

On August 16, 2013, the College entered into a construction management agreement for the renovation of a building in Stephenville to be used for instruction. The College will pay a management fee of 6% of the total cost of the project in addition to construction costs which are guaranteed not to exceed a maximum price of $1,650,000. As of August 31, 2013, the College had not incurred costs related to this contract.

SUPPLEMENTAL INFORMATION

RANGER COLLEGE DISTRICT
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals August 31, 2013	Totals August 31, 2012
Tuition						
State Funded Credit Courses						
In-District Resident Tuition	$ 52,181	$ -	$ 52,181	$ -	$ 52,181	$ 37,319
Out-of-District Resident Tuition	2,991,295	-	2,991,295	-	2,991,295	2,748,430
Non-Resident Tuition	83,430	-	83,430	-	83,430	113,940
TPEG - credit (set aside)*	199,590	-	199,590	-	199,590	185,631
State Funded Continuing Education	360,468	-	360,468	-	360,468	142,036
Non-State Funded Continuing Education	-	-	-	-	-	-
Non-course remedial instruction	-	-	-	-	-	-
Total Tuition	3,686,964	-	3,686,964	-	3,686,964	3,227,356
Fees						
General Fee	655,529	-	655,529	-	655,529	553,429
Laboratory Fee	25,507	-	25,507	-	25,507	25,541
Registration fees	397,210	-	397,210	-	397,210	342,743
Educational Sercie fees	242,377	-	242,377	-	242,377	198,349
Other fees	204,728	-	204,728	-	204,728	129,763
Total Fees	1,525,351	-	1,525,351	-	1,525,351	1,249,825
Scholarship Allowances and Discounts						
Bad Debt Allowance	(503,414)	-	(503,414)	-	(503,414)	(69,434)
Scholarship Allowances	(597,706)	-	(597,706)	-	(597,706)	(322,069)
Title IV Federal Program	(2,437,457)	-	(2,437,457)	-	(2,437,457)	(1,842,432)
TPEG Awards	(83,126)	-	(83,126)	-	(83,126)	(55,696)
Other State Grants	(6,271)	-	(6,271)	-	(6,271)	(792)
Total Scholarship Allowances	(3,627,974)	-	(3,627,974)	-	(3,627,974)	(2,290,423)
Total Net Tuition and Fees	1,584,341	-	1,584,341	-	1,584,341	2,186,758
Additional Operating Revenues						
Federal Grants and Contracts	-	564,206	564,206	-	564,206	265,670
State Grants and Contracts	-	730,739	730,739	-	730,739	75,981
Local Grants and Contracts	245,000	-	245,000	-	245,000	216,550
Sales and Services of Educational Activities	69,373	-	69,373	-	69,373	142,864
Other Operating Revenues	342,825	-	342,825	-	342,825	79,471
Total Additional Operating Revenues	657,198	1,294,945	1,952,143	-	1,952,143	780,536
Auxiliary Enterprises						
Residential life	-	-	-	364,016	364,016	371,247
Less Discounts	-	-	-	(227,258)	(227,258)	(254,836)
Bookstore	-	-	-	469,191	469,191	486,121
Less Discounts	-	-	-	(189,087)	(189,087)	(316,150)
Food Services	-	-	-	876,124	876,124	728,874
Less Discounts	-	-	-	(527,870)	(527,870)	(506,604)
Total Net Auxiliary Enterprises	-	-	-	765,116	765,116	508,652
Total Operating Revenues	$ 2,241,539	$ 1,294,945	$ 3,536,484	$ 765,116	$ 4,301,600	$ 3,475,946
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, $199,590 and $185,631 for years August 31, 2013 and 2012, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

RANGER COLLEGE DISTRICT

Schedule B

Schedule of Operating Expenses by Object
For the Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	Operating Expenses				Totals	
		Benefits				
	Salaries and Wages	State Benefits	Local Benefits	Other Expenses	August 31, 2013	August 31, 2012
Unrestricted Educational Activities						
Instruction	$ 2,397,101	$ -	$ 393,779	448,985	$ 3,239,865	$ 2,810,600
Academic Support	290,418	-	47,708	39,280	377,406	477,809
Student Services	296,169	-	48,653	47,032	391,854	354,752
Institutional Support	465,225	-	76,424	763,175	1,304,824	935,276
Operation and Maintenance of Plant	149,488	-	218	441,803	591,509	620,897
Total Unrestricted Educational Activities	3,598,401	-	566,782	1,740,275	5,905,458	5,199,334
Restricted Educational Activities						
Instruction	88,117	257,158	-	682,771	1,028,046	371,117
Academic Support	228	31,156	-	-	31,384	50,082
Student Services	234,995	31,773	38,448	28,406	333,622	254,082
Institutional Support	1,519	49,908	-	-	51,427	47,014
Operation and Maintenance of Plant	29,978	-	-	-	29,978	16,487
Scholarships and Fellowships	-	-	-	663,361	663,361	636,989
Total Restricted Educational Activities	354,837	369,995	38,448	1,374,538	2,137,818	1,375,771
Total Educational Activities	3,953,238	369,995	605,230	3,114,813	8,043,276	6,575,105
Auxiliary Enterprises	98,793	-	-	1,620,212	1,719,005	1,698,492
Depreciation Expense - Buildings and Land Improvements	-	-	-	186,721	186,721	185,363
Depreciation Expense - Furniture, Machinery, Vehicles, and Other Equipment	-	-	-	67,744	67,744	49,737
Total Operating Expenses	$ 4,052,031	$ 369,995	$ 605,230	$ 4,989,490	$ 10,016,746	$ 8,508,697
					(Exhibit 2)	(Exhibit 2)

The accompanying Notes to the Financial Statements are an integral part of this statement.

RANGER COLLEGE DISTRICT
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	Unrestricted	Restricted	Auxiliary Enterprises	Totals August 31, 2013	Totals August 31, 2012
Non-Operating Revenues					
State Appropriations					
Education and General State Support	$ 2,748,719	$ -	$ -	$ 2,748,719	$ 2,208,261
State Group Insurance	-	231,397	-	231,397	219,503
State Retirement Matching	-	138,598	-	138,598	131,230
Total State Appropriations	2,748,719	369,995	-	3,118,714	2,558,994
Maintenance Ad Valorem Taxes	260,751	-	-	260,751	252,523
Federal Revenue, Non-Operating	-	3,738,783	-	3,738,783	3,315,444
Gifts	400	-	-	400	1,086
Investment Income	162,516	-	-	162,516	191,338
Total Non-Operating Revenue	3,172,386	4,108,778	-	7,281,164	6,319,385
Non-Operating Expenses					
Interest on Capital Related Debt	114,184	-	-	114,184	40,364
Total Non-Operating Expenses	114,184	-	-	114,184	40,364
Net Non-Operating Revenues (Expenses)	$ 3,058,202	$ 4,108,778	$ -	$ 7,166,980	$ 6,279,021
				(Exhibit 2)	(Exhibit 2)

RANGER COLLEGE DISTRICT
Schedule D
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	Detail by Source					Available for Current Operations	
		Restricted		Capital Assets			
	Unrestricted	Expendable	Non-Expendable	Net of Depreciation and Related Debt	Total	Yes	No
Current							
Unrestricted	$ 3,755,722	$	$	$	$ 3,755,722	$ 3,755,722	$
Board Designated					-		
Restricted					-		
Student Aid		411,183			411,183	411,183	
Instructional Programs					-		
Auxiliary Enterprises	385,845				385,845		385,845
Loan					-		
Endowment					-		
Quasi					-		
Unrestricted					-		
Restricted					-		
Endowment					-		
True					-		
Term (per instructions at maturity)					-		
Life Income Contracts					-		
Annuities					-		
Plant					-		
Unexpended					-		
Capital Projects		199,517			199,517		199,517
Debt Service		300,039			300,039		300,039
Investment in Plant				1,426,003	1,426,003		1,426,003
Totals							
Net Position, August 31, 2013	4,141,567	910,739	-	1,426,003	6,478,309 (Exhibit 1)	4,166,905	2,311,404
Net Position, August 31, 2012	3,183,944	589,479	-	1,253,052	5,026,475 (Exhibit 1)	3,178,585	1,847,890
Net Increase (Decrease) in Net Position	$ 957,623	$ 321,260	$ -	$ 172,951	$ 1,451,834 (Exhibit 2)	$ 988,320	$ 463,514

The accompanying Notes to the Financial Statements are an integral part of this statement.

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Regents
Ranger College District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Ranger College District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-001, 2013-002, 2013-003, and 2013-004 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-005, 2013-006, and 2013-007 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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*.

1207 Santa Fe Drive • Weatherford, Texas 76086 • 817-596-9301 • Fax 817-596-9304

Ranger College District's Response to Findings

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

Purpose of this Report

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

Snow Garrett Williams

Snow Garrett Williams
December 16, 2013

RANGER COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2013

There were no findings or questioned costs noted in the prior year relative to Federal or State awards.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

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

Federal and State Awards

Internal control over major programs:				
Material weakness(es) identified?	____	yes	X	no
Significant deficiencies identified that are not considered to be material weaknesses?	____	yes	X	none reported
Type of auditor's report issued on compliance for major programs:	unmodified			
Any audit findings disclosed that are required to be Reported in accordance with section 510(a) of Circular A-133?	____	yes	X	no

Identification of Major Programs:
Federal Awards
U.S. Department of Education:
Student Financial Assistance Cluster of Programs:

CFDA # 84.007	Federal Supplemental Education Opportunity Grant
CFDA # 84.033	Federal College Workstudy Program
CFDA # 84.063	Federal Pell Grant Program
CFDA # 84.268	Federal Direct Student Loans

State Awards
Texas Workforce Commission

N/A	Skills Development Fund Grant

Dollar threshold used to distinguish between Type A and Type B federal and state programs:	$ 300,000			
Auditee qualified as a low-risk auditee?	____	yes	X	no

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2013

Section II – Financial Statement Findings

Findings required to be reported in accordance with *Government Auditing Standards:*

2013-001 Financial Accounting and Reporting Process - Material Weakness
12-1
11-1 & Criteria: Timely and accurate financial reports are essential to perform analysis of financial condition,
10-1 review data for accuracy and completeness, monitor compliance with budget appropriations, prepare long-range financial plans and to safeguard assets.

Condition: Breakdowns in internal control occurred resulting in inadequate preparation and review of financial reports, accounting records, and reconciliations as well as errors in recording transactions in the in the general ledger. Material adjusting entries were necessary to correct the balances and transactions reported in the general ledger in order to prepare accurate financial statements.

Effect: Due to material audit adjustments to Student Accounts Receivable, Grant Receivables, Allowance for Uncollectibles, Prepaid Scholarships and Grants, Capital Assets, Accounts Payable, Insurance Liabilities, Payroll Related Liabilities, Student Refund Liabilities, Deferred Revenue, Long-Term Debt, Tuition Income, State Benefit Contribution and Expense, TPEG Revenue, Grant Expenses, Bad Debt Expense, Group Health Insurance Expense, Scholarship Expense, and Depreciation Expense in order to properly report the College's financial information for the fiscal year end, the financial reports prepared throughout the fiscal year could have been relied upon in error.

Cause: It appears these conditions are the result of weaknesses in internal controls regarding monitoring financial information, reconciliation of financial reports to related documentation, and recording transactions in the general ledger in a timely manner.

Auditor's Recommendation: The College should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring, including the preparation of reconciliations and recording of financial transactions in the general ledger in a timely manner to produce more useful and accurate financial reports.

2013-002 Basis of accounting used in preparing financial statements - Material Weakness
12-3
11-4 Criteria: The College's financial statements are required to be reported in accordance with Generally
10-4 Accepted Accounting Principles (GAAP) and on the accrual basis of accounting. When preparing the financial statements using the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liabilities are incurred.

Condition: The College did not prepare its financial statements or record financial transactions using the accrual basis of accounting as required by GAAP throughout the fiscal year. Expenses were recorded when checks were paid rather than when goods were received or services were performed. Also, revenue was recorded when funds were received rather than when services were provided to students until the software was updated in July 2013.

Effect: Using the improper basis of accounting to record financial transactions could result in revenue and expenses being under or over stated in the College's financial statements. As a result, material adjustments were necessary to adjust Tuition, Fees and related revenue, Accounts Receivable, and Accounts Payable.

Cause: Accurate reconciliations or listings of items included in Accounts Receivable and Accounts Payable could not be provided at year-end. Additionally, the College's accounting system was not properly designed for most of the year to report receivable and revenue transactions under the accrual basis of accounting.

Section II – Financial Statement Findings (Continued)

Auditor's recommendation: The College should prepare financial statements and record financial transactions using the accrual basis of accounting as required by GAAP, where the revenue is recognized and recorded in the general ledger and a related receivable is recorded when earned. When the payment is received, the receivable is relieved in the general ledger. The College should also consider using the accounts payable package as designed by including the actual date of the services performed or the date the goods were received as the invoice date to recognize and record the expense when the liability is incurred. When the check is written for these services or goods, the liability is relieved. The College should prepare accurate reconciliations and detail listings at year-end for Accounts Receivable and Accounts Payable.

2013-003 Detail listing of Student Accounts Receivable - Material Weakness

Criteria: A subledger of student accounts receivable from the student billing system is used to provide a detail list of outstanding receivables from student tuition, fees and related revenue.

Condition: The detail listing of student accounts receivable included a significant number of balances that were incorrect and the report total did not agree to the accounts receivable amount included in the general ledger.

Effect: The lack of maintaining an accurate detail listing of student accounts receivable could result in the misstatement of student accounts receivable as well as related tuition and fees.

Cause: Until fiscal year 2013, the student billing system was separate from the general ledger system and the two were not linked. Over time, without proper review of the detailed accounts receivable listing, differences occurred in accounts that were not timely reconciled and adjusted. These differences resulted in the total listing being materially different than the amount reported as accounts receivable in the general ledger.

Auditor's recommendation: The College should develop and implement procedures to ensure that student accounts receivable balances are correctly recorded in the general ledger and that the detailed accounts receivable listing is reconciled to the general ledger balance regularly.

2013-004 Recording capital asset additions - Material Weakness

Criteria: All of the College's capital asset additions should be recorded as capital assets including those that are purchased with grant funds.

Condition: Capital asset additions were not recorded correctly in the general ledger, especially additions purchased with grant funds.

Effect: The lack of consistently recording capital asset additions in the general ledger could result in the misstatement of capital asset and/or grant activity in the current period.

Cause: Improper recording of capital asset additions, especially additions purchased with grant funds, appears to be the result of College personnel not understanding how to properly record capital asset additions purchased with grant funds.

Auditor's recommendation: The College should record all capital asset additions, including those purchased with grant funds, as asset additions rather than expenses in the general ledger.
The College should also include grant capital asset purchases as disbursements for grant reporting purposes.

Section II – Financial Statement Findings (Continued)

2013-005 Adjusting journal entries - Significant Deficiency
12-4
11-6 & Criteria: Adjusting journal entries may significantly affect the general ledger. Proper preparation,
10-5 review, and approval of journal entries are crucial controls of financial reporting and accounting.

Condition: Journal entries recorded in the general ledger were not reviewed or properly classified in the general ledger and included limited explanations for the purpose of the adjustments.

Effect: Improper journal entries could result in significant errors in the general ledger or misstatements to the financial statements.

Cause: Improper journal entries appear to be caused by the lack of detailed explanations and a proper approval process for the adjustments.

Auditor's recommendation: The College should develop and implement controls over journal entries to assure that entries are properly prepared and reviewed. These controls over journal entries will ensure that the adjustments are being recorded correctly in the College's general ledger.

2013-006 Recording State benefit contributions - Significant Deficiency
12-5 &
11-7 Criteria: Noncash contributions from other entities for staff benefits should be recorded as revenues and expenses as required by Governmental Accounting Standards.

Condition: The College did not record revenues or expenses related to noncash contributions received from other entities for retirement benefits.

Effect: The lack of recording noncash contributions in the general ledger when benefits are received could result in misstated financial statements.

Cause: The unrecorded noncash contributions for retirement benefits appear to be the result of confusion regarding these types of transactions.

Auditor's recommendation: The College should develop and implement procedures and controls over recording revenues and expenses related to noncash contributions received from other entities on a monthly basis.

2013-007 Recording grant revenue and expenses - Significant Deficiency
& 12-6

Criteria: All of the College's operating and nonoperating grant funding should be recorded as revenue in the general ledger as related grant expenses are incurred.

Condition: Grant revenue and expenses were not recorded consistently in the general ledger. Also, student refund payments were recorded in liability accounts and the related grant expense for refunds was not recorded in the general ledger.

Effect: The lack of consistently recording grant revenues and expenses relating to current year receivables and payables could result in the misstatement of grant activity in the current period.

Cause: The unrecorded grant revenue and expenses appear to be a result of College personnel not understanding how to correctly record grant revenues and expenses.

Section II – Financial Statement Findings (Continued)

Auditor's recommendation: The College should record grant revenue as the related grant expenses are incurred. Additionally, grant expenses should be recorded as the expenses are incurred.

Section III – Federal and State Award Findings and Questioned Costs

Findings/Noncompliance	Program	Questioned Costs

No findings or questioned costs were noted.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2013

Ranger College respectfully submits the following corrective action plan for the year ended August 31, 2013.

The findings from the August 31, 2013 Schedule of Findings and Questioned Costs are discussed below. The finding numbers are consistent with the numbers assigned in the schedule.

Finding – Financial Statements

The College's Chief Financial Officer (CFO) agrees with the findings and the necessary corrective actions are being reviewed and implemented.

2013-001 Recommendation: The College should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring, including the preparation of reconciliations and recording of financial transactions in the general ledger in a timely manner to produce more useful and accurate financial reports.

Action Taken: The College will develop and implement policies and procedures related to financial reporting to produce more useful financial reports.

2013-002 Recommendation: The College should prepare financial statements and record financial transactions using the accrual basis of accounting as required by GAAP, where the revenue is recognized and recorded in the general ledger and a related receivable is recorded when earned. When the payment is received, the receivable is relieved in the general ledger. The College should also consider using the accounts payable package as designed by including the actual date of the services performed or the date the goods were received as the invoice date to recognize and record the expense when the liability is incurred. When the check is written for these services or goods, the liability is relieved. The College should prepare accurate reconciliations and detail listings at year-end for Accounts Receivable and Accounts Payable.

Action Taken: In July 2013, the College converted from a cash to accrual basis accounting system and will use this system to record revenue and expenditures properly in the general ledger.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2013

2013-003 Recommendation: The College should develop and implement procedures to ensure that student accounts receivable balances are correctly recorded in the general ledger and that the detailed accounts receivable listing is reconciled to the general ledger balance regularly.

Action Taken: In July 2013, the College converted from a cash to accrual basis accounting system and will use this system to record accounts receivable balances more accurately and will balance detailed receivable reports with the general ledger.

2013-004 Recommendation: The College should record all capital asset additions, including those purchased with grant funds, as asset additions rather than expenses in the general ledger. The College should also include grant capital asset purchases as disbursements for grant reporting purposes.

Action Taken: The College will record all captial asset additions including those purchased with grant funds. The College will also include grant capital asset puchases as disbursements for grant reporting.

2013-005 Recommendation: The College should develop and implement controls over journal entries to assure that entries are properly prepared and reviewed. These controls over journal entries will ensure that the adjustments are being recorded correctly in the College's general ledger.

Action Taken: The College will develop and implement controls over journal entries to ensure that adjustments are being recorded correctly.

2013-006 Recommendation: The College should develop and implement procedures and controls over recording revenues and expenses related to noncash contributions received from other entities on a monthly basis.

Action Taken: The College will record noncash revenues received from entities on a monthly basis.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2013

2013-007 Recommendation: The College should record grant revenue as the related grant expenses are incurred. Additionally, grant expenses should be recorded as the expenses are incurred.

Action Taken: The College will record grant revenue and expenses as they are incurred.

FEDERAL AWARDS SECTION

SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Regents
Ranger College District

Report on Compliance for Each Major Federal Program

We have audited Ranger College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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, Ranger College District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

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

1207 Santa Fe Drive • Weatherford, Texas 76086 • 817-596-9301 • Fax 817-596-9304

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.

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

Snow Garrett Williams

Snow Garrett Williams

December 16, 2013

RANGER COLLEGE DISTRICT
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
U.S. Department of Agriculture			
Direct Programs:			
Distance Learning and Telemedicine Grant Program	10.855		$ 289,810
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant	84.007		17,278
Federal College Workstudy Program	84.033		86,524
Federal Pell Grant Program	84.063		3,634,981
Federal Direct Student Loans	84.268		3,085,607
Total Student Financial Aid Cluster			6,824,390
TRIO Cluster			
TRIO - Student Support Services Grant	84.042A		200,525
Pass-Through From:			
Texas Higher Education Coordinating Board			
Career and Technical Education Basic Grants - Texas Counselors' Network	84.048	134252	73,871
Total U.S. Department of Education			7,098,786
Total Federal Financial Assistance			$ 7,388,596

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	$ 564,206
Add: Non-Operating Federal Revenue from Schedule C	3,738,783
Total Federal Revenues per Statement of Revenues, Expenses and changes in Net Assets	$ 4,302,989
Reconciling Items:	
Federal Direct Student Loans	3,085,607
Total Federal Revenues per Schedule of Expenditures of Federal Awards	$ 7,388,596

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 fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation to the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor CFDA Number / Program Name	New Loans Processed	Administrative Cost Recovered	Total Loans Processed & Admin Cost Recovered
U.S. Department of Education			
84.268 Federal Direct Student Loans	$3,085,607	$ -	$ 3,085,607

STATE AWARDS SECTION

RANGER COLLEGE DISTRICT
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2013

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Higher Education Coordinating Board		
Toward Excellence, Access, and Success (Texas)		
Initial Grant		$ 40,412
Renewal Grant		11,263
Texas Education Opportunity Grant	13399	28,673
Texas Workforce Commission		
Skills Development Fund - Fibergrate	0412SDF002	136,754
Skills Development Fund - Manufacturing Consortium	0412SDF004	513,637
Total State Financial Assistance		$ 730,739

See Notes to Schedule below.

Note 1: State Assistance Reconciliation

State Revenues - per Schedule of Expenditures of State Awards	
State Financial Assistance - per Schedule of Expenditures of State Awards	$ 730,739
Reconciling Items	-
Total State Revenues per Exhibit 2 and Schedule A	$ 730,739

Note 2: Significant Accounting Policies used in Preparing the Schedule.

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