

RANGER COLLEGE DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2014

RANGER COLLEGE DISTRICT

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RANGER COLLEGE DISTRICT

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**RANGER COLLEGE DISTRICT
ORGANIZATIONAL DATA
For the Year Ended August 31, 2014**

Board of Regents

Officers

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

Members

		<u>Term Expires</u>
Waymond Greenwood	Ranger, Texas	2020
Doug Crawley	Ranger, Texas	2020
A.J. Ratliff	Ranger, Texas	2020
Dr. Philip Webb	Ranger, 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. Bill Campion	President
Dr. Don Bostic	Executive Vice President - Brown County
Dr. Kerry Schindler	Vice President - Erath County
Dr. Billy Adams	Vice President for Student Instruction
Mr. Manuel McGriff	Vice President for Student Affairs
Mr. Jon Dixon Bailey	Vice President for Workforce Development
Dr. Marnita Guinn	Dean of Nursing
Mrs. Cherie Beltran	Dean of Administration
Mr. John Slaughter	Dean of Enrollment Management
Mr. Michael Winslow	Dean - Olney Center
Dr. Marlin Priddy	Director of Workforce Development
Mr. Robert Culverhouse	Chief Financial Officer

FINANCIAL SECTION



SNOW GARRETT 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, 2014 and 2013, 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, 2014 and 2013, 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.

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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of Texas *Single Audit Circular*, and is 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 12, 2014, 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 12, 2014

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2014 and 2013

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, 2014 and 2013. 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, 2013 to August 31, 2014 by \$1,960,281, and increased from August 31, 2012 to August 31, 2013 by \$1,451,834. As of August 31, 2014 and 2013, the College's net position was \$8,438,590 and \$6,478,309 which includes \$2,868,239 and \$1,426,003 in net investment in capital assets, \$789,511 and \$910,739 in restricted net position, and \$4,780,840 and \$4,141,567 in unrestricted net position, respectively.

Operating expenses for fiscal years 2014 and 2013 were \$11,373,403 and \$10,016,746, of which \$4,341,498 and \$4,267,911 were expended for instruction, \$1,813,592 and \$1,719,005 were expended for auxiliary enterprises, and \$1,474,521 and \$1,356,251 were expended for institutional support, respectively. In fiscal years 2014 and 2013, depreciation expense was \$353,020 and \$254,465, respectively.

Operating revenues for fiscal years 2014 and 2013 were \$5,686,098 and \$4,301,600, which includes \$2,736,891 and \$1,584,341 in tuition and fees (net of discounts), \$797,476 and \$765,116 in auxiliary revenue (net of discounts), and \$322,002 and \$564,206 in federal grants and contracts, respectively.

Net non-operating revenues for fiscal years 2014 and 2013 were \$7,647,586 and \$7,166,980, which includes \$3,864,190 and \$3,118,714 in state allocations, \$3,505,777 and \$3,738,783 in federal grants, and \$257,462 and \$260,751 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.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2014 and 2013

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, 2014, net position was \$8,438,590 which was an increase of \$1,960,281 from the period ended August 31, 2013. 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. The College's financial position remains strong with adequate liquid assets at a reasonable level of unrestricted net position.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2014 and 2013

Net Position
As of August 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$ 8,788,563	\$ 7,497,825	\$ 5,464,952
Non-current Assets			
Capital Assets, Net of Depreciation	6,333,479	3,504,837	1,878,188
Other	3,164,271	2,293,774	603,902
Total Assets	<u>18,286,313</u>	<u>13,296,436</u>	<u>7,947,042</u>
Current Liabilities	4,241,806	3,641,081	2,426,428
Non-current Liabilities	5,605,917	3,177,046	494,139
Total Liabilities	<u>9,847,723</u>	<u>6,818,127</u>	<u>2,920,567</u>
Net Position			
Net Investment in Capital Assets	2,868,239	1,426,003	1,253,052
Restricted for: Expendable	789,511	910,739	589,479
Unrestricted	4,780,840	4,141,567	3,183,944
Total Net Position	<u>\$ 8,438,590</u>	<u>\$ 6,478,309</u>	<u>\$ 5,026,475</u>

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 \$2,868,239 and \$1,426,003 at August 31, 2014 and 2013, 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, 2014 and 2013, an additional \$789,511 (or 9%) and \$910,739 (or 14%), 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, 2014 and 2013 (\$4,780,840 and \$4,141,567, respectively) may be used to meet the College's ongoing obligations.

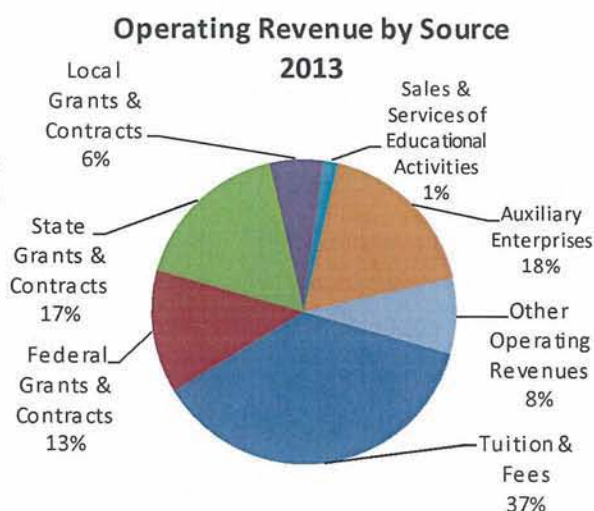
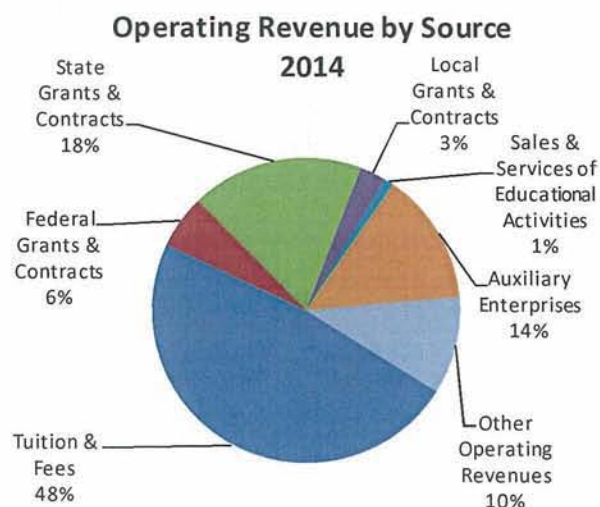
Statement of Revenues, Expenses and Changes in Net Position

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, 2014 and 2013

Operating Results for the Years Ended
August 31,

	2014	2013	2012
Operating Revenues			
Tuition and Fees (Less Discounts)	\$ 2,736,891	\$ 1,584,341	\$ 2,186,758
Federal Grants and Contracts	322,002	564,206	265,670
State Grants and Contracts	1,029,271	730,739	75,981
Local Grants and Contracts	156,150	245,000	216,550
Sales and Services of Educational Activities	57,053	69,373	142,864
Auxiliary Enterprises (Less Discounts)	797,476	765,116	508,652
Other Operating Revenues	587,255	342,825	79,471
Total Operating Revenues	<u>5,686,098</u>	<u>4,301,600</u>	<u>3,475,946</u>
Less Operating Expenses	11,373,403	10,016,746	8,508,697
Net Operating Loss	<u>(5,687,305)</u>	<u>(5,715,146)</u>	<u>(5,032,751)</u>
Non-Operating Revenues (Expenses)			
State Allocations	3,864,190	3,118,714	2,558,994
Ad-Valorem Taxes for Maintenance and Operations	257,462	260,751	252,523
Federal Revenue, Non-Operating	3,505,777	3,738,783	3,315,444
Gifts	1,604	400	1,086
Investment Income (Net of Investment Expense)	176,656	162,516	191,338
Interest on Capital Related Debt	(158,103)	(114,184)	(40,364)
Total Non-Operating Revenues (Expenses)	<u>7,647,586</u>	<u>7,166,980</u>	<u>6,279,021</u>
Change in Net Position	1,960,281	1,451,834	1,246,270
Net Position, Beginning of Year	6,478,309	5,026,475	3,780,205
Net Position, End of Year	<u>\$ 8,438,590</u>	<u>\$ 6,478,309</u>	<u>\$ 5,026,475</u>
Total Revenues	<u>\$ 13,491,787</u>	<u>\$ 11,582,764</u>	<u>\$ 9,795,331</u>

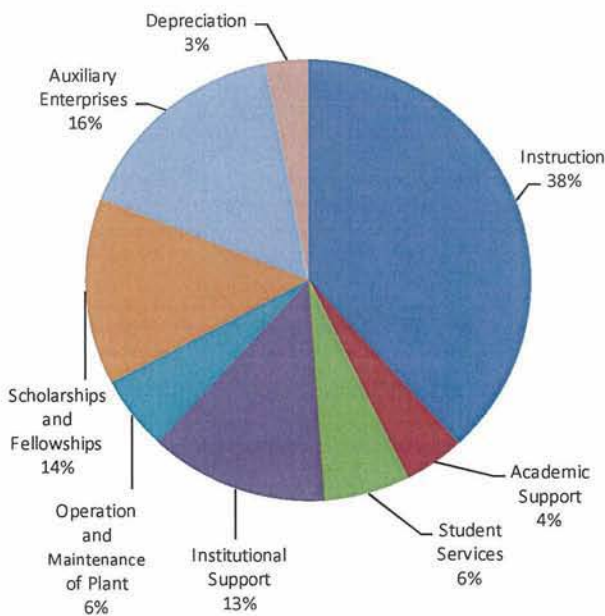


RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2014 and 2013

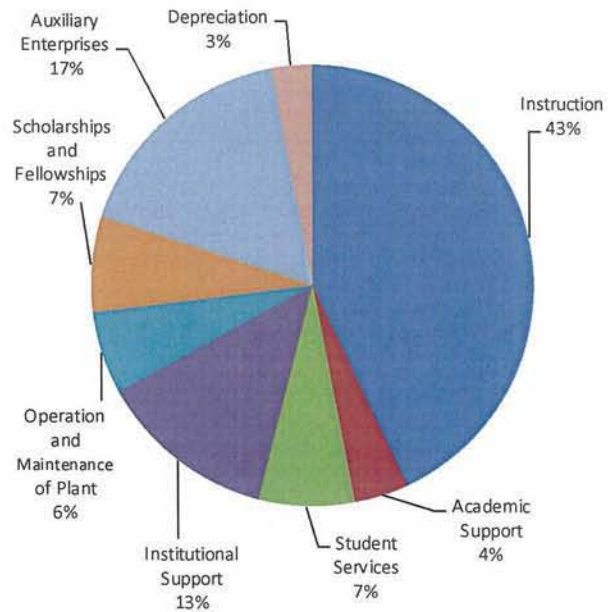
Operating Expenses
For the Years Ended August 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Expenses			
Instruction	\$ 4,341,498	\$ 4,267,911	\$ 3,181,717
Academic Support	505,337	408,790	527,891
Student Services	710,246	725,476	608,834
Institutional Support	1,474,521	1,356,251	982,290
Operation and Maintenance of Plant	626,424	621,487	637,384
Scholarships and Fellowships	1,548,765	663,361	636,989
Auxiliary Enterprises	1,813,592	1,719,005	1,698,492
Depreciation	353,020	254,465	235,100
Total	<u>\$ 11,373,403</u>	<u>\$ 10,016,746</u>	<u>\$ 8,508,697</u>
 Total Expenses (Including Interest Expense and Loss on Disposal of Capital Assets)	 <u>\$ 11,531,506</u>	 <u>\$ 10,130,930</u>	 <u>\$ 8,549,061</u>

Operating Expenses 2014



Operating Expenses 2013



RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2014 and 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The College's investment in total capital assets as of August 31, 2014 and 2013 amounts to \$6,333,479 and \$3,504,837, 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 an additional Stephenville campus location; and
- Construction in progress on the roofing project.

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

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

Capital Assets, Net
August 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital Assets			
Land	\$ 739,948	\$ 600,602	\$ 60,366
Construction in Progress	389,616	25,430	10,264
Building and Improvements	6,502,979	4,357,134	3,287,106
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	1,691,342	1,159,057	921,759
Total	<u>10,475,518</u>	<u>7,293,856</u>	<u>5,431,128</u>
Less Accumulated Depreciation	<u>(4,142,039)</u>	<u>(3,789,019)</u>	<u>(3,552,940)</u>
Net Capital Assets	<u>\$ 6,333,479</u>	<u>\$ 3,504,837</u>	<u>\$ 1,878,188</u>

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, 2014 and 2013, the College had total debt outstanding of \$5,840,000 and \$3,461,869, respectively. Of this amount, \$461,869 represents maintenance tax notes at August 31, 2013 and \$5,840,000 and \$3,000,000 represent bonds payable at August 31, 2014 and 2013, respectively. The College's total debt increased by a net amount of \$2,378,131, and increased by a net amount of \$2,822,310 during the fiscal years ending August 31, 2014 and 2013, respectively, due to regular scheduled payments and bond issuances.

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.

**RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2014 and 2013**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Regents adopted the College's 2014 – 2015 budget and tax rate on August 27, 2014. 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 2015, 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 renovation of the additional building in Erath County is expected to be a significant expense in fiscal year 2015.
- With the growing importance of testing due to state regulations, the College hired a full time employee in charge of testing and increased the expenses for testing.
- In anticipation of an increase in state grant funds, a VP of Workforce was budgeted for along with an increase in budgeted grant revenue.
- Continuing QEP enhancements were also a factor in the budget with purchases of new ITV equipment, computers, and updated internet service.
- With the increase of the student population there is an increase in extra-curricular student activities. This includes athletic teams, speech and debate, and rodeo. An increase in expenses including cost of tournaments, officials, and travel in each of these was anticipated.
- An increase use of instructors, counselors, and the IT director at satellite campuses was a factor in the budgeting of travel expenses. An increase in training and conferences for instructors was also included in travel expense increases.
- Debt service expense was a factor due to interest payments for the Combined Fee Revenue Bond, Series 2014.

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, 2014 and August 31, 2013

EXHIBIT 1

	2014	2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 5,166,485	\$ 3,815,452
Short-Term Investments	266,834	266,835
Accounts Receivable (net)	3,296,316	2,415,087
Prepaid Expenses	58,178	175,100
Other Assets - Current	-	824,601
Deposits	750	750
Total Current Assets	8,788,563	7,497,825
Non-Current Assets		
Restricted Cash and Cash Equivalents	2,827,245	1,976,749
Restricted Short-Term Investments	54,769	54,769
Other Long-Term Investments	282,257	262,256
Capital Assets, net of Accumulated Depreciation (See Note 6)	6,333,479	3,504,837
Total Non-Current Assets	9,497,750	5,798,611
Total Assets	\$ 18,286,313	\$ 13,296,436

RANGER COLLEGE DISTRICT
Statements of Net Position
August 31, 2014 and August 31, 2013

EXHIBIT 1

	2014	2013
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 435,075	\$ 333,327
Accrued Compensable Absences - Current Portion	81,010	80,148
Unearned Revenue	3,470,721	2,921,004
Notes Payable - Current Portion	-	146,602
Bonds Payable - Current Portion	255,000	160,000
Total Current Liabilities	4,241,806	3,641,081
Non-Current Liabilities		
Accrued Compensable Absences	20,917	21,779
Notes Payable	-	315,267
Bonds Payable	5,585,000	2,840,000
Total Non-Current Liabilities	5,605,917	3,177,046
Total Liabilities	9,847,723	6,818,127
NET POSITION		
Net Investment in Capital Assets	2,868,239	1,426,003
Restricted for:		
Expendable		
Student Aid	433,537	411,183
Debt Service	355,974	300,039
Other	-	199,517
Unrestricted	4,780,840	4,141,567
Total Net Position (Schedule D)	\$ 8,438,590	\$ 6,478,309

RANGER COLLEGE DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2014 and August 31, 2013

EXHIBIT 2

	2014	2013
REVENUES		
Operating Revenues		
Tuition and Fees (Net of Discounts of \$2,528,496 and \$3,627,974, respectively)	\$ 2,736,891	\$ 1,584,341
Federal Grants and Contracts	322,002	564,206
State Grants and Contracts	1,029,271	730,739
Local Grants and Contracts	156,150	245,000
Sales and Services of Educational Activities	57,053	69,373
Auxiliary Enterprises (Net of Discounts of \$1,002,079 and \$944,215, respectively)	797,476	765,116
Other Operating Revenues	587,255	342,825
Total Operating Revenues (Schedule A)	5,686,098	4,301,600
EXPENSES		
Operating Expenses		
Instruction	4,341,498	4,267,911
Academic Support	505,337	408,790
Student Services	710,246	725,476
Institutional Support	1,474,521	1,356,251
Operation and Maintenance of Plant	626,424	621,487
Scholarships and Fellowships	1,548,765	663,361
Auxiliary Enterprises	1,813,592	1,719,005
Depreciation	353,020	254,465
Total Operating Expenses (Schedule B)	11,373,403	10,016,746
Operating Loss	(5,687,305)	(5,715,146)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	3,864,190	3,118,714
Maintenance Ad Valorem Taxes	257,462	260,751
Federal Revenue, Non-Operating	3,505,777	3,738,783
Gifts	1,604	400
Investment Income	176,656	162,516
Interest on Capital Related Debt	(158,103)	(114,184)
Net Non-Operating Revenues (Expenses) (Schedule C)	7,647,586	7,166,980
Change in Net Position	1,960,281	1,451,834
NET POSITION		
Net Position - Beginning of Year	6,478,309	5,026,475
Net Position - End of Year	\$ 8,438,590	\$ 6,478,309

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, 2014 and August 31, 2013

EXHIBIT 3

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	\$ 4,143,690	\$ 3,265,233
Receipts from Grants and Contracts	1,623,246	1,344,744
Payments to or on Behalf of Employees	(5,195,945)	(4,611,357)
Payments to Suppliers for Goods or Services	(4,166,606)	(4,761,983)
Payments of Scholarships	(1,614,392)	(597,734)
Other receipts (payments)	587,255	342,825
Net Cash Used by Operating Activities	(4,622,752)	(5,018,272)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from State Appropriations	3,770,996	2,748,719
Receipts from Ad Valorem Taxes	249,351	267,627
Receipts from Non-Operating Federal Revenue	3,609,363	3,602,147
Receipts from Gifts and Grants (Other Than Capital)	1,604	400
Net Cash Provided by Non-Capital Financing Activities	7,631,314	6,618,893
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(3,181,661)	(1,881,114)
Proceeds from Revenue Bonds	3,000,000	3,000,000
Payments on Capital Debt - Principal	(621,869)	(177,690)
Payments on Capital Debt - Interest	(160,158)	(70,458)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(963,688)	870,738
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from Investment Earnings	156,655	144,996
Net Cash Provided by Investing Activities	156,655	144,996
Increase in Cash and Cash Equivalents	2,201,529	2,616,355
Cash and Cash Equivalents - September 1	5,792,201	3,175,846
Cash and Cash Equivalents - August 31	\$ 7,993,730	\$ 5,792,201
Reconciliation to Exhibit 1:		
Cash and Cash Equivalents	\$ 5,166,485	\$ 3,815,452
Restricted Cash and Cash Equivalents	2,827,245	1,976,749
Total Cash and Cash Equivalents	\$ 7,993,730	\$ 5,792,201
Non-Cash Investing Activities:		
Net Increase in Fair Value of Investments	\$ 20,001	\$ 17,520

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, 2014 and August 31, 2013

EXHIBIT 3

	2014	2013
Reconciliation of Operating Loss to Net Cash Used By		
Operating Activities:		
Operating Loss	\$ (5,687,305)	\$ (5,715,146)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating		
Activities:		
Depreciation Expense	353,020	254,465
Bad Debt Expense	270,479	503,414
Payments Made Directly by State for Benefits	93,194	369,995
Changes in Assets and Liabilities:		
Receivables, Net	(1,247,183)	(897,360)
Other Assets - Current	824,601	(445,280)
Prepaid Expenses	116,922	(134,307)
Accounts Payable	103,803	37,242
Unearned Revenue	549,717	987,014
Compensated Absences	-	21,691
	\$ (4,622,752)	\$ (5,018,272)

**NOTES TO THE
FINANCIAL STATEMENTS**

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

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 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.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

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.

Unearned 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 unearned revenue in the current fiscal year. Tuition and fees of \$3,470,721 and \$2,921,004 have been reported as unearned revenue at August 31, 2014 and August 31, 2013, 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, 2014 and 2013.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

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.

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.

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.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

4. DEPOSITS AND INVESTMENTS (Continued)

Cash and Deposits

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

<u>Cash and Cash Equivalents</u>	<u>August 31, 2014</u>	<u>August 31, 2013</u>
Bank Deposits		
Deposits with Financial Institutions	\$ 7,991,390	\$ 5,789,861
Total Bank Deposits	7,991,390	5,789,861
Petty Cash	2,340	2,340
Total Cash and Cash Equivalents	<u>\$ 7,993,730</u>	<u>\$ 5,792,201</u>

Investments

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

<u>Types of Investments</u>	<u>Credit Rating</u>	<u>Market Value August 31, 2014</u>	<u>Market Value August 31, 2013</u>
Short-Term Investments			
Certificates of Deposit - Current	n/a	\$ 266,834	\$ 266,835
Certificates of Deposit - Restricted	n/a	54,769	54,769
Total Short-Term Investments		321,603	321,604
Other Long-Term Investments			
US Common Stock:			
Chevron - 2,142 shares	AA	277,282	257,961
BP PLC - 104 shares	AA	4,975	4,295
Total Other Long-Term Investments		282,257	262,256
Total Investments		<u>\$ 603,860</u>	<u>\$ 583,860</u>

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, 2014 and August 31, 2013, 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, 2014 and August 31, 2013, 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, 2014 and August 31, 2013, 53% and 55%, respectively, of the College’s investments were included in certificates of deposit.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

4. DEPOSITS AND INVESTMENTS (Continued)

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 collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name. At August 31, 2014, the College's cash and cash equivalents were not exposed to custodial credit risk. At August 31, 2013, \$104,070 of the College's cash and cash equivalents and short-term investments were 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, 2014 and August 31, 2013, 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:

	<u>August 31, 2014</u>	<u>August 31, 2013</u>
Per Note 4:		
Cash and Cash Equivalents	\$ 7,993,730	\$ 5,792,201
Investments	<u>603,860</u>	<u>583,860</u>
Total Deposits and Investments	<u>\$ 8,597,590</u>	<u>\$ 6,376,061</u>
Per Exhibit 1:		
Cash and Cash Equivalents	\$ 5,166,485	\$ 3,815,452
Restricted Cash and Cash Equivalents	2,827,245	1,976,749
Short-Term Investments	266,834	266,835
Restricted Short-Term Investments	54,769	54,769
Other Long-Term Investments	<u>282,257</u>	<u>262,256</u>
Total Deposits and Investments	<u>\$ 8,597,590</u>	<u>\$ 6,376,061</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

5. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2014 and 2013 were as follows:

	<u>August 31, 2014</u>	<u>August 31, 2013</u>
Student Receivables (Net of Allowances of \$855,998 and \$611,952 for 2014 and 2013, respectively)	\$ 3,077,576	\$ 1,991,742
Taxes Receivable (Net of Allowances of \$22,479 and \$22,917 for 2014 and 2013, respectively)	43,251	35,140
Federal, State, and Local Grants Receivable	141,852	361,261
Other Accounts Receivable	<u>33,637</u>	<u>26,944</u>
Total Accounts Receivable	<u>\$ 3,296,316</u>	<u>\$ 2,415,087</u>

Payables

Payables at August 31, 2014 and 2013 were as follows:

	<u>August 31, 2014</u>	<u>August 31, 2013</u>
Vendor Payable	\$ 407,827	\$ 219,466
Student Payable	-	65,627
Salary and Benefit Payable	-	18,931
Accrued Interest	27,248	29,303
Total Accounts Payable	<u>\$ 435,075</u>	<u>\$ 333,327</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

6. CAPITAL ASSETS

Capital assets activity for the years ended August 31, 2014 and 2013 was as follows:

	Balance 9/1/2013	Increases	Decreases	Balance 8/31/2014
<u>Not Depreciated:</u>				
Land	\$ 600,602	\$ 139,346	\$ -	\$ 739,948
Construction in Progress	25,430	389,616	25,430	389,616
Subtotal	<u>626,032</u>	<u>528,962</u>	<u>25,430</u>	<u>1,129,564</u>
<u>Other Capital Assets:</u>				
Buildings and Improvements	4,357,134	2,145,845	-	6,502,979
Land Improvements	298,608	-	-	298,608
Leasehold Improvements	702,840	-	-	702,840
Library Books	150,185	-	-	150,185
Vehicles and Equipment	1,159,057	532,285	-	1,691,342
Subtotal	<u>6,667,824</u>	<u>2,678,130</u>	<u>-</u>	<u>9,345,954</u>
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	2,276,310	90,564	-	2,366,874
Land Improvements	234,588	6,089	-	240,677
Leasehold Improvements	371,492	117,393	-	488,885
Library Books	89,087	10,014	-	99,101
Vehicles and Equipment	817,542	128,960	-	946,502
Subtotal	<u>3,789,019</u>	<u>353,020</u>	<u>-</u>	<u>4,142,039</u>
Net Other Capital Assets	<u>2,878,805</u>	<u>2,325,110</u>	<u>-</u>	<u>5,203,915</u>
Net Capital Assets	<u>\$ 3,504,837</u>	<u>\$ 2,854,072</u>	<u>\$ 25,430</u>	<u>\$ 6,333,479</u>

	Balance 9/1/2012	Increases	Decreases	Balance 8/31/2013
<u>Not Depreciated:</u>				
Land	\$ 60,366	\$ 540,236	\$ -	\$ 600,602
Construction in Progress	10,264	25,430	10,264	25,430
Subtotal	<u>70,630</u>	<u>565,666</u>	<u>10,264</u>	<u>626,032</u>
<u>Other Capital Assets:</u>				
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	<u>5,360,498</u>	<u>1,325,712</u>	<u>18,386</u>	<u>6,667,824</u>
<u>Accumulated Depreciation:</u>				
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	<u>3,552,940</u>	<u>254,465</u>	<u>18,386</u>	<u>3,789,019</u>
Net Other Capital Assets	<u>1,807,558</u>	<u>1,071,247</u>	<u>-</u>	<u>2,878,805</u>
Net Capital Assets	<u>\$ 1,878,188</u>	<u>\$ 1,636,913</u>	<u>\$ 10,264</u>	<u>\$ 3,504,837</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

7. LONG-TERM LIABILITIES

Long-term liability activity for the years ended August 31, 2014 and 2013 was as follows:

	Balance September 1, 2013	Additions	Reductions	Balance August 31, 2014	Current Portion
Revenue Bonds Payable	\$ 3,000,000	\$ 3,000,000	\$ 160,000	\$ 5,840,000	\$ 255,000
Maintenance Tax Note Payable	461,869	-	461,869	-	-
Compensated Absences	101,927	80,943	80,943	101,927	81,010
Total Long-Term Liabilities	\$ 3,563,796	\$ 3,080,943	\$ 702,812	\$ 5,941,927	\$ 336,010

	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

8. DEBT OBLIGATIONS

General information related to bonds payable is summarized below:

Revenue Bonds

- 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 varying from \$160,000 to \$243,000, 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 \$2,840,000 and \$3,000,000 at August 31, 2014 and August 31, 2013, respectively.

Revenue Bonds

- Combined Fee Revenue Bond, Series 2014
- To purchase and renovate a building in Stephenville to be used for instruction.
- Issued July 1, 2014.
- Original balance of \$3,000,000 is payable in forty semi-annual installments varying from \$88,000 to \$215,000, which includes interest at a rate of 4.1%.
- Final installment is due August 15, 2034.
- Source of revenue for debt service – tuition and fees.
- Outstanding principal balance of \$3,000,000 at August 31, 2014.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

8. DEBT OBLIGATIONS (Continued)

General information related to notes payable is summarized below:

Maintenance Tax Note Payable

- 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 of \$82,838, which includes interest at a rate of 4.5%.
- Final installment was due May 15, 2016, however the note payable was paid in full in fiscal year 2014.
- Source of revenue for debt service – unrestricted revenue.
- Outstanding principal balance of \$461,869 at August 31, 2013, respectively.

Debt service requirements at August 31, 2014 were as follows:

Year Ended August 31,	Revenue Bonds Payable		
	Note Principal	Interest	Total
2015	\$ 255,000	\$ 219,080	\$ 474,080
2016	276,000	198,246	474,246
2017	285,000	188,908	473,908
2018	295,000	179,258	474,258
2019	305,000	169,258	474,258
2020-2024	1,687,000	683,702	2,370,702
2024-2028	1,745,000	375,729	2,120,729
2024-2028	992,000	125,293	1,117,293
Total	\$ 5,840,000	\$2,139,474	\$7,979,474

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. 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, or contribution reductions, 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. Senate Bill (S.B.) 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

9. EMPLOYEES' RETIREMENT PLAN (Continued)

Contribution rates and contributions for fiscal years 2014-2012 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					
Year	Member		State		Statutory Minimum Amounts
	Rate	Amount	Rate	Amount	
2014	6.4%	\$ 136,166	6.8%	\$ 60,794	\$ 196,960
2013	6.4%	\$ 125,046	6.4%	\$ 103,430	\$ 228,476
2012	6.4%	\$ 97,474	6.0%	\$ 75,669	\$ 173,143

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 6.6% 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. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the College was \$32,400 and \$54,100 for the fiscal years ended August 31, 2014 and August 31, 2013, 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 \$4,196,832 and \$4,052,031 for the fiscal years 2014 and 2013, respectively. The total payroll of employees covered by the Teacher Retirement System was \$1,992,401 and \$1,797,778, and the total payroll of employees covered by the Optional Retirement Program was \$981,812 and \$901,659 for fiscal years 2014 and 2013, 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 as of August 31, 2014 and August 31, 2013.

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.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

11. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

In fiscal year 2014, the College rented facilities in Stephenville and Brownwood, Texas.

- 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 three years beginning January 1, 2013 through December 31, 2015.
- 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. An additional space was leased for twelve months beginning May 1, 2014 for \$400 a month.

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 \$141,6456 and \$163,427 were included in rent expense for the year ended August 31, 2014 and 2013, respectively.

The net future minimum lease rental payments under operating leases having an initial term in excess of one year as of August 31, 2014 are as follows:

<u>Year Ended</u> <u>August 31,</u>	<u>Amount</u>
2015	\$ 96,991
2016	66,555
2017	<u>37,137</u>
Total	<u><u>\$ 200,683</u></u>

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.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

13. HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was \$503 per month for the year ended August 31, 2014, and totaled \$380,213 for the year. The cost of providing those benefits for 35 retirees was \$217,056 and for 64 active employees amounted to \$163,157. 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. S.B. 1812, effective September 1, 2013, limits the amount of the State's contribution to 50% of eligible employees in the reporting district.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. The 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.

Beginning September 1, 2013, SB 1812 limited the State's contribution to 50% of eligible employees for community colleges.

The College's contributions to SRHP for the years ended August 31, 2014, 2013, and 2012 were \$380,213, \$231,397, and \$219,503, 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.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

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, 2014	At August 31, 2013
Assessed Valuation of the College	\$ 104,579,300	\$ 90,107,560
Less: Exemptions	-	-
Less: Abatements	-	-
	\$ 104,579,300	\$ 90,107,560

	Current Operations	Debt Service	Total
At August 31, 2014			
Tax Rate per \$100 valuation of authorized	\$ 0.50000	\$ -	\$ 0.50000
Tax Rate per \$100 valuation of assessed	\$ 0.24333	\$ -	\$ 0.24333
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

Taxes levied for the years ended August 31, 2014 and 2013 were \$254,472, and \$250,328, 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, 2014			
	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 237,012	\$ -	\$ 237,012
Delinquent Taxes Collected	14,543	-	14,543
Penalties and Interest Collected	5,907	-	5,907
	\$ 257,462	\$ -	\$ 257,462

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
	\$ 260,751	\$ -	\$ 260,751

Tax collections for the years ended August 31, 2014 and 2013 were 101% and 104% 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.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2014 and August 31, 2013

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 2014 and 2013 for which monies have not been received nor funds expended totaled \$695,052 and \$112,495, respectively, of which all were from Federal Contract and Grant Awards.

SUPPLEMENTAL INFORMATION

RANGER COLLEGE DISTRICT
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals	
					August 31, 2014	August 31, 2013
Tuition						
State Funded Credit Courses						
In-District Resident Tuition	\$ 24,334	\$ -	\$ 24,334	\$ -	\$ 24,334	\$ 52,181
Out-of-District Resident Tuition	3,141,406	-	3,141,406	-	3,141,406	2,991,295
Non-Resident Tuition	98,294	-	98,294	-	98,294	83,430
TPEG - credit (set aside)*	222,259	-	222,259	-	222,259	199,590
State Funded Continuing Education	219,078	-	219,078	-	219,078	360,468
Non-State Funded Continuing Education	-	-	-	-	-	-
Non-course remedial instruction	-	-	-	-	-	-
Total Tuition	3,705,371	-	3,705,371	-	3,705,371	3,686,964
Fees						
General Fee	635,146	-	635,146	-	635,146	655,529
Laboratory Fee	33,803	-	33,803	-	33,803	25,507
Registration fees	381,452	-	381,452	-	381,452	397,210
Educational Service fees	240,583	-	240,583	-	240,583	242,377
Other fees	269,032	-	269,032	-	269,032	204,728
Total Fees	1,560,016	-	1,560,016	-	1,560,016	1,525,351
Scholarship Allowances and Discounts						
Bad Debt Allowance	(270,479)	-	(270,479)	-	(270,479)	(503,414)
Scholarship Allowances	(443,990)	-	(443,990)	-	(443,990)	(597,706)
Title IV Federal Program	(1,662,307)	-	(1,662,307)	-	(1,662,307)	(2,437,457)
TPEG Awards	(136,251)	-	(136,251)	-	(136,251)	(83,126)
Other State Grants	(15,469)	-	(15,469)	-	(15,469)	(6,271)
Total Scholarship Allowances	(2,528,496)	-	(2,528,496)	-	(2,528,496)	(3,627,974)
Total Net Tuition and Fees	2,736,891	-	2,736,891	-	2,736,891	1,584,341
Additional Operating Revenues						
Federal Grants and Contracts	-	322,002	322,002	-	322,002	564,206
State Grants and Contracts	-	1,029,271	1,029,271	-	1,029,271	730,739
Local Grants and Contracts	156,150	-	156,150	-	156,150	245,000
Sales and Services of Educational Activities	57,053	-	57,053	-	57,053	69,373
Other Operating Revenues	587,255	-	587,255	-	587,255	342,825
Total Additional Operating Revenues	800,458	1,351,273	2,151,731	-	2,151,731	1,952,143
Auxiliary Enterprises						
Residential life	-	-	-	375,648	375,648	364,016
Less Discounts	-	-	-	(213,797)	(213,797)	(227,258)
Bookstore	-	-	-	503,006	503,006	469,191
Less Discounts	-	-	-	(266,800)	(266,800)	(189,087)
Food Services	-	-	-	920,901	920,901	876,124
Less Discounts	-	-	-	(521,482)	(521,482)	(527,870)
Total Net Auxiliary Enterprises	-	-	-	797,476	797,476	765,116
Total Operating Revenues	\$ 3,537,349	\$ 1,351,273	\$ 4,888,622	\$ 797,476	\$ 5,686,098	\$ 4,301,600
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$222,259 and \$199,590 for years August 31, 2014 and 2013, 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, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	Operating Expenses				Totals	
	Salaries and Wages	Benefits		Other Expenses	August 31, 2014	August 31, 2013
		State Benefits	Local Benefits			
Unrestricted Educational Activities						
Instruction	\$ 2,439,517	\$ -	\$ 662,684	453,141	\$ 3,555,342	\$ 3,239,865
Academic Support	329,757	-	89,577	67,376	486,710	377,406
Student Services	336,073	-	91,293	67,988	495,354	391,854
Institutional Support	502,966	-	136,628	821,937	1,461,531	1,304,824
Operation and Maintenance of Plant	150,899	-	-	460,008	610,907	591,509
Total Unrestricted Educational Activities	3,759,212	-	980,182	1,870,450	6,609,844	5,905,458
Restricted Educational Activities						
Instruction	133,467	63,007	-	589,682	786,156	1,028,046
Academic Support	10,110	8,517	-	-	18,627	31,384
Student Services	172,176	8,680	-	34,036	214,892	333,622
Institutional Support	-	12,990	-	-	12,990	51,427
Operation and Maintenance of Plant	15,517	-	-	-	15,517	29,978
Scholarships and Fellowships	-	-	-	1,548,765	1,548,765	663,361
Total Restricted Educational Activities	331,270	93,194	-	2,172,483	2,596,947	2,137,818
Total Educational Activities	4,090,482	93,194	980,182	4,042,933	9,206,791	8,043,276
Auxiliary Enterprises	106,350	-	-	1,707,242	1,813,592	1,719,005
Depreciation Expense - Buildings and Land Improvements	-	-	-	214,047	214,047	186,721
Depreciation Expense - Furniture, Machinery, Vehicles, and Other Equipment	-	-	-	138,973	138,973	67,744
Total Operating Expenses	\$ 4,196,832	\$ 93,194	\$ 980,182	\$ 6,103,195	\$ 11,373,403 (Exhibit 2)	\$ 10,016,746 (Exhibit 2)

RANGER COLLEGE DISTRICT
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Totals</u>	
				<u>August 31, 2014</u>	<u>August 31, 2013</u>
Non-Operating Revenues					
State Appropriations					
Education and General State Support	\$ 3,374,476	\$ -	\$ -	\$ 3,374,476	\$ 2,748,719
State Group Insurance	-	380,213	-	380,213	231,397
State Retirement Matching	-	93,194	-	93,194	138,598
Professional Nursing Shortage Reduction	-	16,307	-	16,307	-
Total State Appropriations	<u>3,374,476</u>	<u>489,714</u>	<u>-</u>	<u>3,864,190</u>	<u>3,118,714</u>
Maintenance Ad Valorem Taxes	257,462	-	-	257,462	260,751
Federal Revenue, Non-Operating	-	3,505,777	-	3,505,777	3,738,783
Gifts	1,604	-	-	1,604	400
Investment Income	<u>176,656</u>	<u>-</u>	<u>-</u>	<u>176,656</u>	<u>162,516</u>
Total Non-Operating Revenue	3,810,198	3,995,491	-	7,805,689	7,281,164
Non-Operating Expenses					
Interest on Capital Related Debt	<u>158,103</u>	<u>-</u>	<u>-</u>	<u>158,103</u>	<u>114,184</u>
Total Non-Operating Expenses	<u>158,103</u>	<u>-</u>	<u>-</u>	<u>158,103</u>	<u>114,184</u>
Net Non-Operating Revenues (Expenses)	<u>\$ 3,652,095</u>	<u>\$ 3,995,491</u>	<u>\$ -</u>	<u>\$ 7,647,586</u> (Exhibit 2)	<u>\$ 7,166,980</u> (Exhibit 2)

RANGER COLLEGE DISTRICT
Schedule D
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Not of Depreciation and Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ 4,409,034	\$	\$	\$	\$ 4,409,034	\$ 4,409,034	\$
Board Designated					-		
Restricted					-		
Student Aid		433,537			433,537	433,537	
Instructional Programs					-		
Auxiliary Enterprises	371,806				371,806		371,806
Loan					-		
Endowment					-		
Quasi					-		
Unrestricted					-		
Restricted					-		
Endowment					-		
True					-		
Term (per instructions at maturity)					-		
Life Income Contracts					-		
Annuities					-		
Plant					-		
Unexpended					-		
Capital Projects		-			-		-
Debt Service		355,974			355,974		355,974
Investment in Plant				2,868,239	2,868,239		2,868,239
Totals							
Net Position, August 31, 2014	4,780,840	789,511	-	2,868,239	8,438,590	4,842,571	3,596,019
					(Exhibit 1)		
Net Position, August 31, 2013	4,141,567	910,739	-	1,426,003	6,478,309	4,166,905	2,311,404
					(Exhibit 1)		
Net Increase (Decrease) in Net Position	<u>\$ 639,273</u>	<u>\$ (121,228)</u>	<u>\$ -</u>	<u>\$ 1,442,236</u>	<u>\$ 1,960,281</u>	<u>\$ 675,666</u>	<u>\$ 1,284,615</u>
					(Exhibit 2)		

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



SNOW GARRETT 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ranger College District, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 12, 2014.

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 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 2014-001, 2014-002, 2014-003, and 2014-004 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 2014-005, 2014-006, and 2014-007 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*.

We have performed tests designed to verify the College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2014, no instances of noncompliance were noted.

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
December 12, 2014

RANGER COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2014

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, 2014

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 - Manufacturing Consortium
N/A	Skills Development Fund - Oil and Gas Initiative

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, 2014

Section II – Financial Statement Findings

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

2014-001 Financial Accounting and Reporting Process - Material Weakness

2013-001

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

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

Effect: Due to material audit adjustments to numerous accounts, financial reports prepared throughout the fiscal year could have been relied upon in error.

Cause: It appears that 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 continue developing and implementing 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.

2014-002 Reporting of Accounts Payable - Material Weakness

Criteria: The College's financial statements are required to be reported in accordance with Generally 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 accrued several expenses in which the liabilities were incurred prior to August 31, 2014. However there were numerous additional fiscal year 2014 expenses that were not properly accrued at year end and were recorded when paid.

Effect: Not properly accruing for expenses throughout the year could result in expenses being under or over stated in the College's financial statements. As a result, material adjustments were necessary to record additional Accounts Payable at year-end.

Cause: As the accrual basis of accounting was not consistently applied throughout the year for disbursements, several expenses that should have been accrued were overlooked and recorded in the general ledger when they were paid.

Auditor's recommendation: The College should prepare financial statements and record financial transactions consistently throughout the year using the accrual basis of accounting as required by GAAP. Additionally, the College should 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 will be relieved.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2014

Section II – Financial Statement Findings (Continued)

2014-003 Student Accounts Receivable and Related Tuition and Fee Revenues - Material Weakness

Criteria: The student billing system within POISE is used to track the student's charges and payments received. The system includes assigned transaction codes for the revenue (charges) and how the receivable is relieved. Amounts are transferred into the general ledger accounts based on how the transaction codes are assigned.

Condition: The detail reports from the student billing system did not agree to the general ledger based on the transaction types.

Effect: The lack of reconciling the student billing system reports to the general ledger and updating transaction codes as necessary could result in the misstatement of student accounts receivable or unearned revenue as well as related tuition and fee revenues.

Cause: Until fiscal year 2013, the student billing system was separate from the general ledger system and the two were not linked. Since the update, proper review of the student billing system reports to the general ledger has not occurred and differences in accounts and transaction codes are not being reconciled to the general ledger. These differences resulted in the total listing of receivables, unearned revenue and various types of tuition and fee revenues being materially different than the amounts reported in the general ledger.

Auditor's recommendation: The College should develop and implement procedures to ensure that student billing system transactions are correctly recorded in the general ledger and that the detailed accounts receivable listing, unearned revenue, and tuition and fee revenues are reconciled to the general ledger balance regularly.

2014-004 Recording capital asset additions - Material Weakness
& 2013-004

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.

2014-005 Adjusting journal entries - Significant Deficiency
2013-005

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

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.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2014

Section II – Financial Statement Findings (Continued)

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

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.

2014-006 Recording State benefit contributions - Significant Deficiency

2013-006

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.

2014-007 Recording grant receivable, revenue and expenses - Significant Deficiency

2013-007

& 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. Grant receivables should also be recorded as revenue is recognized.

Condition: Grant receivable, revenue and expenses were not recorded consistently 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 receivables, revenues and expenses.

Auditor's recommendation: The College should record grant receivable and 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, 2014

Ranger College respectfully submits the following corrective action plan for the year ended August 31, 2014.

The findings from the August 31, 2014 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.

2014-001 Recommendation: The College should continue developing and implementing 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 continue to develop and implement policies and procedures regarding the controls of financial reports including the proper recording of financial transactions in the general ledger and monthly reconciliations of financial reports.

2014-002 Recommendation: The College should prepare financial statements and record financial transactions consistently throughout the year using the accrual basis of accounting as required by GAAP. Additionally, the College should 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 will be relieved.

Action Taken: The College will record accounts payable financial transactions using the actual date of service or invoice date for payables throughout the fiscal year. Invoices will be entered in the accounting system when received and will be paid based upon the terms of each invoice.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2014

2014-003 Recommendation: The College should develop and implement procedures to ensure that student billing system transactions are correctly recorded in the general ledger and that the detailed accounts receivable listing, unearned revenue, and tuition and fee revenues are reconciled to the general ledger balance regularly.

Action Taken: The College will implement policies and procedures to reconcile the transactions between the student billing system and general ledger accounts. The list of transaction codes will be reviewed each semester to ensure proper credits and debits to the correct general ledger accounts.

2014-004 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 develop policies and procedures to ensure the proper recording of capital assets in the general ledger. This will also include the proper documentation for grant recording and reporting.

2014-005 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 continue to develop procedures to closely prepare and review all journal entries. These procedures will include the approval of the supervisor of the preparer and the review of each entry in the general ledger after the process has been completed to assure proper adjustments.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2014

2014-006 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 contributions received on a monthly basis and will reconcile the appropriate general ledger accounts to ensure proper documentation.

2014-007 Recommendation: The College should record grant receivable and 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 grants receivable, revenue, and expenses throughout the year as they are incurred.

FEDERAL AWARDS SECTION



SNOW GARRETT 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
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

To the Board of Regents
Ranger College District

Report on Compliance for Each Major Federal and State Program

We have audited Ranger College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2014. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal and State Program

In our opinion, 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 and state programs for the year ended August 31, 2014.

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 and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, slightly slanted style.

Snow Garrett Williams

December 12, 2014

RANGER COLLEGE DISTRICT
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2014

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		\$ 32,694
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant	84.007		27,454
Federal College Workstudy Program	84.033		79,960
Federal Pell Grant Program	84.063		3,398,363
Federal Direct Student Loans	84.268		2,861,845
Total Student Financial Aid Cluster			<u>6,367,622</u>
TRIO Cluster			
TRIO - Student Support Services Grant	84.042A		202,232
Pass-Through From:			
Texas Higher Education Coordinating Board			
Career and Technical Education Basic Grants -			
Texas Counselors' Network	84.048	134252	87,076
Total U.S. Department of Education			<u>6,656,930</u>
Total Federal Financial Assistance			<u>\$ 6,689,624</u>

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	\$ 322,002
Add: Non-Operating Federal Revenue from Schedule C	3,505,777
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets	<u>\$ 3,827,779</u>
Reconciling Items:	
Federal Direct Student Loans	2,861,845
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 6,689,624</u>

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

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The 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	<u>\$ 2,861,845</u>	<u>\$ -</u>	<u>\$ 2,861,845</u>

STATE AWARDS SECTION

RANGER COLLEGE DISTRICT
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2014

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Higher Education Coordinating Board Professional Nursing Shortage Reduction		\$ 16,307
Toward Excellence, Access, and Success (Texas) Initial Grant		115,949
Texas Education Opportunity Grant	13399	40,934
Texas Workforce Commission Skills Development Fund - Manufacturing Consortium	0412SDF004	503,051
Skills Development Fund - Oil and Gas Initiative	0413SDF003	125,489
Skills Development Fund - Pal-Con, LTD., and and Schreiber Foods, Inc.	0413SDF004	<u>243,848</u>
Total State Financial Assistance		<u>\$ 1,045,578</u>

See Notes to Schedule below.

Note 1: State Assistance Reconciliation

State Financial Assistance - per Schedule of Expenditures of State Awards	\$ 1,045,578
Reconciling Items Professional Nursing Shortage Reduction reported on Schedule C	<u>(16,307)</u>
Total State Revenues per Exhibit 2 and Schedule A	<u>\$ 1,029,271</u>

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.

