

RANGER COLLEGE DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016**

Board of Regents

Officers

Jackie Stephens	Chairman
Ron Butler	Vice Chairman
Dr. Philip Webb	Secretary

Members

		<u>Term Expires</u>
Ron Butler	Ranger, Texas	2018
Joe Walraven	Ranger, Texas	2018
Gay A. Wolford	Ranger, Texas	2018
Doug Crawley	Ranger, Texas	2020
Jo Ann Greenwood	Ranger, Texas	2018
Bobby Murry	Ranger, Texas	2020
Dr. Philip Webb	Ranger, Texas	2022
Sandi Herod	Ranger, Texas	2022
Jackie Stephens	Ranger, Texas	2022

Key Administrative Personnel

Dr. Bill Campion	President
Dr. Orlando Moreno	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 Services
Mr. Jon Dixon Bailey	Vice President for Workforce Development
Mr. Paul Woodfin	Vice President for Business Services/CFO
Mrs. Cherie Beltran	Associate Vice President for Administration
Mrs. Carolyn Zapata	Dean of Nursing
Mrs. Cherie Beltran	Dean of Administration
Mr. Robert Culverhouse	Dean of Enrollment Management/Registrar
Mr. Michael Winslow	Dean - Olney Center

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2016 and 2015, 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, the schedule of the College's share of net pension liability and the schedule of the College's contributions 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 federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Code Principles, and Audit Requirements for Federal Awards*, 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 January 11, 2017, 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
January 11, 2017

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2016 and 2015

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, 2016 and 2015. 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.

Using This Annual Report

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.

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, investing, and financing activities.

The notes to the basic financial statements 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 beginning on page 22 of this report.

The Ranger College Foundation, Inc. is a discretely presented component unit of the College and is reported as separate financial statements.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2016 and 2015

Financial Highlights

The College's net position increased from August 31, 2015, restated, to August 31, 2016 by \$788,826 and decreased from August 31, 2014 to August 31, 2015, restated, by \$441,676. During the fiscal year ending August 31, 2016, management determined that an error resulting in the overstatement of accounts receivable and an overstatement of net tuition and fee revenue of \$194,926 therefore requiring these applicable August 31, 2015 balances to be restated. Also, with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, the beginning net position for the year ended August 31, 2015 was decreased by \$1,138,930. As of August 31, 2016 and 2015, restated, the College's net position was \$7,646,810 and \$6,857,984, which includes \$4,074,809 and \$3,285,010 in net investment in capital assets, \$286,669 and \$325,501 in restricted net position, and \$3,285,332 and \$3,247,473 in unrestricted net position, respectively.

Operating expenses for fiscal years 2016 and 2015 were \$13,262,455 and \$12,875,917, of which \$5,662,435 and \$5,748,395 were expended for instruction, \$1,860,750 and \$1,635,127 were expended for institutional support, and \$2,364,277 and \$1,948,820 were expended for auxiliary enterprises, respectively. In fiscal years 2016 and 2015, depreciation expense was \$470,708 and \$523,593, respectively.

Operating revenues for fiscal years 2016 and 2015, restated, were \$6,806,777 and \$6,570,757, which includes \$4,097,064 and \$3,253,727 in tuition and fees (net of discounts), \$1,214,243 and \$776,731 in auxiliary revenue (net of discounts), \$445,937 and \$358,017 in federal grants and contracts, and \$662,162 and \$1,428,720, in state grants and contracts, respectively.

Net non-operating revenues for fiscal years 2016 and 2015 were \$7,244,504 and \$5,863,484, which includes \$4,057,758 and \$3,891,207 in state allocations, \$2,822,318 and \$3,284,522 in federal grants, and \$298,871 and \$274,276 in ad-valorem taxes for maintenance and operations, respectively.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2016 and 2015

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), deferred outflows of resources, current liabilities (obligations which must be met within the current year), non-current liabilities (obligations which are not settled in the current year), and deferred inflows of resources. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are presented using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the financial position of the College. As of August 31, 2016, net position was \$7,646,810. This was an increase of \$788,826 from the period ended August 31, 2015, restated. As of August 31, 2015, restated, the net position was \$6,857,984. This was a decrease of \$441,676 from the period ended August 31, 2014 and includes a negative prior period adjustment of \$1,138,930 related to pensions. The College's financial position remains strong with adequate liquid assets at a reasonable level of unrestricted net position.

Net Position
As of August 31,

	2016	Restated 2015	2014
Current Assets	\$ 9,860,748	\$ 8,755,311	\$ 8,788,563
Non-current Assets			
Capital Assets, Net of Depreciation	9,089,191	6,493,973	6,333,479
Other	581,287	2,701,538	3,164,271
Total Assets	<u>19,531,226</u>	<u>17,950,822</u>	<u>18,286,313</u>
Deferred Outflows of Resources	<u>484,908</u>	<u>191,708</u>	<u>-</u>
Current Liabilities	5,701,413	4,644,153	4,241,806
Non-current Liabilities	<u>6,293,413</u>	<u>6,332,891</u>	<u>5,605,917</u>
Total Liabilities	<u>11,994,826</u>	<u>10,977,044</u>	<u>9,847,723</u>
Deferred Inflows of Resources	<u>374,498</u>	<u>307,502</u>	<u>-</u>
Net Position			
Net Investment in Capital Assets	4,074,809	3,285,010	2,868,239
Restricted for: Expendable	286,669	325,501	789,511
Unrestricted	<u>3,285,332</u>	<u>3,247,473</u>	<u>4,780,840</u>
Total Net Position	<u>\$ 7,646,810</u>	<u>\$ 6,857,984</u>	<u>\$ 8,438,590</u>

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2016 and 2015

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 \$4,074,809 and \$3,285,010 at August 31, 2016 and 2015, 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, 2016 and 2015, an additional \$286,669 (or 4%) and \$325,501 (or 5%), 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 debt service. The remaining portion of the College's net position at August 31, 2016 and 2015, restated, (\$3,285,332 and \$3,247,473, respectively) may be used to meet the College's ongoing obligations.

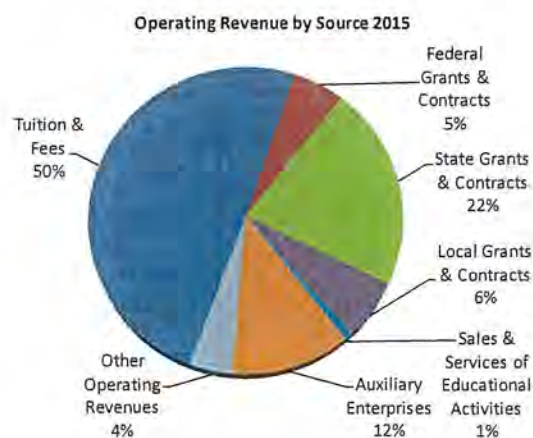
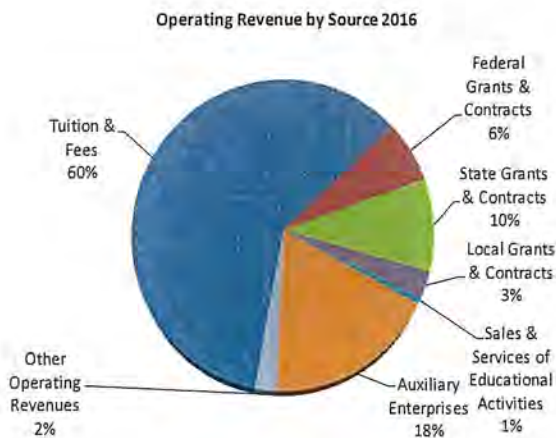
Statement of Revenues, Expenses and Changes in Net Position

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, 2016 and 2015

Operating Results for the Years Ended
August 31,

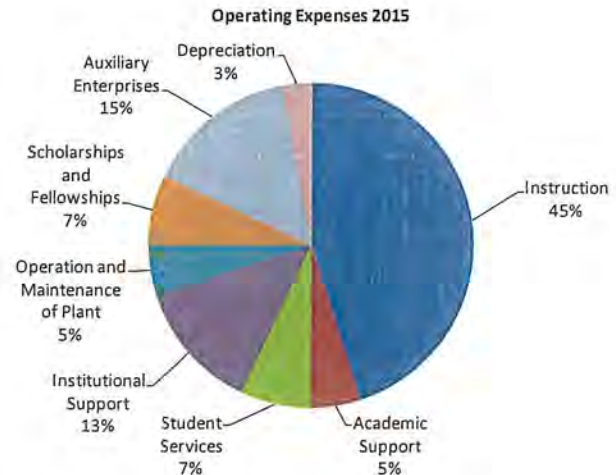
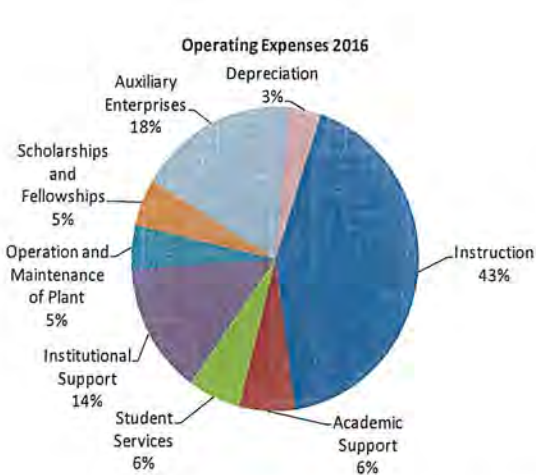
	2016	Restated 2015	2014
Operating Revenues			
Tuition and Fees (Less Discounts)	\$ 4,097,064	\$ 3,253,727	\$ 2,736,891
Federal Grants and Contracts	445,937	358,017	322,002
State Grants and Contracts	662,162	1,428,720	1,029,271
Local Grants and Contracts	190,000	410,100	156,150
Sales and Services of Educational Activities	46,609	60,122	57,053
Auxiliary Enterprises (Less Discounts)	1,214,243	776,731	797,476
Other Operating Revenues	150,762	283,340	587,255
Total Operating Revenues	6,806,777	6,570,757	5,686,098
Less Operating Expenses	13,262,455	12,875,917	11,373,403
Net Operating Loss	(6,455,678)	(6,305,160)	(5,687,305)
Non-Operating Revenues (Expenses)			
State Allocations	4,057,758	3,891,207	3,864,190
Ad-Valorem Taxes for Maintenance and Operations	298,871	274,276	257,462
Federal Revenue, Non-Operating	2,822,318	3,284,522	3,505,777
Gifts	140,118	470	1,604
Investment Income (Net of Investment Expense)	5,057	72,617	176,656
Interest on Capital Related Debt	(77,592)	(76,138)	(158,103)
Loss on Disposal of Capital Assets	(2,026)	-	-
Donation to Ranger College Foundation, Inc.	-	(1,583,470)	-
Total Non-Operating Revenues (Expenses)	7,244,504	5,863,484	7,647,586
Change in Net Position	788,826	(441,676)	1,960,281
Net Position, Beginning of Year	6,857,984	8,438,590	6,478,309
Prior Period Adjustment	-	(1,138,930)	-
Net Position, Beginning of Year	6,857,984	7,299,660	6,478,309
Net Position, End of Year	\$ 7,646,810	\$ 6,857,984	\$ 8,438,590
Total Revenues	\$ 14,130,899	\$ 14,093,849	\$ 13,491,787



RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2016 and 2015

Operating Expenses
For the Years Ended August 31,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Instruction	\$ 5,662,435	\$ 5,748,395	\$ 4,341,498
Academic Support	822,600	688,156	505,337
Student Services	782,996	828,159	710,246
Institutional Support	1,860,750	1,635,127	1,474,521
Operation and Maintenance of Plant	629,758	657,955	626,424
Scholarships and Fellowships	668,931	845,712	1,548,765
Auxiliary Enterprises	2,364,277	1,948,820	1,813,592
Depreciation	470,708	523,593	353,020
Total	<u>\$ 13,262,455</u>	<u>\$12,875,917</u>	<u>\$ 11,373,403</u>
 Total Expenses (Including Non-Operating Expenses)	 <u>\$ 13,342,073</u>	 <u>\$14,535,525</u>	 <u>\$ 11,531,506</u>



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The College's investment in total capital assets as of August 31, 2016 and 2015 amounts to \$9,089,191 and \$6,493,973, 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.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2016 and 2015

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

- Renovations to Stephenville facility and Ranger gymnasium;
- Donation and renovations of a quadraplex; and
- Lathe and peripherals purchased with grant funds.

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

- Two passenger vans;
- Renovations of buildings; and
- Robot system and simulators purchased with grant funds.

Capital Assets, Net
August 31,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Capital Assets			
Land	\$ 739,948	\$ 739,948	\$ 739,948
Construction in Progress	2,720,649	248,386	389,616
Building and Improvements	7,393,900	7,049,518	6,502,979
Land Improvements	342,808	342,808	298,608
Leasehold Improvements	729,790	702,840	702,840
Library Books	150,185	150,185	150,185
Vehicles and Equipment	<u>2,046,442</u>	<u>1,829,235</u>	<u>1,691,342</u>
Total	14,123,722	11,062,920	10,475,518
Less Accumulated Depreciation	<u>(5,034,531)</u>	<u>(4,568,947)</u>	<u>(4,142,039)</u>
Net Capital Assets	<u>\$ 9,089,191</u>	<u>\$ 6,493,973</u>	<u>\$ 6,333,479</u>

Additional information on the College's capital assets can be found in Note 5 of this report.

Long-term debt. At August 31, 2016 and 2015, the College had total debt outstanding, which represents bonds payable of \$5,309,000 and \$5,585,000, respectively. The College's total debt decreased by a net amount of \$276,000 and \$255,000 during the fiscal years ending August 31, 2016 and 2015, respectively, due to regular scheduled payments.

Additional information on the College's long-term debt can be found in Notes 6 and 7 of this report.

**RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2016 and 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Regents adopted the College's 2016 – 2017 budget tax rate on August 22, 2016. 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 2017, the Board of Regents and management considered the following factors:

- Many facilities at Ranger remain basically as they were 50-60 years ago and have significant deferred maintenance. Implementation of the College's Master Plan, including the replacement of obsolete residence halls which cannot meet the demands of 21st century students, will help build the Ranger campus for the future of this College and the community.
- Startup costs for new instructional programs at the Stephenville campus, which should provide new opportunities for enrollment growth.
- Maintaining athletic program spending at levels consistent with the 2016 budget.
- Expanding dual credit enrollment to bring college success at the high school level.
- Creating a sufficient contingency reserve to provide for an expected percentage reduction in state appropriations funding. The instructions for the Legislative Appropriations Request included a possible 4% reduction for the 2018-2019 biennium.
- Including the Day Care Center at the Stephenville campus as an auxiliary enterprise.

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, 2016 and August 31, 2015

EXHIBIT 1

	<u>2016</u>	<u>Restated 2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 5,363,892	\$ 5,430,765
Accounts Receivable (net)	4,439,267	3,176,963
Prepaid Expenses	56,839	146,833
Deposits	750	750
	<u>9,860,748</u>	<u>8,755,311</u>
Non-Current Assets		
Restricted Cash and Cash Equivalents	581,287	2,701,538
Capital Assets, net of Accumulated Depreciation (See Note 5)	<u>9,089,191</u>	<u>6,493,973</u>
	<u>9,670,478</u>	<u>9,195,511</u>
	<u>19,531,226</u>	<u>17,950,822</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	<u>484,908</u>	<u>191,708</u>

RANGER COLLEGE DISTRICT
Statements of Net Position
August 31, 2016 and August 31, 2015

EXHIBIT 1

	<u>2016</u>	<u>Restated 2015</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 994,584	\$ 299,773
Accrued Liabilities	474,625	429,100
Accrued Compensable Absences - Current Portion	92,494	75,856
Unearned Revenue	3,854,710	3,563,424
Bonds Payable - Current Portion	<u>285,000</u>	<u>276,000</u>
Total Current Liabilities	<u>5,701,413</u>	<u>4,644,153</u>
Non-Current Liabilities		
Accrued Compensable Absences	18,106	18,661
Bonds Payable	5,024,000	5,309,000
Net Pension Liability	<u>1,251,307</u>	<u>1,005,230</u>
Total Non-Current Liabilities	<u>6,293,413</u>	<u>6,332,891</u>
Total Liabilities	<u>11,994,826</u>	<u>10,977,044</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	<u>374,498</u>	<u>307,502</u>
NET POSITION		
Net Investment in Capital Assets	4,074,809	3,285,010
Restricted for:		
Expendable		
Debt Service	286,669	325,501
Unrestricted	<u>3,285,332</u>	<u>3,247,473</u>
Total Net Position	<u>\$ 7,646,810</u>	<u>\$ 6,857,984</u>

**RANGER COLLEGE DISTRICT
Component Unit
Statement of Financial Position**

EXHIBIT 1

	<u>August 31, 2016</u>
	<u>Ranger College Foundation, Inc.</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,195,535
Investments	470,682
Receivable from Ranger College	<u>48,393</u>
Total Current Assets	<u>1,714,610</u>
Total Assets	<u>1,714,610</u>
LIABILITIES	
Current Assets	
Payable to Ranger College	<u>3,607</u>
Total Current Liabilities	<u>3,607</u>
NET ASSETS	
Unrestricted	1,706,003
Temporarily Restricted	<u>5,000</u>
Total Net Assets	<u><u>\$ 1,711,003</u></u>

RANGER COLLEGE DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2016 and August 31, 2015

EXHIBIT 2

	<u>2016</u>	<u>Restated 2015</u>
REVENUES		
Operating Revenues		
Tuition and Fees (Net of Discounts of \$3,118,854 and \$3,321,414, respectively)	\$ 4,097,064	\$ 3,253,727
Federal Grants and Contracts	445,937	358,017
State Grants and Contracts	662,162	1,428,720
Non-Governmental Grants and Contracts	190,000	410,100
Sales and Services of Educational Activities	46,609	60,122
Auxiliary Enterprises (Net of Discounts of \$991,654 and \$1,122,901, respectively)	1,214,243	776,731
Other Operating Revenues	<u>150,762</u>	<u>283,340</u>
Total Operating Revenues (Schedule A)	<u>6,806,777</u>	<u>6,570,757</u>
EXPENSES		
Operating Expenses		
Instruction	5,662,435	5,748,395
Academic Support	822,600	688,156
Student Services	782,996	828,159
Institutional Support	1,860,750	1,635,127
Operation and Maintenance of Plant	629,758	657,955
Scholarships and Fellowships	668,931	845,712
Auxiliary Enterprises	2,364,277	1,948,820
Depreciation	<u>470,708</u>	<u>523,593</u>
Total Operating Expenses (Schedule B)	<u>13,262,455</u>	<u>12,875,917</u>
Operating Loss	(6,455,678)	(6,305,160)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	4,057,758	3,891,207
Maintenance Ad Valorem Taxes	298,871	274,276
Federal Revenue, Non-Operating	2,822,318	3,284,522
Gifts	140,118	470
Investment Income	5,057	72,617
Interest on Capital Related Debt	(77,592)	(76,138)
Loss on Disposal of Capital Assets	(2,026)	-
Donation to Ranger College Foundation, Inc.	<u>-</u>	<u>(1,583,470)</u>
Net Non-Operating Revenues (Expenses) (Schedule C)	<u>7,244,504</u>	<u>5,863,484</u>
Change in Net Position	788,826	(441,676)
NET POSITION		
Net Position - Beginning of Year	6,857,984	8,438,590
Prior Period Adjustment (Note 2)	<u>-</u>	<u>(1,138,930)</u>
Net Position - Beginning of Year, restated	<u>6,857,984</u>	<u>7,299,660</u>
Net Position - End of Year	<u>\$ 7,646,810</u>	<u>\$ 6,857,984</u>

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

**RANGER COLLEGE DISTRICT
Component Unit
Statement of Activities**

EXHIBIT 2

	For the Year Ending August 31, 2016
	Ranger College Foundation, Inc.
REVENUE	
Contributions	\$ 145,252
Interest and Dividends	39
Unrealized Gain on Investments	65,575
	65,575
Total Revenue	210,866
EXPENSES	
Contributions	106,990
Legal and Professional	18,915
Supplies	1,080
	1,080
Total Expenses	126,985
Change in Net Assets	83,881
Net Assets - Beginning of Year	1,627,122
Net Assets - End of Year	\$ 1,711,003

RANGER COLLEGE DISTRICT
Statements of Cash Flows
For the Years Ended August 31, 2016 and August 31, 2015

EXHIBIT 3

	<u>2016</u>	<u>Restated 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	\$ 5,061,200	\$ 4,585,721
Receipts from Grants and Contracts	1,035,672	2,223,031
Payments to or on Behalf of Employees	(6,117,716)	(5,335,685)
Payments to Suppliers for Goods or Services	(5,074,009)	(5,777,596)
Payments of Scholarships	(668,931)	(845,712)
Other receipts (payments)	150,762	283,340
	<u>(5,613,022)</u>	<u>(4,866,901)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from State Appropriations	3,601,348	3,379,565
Receipts from Ad Valorem Taxes	298,871	274,380
Receipts from Non-Operating Federal Revenue	2,805,299	3,214,228
Receipts from Gifts and Grants (Other Than Capital)	519	470
Payment of Donation to Ranger College Foundation, Inc.	-	(1,020,540)
	<u>6,706,037</u>	<u>5,848,103</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(2,939,952)	(684,087)
Receipts from Gifts and Grants (Capital)	11,599	-
Payments on Capital Debt - Principal	(276,000)	(255,000)
Payments on Capital Debt - Interest	(80,843)	(17,089)
	<u>(3,285,196)</u>	<u>(956,176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from Investment Earnings	5,057	113,547
	<u>5,057</u>	<u>113,547</u>
Increase (Decrease) in Cash and Cash Equivalents	(2,187,124)	138,573
Cash and Cash Equivalents - September 1	<u>8,132,303</u>	<u>7,993,730</u>
Cash and Cash Equivalents - August 31	<u>\$ 5,945,179</u>	<u>\$ 8,132,303</u>

RANGER COLLEGE DISTRICT
Statements of Cash Flows
For the Years Ended August 31, 2016 and August 31, 2015

EXHIBIT 3

	2016	Restated 2015
Reconciliation to Exhibit 1:		
Cash and Cash Equivalents	\$ 5,363,892	\$ 5,430,765
Restricted Cash and Cash Equivalents	581,287	2,701,538
Total Cash and Cash Equivalents	\$ 5,945,179	\$ 8,132,303
Non-Cash Investing and Financing Activities:		
Gift of Capital Asset	\$ 128,000	\$ -
Donation of Investments to Ranger College Foundation, Inc.	\$ -	\$ (562,930)
Net Change in Fair Value of Investments	\$ -	\$ (40,930)
Reconciliation of Operating Loss to Net Cash Used By Operating Activities:		
Operating Loss	\$ (6,455,678)	\$ (6,305,160)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities:		
Depreciation Expense	470,708	523,593
Bad Debt Expense	394,856	434,015
Payments Made Directly by State for Benefits	456,410	511,642
Changes in Assets and Liabilities:		
Receivables, Net	(1,640,141)	(244,472)
Prepaid Expenses	89,994	(88,655)
Deferred Outflows of Resources	(293,200)	(96,990)
Accounts Payable	694,811	(108,054)
Accrued Liabilities	48,776	342,803
Unearned Revenue	291,286	92,703
Net Pension Liability	246,077	(228,418)
Compensated Absences	16,083	(7,410)
Deferred Inflows of Resources	66,996	307,502
Net Cash Used By Operating Activities	\$ (5,613,022)	\$ (4,866,901)

**NOTES TO THE
FINANCIAL STATEMENTS**

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

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

This section provides a summary of the College's significant accounting activities and other topics related to the College's financial reporting.

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 (HEA) Program Funds

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

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 College records the amount 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.

Cash and Cash Equivalents

For the purpose of cash flows, the College considers cash and cash equivalents as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Deferred Outflows

In addition to assets, the College is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. The College has deferred outflows related to the pension plan, see additional information in Note 8.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Current Cash and Investments

Non-current cash and cash equivalents are set aside and classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited to obligations, such as, scholarships, grant requirements, revenue bonds, and construction.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the College reports investments 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

The College records capital assets at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. The College capitalizes renovations of \$5,000 to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The College charges costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives 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 land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment, and 5 years for telecommunications and peripheral equipment.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

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 Statement of Net Position as unearned revenue in the current fiscal year. Tuition and fees of \$3,797,329 and \$3,526,528 and federal and state grants of \$57,381 and \$36,896 have been reported as unearned revenue at August 31, 2016 and August 31, 2015, respectively.

Deferred Inflows

In addition to liabilities, the College is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB. The College has deferred inflows related to the pension plan, see additional information in Note 8.

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, the College is aware that actual results could differ from those estimates.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Prior Year Restatement

During the fiscal year ended August 31, 2016, the College determined that an error resulting in the overstatement of accounts receivable as of August 31, 2015 and an overstatement of net tuition and fees for the fiscal year ended August 31, 2015 of \$194,926. Accordingly, the applicable August 31, 2015 amounts have been restated in these financial statements.

In the year of implementation of GASB Statement No. 68, as amended by GASB Statement No. 71, a restatement to beginning net position will be required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and the beginning of the reporting entity's fiscal year.

Beginning net position as of September 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Beginning net position	\$ 8,438,590
Prior period adjustment-implementation of GASB No. 68:	
Net pension liability (measurement date as of August 31, 2014)	(1,233,648)
Deferred outflows – College contributions made during fiscal year 2014	<u>94,718</u>
Beginning net position, as restated	<u>\$ 7,299,660</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

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, which is approved annually by the College's Board. The Investment Policy includes a list of authorized investment instruments. The Board has only authorized Ranger College to invest in Certificates of Deposit; however the College may hold investments that were authorized investments at the time of purchase or receipt. No other investments shall be made without approval of a majority of the Board of Regents.

Cash and Deposits

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

	August 31,	
	2016	2015
Bank Deposits with Financial Institutions	\$ 5,942,839	\$ 8,129,963
Petty Cash	2,340	2,340
Total Cash and Cash Equivalents	\$ 5,945,179	\$ 8,132,303

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, 2016 and August 31, 2015, the College had no investments and was not exposed to interest rate risk.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

4. DEPOSITS AND INVESTMENTS (Continued)

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. As of August 31, 2016 and August 31, 2015, the College had no investments and was not exposed to interest rate risk.

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, 2016 and August 31, 2015, the College had no investments and was not exposed to interest rate risk.

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, 2016 and at August 31, 2015, the College’s cash and cash equivalents were not exposed to custodial credit risk.

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

	August 31,	
	2016	2015
Per Note 4:		
Cash and Cash Equivalents	\$ 5,945,179	\$ 8,132,303
Total Deposits and Investments	\$ 5,945,179	\$ 8,132,303
Per Exhibit 1:		
Cash and Cash Equivalents	\$ 5,363,892	\$ 5,430,765
Restricted Cash and Cash Equivalents	581,287	2,701,538
Total Deposits and Investments	\$ 5,945,179	\$ 8,132,303

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

5. CAPITAL ASSETS

Capital assets activity for the years ended August 31, 2016 and 2015 was as follows:

	Balance 9/1/2015	Increases	Decreases	Balance 8/31/2016
<u>Not Depreciated:</u>				
Land	\$ 739,948	\$ -	\$ -	\$ 739,948
Construction in Progress	248,386	2,472,263	-	2,720,649
Subtotal	988,334	2,472,263	-	3,460,597
<u>Other Capital Assets:</u>				
Buildings and Improvements	7,049,518	344,382	-	7,393,900
Land Improvements	342,808	-	-	342,808
Leasehold Improvements	702,840	26,950	-	729,790
Library Books	150,185	-	-	150,185
Vehicles and Equipment	1,829,235	224,357	7,150	2,046,442
Subtotal	10,074,586	595,689	7,150	10,663,125
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	2,587,715	161,412	-	2,749,127
Land Improvements	263,819	11,140	-	274,959
Leasehold Improvements	606,278	98,944	-	705,222
Library Books	109,113	10,013	-	119,126
Vehicles and Equipment	1,002,022	189,199	5,124	1,186,097
Subtotal	4,568,947	470,708	5,124	5,034,531
Net Other Capital Assets	5,505,639	124,981	2,026	5,628,594
Net Capital Assets	<u>\$ 6,493,973</u>	<u>\$ 2,597,244</u>	<u>\$ 2,026</u>	<u>\$ 9,089,191</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

5. CAPITAL ASSETS (Continued)

	Balance 9/1/2014	Increases	Decreases	Balance 8/31/2015
<u>Not Depreciated:</u>				
Land	\$ 739,948	\$ -	\$ -	\$ 739,948
Construction in Progress	389,616	248,386	389,616	248,386
Subtotal	<u>1,129,564</u>	<u>248,386</u>	<u>389,616</u>	<u>988,334</u>
<u>Other Capital Assets:</u>				
Buildings and Improvements	6,502,979	546,539	-	7,049,518
Land Improvements	298,608	44,200	-	342,808
Leasehold Improvements	702,840	-	-	702,840
Library Books	150,185	-	-	150,185
Vehicles and Equipment	1,691,342	234,578	96,685	1,829,235
Subtotal	<u>9,345,954</u>	<u>825,317</u>	<u>96,685</u>	<u>10,074,586</u>
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	2,366,874	220,841	-	2,587,715
Land Improvements	240,677	23,142	-	263,819
Leasehold Improvements	488,885	117,393	-	606,278
Library Books	99,101	10,012	-	109,113
Vehicles and Equipment	946,502	152,205	96,685	1,002,022
Subtotal	<u>4,142,039</u>	<u>523,593</u>	<u>96,685</u>	<u>4,568,947</u>
Net Other Capital Assets	<u>5,203,915</u>	<u>301,724</u>	<u>-</u>	<u>5,505,639</u>
Net Capital Assets	<u>\$ 6,333,479</u>	<u>\$ 550,110</u>	<u>\$ 389,616</u>	<u>\$ 6,493,973</u>

For the fiscal year ended August 31, 2016 and 2015, the College capitalized interest expense of \$119,207 and \$140,491, respectively, on the Stephenville campus renovation project in progress related to the Series 2014 Revenue Bond and incurred a total of \$196,799 and \$216,629, respectively, of interest cost for all debt outstanding.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

6. LONG-TERM LIABILITIES

Long-term liability activity for the years ended August 31, 2016 and 2015 was as follows:

	Balance September 1, 2015	Additions	Reductions	Balance August 31, 2016	Current Portion
Revenue Bonds Payable	\$ 5,585,000	\$ -	\$ 276,000	\$ 5,309,000	\$ 285,000
Net Pension Liability	1,005,230	417,891	171,814	1,251,307	n/a
Compensated Absences	94,517	93,744	77,661	110,600	92,494
Total Long-Term Liabilities	\$ 6,684,747	\$ 511,635	\$ 525,475	\$ 6,670,907	\$ 377,494

	Balance September 1, 2014	Additions	Reductions	Balance August 31, 2015	Current Portion
Revenue Bonds Payable	\$ 5,840,000	\$ -	\$ 255,000	\$ 5,585,000	\$ 276,000
Net Pension Liability, restated (Note 2)	1,233,648	173,802	402,220	1,005,230	n/a
Compensated Absences	101,927	98,579	105,989	94,517	75,856
Total Long-Term Liabilities	\$ 7,175,575	\$ 272,381	\$ 763,209	\$ 6,684,747	\$ 351,856

7. 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 \$2,501,000 and \$2,673,000 at August 31, 2016 and August 31, 2015, respectively.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

7. DEBT OBLIGATIONS (Continued)

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 \$2,808,000 and \$2,912,000 at August 31, 2016 and August 31, 2015, respectively.

The principal and interest expense requirements for the next five years and beyond are summarized below for the debt issued.

Year Ended August 31,	Revenue Bonds Payable		
	Note Principal	Interest	Total
2017	\$ 285,000	\$ 188,908	\$ 473,908
2018	295,000	179,258	474,258
2019	305,000	169,258	474,258
2020	315,000	158,902	473,902
2021	326,000	148,208	474,208
2022 - 2026	1,805,000	566,862	2,371,862
2027 - 2031	1,359,000	259,299	1,618,299
2032 - 2036	619,000	51,453	670,453
Total	\$ 5,309,000	\$ 1,722,148	\$ 7,031,148

8. EMPLOYEES' RETIREMENT PLANS

Teacher Retirement System of Texas - Defined Benefit Pension Plan

Plan Description

The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

8. EMPLOYEES' RETIREMENT PLANS (Continued)

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The College's portion of the plan's fiduciary net position has been determined on the same basis as that used by the plan. The plan is reported using the economic resources measurement focus and the accrual basis of accounting. The plan reports investments at fair value. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. The Teacher Retirement System's Comprehensive Annual Financial Report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<u>Fiscal Years</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE) - State	6.8%	6.8%
Employers	6.8%	6.8%

Contributions

2015 Employer Contributions	\$104,818
2015 Member Contributions	\$160,442
2015 NECE On-behalf Contributions	\$ (2,856)

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

8. EMPLOYEES' RETIREMENT PLANS (Continued)

The College's contributions to the TRS pension plan in 2016 fiscal year were \$109,468 as reported in the Schedule of College's Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for the 2016 fiscal year were \$81,560.

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

Public junior colleges or junior college districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return*	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

**Includes Inflation of 2.5%*

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

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

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.0 percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015, are summarized below:

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2015

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

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

Source: Teacher Retirement System of Texas 2015 Comprehensive Annual Financial Report

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability:	\$1,960,564	\$1,251,307	\$660,542

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

At August 31, 2016, the College reported a net pension liability of \$1,251,307 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's Proportionate share of the collective net pension liability	\$1,251,307
State's proportionate share that is associated with the College	<u>(34,084)</u>
Total	<u><u>\$1,217,223</u></u>

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

At the measurement date of August 31, 2015, the College's proportion of the collective net pension liability was 0.0035 percent, which was a decrease of 0.0594 percent from its proportion measured as of August 31, 2014.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

8. EMPLOYEES' RETIREMENT PLANS (Continued)

For the fiscal year ended August 31, 2016, the College recognized pension expense of a negative \$2,856 and revenue of a negative \$2,856 for support provided by the State.

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

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual economic experience	\$ 12,929	\$ 48,089
Changes in actuarial assumptions	54,342	44,641
Difference between projected and actual investment earnings	308,169	230,429
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	51,339
Contributions paid to TRS subsequent to the measurement date	109,468	-
Total	\$ 484,908	\$ 374,498

The net amounts of the College's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2017	\$ 98,903
2018	(10,565)
2019	(10,565)
2020	66,245
2021	(11,604)
Thereafter	(22,004)
Total	\$ 110,410

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

8. EMPLOYEES' RETIREMENT PLANS (Continued)

Optional Retirement Plan - Defined Contribution Plan

Plan Description

Participation in the Optional Retirement Program is in lieu of participation in TRS. 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/College and each participant are 6.60 percent and 6.65 percent, 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 percent of eligible employees in the reporting district.

The retirement expense to the State for the College was \$49,186 and \$42,765 for the fiscal years ended August 31, 2016 and August 31, 2015, 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 \$5,218,516 and \$5,013,681 for fiscal years 2016 and 2015, respectively. The total payroll of employees covered by the TRS was \$2,809,247 and \$2,186,874, and the total payroll of employees covered by the Optional Retirement Program was \$1,490,490 and \$1,295,909 for fiscal years 2016 and 2015, respectively.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

9. COMPENSABLE ABSENCES

Full-time employees earn annual leave at a rate of 7.4 hours per month to a maximum of eighty hours each year. Twelve-month employees become eligible for vacation after one year of service. 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 fail to work one year forfeit vacation benefits. Employees, who have worked a minimum of one year and terminate their employment with a minimum of a two-week notice, 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 \$110,600 and \$94,517 as of August 31, 2016 and August 31, 2015, respectively.

Sick leave is earned at the rate of eight hours per month per contract length and can be accumulated up to a maximum of 480 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.

10. 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 \$576.54 per month for the year ended August 31, 2016, and totaled \$410,080 for the year. The cost of providing those benefits for 31 retirees was \$125,291 and for 94 active employees amounted to \$284,789. The State's contribution per full-time employee was \$537.66 per month for the year ended August 31, 2015, and totaled \$408,083 for the year. The cost of providing those benefits for 37 retirees was \$119,673 and for 91 active employees amounted to \$288,410. S.B. 1812, effective September 1, 2013, limits the amount of the State's contribution to 50 percent of eligible employees in the reporting district.

11. PENDING LAWSUITS

On August 31, 2016 and 2015, various lawsuits and claims involving the College were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided by insurance or otherwise, is not likely to have a material effect on the College.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. In addition to providing pension benefits, the State provides certain healthcare and life insurance benefits for retired employees. Almost all 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 and 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 percent of eligible employees for community colleges.

The College's contributions to SRHP for the years ended August 31, 2016, 2015, and 2014 were \$157,328, \$149,175 and \$42,124, respectively, which equaled the required contributions each year.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

13. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

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

	August 31,	
	2016	Restated 2015
Student Receivables (Net of Allowance of \$2,394,131 and \$4,641,005 for 2015 and 2016, respectively)	\$ 3,862,560	\$ 2,912,363
Taxes Receivable (Net of Allowances of \$21,989 for 2016 and 2015)	43,147	43,147
Federal, State, and Local Grants Receivable	485,883	185,952
Other Accounts Receivable	47,677	35,501
Total Accounts Receivable	\$ 4,439,267	\$ 3,176,963

Payables

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

	August 31,	
	2016	2015
Vendor Payable	\$ 928,121	\$ 250,672
Benefit Payable	66,463	49,101
Total Accounts Payable	\$ 994,584	\$ 299,773

14. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contract and grant awards, funds expended, but not collected, are 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 2016 and 2015 for which monies have not been received nor funds expended totaled \$1,453,066 and \$508,394, respectively. Of these amounts, \$586,725 and \$237,309 were from Federal contracts and grant awards and \$866,341 and \$271,085 were from State contracts and grant awards for fiscal years ended 2016 and 2015, respectively.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

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.

	August 31,	
	2016	2015
Assessed Valuation of the College	\$ 116,281,880	\$ 110,896,260
Less: Exemptions	(730,240)	(726,760)
Less: Abatements	-	-
Net Assessed Valuation of the College	\$ 115,551,640	\$ 110,169,500

	Current Operations	Debt Service	Total
At August 31, 2016			
Tax Rate per \$100 valuation of authorized	\$0.50000	\$ -	\$0.50000
Tax Rate per \$100 valuation of assessed	\$0.22716	\$ -	\$0.22716
At August 31, 2015			
Tax Rate per \$100 valuation of authorized	\$0.50000	\$ -	\$0.50000
Tax Rate per \$100 valuation of assessed	\$0.24777	\$ -	\$0.24777

Taxes levied for the years ended August 31, 2016 and 2015 were \$289,340, and \$268,384, 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.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

15. AD VALOREM TAX (Continued)

August 31, 2016			
	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 272,527	\$ -	\$ 272,527
Delinquent Taxes Collected	15,468	-	15,468
Penalties and Interest Collected	11,043	-	11,043
Total Gross Collections	299,038	-	299,038
Tax Appraisal & Collection Fees	(18,981)	-	(18,981)
Bad Debt Expense	-	-	-
Total Net Collections	\$ 280,057	\$ -	\$ 280,057

August 31, 2015			
	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 254,094	\$ -	\$ 254,094
Delinquent Taxes Collected	12,292	-	12,292
Penalties and Interest Collected	7,890	-	7,890
Total Gross Collections	274,276	-	274,276
Tax Appraisal & Collection Fees	(25,856)	-	(25,856)
Bad Debt Expense	-	-	-
Total Net Collections	\$ 248,420	\$ -	\$ 248,420

Tax collections for the years ended August 31, 2016 and 2015 were 103% and 102% of the current tax levy, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of current operations / maintenance.

16. INCOME TAXES

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

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2016 and August 31, 2015

17. COMPONENT UNIT

Ranger College Foundation, Inc. - Discretely Presented Component Unit

The Ranger College Foundation, Inc. (Foundation) was established as a separate nonprofit organization with the sole purpose of supporting the educational and other activities of the College. The Foundation solicits donations and acts as coordinator of gifts made by other parties. It remitted \$106,990 and \$0 for other contributions to the College during the years ended August 31, 2016 and 2015, respectively. The Foundation received contributions with a fair value of \$0 and \$1,583,470 from the College in fiscal years 2016 and 2015, respectively. Also, at August 31, 2016 and 2015, the College reported a receivable from the Foundation of \$3,607 and \$0, respectively, and a payable to the Foundation of \$48,383 and \$0, respectively. Under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation's financial statements are included in the College's annual report as a discretely presented component unit (see table of contents).

18. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

Expenses include \$251,425 and \$143,341 for rent paid under operating leases during the fiscal years ended August 31, 2016 and August 31, 2015, respectively. Future minimum lease rental payments under noncancellable operating leases having an initial term in excess of one year as of August 31, 2016 are as follows:

Year Ended August 31,	Amount
2017	\$ 188,645
2018	188,645
2019	148,947
2020	87,837
2021	3,360
Total	<u>\$617,434</u>

19. 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, 2016 and August 31, 2015

20. COMMITMENTS

The College entered into three construction related commitments during the fiscal year ended August 31, 2016. These commitments included contracts for the renovations to the Stephenville location and paving at the Ranger location. Two of these contracts were in progress but not completed as of August 31, 2016. The total contractual commitments outstanding as of August 31, 2016 aggregated approximately \$452,013. The College has sufficient funds available to cover these commitments.

21. SUBSEQUENT EVENTS

On November 8, 2016, the voters of the Ranger College District voted for the issuance of \$10,000,000 in General Obligation Bonds backed by an additional property tax on property in the taxing district. On November 16, 2016, the Board of Regents selected Perspectiva Architects of El Paso as Architect-Engineer for the project and Waldrop Construction of Brownwood as Construction Manager-at-Risk. Contracts for this project have not yet been finalized. As of August 31, 2016, the College had not yet incurred any costs related to this project.

REQUIRED SUPPLEMENTARY INFORMATION

RANGER COLLEGE DISTRICT
Schedule of the College's Share of Net Pension Liability
Last Two Fiscal Years **

<u>Fiscal Year Ending August 31*,</u>	<u>2016</u>	<u>2015</u>
College's proportionate share of collective net pension liability (NPL) (%)	0.0035399%	0.0037633%
College's proportionate share of collective NPL (\$)	\$ 1,251,307	\$ 1,005,230
State's proportionate share of NPL associated with the College	<u>(34,084)</u>	<u>628,357</u>
Total	<u><u>\$ 1,217,223</u></u>	<u><u>\$ 1,633,587</u></u>
College's covered employee payroll	\$ 2,186,874	\$ 1,992,401
College's proportionate share of collective NPL as a percentage of covered-employee payroll	57.22%	50.45%
Plan fiduciary net position as percentage of total pension liability	78.43%	83.25%

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

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

RANGER COLLEGE DISTRICT
Schedule of the College's Contributions
Last Two Fiscal Years **

<u>Fiscal Year Ending August 31*,</u>	<u>2016</u>	<u>2015</u>
Legally required contributions	\$ 109,468	\$ 110,821
Actual contributions	<u>109,468</u>	<u>110,821</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll amount	\$ 2,809,247	\$ 2,186,874
Ratio of actual contributions / College's covered payroll amount	3.90%	5.07%

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

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

RANGER COLLEGE DISTRICT
Notes to Required Supplementary Information
For the Year Ended August 31, 2016

1. PENSION LIABILITY

Changes of Assumptions

The following actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

RANGER COLLEGE DISTRICT
Notes to Required Supplementary Information
For the Year Ended August 31, 2016

1. PENSION LIABILITY (Continued)

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

Changes in Benefit Terms

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

SUPPLEMENTAL INFORMATION

RANGER COLLEGE DISTRICT
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals	
					August 31, 2016	Restated August 31, 2015
Tuition						
State Funded Credit Courses						
In-District Resident Tuition	\$ 62,125	\$ -	\$ 62,125	\$ -	\$ 62,125	\$ 54,867
Out-of-District Resident Tuition	3,527,463	-	3,527,463	-	3,527,463	3,560,717
Non-Resident Tuition	149,194	-	149,194	-	149,194	149,185
TPEG - credit (set aside)*	237,772	-	237,772	-	237,772	240,304
State Funded Continuing Education	585,100	-	585,100	-	585,100	944,793
Non-State Funded Continuing Education	-	-	-	-	-	-
Non-course remedial instruction	-	-	-	-	-	-
Total Tuition	4,561,654	-	4,561,654	-	4,561,654	4,949,866
Fees						
General Fee	610,381	-	610,381	-	610,381	648,051
Laboratory Fee	113,036	-	113,036	-	113,036	56,144
Registration fees	349,104	-	349,104	-	349,104	368,719
Educational Service fees	218,346	-	218,346	-	218,346	231,630
Other fees	1,363,397	-	1,363,397	-	1,363,397	320,731
Total Fees	2,654,264	-	2,654,264	-	2,654,264	1,625,275
Scholarship Allowances and Discounts						
Bad Debt Allowance	(394,856)	-	(394,856)	-	(394,856)	(434,015)
Scholarship Allowances	(693,924)	-	(693,924)	-	(693,924)	(570,614)
Title IV Federal Program	(1,952,973)	-	(1,952,973)	-	(1,952,973)	(2,154,558)
TPEG Awards	(73,175)	-	(73,175)	-	(73,175)	(150,204)
Other State Grants	(3,926)	-	(3,926)	-	(3,926)	(12,023)
Total Scholarship Allowances	(3,118,854)	-	(3,118,854)	-	(3,118,854)	(3,321,414)
Total Net Tuition and Fees	4,097,064	-	4,097,064	-	4,097,064	3,253,727
Additional Operating Revenues						
Federal Grants and Contracts	-	445,937	445,937	-	445,937	358,017
State Grants and Contracts	-	662,162	662,162	-	662,162	1,428,720
Non-Governmental Grants and Contracts	170,000	20,000	190,000	-	190,000	410,100
Sales and Services of Educational Activities	46,609	-	46,609	-	46,609	60,122
Other Operating Revenues	150,762	-	150,762	-	150,762	283,340
Total Additional Operating Revenues	367,371	1,128,099	1,495,470	-	1,495,470	2,540,299
Auxiliary Enterprises						
Residential life	-	-	-	529,368	529,368	427,646
Less Discounts	-	-	-	(206,818)	(206,818)	(232,578)
Bookstore	-	-	-	563,712	563,712	536,413
Less Discounts	-	-	-	(226,215)	(226,215)	(288,330)
Food Services	-	-	-	906,047	906,047	935,573
Less Discounts	-	-	-	(558,621)	(558,621)	(601,993)
Intercollegiate Athletics	-	-	-	202,418	202,418	-
Student Services	-	-	-	4,302	4,302	-
Child Care Services	-	-	-	50	50	-
Total Net Auxiliary Enterprises	-	-	-	1,214,243	1,214,243	776,731
Total Operating Revenues	\$ 4,464,435	\$ 1,128,099	\$ 5,592,534	\$ 1,214,243	\$ 6,806,777	\$ 6,570,757
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$237,772 and \$240,304 for years August 31, 2016 and 2015, 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, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Operating Expenses				Totals	
	Salaries and Wages	Benefits		Other Expenses	August 31, 2016	August 31, 2015
		State Benefits	Local Benefits			
Unrestricted Educational Activities						
Instruction	\$ 2,821,391	\$ -	\$ 604,853	1,151,824	\$ 4,578,068	\$ 4,137,569
Academic Support	561,906	-	120,462	76,446	758,814	632,905
Student Services	351,870	-	75,434	67,520	494,824	572,047
Institutional Support	731,188	-	156,754	891,209	1,779,151	1,560,730
Operation and Maintenance of Plant	216,269	-	-	406,683	622,952	657,955
Total Unrestricted Educational Activities	4,682,624	-	957,503	2,593,682	8,233,809	7,561,206
Restricted Educational Activities						
Instruction	216,409	288,314	9,821	569,823	1,084,367	1,610,826
Academic Support	6,366	57,420	-	-	63,786	55,251
Student Services	184,462	35,957	33,970	33,783	288,172	256,112
Institutional Support	6,880	74,719	-	-	81,599	74,397
Operation and Maintenance of Plant	6,806	-	-	-	6,806	-
Scholarships and Fellowships	-	-	-	668,931	668,931	845,712
Total Restricted Educational Activities	420,923	456,410	43,791	1,272,537	2,193,661	2,842,298
Total Educational Activities	5,103,547	456,410	1,001,294	3,866,219	10,427,470	10,403,504
Auxiliary Enterprises	114,969	-	-	2,249,308	2,364,277	1,948,820
Depreciation Expense - Buildings and Land Improvements	-	-	-	271,496	271,496	361,376
Depreciation Expense - Furniture, Machinery, Vehicles, and Other Equipment	-	-	-	199,212	199,212	162,217
Total Operating Expenses	\$ 5,218,516	\$ 456,410	\$ 1,001,294	\$ 6,586,235	\$ 13,262,455	\$ 12,875,917
				(Exhibit 2)	(Exhibit 2)	

RANGER COLLEGE DISTRICT
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Totals</u>	
				<u>August 31, 2016</u>	<u>August 31, 2015</u>
Non-Operating Revenues					
State Appropriations					
Education and General State Support	\$ 3,579,205	\$ -	\$ -	\$ 3,579,205	\$ 3,354,665
State Group Insurance	-	410,080	-	410,080	408,083
State Retirement Matching	-	46,330	-	46,330	103,559
Professional Nursing Shortage Reduction	-	9,515	-	9,515	20,400
Miscellaneous Revenues	-	12,628	-	12,628	4,500
Total State Appropriations	<u>3,579,205</u>	<u>478,553</u>	<u>-</u>	<u>4,057,758</u>	<u>3,891,207</u>
Maintenance Ad Valorem Taxes	298,871	-	-	298,871	274,276
Federal Revenue, Non-Operating	-	2,822,318	-	2,822,318	3,284,522
Gifts	140,118	-	-	140,118	470
Investment Income	5,057	-	-	5,057	72,617
Total Non-Operating Revenue	<u>4,023,251</u>	<u>3,300,871</u>	<u>-</u>	<u>7,324,122</u>	<u>7,523,092</u>
Non-Operating Expenses					
Interest on Capital Related Debt	77,592	-	-	77,592	76,138
Loss on Disposal of Capital Assets	2,026	-	-	2,026	-
Donation to Ranger College Foundation, Inc.	-	-	-	-	1,583,470
Total Non-Operating Expenses	<u>79,618</u>	<u>-</u>	<u>-</u>	<u>79,618</u>	<u>1,659,608</u>
Net Non-Operating Revenues (Expenses)	<u>\$ 3,943,633</u>	<u>\$ 3,300,871</u>	<u>\$ -</u>	<u>\$ 7,244,504</u>	<u>\$ 5,863,484</u>
				(Exhibit 2)	(Exhibit 2)

RANGER COLLEGE DISTRICT
Schedule D
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ 3,179,082	\$	\$	\$	\$ 3,179,082	\$ 3,179,082	\$
Board Designated					-		
Restricted					-		
Student Aid					-		
Instructional Programs					-		
Auxiliary Enterprises	106,250				106,250		106,250
Loan					-		
Endowment					-		
Quasi					-		
Unrestricted					-		
Restricted					-		
Endowment					-		
True					-		
Term (per instructions at maturity)					-		
Life Income Contracts					-		
Annuities					-		
Plant					-		
Unexpended					-		
Capital Projects					-		
Debt Service		286,669			286,669		286,669
Investment in Plant				4,074,809	4,074,809		4,074,809
Totals							
Net Position, August 31, 2016	3,285,332	286,669	-	4,074,809	7,646,810 (Exhibit 1)	3,179,082	4,467,728
Net Position, August 31, 2015, Restated	3,247,473	325,501	-	3,285,010	6,857,984 (Exhibit 2)	2,967,126	3,890,858
Net Increase (Decrease) in Net Position	<u>\$ 37,859</u>	<u>\$ (38,832)</u>	<u>\$ -</u>	<u>\$ 789,799</u>	<u>\$ 788,826</u> (Exhibit 2)	<u>\$ 211,956</u>	<u>\$ 576,870</u>

**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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 11, 2017.

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 opinion 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 2016-001, 2016-002 and 2016-003 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2016-004 to be a significant deficiency.

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, 2016, 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

Snow Garrett Williams
January 11, 2017

RANGER COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2016

Finding 2015-023: Federal Pell Grant Program. The discussion for Finding 2016-005 also applies to this Finding.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2016

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? X yes 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 2 CFR section 200.516(a)? X yes 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

Dollar threshold used to distinguish between Type A and Type B federal and state programs: \$ 750,000

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, 2016

Section II – Financial Statement Findings

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

2016-001 Material Weakness: Financial Accounting and Reporting Process
2015-001
2014-001 Criteria: Timely and accurate financial reports are essential to perform analysis of financial
2013-001 condition, review data for accuracy and completeness, monitor compliance with budget
12-1 appropriations, prepare long-range financial plans, and to safeguard assets.

11-1
& 10-1 Condition: Material adjusting entries at fiscal year end were necessary to correct balances
and transactions in order to prepare accurate financial statements primarily due to errors in
recording transactions in the general ledger during the year.

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
throughout the fiscal year.

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

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.

Views of Responsible Officials and Planned Corrective Actions: We agree with the finding,
and will continue to implement new or improved processes to address the other findings
and recommendations in the audit.

2016-002 Material Weakness: Tuition and Fee Revenues
2015-006
& 2014-003 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 receivables are relieved when payments are received. Amounts are
transferred into the general ledger accounts based on how the transaction codes are
assigned.

Condition: The detail reports for tuition and fees revenue related transaction types from the
student billing system did not agree to the tuition and fees revenue recorded in the general
ledger.

Cause: 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 researched or
reconciled to the general ledger.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2016

Section II – Financial Statement Findings (Continued)

Effect: The general ledger balances for tuition and fee related revenue were materially misstated and adjustments of more than \$270,000 were necessary to properly report these balances at fiscal year end.

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 tuition and fee revenues are reconciled to the general ledger balances regularly.

Views of Responsible Officials and Planned Corrective Actions: We agree with the finding as of August 31, 2016 and will review all Poise student billing transaction codes to make certain that the revenues generated are posting to the correct revenue accounts on the general ledger. The College should have adjusted all activity in fiscal year 2016 prior to making the transaction code changes in March 2016. A new procedure will require an annual review of transaction codes and corresponding revenue accounts.

2016-003 Material Weakness: Recording Grant Receivables and Revenue

2015-011

2014-007

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 receivables and revenues were not recorded consistently in the general ledger.

Cause: The unrecorded grant receivables and revenues appear to be a result of College personnel inconsistently recording grant receivables as the revenue and expenses are incurred.

Effect: The lack of consistently recording grant receivables and revenues resulted in an understatement of approximately \$200,000 in grant receivables and revenue.

Auditor's recommendation: The College should record grant receivables and revenue as the related grant expenses are incurred.

Views of Responsible Officials and Planned Corrective Actions: We agree with the finding and will revise the procedure for grants to require that receivables and corresponding revenues are recorded in the proper accounting period.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2016

Section II – Financial Statement Findings (Continued)

2016-004 Significant Deficiency: Budget Process
 2015-004

Criteria: The budget is an important control that is based on past experience and management's intentions or expectations of future conditions that will affect the College. The budget is designed as an internal control tool and is used to compare budget and actual results throughout the year. Large variances should be investigated and explained in order to determine if any corrective action is considered necessary.

Condition: The Board did not utilize budget controls as designed, including not revising the budget for new departments set up in the general ledger in which amounts were expended.

Cause: The management and Board of Regents are not using the budget as an internal control tool by comparing it to actual results throughout the year or researching budget variances.

Effect: The College's actual expenses could significantly exceed budgeted expenses throughout the year and at year end with the College having no knowledge or explanations for over expenditure of budget amounts.

Auditor's recommendation: The College should document the factors used in building the annual budget which will assist in its periodic review of budget to actual results and assist in constructing the next year's budget. The budget should also be reviewed against actual results monthly and large variances should be investigated and explained so that any necessary corrective action can be considered. These analyses should also be included in the monthly reports to the Board of Regents to assist them in understanding financial results and their implications and to be able to make informed decisions, including approving budget adjustments based on operational changes, if considered necessary.

Views of Responsible Officials and Planned Corrective Actions: We agree with this finding for fiscal year 2016. The Board approved a revision to Policy CC(LOCAL) on May 16, 2016, and the fiscal year 2017 budget was prepared in accordance with the revised policy. Monthly financial reports presented to the Board for fiscal year 2017 include comparisons of year-to-date revenues and expenses to Budget and Prior year-to-date revenues and expenses. Material variances between Budget and year-to-date results are now described in the comments column, as recommended by the Auditor.

Section III – Federal Award Findings and Questioned Costs

Findings/Noncompliance	Program	Questioned Costs
2016-005 & 2015-023	Non-compliance and Material Weakness in Internal Controls: Federal Pell Grant Program and Federal Direct Student Loans - Eligibility	

Program: CFDA 84.063, Federal Pell Grant Program, and CFDA 84.268, Federal Direct Student Loans, from U.S. Department of Education

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2016

Section III – Federal Award Findings and Questioned Costs (Continued)

Criteria: A student must maintain good standing, or satisfactory academic progress, in order to be eligible for the Federal Pell Grant Program and Federal Direct Student Loans according to Title 34 of the Code of Federal Regulations (CFR) sections 668.16, 668.32(f), 668.34, 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; Title 42 CFR section 57.306; and Title 42 USC 293a(d)(2).

Condition: Two students not maintaining good standing, or satisfactory academic progress, were awarded \$11,550 in Federal Pell Grant in the fiscal year. One of the two students also was awarded \$3,500 of Subsidized Direct Loan and \$6,000 of Unsubsidized Direct Loan in the fiscal year.

Questioned Costs: \$21,050

Cause: This occurred due to a lack of internal control over eligibility compliance. One student was placed on financial aid suspension status after the Fall 2013 semester and did not enroll again until the Fall 2015 semester. The other student was placed on financial aid suspension status after the Spring 2013 semester and did not apply again for financial aid until the student enrolled in the Fall 2015 semester. The financial aid system did not flag the students' accounts as being on suspension status when the system was rolled to the Fall 2015 semester since the students were not enrolled during the 2014-2015 school year.

Effect: The awards totaling \$21,050 are subject to disallowance, and are, therefore, considered to be questioned costs.

Auditor's recommendation: The College's procedures in place to determine the eligibility requirement of maintaining good standing, or satisfactory academic progress, should be followed and monitored for every student applying for federal financial aid and should be maintained in the system if students enroll in subsequent years.

Views of Responsible Officials and Planned Corrective Actions: We agree with the finding. In 2014, POISE added a process to track Standards of Academic Progress (SAP), warning/suspension status, and the term code of the latest status change. The purpose was to track eligibility across award years (consecutive or not). We asked POISE to determine why this process was not working, and they determined that the logic in the SAP verification system was broadly resetting warning/suspension statuses back to a blank status (or as the system reads it as meeting SAP). POISE has changed the programming to work properly, and the Financial Aid Office re-entered previous SAP statuses using previous SAP reports dating back to 2010. We will also run additional reports before the start of each semester to check students that are enrolling for that semester against previous SAP reports to confirm their proper probation/suspension status.

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 THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2016. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-005. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-005, that we considered to be a material weakness.

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

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

Snow Garrett Williams

Snow Garrett Williams

January 11, 2017

RANGER COLLEGE DISTRICT
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 35,889
Federal College Workstudy Program	84.033		86,178
Federal Pell Grant Program	84.063		2,700,251
Federal Direct Student Loans	84.268		2,389,536
Total Student Financial Aid Cluster			<u>5,211,854</u>
TRIO Cluster			
TRIO - Student Support Services Grant	84.042A		210,929
Total TRIO Cluster			<u>210,929</u>
Pass-Through From:			
Texas Higher Education Coordinating Board			
Career and Technical Education Basic Grants -			
Texas Counselors' Network	84.048	164250	113,497
Total U.S. Department of Education			<u>5,536,280</u>
U.S. Department of Labor			
Pass-Through From:			
North Central Texas Council of Governments			
WIA / WIOA Cluster			
WIA / WIOA Adult Program - Recognized Skills Certification	17.258	FY15-RSC-01	100,750
Total WIA / WIOA Cluster			<u>100,750</u>
Total U.S. Department of Labor			<u>100,750</u>
U.S. Department of Health and Human Services			
Pass Through From:			
Texas Association of Community Colleges			
Temporary Assistance for Needy Families - Self Sufficiency	93.558		20,761
Total U.S. Department of Health and Human Services			<u>20,761</u>
Total Federal Financial Assistance			<u>\$ 5,657,791</u>

See Notes to Schedule on following page.

RANGER COLLEGE DISTRICT
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	\$	445,937
Add: Non-Operating Federal Revenue from Schedule C		2,822,318
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Position	\$	3,268,255
Reconciling Items:		
Federal Direct Student Loans		2,389,536
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$	5,657,791

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

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation to the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. The College has elected not to use the 10% de minimis cost rate as permitted in the Uniform Guidance, section 200.414.

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	\$ 2,389,536	\$ -	\$ 2,389,536

STATE AWARDS SECTION

RANGER COLLEGE DISTRICT
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2016

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Higher Education Coordinating Board Nursing and Allied Health	14132	\$ 3,769
Professional Nursing Shortage Reduction	12563	9,515
Texas College Workstudy	15425	10,633
Texas Education Opportunity Grant	15228	54,848
Texas Workforce Commission Skills Development Fund - Manufacturing Consortium	0415SDF001	188,554
Skills Development Fund - Dual Credit Program	0415SDF002	179,747
Skills Development Fund - Manufacturing Consortium	0416SDF001	<u>224,611</u>
Total State Financial Assistance		<u>\$ 671,677</u>

See Notes to Schedule below.

Note 1: State Assistance Reconciliation

State Financial Assistance - per Schedule of Expenditures of State Awards	\$ 671,677
Reconciling Items Professional Nursing Shortage Reduction reported on Schedule C	<u>(9,515)</u>
Total State Revenues per Exhibit 2 and Schedule A	<u>\$ 662,162</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.

