

AMARILLO COLLEGE
Amarillo, Texas

ANNUAL FINANCIAL REPORT
August 31, 2017 and 2016

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**AMARILLO COLLEGE
ORGANIZATIONAL DATA
August 31, 2017**

Board of Regents

	<u>Officers</u>	Term Expires <u>May</u>
Dr. Paul Proffer	Chair	2019
Johnny E. Mize	Vice Chair	2019
Anette Carlisle	Secretary	2021

	<u>Members</u>	
Jay Barrett	Amarillo, Texas	2023
Dr. David C. Woodburn	Amarillo, Texas	2019
Dan Henke	Amarillo, Texas	2021
Patrick Miller	Amarillo, Texas	2021
Michele Fortunato	Amarillo, Texas	2023
Sally Jennings	Amarillo, Texas	2023

	<u>Non-Voting Representatives</u>	
Michael Kitten	Hereford, Texas	2019
Michael Running	Moore County, Texas	2019

Cabinet Members

Dr. Russell Lowery-Hart	President
Mark White	Executive Vice President and General Counsel
Robert Austin	Vice President of Enrollment Management
Steve Smith	Vice President of Business Affairs
Dr. Tamara Clunis	Vice President of Academic Affairs
Lyndy Forrester	Vice President of Employee & Organizational Development
Kevin Ball	Vice President of Communications and Marketing
Denese Skinner	Vice President of Student Affairs
Cara Crowley	Chief of Staff

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Independent Auditor's Report

Board of Regents
Amarillo College
Amarillo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Amarillo College (the College) as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 College'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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of August 31, 2017 and 2016, and the changes in financial position and, where applicable, 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 Schedules of the College's Proportionate Share of the Net Pension Liability, the Schedules of the College's Contributions and Notes to Required Supplementary Information on pages 8-15 and pages 58-60 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 opinions on the basic financial statements of the College. The accompanying supplemental information listed in the table of contents, Schedules A, B, C and D, is likewise presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule E, and Schedule of Expenditures of State of Texas Awards, Schedule F, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Uniform Grants Management Standards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Schedule of Expenditures of State of Texas Awards, and the Other Supplemental Information 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 Schedule of Expenditures of Federal Awards, the Schedule of Expenditures of State of Texas Awards, and the Other Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Connor, McMillan, Mitchell ; Shennum, PLLC

Amarillo, Texas
November 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2017, 2016 and 2015

INTRODUCTION

The 2017 fiscal year was the sixteenth fiscal year that Amarillo College (the College) has presented financial statements in the format required by Governmental Accounting Standards Board (GASB) Statements No. 34 and 35. In the past, audit reports had the financial statements differentiating between the separate funds and fund groups of the College's general ledger. Under the new format, Exhibits 1, 2, and 3 present the financial data from all funds consolidated into a single column.

Exhibit 1, the Statements of Net Position corresponds to the Balance Sheet on prior year statements. This exhibit presents the assets, liabilities, and net position of the College in a single columnar format as of the end of the fiscal year.

Exhibit 2, the Statements of Revenues, Expenses, and Changes in Net Position presents the activity that occurred in the assets, liabilities, and net position for the fiscal year that resulted in the presentation of those items on Exhibit 1. Local ad valorem taxes assessed by the College, investment income, Title IV financial aid program, and state appropriations are reported as non-operating revenues.

Exhibit 3, the Statements of Cash Flows presents the inflow and outflow of cash collected and disbursed by the College for the fiscal year.

Schedule A, the Schedule of Operating Revenues presents a detailed list of the operating revenues, classified as Educational Activities (Unrestricted, Restricted) and Auxiliary Enterprises.

Schedule B, the Schedule of Operating Expenses by Object details the expenditures for the fiscal year classified by function (element of cost) and by natural (object code) classification.

Schedule C, the Schedule of Nonoperating Revenues and Expenses provides detail for the fiscal year classified as Unrestricted, Restricted and Auxiliary Enterprises.

Schedule D, the Schedule of Net Position by Source and Availability provides a reconciliation of fund balances to net position as well as funds available for current operations.

Schedule E, the Schedule of Expenditures of Federal Awards provides detail for the fiscal year for expenditures of federal financial assistance.

Schedule F, the Schedule of Expenditures of State of Texas Awards provides detail for the fiscal year for expenditures of state financial assistance.

CONDENSED COMPARATIVE FINANCIAL INFORMATION

This is the sixteenth year that the College has prepared these financial statements in the GASB 34/35 format. Following are the comparative financial statements for fiscal years 2017, 2016, and 2015:

AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2017, 2016 and 2015

CONDENSED COMPARATIVE FINANCIAL INFORMATION (CONTINUED)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Assets - Capital Net	\$ 128,373,739	\$ 129,894,233	\$ 129,756,340
Total Assets - Noncapital	53,229,494	53,300,661	55,714,263
Total Assets	181,603,233	183,194,894	185,470,603
Deferred Outflows	5,647,350	4,959,716	3,075,201
Total Liabilities - Long Term	76,360,383	80,424,295	78,839,638
Total Liabilities - Other	21,390,237	20,709,757	19,296,166
Total Liabilities	97,750,620	101,134,052	98,135,804
Deferred Inflows	2,821,593	1,137,072	3,221,134
Net Position - Capital	64,725,434	62,423,152	61,314,426
Net Position - Restricted	10,657,174	12,833,830	11,352,838
Net Position - Unrestricted	11,295,762	10,626,504	14,521,602
Total Net Position	<u>\$ 86,678,370</u>	<u>\$ 85,883,486</u>	<u>\$ 87,188,866</u>
Operating Revenues			
Tuition and Fees (Net of Discounts)	\$ 14,318,157	\$ 15,371,596	\$ 14,348,816
Grants and Contracts	7,818,442	9,639,424	11,563,071
Other Operating Revenues	699,471	505,826	538,994
Auxiliary Enterprises (Net of Discounts)	5,581,766	5,605,806	6,181,067
Total Operating Revenues	<u>28,417,836</u>	<u>31,122,652</u>	<u>32,631,948</u>
Operating Expenses			
Instruction	31,740,215	33,752,218	32,857,531
Public Service	3,595,580	3,670,915	3,715,195
Academic Support	2,616,756	2,825,582	3,107,623
Student Services	4,358,923	4,655,940	4,522,455
Institutional Support	16,143,212	17,227,362	16,186,494
Operation and Maintenance of Plant	6,705,112	6,802,743	7,453,894
Scholarships and Fellowships	9,219,231	8,322,474	9,379,560
Auxiliary Enterprises	6,015,033	5,980,078	6,411,226
Depreciation	5,785,031	5,832,644	6,036,294
Total Operating Expenses	<u>86,179,093</u>	<u>89,069,956</u>	<u>89,670,272</u>
Operating Loss	<u>(57,761,257)</u>	<u>(57,947,304)</u>	<u>(57,038,324)</u>
Nonoperating Revenues (Expenses)			
State Allocations	18,254,726	18,091,989	19,409,430
Ad Valorem Taxes	24,509,246	23,466,261	22,556,822
Federal Revenue, Nonoperating	16,288,132	15,205,083	15,415,751
Investment Income (Net)	642,405	395,807	(10,463)
Interest on Capital-Related Debt	(2,432,294)	(2,660,893)	(2,844,187)
Other Nonoperating Revenue (Expenses)	1,293,926	2,143,677	1,514,250
Net Nonoperating Revenues	<u>58,556,141</u>	<u>56,641,924</u>	<u>56,041,603</u>

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2017, 2016 and 2015**

CONDENSED COMPARATIVE FINANCIAL INFORMATION (CONTINUED)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Increase (Decrease) in Net Position	794,884	(1,305,380)	(996,721)
Beginning Net Position	85,883,486	87,188,866	97,916,705
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(9,731,118)</u>
Ending Net Position	<u>\$ 86,678,370</u>	<u>\$ 85,883,486</u>	<u>\$ 87,188,866</u>

ANALYSIS OF COLLEGE'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

REVENUES

State Appropriations – State appropriations for educational and general state support decreased slightly for 2015, decreased an additional \$1.49 million for 2016, the second year of the biennium and increased slightly for 2017.

<u>Year</u>	<u>State Appropriations</u>	<u>Change from Prior Year</u>	<u>% Change</u>
2013	\$ 15,097,688	\$ (222,871)	-1.5%
2014	15,307,049	209,361	+1.4%
2015	15,289,482	(17,567)	-0.1%
2016	13,792,946	(1,496,536)	-9.8%
2017	13,815,609	22,663	+0.2%

Auxiliary Enterprises – Profits from the College's auxiliary enterprises remain steady, which includes the operation of family housing at the East Campus and the operation of the campus bookstores. For several years profit from auxiliary enterprises has been used to supplement the operation of the College's physical plant.

Investment Income – From 2003 to 2007 interest rates rose, increasing investment revenue; during 2008 interest rates started declining and continued to do so through 2016. In 2017 there is an increase in investment income due to improvement in the national economy.

Ad Valorem Tax Base – The Amarillo Junior College District (the District) property appraisal increased \$839 million or 5.9% from the 2016 tax year to the 2017 tax year, \$531 million or 4.56% from the 2015 tax year to the 2016 tax year, and \$445 million or 3.97% from the 2014 tax year to the 2015 tax year. The increase is made up of new properties, improvements to existing properties, and increased valuations.

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2017, 2016 and 2015**

ANALYSIS OF COLLEGE'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

With the passage of the bond initiative in November of 2007 and the subsequent sale of \$68.3 million of construction bonds, the total tax rate for the 2017 tax year remained the same at \$.20750 per \$100 valuation; however, the maintenance and operations portion of the tax rate decreased \$0.0105 from the previous year and the interest and sinking portion was increased by the same amount. The last bond sale associated with the November 2007 bond initiative was on May 15, 2012, in the amount of \$14,305,000.

In November of 2006, the voters of the District passed the local option to freeze ad valorem taxes for seniors and disabled.

The Amarillo City Council adopted Ordinance No. 7012 on December 19, 2006, providing for the creation of a contiguous geographic area within the City to be a zone known as the Tax Increment Zone Number One, City of Amarillo, Texas (TIRZ #1) and the establishment of a tax increment fund for the Zone. The District's boundaries encompass the TIRZ #1. At a special meeting in November of 2007, the Board of Regents approved participation in the TIRZ #1. The contribution by the College to the TIRZ #1 district for 2016-17, 2015-16, and 2014-15, was \$107,872, \$110,401 and \$104,275 respectively.

Economic Outlook – The Amarillo and regional economy continues to grow at a steady pace. The August, 2017 local unemployment rate of 3.1% is below the state and national averages of 4.2% and 4.4%, respectively. State appropriations for the upcoming biennium will be \$27.0 million which is slightly lower than the \$27.5 million from the 2016/2017 biennium or the \$30.5 million from the 2014/2015 biennium.

EXPENSES

Employee Health Insurance – The College offers health insurance to its employees through the Employees Retirement System of Texas (ERS). The amount funded by the state was \$3.47 million, \$3.24 million, and \$3.22 million for fiscal years 2017, 2016, and 2015, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets are defined as those items costing over \$5,000 and which have a normal useful life of more than two years. Below is a summary of the capital assets, as of August 31:

	2017	2016	2015	Percent Change
Land	\$ 5,397,795	\$ 5,397,795	\$ 5,397,795	0.0%
Construction in progress	97,317	727,008	37,058	1861.8%
Buildings and building improvements	158,963,312	155,515,212	151,996,386	2.3%
Other real estate improvements	7,444,788	6,936,846	6,084,079	14.0%
Library books	1,120,601	1,187,925	1,230,205	-3.4%
Furniture, machinery, vehicles, and other equipment	35,421,578	34,487,952	33,800,106	2.0%
Assets held pending sale	-	-	-	0.0%
Total capital assets	\$ 208,445,391	\$ 204,252,738	\$ 198,545,629	2.1%

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2017, 2016 and 2015**

ANALYSIS OF COLLEGE'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS (CONTINUED)

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Certain buildings on the College's East Campus were determined to be obsolete. Impairment loss recognized for 2017, 2016, and 2015 are \$-0-, \$-0-, and \$-0-, respectively. The College has entered into various construction contracts. Total current commitments are \$1,987,787 of which \$97,317 was expended at August 31, 2017.

At August 31, 2017, the College had six bond issues outstanding, consisting of a revenue bond and five general obligation bond issues. The outstanding balance as of August 31, 2017, on each of the issues is \$1,165,000, \$1,805,000, \$15,600,000, \$14,200,000, \$8,520,000, \$17,615,000 for Series 2008, 2009, 2010, 2012, 2015, and 2016, respectively.

In July of 2015, \$8,705,000 of the Series 2008 issue was re-funded in order to lower the overall debt service requirements of the College. The Series 2015 issue resulted in an overall savings of approximately \$1,190,831.

In September of 2016, \$6,080,000 of the Series 2008 and \$11,745,000 of the Series 2009 issue were refunded in order to lower the overall debt service requirements of the College. The Series 2016 issue resulted in an overall savings of approximately \$1,997,289.

The 2011 revenue bond has an outstanding balance of \$3,560,000.

Total long-term debt, excluding current portion, at August 31, 2017, is \$59,100,000.

Additional information on the College's capital assets and noncurrent liabilities can be found in Notes 6, 7, 8, and 9, respectively, to the basic financial statements.

OTHER MATTERS AT THE COLLEGE

Prior Period Adjustment – In June of 2012, the GASB issued Statement No. 68 which established new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in the Statement changes how governments calculate and report the costs and obligations associated with pensions. GASB 68 provides specific guidance dependent on whether the pension plan the government participates in is considered a single-employer plan or multiple-employer plan.

Amarillo College provides pension benefits to its employees and retirees through its participation in the Teacher Retirement System of Texas (TRS) pension plan. TRS is considered to be a multiple-employer, cost-sharing pension plan with a special funding situation. A "special funding situation" as defined by GASB 68 refers to circumstances in which a non-employer contributing entity (NECE) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either the amount of the

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2017, 2016 and 2015**

OTHER MATTERS AT THE COLLEGE (CONTINUED)

NECE contributions required are not dependent upon one or more events unrelated to pensions or the NECE is the only entity with a legal obligation to make contributions directly to the pension plan. With regard to the TRS plan, the State of Texas is the NECE as defined by GASB 68 and, as such, the TRS pension plan is properly classified as a multiple-employer, cost-sharing pension plan with a special funding situation, as reflected in the financial statements for the TRS plan itself. The prior period adjustment to record the net pension liability was (\$11,930,444) in 2015.

We also made a prior period adjustment in of \$2,002,638 for a previously impaired building that was put back in use by the institution. In addition, there was a prior period adjustment for pension expense in the amount of \$196,688 which was overbooked in the prior fiscal year. The Comparative Financial Information schedule reflects total prior period adjustments in the amount of (\$9,731,118) for the fiscal year 2015.

Amarillo Technical Center – Beginning with the 1996 fiscal year, the College assumed the operation of the Texas State Technical College Amarillo campus by act of the Texas State Legislature. The land and buildings were leased to the College through fiscal year 2002. On September 1, 2002, the land and facilities were transferred to the College by act of the Texas State Legislature. The Amarillo Technical Center has been renamed the Amarillo College East Campus. HB 521, which was passed in the Texas State Legislature, now gives the College the ability to dispose of excess acreage encompassed within the East Campus.

Moore County Branch Campus – In 1999 the voters of Moore County passed a Branch Campus Maintenance Tax to fund a branch campus of Amarillo College in Dumas, Texas.

The College agreed to underwrite the cost above revenues of the branch campus until the revenues generated by the operation of the campus were sufficient to cover the expenditures. The long-term financial plan for the Moore County Branch Campus projected that the campus would begin paying back the reserves used by the College in fiscal year 2004 and would have all of the reserves reimbursed during fiscal year 2006. During fiscal year 2003, the Moore County Branch Campus had paid back all underwriting funds.

The Amarillo College Moore County Campus Tactical Plan development for 2011-2015 has resulted in the construction of an approximately 30,000 square foot Career and Technical Center in Dumas, Texas. The Career and Technical Center is located in the Dumas Economic Development Corporation (DEDC) Business Park, which is located at Hwy 287 and Success Boulevard. DEDC donated approximately 11 acres in the Business Park with the understanding that construction was to commence within two years of the property being annexed to the City of Dumas and the utilities being located on the property. The Amarillo College Board of Regents approved the sale of \$4.5 million in Revenue Bonds to be used to finance the new Career and Technical Center. Construction on the Career and Technical Center was essentially completed by August 31, 2013.

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2017, 2016 and 2015**

OTHER MATTERS AT THE COLLEGE (CONTINUED)

Hereford Branch Campus – In 2003, citizens of Hereford, Texas, organized a steering committee to investigate the possibility of establishing a community college branch campus to be located in their city. The steering committee approached the College and discussions began concerning the establishment of a branch campus. In 2004, voters of the Hereford Independent School District passed a Branch Campus Maintenance Tax to fund a branch campus of Amarillo College in Hereford. The Hereford Branch Campus began operation for the 2005 Fall Semester.

During September of 2011, the College was approached by an individual wanting to make a monetary donation for construction of a new campus for Amarillo College in Hereford. In January of 2012, the Everett & Mabel McDougal Hinkson Foundation, Inc. was established with a gift of \$3,000,000 for construction of a new campus. Various covenants were specified, one of which was the requirement of the College to spend \$2,000,000 for the construction. The College contribution would be the first money used during construction, which began in Fall of 2012 and was completed for Spring 2014 classes. The total cost to the College was approximately \$2.5 million, which was funded by use of AC reserves and Hereford Branch Campus reserves. The Hereford Economic Development Corporation donated approximately 10 acres and the College purchased an additional 10 acres of land for the site of the new campus.

BOND ELECTION

At the regularly scheduled meeting in August 2007, the Board of Regents passed an election order calling for a \$68.3 million bond election in November of 2007. On November 6, 2007, the District bond election was passed by the voters of the District. Bonds in the amount of \$22,000,000, \$16,000,000, \$16,000,000, and \$14,305,000 were sold June 15, 2008, June 15, 2009, June 15, 2010, and May 15, 2012, respectively. The proceeds from bond sales have been used for new construction, renovation of existing buildings, equipping classrooms, and technology infrastructure. Standard & Poor's continues to provide the College's bond rating of AA+ based upon the College's strong and likely sustainable financial performance trend, evidenced by very strong reserves and substantial taxing flexibility. A parking lot expansion was completed in 2009. The Science Laboratory Building, expansion of the Chilled Water Loop on Washington Street Campus, Jones Hall on West Campus, and Warren Hall renovations were completed in 2010. The East Campus HVAC and Parcels project were completed in 2011. Byrd Business Building and Allied Health renovations, along with the Downtown Campus Parking Lot, were completed in 2012. The Music Building and the ground floor of the Byrd Business Building and Parcels Hall were completed in 2013 as well as renovations to Building V & S on the East Campus. The Math Center project and the 2nd floor of the Lynn Library were funded partially by bond funds and partially by grant funds. In 2014, renovations to Dutton Hall and the Student Union building were completed. Several additional projects were completed in 2015. All bond funds have been fully expended as of August 31, 2016.

**AMARILLO COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended August 31, 2017, 2016 and 2015**

AMARILLO FOUNDATION FOR EDUCATION AND BUSINESS

On November 14, 2012, the Board of Regents entered into an agreement with an independent foundation entitled Amarillo Foundation for Education and Business (AFEB) for the sole purpose of selling land on East Campus. The Board of Directors consists of five members, two members who shall be appointed by PRANA Development Group, LLC, and three members who will be appointed by the College. AFEB is considered a blended component unit of the College. As of August 31, 2014, five land sales had taken place for a total of 77.46 acres being sold for \$863,752. There were no land sales in 2017 or 2016.

SUBSEQUENT EVENTS

Amarillo College has been awarded a 5 year grant from the US Department of Education to construct a 12,000 square foot green house on its Washington St. Campus. This grant will allow Amarillo College to begin a program in horticulture that can lead to a bachelor's degree through Texas Tech University on the Amarillo College campus. A construction manager at risk contract was signed after the close of the 2017 fiscal year for a total commitment of \$1,987,787 to complete this project.

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FINANCIAL STATEMENTS

AMARILLO COLLEGE
STATEMENTS OF NET POSITION
AUGUST 31, 2017 and 2016
Exhibit 1

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,654,183	\$ 6,221,385
Short-term investments	19,954,765	24,705,578
Accounts receivable, net	10,361,430	10,025,936
Inventories	1,322,411	1,311,826
Other assets	649,398	532,357
Total current assets	<u>38,942,187</u>	<u>42,797,082</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	1,037,320	1,547,125
Restricted investments	10,749,987	6,456,454
Endowment investments	2,500,000	2,500,000
Capital assets, net	128,373,739	129,894,233
Total noncurrent assets	<u>142,661,046</u>	<u>140,397,812</u>
TOTAL ASSETS	<u>\$ 181,603,233</u>	<u>\$ 183,194,894</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows on net pension liability	\$ 3,524,380	\$ 4,054,441
Deferred charge on refunding	2,122,970	905,275
TOTAL DEFERRED OUTFLOWS	<u>\$ 5,647,350</u>	<u>\$ 4,959,716</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,575,975	\$ 2,019,177
Accrued compensable absences - current portion	380,890	341,021
Funds held for others	5,417,732	5,217,237
Unearned revenues	10,627,767	10,099,415
Bonds payable - current portion	3,365,000	2,980,000
Capital lease payable - current portion	22,873	22,068
Retainage payable	-	30,839
Total current liabilities	<u>21,390,237</u>	<u>20,709,757</u>
NONCURRENT LIABILITIES		
Accrued compensable absences	694,471	592,123
Deposits payable	142,275	132,175
Bonds payable	59,100,000	62,675,000
Capital lease payable	23,708	46,581
Unamortized debt premium	2,969,627	1,707,579
Net pension liability	13,430,302	15,270,837
Total noncurrent liabilities	<u>76,360,383</u>	<u>80,424,295</u>
TOTAL LIABILITIES	<u>\$ 97,750,620</u>	<u>\$ 101,134,052</u>

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

AMARILLO COLLEGE
STATEMENTS OF NET POSITION, CONTINUED
AUGUST 31, 2017 and 2016
Exhibit 1, Continued

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET POSITION, CONTINUED		
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on net pension liability	\$ 2,821,593	\$ 1,137,072
TOTAL DEFERRED INFLOWS	<u>\$ 2,821,593</u>	<u>\$ 1,137,072</u>
NET POSITION		
Net investment in capital assets	\$ 64,725,434	\$ 62,423,152
Restricted for:		
Nonexpendable:		
Endowment - True	2,500,000	2,500,000
Expendable:		
Capital projects	386,800	386,802
Debt service	1,625,574	1,958,494
Other, primarily donor restrictions	6,144,800	7,988,534
Unrestricted	<u>11,295,762</u>	<u>10,626,504</u>
TOTAL NET POSITION (Schedule D)	<u>\$ 86,678,370</u>	<u>\$ 85,883,486</u>

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

AMARILLO COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED AUGUST 31, 2017 and 2016
Exhibit 2

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Tuition and fees (net of discounts of \$9,131,368 and \$8,987,999) in 2017 and 2016, respectively	\$ 14,318,157	\$ 15,371,596
Federal grants and contracts	2,848,267	4,399,427
State grants and contracts	1,299,610	1,641,918
Local grants and contracts	1,943,695	2,186,562
Nongovernmental grants and contracts	1,726,870	1,411,517
Sales and services of educational activities	455,287	456,634
Auxiliary enterprises (net of discounts)	5,581,766	5,605,806
Other operating revenues	244,184	49,192
Total operating revenues (Schedule A)	<u>28,417,836</u>	<u>31,122,652</u>
OPERATING EXPENSES		
Instruction	31,740,215	33,752,218
Public service	3,595,580	3,670,915
Academic support	2,616,756	2,825,582
Student services	4,358,923	4,655,940
Institutional support	16,143,212	17,227,362
Operation and maintenance of plant	6,705,112	6,802,743
Scholarships and fellowships	9,219,231	8,322,474
Auxiliary enterprises	6,015,033	5,980,078
Depreciation	5,785,031	5,832,644
Total operating expenses (Schedule B)	<u>86,179,093</u>	<u>89,069,956</u>
Operating loss	<u>(57,761,257)</u>	<u>(57,947,304)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	18,254,726	18,091,989
Maintenance ad valorem taxes		
Taxes for maintenance and operations	19,674,646	18,486,354
Taxes for general obligation bonds	4,834,600	4,979,907
Federal revenue, non-operating	16,288,132	15,205,083
Gifts	1,286,097	2,140,502
Investment income, net of investment expenses	642,405	395,807
Interest on capital-related debt	(2,432,294)	(2,660,893)
Gain on disposal of fixed assets	7,829	3,175
Net nonoperating revenues (Schedule C)	<u>58,556,141</u>	<u>56,641,924</u>
Increase (Decrease) in net position	<u>794,884</u>	<u>(1,305,380)</u>
NET POSITION - BEGINNING OF YEAR	<u>85,883,486</u>	<u>87,188,866</u>
NET POSITION - END OF YEAR	<u><u>\$ 86,678,370</u></u>	<u><u>\$ 85,883,486</u></u>

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

AMARILLO COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2017 and 2016
Exhibit 3

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 20,081,260	\$ 21,361,496
Receipts from grants and contracts	8,419,513	16,039,882
Payments to suppliers for goods or services	(18,893,886)	(20,022,824)
Payments to or on behalf of employees	(51,213,215)	(53,986,870)
Payments of scholarships	(9,540,412)	(8,641,944)
Other cash receipts (payments)	<u>(591,318)</u>	<u>650,138</u>
Net cash used by operating activities	<u>(51,738,058)</u>	<u>(44,600,122)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	18,235,755	18,095,811
Receipts from ad valorem taxes	24,479,507	23,475,081
Receipts from nonoperating federal revenue	16,288,132	13,896,051
Receipts from gift or grants	1,271,464	2,126,502
Student organization and other agency transactions	<u>32,090</u>	<u>(5,076,324)</u>
Net cash provided by noncapital financing activities	<u>60,306,948</u>	<u>52,517,121</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	10,767	17,718
Purchases of capital assets	(4,305,749)	(5,997,092)
Payments on capital debt principal	(3,190,000)	(2,750,000)
Net refunding premium	91,650	-
Payments on capital debt interest	<u>(2,479,591)</u>	<u>(2,724,151)</u>
Net cash used by capital and related financing activities	<u>(9,872,923)</u>	<u>(11,453,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	30,326,933	27,834,703
Purchases of investments	(29,357,960)	(25,847,194)
Investment earnings	<u>258,053</u>	<u>436,199</u>
Net cash provided by investing activities	<u>1,227,026</u>	<u>2,423,708</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(77,007)</u>	<u>(1,112,818)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (RESTRICTED AND UNRESTRICTED)	<u>7,768,510</u>	<u>8,881,328</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (RESTRICTED AND UNRESTRICTED)	<u><u>\$ 7,691,503</u></u>	<u><u>\$ 7,768,510</u></u>

AMARILLO COLLEGE
STATEMENTS OF CASH FLOWS, CONTINUED
YEARS ENDED AUGUST 31, 2017 and 2016
Exhibit 3, Continued

	<u>2017</u>	<u>2016</u>
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (57,761,257)	\$ (57,947,304)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	5,785,031	5,832,644
Bad debt	320,879	316,702
Changes of deferred inflows of financial resources	1,684,521	(2,084,062)
Changes of deferred outflows of financial resources	530,061	(1,966,813)
Changes in assets and liabilities:		
Accounts receivable, net	(606,411)	5,438,727
Inventories	(10,585)	(259,631)
Other assets	(77,229)	29,927
Accounts payable	(443,202)	684,301
Accrued compensable absences	142,217	(115,707)
Unearned revenue	528,352	721,928
Net pension liability	(1,840,535)	4,740,916
Deposits payable	10,100	8,250
Net cash used by operating activities	<u>\$ (51,738,058)</u>	<u>\$ (44,600,122)</u>
Non-Cash Transactions		
Donation of capital assets	\$ 14,634	\$ 14,000
Net change in fair value investments	330,727	104,436
Amortization of bond premiums and discounts	259,954	142,545
Borrowing under capital lease purchase	-	93,222
Interest expense capitalized	-	3,010

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

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 1 - REPORTING ENTITY

Amarillo College (the College) was established in 1929, in accordance with the laws of the state of Texas, to serve the educational needs of Amarillo and the surrounding communities. The College is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. While the College receives funding from local, state, and federal sources and must comply with the spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

The financial reporting entity includes both the primary institution and all of its component units. The Amarillo Foundation for Education and Business is considered to be a blended component unit. The blended component unit, although legally separate, is in substance part of the College's operations and, therefore, is reported as if it were part of the College. See Note 25 for additional information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants

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

Title IV, Higher Education Act Program Funds

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

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition Discounting (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 amount is recorded as a tuition discount.

If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis of accounting 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.

Deferred Inflows

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

Deferred Outflows

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

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in endowments is not considered to be cash and cash equivalents for cash flow purposes as it is permanently restricted.

Restricted Cash

Restricted cash consists of restricted funds from donors, unspent bond proceeds, sinking funds, and cash belonging to the Amarillo Foundation for Education and Business (AFEB).

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase or are funds which have donor-imposed restrictions (endowments).

Inventories

Inventories consist of consumable office supplies, physical plant supplies (including fuel), computers, and bookstore stock. Inventories are valued at the lower of cost (under the first-in, first-out method) or market and are charged to expense as consumed.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation. The capitalization policy includes items valued at \$5,000 or more and a useful life of greater than two years. Renovations of \$100,000 or more to buildings, infrastructures, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

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

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, in November 2003. This Statement was effective for the College's fiscal year ending August 31, 2006. This Statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries. The College analyzed its capital assets for impairment in accordance with GASB Statement No. 42. As a result, there were no impairment losses recognized during 2017 and 2016, respectively.

The College capitalizes interest costs incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the assets to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$-0- and \$3,010 in 2017 and 2016, respectively.

Unearned Revenues

Tuition, fees, and other revenues received and related to the periods after August 31, 2017 and 2016, have been deferred. Tuition and fees of \$9,437,278 and \$9,186,597 have been reported as unearned revenue at August 31, 2017 and 2016, respectively.

Pensions

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

Estimates

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

Operating and Nonoperating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from nonoperating items. The College reports as a business-type activity 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 nonoperating revenues are state allocations, Title IV financial aid programs, and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Nonoperating Revenue and Expense Policy (Continued)

When both restricted and unrestricted resources are available for use, it is the College's practice to use restricted resources first, and then unrestricted resources as they are needed.

Correction of an Error

The College sponsors the Amarillo College Benefit Plan (ACBP). This Plan provides disability and survivorship benefits for employees. During the fiscal year ended August 31, 2017, Management of the College reviewed the plan documents for the ACBP and determined that the investments are actually assets of the College with the liability being funds held for others. This is a non-trusted benefit plan. Therefore, investments of \$5,123,608 and \$4,956,454 were recorded for the years ended August 31, 2017 and 2016, respectively. An offsetting liability of \$5,123,608 and \$4,956,454 was recorded in Funds Held For Others for the years ended August 31, 2017 and 2016, respectively. There was no effect on the Net Position of the College.

Reclassification

Certain accounts for the fiscal year ended August 31, 2016 were reclassified to agree with the August 31, 2017 presentation.

NOTE 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.

NOTE 4 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents included on Exhibit 1, Statement of Net Position, are reported below:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents		
Demand deposits	\$ (39,525)	\$ 142,056
TexPool	6,648,130	6,034,702
Petty cash on hand	45,578	44,627
Restricted TexPool	1,007,181	1,292,764
Restricted cash and cash equivalents	<u>30,139</u>	<u>254,361</u>
Total cash and cash equivalents (restricted, and unrestricted)	<u>\$ 7,691,503</u>	<u>\$ 7,768,510</u>

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

The following represents a reconciliation of deposits and investments to Exhibit 1:

<u>Type of Security</u>	<u>Market Value</u>	
	<u>2017</u>	<u>2016</u>
TexPool investment	\$ 805,000	\$ 595,463
Savings/mutual funds	9,872,509	9,289,306
Certificates of deposit/CDARs	<u>22,527,243</u>	<u>23,777,263</u>
Total investments (Exhibit 1)	<u>\$ 33,204,752</u>	<u>\$ 33,662,032</u>
Cash and cash equivalents (Exhibit 1)	\$ 7,691,503	\$ 7,768,510
Investments (Exhibit 1)	<u>33,204,752</u>	<u>33,662,032</u>
Total deposits and investments	<u>\$ 40,896,255</u>	<u>\$ 41,430,542</u>

Investments are classified as follows:

	<u>2017</u>	<u>2016</u>
Short-term investments	\$ 19,954,765	\$ 24,705,578
Restricted investments	10,749,987	6,456,454
Endowment investments	<u>2,500,000</u>	<u>2,500,000</u>
Total investments	<u>\$ 33,204,752</u>	<u>\$ 33,662,032</u>

As of August 31, 2017, the College had the following investments and maturities:

<u>Investment Type</u>	<u>Market Value</u>	<u>Percent</u>	<u>Investment Maturities (Years)</u>	<u>Security Rating</u>
TexPool cash endowment fund	\$ 805,000	2%	Less than 1 year	Unrated
Endowed savings/mutual funds	9,872,509	30%	Less than 1 year	Unrated - BBB
Certificates of deposit	<u>22,527,243</u>	<u>68%</u>	Less than 1 year	Unrated
Total investments	<u>\$ 33,204,752</u>	<u>100%</u>		

Interest Rate Risk - Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. In accordance with state law and Board policy, the College does not purchase any investments with maturities greater than one year except for endowed funds which can be invested to a maximum of five years. The College uses the specific identification method to disclose interest rate risk.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk - Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The College's investment policy states that the balance in external investment pools shall not exceed 35% of the total College investment portfolio unless approved by the Investment Committee of the Board of Regents. The College held certificates of deposit at a local bank which are 6.41% of the portfolio as of August 31, 2017.

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

Custodial Credit Risk - For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of August 31, 2017, \$300,251 of the College's bank balances of \$6,049,816 were exposed to custodial risk as follows:

Uninsured and collateralized with securities held by pledging financial institution	<u>\$ 300,251</u>
Total	<u><u>\$ 300,251</u></u>

Participation in External Investment Pools

As of August 31, 2017, the carrying amount of amounts invested in investment pools was \$8,460,311. Investment pools are recorded at cost, which approximated market value at August 31, 2017. All investment pools are uninsured and are not registered with the Securities and Exchange Commission. Investment pools are not subject to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.

The College's investment in investment pools is TexPool Participant Services. TexPool Participant Services' regulatory oversight agent is the Texas Treasury Safekeeping Trust Company and their credit risk rating is AAAM. Their financial reports may be obtained by writing Federated Investment Management Company, 1001 Texas Avenue, Suite 1400, Houston, TX 77002.

NOTE 5 - FAIR VALUE MEASUREMENTS

The College adopted Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, as guidance on fair value measurements. The standard established a three-level valuation hierarchy for disclosure based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to quoted prices in active markets for

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's fair value measurement level within the hierarchy is based on the lowest level of input that is significant to the valuation.

The three levels are defined as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The College uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the College measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Assets Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using:		
	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>August 31, 2017:</u>				
Money market mutual funds	\$ 307,091	\$ 307,091	\$ -	\$ -
Tex pool investment	805,000	805,000	-	-
CDARS and certificates of deposit	22,527,243	-	22,527,243	-
Mutual funds	<u>9,565,418</u>	<u>9,565,418</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 33,204,752</u>	<u>\$ 10,677,509</u>	<u>\$ 22,527,243</u>	<u>\$ -</u>
<u>August 31, 2016:</u>				
Money market mutual funds	\$ 403,309	\$ 403,309	\$ -	\$ -
Tex pool investment	595,463	595,463	-	-
CDARS and certificates of deposit	23,777,263	-	23,777,263	-
Mutual funds	<u>8,885,997</u>	<u>8,885,997</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 33,662,032</u>	<u>\$ 9,884,769</u>	<u>\$ 23,777,263</u>	<u>\$ -</u>

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured at Fair Value on a Recurring Basis (Continued)

For the valuation of money market funds, TexPool Investments and mutual funds, at August 31, 2017 and 2016, the College used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

For the valuation of CDARS and certificates of deposit at August 31, 2017 and 2016, the College used significant other observable inputs as of the valuation date, particularly dealer market price for comparable investments as of the valuation date (Level 2).

A summary of investments classified according to any restrictions at August 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted investments	<u>\$ 19,954,765</u>	<u>\$ 24,705,578</u>
Restricted investments:		
Temporarily restricted	10,749,987	6,456,454
Permanently restricted	<u>2,500,000</u>	<u>2,500,000</u>
Total restricted investments	<u>13,249,987</u>	<u>8,956,454</u>
Total investments	<u>\$ 33,204,752</u>	<u>\$ 33,662,032</u>

There were no fair values of assets and liabilities measured on a nonrecurring basis at August 31, 2017 and 2016.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2017, was as follows:

	<u>Balance September 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2017</u>
Not depreciated:				
Land	\$ 5,397,795	\$ -	\$ -	\$ 5,397,795
Construction in progress	<u>727,008</u>	<u>2,756,351</u>	<u>3,386,042</u>	<u>97,317</u>
Total not depreciated	<u>6,124,803</u>	<u>2,756,351</u>	<u>3,386,042</u>	<u>5,495,112</u>
Other capital assets:				
Buildings and building improvements	155,515,212	3,448,100	-	158,963,312
Other real estate improvements	<u>6,936,846</u>	<u>507,942</u>	<u>-</u>	<u>7,444,788</u>
Total buildings and other real estate improvements	<u>162,452,058</u>	<u>3,956,042</u>	<u>-</u>	<u>166,408,100</u>
Library books	1,187,925	-	67,324	1,120,601
Furniture, machinery, vehicles and other equipment	<u>34,487,952</u>	<u>941,126</u>	<u>7,500</u>	<u>35,421,578</u>
Total other capital assets	<u>198,127,935</u>	<u>4,897,168</u>	<u>74,824</u>	<u>202,950,279</u>

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>September 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>August 31, 2017</u>
Accumulated depreciation:				
Buildings and building improvements	45,524,145	3,150,854	-	48,674,999
Other real estate improvements	<u>2,845,177</u>	<u>444,246</u>	<u>-</u>	<u>3,289,423</u>
Total buildings and other real estate improvements	<u>48,369,322</u>	<u>3,595,100</u>	<u>-</u>	<u>51,964,422</u>
Library books	1,086,642	22,168	67,324	1,041,486
Furniture, machinery, vehicles and other equipment	<u>24,902,541</u>	<u>2,167,763</u>	<u>4,560</u>	<u>27,065,744</u>
Total accumulated depreciation	<u>74,358,505</u>	<u>5,785,031</u>	<u>71,884</u>	<u>80,071,652</u>
Net other capital assets	<u>123,769,430</u>			<u>122,878,627</u>
Net capital assets	<u>\$ 129,894,233</u>			<u>\$ 128,373,739</u>

The College entered into a construction contract. Total current commitments \$1,987,787 subsequent to year end at August 31, 2017. Capital assets include gross assets acquired under capital leases of \$93,222 as of August 31, 2017. Related amortization included in accumulated depreciation was \$21,809. Capital leases are included as a component of furniture, machinery, vehicles, and other equipment. Amortization of assets under capital leases is included in depreciation expense.

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

	<u>Balance</u> <u>September 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>August 31, 2016</u>
Not depreciated:				
Land	\$ 5,397,795	\$ -	\$ -	\$ 5,397,795
Construction in progress	<u>37,058</u>	<u>1,883,235</u>	<u>1,193,285</u>	<u>727,008</u>
Total not depreciated	<u>5,434,853</u>	<u>1,883,235</u>	<u>1,193,285</u>	<u>6,124,803</u>
Other capital assets:				
Buildings and building improvements	151,996,386	3,518,826	-	155,515,212
Other real estate improvements	<u>6,084,079</u>	<u>852,767</u>	<u>-</u>	<u>6,936,846</u>
Total buildings and other real estate improvements	<u>158,080,465</u>	<u>4,371,593</u>	<u>-</u>	<u>162,452,058</u>
Library books	1,230,205	-	42,280	1,187,925
Furniture, machinery, vehicles and other equipment	<u>33,800,106</u>	<u>923,536</u>	<u>235,690</u>	<u>34,487,952</u>
Total other capital assets	<u>193,110,776</u>	<u>5,295,129</u>	<u>277,970</u>	<u>198,127,935</u>
Accumulated depreciation:				
Buildings and building improvements	42,473,686	3,050,459	-	45,524,145
Other real estate improvements	<u>2,479,343</u>	<u>365,834</u>	<u>-</u>	<u>2,845,177</u>
Total buildings and other real estate improvements	<u>44,953,029</u>	<u>3,416,293</u>	<u>-</u>	<u>48,369,322</u>

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	<u>Balance September 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2016</u>
Library books	1,091,122	37,800	42,280	1,086,642
Furniture, machinery, vehicles and other equipment	<u>22,745,138</u>	<u>2,378,551</u>	<u>221,148</u>	<u>24,902,541</u>
Total accumulated depreciation	<u>68,789,289</u>	<u>5,832,644</u>	<u>263,428</u>	<u>74,358,505</u>
Net other capital assets	<u>124,321,487</u>			<u>123,769,430</u>
Net capital assets	<u>\$ 129,756,340</u>			<u>\$ 129,894,233</u>

NOTE 7 - NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended August 31, 2017, was as follows:

	<u>Balance September 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance August 31, 2017</u>	<u>Due Within One Year</u>
Bonds					
General obligation bonds	\$ 61,905,000	\$ 17,720,000	\$ 20,720,000	\$ 58,905,000	\$ 3,170,000
Revenue bonds	<u>3,750,000</u>	<u>-</u>	<u>190,000</u>	<u>3,560,000</u>	<u>195,000</u>
Subtotal	65,655,000	17,720,000	20,910,000	62,465,000	3,365,000
Accrued compensable absences	933,144	142,217	-	1,075,361	380,890
Deposits	132,175	48,825	38,725	142,275	-
Capital lease payable	68,649	-	22,068	46,581	22,873
Unamortized debt premium	1,707,579	1,601,621	339,573	2,969,627	-
Net pension liability	<u>15,270,837</u>	<u>1,210,644</u>	<u>3,051,179</u>	<u>13,430,302</u>	<u>-</u>
	<u>\$ 83,767,384</u>	<u>\$ 20,723,307</u>	<u>\$ 24,361,545</u>	80,129,146	<u>\$ 3,768,763</u>
Current portion				<u>(3,768,763)</u>	
Noncurrent liabilities				<u>\$ 76,360,383</u>	

Noncurrent liability activity for the year ended August 31, 2016, was as follows:

	<u>Balance September 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance August 31, 2016</u>	<u>Due Within One Year</u>
Bonds					
General obligation bonds	\$ 64,470,000	\$ -	\$ 2,565,000	\$ 61,905,000	\$ 2,790,000
Revenue bonds	<u>3,935,000</u>	<u>-</u>	<u>185,000</u>	<u>3,750,000</u>	<u>190,000</u>
Subtotal	68,405,000	-	2,750,000	65,655,000	2,980,000
Accrued compensable absences	1,048,851	19,372	135,079	933,144	341,021
Deposits	123,925	50,510	42,260	132,175	-
Capital lease payable	-	93,222	24,573	68,649	22,068
Unamortized debt premium	1,850,125	-	142,546	1,707,579	-
Net pension liability	<u>10,529,921</u>	<u>6,020,105</u>	<u>1,279,189</u>	<u>15,270,837</u>	<u>-</u>
	<u>\$ 81,957,822</u>	<u>\$ 6,183,209</u>	<u>\$ 4,373,647</u>	83,767,384	<u>\$ 3,343,089</u>
Current portion				<u>(3,343,089)</u>	
Noncurrent liabilities				<u>\$ 80,424,295</u>	

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 8 - DEBT OBLIGATIONS

Debt service requirements at August 31, 2017, were as follows (amounts in 000's):

For the Year Ended <u>August 31,</u>	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Total Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 3,170	\$ 2,094	\$ 195	\$ 140	\$ 3,365	\$ 2,234
2019	3,380	1,960	205	135	3,585	2,095
2020	3,775	1,816	210	126	3,985	1,942
2021	4,110	1,669	220	118	4,330	1,787
2022	4,410	1,513	230	109	4,640	1,622
2023-2027	25,125	4,865	1,275	402	26,400	5,267
2028-2032	<u>14,935</u>	<u>880</u>	<u>1,225</u>	<u>125</u>	<u>16,160</u>	<u>1,005</u>
Total	<u>\$ 58,905</u>	<u>\$ 14,797</u>	<u>\$ 3,560</u>	<u>\$ 1,155</u>	<u>\$ 62,465</u>	<u>\$ 15,952</u>

Capital Leases

Obligations under capital leases at August 31, 2017, were as follows:

For the Year Ended <u>August 31,</u>	<u>Total</u>
2018	\$ 24,573
2019	<u>24,573</u>
Total minimum lease payments	49,146
Less: Amount representing interests costs	<u>(2,565)</u>
Present Value of minimum lease payment	<u>\$ 46,581</u>

Operating Lease

The College leases a building from a not-for-profit organization for \$1 a year for 36 months. The College is required to use this building to provide child care services. The lease was effective March 1, 2017 and expires February 29, 2020.

NOTE 9 - BONDS PAYABLE

General information related to bonds payable is summarized below:

Combined Fee Revenue Bonds, Series 2011

- To renovate and expand the Moore County Campus.
- Issued October 25, 2011.
- \$4,470,000 originally issued; all authorized bonds have been issued.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 9 - BONDS PAYABLE (CONTINUED)

- Source of revenue for debt service - Certain pledged revenues consisting primarily of a portion of tuition charges and other fees. Outstanding balance at August 31, 2017 and 2016, \$3,560,000 and \$3,750,000, respectively.
- The bonds are due in annual installments varying from \$335,000 to \$339,600, including interest with interest rates from 3.0% to 4.0%, with the final installment due in 2031.

General Obligation Bonds, Series 2008

- General Obligation Bonds, Series 2008 will be used to construct and equip new buildings and renovate existing facilities. Refunding of bonds in July 2015 moved \$8,665,000 to Series 2015 General Obligation Bonds. Refunding of bonds in September 2016 moved \$6,080,000 to Series 2016 General Obligation Bonds.
- Issued June 15, 2008 – 1st Issue.
- \$22,000,000 originally issued of the \$68,305,000 authorized.
- Source of revenue for debt service - Ad valorem tax levied by the District on taxable property. Outstanding balance at August 31, 2017 and 2016: \$1,165,000 and \$8,360,000, respectively.
- The bonds have a final installment of \$1,194,125 including interest with an interest rate of 5.00%, due in 2018.

General Obligation Bonds, Series 2009

- General Obligation Bonds, Series 2009 will be used to construct and equip new buildings and renovate existing facilities. Refunding of bonds in September 2016 moved \$11,745,000 to Series 2016 General Obligation Bonds.
- Issued June 15, 2009 – 2nd Issue.
- \$16,000,000 second issue of the \$68,305,000 authorized in fiscal year 2008.
- Source of revenue for debt service - Ad valorem tax levied by the District on taxable property. Outstanding balance at August 31, 2017 and 2016: \$1,805,000 and \$14,400,000, respectively.
- The bonds are due in annual installments varying from \$938,400 to \$939,500, including interest with an interest rate of 4.00%, with the final installment due in 2019.

General Obligation Improvement and Refunding Bonds, Series 2010

- General Obligation Improvement and Refunding Bonds, Series 2010, will be used to construct and equip new buildings and renovate existing facilities and refund the outstanding balance of the General Obligation Refunding Bonds, Series 2005.
- Issued June 15, 2010 – 3rd issue

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 9 - BONDS PAYABLE (CONTINUED)

- \$21,135,000 originally issued, of which \$5,135,000 was the Refunding of the General Obligation Refunding Bonds, Series 2005 and \$16,000,000 was the third issue of the \$68,305,000 authorized in fiscal year 2008.
- Average interest rate of bonds refunded: 3.96%.
- Net proceeds from series: \$21,423,938, net of cost of issuance of \$99,250, of which \$5,340,062 was used in the refunding of the General Obligation Refunding Bonds, Series 2005.
- Source of revenue for debt service – Ad valorem tax levied by the District on taxable property. Outstanding balance at August 31, 2017 and 2016: \$15,600,000 and \$16,320,000, respectively.
- The bonds are due in annual installments varying from \$1,107,500 to \$1,693,300, including interest with interest rates from 4.0% to 4.25%, with the final installment due in 2030.

General Obligation Bonds, Series 2012

- General Obligation Improvement and Refunding Bonds, Series 2012, will be used to construct and equip new buildings and renovate existing facilities.
- Issued May 15, 2012 – 4th issue
- \$14,305,000 fourth and final issue of the \$68,305,000 authorized in fiscal year 2008.
- Source of revenue for debt service – Ad valorem tax levied by the District on taxable property. Outstanding balance at August 31, 2017 and 2016: \$14,200,000 and \$14,305,000, respectively.
- The bonds are due in annual installments varying from \$989,163 to \$1,276,178, including interest with interest rates from 3.0% to 4.0%, with the final installment due in 2032.

General Obligation Bonds, Series 2015

- Limited Tax Refunding Bonds, Series 2015, used to refund part of General Obligations Bonds Series 2008.
- Issued July 2, 2015
- Average Interest rate of bonds: 4.022%
- Proceeds from Series: \$9,946,064 received, less cost of issuance of \$171,193, of which the remainder, \$9,774,871, was used in refunding part the General Obligations Bonds Series 2008.
- Source of revenue for the debt service – Ad valorem tax levied by the District on taxable property. Outstanding balance at August 31, 2017 and 2016: \$8,520,000, respectively.
- The bonds are due in annual installments varying from \$343,450 to \$1,779,800, including interest with the interest rates from 4.00% to 4.50%, with the final installment due in 2028.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 9 - BONDS PAYABLE (CONTINUED)

On July 2, 2015, Amarillo Junior College District issued general obligation bonds in the amount of \$8,665,000 with an interest rate from 2.00% to 4.50% to advance refund term bonds with an interest rate from 4.00% to 5.00% and a par value of \$8,665,000. The term bonds mature on February 15, 2028, and are callable on February 15, 2025. The general obligation bonds were issued at par and, after paying issuance costs of \$171,193 and including the reoffering premium of \$1,281,064, the net proceeds were \$9,774,871. The net proceeds from the issuance of the general obligations bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on February 15, 2018. The advance refunding met the requirements of an in-substance debt defeasance, and the term bonds were removed from the District's financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$1,190,831, which resulted in an economic gain of \$1,008,316 and an accounting gain of \$1,011,941.

General Obligation Bonds, Series 2016

- Limited Tax Refunding Bonds, Series 2016, used to refund a portion of the General Obligations Bond Series 2008 and the General Obligation Bonds Series 2009.
- Issued September 1, 2016
- Average Interest rate of bonds: 3.1211%
- Proceeds from Series: \$19,321,621 received, less cost of insurance of \$148,080, of which the remainder, \$19,173,541, was used in refunding part of the General Obligations Bonds Series 2008 and 2009.
- Source of revenue for the debt service – Ad Valorem tax levied by the District. Outstanding balance at August 31, 2017 was \$17,615,000.
- The bonds are due in annual installments varying from \$690,613 to \$2,720,713 including interest with the interest rates from 2.00% to 4.00%, with the final installment due in 2029.

On September 1, 2016, Amarillo Junior College District issued general obligation bonds in the amount of \$17,720,000 with an interest rate from 2.00% to 4.00% to advance refund term bonds with an interest rate from 4.05% to 5.00% and a par value of \$17,720,000. The term bonds mature on February 15, 2029, and are callable on February 15, 2026. The general obligation bonds were issued at par and, after paying issuance costs of \$148,080 and including the reoffering premium of \$1,601,621, the net proceeds were \$19,173,541. The net proceeds from the issuance of the general obligations bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on February 15, 2018 for 2008 series and February 15, 2019 for 2009 series. The advance refunding met the requirements of an in-substance debt defeasance, and the term bonds were removed from the District's financial statements.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 9 - BONDS PAYABLE (CONTINUED)

As a result of the advance refunding, the District reduced its total debt service requirements by \$1,997,289, which resulted in an economic gain of \$1,936,084 and an accounting gain of \$1,777,734.

NOTE 10 - EMPLOYEES' RETIREMENT PLANS

Plan Description

The College participates in a cost-sharing, multiple-employer defined benefit pension plan (the Plan) that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan 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 (IRC). 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 benefits.

The Texas Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; 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 service credit 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

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 10 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Benefits Provided (Continued)

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 (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017. Contribution amounts are as follows:

	<u>Contributions Required and Made</u>
2017 Member (Employee) Contributions	\$ 1,902,268
2017 College (Employer) Contributions	1,051,068
2016 Non-employer contributing agency (State)	586,379

Contribution rates for Plan fiscal years (September to August) 2016 and 2017 follow:

	Contribution Rates	
	<u>Plan Fiscal Year</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity	6.8%	6.8%
Employer	6.8%	6.8%

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity.

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

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 10 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Contributions (Continued)

rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers, including junior colleges, are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, when employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment-after-retirement surcharge.

Actuarial Assumptions

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the four-year period ending August 31, 2014, and adopted September 24, 2015 by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan.

The total pension liability in the August 31, 2016 actuarial valuation, was determined using the following actuarial assumptions:

Valuation date	August 31, 2016
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions:	
Single discount rate	8.00%
Long-term expected investment rate of return	8.00%
Inflation	2.50%
Salary increases including inflation	3.50% to 9.50%
Payroll growth rate	2.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 10 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0 %. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and those of the contributing employers and the non-employer 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 with no cross-over point to a municipal bond rate. The long-term rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. developed	13.0%	5.1%	0.8%
Emerging markets	9.0%	5.9%	0.7%
Directional hedge funds	4.0%	3.2%	0.1%
Private equity	13.0%	7.0%	1.1%
Stable Value			
U.S. treasuries	11.0%	0.7%	0.1%
Absolute return	0.0%	1.8%	0.0%
Stable value hedge funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 10 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Discount Rate (Continued)

Real Return

Global inflation linked bonds	3.0%	0.9%	0.0%
Real assets	16.0%	5.1%	1.1%
Energy and natural resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%

Risk Parity

Risk parity	<u>5.0%</u>	<u>6.7%</u>	<u>0.3%</u>
Inflation Expectations			2.2%
Alpha			1.0%

Total	<u>100.0%</u>		<u>8.7%</u>
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* 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 2016 Comprehensive Annual Financial Report

Sensitivity of the College's Share of the Net Pension Liability

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability:

	1% Decrease in Discount Rate 7%	Current Discount Rate 8%	1% Increase in Discount Rate 9%
College's proportionate share of the net pension liability	\$ 20,785,583	\$ 13,430,302	\$ 7,191,536

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

At August 31, 2017, the College reported a liability for its proportionate share of the net pension liability that reflected 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 net pension liability	\$ 13,430,302
State's proportionate share of the net pension liability associated with the College	<u>6,960,228</u>
Total	<u>\$ 20,390,530</u>

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 10 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

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

The net pension liability was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's contributions to the pension plan relative to the contributions of all participating entities to the Plan for the period September 1, 2015, through August 31, 2016.

At August 31, 2016, the College's proportion of the collective net pension liability was 0.0355407%, which is a decrease of 0.0076599% from its proportion measured as of August 31, 2015.

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

For the year ended August 31, 2017, the College recognized pension expense of \$722,306 and revenue of \$722,306 for support provided by the State.

At August 31, 2017, the College reported its proportionate share of the TRS's deferred outflows or resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers for the current and prior years combined.)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 210,585	\$ 401,021
Changes of assumptions	409,332	372,270
Net difference between projected and actual earnings on pension plan investments	1,137,250	-
Changes in proportion and differences between College contributions and proportionate share of contributions	716,145	2,048,302
College contributions subsequent to the measurement date	<u>1,051,068</u>	<u>-</u>
Total	<u>\$ 3,524,380</u>	<u>\$ 2,821,593</u>

At August 31, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 569,240	\$ 586,872
Changes of assumptions	135,436	544,797

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 10 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

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

Net difference between projected and actual earnings on pension plan investments	1,347,087	-
Changes in proportion and differences between College contributions and proportionate share of contributions	865,319	5,403
College contributions subsequent to the measurement date	<u>1,137,359</u>	<u>-</u>
Total	<u>\$ 4,054,441</u>	<u>\$ 1,137,072</u>

The \$1,051,068 and \$1,137,359 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,

2018	\$ (103,456)
2019	(103,456)
2020	621,937
2021	(159,178)
2022	(345,444)
Thereafter	<u>(258,684)</u>
Total	<u>\$ (348,281)</u>

Optional Retirement Plan – Defined Contribution Plan

Plan Description. Participation in the Optional Retirement Program (ORP) is in lieu of participation in the 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 State Legislature. The percentage of participant salaries currently contributed by the state is 6.6% for fiscal years 2017 and 2016. The participant contribution rate is 6.65% for both years. The College contributes 1.31% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment.

Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amounts of the state's contribution to 50% of eligible employees in the reporting district.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 10 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Optional Retirement Plan – Defined Contribution Plan (Continued)

The ORP expense to the state for the College was \$205,009, \$225,761, and \$266,541 for the fiscal years ended August 31, 2017, 2016, and 2015, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the College.

The total payroll of employees covered by the ORP was \$7,051,864, \$7,867,546, and \$8,386,463 for fiscal years 2017, 2016, and 2015, respectively.

College-Sponsored Benefit Plans

The College has a voluntary employee defined contribution 403(b) plan administered by the Plan's trustee. The Plan is funded by matching employee and employer contributions of 6.65% of employee compensation. Plan funds are held in trust and are administered by the College's Vice-President of Business Affairs with oversight by the Board of Regents. The Plan was amended during the year ended August 31, 2016 to allow for loans against the participants' investments and to allow for participant directed investing. Full-time employees and certain part-time employees are eligible to participate and are fully vested at all times. At August 31, 2017, 2016, and 2015, there were 916, 923, and 968, respectively, plan participants. The related expense was \$1,565,122, \$1,575,633, and \$1,756,554 for the years ended August 31, 2017, 2016, and 2015, respectively.

The College sponsors the Amarillo College Benefit Plan (the Plan) which provides disability and survivorship benefits. The Plan is a non-trusted benefit program and currently has \$5,123,608 in assets with a liability of \$5,123,608 recorded in Funds Held for Others. The College's contributions to the Plan for August 31, 2017, 2016, and 2015 were \$198,875, \$200,348, and \$223,285.

Part-time employees that are not covered by the defined contribution employee benefit plan are covered by a plan established pursuant to IRC Section 457. As a result of the passage of the Small Business Job Protection Act of 1996, beginning January 1, 1999, part-time plan funds are held by a third party custodian in individual trust accounts for the exclusive benefit of the participants. Investments are directed by the investment manager of the plan. The College is responsible for selecting the investment manager. The related expense was \$138,796, \$222,310, and \$263,780 for the years ended August 31, 2017, 2016, and 2015, respectively.

NOTE 11 - DEFERRED COMPENSATION PROGRAM

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 12 - COMPENSABLE ABSENCES

Full-time employees earn annual leave from eight to twelve hours per month depending on the number of years employed with the College. 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 number of hours up to 160 for those employees with five or less years of service, up to 200 hours for those employees with more than five years but under ten years of service, and up to 240 hours for those employees with more than ten years of service. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for the unpaid annual leave in the amount of \$1,075,361 and \$933,144 as of August 31, 2017 and 2016, respectively. Sick leave, which can be accumulated up to 120 days, is earned at the rate of eight hours per month; however, sick leave is not paid at termination. The College's policy is to recognize the cost of sick leave when utilized by employees.

NOTE 13 - ENDOWMENTS

KACV-TV (the Station) is part of and is operated by the College. In 1999, the Station received \$1,000,000 from the Sybil B. Harrington Living Trust (Harrington Trust) which was specified as an endowment. In 2005, the Station received an additional \$500,000 gift from an anonymous donor that was to be held as an endowment. The College also received a \$1,000,000 endowment from the Harrington Trust for the Harrington Library Consortium.

NOTE 14 - COMMITMENTS, CONTINGENCIES AND LAWSUITS

The College participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of the College's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Additionally, the College's students participate in the Federal Direct Loan Program for which the proceeds are used for tuition and education-related costs. Regulations require that default rates pertaining to loans to persons attending the College not exceed certain levels at the College. In the event that specific levels were exceeded, the program could be discontinued at the College; however, the College does not anticipate this occurring. The total amount of Direct Loans made during 2017 and 2016 was \$13,096,690 and \$11,443,817, respectively.

In August 2017, the College committed to participate in the expansion of the ACE mission by establishing and participating in the ACE Amarillo Scholarship Fund to be maintained at the Amarillo Area Foundation for the benefit of Amarillo Independent School District high school graduates. The College will participate in the funding of this project with three other partners. Contributions from the College should not exceed \$3,500,000 and will be made over a six-year period.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 14 - COMMITMENTS, CONTINGENCIES AND LAWSUITS (CONTINUED)

On August 31, 2017, 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, if any, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

NOTE 15 - DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Accounts Receivable

Accounts receivable at August 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Student receivables	\$ 8,432,727	\$ 7,101,770
Taxes receivable	759,821	728,255
Government grants and contracts	1,009,616	1,317,848
Other receivables	<u>871,448</u>	<u>1,440,096</u>
Total accounts receivable	11,073,612	10,587,969
Allowance for doubtful accounts	<u>(712,182)</u>	<u>(562,033)</u>
Total accounts receivable, net	<u>\$ 10,361,430</u>	<u>\$ 10,025,936</u>

Accounts Payable

Accounts payable at August 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Vendors payable	\$ 490,973	\$ 1,205,738
Salaries and benefits payable	1,072,371	800,808
Interest payable	<u>12,631</u>	<u>12,631</u>
Total accounts payable	<u>\$ 1,575,975</u>	<u>\$ 2,019,177</u>

NOTE 16 - CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA) Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2, Schedule A, and Schedule C.

For federal and nonfederal contract and grant awards, funds expended, but not collected, are reported as accounts receivable on Exhibit 1. For federal and nonfederal contract and grant awards, funds received, but not yet expended, are reported as deferred revenue on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2017 and 2016 for which monies have not been received nor funds expended, totaled \$7,048,935 and

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 16 - CONTRACT AND GRANT AWARDS (CONTINUED)

\$6,340,663, respectively. Of these amounts, \$3,120,784 and \$2,952,028 were from federal contract and grant awards, \$2,591,156 and \$2,003,864 were from state contract and grant awards, and \$1,336,996 and \$1,384,771 were from private contract and grant awards for the fiscal years ended 2017 and 2016, respectively.

NOTE 17 - SELF-INSURED PLANS

The College does not participate in public entity risk pools. Claims and judgments are accounted for in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Property and casualty risks are insured through insurance contracts. Workers' compensation risks are substantially covered by insurance. Health claims are fully covered by the state of Texas.

NOTE 18 - HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain healthcare 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 cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees. The state's contribution per full-time employee was approximately \$617 per month for the year ended August 31, 2017, (\$577 per month for the year ended August 31, 2016) and totaled \$3,475,404 for the year ended August 31, 2017, (\$3,243,021 for the year ended August 31, 2016). S.B. 1812, effective September 1, 2013, limits the amounts of the state's contribution to 50% of eligible employees in the reporting district.

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

NOTE 19 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 19 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy, which is actuarially determined in accordance with the parameters of GASB Statement No. 45.

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

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

The College's contributions to SRHP for the years ended August 31, 2017, 2016, and 2015 were \$3,670,435, \$3,079,244, and \$2,723,431, respectively, which equaled the required contributions each year.

NOTE 20 - AD VALOREM TAX

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

At August 31, 2017:

Assessed valuation of the District	\$ 14,257,793,098
Less: exemptions	<u>2,074,263,264</u>
Net assessed valuation of the District	<u>\$ 12,183,529,834</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized (maximum per enabling legislation)	\$.20000	\$.50000	\$.70000
Tax rate per \$100 valuation for assessed	.16669	.04081	.20750

Taxes levied for the year ended August 31, 2017, were \$24,440,464 (which includes penalty and interest assessed and adjustments, if applicable). 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.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 20 - AD VALOREM TAX (CONTINUED)

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 19,413,641	\$ 4,751,983	\$ 24,165,624
Delinquent taxes collected	159,836	43,533	203,369
Penalties and interest collected	<u>162,461</u>	<u>36,103</u>	<u>198,564</u>
Total collections	<u>\$ 19,735,938</u>	<u>\$ 4,831,619</u>	<u>\$ 24,567,557</u>

At August 31, 2016:

Assessed valuation of the District	\$ 13,660,035,095
Less: exemptions	<u>2,007,615,627</u>
Net assessed valuation of the District	<u>\$ 11,652,419,468</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized (maximum per enabling legislation)	\$.20000	\$.50000	\$.70000
Tax rate per \$100 valuation for assessed	.16669	.04081	.20750

Taxes levied for the year ended August 31, 2016, were \$23,391,376 (which includes penalty and interest assessed and adjustments, if applicable). 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.

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 18,262,888	\$ 4,887,843	\$ 23,150,731
Delinquent taxes collected	167,705	47,644	215,349
Penalties and interest collected	<u>167,251</u>	<u>41,077</u>	<u>208,328</u>
Total collections	<u>\$ 18,597,844</u>	<u>\$ 4,976,564</u>	<u>\$ 23,574,408</u>

Tax collections for the years ended August 31, 2017 and 2016, were 98.88% and 98.97%, respectively, of the current tax levy. Allowance for uncollectible taxes is based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking fund expenditures.

NOTE 21 - TAX ABATEMENTS

The College receives reduced property tax revenues as a result of exemptions granted by the City of Amarillo. The exemptions are intended to promote economic development in the Amarillo area. For the fiscal year ended August 31, 2017, the College's property tax revenues were reduced by \$266,541 under these exemptions. There are no significant abatements made by the College.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 22 - BRANCH CAMPUS MAINTENANCE TAX

A branch campus maintenance tax that is established by election is levied by Moore County and Hereford Independent School District. It is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. Collections are transferred to the College to be used for operation of a branch campus in Dumas, Texas, and Hereford, Texas. This revenue is reported under local grant contracts. Collections in fiscal years 2017 and 2016 (including penalties and interest) from Moore County totaled approximately \$1,044,000 and \$1,206,000, respectively, and from Hereford Independent School District totaled approximately \$745,000 and \$729,000, respectively.

NOTE 23 - INCOME TAXES

The College is exempt from income taxes under IRC Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under IRC Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The College had no significant unrelated business income for the years ended August 31, 2017 and 2016.

NOTE 24 - RELATED PARTIES

The Amarillo College Foundation, Incorporated (the Foundation) is a nonprofit organization with the primary purpose of supporting the educational and other activities of various entities, including the College. The Foundation solicits donations and awards scholarships, including substantial scholarships to students not attending the College. The College does not appoint a voting majority to the board of directors nor does it fund or is it obligated to pay debt related to the Foundation. Accordingly, the Foundation has not been presented as a discrete component unit of the College.

The Foundation remitted restricted gifts of \$12,000 and \$1,783,459 to the College during the years ended August 31, 2017 and 2016, respectively. During the fiscal year, the College furnished certain services, such as office space, utilities and some staff assistance, to the Foundation. The amount of such services provided by the College has not been determined.

NOTE 25 - BLENDED COMPONENT UNIT

Amarillo Foundation for Education and Business

On November 14, 2012, the Board of Regents entered into an agreement with an independent foundation entitled Amarillo Foundation for Education and Business (AFEB) for the sole purpose of selling land on East Campus. The land is held by the College which, in turn, sells the land to AFEB when AFEB has found a buyer. The board of directors consists of five members, two of whom are appointed by PRANA Development Group, LLC, and three members who are appointed by the College. AFEB is considered a blended component unit of the College. There were no sales during the fiscal years ended August 31, 2017 and 2016.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 25 - BLENDED COMPONENT UNIT (CONTINUED)

Amarillo Foundation for Education and Business (Continued)

Condensed Statements of Net Position
August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets	\$ 8,405	\$ 86,013
Total assets	<u>8,405</u>	<u>86,013</u>
Liabilities	<u>-</u>	<u>-</u>
Net position		
Restricted	<u>8,405</u>	<u>86,013</u>
Total net position	<u>\$ 8,405</u>	<u>\$ 86,013</u>

Condensed Statements of Revenues, Expenses and Changes in Net Position
August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
Operating expenses	<u>77,608</u>	<u>337</u>
Total expenses	<u>77,608</u>	<u>337</u>
Decrease in net position	<u>(77,608)</u>	<u>(337)</u>
Net position		
Net position, beginning of year	<u>86,013</u>	<u>86,350</u>
Net position, end of year	<u>\$ 8,405</u>	<u>\$ 86,013</u>

Condensed Statements of Cash Flows
August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Net cash used by operating activities	\$ (77,608)	\$ (337)
Net decrease in cash and cash equivalents	(77,608)	(337)
Cash and cash equivalents, beginning of year	<u>86,013</u>	<u>86,350</u>
Cash and cash equivalents, end of year	<u>\$ 8,405</u>	<u>\$ 86,013</u>

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 26 - NEW GASB PRONOUNCEMENTS

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

Recently Issued Accounting Pronouncements

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016. The implementation of this guidance had no effect on the financial statements of the College in the current year.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2017. The College is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015. The implementation of this pronouncement only effected the disclosures in the current year.

GASB Statement No. 78, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 26 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. GASB 78 is effective for financial statements for reporting periods beginning after December 15, 2015. The implementation of this guidance had no effect on the financial statements.

GASB Statement No. 80, *Blending Requirement for Certain Component Units*, clarifies the display requirements in GASB Statement No. 14, *The Financial Reporting Entity*, by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements. GASB 80 is effective for financial statements for reporting periods beginning after June 15, 2016. The implementation of this pronouncement had no effect on the financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB 81 requires that a government recognize revenue when the resources become applicable to the reporting period. GASB 81 is effective for financial statements for reporting periods beginning after December 15, 2016. The College is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 82, *Pension Issues*, is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73. GASB 82 is effective for financial statements for reporting periods beginning after June 15, 2016. The implementation of this guidance had no effect on the financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. In addition, this statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 26 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

deflation, at least annually, and requires a government to evaluate all relevant factors, at least annually, and requires a government to evaluate all relevant factors, at least annually, to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. In cases where governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities, this statement requires disclosure of how those funding and assurance requirements are being met, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 is effective for financial statements for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The College is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 84, *Fiduciary Activities*, the objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB No. 84 is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The College is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 85, *Omnibus 2017*, the objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The College is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, the primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 86 is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The College is currently evaluating the effect of this statement on their financial statements.

AMARILLO COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2017 and 2016

NOTE 26 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 87, *Leases*, the objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The College is currently evaluating the effect of this statement on their financial statements.

NOTE 27 - SUBSEQUENT EVENTS

The College evaluated for inclusion as a subsequent event disclosure those events that occurred prior to November 28, 2017, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

AMARILLO COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Years Ended August 31

	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportionate share (percentage) of the net pension liability	.0355407%	.0432006%	.0394211%
College's proportionate share (amount) of the net pension liability	\$ 13,430,302	\$ 15,270,837	\$ 10,529,921
State's proportionate share (amount) of the net pension liability associated with the College	<u>6,960,228</u>	<u>5,604,542</u>	<u>6,837,829</u>
Total	<u>\$ 20,390,530</u>	<u>\$ 20,875,379</u>	<u>\$ 17,367,750</u>
College's covered-employee payroll (for measurement year)	\$ 24,505,834	\$ 25,103,781	\$ 24,102,504
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.80%	60.83%	43.69%
Plan's fiduciary net pension as a percentage of the total pension liability	78.00%	78.43%	83.25%

Note 1: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement date.

Note 2: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**AMARILLO COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Years Ended August 31**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,051,068	\$ 1,137,359	\$ 1,240,322
Contributions in relation to the contractually required contributions	<u>1,051,068</u>	<u>1,137,359</u>	<u>1,240,322</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
District's covered-employee payroll	<u>\$ 24,718,018</u>	<u>\$ 24,505,834</u>	<u>\$ 25,103,781</u>
Contributions as a percentage of covered- employee payroll	4.25%	4.64%	4.94%

Note 1: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of College's respective fiscal years as opposed to the time periods covered by the measurement date.

Note 2: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

AMARILLO COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Years Ended August 31, 2017 and 2016

NOTE 1 - CHANGES OF BENEFIT TERMS

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

NOTE 2 - CHANGES OF ASSUMPTIONS

There were no changes of assumptions that affected measurement of the total liability during the measurement period.

OTHER SUPPLEMENTAL INFORMATION

**AMARILLO COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2017
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2017</u>	<u>2016</u>
TUITION						
State-funded courses						
In-district resident tuition	\$ 8,986,995	\$ -	\$ 8,986,995	\$ -	\$ 8,986,995	\$ 8,913,283
Out-of-district resident tuition	1,982,048	-	1,982,048	-	1,982,048	1,915,738
Non-resident tuition	520,635	-	520,635	-	520,635	455,855
TPEG - Credit (set aside)*	460,049	-	460,049	-	460,049	452,894
State-funded continuing education	1,173,108	25,022	1,198,130	-	1,198,130	2,076,306
TPEG - Non-credit (set aside)*	70,387	1,501	71,888	-	71,888	125,556
Non-state funded continuing education	548,660	-	548,660	-	548,660	617,722
Total tuition	<u>13,741,882</u>	<u>26,523</u>	<u>13,768,405</u>	<u>-</u>	<u>13,768,405</u>	<u>14,557,354</u>
FEES						
Distance learning fee	1,548,063	-	1,548,063	-	1,548,063	1,552,869
General fee	4,324,099	-	4,324,099	-	4,324,099	4,297,422
Technology fee	1,575,626	-	1,575,626	-	1,575,626	1,558,596
Student service fee	265,380	-	265,380	-	265,380	260,967
Laboratory fee	325,292	-	325,292	-	325,292	321,756
Other fees	1,611,484	31,176	1,642,660	-	1,642,660	1,810,631
Total fees	<u>9,649,944</u>	<u>31,176</u>	<u>9,681,120</u>	<u>-</u>	<u>9,681,120</u>	<u>9,802,241</u>
SCHOLARSHIP ALLOWANCES AND DISCOUNTS						
Scholarship allowances	(873,559)	-	(873,559)	-	(873,559)	(1,080,074)
Remissions and exemptions - State	(1,942,459)	-	(1,942,459)	-	(1,942,459)	(1,867,068)
TPEG allowances	(823,981)	-	(823,981)	-	(823,981)	(670,804)
State grants to students	(463,669)	-	(463,669)	-	(463,669)	(542,023)
Title IV federal grants	(4,945,586)	-	(4,945,586)	-	(4,945,586)	(4,741,272)
Other local grants	(82,114)	-	(82,114)	-	(82,114)	(86,758)
Total scholarship allowances and discounts	<u>(9,131,368)</u>	<u>-</u>	<u>(9,131,368)</u>	<u>-</u>	<u>(9,131,368)</u>	<u>(8,987,999)</u>
Total net tuition and fees	<u>14,260,458</u>	<u>57,699</u>	<u>14,318,157</u>	<u>-</u>	<u>14,318,157</u>	<u>15,371,596</u>

**AMARILLO COLLEGE
SCHEDULE A, CONTINUED
SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2017
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2017</u>	<u>2016</u>
ADDITIONAL OPERATING REVENUES						
Federal grants and contracts	128,158	2,720,109	2,848,267	-	2,848,267	4,399,427
State grants and contracts	17,980	1,281,630	1,299,610	-	1,299,610	1,641,918
Local grants and contracts	1,906,863	36,832	1,943,695	-	1,943,695	2,186,562
Nongovernmental grants and contracts	227,519	1,499,351	1,726,870	-	1,726,870	1,411,517
Sales and services of educational activities	455,287	-	455,287	-	455,287	456,634
General operating revenues	(292,794)	536,978	244,184	-	244,184	49,192
Total additional operating revenues	<u>2,443,013</u>	<u>6,074,900</u>	<u>8,517,913</u>	<u>-</u>	<u>8,517,913</u>	<u>10,145,250</u>
AUXILIARY ENTERPRISES						
Bookstore	-	-	-	4,226,261	4,226,261	4,792,004
Less: discounts	-	-	-	(1,677,899)	(1,677,899)	(2,090,358)
Residential	-	-	-	2,816,427	2,816,427	2,683,957
Student programs	-	-	-	741	741	943
Child care	-	-	-	5,103	5,103	-
Other auxiliary enterprises	-	-	-	211,133	211,133	219,260
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,581,766</u>	<u>5,581,766</u>	<u>5,605,806</u>
TOTAL OPERATING REVENUES	<u>\$ 16,703,471</u>	<u>\$ 6,132,599</u>	<u>\$ 22,836,070</u>	<u>\$5,581,766</u>	<u>\$ 28,417,836</u>	<u>\$ 31,122,652</u>

(Exhibit 2)

*In accordance with Education Code 56.033, \$531,937 and \$577,452 for years August 31, 2017 and 2016, respectively, of tuition was set aside for Texas Public Education grants (TPEG).

**AMARILLO COLLEGE
SCHEDULE B
SCHEDULE OF OPERATING EXPENSES BY OBJECT
YEAR ENDED AUGUST 31, 2017
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)**

	Operating Expenses				2017	2016
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
UNRESTRICTED EDUCATIONAL ACTIVITIES						
Instruction	\$ 20,168,008	\$ -	\$ 4,640,386	\$ 1,723,749	\$ 26,532,143	\$ 27,190,883
Public service	1,805,367	-	394,553	241,012	2,440,932	2,520,941
Academic support	1,618,883	-	448,550	362,647	2,430,080	2,649,740
Student services	2,855,620	-	795,526	317,816	3,968,962	4,263,196
Institutional support	5,205,324	-	2,902,401	6,897,714	15,005,439	16,180,974
Operation and maintenance of plant	2,424,472	-	1,199,716	3,080,924	6,705,112	6,802,743
Total unrestricted educational activities	34,077,674	-	10,381,132	12,623,862	57,082,668	59,608,477
RESTRICTED EDUCATIONAL ACTIVITIES						
Instruction	1,735,100	2,181,956	310,078	980,938	5,208,072	6,561,335
Public service	149,449	177,891	37,880	789,428	1,154,648	1,149,974
Academic support	-	186,676	-	-	186,676	175,842
Student services	-	389,961	-	-	389,961	392,744
Institutional support	266,379	743,908	99,566	27,920	1,137,773	1,046,388
Scholarships and fellowships	-	-	-	9,219,231	9,219,231	8,322,474
Total restricted educational activities	2,150,928	3,680,392	447,524	11,017,517	17,296,361	17,648,757
Total educational activities	36,228,602	3,680,392	10,828,656	23,641,379	74,379,029	77,257,234
AUXILIARY ENTERPRISES	927,266	-	360,721	4,727,046	6,015,033	5,980,078
DEPRECIATION EXPENSE - buildings and other real estate improvements	-	-	-	3,595,100	3,595,100	3,416,293
DEPRECIATION EXPENSE - equipment and furniture	-	-	-	2,189,931	2,189,931	2,416,351
TOTAL OPERATING EXPENSES	<u>\$ 37,155,868</u>	<u>\$ 3,680,392</u>	<u>\$11,189,377</u>	<u>\$ 34,153,456</u>	<u>\$ 86,179,093</u>	<u>\$ 89,069,956</u>
					(Exhibit 2)	

**AMARILLO COLLEGE
SCHEDULE C
SCHEDULE OF NONOPERATING REVENUES AND EXPENSES
YEAR ENDED AUGUST 31, 2017
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2017</u>	<u>2016</u>
NONOPERATING REVENUES					
State appropriations:					
Education and general state support	\$ 13,852,027	\$ -	\$ -	\$ 13,852,027	\$ 13,824,650
State group insurance	-	3,475,404	-	3,475,404	3,243,021
State retirement matching	-	927,295	-	927,295	1,024,318
Total state appropriations	13,852,027	4,402,699	-	18,254,726	18,091,989
Maintenance ad valorem taxes	19,674,646	-	-	19,674,646	18,486,354
General obligation bonds taxes	-	4,834,600	-	4,834,600	4,979,907
Federal revenue, nonoperating	50,743	16,237,389	-	16,288,132	15,205,083
Gifts	47,144	1,238,953	-	1,286,097	2,140,502
Investment income	174,843	467,562	-	642,405	395,807
Total nonoperating revenues	33,799,403	27,181,203	-	60,980,606	59,299,642
NONOPERATING EXPENSES					
Interest on capital related debt	-	(2,432,294)	-	(2,432,294)	(2,660,893)
Gain (loss) on disposal of fixed assets	-	7,829	-	7,829	3,175
Total nonoperating expenses	-	(2,424,465)	-	(2,424,465)	(2,657,718)
NET NONOPERATING REVENUES	<u>\$ 33,799,403</u>	<u>\$ 24,756,738</u>	<u>\$ -</u>	<u>\$ 58,556,141</u>	<u>\$ 56,641,924</u>
				(Exhibit 2)	

**AMARILLO COLLEGE
SCHEDULE D
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
YEAR ENDED AUGUST 31, 2017
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)**

	Detail by Source					Available for Current Operations	
		Restricted		Capital Assets			
	Unrestricted	Expendable	Nonexpendable	Net of Depreciation & Related Debt	Total	Yes	No
CURRENT							
Unrestricted	\$ 6,486,602	\$ -	\$ -	\$ -	\$ 6,486,602	\$ 6,486,602	\$ -
Board designated	-	-	-	-	-	-	-
Restricted	-	4,699,626	-	-	4,699,626	4,699,626	-
Auxiliary enterprises	4,809,160	-	-	-	4,809,160	4,809,160	-
LOAN	-	-	-	-	-	-	-
ENDOWMENT							
Quasi:							
Unrestricted	-	1,445,174	-	-	1,445,174	-	1,445,174
Restricted	-	-	2,500,000	-	2,500,000	-	2,500,000
Endowment							
True	-	-	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-	-	-
Life income contracts	-	-	-	-	-	-	-
Annuities	-	-	-	-	-	-	-
PLANT							
Unexpended	-	386,800	-	-	386,800	-	386,800
Renewals	-	-	-	-	-	-	-
Debt service	-	1,625,574	-	-	1,625,574	-	1,625,574
Investment in plant	-	-	-	64,725,434	64,725,434	-	64,725,434
Total net position, August 31, 2017	11,295,762	8,157,174	2,500,000	64,725,434	86,678,370 (Exhibit 1)	15,995,388	70,682,982
Total net position, August 31, 2016	10,626,504	10,333,830	2,500,000	62,423,152	85,883,486 (Exhibit 2)	17,296,719	68,586,767
NET INCREASE (DECREASE) IN NET POSITION	\$ 669,258	\$ (2,176,656)	\$ -	\$ 2,302,282	\$ 794,884 (Exhibit 2)	\$ (1,301,331)	\$ 2,096,215

**AMARILLO COLLEGE
SCHEDULE E
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017**

Federal Grantor/Cluster/Program Title/Pass Through Grantor/ Pass-Through Grantor's Award Number	CFDA Number	Expenditures			
		Direct Awards	Pass-Through Awards	Total	Subrecipients Expenditures
U.S. Department of Education					
Direct Programs:					
Student Financial Aid Cluster					
Federal Supplemental Educational Opportunity Grants	84.007	\$ 264,117	\$ -	\$ 264,117	\$ -
Federal College Work Study Program	84.033	241,312	-	241,312	-
Federal Pell Grant Program	84.063	15,782,703	-	15,782,703	-
Federal Direct Student Loans	84.268	13,096,690	-	13,096,690	-
Total Student Financial Aid		29,384,822	-	29,384,822	-
Title III Hispanic Serving Institutions Science, Technology, Engineering, and Math	84.031C	305,811	-	305,811	-
Title V Grant Developing Hispanic Serving Institutions	84.031S	494,036	-	494,036	-
Total CFDA No. 84.031		799,847	-	799,847	-
Trio - Student Support Services	84.042A	420,399	-	420,399	-
Pass-Through From:					
Texas Higher Education Coordinating Board					
Perkins State Leadership / 17115	84.048A	-	26,249	26,249	-
Carl Perkins Vocational Education Basic / 174218	84.048A	-	534,026	534,026	-
Perkins State Leadership Subrecipient - Austin Community College / 17578	84.048	-	14,478	14,478	-
Total CFDA No. 84.048A		-	574,753	574,753	-
Texas Workforce Commission					
Adult Education and Literacy / 0116AEL001	84.002A	-	706,077	706,077	2,934
Total U.S. Department of Education		30,605,068	1,280,830	31,885,898	2,934
U.S. Department of Labor					
Direct Programs:					
Trade Adjustment Assistance Community College and Career Training (TAACCT)	17.282	66,617	-	66,617	-
Total U.S. Department of Labor		66,617	-	66,617	-
National Science Foundation					
Pass-Through From:					
Texas Engineering Experiment Station					
National Science Foundation - Science Technology Engineering Mathematics / 32525-B4870	47.076	-	47,575	47,575	-
Total National Science Foundation		-	47,575	47,575	-
U.S. Department of Health and Human Services					
Pass-Through From:					
Partnership for Environmental Technology Education (PETE)					
National Institute for Environmental Health Sciences (NIEHS) / 20H4ES019338-06 DOE	93.142	-	150,000	150,000	-
National Institute for Environmental Health Sciences (NIEHS) / 10708 NIEHS DOE	93.142	-	24,997	24,997	-
Total CFDA No. 93.142		-	174,997	174,997	-
Texas Workforce Commission					
Temporary Assistance for Needy Families / 0116AELA00	93.558	-	58,002	58,002	-
Total U.S. Department of Health and Human Services		-	232,999	232,999	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 30,671,685	\$ 1,561,404	\$ 32,233,089	\$ 2,934

See accompanying notes to the Schedule of Expenditures of Federal Awards.

AMARILLO COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
August 31, 2017

NOTE 1 - FEDERAL ASSISTANCE RECONCILIATION

A reconciliation of federal financial assistance per the schedule of operating revenues and nonoperating revenues to the Schedule of Expenditures of Federal Awards is as follows:

Federal Grants and Contracts Revenue per Schedule A	\$ 2,848,267
Federal Grants and Contracts Revenue per Schedule C	16,288,132
Federal Direct Student Loans	<u>13,096,690</u>
Total federal revenues per Schedule of Expenditures of Federal Awards	<u>\$ 32,233,089</u>

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

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

NOTE 3 - AMOUNTS PASSED THROUGH BY THE COLLEGE

The following amounts were passed through to the listed subrecipients by the College.

U.S. Department of Education

Adult Education Literacy (CFDA 84.002A)

Amarillo Area Adult Literacy	\$ 2,934
Total amount passed through by the College	<u><u>\$ 2,934</u></u>

**AMARILLO COLLEGE
SCHEDULE F
SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017**

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Workforce Commission		
Adult Education and Literacy	0116AEL001	\$ 161,434
Local Performance Quality Improvement	0117PQI000	23,760
Adult Education and Literacy College Integration Pathways II	2917AEL001	11,466
Career Pathway Navigator	0116AEL000	72,826
Skills Small Business	0116SSD000	13,167
Total Texas Workforce Commission		282,653
Texas Department of Criminal Justice		
Pass-Through From:		
Panhandle Regional Planning Commission		
Law Enforcement Training	1426915	86,717
Total Texas Department of Criminal Justice		86,717
Texas Higher Education Coordinating Board		
Texas Grant Program	-	1,989
Texas Educational Opportunity Grant	-	692,303
Nursing Shortage Reduction <70 2012-13	-	7,554
Advancement Via Individual Determination (AVID)	11825/14420	21,047
First Year Seminar - Train the Trainers	12076/13390	14,546
Developmental Education Scaling and Sustaining Success	10890/11055/12052	1,384
Panhandle Accelerate Texas	14162/17050	43,223
Mentor College Accelerate Texas	15128/18144	63,159
Work-Study State Mentorship Program	15543/18549	44,400
Comprehensive College Readiness and Success Models	17446	40,635
Total Texas Higher Education Coordinating Board		930,240
TOTAL EXPENDITURES OF STATE OF TEXAS AWARDS		\$ 1,299,610

See accompanying notes to the Schedule of Expenditures of State of Texas Awards.

AMARILLO COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
August 31, 2017

NOTE 1 - STATE ASSISTANCE RECONCILIATION

A reconciliation of state financial assistance per the schedule of operating revenues to the Schedule of Expenditures of State of Texas Awards is as follows:

State Grants and Contracts Revenue per Schedule A	<u>\$ 1,299,610</u>
Total Grants and Contracts Revenue per Schedule F	<u>\$ 1,299,610</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.

NOTE 3 - SUBRECIPIENTS

None

SINGLE AUDIT SECTION

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**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Regents
Amarillo College
Amarillo, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Amarillo College (the College) which comprise the statements of net position as of August 31, 2017 and 2016 and the related statements of revenues, expenses, and changes in net position and cash flows as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 28, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

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Purpose of this Report

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

Connor, McMillan, Mitchell & Shennum, PLLC

Amarillo, Texas
November 28, 2017

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**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance
and the State of Texas Uniform Grants Management Standards**

Board of Regents
Amarillo College
Amarillo, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Amarillo College's (the College) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the State of Texas Uniform Grants Management Standards that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2017. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2017.

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Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and the State UGMS which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal and state program is not modified with respect to these matters.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 and the State UGMS. Accordingly, this report is not suitable for any other purpose.

Connor, McMullen, Mitchell & Sherman, PLLC

Amarillo, Texas
November 28, 2017

**AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2017**

SECTION II – Financial Statement Findings

None noted.

SECTION III – Federal and State Award Findings and Questioned Costs

Finding 2017-001

Program: 84.031S – Title V On Time Completion Creating a Pathway for Student Success

Compliance Requirement: Equipment and Real Property Management

Condition: Small parts were erroneously classified as equipment and capitalized.

Criteria: Per Uniform Guidance, the College is required to classify an item as equipment if it has a purchase price of \$5,000 or more

Cause: A voucher of approximately \$75,000 was not properly reviewed to determine the correct recording of the expense.

Effect: This caused an overstatement of capital assets.

Context: This was the only invoice over \$5,000 that was expensed to equipment and capitalized. Two additional invoices in supplies over \$5,000 were reviewed as part of allowability testwork, these invoices were properly recorded.

Recommendation: We recommend that the College review vouchers over \$5,000 to ensure they are for capital asset purchases.

Views of Responsible Officials: The one instance cited was a result of expenses being miscoded as equipment. To resolve this finding, the College made a journal entry to correct the miscoding. In order to prevent this finding in the future, vouchers will be reviewed to ensure they are for capital assets purchases. The institution believes this to be an isolated incident.

AMARILLO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended August 31, 2017

SECTION III – Federal and State Award Findings and Questioned Costs (Continued)

Finding 2017-002

<i>Program:</i>	Texas Educational Opportunity Grant (TEOG) – State Grant
<i>Compliance Requirement:</i>	Cash Management
<i>Condition:</i>	The March funds requested of \$157,710 were greater than the disbursements of \$157,002, due to a student's funding being removed in error.
<i>Criteria:</i>	Students' accounts are to be credited based on eligibility at the time of the award.
<i>Cause:</i>	The financial system removed the TEOG funding from the student's account due to non-attendance. This is a programmed software function for Student Financial Aid. However, TEOG funds should not be removed when the student is eligible at the time of funding.
<i>Effect:</i>	Students do not receive grant funds that they are eligible to receive.
<i>Context:</i>	This error was discovered during cash management testwork. This was \$708 of \$692,303 total funds tested and three student accounts were affected.
<i>Recommendation:</i>	We recommend that the College implement procedures to ensure TEOG funds are not improperly removed from students' accounts.
<i>Views of Responsible Officials:</i>	Financial aid will work with the IT department to ensure the system does not incorrectly credit TEOG funds from students' accounts.

**AMARILLO COLLEGE
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2017**

Finding 2017-001

Condition: Small parts were erroneously classified as equipment and capitalized.

Corrective Action Plan: See the College's response on page 86.

Finding 2017-002

Condition: The March funds requested of \$157,710 were greater than the disbursements of \$157,002, due to a student's funding being removed in error.

Corrective Action Plan: See the College's response on page 87.

**AMARILLO COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended August 31, 2017**

Finding 2016-001

Program: Student Financial Aid Cluster

Condition: The Federal Supplemental Educational Opportunity Grant Program's (FSEOG) indirect costs of \$7,508 reported on the Fiscal Operations Report and Application to Participate (FISAP) report did not agree to the general ledger amount of \$11,779.

Recommendation: We recommend that the College implement procedures and controls to ensure correct information is used when preparing the FISAP report. Furthermore, the FISAP should be amended

Current Status: See the College's response on page 88.

Finding 2016-002

Program: 84.063 – Federal Pell Grant Program

Condition: A student, who was in default on a Student Loan, was erroneously awarded Pell Grant Funds for the Summer 2016 session.

Recommendation: We recommend that the College implement procedures to the processing of Summer awards that will include the review of prior loan status.

Current Status: See the College's response on page 89.

November 7, 2017

MEMORANDUM FOR: Amarillo Junior College



CONTACT: Steven G. Smith
Vice President of Business Affairs

SUBJECT: Corrective Action for Audit Finding 2017-001
Title V On Time Completion Creating a Pathway for Student Success
CFDA #84.031S

CAUSE

Per uniform guidance, the College is required to classify an item as equipment if the purchase price is \$5,000 or more. Seventy individual items purchased in Fiscal Year 2017 were originally believed to be components of 10 consolidated assets. These items were originally capitalized and depreciated according to the guidance. Internal review found that these items were not components of a larger consolidated asset, and that a correct classification as individual items would place them below the capitalization threshold. Due to this classification error, fixed assets were overstated and expense understated.

CORRECTIVE ACTION

An adjusting journal entry was posted to the 2017 trial balance and related papers were updated to correct the 2017 financial statements. To prevent this error from taking place in the future, the college will add the following procedure to the fixed assets process. A physical inspection of all purchases that exceed \$1,000 will be performed to determine that they are correctly accounted for prior to close of each month. This will be performed as asset items are tagged. The process of physically verifying assets is already in place as of 11/07/2017.



Amarillo College

November 7, 2017

MEMORANDUM FOR: Amarillo Junior College

CONTACT: Steven G. Smith
Vice President of Business Affairs

SUBJECT: Corrective Action for Audit Finding 2017-002
Texas Educational Opportunity Grant
TEOG State Grant

CAUSE

The March funds requested of \$157,710 for TEOG were greater than the disbursements of \$157,002, due to a student's funding being removed in error. As one student who had been awarded TEOG funding had not attended their classes the financial aid system determined that they were not eligible and removed the award from their account automatically. Criteria for eligibility is based on enrollment at the time of the award and not on future attendance so removing funds was incorrect. The college staff review manually to find errors such as this and did not find this error for several months before correcting.

CORRECTIVE ACTION

As this is a system issue, the IT Programming department has been engaged to implement a financial aid system correction to prevent this from happening in the future. The Financial Aid Office will work with IT to ensure that student's state funding is not removed in instances of non-attendance. Anticipated date of completion for programming to correct is 01/31/2018.

In addition, the Financial Aid Office will monitor the Fund Management report at the beginning of each month to ensure state funding levels are accurate and that awards are based on the correct eligibility criteria. The process of manually reviewing until the programming is finished is already in place as of 11/07/2017.

November 9, 2017

MEMORANDUM FOR: Amarillo Junior College



CONTACT: Steven G. Smith
Vice President of Business Affairs

SUBJECT: Summary Schedule of Prior Audit Findings - 2016-001
CFDA# - Student Financial Aid Cluster
FSEOG Federal Grant

CAUSE

The FSEOG had indirect cost reported on the FISAP report at \$7,508 while the end of year general ledger reflected \$11,779. The problem related to a timing error, where a single Journal Entry was posted after the report had been submitted. The general ledger reported the correct amount.

CURRENT STATUS

All Accounting entries posted 30 prior to the report submission due date were reported to the Financial Aid Office. The report was submitted timely and balanced to the General Ledger.

November 9, 2017

MEMORANDUM FOR: Amarillo Junior College



CONTACT: Steven G. Smith
Vice President of Business Affairs

SUBJECT: Summary Schedule of Prior Audit Findings - 2016-002
CFDA# - 84.063
Federal Pell Grant Program

CAUSE

A Student in default on a Student Loan was erroneously awarded Pell Grant Funds for the Summer 2016 session.

CURRENT STATUS

The student aid query was updated to included codes related to default. No students that were in default on Student Loans were awarded Pell Grant Funds in the 2017 fiscal year.

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STATISTICAL SUPPLEMENT
(Unaudited)

Amarillo College
Statistical Supplement 1
Net Position by Component
Fiscal Years 2008 to 2017
(unaudited)

For the Fiscal Year Ended August 31,
(amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	\$ 64,725	\$ 62,423	\$ 61,401	\$ 58,952	\$ 60,530	\$ 61,057	\$ 65,464	\$ 66,184	\$ 71,483	\$ 71,488
Restricted - expendable	8,157	10,334	8,766	9,024	9,233	11,621	8,499	8,428	8,250	8,406
Restricted - nonexpendable	2,500	2,500	2,500	2,500	2,500	2,500	2,620	2,590	2,590	2,530
Unrestricted	11,296	10,626	14,522	27,441	26,064	26,903	24,155	21,996	21,079	19,507
Total primary government net position	\$ 86,678	\$ 85,883	\$ 87,189	\$ 97,917	\$ 98,327	\$ 102,081	\$ 100,738	\$ 99,198	\$ 103,402	\$ 101,931

Amarillo College
Statistical Supplement 2
Revenues by Source
Fiscal Years 2008 to 2017
(unaudited)

For the Year Ended August 31,
(amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tuition and fees (net of discounts)	\$ 14,318	\$ 15,372	\$ 14,349	\$ 14,944	\$ 15,382	\$ 15,428	\$ 13,170	\$ 12,778	\$ 11,741	\$ 10,579
Governmental grants and contracts										
Federal grants and contracts	2,848	4,399	5,130	5,228	4,944	3,903	4,452	6,172	4,924	3,447
State grants and contracts	1,300	1,642	2,093	2,364	1,885	1,691	1,876	1,788	1,191	1,213
Local grants and contracts	1,944	2,187	2,003	2,004	1,946	1,891	1,953	1,813	2,009	1,582
Nongovernmental grants and contracts	1,727	1,412	2,337	1,535	1,377	1,749	1,557	1,164	1,438	1,190
Sales and services of educational activities	455	457	455	506	529	532	524	580	540	464
Auxiliary enterprises	5,582	5,605	6,181	6,204	6,461	6,631	6,907	7,182	6,931	6,245
Other operating revenues	244	49	84	76	116	82	215	186	285	222
Total operating revenues	28,418	31,123	32,632	32,861	32,640	31,907	30,654	31,663	29,059	24,942
State appropriations	18,255	18,092	19,409	19,045	18,261	18,322	21,177	21,458	22,597	22,511
Ad valorem taxes	24,509	23,466	22,557	21,087	20,481	19,209	18,881	18,160	17,668	14,855
Federal revenue, nonoperating	16,288	15,205	15,416	15,921	16,356	17,424	20,067	17,153	11,569	8,609
Gifts	1,286	2,141	1,566	310	800	3,091	186	39	38	138
Investment income	642	396	(10)	586	466	444	571	334	545	744
Other nonoperating revenues	8	3	-	-	-	44	30	76	18	27
Total nonoperating revenues	60,988	59,303	58,938	56,949	56,364	58,534	60,912	57,220	52,435	46,884
TOTAL REVENUES	\$ 89,406	\$ 90,426	\$ 91,570	\$ 89,810	\$ 89,004	\$ 90,441	\$ 91,566	\$ 88,883	\$ 81,494	\$ 71,826

For the Year Ended August 31,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tuition and fees (net of discounts)	16.01%	17.00%	15.66%	16.64%	17.28%	17.06%	14.38%	14.38%	14.41%	14.73%
Governmental grants and contracts										
Federal grants and contracts	3.19%	4.86%	5.60%	5.82%	5.55%	4.32%	4.86%	6.94%	6.04%	4.80%
State grants and contracts	1.45%	1.82%	2.29%	2.63%	2.12%	1.87%	2.05%	2.01%	1.46%	1.69%
Local grants and contracts	2.17%	2.42%	2.19%	2.23%	2.19%	2.09%	2.13%	2.04%	2.47%	2.20%
Nongovernmental grants and contracts	1.93%	1.56%	2.55%	1.71%	1.55%	1.93%	1.70%	1.31%	1.77%	1.66%
Sales and services of educational activities	0.51%	0.51%	0.50%	0.56%	0.59%	0.59%	0.57%	0.65%	0.66%	0.65%
Auxiliary enterprises	6.25%	6.20%	6.75%	6.91%	7.26%	7.33%	7.55%	8.08%	8.50%	8.69%
Other operating revenues	0.27%	0.05%	0.09%	0.08%	0.13%	0.09%	0.24%	0.21%	0.35%	0.31%
Total operating revenues	31.78%	34.42%	35.63%	36.58%	36.67%	35.28%	33.48%	35.62%	35.66%	34.73%
State appropriations	20.42%	20.01%	21.20%	21.21%	20.52%	20.26%	23.13%	24.14%	27.73%	31.34%
Ad valorem taxes	27.41%	25.95%	24.63%	23.48%	23.01%	21.24%	20.62%	20.43%	21.68%	20.68%
Federal revenue, nonoperating	18.21%	16.80%	16.84%	17.73%	18.38%	19.26%	21.92%	19.30%	14.20%	11.99%
Gifts	1.44%	2.37%	1.71%	0.35%	0.90%	3.42%	0.20%	0.04%	0.05%	0.19%
Investment income	0.72%	0.44%	-0.01%	0.65%	0.52%	0.49%	0.62%	0.38%	0.66%	1.03%
Other nonoperating revenues	0.02%	0.01%	0.00%	0.00%	0.00%	0.05%	0.03%	0.09%	0.02%	0.04%
Total nonoperating revenues	68.22%	65.58%	64.37%	63.42%	63.33%	64.72%	66.52%	64.38%	64.34%	65.27%
TOTAL REVENUES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Amarillo College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2008 to 2017
(unaudited)

For the Year Ended August 31,
(amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	\$ 31,740	\$ 33,752	\$ 32,858	\$ 32,878	\$ 31,882	\$ 30,256	\$ 30,565	\$ 31,266	\$ 29,108	\$ 26,239
Public service	3,596	3,671	3,715	3,696	3,694	3,402	3,617	3,536	3,456	3,329
Academic support	2,617	2,826	3,108	2,833	3,109	2,675	3,316	3,291	3,223	2,912
Student services	4,359	4,656	4,522	4,458	4,154	3,985	4,084	3,912	3,793	3,159
Institutional support	16,143	17,227	16,186	13,665	13,591	12,586	12,322	12,176	11,584	11,271
Operation and maintenance of plant	6,705	6,803	7,454	7,406	7,669	7,411	7,168	8,104	6,165	5,783
Scholarships and fellowships	9,219	8,322	9,380	9,902	10,316	11,833	15,329	13,418	8,793	5,731
Auxiliary enterprises	6,015	5,980	6,411	6,239	6,564	6,577	6,596	6,742	6,171	5,920
Depreciation	5,785	5,833	6,036	5,747	5,274	4,994	4,568	4,145	3,585	3,452
Total operating expenses	86,179	89,070	89,670	86,824	86,253	83,719	87,565	86,590	75,878	67,796
Interest on capital related debt	2,432	2,661	2,844	2,856	2,866	2,401	2,430	1,959	1,515	484
Loss on disposal of fixed assets	-	-	52	3,703	3,115	24	31	66	141	206
Total nonoperating expenses	2,432	2,661	2,896	6,559	5,981	2,425	2,461	2,025	1,656	690
TOTAL EXPENSES	\$ 88,611	\$ 91,731	\$ 92,566	\$ 93,383	\$ 92,234	\$ 86,144	\$ 90,026	\$ 88,615	\$ 77,534	\$ 68,486

For the Year Ended August 31,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	35.99%	35.99%	35.50%	35.21%	34.57%	35.12%	33.95%	35.28%	37.54%	38.31%
Public service	3.91%	3.91%	4.01%	3.96%	4.01%	3.95%	4.02%	3.99%	4.46%	4.86%
Academic support	3.02%	3.02%	3.36%	3.04%	3.36%	3.10%	3.68%	3.71%	4.16%	4.25%
Student services	4.96%	4.96%	4.89%	4.77%	4.50%	4.63%	4.54%	4.41%	4.89%	4.61%
Institutional support	18.33%	18.33%	17.48%	14.63%	14.74%	14.61%	13.69%	13.74%	14.94%	16.46%
Operation and maintenance of plant	7.25%	7.25%	8.05%	7.93%	8.31%	8.60%	7.96%	9.15%	7.95%	8.45%
Scholarships and fellowships	11.10%	11.10%	10.13%	10.60%	11.18%	13.74%	17.03%	15.14%	11.34%	8.37%
Auxiliary enterprises	6.38%	6.38%	6.93%	6.68%	7.12%	7.63%	7.33%	7.61%	7.96%	8.64%
Depreciation	6.22%	6.22%	6.52%	6.15%	5.72%	5.80%	5.07%	4.68%	4.62%	5.04%
Total operating expenses	97.16%	97.16%	96.87%	92.97%	93.51%	97.18%	97.27%	97.71%	97.86%	98.99%
Interest on capital related debt	2.84%	2.84%	3.07%	3.06%	3.11%	2.79%	2.70%	2.22%	1.96%	0.71%
Loss on disposal of fixed assets	0.00%	0.00%	0.06%	3.97%	3.38%	0.03%	0.03%	0.07%	0.18%	0.30%
Total nonoperating expenses	2.84%	2.84%	3.13%	7.03%	6.49%	2.82%	2.73%	2.29%	2.14%	1.01%
TOTAL EXPENSES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Amarillo College
Statistical Supplement 4
Tuition and Fees
Last Ten Academic Years
(unaudited)

Resident Fees per Semester Credit Hour (SCH)										
Academic Year (Fall)	Learning Resource Fee (per student)	In-District Tuition	Out-of-District Tuition	Matriculation & General Fee	Technology Fees	Student Activity Fees	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2016	\$ -	\$ 44.00	\$ 43.00	\$ 28.00	\$ 10.00	\$ 1.75	\$ 1,005.00	\$ 1,521.00	0.00%	0.00%
2015	-	44.00	43.00	28.00	10.00	1.75	1,005.00	1,521.00	5.02%	4.97%
2014	-	42.00	41.00	26.00	10.00	1.75	957.00	1,449.00	0.00%	0.00%
2013	-	42.00	41.00	26.00	10.00	1.75	957.00	1,449.00	3.91%	4.32%
2012	-	42.00	39.00	23.00	10.00	1.75	921.00	1,389.00	10.04%	9.46%
2011	-	40.00	36.00	19.00	9.00	1.75	837.00	1,269.00	11.16%	24.78%
2010	-	36.00	22.00	16.00	9.00	1.75	753.00	1,017.00	6.81%	11.88%
2009	-	34.00	17.00	15.00	8.00	1.75	705.00	909.00	0.00%	0.00%
2008	-	34.00	17.00	15.00	8.00	1.75	705.00	909.00	9.30%	8.60%
2007	-	32.00	16.00	13.00	7.00	1.75	645.00	837.00	9.14%	6.90%

Non-Resident Fees per Semester Credit Hour (SCH)										
Academic Year (Fall)	Learning Resource Fee (per student)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Matriculation & General Fee	Technology Fees	Student Activity Fees	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
2016	\$ -	\$ 151.00		\$ 28.00	\$ 10.00	\$ 1.75	\$ 2,289.00	\$ -	0.00%	-
2015	-	151.00	-	28.00	10.00	1.75	2,289.00	-	4.95%	-
2014	-	144.00	-	26.00	10.00	1.75	2,181.00	-	0.00%	-
2013	-	144.00	-	26.00	10.00	1.75	2,181.00	-	2.83%	-
2012	-	142.00	-	23.00	10.00	1.75	2,121.00	-	6.64%	-
2011	-	136.00	-	19.00	9.00	1.75	1,989.00	-	32.87%	-
2010	-	98.00	-	16.00	9.00	1.75	1,497.00	-	11.63%	-
2009	-	87.00	-	15.00	8.00	1.75	1,341.00	-	0.00%	-
2008	-	87.00	-	15.00	8.00	1.75	1,341.00	-	7.71%	-
2007	-	82.00	-	13.00	7.00	1.75	1,245.00	-	4.53%	-

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees.

Amarillo College
Statistical Supplement 5
Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(unaudited)

Fiscal Year	(Amounts expressed in thousands)				Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2016-17	\$ 14,257,793	\$ 2,074,263	\$ 12,183,530	85.45%	0.16669	0.04081	0.20750
2015-16	13,660,035	2,007,616	11,652,419	85.30%	0.16669	0.04081	0.20750
2014-15	13,178,836	1,970,945	11,207,891	85.04%	0.16221	0.04529	0.20750
2013-14	12,666,735	1,818,863	10,847,872	85.64%	0.15521	0.04429	0.19950
2012-13	12,442,882	1,905,974	10,536,908	84.68%	0.15089	0.04861	0.19950
2011-12	12,206,296	1,864,211	10,342,085	84.73%	0.14241	0.04697	0.18938
2010-11	11,735,501	1,598,430	10,137,071	86.38%	0.14149	0.04847	0.18996
2009-10	11,643,501	1,574,152	10,069,349	86.48%	0.14064	0.04349	0.18413
2008-09	11,336,432	1,553,559	9,782,873	86.30%	0.14064	0.04331	0.18395
2007-08	10,688,693	1,484,717	9,203,976	86.11%	0.13650	0.02393	0.16043

Source: Local Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

Amarillo College
Statistical Supplement 6
State Appropriation per FTSE and Contact Hour
Last Ten Fiscal Years

(unaudited)

(dollar amounts expressed in thousands)

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			
	State Appropriation	FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2016-17	\$ 13,815	6,746	\$ 2,048	2,049	1,273	3,322	\$ 4.16
2015-16	13,824	6,678	2,070	2,361	1,426	3,787	3.65
2014-15	15,289	6,951	2,200	2,554	2,053	4,607	3.32
2013-14	15,278	7,340	2,081	2,690	1,825	4,515	3.38
2012-13	15,098	7,637	1,977	2,856	1,920	4,776	3.16
2011-12	15,321	7,967	1,923	3,018	2,006	5,024	3.05
2010-11	15,893	8,091	1,964	3,093	2,097	5,190	3.06
2009-10	16,049	7,516	2,135	3,012	1,974	4,986	3.22
2008-09	17,153	6,725	2,551	2,696	1,881	4,577	3.75
2007-08	17,153	6,894	2,488	2,646	1,928	4,574	3.75

Notes:

FTSE is defined as the number of full time students plus total hours taken by part-time students divided by 12.

(a) Source CBM001

(b) Source CBM00A

Amarillo College
Statistical Supplement 7
Principal Taxpayers
Last Ten Tax Years
(unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Southwestern Public Service	Utility	\$ 127,188	\$ 132,952	\$ 113,495	\$ 99,601	\$ 93,024	\$ 86,005	\$ 72,317	\$ 71,458	\$ 78,390	\$ 76,543
Wal Mart Stores Inc	Retail Store	101,808	88,569	81,821	84,187	85,933	85,542	84,559	84,745	84,578	79,734
Amarillo Mall LCC	Retail	63,856	63,835	63,961	63,896	63,926	63,940	63,954	63,971	64,087	64,078
Southwestern Bell Telephone	Utility	-	-	-	-	-	-	33,121	38,423	42,236	48,997
BNSF Railway Co	Railroad	80,238	75,728	74,309	73,579	67,338	60,513	52,160	47,574	46,339	42,088
Amarillo National Bank	Banking	40,193	39,349	39,715	39,528	37,584	36,937	37,357	36,860	35,520	34,525
Atmos Corp/Energas Co	Utility	62,578	55,503	53,249	48,110	41,336	33,281	-	27,376	28,763	30,446
Bell Helicopter Textron I	Manufacturing Plant	62,349	-	-	-	-	-	-	-	-	-
Northwest Texas Healthcare Systems Inc	Hospital	89,048	93,917	91,014	88,859	84,729	84,352	86,142	84,248	82,687	85,284
Ben E. Keith Company	Warehouse	31,381	-	-	39,709	48,877	49,022	47,962	47,954	34,512	34,550
Case Newport LP	Housing	80,147	-	38,113	-	36,883	34,858	33,337	33,345	35,915	32,855
Amarillo Economic Development Corp.	Com/Eco Dev	48,957	43,635	-	-	41,926	39,667	37,797	-	-	-
BSA Hospital LLC	Hospital	127,643	105,867	103,240	102,539	-	-	-	-	-	-
Toot'n Totum Inc	Retail	44,299	41,550	42,774	38,419	-	-	-	-	-	-
Totals		\$ 959,685	\$ 740,905	\$ 701,691	\$ 678,427	\$ 601,556	\$ 574,117	\$ 548,706	\$ 535,954	\$ 533,027	\$ 529,100
Total Taxable Assessed Value		\$ 12,183,530	\$ 11,652,419	\$ 11,207,891	\$ 10,847,872	\$ 10,536,908	\$ 10,342,085	\$ 10,137,071	\$ 10,069,349	\$ 9,782,873	\$ 9,203,976

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Southwestern Public Service	Utility	1.04%	1.14%	1.01%	0.92%	0.88%	0.83%	0.71%	0.71%	0.80%	0.83%
Wal Mart Stores Inc	Retail Store	0.84%	0.76%	0.73%	0.78%	0.82%	0.83%	0.83%	0.84%	0.86%	0.87%
Amarillo Mall LCC	Retail	0.52%	0.55%	0.57%	0.59%	0.61%	0.62%	0.63%	0.64%	0.66%	0.70%
Southwestern Bell Telephone	Utility	-	-	-	-	-	-	0.33%	0.38%	0.43%	0.53%
BNSF Railway Co	Railroad	0.66%	0.65%	0.66%	0.68%	0.64%	0.59%	0.51%	0.47%	0.47%	0.46%
Amarillo National Bank	Banking	0.33%	0.34%	0.35%	0.36%	0.36%	0.36%	0.37%	0.37%	0.36%	0.38%
Atmos Corp/Energas Co	Utility	0.51%	0.48%	0.48%	0.44%	0.39%	0.32%	-	0.27%	0.29%	0.33%
Bell Helicopter Textron I	Manufacturing Plant	0.51%	-	-	-	-	-	-	-	-	-
Northwest Texas Healthcare Systems Inc	Hospital	0.73%	0.81%	0.81%	0.82%	0.80%	0.82%	0.85%	0.84%	0.85%	0.93%
Ben E. Keith Company	Warehouse	0.26%	-	-	0.37%	0.46%	0.47%	0.47%	0.48%	0.35%	0.38%
Case Newport LP	Housing	0.66%	-	0.34%	-	0.35%	0.34%	0.33%	0.33%	0.37%	0.36%
Amarillo Economic Development Corp.	Com/Eco Dev	0.40%	0.37%	-	-	0.40%	0.38%	0.37%	-	-	-
BSA Hospital LLC	Hospital	1.05%	0.91%	0.92%	0.95%	-	-	-	-	-	-
Toot'n Totum Inc	Retail	0.36%	0.36%	0.38%	0.35%	-	-	-	-	-	-
Totals		7.87%	6.37%	6.25%	6.26%	5.71%	5.56%	5.40%	5.33%	5.44%	5.77%

Source: Local County Appraisal District

Amarillo College
Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Tax Years
(unaudited)
(dollar amounts expressed in thousands)

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
2017	\$ 24,440	\$ (31)	\$ 24,409	\$ 24,166	99.00%	\$ -	\$ 203	\$ 24,369	99.84%
2016	23,391	(5)	23,386	23,151	98.99%	-	215	23,366	99.91%
2015	22,530	(39)	22,491	22,202	98.72%	-	270	22,472	99.92%
2014	21,056	(38)	21,018	20,736	98.66%	-	-	20,736	98.66%
2013	20,415	(64)	20,351	20,038	98.46%	55	158	20,251	99.51%
2012	19,104	32	19,136	18,792	98.20%	236	41	19,069	99.65%
2011	18,750	18	18,768	18,406	98.07%	282	20	18,708	99.68%
2010	18,097	(32)	18,065	17,690	97.92%	310	13	18,013	99.71%
2009	17,559	(24)	17,535	17,150	97.80%	336	8	17,494	99.77%
2008	14,766	(13)	14,753	14,437	97.86%	282	4	14,723	99.80%

Source: Local Tax Assessor/Collector and District records.

(a) As reported in notes to the financial statements for the year of the levy.

(b) As of August 31st of the current reporting year.

(c) Property tax only - does not include penalties and interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy.

(e) Represents current year collections of prior years levies.

Total Collections = C + D + E

Amarillo College
Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)

	For the Year Ended August 31									
	(dollar amounts expressed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Bonded Debt										
General obligation bonds	\$ 58,905	\$ 61,905	\$ 64,470	\$ 66,965	\$ 69,040	\$ 70,915	\$ 58,205	\$ 60,320	\$ 46,650	\$ 33,355
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	58,905	61,905	64,470	66,965	69,040	70,915	58,205	60,320	46,650	33,355
Other Debt										
Revenue bonds	3,560	3,750	3,935	4,115	4,295	4,470	505	740	965	1,180
Notes	-	-	-	112	409	-	-	-	-	-
Capital lease obligations	-	69	-	-	-	-	-	-	-	-
Total Outstanding Debt	\$ 62,465	\$ 65,724	\$ 68,405	\$ 71,192	\$ 73,744	\$ 75,385	\$ 58,710	\$ 61,060	\$ 47,615	\$ 34,535
General Bonded Debt Ratios										
Per Capita	*	*	*	\$ 0.34	\$ 0.35	\$ 0.36	\$ 0.30	\$ 0.32	\$ 0.25	\$ 0.18
Per FTSE	8.73	9.27	9.27	9.12	9.04	8.90	7.19	8.03	6.94	4.84
As a percentage of Taxable Assessed Value	0.48%	0.53%	0.58%	0.62%	0.66%	0.69%	0.57%	0.59%	0.48%	0.36%
Total Outstanding Debt Ratios										
Per Capita	*	*	*	\$ 0.36	\$ 0.38	\$ 0.39	\$ 0.30	\$ 0.32	\$ 0.25	\$ 0.19
Per FTSE	9.26	9.84	9.84	9.70	9.66	9.46	7.37	8.12	7.08	5.01
As a percentage of Taxable Assessed Value	0.51%	0.56%	0.61%	0.66%	0.70%	0.73%	0.58%	0.60%	0.49%	0.38%

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time-equivalent enrollment.

* Per the Bureau of Economic Analysis: Estimates of per capital personal income for 2014 will be released with the rest of the Local Area Estimates on November 26th.

Amarillo College
Statistical Supplement 10
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

	For the Year Ended August 31									
	(dollar amounts expressed in thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Taxable Assessed Value	\$ 12,183,530	\$ 11,652,419	\$ 11,207,891	\$ 10,847,872	\$ 10,536,908	\$ 10,342,085	\$ 10,137,071	\$ 10,069,349	\$ 9,782,873	\$ 9,203,976
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 60,918	\$ 58,262	\$ 56,039	\$ 54,239	\$ 52,685	\$ 51,710	\$ 50,685	\$ 50,347	\$ 48,914	\$ 46,020
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	60,918	58,262	56,039	54,239	52,685	51,710	50,685	50,347	48,914	46,020
Current Year Debt Service Requirements	5,264	5,247	5,029	4,902	4,885	4,076	4,784	4,307	4,250	2,197
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 55,654	\$ 53,015	\$ 51,010	\$ 49,337	\$ 47,800	\$ 47,634	\$ 45,901	\$ 46,040	\$ 44,664	\$ 43,823
Net Current Requirements as a % of Statutory Limit	8.64%	9.01%	8.97%	9.04%	9.27%	7.88%	9.44%	8.55%	8.69%	4.77%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

Amarillo College
Statistical Supplement 11
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)											Debt Service Requirements (\$000 omitted)			
	Tuition	General Fee	Matriculation Fees	Distance Learning Fee	Out of District Fees	Misc Income Fees	Interest Income	Indirect Cost Recovery	Unrestricted Private Grants	Sales of Educational Activities	Total	Principal	Interest	Total	Coverage Ratio
2017	\$ 2,387	\$ 4,324	\$ -	\$ 1,548	\$ -	\$ 1,878	\$ 175	\$ 128	\$ 249	\$ 169	\$ 10,858	195	140	335	32.41
2016	2,354	4,297	-	1,553	-	1,839	84	151	142	175	10,595	185	152	337	31.44
2015	2,268	4,093	-	1,024	-	1,611	54	288	377	381	10,096	180	155	335	30.14
2014	2,401	4,315	-	480	-	1,341	49	214	2,219	512	11,531	180	159	339	34.01
2013	2,531	3,904	-	493	-	1,381	58	242	2,152	529	11,290	175	162	337	33.50
2012	2,568	3,456	-	505	-	1,538	80	229	2,063	531	10,970	235	36	271	40.48
2011	398	3,082	-	-	1,233	1,338	161	216	2,161	524	9,113	225	47	272	33.50
2010	390	2,826	-	-	969	1,211	70	176	1,997	609	8,248	215	57	272	30.32
2009	337	2,475	-	-	999	996	464	245	2,188	556	8,260	205	67	272	30.37
2008	342	1,118	958	-	943	1,141	571	166	1,807	473	7,519	195	75	270	27.85

Amarillo College
Statistical Supplement 12
Demographic and Economic Statistics - Taxing District
Last Ten Fiscal Years
(unaudited)

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2016	199,582	*	*	3.1%
2015	198,645	\$ 8,670,457	\$ 43,648	3.1%
2014	197,254	8,188,014	41,510	3.6%
2013	196,429	7,856,767	39,998	4.6%
2012	195,250	7,485,885	38,340	4.8%
2011	193,678	7,159,888	36,968	5.4%
2010	191,331	6,817,124	35,630	5.5%
2009	189,392	6,467,737	34,150	5.2%
2008	187,236	6,502,519	34,729	3.5%
2007	186,106	6,165,506	33,129	3.3%

Sources:

Population from U.S. Bureau of the Census.

Personal income from U.S. Bureau of Economic Analysis

Unemployment rate from Texas Workforce Commission

Notes:

* Per the Bureau of Economic Analysis: Estimates of per capita personal income for 2016 will be released with the rest of the local area estimates on November 16th.

Amarillo College
Statistical Supplement 13
Principal Employers
Current Fiscal Year
(unaudited)

Employer	Number of Employees	Percentage of Total Employment
Amarillo Independent School District	4,158	4.25%
Tyson Foods, Inc.	3,700	3.78%
CNS Pantex	3,150	3.22%
Baptist St. Anthony's Health Care Systems	2,700	2.76%
City of Amarillo	2,012	2.06%
Northwest Texas Healthcare System	1,950	1.99%
Xcel Energy/Southwestern Public Service Co.	1,431	1.46%
Canyon ISD	1,400	1.43%
Texas Department of Criminal Justice	1,303	1.33%
Bell Helicopter Textron, Inc.	1,251	1.28%
Total	23,055	23.56%

Source:

Amarillo Chamber of Commerce
U.S. Department of Labor - Bureau of Labor Statistics

Amarillo College
Statistical Supplement 14
Faculty, Staff, and Administrators Statistics
Last Ten Fiscal Years
(unaudited)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Faculty										
Full-Time	171	225	219	225	225	218	221	234	235	221
Part-Time	400	646	537	601	586	581	556	548	519	565
Total	571	871	756	826	811	799	777	782	754	786
Percent										
Full-Time	29.9%	25.8%	29.0%	27.2%	27.7%	27.3%	28.4%	29.9%	31.2%	28.1%
Part-Time	70.1%	74.2%	71.0%	72.8%	72.3%	72.7%	71.6%	70.1%	68.8%	71.9%
Staff and Administrators										
Full-Time	422	397	433	472	466	456	482	473	473	451
Part-Time	253	212	206	270	287	266	269	283	263	247
Total	675	609	639	742	753	722	751	756	736	698
Percent										
Full-Time	62.5%	65.2%	67.8%	63.6%	61.9%	63.2%	64.2%	62.6%	64.3%	64.6%
Part-Time	37.5%	34.8%	32.2%	36.4%	38.1%	36.8%	35.8%	37.4%	35.7%	35.4%
FTSE per Full-Time Faculty	39.45	29.68	31.74	32.62	33.94	36.55	36.61	32.12	28.62	31.19
FTSE per Full-Time Staff Member	15.99	16.82	16.05	15.55	16.39	17.47	16.79	15.89	14.22	15.29
Average Annual Faculty Salary	\$ 59,330	\$ 60,206	\$ 61,928	\$ 66,795	\$ 65,862	\$ 64,569	\$ 64,087	\$ 61,787	\$ 57,744	\$ 58,042

Amarillo College
Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(unaudited)

Student Classification	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	6,222	65.46%	6,194	64.68%	6,615	66.50%	7,000	65.68%	7,525	67.01%
31-60 hours	2,480	26.09%	2,502	26.13%	2,410	24.22%	2,632	24.70%	2,618	23.31%
> 60 hours	803	8.45%	880	9.19%	923	9.28%	1,025	9.62%	1,087	9.68%
Total	9,505	100.00%	9,576	100.00%	9,948	100.00%	10,657	100.00%	11,230	100.00%

Semester Hour Load	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	38	0.40%	44	0.46%	59	0.59%	65	0.61%	80	0.71%
3-5 semester hours	1,896	19.95%	1,727	18.03%	2,133	21.44%	2,513	23.58%	2,734	24.35%
6-8 semester hours	2,846	29.94%	2,904	30.33%	2,914	29.29%	3,202	30.05%	3,277	29.18%
9-11 semester hours	1,823	19.18%	1,967	20.54%	2,287	22.99%	2,429	22.79%	2,425	21.59%
12-14 semester hours	2,256	23.73%	2,383	24.88%	2,332	23.44%	2,211	20.75%	2,417	21.52%
15-17 semester hours	522	5.49%	423	4.42%	209	2.10%	219	2.05%	271	2.41%
18 & over	124	1.31%	128	1.34%	14	0.15%	18	0.17%	26	0.24%
Total	9,505	100.00%	9,576	100.00%	9,948	100.00%	10,657	100.00%	11,230	100.00%

Average course load	6.7	7.8	8.8	8.4	7.8
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Tuition Status	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	6,867	72.25%	6,920	72.26%	7,173	72.10%	7,637	71.66%	7,922	70.54%
Texas Resident (Out-of-District)	2,392	25.17%	2,437	25.45%	2,550	25.63%	2,790	26.18%	3,002	26.73%
Non-Resident Tuition	246	2.58%	219	2.29%	225	2.27%	230	2.16%	306	2.73%
Total	9,505	100.00%	9,576	100.00%	9,948	100.00%	10,657	100.00%	11,230	100.00%

Amarillo College
Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Gender	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	5,914	62.22%	5,925	61.87%	6,148	61.80%	6,520	61.18%	6,947	61.86%
Male	3,591	37.78%	3,651	38.13%	3,800	38.20%	4,137	38.82%	4,283	38.14%
Total	9,505	100.00%	9,576	100.00%	9,948	100.00%	10,657	100.00%	11,230	100.00%

	Fall 2016		Fall 2014		Fall 2014		Fall 2013		Fall 2012	
Ethnic Origin	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	4,609	48.49%	4,793	50.05%	5,155	51.83%	5,747	53.93%	6,231	55.49%
Hispanic	3,773	39.69%	3,632	37.93%	3,721	37.41%	3,766	35.34%	3,806	33.89%
African American	442	4.65%	467	4.88%	425	4.27%	462	4.34%	493	4.39%
Asian	273	2.87%	274	2.86%	262	2.63%	279	2.62%	270	2.40%
Foreign	73	0.77%	71	0.74%	60	0.60%	36	0.34%	17	0.15%
Native American	51	0.54%	52	0.54%	55	0.55%	56	0.53%	66	0.59%
Other	284	2.99%	287	3.00%	270	2.71%	311	2.90%	347	3.09%
Total	9,505	100.00%	9,576	100.00%	9,948	100.00%	10,657	100.00%	11,230	100.00%

	Fall 2016		Fall 2014		Fall 2014		Fall 2013		Fall 2012	
Age	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	2,128	22.39%	1,964	20.51%	2,070	20.81%	2,178	20.44%	2,325	20.70%
18 - 21	3,536	37.20%	3,579	37.37%	3,559	35.78%	3,675	34.48%	3,691	32.87%
22 - 24	1,090	11.47%	1,140	11.90%	1,175	11.81%	1,307	12.26%	1,323	11.78%
25 - 35	1,900	19.99%	1,965	20.52%	2,104	21.15%	2,296	21.54%	2,507	22.32%
36 - 50	696	7.32%	763	7.97%	842	8.46%	971	9.11%	1,121	9.98%
51 & over	155	1.63%	165	1.73%	198	1.99%	230	2.17%	263	2.35%
Total	9,505	100.00%	9,576	100.00%	9,948	100.00%	10,657	100.00%	11,230	100.00%

Average Age	23	24	24	24	24
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Amarillo College
Statistical Supplement 17
Transfers to Senior Institutions
2016-2017 Graduates, Completers, and Non-Returners as of Fall 2017
(Includes only public senior colleges in Texas)
(unaudited)

	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
1 West Texas A&M University	840	22	40	902	47.32%
2 Texas Tech University	260	1	6	267	14.01%
3 Amarillo College	134	111	45	290	15.22%
4 Clarendon College	6	4	7	17	0.89%
5 Texas A&M University	62	0	1	63	3.31%
6 University of North Texas	32	2	1	35	1.84%
7 The University of Texas at Austin	34	0	0	34	1.78%
8 South Plains College	23	2	1	26	1.36%
9 The University of Texas at Arlington	25	0	4	29	1.52%
10 Frank Phillips College	19	3	4	26	1.36%
11 Binn College	14	1	0	15	0.79%
12 The University of Texas at Dallas	14	0	0	14	0.73%
13 Texas State University	26	0	0	26	1.36%
14 Texas Tech University Health Sciences Center	11	0	1	12	0.63%
15 Angelo State University	12	0	0	12	0.63%
16 Midwestern State University	8	1	3	12	0.63%
17 Texas Woman's University	4	0	0	4	0.21%
18 University of Houston	1	0	0	1	0.05%
19 Austin Community College	4	0	0	4	0.21%
20 Stephen F. Austin State University	4	0	0	4	0.21%
21 Tarleton State University	7	0	0	7	0.37%
22 The University of Texas at San Antonio	13	0	0	13	0.68%
23 Paris Junior College	1	0	0	1	0.05%
24 North Central Texas College	0	0	1	1	0.05%
25 Texas A&M University - Corpus Christi	2	0	0	2	0.10%
26 Midland College	0	0	1	1	0.05%
27 Lamar University	3	0	0	3	0.16%
28 Prairie View A&M University	1	0	0	1	0.05%
29 Sam Houston State University	1	0	0	1	0.05%
30 Texas A&M University - Commerce	3	0	0	3	0.16%
31 The University of Texas of the Permian Basin	6	0	0	6	0.31%
32 ACCD - Northwest Vista College	1	1	1	3	0.16%
34 Cisco College	1	0	1	2	0.10%
35 Houston Community College System	1	0	1	2	0.10%
36 Tarrant County College - Northeast Campus	2	0	0	2	0.10%
37 Tarrant County College - Southeast Campus	1	0	0	1	0.05%
38 Sul Ross State University	2	0	0	2	0.10%
40 Texas A&M University at Galveston	1	0	0	1	0.05%
41 The University of Texas - Rio Grande Valley	1	0	0	1	0.05%
43 ACCD - San Antonio College	1	0	0	1	0.05%
45 HCJCD - Howard College	1	0	0	1	0.05%

Amarillo College
Statistical Supplement 17, Continued
Transfers to Senior Institutions
2016-2017 Graduates, Completers, and Non-Returners as of Fall 2017
(Includes only public senior colleges in Texas)
(unaudited)

	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
47 Lone Star College - CyFair	1	1	0	2	0.10%
48 Navarro College	2	0	0	2	0.10%
49 Odessa College	3	0	1	4	0.21%
52 Tarrant County College - Trinity River Campus	0	0	1	1	0.05%
53 Temple College	2	0	0	2	0.10%
54 Trinity Valley Community College	1	0	0	1	0.05%
55 Tyler Junior College	2	0	0	2	0.10%
57 Weatherford College	2	0	0	2	0.10%
58 Western Texas College	1	0	0	1	0.05%
61 University of Houston - Downtown	1	1	0	2	0.10%
62 University of Houston - Victoria	1	0	1	2	0.10%
63 Texas A&M University System Health Science Center	1	0	0	1	0.05%
64 Central Texas College	1	0	0	1	0.05%
65 Coastal Bend College	1	0	0	1	0.05%
66 Collin County Community College District	6	0	3	9	0.47%
67 DCCCD - El Centro College	0	0	1	1	0.05%
68 DCCCD - North Lake College	1	0	0	1	0.05%
69 DCCCD - Richland College	1	0	0	1	0.05%
70 El Paso Community College District	2	0	1	3	0.16%
71 Grayson College	1	0	0	1	0.05%
72 Lone Star College - North Harris	1	0	0	1	0.05%
73 Lone Star College - Tomball	1	0	0	1	0.05%
74 Lone Star College - University Park	2	0	0	2	0.10%
75 McLennan Community College	1	0	1	2	0.10%
76 Tarrant County College - Connect Campus	2	0	0	2	0.10%
77 Tarrant County College - Northeast Campus	1	1	0	2	0.10%
78 Texas A&M University - Commerce	1	0	0	1	0.05%
79 Texas A&M University - San Antonio	1	0	0	1	0.05%
80 Texas Southmost College	1	0	0	1	0.05%
81 Texas State Technical College - Harlingen	0	0	1	1	0.05%
82 Texas State Technical College - Waco	1	0	0	1	0.05%
83 The University of Texas at Tyler	1	0	0	1	0.05%
84 The University of Texas Medical Branch at Galveson	1	0	0	1	0.05%
85 Vernon College	1	0	0	1	0.05%
Totals	1,627	151	128	1,906	100.00%

NOTE: Totals may not equal those from the Automated Student and Adult Learner Follow-up System Results since non-disclosure students are not included in this report.

Information taken from Automated Student & Adult Learner Follow-up Report from the Coordinating Board.

Amarillo College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2013 to 2017
(unaudited)

	Fiscal Year				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Academic buildings	31	31	31	31	34
Square footage (in thousands)	987	997	962	951	1,005
Libraries*	1	1	1	1	1
Square footage (in thousands)	16	16	16	16	16
Number of Volumes (in thousands)	50	51	51	52	59
Administrative and support buildings	8	7	8	7	7
Square footage (in thousands)	188	158	159	145	145
Rentals					
Apartment Bldgs (formerly Dorms)	-	-	-	-	-
Square footage (in thousands)	-	-	-	-	-
Number of Beds	-	-	-	-	-
Rental Housing Units	335	335	335	335	335
Square footage (in thousands)	493	493	493	493	493
Commercial Rentals	3	3	3	3	4
Square footage (in thousands)	16	17	17	17	29
Dining Facilities*	-	-	-	-	-
Square footage (in thousands)	-	-	-	-	-
Athletic Facilities (sum of below)	5	5	5	5	5
Square footage(in thousands)	78	78	85	85	85
Stadiums	-	-	-	-	-
Gymnasiums*	5	5	5	5	5
Fitness Centers*	2	2	2	2	2
Tennis Court	-	-	-	-	-
Plant facilities	5	5	5	5	7
Square footage (in thousands)	96	96	96	96	130
Transportation (Total)	140	140	139	140	133
Cars	29	29	29	29	34
Semi Trucks / Heavy Trucks (Instructional)	28	28	27	25	22
Light Trucks/Vans (includes Instructional)	62	62	62	64	62
Buses (Instructional)	8	8	8	9	9
Motorcycles (Instructional)	13	13	13	13	6

* May be within other buildings