**OFFICIAL STATEMENT DATED MARCH 9, 2017**

**NEW ISSUE - Book-Entry-Only**

**Ratings: S&P Insured "AA"**
**S&P Underlying "A"**
**(See "OTHER INFORMATION – RATINGS" herein)**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

# $9,745,000
# RANGER COLLEGE
## (A Political Subdivision of the State of Texas Located in Eastland County)
## LIMITED TAX BONDS, SERIES 2017

**Dated Date: March 1, 2017**
**Interest to accrue from date of Initial Delivery (defined below)**

**Due: February 15, as shown on following page**

The $9,745,000 Ranger College Limited Tax Bonds, Series 2017 (the "Bonds") are direct obligations of Ranger College (the "District" or the "Issuer") payable from an annual ad valorem tax levied, within the limits provided by law, on all taxable property located within the District. See "TAX INFORMATION – Tax Supported Debt Limitation" herein. The Bonds are issued pursuant to the provisions of the Constitution and laws of the State of Texas, including Section 130.122, Texas Education Code, as amended, an election held in the District on November 8, 2016 (the "Bond Election"), and a bond Order to be adopted by the Board of Regents of the District (the "Board") on March 9, 2017 (the "Order").

Interest on the Bonds will accrue from Initial Delivery to the initial purchasers named below (the "Underwriters") and will be payable on February 15, and August 15 of each year, commencing on February 15, 2018, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered obligations in the denomination of $5,000 in principal amount or any integral multiple thereof.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal and interest on the Bonds will be payable by the Paying Agent/Registrar, which initially is BOKF, N.A., Austin, Texas (the "Paying Agent/Registrar"), to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with delivery of the Bonds by Build America Mutual Assurance Company.

**See Maturity Schedule on the following page**

Proceeds from the sale of the Bonds will be used to (i) renovate, construct and equip school buildings in the District as authorized by voters at the Bond Election, and (ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING" and "THE BONDS – Sources and Uses of Funds" herein.

The Bonds are rated "AA" by S&P Global Ratings, a division of S&P Global, Inc. ("S&P") based upon the Municipal Bond Insurance Policy issued by Build America Mutual Assurance Company. The Bonds have also been assigned an underlying rating of "A" by S&P. See "OTHER INFORMATION – Ratings" herein.

The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion. Certain matters will be passed upon for the Underwriters by Andrews Kurth Kenyon LLP, Houston, Texas, as counsel to the Underwriters. It is expected that the Bonds will be delivered through the services of DTC on or about March 29, 2017 ("Initial Delivery").

**OPPENHEIMER & CO.**

**WILLIAM BLAIR** **RAYMOND JAMES**

**MATURITY SCHEDULE**

**$1,555,000 Serial Bonds**

| Maturity (February 15) | Amount | Rate | Yield[2] | CUSIP[1] (75282R) |
|---|---|---|---|---|
| 2018 | $ 65,000 | 2.000% | 1.160% | AA9 |
| 2019 | 200,000 | 3.000% | 1.380% | AB7 |
| 2020 | 210,000 | 3.000% | 1.600% | AC5 |
| 2021 | 215,000 | 4.000% | 1.850% | AD3 |
| 2022 | 225,000 | 4.000% | 2.050% | AE1 |
| 2023 | 235,000 | 4.000% | 2.250% | AF8 |
| 2038 | 405,000 | 4.000% | 3.550%[3] | AU5 |

(Interest accrues from date of initial delivery**)**

**$8,190,000 Term Bonds**

$495,000 2.500% Term Bonds due February 15, 2025, Priced to Yield 99.643%[2] CUSIP[1] 75282R AH4
$520,000 2.750% Term Bonds due February 15, 2027, Price to Yield 99.569%[2] CUSIP[1] 75282R AK7
$550,000 4.000% Term Bonds due February 15, 2029, Price to Yield 109.027%[2][3] CUSIP[1] 75282R AM3
$600,000 4.000% Term Bonds due February 15, 2031, Price to Yield 107.781%[2][3] CUSIP[1] 75282R AP6
$650,000 4.000% Term Bonds due February 15, 2033, Price to Yield 106.464%[2][3] CUSIP[1] 75282R AR2
$705,000 4.000% Term Bonds due February 15, 2035, Price to Yield 105.425%[2][3] CUSIP[1] 75282R AS0
$765,000 4.000% Term Bonds due February 15, 2037, Price to Yield 104.142%[2][3] CUSIP[1] 75282R AT8
$1,315,000 4.000% Term Bonds due February 15, 2041, Price to Yield 99.691%[2] CUSIP[1] 75282R AV3
$2,590,000 4.000% Term Bonds due February 15, 2046, Price to Yield 98.646%[2] CUSIP[1] 75282R AW1

(Interest accrues from date of initial delivery)

**REDEMPTION** ... The District reserves the right, at its option, to redeem the Bonds having stated maturities on or after February 15, 2029, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Optional Redemption"). The Term Bonds (defined herein) are also subject to mandatory sinking fund redemption (see "THE BONDS – Mandatory Redemption").

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[1] CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association, This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

[2] Yield represents the initial offering yield to the public which has been established by the Underwriters for public offerings and may subsequently be changed from time to time at the sole discretion of the Underwriters.

[3] Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2027, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

*[The remainder of this page intentionally left blank]*

## USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances will this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create an implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF DISTRICT, THE FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

*Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy."*

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The cover page hereof, this page, the schedules, and the appendices included herein, the financial statements and any addenda, supplement or amendment hereto, are part of this Official Statement.

## DISTRICT ADMINISTRATION

### ELECTED OFFICIALS

| Board of Regents | Time with District | Length of Service | Term Expires | Occupation |
|---|---|---|---|---|
| Jackie Stephens, Chairman | 12 years | 12 years | 2022 | High School Principal |
| Ron Butler, Vice-Chairman | 8 years | 8 years | 2018 | Retired |
| Dr. Philip Webb, M.D., Secretary | 2 years | 2 years | 2022 | Doctor |
| Doug Crawley, Member | 14 years | 14 years | 2020 | Realtor |
| Sandi Herod, Member | 12 years | 12 years | 2022 | Oil Company Owner |
| Joe Walraven, Member | 5 years | 5 years | 2018 | Construction |
| Gay A. Wolford, Member | 11 years | 11 years | 2018 | Banker |
| Bobby Murry, Member | 1 year | 1 year | 2020 | Retired |
| Jo Ann Greenwood, Member | >1 year | >1 year | 2018 | Auto Supply Company Owner |

### SELECTED ADMINISTRATIVE STAFF

| Name | Position |
|---|---|
| Dr. Bill Campion | President |
| Dr. Orlando Moreno | Vice President – Brown County |
| Dr. Kerry Schindler | Vice President – Erath County |
| Dr. Billy Adams | Vice President for Instruction |
| Mr. Manuel McGriff | Vice President for Student Affairs |
| Mr. Jon Dixon Bailey | Vice President for Workforce Development |
| Mrs. Carolyn Zapata | Dean of Nursing |
| Mrs. Cherie Beltran | Associate Vice President of Administration |
| Mr. Robert Culverhouse | Dean of Enrollment Management/Registrar |
| Dr. Michael Winslow | Dean – Olney Center |
| Mr. Paul Woodfin | Chief Financial Officer |

### CONSULTANTS AND ADVISORS

Bond Counsel ..... Orrick, Herrington & Sutcliffe LLP
Houston, Texas

Certified Public Accountants ..... Snow Garrett Williams C.P.A.
Weatherford, Texas

Financial Advisor ..... Government Capital Securities Corporation
Southlake, Texas

## BOND INSURANCE

### BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

*Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $496.7 million, $65.2 million and $431.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

*Additional Information Available from BAM*

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre- sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile

has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions, credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

(*Remainder of Page Intentionally Left Blank*)

## SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data on this page is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this data page from this Official Statement or to otherwise use it without the entire Official Statement.

This data page was prepared to present the Underwriters of the Bonds with information concerning the Bonds, the tax revenues pledged to payment of the Bonds, the description of the tax base and other pertinent data, all as more fully described herein.

| | |
|---|---|
| **THE ISSUER** ..... | Ranger College (the "District" or the "Issuer") is a political subdivision of the State of Texas located in Eastland County. The District is governed by the Board of Regents consisting of nine members that are elected to staggered six-year terms. Ranger College started on the third floor of Ranger High School in 1925 with 30 students in the first class. Today, the Issuer's main campus occupies 50 acres within the city limits of Ranger, Texas. |
| **THE BONDS** ..... | The Bonds are being issued in the principal amount of $9,745,000 pursuant to the provisions of the Constitution and laws of the State of Texas, including Section 130.122, Texas Education Code, as amended, an election held in the District on November 8, 2016, and a bond Order to adopted by the Board of Regents of the District (the "Board") on March 9, 2017 (the "Order"). See "THE BONDS – Authority for Issuance." The Bonds are payable as to principal and interest from a continuing, direct annual ad valorem tax levied, within the limits provided by law, against all taxable property within the District. See "THE BONDS – Ad Valorem Tax Pledge" and "Tax Supported Debt Limitations," and "TAX INFORMATION - Tax Supported Debt Limitation."<br><br>The Bonds mature as shown on the inside front cover. Interest on the Bonds accrues from the date of initial delivery and is payable semiannually on February 15 and August 15 of each year, commencing February 15, 2018. See "THE BONDS – General Description of the Bonds" herein. |
| **SECURITY FOR PAYMENT** ..... | The Bonds constitute direct obligations of the District payable from an annual ad valorem tax levied, within the limits provided by law, on all taxable property located in the District. See "TAX INFORMATION – Tax Supported Debt Limitation." |
| **RATINGS**..... | The Bonds are rated "AA" by S&P Global Ratings, a division of S&P Global, Inc. ("S&P") based upon the Municipal Bond Insurance Policy issued by Build America Mutual Assurance Company. The Bonds have also been assigned an underlying rate of "A" by S&P. An explanation of the significance of such ratings may be obtained from S&P. See "OTHER INFORMATION – Ratings." |
| **REDEMPTION** ..... | The District reserves the right, at its option, to redeem the Bonds having stated maturities on or after February 15, 2029, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Optional Redemption". The Term Bonds are also subject to mandatory sinking fund redemption. See "THE BONDS – Mandatory Redemption." |
| **TAX MATTERS** ..... | In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS."<br><br>The District has designated the Bonds as "qualified tax-exempt obligations." See "TAX MATTERS - Qualified Tax-Exempt Obligations." |
| **USE OF PROCEEDS** ..... | Proceeds from the sale of the Bonds will be used to i) renovate, construct and equip school buildings for the District, and ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING" and "THE BONDS – Sources and Uses of Funds" herein. |
| **PAYMENT RECORD** ..... | The District has never defaulted on the payment of its bonded indebtedness. |
| **BOOK-ENTRY-ONLY SYSTEM** ..... | The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York, relating to the method of timing of payment and transfer relating to the Bonds. See "THE BONDS - Book-Entry-Only System" herein. |
| **FUTURE BOND ISSUES**..... | After the issuance of the Bonds, the District will have no authorized but unissued debt. The District does not plan on issuing additional debt within the next twelve months. See "TAX INFORMATION - Authorized But Unissued Debt" herein. |
| **DELIVERY**..... | When issued, anticipated on or about March 29, 2017. |
| **LEGALITY**..... | Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. |

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**SELECTED FINANCIAL INFORMATION**

| Fiscal Year Ended 8/31 | Taxable Assessed Valuation[(a)] | Tax Levy | % Current and Delinquent Collections |
|---|---|---|---|
| 2013 | $ 61,764,780 | $ 171,589 | 97.25% |
| 2014 | 102,426,370 | 249,233 | 97.61 |
| 2015 | 110,169,500 | 272,720 | 97.26 |
| 2016 | 115,551,640 | 290,288 | 95.77 |
| 2017 | 132,272,280 | 324,553 | (In process) |

(a) Source: Eastland County Appraisal District.

**REVENUES, EXPENSES AND CHANGES IN NET POSITION CONSOLIDATED STATEMENT SUMMARY**

| | Fiscal Year Ended August 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Operating Revenues | $ 6,806,777 | $ 6,570,757 | $ 5,686,098 | $ 4,301,600 | $ 3,475,946 |
| Operating Expenses | 13,262,455 | 12,875,917 | 11,373,403 | 10,016,746 | 8,508,697 |
| Nonoperating Revenues | 7,244,504 | 5,863,484 | 7,647,586 | 7,166,980 | 6,279,021 |
| Other Revenues | - | - | - | - | - |
| Increase in Net Position | $ 788,826 | $ (441,676) | $ 1,960,281 | $ 1,451,834 | $ 1,246,270 |
| Net Position – Beginning of Year | $ 6,857,984 | $ 8,438,950 | $ 6,478,309 | $ 5,026,475 | $ 3,780,205 |
| Prior Period Adjustments | - | (1,138,930) | - | - | - |
| Net Position – Beginning of Year (Restated) | $ 6,857,984 | $ 7,299,660 | $ 6,478,309 | $ 5,026,475 | $ 3,780,205 |
| Net Position – End of Year | $ 7,646,810 | $ 6,857,984 | $ 8,438,590 | $ 6,478,309 | $ 5,026,475 |

For additional information regarding the District, please contact:

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Ranger College
1100 College Avenue
Ranger, Texas 76470
(254) 267-7034
bcampion@rangercollege.edu

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Government Capital Securities Corporation
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Southlake, TX 76092
(817) 722-0220
jblackburn@govcapsecurities.com

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**OFFICIAL STATEMENT**

**Relating to**

**$9,745,000**
**RANGER COLLEGE**
**(A Political Subdivision of the State of Texas Located in Eastland County)**
**LIMITED TAX BONDS, SERIES 2017**

## INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Ranger College (the "District" or the "Issuer") of its Limited Tax Bonds, Series 2017 (the "Bonds").

There follows in this Official Statement descriptions of the Plan of Financing, information regarding the Bonds, including the Order authorizing the issuance of the Bonds, and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District's Financial Advisor, Government Capital Securities Corporation, 559 Silicon Drive, Suite 102, Southlake, Texas 76092, via electronic mail or upon payment of reasonable copying, mailing and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of this Official Statement will be deposited with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "OTHER INFORMATION – Continuing Disclosure of Information" for a description of the District's undertaking to provide certain information on a continuing basis.

## PLAN OF FINANCING

**BOND ELECTION** . . . At a bond election held on November 8, 2016, the voters of the District approved the issuance of up to $10,000,000 in principal amount of limited tax bonds for the purpose of renovating, constructing and equipping school buildings in the District. The issuance of the Bonds will be the first installment of limited tax bonds issued by the District pursuant to such election. Following the issuance of the Bonds, the District will have $0 remaining in voted authorization.

**PURPOSE OF THE BONDS** . . . Proceeds from the sale of the Bonds will be used to provide funds (i) to renovate, construct and equip school buildings in the District, and (ii) to pay issuance costs associated with the Bonds. See also "THE BONDS- Sources and Uses of Funds."

## THE BONDS

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the provisions of the Constitution and laws of the State of Texas, including Section 130.122, Texas Education Code, as amended, an election held in the District on November 8, 2016, and a bond Order to be adopted by the Board of Regents of the District (the "Board") on March 9, 2017 (the "Order").

**GENERAL DESCRIPTION OF THE BONDS** . . . The Bonds will be dated March 1, 2017. The Bonds will accrue interest from the date of Initial Delivery, and such interest shall be payable on February 15 and August 15, commencing February 15, 2018, until maturity or prior redemption. The Bonds will mature on the dates, in principal amounts, and will bear interest at the rates set forth on the inside cover page of this Official Statement.

The Bonds will be issued only as fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners (hereafter defined) of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the District where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

In the event the Bonds are no longer held in the Book-Entry-Only System, interest on the Bonds will be payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner, and the principal of the Bonds will be payable at maturity, upon their presentation and surrender to the Paying Agent/Registrar.

**AD VALOREM TAX PLEDGE** . . . The Bonds are secured by and payable from ad valorem taxes levied and collected annually by the District. In the Order, the District covenants that it will levy and collect an annual ad valorem tax, within the limitations prescribed by law, against all taxable property located within the District sufficient to meet the debt service requirements on the Bonds.

**TAX RATE LIMITATION** . . . Section 130.122 of the Texas Tax Code authorizes the District to levy an annual ad valorem tax at the combined rate of up to $1.00 per $100 of taxable assessed valuation for maintenance and operations purposes and to pay debt service on outstanding tax-supported obligations; however, in no event can the District levy ad valorem taxes for the payment of debt service at a rate which exceeds $0.50 per $100 of taxable assessed valuation. See "TAX INFORMATION - Ad Valorem Tax Law" and "Tax Supported Debt Limitation" herein.

**OPTIONAL REDEMPTION** . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on or after February 15, 2029, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof on February 15, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

**MANDATORY REDEMPTION** . . . The Bonds maturing on February 15 in years 2025, 2027, 2029, 2031, 2033, 2035, 2037, 2041 and 2046, (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to their scheduled maturity, and will be redeemed by the District, in part at a redemption price equal to the principal amount thereof, without premium, plus interest accrued to the redemption date, on the dates and in the principal amounts shown in the following schedule:

**$495,000 Term Bonds Maturing February 15, 2025**

| Year | Principal Amount |
|---|---|
| 2024 | $245,000 |
| 2025 (stated maturity) | $250,000 |

**$520,000 Term Bonds Maturing February 15, 2027**

| Year | Principal Amount |
|---|---|
| 2026 | $255,000 |
| 2027 (stated maturity) | $265,000 |

**$550,000 Term Bonds Maturing February 15, 2029**

| Year | Principal Amount |
|---|---|
| 2028 | $270,000 |
| 2029 (stated maturity) | $280,000 |

**$600,000 Term Bonds Maturing February 15, 2031**

| Year | Principal Amount |
|---|---|
| 2030 | $295,000 |
| 2031 (stated maturity) | $305,000 |

**$650,000 Term Bonds Maturing February 15, 2033**

| Year | Principal Amount |
|---|---|
| 2032 | $320,000 |
| 2033 (stated maturity) | $330,000 |

**$705,000 Term Bonds Maturing February 15, 2035**

| Year | Principal Amount |
|---|---|
| 2034 | $345,000 |
| 2035 (stated maturity) | $360,000 |

**$765,000 Term Bonds Maturing February 15, 2037**

| Year | Principal Amount |
|---|---|
| 2036 | $375,000 |
| 2037 (stated maturity) | $390,000 |

**$1,315,000 Term Bonds Maturing February 15, 2041**

| Year | Principal Amount |
|---|---|
| 2039 | $420,000 |
| 2040 | $440,000 |
| 2041 (stated maturity) | $455,000 |

**$2,590,000 Term Bonds Maturing February 15, 2046**

| Year | Principal Amount |
|---|---|
| 2042 | $480,000 |
| 2043 | $500,000 |
| 2044 | $515,000 |
| 2045 | $535,000 |
| 2046 (stated maturity) | $560,000 |

The Paying Agent/Registrar will select by lot or by any other customary method that results in a random selection the specific Term Bonds (or with respect to Term Bonds having a denomination in excess of $5,000, each $5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (i) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (iii) shall have been redeemed pursuant to the optional redemption provisions described above and not previously credited to a mandatory sinking fund redemption.

**SELECTION OF BONDS REDEEMED IN PART** . . . The years of maturity of the Bonds called for optional redemption shall be selected by the District. If less than all of the Bonds are redeemed within a stated maturity at any time, the Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of $5,000 within any stated maturity.

**NOTICE OF REDEMPTION** . . . At least 30 days prior to the date fixed for redemption of any Bonds or portions thereof prior to stated maturity, the District shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. The notice with respect to an optional redemption may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the District retains the right to rescind such notice at any time prior to the scheduled redemption date if the District delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

**REDEMPTION THROUGH THE DEPOSITORY TRUST COMPANY** . . . The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption with respect to the Bonds, notice of proposed amendment to the Order, or other notices with respect to the Bonds only to DTC (defined herein). Any failure by DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants, or the persons for whom DTC Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC Participants, Indirect Participants, or Beneficial Owners of the selection of the Bonds for redemption (see "THE BONDS - Book-Entry-Only System" herein).

**DEFEASANCE** . . . The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption concerning the Bonds, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and

(d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**BOOK-ENTRY-ONLY SYSTEM** . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, Maturity Amount, as applicable, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings, a division of S&P Global, Inc., of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the

record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Bonds will be printed and delivered.

*Use of Certain Terms in Other Sections of this Official Statement*. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

**PAYING AGENT/REGISTRAR** . . . The initial Paying Agent/Registrar is BOKF, N.A., Austin, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding and any successor Paying Agent/Registrar shall be a competent and legally qualified bank, trust company, financial institution or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**AMENDMENTS** . . . The District may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bonds is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bonds are payable, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

**TRANSFER, EXCHANGE AND REGISTRATION** . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the corporate trust office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount or Maturity Amount, as applicable, as the Bonds surrendered for exchange or transfer. See "THE BONDS- Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

**LIMITATION ON TRANSFER OF THE BONDS** . . . Neither the District nor the Paying Agent/Registrar shall be required to exchange any Bonds to an assignee of the owner of the Bonds (i) during the period commencing with the close of business on the Record Date and ending with the opening of business on the next interest payment date, or (ii) with respect to any Bond subject to redemption, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

**RECORD DATE FOR INTEREST PAYMENT** . . . The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received

from the District. Notice of the Special Record Date and of the scheduled payment date of past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Bonds appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**DEFAULT AND REMEDIES** . . . The Order establishes specific events of default with respect to the Bonds. If the District (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Order, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Order provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's governmental immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or covenants in the Order. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

In Tooke, the Court noted the enactment in 2005 of sections 271.151- 160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers junior college districts and relates to contracts entered into by junior college districts for providing goods or services to such districts. The District is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

As noted above, the Order provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the District under the Order. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it.

*[The remainder of this page intentionally left blank]*

**SOURCES AND USES OF FUNDS** . . . The proceeds of the Bonds will be applied approximately as follows:

| | |
|---|---|
| Sources of Funds: | |
| Par Amount of the Bonds | $ 9,745,000.00 |
| Premium | 254,885.25 |
| Total Sources of Funds | $ 9,999,885.25 |
| | |
| Uses of Funds: | |
| Project Fund Deposit | $ 9,721,831.11 |
| Costs of Issuance[(1)] | 205,335.34 |
| Underwriters' Discount | 72,718.80 |
| Total Uses of Funds | $ 9,999,885.25 |

(1) Includes bond insurance premium.

## TAX INFORMATION

**AD VALOREM TAX LAW** . . . The appraisal of property within the District is the responsibility of the Eastland County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of "productive capacity", the Appraisal District is required under the Texas Property Tax Code Title I, Texas Tax Code, Vernon's Texas Codes Annotated (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. The Property Tax Code permits the Appraisal District to use alternative methods (cost, income, and market data comparison methods) to determine the market value of property. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

The value placed upon property within the Appraisal District is subject to review by an appraisal review board (the "Appraisal Review Board"), consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The District may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the District by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxation.

Under Section 1-b, Article VIII of the Texas Constitution, and State law, the governing body of a political subdivision, at its option, may grant:

(1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision;

(2) An exemption of up to 20% of the market value of residence homesteads; minimum exemption $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII of the Texas Constitution, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000. A disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until the surviving spouse remarries. Following the approval by the voters at a November 5, 2013 statewide election, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

Also approved by the November 5, 2013 election, was a constitutional amendment providing that the surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse bas not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Under Article VIII and State law, the District may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the District, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or older or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person's surviving spouse if (i) the taxpayer died in a year in which he qualified for the exemption, (ii) the surviving spouse was at least 55 years of age when the taxpayer died, and (iii) the property was the residence homestead of the surviving spouse when the taxpayer died and the property remains the residence homestead of the surviving spouse. In addition, the Texas Legislature by general law may provide for the transfer of all or a proportionate amount of the tax limitation applicable to a person's homestead to be transferred to the new homestead of such person if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, is exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j of the Texas Constitution provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. The exemption became effective for the 1990-91 fiscal year and thereafter unless action to tax such property was taken prior to April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal. The District has not taken action to tax freeport property. In addition, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in- transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The District took official action before April 1, 1990 to tax freeport property. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit to continue its taxation of goods-in-transit in the 2012 tax year and beyond.

**THE TAX CODE AS IT APPLIES TO THE DISTRICT** . . . The District grants state mandated exemption from taxation of the total appraised value of a disabled veteran receiving 100% disability compensation due to a service connected disability and a rating of 100% disabled, and the state mandated exemptions for donated residence homesteads of partially disabled veterans and for the surviving spouse of a service member killed in action. The District does not tax nonbusiness vehicles or personal property. The District does not grant a Freeport exemption, and the District does not tax goods-in-transit.

**TAX ABATEMENT** . . . The Texas Constitution permits a city to create Reinvestment Zones within taxing jurisdictions to encourage the revitalization and redevelopment of underdeveloped areas thereof and to issue tax increment bonds for that purpose. A city may designate areas within the District as a reinvestment zone. Thereafter, the District may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity with taxing authority over the property will follow in granting tax abatement to owners of property. The tax abatement agreement may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same.

**TAX INCREMENT FINANCING** . . .A city may create a tax increment financing district ("TIF") within the city with defined boundaries and establish a base value of taxable property in the TIF at the time of its creation. Overlapping taxing units, including the District, may agree with the city to contribute all or part of future ad valorem taxes levied and collected against the "incremental value" (taxable value in excess of the base value) of taxable real property in the TIF to pay or finance the costs of certain public improvements in the TIF, and such taxes levied and collected for and on behalf of the TIF are not available for general use by such contributing taxing units.

**DISTRICT AND TAXPAYER REMEDIES** . . . Under certain circumstances, taxpayers and taxing units, including the District, may appeal the orders of the Appraisal Review Board by filing a timely petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Texas Tax Code also establishes a procedure for notice to property owners of

reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**THE FINANCIAL INSTITUTIONS ACT OF 1989** . . . The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC') and the Resolution Trust Corporation ("RTC").

Under FIRREA, real property held by the FDIC or RTC is still subject to ad valorem taxation, but such act states that (i) no real property of the FDIC or RTC shall be subject to foreclosure or sale without the consent of the FDIC or RTC and no involuntary lien shall attach to such property, (ii) the FDIC or RTC shall not be liable for any penalties or fines, including those arising from the failure to pay any real property tax when due, (iii) no personal property owned by FDIC or RTC is subject to ad valorem taxation, and (iv) notwithstanding failure of a person to challenge an appraisal in accordance with State law, such value shall be determined as of the period for which such tax is imposed.

As of the date hereof, the District is not aware of any significant properties in the District that are under the control of the FDIC and the RTC, however, real property could come under their control while acting as the receiver of an insolvent financial institution. Accordingly, to the extent the FIRREA provisions are valid and applicable to property in the District, and to the extent that the FDIC or RTC attempts to enforce the same, the provisions may affect the time at which the District can collect taxes on property owned by the FDIC or RTC, if any, in the District.

**LEVY AND COLLECTION OF TAXES** . . . The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. By the later of September 30 or 60 days after the District receives the certified appraisal rolls from the Appraisal District, the rate of taxation must be set by the District based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1 or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District for attorney collection fees. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Texas Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. The District does not allow split payments; discounts are not allowed.

**DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES** . . . Taxes levied by the District are a personal obligation of the owner of the property as of January l of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the District records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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**TABLE 1- VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT**

| | |
|---|---|
| 2016 Certified Taxable Assessed Valuation[(a)] (100% of Estimated Market Value) | $132,272,280 |
| Outstanding Debt[(b)] | 0 |
| Plus: The Bonds | 9,745,000 |
| Total Direct Debt | $9,745,000 |
| As a % of 2016 Certified Taxable Assessed Valuation | 7.37% |

(a) Provided by Eastland County Appraisal District.
(b) Does not include outstanding revenue obligations of the District.

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

| | Tax Year 2016 | Tax Year 2015 | Tax Year 2014 | Tax Year 2013 | Tax Year 2012 |
|---|---|---|---|---|---|
| Real Property | $306,359,020 | $282,044,460 | $273,660,030 | $260,021,560 | $234,696,070 |
| Personal Property | 7,086,880 | 7,412,730 | 5,403,440 | 5,104,380 | 4,609,340 |
| Mineral | 42,012,070 | 31,094,370 | 28,862,820 | 29,267,960 | 0 |
| Gross Value | $355,457,970 | $320,551,560 | $307,926,290 | $294,393,900 | $239,305,410 |
| Less Exemptions | 223,185,690 | 204,999,920 | 197,756,790 | 191,967,530 | 177,540,630 |
| Net Taxable Value | $132,272,280 | $115,551,640 | $110,169,500 | $102,426,370 | $ 61,764,780 |

**TABLE 3 - VALUATION AND FUNDED DEBT HISTORY**

| Fiscal Year Ended 8/31 | Estimated Population[(a)] | Taxable Assessed Valuation[(b)] | Taxable Assessed Valuation Per Capita | Tax Debt Outstanding at End of Year | Ratio Tax Debt to Taxable Assessed Valuation | Tax Debt Per Capita |
|---|---|---|---|---|---|---|
| 2013 | 18,250 | $ 61,764,780 | $3,384 | $ 0 | 0.00% | $ 0 |
| 2014 | 18,230 | 102,426,370 | 5,619 | 0 | 0.00% | 0 |
| 2015 | 18,171 | 110,169,500 | 6,063 | 0 | 0.00% | 0 |
| 2016 | 18,171 | 115,551,640 | 6,359 | 0 | 0.00% | 0 |
| 2017 | 18,171 | 132,272,280 | 7,279 | 9,745,000[(c)] | 7.37%[(c)] | 536[(c)] |

(a) Estimates provided by the Texas Labor Market. Most recent population estimate available is from 2015.
(b) Source: Eastland County Appraisal District.
(c) Includes the Bonds

**TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY**

| Fiscal Year Ended 8/31 | Tax Rate | Maintenance and Operations | Debt Service Fund | Tax Levy | % Total Collections |
|---|---|---|---|---|---|
| 2013 | $0.277810 | $0.277810 | $0 | $171,589 | 97.25% |
| 2014 | 0.243329 | 0.243329 | 0 | 249,233 | 97.61% |
| 2015 | 0.247765 | 0.247765 | 0 | 272,720 | 97.26% |
| 2016 | 0.250802 | 0.250802 | 0 | 290,288 | 95.77% |
| 2017 | 0.245306 | 0.245306 | 0 | 324,553 | (In process) |

**TABLE 5 – TEN LARGEST TAXPAYERS**

| Name of Taxpayer | Type of Property | 2016/17 Taxable Assessed Valuation | % of Total 2016-2017 Taxable Assessed Valuation |
|---|---|---|---|
| Sunoco Partners Marketing | Pipeline | $ 15,835,810 | 11.97% |
| Cook Canyon Ranch LTD | Ranch | 9,503,730 | 7.18% |
| Union Pacific RR Co. | Railroad | 5,398,520 | 4.08% |
| Oncor Electric Delivery Co | Electric Utility | 3,043,640 | 2.30% |
| West Texas Gulf PL Co | Pipeline | 2,548,060 | 1.93% |
| West Texas Gulf Pipeline | Pipeline | 1,926,160 | 1.46% |
| Caterpillar Financial Service | Financial | 1,464,880 | 1.11% |
| Freddy Wiesen | Residential | 1,315,520 | 0.99% |
| Loves Country Store #270 | Convenience Store | 1,230,430 | 0.93% |
| Ranger Gas Gathering LLC | Oil & Gas | 1,143,390 | 0.86% |
| | | $ 43,410,140 | 32.81% |

**TAX SUPPORTED DEBT LIMITATION**

By local referendum held on June 13, 1970, the District is limited to a total tax rate not to exceed $0.35 per $100 taxable assessed valuation for maintenance and operations and debt service purposes. The District's voter approved tax rate is lower than the $1.00 per $100 taxable assessed valuation limitation (of which a maximum of $0.50 may be utilized for debt service purposes of voter approved bonds) on ad valorem tax rates for community college districts permitted by Section 130.122, as amended, Texas Education Code. Though the District is permitted by law to hold an election to consider an increase in the maximum ad valorem tax it may levy and collect, it has no current plans to do so. The District currently has no ad valorem tax debt outstanding.

By no later than September 30 of each year or the 60th day following the date the District receives the certified appraisal roll from the Appraisal District, the District must adopt a tax rate per $100 taxable value for the current year.

Under the Property Tax Code:

The District must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The District may not adopt a tax rate that if applied to the total taxable value would impose an amount of taxes that exceeds last year's levy until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the District by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate. Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

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**TABLE 6 – ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

| Taxing Jurisdiction | Total Debt[(a)] | As Of | Estimated % Overlapping | Overlapping Debt |
|---|---|---|---|---|
| Eastland Co | -None- | 2/28/17 | 9.24% | $ 0 |
| Ranger ISD | -None- | 2/28/17 | 90.08% | 0 |
| Ranger, City of | $1,180,000 | 2/28/17 | 100.00% | 1,180,000 |
| Estimated (Net) Overlapping Debt | | | | $ 1,180,000 |
| Ranger College[(b)] | | | | 9,745,000 |
| Total Direct & Estimated Overlapping Debt | | | | $ 10,925,000 |
| | | | | |
| As a % of Certified 2016 Taxable Assessed Valuation | | | | 8.26% |

(a) Gross Debt
(b) Includes the Bonds.

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## DEBT INFORMATION

**TABLE 7 - PRO FORMA TAX DEBT SERVICE REQUIREMENTS**

| Fiscal Year Ended 8/31 | The Bonds Principal | The Bonds Interest | Total Debt Service |
|---|---|---|---|
| 2018 | $ 65,000.00 | $ 509,782.22 | $ 574,782.22 |
| 2019 | 200,000.00 | 366,175.00 | 566,175.00 |
| 2020 | 210,000.00 | 360,025.00 | 570,025.00 |
| 2021 | 215,000.00 | 352,575.00 | 567,575.00 |
| 2022 | 225,000.00 | 343,775.00 | 568,775.00 |
| 2023 | 235,000.00 | 334,575.00 | 569,575.00 |
| 2024 | 245,000.00 | 326,812.50 | 571,812.50 |
| 2025 | 250,000.00 | 320,625.00 | 570,625.00 |
| 2026 | 255,000.00 | 313,993.75 | 568,993.75 |
| 2027 | 265,000.00 | 306,843.75 | 571,843.75 |
| 2028 | 270,000.00 | 297,800.00 | 567,800.00 |
| 2029 | 280,000.00 | 286,800.00 | 566,800.00 |
| 2030 | 295,000.00 | 275,300.00 | 570,300.00 |
| 2031 | 305,000.00 | 263,300.00 | 568,300.00 |
| 2032 | 320,000.00 | 250,800.00 | 570,800.00 |
| 2033 | 330,000.00 | 237,800.00 | 567,800.00 |
| 2034 | 345,000.00 | 224,300.00 | 569,300.00 |
| 2035 | 360,000.00 | 210,200.00 | 570,200.00 |
| 2036 | 375,000.00 | 195,500.00 | 570,500.00 |
| 2037 | 390,000.00 | 180,200.00 | 570,200.00 |
| 2038 | 405,000.00 | 164,300.00 | 569,300.00 |
| 2039 | 420,000.00 | 147,800.00 | 567,800.00 |
| 2040 | 440,000.00 | 130,600.00 | 570,600.00 |
| 2041 | 455,000.00 | 112,700.00 | 567,700.00 |
| 2042 | 480,000.00 | 94,000.00 | 574,000.00 |
| 2043 | 500,000.00 | 74,400.00 | 574,400.00 |
| 2044 | 515,000.00 | 54,100.00 | 569,100.00 |
| 2045 | 535,000.00 | 33,100.00 | 568,100.00 |
| 2046 | 560,000.00 | 11,200.00 | 571,200.00 |
| | $9,745,000.00 | $6,779,382.22 | $16,524,382.22 |

Average Annual Debt Service Requirements ..... $569,806.28
Maximum Annual Debt Service Requirement..... $574,782.22

**TABLE 8 – AUTHORIZED BUT UNISSUED TAX BONDS**

As of the date hereof, the District has no voter authorized but unissued ad valorem tax-supported bonds.

**ANTICIPATED ISSUANCE OF ADDITIONAL DEBT** . . . The District does not anticipate issuing additional limited ad valorem tax-supported indebtedness during the next twelve months.

**TABLE 9 - OTHER OBLIGATIONS**

As part of its business model, the District enters into lease obligations to acquire many pieces of real property and items of personal property necessary for continuing District business operations, including facilities, copiers, and vehicles. The District does not own the leased property at the end of the lease term. Rental payments of $251,425 under operating leases and rental agreements were included in operating expenses for the year ended August 31, 2016. Rental payments of $31,690 relate to copiers and rental payments of $50,589 relate to offsite classroom usage.

The District may incur financial obligations including maintenance tax notes, ad valorem tax-supported bonds (after an approving election), public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from state appropriations and surplus maintenance taxes.

**PENSION FUND**

The Teacher Retirement System of Texas (TRS), a Public Employee Retirement System (PERS), is a multiple-employer defined benefit pension. It is a cost sharing PERS with one exception: all risks and costs are not shared by the employer but are the liability of the State of Texas. By statute, the State of Texas (the "State") contributes to the retirement system an amount equal to the current authorized rate times the aggregate

annual compensation of all members of the retirement system during that fiscal year. For members of the retirement system entitled to the minimum salary for certain school personnel under Section 16.056, Education Code, the employing district shall pay the State's contribution on the portion of the member's salary that exceeds the statutory minimum. The percentages of participant salaries currently contributed by the State and by each participant are 6% and 6.4% respectively, of annual contribution.

The State has also established an optional retirement plan for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in TRS. This program provides for the purchase of annuity contracts. Each participant contributes 6.65% of salary to the plan and State contributes 6% of all participants' compensation.

**OTHER POSTEMPLOYMENT BENEFITS ("OPEB")**

The District contributes to the State Retiree Health Plan ("SRHP"), a cost sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employee Retirement System of Texas ("ERS"). SRHP provides medical benefits to retired employees of participating universities, community colleges and State agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature. ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP.

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution. The employer's share of the cost of retiree healthcare coverage, for the current year, is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB statement 45. In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The District's contribution to the SRHP for Fiscal Years 2014, 2015 and 2016 was $42,124, $149,175 and $157,328, respectively, which equaled the required contribution for each year.

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## FINANCIAL INFORMATION

**TABLE 10 - CHANGE IN NET POSITION**

| | Fiscal Years Ended August 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| **REVENUES** | | | | | |
| **Operating Revenues** | | | | | |
| Tuition and Fees (Less Discounts) | $ 4,097,064 | $ 3,253,727 | $ 2,736,891 | $ 1,584,341 | $ 2,186,758 |
| Federal Grants and Contracts | 445,937 | 358,017 | 322,002 | 564,206 | 265,670 |
| State Grants and Contracts | 662,162 | 1,428,720 | 1,029,271 | 730,739 | 75,981 |
| Local Grants and Contracts | 190,000 | 410,100 | 156,150 | 245,000 | 216,550 |
| Sales & Services of Educational Activities | 46,609 | 60,122 | 57,053 | 69,373 | 142,864 |
| Auxiliary Enterprises (Less Discounts) | 1,214,243 | 776,731 | 797,476 | 765,116 | 508,652 |
| Other Operating Revenues | 150,762 | 283,340 | 587,255 | 342,825 | 79,471 |
| **Total Operating Revenues** | 6,806,777 | 6,570,757 | $ 5,686,098 | $ 4,301,600 | $ 3,475,946 |
| **EXPENSES** | | | | | |
| **Operating Expenses** | | | | | |
| Instruction | 5,662,435 | 5,748,395 | $ 4,341,498 | $ 4,267,911 | $ 3,181,717 |
| Academic Support | 822,600 | 688,156 | 505,337 | 408,790 | 527,891 |
| Student Services | 782,996 | 828,159 | 710,246 | 725,476 | 608,834 |
| Institutional Support | 1,860,750 | 1,635,127 | 1,474,521 | 1,356,251 | 982,290 |
| Operation and Maintenance of Plant | 629,758 | 657,955 | 626,424 | 621,487 | 637,384 |
| Scholarships and Fellowships | 668,931 | 845,712 | 1,548,765 | 663,361 | 636,989 |
| Auxiliary Enterprises | 2,364,277 | 1,948,820 | 1,813,592 | 1,719,005 | 1,698,492 |
| Depreciation | 470,708 | 523,593 | 353,020 | 254,465 | 235,100 |
| **Total Operation Expenses** | 13,262,455 | 12,875,917 | 11,373,403 | 10,016,746 | 8,508,697 |
| **Operating Loss** | (6,455,678) | (6,305,160) | $ (5,687,305) | $ (5,715,146) | $ (5,032,751) |
| **NON-OPERATING REVENUES (EXPENSES)** | | | | | |
| State Appropriations | 4,057,758 | 3,891,207 | $ 3,864,190 | $ 3,118,714 | $ 2,558,994 |
| Maintenance Ad Valorem Taxes | 298,871 | 274,276 | 257,462 | 260,751 | 252,523 |
| Federal Revenue, Non-Operating | 2,822,318 | 3,284,522 | 3,505,777 | 3,738,783 | 3,315,444 |
| Gifts | 140,118 | 470 | 1,604 | 400 | 1,086 |
| Investment Income | 5,057 | 72,617 | 176,656 | 162,516 | 191,338 |
| Interest on Capital Related Debt | (77,592) | (76,138) | (158,103) | (114,184) | (40,364) |
| Loss on Disposal of Capital Assets | (2,026) | - | - | - | - |
| Donation to Ranger College Foundation, Inc. | - | (1,583,470) | - | - | - |
| **Net Non-Operating Revenues (Expenses)** | 7,244,504 | 5,863,484 | $ 7,647,586 | $ 7,166,980 | $ 6,279,021 |
| **Change in Net Position** | 788,826 | (441,676) | $ 1,960,281 | $ 1,451,834 | $ 1,246,270 |
| **NET POSITION** | | | | | |
| Net Position – Beginning of Year | 6,857,984 | 8,438,950 | 6,478,309 | 5,026,475 | 3,780,205 |
| Prior Period Adjustment | - | (1,138,930) | - | - | - |
| Net Position – Beginning of Year, restated | 6,857,984 | 7,299,660 | 6,478,309 | 5,026,475 | 3,780,205 |
| Net Position – End of Year | $ 7,646,810 | $ 6,857,984 | $ 8,438,590 | $ 6,478,309 | $ 5,026,475 |

Source: The District's Audited Financial Statements.

**TABLE 11 – STATEMENT OF NET POSITION**

| | Fiscal Years Ended August 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| **ASSETS** | | | | | |
| **Current Assets:** | | | | | |
| Cash and Cash Equivalents | $ 5,363,892 | $ 5,430,765 | $ 5,166,485 | $ 3,815,452 | $ 2,885,872 |
| Short-Term Investments | - | | 266,834 | 266,835 | 266,835 |
| Accounts Receivable, net | 4,439,267 | 3,176,963 | 3,296,316 | 2,415,087 | 1,891,381 |
| Prepaid Expenses | 56,839 | 146,833 | 58,178 | 175,100 | 40,793 |
| Other Assets - Current | - | | | 824,601 | - |
| Deferred Charges | - | | | - | 379,321 |
| Deposits | 750 | 750 | 750 | 750 | 750 |
| **Total Current Assets** | $ 9,860,748 | $ 8,755,311 | $ 8,788,563 | $ 7,497,825 | $ 5,464,952 |
| **Noncurrent Assets:** | | | | | |
| Restricted Cash and Cash Equivalents | $ 581,287 | $ 2,701,538 | $ 2,827,245 | $ 1,976,749 | $ 289,974 |
| Restricted Short-Term Investments | - | - | 54,769 | 54,769 | 54,769 |
| Other Long-Term Investments | - | - | 282,257 | 262,256 | 244,736 |
| Issuance Costs | - | - | - | - | 14,423 |
| Capital Assets, net of Accumulated | 9,089,191 | 6,493,973 | 6,333,479 | 3,504,837 | 1,878,188 |
| **Total Non-Current Assets** | 9,670,478 | 9,195,511 | 9,497,750 | 5,798,611 | 2,482,090 |
| **TOTAL ASSETS** | 19,531,226 | $ 17,950,822 | $ 18,286,313 | $ 13,296,436 | $ 7,947,042 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Deferred Outflows Related to Pensions | $ 484,908 | $ 191,708 | - | - | - |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Accounts Payable | $ 994,584 | $ 299,773 | $ 407,827 | $ 333,327 | $ 266,782 |
| Accrued Liabilities | 474,625 | 429,100 | 27,248 | - | - |
| Accrued Compensable Absences-Current Portion | 92,494 | 75,856 | 81,010 | 80,148 | 68,263 |
| Unearned Revenue | 3,854,710 | 3,563,424 | 3,470,721 | 2,921,004 | 1,933,990 |
| Notes Payable-Current Portion | - | - | - | 146,602 | 157,393 |
| Bonds Payable-Current Portion | 285,000 | 276,000 | 255,000 | 160,000 | - |
| **Total Current Liabilities** | $ 5,701,413 | $ 4,644,153 | $ 4,241,806 | $ 3,641,081 | $ 2,426,428 |
| **Noncurrent Liabilities:** | | | | | |
| Accrued Compensable Absences | $ 18,106 | $ 18,661 | $ 20,917 | $ 21,779 | $ 11,973 |
| Notes Payable | - | - | - | 315,267 | 482,166 |
| Bonds Payable | 5,024,000 | 5,309,000 | 5,585,000 | 2,840,000 | - |
| Net Pension Liability | 1,251,307 | 1,005,230 | - | - | - |
| **Total Non-Current Liabilities** | 6,293,413 | 6,332,891 | 5,605,917 | 3,177,046 | 494,139 |
| **Total Liabilities** | $11,994,826 | $ 10,977,044 | $ 9,847,723 | $ 6,818,127 | $ 2,920,567 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Deferred Outflows Related to Pensions | $ 374,498 | 307,502 | - | - | - |
| | | $ | | | |
| **NET POSITION** | | | | | |
| Net Investment in Capital Assets | $ 4,074,809 | $ 3,285,010 | $ 2,868,239 | $ 1,426,003 | $ 1,253,052 |
| Restricted for: | | | | | |
| Expendable | | | | | |
| Student aid | - | - | 433,537 | 411,183 | 390,161 |
| Debt service | 286,669 | 325,501 | 355,974 | 300,039 | - |
| Other | - | - | - | 199,517 | 199,318 |
| Unrestricted | 3,285,332 | 3,247,473 | 4,780,840 | 4,141,567 | 3,183,944 |
| **TOTAL NET POSITION** | $ 7,646,810 | $ 6,857,984 | $ 8,438,590 | $ 6,478,309 | $ 5,026,475 |

Source: The District's Audited Financial Statements.
With the implementation of GASB 63, The Statement of Net Assets was renamed The Statement of Net Position.

**FINANCIAL ADMINISTRATION**

The District adheres to financial policies as established by the Governmental Accounting Standards Board and the Government Finance Officers Association. Objectives of financial management include: exercise a discipline which will allow the District to retain a good financial position; strive to retain the best possible bond rating; give recognition to the community's needs and ability to pay; and provide future generations with the ability to borrow capital without severe financial burden. These objectives are accomplished by prudent budgeting and effective budget control; budgeted replacement of capital equipment as the need arises; providing working capital in all funds sufficient to meet current operating needs; financial accounting and reporting in accordance with methods prescribed by the Governmental Accounting Standards Board and the Government Finance Officers Association and making such reports available to bond rating agencies and other financially interested organizations; and trying to achieve and maintain a fund balance that is at least equivalent to 10% of the general operating budget. This should be sufficient to provide financing for necessary projects and to meet unanticipated needs.

**FINANCIAL POLICIES**

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Typically, the practice of the District is to cancel all encumbrances outstanding at year-end.

***GENERAL FUND BALANCE*** . . . The District's policy is to achieve and maintain a General Fund balance equivalent to at least three months operating cost of the general operating budget. This should be sufficient to provide financing for necessary projects and meet unanticipated contingencies or fiscal emergencies.

***CURRENT OPERATING BUDGET*** . . . A proposed budget is prepared by each department and submitted to the President of the District. The President then submits the consolidated budget to the Board of Regents for final approval and adoption prior to the beginning of the new fiscal year.

***USE OF BOND PROCEEDS, GRANTS, ETC.*** . . . Bond proceeds are utilized to fund capital improvement projects. Grant proceeds are generally utilized for restricted instructional, and student aid unless otherwise specifically required under the terms of grant.

**INVESTMENTS**

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board of Regents. Both state law and the District's investment policies are subject to change.

***AUTHORIZED INVESTMENTS*** . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District may invest in securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (6) and (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and beats no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

***INVESTMENT POLICIES*** . . . Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Regents detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Regents.

***ADDITIONAL PROVISIONS*** . . . Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

**TABLE 12 - CURRENT INVESTMENTS**

As of August 31, 2016, the District had no investments.

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## TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Issuer has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer legitimately disagrees, may not be

practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Issuer or the Beneficial Owners to incur significant expense.

### QUALIFIED TAX-EXEMPT OBLIGATIONS

Section 265(a) of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the holder. For certain holders that are "financial institutions" within the meaning of such section, complete disallowance of such expense would apply to taxable years beginning after December 31, 1986, with respect to tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions to carry tax-exempt obligations (other than certain private activity bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may only designate an issue as an issue of "qualified tax-exempt obligations" where less than $10 million of tax-exempt obligations are issued by the issuer during the calendar year 2017.

The District has designated the Bonds as "qualified tax-exempt obligations." Further, the District will represent that it has or will take such action necessary for the Bonds to constitute "qualified tax-exempt obligations."

Notwithstanding the designation of the Bonds as "qualified tax-exempt obligations," financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of interest expenses allocable to the Bonds.

## OTHER INFORMATION

### RATINGS

The Bonds are rated "AA" by S&P Global Ratings, a division of S&P Global, Inc. ("S&P") based upon the Municipal Bond Insurance Policy issued by Build America Mutual Assurance Company. The Bonds have also been assigned an underlying rating of "A" by S&P. An explanation of the significance of such ratings may be obtained from S&P. The ratings reflects only the views of S&P and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

### LITIGATION

It is the opinion of the District's General Counsel and District Staff that there is no pending litigation against the District that would have a material adverse financial impact upon the District or its operations.

At the time of initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

### REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds must be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. No review by the Issuer has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. See "OTHER INFORMATION - Ratings" herein.

### LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The District will furnish the Underwriters a complete transcript of proceedings relating to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing

statutes, regulations, published rulings, and court decisions, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. Though it represents the Underwriters and the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the District in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas, has reviewed the information under the captions "THE BONDS" (other than the information under the subcaptions "Book-Entry-Only System," "Defaults and Remedies" and "Sources and Uses of Funds"), "TAX MATTERS", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", "OTHER INFORMATION - Registration and Qualification of Bonds for Sale", "OTHER INFORMATION - Continuing Disclosure of Information" (other than the subcaption "Compliance with Prior Undertakings"), and "OTHER INFORMATION - Legal Opinions and No-Litigation Certificate" in this Official Statement, and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is an accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on definitive Bonds in the event of discontinuance of the Book-Entry-Only System. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. The fees to be paid to Bond Counsel are contingent upon the sale and delivery of the Bonds. Andrews Kurth Kenyon LLP, Houston, Texas, will pass upon certain legal matters for the Underwriters.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions, orders or ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions, orders or ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

#### UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at a price of $9,927,166.45 (representing the principal amount of the Bonds, plus a premium in the amount of $254,885.25, less an underwriting discount of $72,718.80). The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy of completeness of such information.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

#### CONTINUING DISCLOSURE OF INFORMATION

The District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org, as further described below under "Availability of Information."

Under Texas law, including, but not limited to, Chapter 61, Texas Education Code, as amended, the District must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report with the Texas Higher Education Coordinating Board (the "Coordinating Board") within 120 days after the close of the District's fiscal year. Copies of each audit report must also be filed in the office of the District and with the Secretary of the Board. The District's fiscal records and audit reports are available for public inspection during the regular business hours of the President. Additionally, upon the filing of these financial statements and the annual audit, these documents are subject to the Texas Open Records Act, Texas Government Code, Chapter 552, as amended. Therefore, any person may obtain copies of these documents upon submission of a written request to the President at Ranger College, 1100 College Avenue, Ranger, Texas 76470, and upon paying the reasonable copying, handling, and delivery charges for providing this information.

*Annual Reports* . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this

Official Statement under Tables 1 through 5 and 7 through 12 and in Appendix B. The District will update and provide this information as of the end of each fiscal year within six months after the end of each fiscal year ending in or after 2017.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited statements by the required time and provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by February 28 or February 29, as appropriate, in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

*Notice of Occurrence of Certain Events, Whether or Not Material* . . . The District will notify the MSRB through EMMA (in an electronic format as prescribed by the MSRB) within ten business days following the occurrence of any of the following events with respect to the Bonds, without regard to whether such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of an obligated person. (Neither the Bonds nor the Order make any provision for credit enhancement, liquidity enhancement, or a debt service reserve fund.)

*Notice of Occurrence of Certain Events, If Material* . . . The District also will notify the MSRB through EMMA (in an electronic format as prescribed by the MSRB) within ten business days following the occurrence of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of holders; (3) redemption calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar.

*Notice of Failure to Timely File* . . . The District also will notify the MSRB through EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the provisions described above.

*Availability of Information*. Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of its EMMA system, at www.emma.msrb.org. EMMA is the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the Issuer in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the District issued prior to the EMMA Effective Date, the District remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information repository (the "SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC has entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the District receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the District has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

*Limitations and Amendments* . . . The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and

operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

*Compliance with Prior Undertakings* . . . The District has not previously entered into any continuing disclosure agreements in accordance with SEC Rule 15c2-12.

**FINANCIAL ADVISOR**

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the District for certain information concerning the District and the Bonds. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Snow Garrett Williams C.P.A., the District's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Snow Garrett Williams C.P.A. relating to District's financial statements for the fiscal year ended August 31, 2016 is included in this Official Statement in APPENDIX B; however, Snow Garrett Williams C.P.A., has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement.

## FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

## MISCELLANEOUS

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The Order authorizing the issuance of the Bonds also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto.

This Official Statement has been approved by the Board of Regents of the District for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240. I 5c2-12.

**ATTEST:**

/s/ Phillip Webb
Secretary, Board of Regents
Ranger College

**RANGER COLLEGE**

/s/ Jackie Stephens
Chairman, Board of Regents
Ranger College

**APPENDIX A**

**GENERAL INFORMATION REGARDING THE DISTRICT**

## THE DISTRICT

One of the oldest continuously operating public two-year colleges in the state of Texas, the District opened its doors on the third floor of Ranger High School in August, 1925, with 30 students enrolled. Today the campus in Ranger serves several counties in north central Texas and awards the Associate of Arts, Associate of Science, and Associate of Applied Science degrees. Students on campus may live in the college's dormitories and enjoy the college dining facilities or live at home and commute. The District is fully accredited by the Southern Association of Colleges and Schools (SACS).

Ranger College's main campus occupies a 50-acre campus within the city limits of Ranger, an Eastland County community of approximately 2500 people, located on Interstate 20 between Fort Worth and Abilene. In addition to the Ranger facility, the college provides comprehensive course offerings in Brown County in Early and in Erath County in Stephenville. Ranger also has available cosmetology programs in Brownwood and Stephenville. Comprehensive Vocational Nursing programs are offered in Brown County and at our center in Comanche.

The cost of attending Ranger College is competitive with other Texas colleges and universities. Tuition rates for 2016 are $50 per semester hour for in-District Texas residents; $93 per semester hour for out-of-District Texas residents, and $130 per semester hour, with a $250 minimum, for out-of-state and foreign residents. Along with tuition, each student is charged $10 per semester hour general use fee to cover the cost of transcripts, graduation, grounds improvements, technology centers, campus security and parking control; $15 per semester hour (charged only to out-of-District and non-resident students) building use fee to assist in maintaining, improvement, and equipping campus facilities; $30 per semester hour records fee to defray the cost of creating and managing student records; a $10 per semester technology fee, and various specialized laboratory fees.

## FALL ENROLLMENT

| Fiscal Year Ended 8/31 | Fall |
|---|---|
| 2012 | 1,928 |
| 2013 | 1,893 |
| 2014 | 2,032 |
| 2015 | 2,066 |

## AREA UNIVERSITIES

There are five universities located within 75 miles of Ranger College, consisting of Tarleton State University, which a public university, and Howard Payne University, Abilene Christian University, Hardin Simmons University and McMurry University, which are each private universities. There are also two community colleges in the District’s defined service delivery area, Cisco College which serves the Abilene area, and Weatherford College which is located near Fort Worth.

## EASTLAND COUNTY

Eastland County has a population of approximately 18,000 residents, with the significant industries and employers in the county being oil and gas, education, health care, agriculture and retail.

**APPENDIX B**

**ANNUAL FINANCIAL AND COMPLIANCE REPORT**

# RANGER COLLEGE DISTRICT

## ANNUAL FINANCIAL AND COMPLIANCE REPORT

## FOR THE YEAR ENDED AUGUST 31, 2016

# RANGER COLLEGE DISTRICT

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# RANGER COLLEGE DISTRICT
# ORGANIZATIONAL DATA
**For the Year Ended August 31, 2016**

## Board of Regents

### Officers

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

### Members

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

## Key Administrative Personnel

| | |
|---|---|
| Dr. Bill Campion | President |
| Dr. Orlando Moreno | Vice President - Brown County |
| Dr. Kerry Schindler | Vice President - Erath County |
| Dr. Billy Adams | Vice President for Student Instruction |
| Mr. Manuel McGriff | Vice President for Student Services |
| Mr. Jon Dixon Bailey | Vice President for Workforce Development |
| Mr. Paul Woodfin | Vice President for Business Services/CFO |
| Mrs. Cherie Beltran | Associate Vice President for Administration |
| Mrs. Carolyn Zapata | Dean of Nursing |
| Mrs. Cherie Beltran | Dean of Administration |
| Mr. Robert Culverhouse | Dean of Enrollment Management/Registrar |
| Mr. Michael Winslow | Dean - Olney Center |

# FINANCIAL SECTION

SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Ranger College

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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



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

## Opinion

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

## Other Matters

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ranger College District's financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Code Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information and schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2017, on our consideration of Ranger College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ranger College District's internal control over financial reporting and compliance.

Snow Garrett Williams

Snow Garrett Williams
January 11, 2017

This section of the Ranger College District's annual financial report presents management's discussion and analysis of the College's financial activity during the fiscal years ended August 31, 2016 and 2015. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts, please read it in conjunction with the College's financial statements and the footnotes. Responsibility for the completeness and fairness of this information rests with the College.

## Using This Annual Report

The financial statements focus on the College as a whole. The statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the statement of net position is designed to be similar to bottom line results for the College.

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

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

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 22 of this report.

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

## Financial Highlights

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

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

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

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

## Financial Analysis of the College as a Whole

Statement of Net Position

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

**Net Position**
**As of August 31,**

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

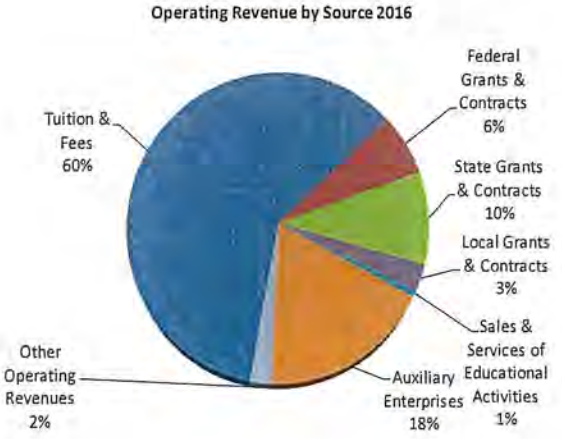
Investment in capital assets (e.g., land, building and improvements, land improvements, leasehold improvements, library books, and vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was $4,074,809 and $3,285,010 at August 31, 2016 and 2015, respectively. The College uses these assets to provide services to the students; consequently, they are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At August 31, 2016 and 2015, an additional $286,669 (or 4%) and $325,501 (or 5%), respectively, of the College's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the College is being held for debt service. The remaining portion of the College's net position at August 31, 2016 and 2015, restated, ($3,285,332 and $3,247,473, respectively) may be used to meet the College's ongoing obligations.

Statement of Revenues, Expenses and Changes in Net Position

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

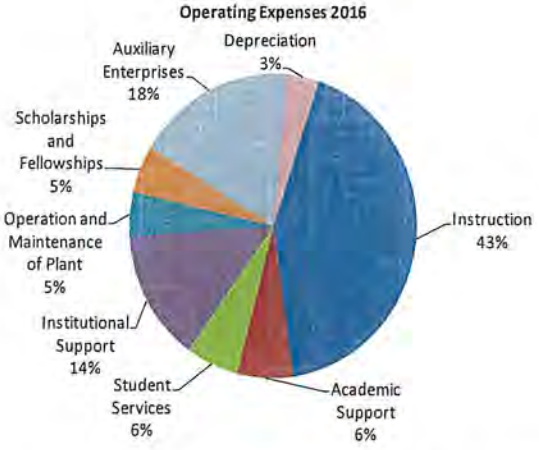
**Operating Results for the Years Ended August 31,**

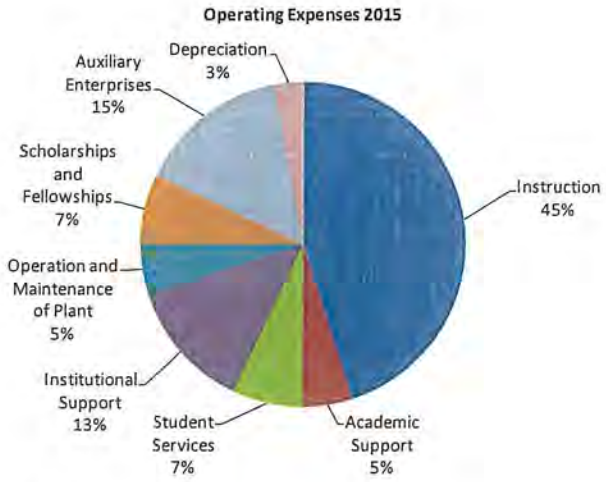
| | 2016 | Restated 2015 | 2014 |
|---|---|---|---|
| Operating Revenues | | | |
| Tuition and Fees (Less Discounts) | $ 4,097,064 | $ 3,253,727 | $ 2,736,891 |
| Federal Grants and Contracts | 445,937 | 358,017 | 322,002 |
| State Grants and Contracts | 662,162 | 1,428,720 | 1,029,271 |
| Local Grants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



## Operating Expenses
## For the Years Ended August 31,

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




## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital assets.** The College's investment in total capital assets as of August 31, 2016 and 2015 amounts to $9,089,191 and $6,493,973, respectively, (net of accumulated depreciation). Investments in capital assets include land, construction in progress, buildings and improvements, land improvements, leasehold improvements, library books, and vehicles and equipment.

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

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

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

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

**Capital Assets, Net**
**August 31,**

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

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

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

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Regents adopted the College's 2016 – 2017 budget tax rate on August 22, 2016. The annual budget is developed to provide efficient, effective and economic uses of the College's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the Board of Regents sets the direction of the College, allocates its resources and establishes its priorities.

In considering the College budget for fiscal year 2017, the Board of Regents and management considered the following factors:

- Many facilities at Ranger remain basically as they were 50-60 years ago and have significant deferred maintenance. Implementation of the College's Master Plan, including the replacement of obsolete residence halls which cannot meet the demands of 21st century students, will help build the Ranger campus for the future of this College and the community.

- Startup costs for new instructional programs at the Stephenville campus, which should provide new opportunities for enrollment growth.

- Maintaining athletic program spending at levels consistent with the 2016 budget.

- Expanding dual credit enrollment to bring college success at the high school level.

- Creating a sufficient contingency reserve to provide for an expected percentage reduction in state appropriations funding. The instructions for the Legislative Appropriations Request included a possible 4% reduction for the 2018-2019 biennium.

- Including the Day Care Center at the Stephenville campus as an auxiliary enterprise.

## REQUEST FOR INFORMATION

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

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

**EXHIBIT 1**

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

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

**EXHIBIT 1**

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

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

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

**EXHIBIT 1**

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

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

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

EXHIBIT 2

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

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

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

**EXHIBIT 2**

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

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

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

**EXHIBIT 3**

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

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

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

**EXHIBIT 3**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

Ranger College District (the College) was established in 1926, in accordance with the laws of the State of Texas, to serve the educational needs of Ranger and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. While the College receives funding from local, state, and federal sources and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Report Guidelines

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

Tuition Discounting

*Texas Public Education Grants*

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

*Title IV, Higher Education Act (HEA) Program Funds*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Other Tuition Discounts*

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

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

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

Deferred Outflows

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Current Cash and Investments

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

Investments

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

Capital Assets

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Pensions

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

### Unearned Revenues

Revenues, primarily consisting of tuition, fees, meal charges, and resident hall charges, related to academic terms in the next fiscal year are recorded on the Statement of Net Position as unearned revenue in the current fiscal year. Tuition and fees of $3,797,329 and $3,526,528 and federal and state grants of $57,381 and $36,896 have been reported as unearned revenue at August 31, 2016 and August 31, 2015, respectively.

### Deferred Inflows

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

### Estimates

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Non-Operating Revenues and Expenses

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

Application of Restricted and Unrestricted Resources

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

Prior Year Restatement

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

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

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

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

## 3. AUTHORIZED INVESTMENTS

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

## 4. DEPOSITS AND INVESTMENTS

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

### Cash and Deposits

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

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

Interest Rate Risk – In accordance with the College's investment policy, the College does not purchase any investments with maturities greater than one year. As of August 31, 2016 and August 31, 2015, the College had no investments and was not exposed to interest rate risk.

## 4. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – The College has no formal policy addressing credit risk. However, the safety of principal is the primary objective of the College's investment policy. As of August 31, 2016 and August 31, 2015, the College had no investments and was not exposed to interest rate risk.

Concentration of Credit Risk - The College does not place a limit on the amount that may be invested in any one issue. As of August 31, 2016 and August 31, 2015, the College had no investments and was not exposed to interest rate risk.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name. At August 31, 2016 and at August 31, 2015, the College's cash and cash equivalents were not exposed to custodial credit risk.

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

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

## 5. CAPITAL ASSETS

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

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

## 5. CAPITAL ASSETS (Continued)

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

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

## 6. LONG-TERM LIABILITIES

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

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

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

## 7. DEBT OBLIGATIONS

General information related to bonds payable is summarized below:

Revenue Bonds

- Combined Fee Revenue Bond, Series 2013
- To purchase and renovate a building in Stephenville to be used for instruction.
- Issued May 15, 2013.
- Original balance of $3,000,000 is payable in thirty semi-annual installments varying from $160,000 to $243,000, which includes interest at a rate of 2.95%.
- Final installment is due June 1, 2028.
- Source of revenue for debt service – tuition and fees.
- Outstanding principal balance of $2,501,000 and $2,673,000 at August 31, 2016 and August 31, 2015, respectively.

## 7. DEBT OBLIGATIONS (Continued)

Revenue Bonds

- Combined Fee Revenue Bond, Series 2014
- To purchase and renovate a building in Stephenville to be used for instruction.
- Issued July 1, 2014.
- Original balance of $3,000,000 is payable in forty semi-annual installments varying from $88,000 to $215,000, which includes interest at a rate of 4.1%.
- Final installment is due August 15, 2034.
- Source of revenue for debt service – tuition and fees.
- Outstanding principal balance of $2,808,000 and $2,912,000 at August 31, 2016 and August 31, 2015, respectively.

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

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

## 8. EMPLOYEES' RETIREMENT PLANS

Teacher Retirement System of Texas - Defined Benefit Pension Plan

***Plan Description***

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

## 8. EMPLOYEES' RETIREMENT PLANS (Continued)

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

### *Pension Plan Fiduciary Net Position*

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

### *Benefits Provided*

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

## 8. EMPLOYEES' RETIREMENT PLANS (Continued)

### *Contributions*

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

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

Contribution Rates

| | Fiscal Years | |
|---|---|---|
| | 2015 | 2016 |
| Member | 6.7% | 7.2% |
| Non-Employer Contributing Entity (NECE) - State | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |

Contributions

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

## 8. EMPLOYEES' RETIREMENT PLANS (Continued)

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

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

- During a new member's first 90 days of employment.

- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

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

## 8. EMPLOYEES' RETIREMENT PLANS (Continued)

### *Actuarial Assumptions*

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

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

**Includes Inflation of 2.5%*

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

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

## 8. EMPLOYEES' RETIREMENT PLANS (Continued)

### *Discount Rate*

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

## 8. EMPLOYEES' RETIREMENT PLANS (Continued)

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

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

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

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

## 8. EMPLOYEES' RETIREMENT PLANS (Continued)

### *Discount Rate Sensitivity Analysis*

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

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

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

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

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

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

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

## 8. EMPLOYEES' RETIREMENT PLANS (Continued)

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

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

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

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

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

## 8. EMPLOYEES' RETIREMENT PLANS (Continued)

Optional Retirement Plan - Defined Contribution Plan

### *Plan Description*

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

### *Funding Policy*

Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the State/College and each participant are 6.60 percent and 6.65 percent, respectively. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the State has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the State's contribution to 50 percent of eligible employees in the reporting district.

The retirement expense to the State for the College was $49,186 and $42,765 for the fiscal years ended August 31, 2016 and August 31, 2015, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was $5,218,516 and $5,013,681 for fiscal years 2016 and 2015, respectively. The total payroll of employees covered by the TRS was $2,809,247 and $2,186,874, and the total payroll of employees covered by the Optional Retirement Program was $1,490,490 and $1,295,909 for fiscal years 2016 and 2015, respectively.

## 9. COMPENSABLE ABSENCES

Full-time employees earn annual leave at a rate of 7.4 hours per month to a maximum of eighty hours each year. Twelve-month employees become eligible for vacation after one year of service. The College's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum of twenty days (160 hours). Employees who fail to work one year forfeit vacation benefits. Employees, who have worked a minimum of one year and terminate their employment with a minimum of a two-week notice, are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for unpaid annual leave in the amount of $110,600 and $94,517 as of August 31, 2016 and August 31, 2015, respectively.

Sick leave is earned at the rate of eight hours per month per contract length and can be accumulated up to a maximum of 480 hours. The College's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since all accrued sick leave is forfeited by employees upon termination of employment.

## 10. HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was $576.54 per month for the year ended August 31, 2016, and totaled $410,080 for the year. The cost of providing those benefits for 31 retirees was $125,291 and for 94 active employees amounted to $284,789. The State's contribution per full-time employee was $537.66 per month for the year ended August 31, 2015, and totaled $408,083 for the year. The cost of providing those benefits for 37 retirees was $119,673 and for 91 active employees amounted to $288,410. S.B. 1812, effective September 1, 2013, limits the amount of the State's contribution to 50 percent of eligible employees in the reporting district.

## 11. PENDING LAWSUITS

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

## 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

***Plan Description.*** In addition to providing pension benefits, the State provides certain healthcare and life insurance benefits for retired employees. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State. The College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

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

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

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

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

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

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

## 13. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

### Receivables

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

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

### Payables

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

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

## 14. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contract and grant awards, funds expended, but not collected, are included in Accounts Receivable (net) on Exhibit 1. Contract and grant awards that are not yet funded, and for which the College has not yet performed services, are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards or funds awarded during fiscal years 2016 and 2015 for which monies have not been received nor funds expended totaled $1,453,066 and $508,394, respectively. Of these amounts, $586,725 and $237,309 were from Federal contracts and grant awards and $866,341 and $271,085 were from State contracts and grant awards for fiscal years ended 2016 and 2015, respectively.

## 15. AD VALOREM TAX

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

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

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

Taxes levied for the years ended August 31, 2016 and 2015 were $289,340, and $268,384, respectively. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

## 15. AD VALOREM TAX (Continued)

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

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

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

## 16. INCOME TAXES

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

## 17. COMPONENT UNIT

Ranger College Foundation, Inc. - Discretely Presented Component Unit

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

## 18. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

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

| Year Ended Augsut 31, | Amount |
|---|---|
| 2017 | $188,645 |
| 2018 | 188,645 |
| 2019 | 148,947 |
| 2020 | 87,837 |
| 2021 | 3,360 |
| Total | $617,434 |

## 19. RISK MANAGEMENT

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

## 20. COMMITMENTS

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

## 21. SUBSEQUENT EVENTS

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

# REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

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

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

## 1. PENSION LIABILITY

Changes of Assumptions

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

*Economic Assumptions*

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

*Mortality Assumptions*

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

## 1. PENSION LIABILITY (Continued)

*Other Demographic Assumptions*

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.

- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.

- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

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

Changes in Benefit Terms

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

# SUPPLEMENTAL INFORMATION

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

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

* In accordance with Education Code 56.033, $237,772 and $240,304 for years August 31, 2016 and 2015, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

RANGER COLLEGE DISTRICT
Schedule B
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

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

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

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

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

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

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

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

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

# OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Regents
Ranger College District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ranger College District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 11, 2017.

### Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002 and 2016-003 to be material weaknesses.



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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-004 to be a significant deficiency.

**Compliance and Other Matters**

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

We have performed tests designed to verify the College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2016, no instances of noncompliance were noted.

**Ranger College District's Response to Findings**

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

**Purpose of this Report**

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

Snow Garrett Williams

Snow Garrett Williams
January 11, 2017

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

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

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

**Section I - Summary of Auditor's Results**

*Financial Statements*

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

*Federal and State Awards*

| | | |
|---|---|---|
| Internal control over major programs: | | |
| Material weakness(es) identified? | X yes | ____ no |
| Significant deficiencies identified that are not considered to be material weaknesses? | ____ yes | X none reported |
| Type of auditor's report issued on compliance for major programs: | unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | X yes | ____ no |

Identification of Major Programs:

Federal Awards

U.S. Department of Education:

Student Financial Assistance Cluster of Programs:

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

| | | |
|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B federal and state programs: | $ 750,000 | |
| Auditee qualified as a low-risk auditee? | ____ yes | X no |

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

## Section II – Financial Statement Findings

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

2016-001
2015-001
2014-001
2013-001
12-1
11-1
& 10-1

Material Weakness: Financial Accounting and Reporting Process

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

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

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

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

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

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

2016-002
2015-006
& 2014-003

Material Weakness: Tuition and Fee Revenues

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

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

Cause: Proper review of the student billing system reports to the general ledger has not occurred and differences in accounts and transaction codes are not being researched or reconciled to the general ledger.

**Section II – Financial Statement Findings (Continued)**

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

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

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

2016-003
2015-011
2014-007
2013-007 & 12-6

Material Weakness: Recording Grant Receivables and Revenue

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

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

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

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

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

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

## Section II – Financial Statement Findings (Continued)

2016-004
2015-004

Significant Deficiency: Budget Process

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

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

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

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

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

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

## Section III – Federal Award Findings and Questioned Costs

| Findings/Noncompliance | Program | Questioned Costs |
|---|---|---|

2016-005 &
2015-023

Non-compliance and Material Weakness in Internal Controls: Federal Pell Grant Program and Federal Direct Student Loans - Eligibility

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

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

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

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

Questioned Costs: $21,050

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

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

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

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

# FEDERAL AWARDS SECTION

SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Regents
Ranger College District

### Report on Compliance for Each Major Federal and State Program

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

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

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

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



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### *Opinion on Each Major Federal Program*

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

### *Other Matters*

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

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

## Report on Internal Control Over Compliance

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

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

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

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

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

Snow Garrett Williams

Snow Garrett Williams

January 11, 2017

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

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

See Notes to Schedule on following page.

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

Note 1: Federal Assistance Reconciliation

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

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

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

Note 3: Student Loans Processed and Administrative Costs Recovered

| Federal Grantor<br>CFDA Number / Program Name | New Loans Processed | Administrative Cost Recovered | Total Loans Processed & Admin Cost Recovered |
|---|---|---|---|
| U.S. Department of Education | | | |
| 84.268 Federal Direct Student Loans | $ 2,389,536 | $ - | $ 2,389,536 |

# STATE AWARDS SECTION

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

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

See Notes to Schedule below.

Note 1: State Assistance Reconciliation

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

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.

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

March 29, 2017

Ranger College
Limited Tax Bonds, Series 2017

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Ranger College (the "Issuer") in connection with the issuance of $9,745,000 aggregate principal amount of bonds designated as "Ranger College Limited Tax Bonds, Series 2017" (the "Bonds"). The Bonds are authorized by an order adopted by the Board of Regents of the Issuer (the "Board") on March 9, 2017 (the "Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed the Order, the tax certificate of the Issuer dated the date hereof (the "Tax Certificate"), certificates of the Issuer, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law,

choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the Issuer.

2. The Board has power and is obligated to levy an annual ad valorem tax, within the limits provided by law, upon taxable property located within the Issuer, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

**APPENDIX D**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

# MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $_____
Total Insurance Payment: $_____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

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**Notices (Unless Otherwise Specified by BAM)**

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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