

**CENTRAL TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2001**

1. REPORTING ENTITY

The Central Texas College District (CTCD) was established in July, 1965 in accordance with laws of the State of Texas by the voters of the Killeen and Copperas Cove Independent School Districts and the Nolanville Common School District. It provides educational opportunities to students in the college district, throughout the college service area and at selected sites outside the State of Texas. The central campus is located between Killeen and Copperas Cove, Texas and the college district is coterminous with these independent school districts.

The CTCD is considered to be a special purpose, primary government according to the definition in Government Accounting Standards Board (GASB) Statement 14. 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.

The accompanying financial statements present the District's primary government and component unit over which CTCD exercises significant influence. Significant influence is based primarily on financial accountability as a result of fiscal dependency on CTCD (as distinct from a legal relationship). The criteria for including the CTC Foundation within CTCD's reporting entity is set forth in GASB No. 14, The Financial Reporting Entity, as discussed under financial accountability of a primary government unit. The CTC Foundation is a non-profit corporation organized for the purpose of receiving private gifts, bequests, and donations for the support, encouragement, and subsidization of students attending CTCD. The component unit is discretely presented, and copies of its separately audited financial statements can be obtained from the CTC Foundation.

INSTITUTIONS:

At August 31, 2001, CTCD is composed of two institutions and is organized by campuses.

Central Texas College - (CTC) - is a two-year community college accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS) to offer associate degrees and certificates of completion. CTC offers instructional programs that include traditional university parallel courses, one-year and two-year occupational education and technology programs, general education courses, developmental (remedial) studies, non-credit continuing education courses, literacy education, and workforce development training. In addition, CTC provides comprehensive student developmental services that assist students in refining goals, identifying abilities and interests, and the selection of an appropriate course of study to prepare for the future.

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American Preparatory Institute - (API) - is accredited by the Commission on Secondary Schools of the Southern Association of Colleges and Schools to provide pre-secondary and secondary education as well as high school diplomas. API provides a complete curriculum development support staff to provide and maintain materials in basic skills, high school diploma and related programs. It provides the opportunity for adults; both civilian and military, beyond normal public school age to earn a high school diploma from a state and regionally accredited institution. Other API programs include a basic skills education program, pre-college/post high school refresher courses, and special courses.

TEXAS CAMPUSES:

The Texas Campuses include the "Central Campus" at Killeen, Texas, the "Fort Hood/Service Area Campus" on the Fort Hood reservation and the Service Area which includes an eleven county area as defined by the Texas Higher Education Coordinating Board. Administrative services, student services and other types of activities associated with a more traditional junior college campus are all part of the Texas Campuses. These include a testing center, career guidance, counseling and registration centers, and the primary library facility.

The Fort Hood/Service Area Campus headquarters is located in facilities on the Fort Hood military installation. Registration, counseling and guidance, and associated types of activities are provided. In addition to serving students who live in rural and isolated small farming communities, the Service Area student population includes men and women who are incarcerated at the Texas Department of Criminal Justice - Institutional Division in Gatesville.

The Fort Hood/Service Area Campus assists students in the transition from: high school to college, high school to technical vocational skills training and high school to gainful employment. In addition, programs in computer literacy and upgrading of basic skills are also provided.

The Texas Campuses conduct programs which are eligible for state funding.

CONTINENTAL AND INTERNATIONAL CAMPUSES:

The Navy Campus provides an educational program which includes a full range of academic support courses, technical/vocational education courses and specialized courses of training and instruction as requested by the U.S. Navy.

Programs and services provided by this campus include ships of the Atlantic and Pacific fleets wherever they are located in the performance of their mission, selected ashore ports and other designated Navy stations. In addition, this campus supervises all federal and state prison programs outside the State of Texas.

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The Continental Campus provides an educational program which includes a full range of academic support courses, technical/vocational educational courses, specialized courses of training and instruction as requested by U.S. Army, Navy, Air Force, and Marine Corps installations, including non-credit vocational/technical education and Military Occupational Specialty (MOS) and MOS-Related programs and associated support activities. The geographic area in which services are provided by this campus includes all U.S. military installations in the continental United States including Alaska and Hawaii. In addition, this campus administers academic programs to the United States Embassy personnel at all worldwide locations, as well as college leadership courses to Air Force Reserve personnel at all locations throughout the United States.

The Europe Campus has its headquarters on a U.S. Army military installation in Hanau, Germany. The Europe Campus provides MOS and MOS-related programs, and associated support activities. The geographic area in which services are provided by this campus presently includes U.S. military installations in Germany, Italy, Greece, Turkey, United Kingdom, Iceland, Azores, Spain, Belgium, Sinai Desert, Bosnia, Macadonia, Kosovo and Tuzla.

The Pacific Far East Campus has its headquarters on a U.S. Army installation in Bupyong, Republic of Korea. The Pacific Far East Campus provides an educational program which includes functional skills, technical/vocational education courses, specialized courses of training and instruction as requested by the U.S. Navy, U.S. Marine Corps Pacific, U.S. Forces Korea, Eighth U.S. Army, and Pacific Air Force, including non-credit technical/vocational education. The geographic area served by this campus includes U.S. military installations in Japan, Korea, Okinawa, Diego Garcia, Hawaii and Johnston Island.

Collectively, the Navy, Continental, Europe and Pacific Far East Campuses comprise the Continental and International Campuses of CTCD. Programs and services are provided on a contractual basis or by memorandum of understanding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Report Guidelines

The significant accounting policies followed by CTCD in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges. These requirements are in substantial conformity with the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, as amended by AICPA Statement of Position (SOP) 74-8, *Financial Accounting and Reporting by Colleges and Universities*, and as modified by applicable FASB pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements cited in Codification Section Co5, "Colleges and Universities".

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Basis of Accounting

The financial statements of CTCD have been prepared on the accrual basis of accounting, except depreciation expense on physical plant and equipment is not recorded. The Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Encumbrance Accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Current Funds. 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. Encumbrances outstanding at year end that were provided for in the subsequent year's budget are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Inventories, consisting of consumable office supplies, physical plant supplies, book store stock and food service supplies, are valued at the lower of cost under the "first-in, first-out" method or market.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of equipment, library holdings and livestock; (2) mandatory transfers in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the College, accounts are maintained in accordance with the principles of "fund accounting." Resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

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Within each fund group, fund balances restricted by outside sources are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund which owned the assets. Ordinary income derived from investments, receivables, and other sources is accounted for in the fund owning such assets.

All other unrestricted revenue is accounted for in the appropriate unrestricted fund. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes. Contract and grant awards for the current reporting period are shown as additions to fund balances in Restricted Current Funds.

The different fund groups used at CTCD are as follows:

Current Funds

Funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are segregated into separate balanced fund groups:

Unrestricted Current Funds - Funds received by the institution that have no limitations or stipulations placed on them by external agencies or donors. The funds are used for carrying out the primary purpose of the College, i.e. educational, public service, support services and administration.

Auxiliary Enterprises - Funds for activities that serve students, faculty, or staff for charges that are directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services and book stores.

Restricted Current Funds - Funds available for current purposes, but with restrictions from outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

Loan Funds

Funds available for loans to students.

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Endowment and Similar Funds

None

Annuity and Life Income Funds

None

Plant Funds

Plant funds are divided into these separate balanced fund groups:

Unexpended - Funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Renewals and Replacements - Funds accumulated for the renewal and replacement of physical plant properties.

Retirement of Indebtedness - Funds accumulated to meet debt service charges and the retirement of indebtedness.

Investment in Plant - Funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation for gifts and fair market value at August 31, 2001, for livestock. Depreciation on physical plant and equipment is not recorded.

Agency Funds

Funds held by the College as custodial or fiscal agent for students, faculty members, and/or others.

Memorandum Totals

The Balance Sheet in columnar form, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenues, Expenditures and Other Changes are shown with memorandum totals for the current and prior years. Inter-fund borrowing has not been eliminated, but has been off-set in the assets and liability sections. The memorandum totals are presented only to facilitate financial analysis and do not purport to present financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

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Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, cash in demand accounts, and short-term, highly liquid investments with original maturities of less than three months.

Concentration of Credit Risk

Financial instruments which potentially subject the CTCD to a concentration of credit risk consists primarily of cash, short-term investments and accounts receivable. CTCD places its cash in highly rated financial institutions and invests in securities backed by the United States government. Concentration of credit risk with respect to the receivables are limited due to the large number of customers and their dispersion across geographic areas.

Fixed Assets

Fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in the funds that provide the financial resources, and the related assets are reported in the Investment in Plant fund. All purchased fixed assets are valued at cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Tuition and Fees

Tuition and student fees collected or billed as of year-end and relating to the academic term immediately following year-end are recognized as deferred revenue.

Property Taxes

Revenue from property taxes, including related penalties and interest, are recognized in the current year to the extent available to finance current year expenditures. Taxes are assessed in October of each year based upon valuations as of January 1 of the same year.

Allowances for Doubtful Accounts

Allowances for doubtful accounts are established through charges to current year revenues. Receivables are reduced against the allowances for doubtful accounts when management determines that the collectibility of the receivables is doubtful.

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Related Intra-District Transactions

In order to provide effective and efficient operation and management of the various operating units and campuses of CTCD, policy, executive direction, and administrative control functions are performed by the Central Texas College Systems. Each campus shares the cost of operation of this administrative function.

Similarly, each Continental and International Campus shares the administrative costs associated with the operation of a specific educational program at that campus.

Revenue and Other Additions

Revenue and other additions of the current funds group includes all such resources received during the period. Restricted gifts, grants, contracts, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenue and expenditures when expended for current operating purposes.

Fees pledged under binding external restrictions for debt service on Building Use Fee Revenue Bonds are recognized as additions to unrestricted current funds. Mandatory transfers are recorded reflecting the movement of required amounts to the retirement of indebtedness fund.

Contractual Services

Substantially all training programs and other services under contractual agreements with various U.S. military and other organizations are considered as unrestricted activities. All such activity conducted by CTCD is paid on a reimbursement basis in that CTCD presents claims for payment after services have been provided. Most of these contracts include separate funding of indirect costs.

Expenditures made under certain contractual arrangements are accounted for in restricted current funds and are matched by restricted revenues. Excess revenues or expenditures from such activities, indirect cost recoveries, and any receivables related to services which have been provided as of the balance sheet date are included in the unrestricted current funds.

Accounts receivable includes retainage which has been billed, but which is not due pursuant to retainage provisions in federal contracts until completion of performance and acceptance by the government. Amounts included in accounts receivable as retainage are not significant and are substantially collectible in one to two years. Losses on contracts are recorded in full as they are identified.

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Reclassifications

Certain comparative data have been reclassified to present such amounts in a manner consistent with the current year's financial statements.

3. AUTHORIZED INVESTMENTS

The Central Texas College District 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. The Board of Trustees of Central Texas College District has adopted a written investment policy regarding the investment of it's funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the College District are in compliance with the Trustees' investment policies. In addition, there were no instances of non-compliance with regards to the Public Funds Investment Act.

4. DEPOSITS AND INVESTMENTS

To comply with the reporting requirements of GASB Statement No. 3, "Investments (including Repurchase Agreements) and Reverse Repurchase Agreements", CTCDD's deposits and investments are categorized under "Investment Categories" to give an indication of credit risk assumed at year end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in the note.

The following categories of credit risk are included:

- Category 1: Investments that are insured or registered or for which the securities are held by CTCDD or its agent in the District's name.
- Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name.
- Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department but not in the District's name.

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Cash and Deposits

At August 31, 2001, the carrying amount in CTCD's depository demand deposits was \$3,548,950 and the total bank balances equaled \$4,738,783. The first \$100,000 in these demand deposits is covered by Federal Depository Insurance and CTCD had pledged collateral of \$7,234,579 (Category 2) to cover the additional \$4,638,783. The collateral is held in the safekeeping departments of unrelated banks which act as the pledging bank agents.

Also, at August 31, 2001, the carrying amounts in CTCD's transfer demand deposits were \$481,746 and the total bank balances equaled \$416,229. Individual bank balances up to \$100,000 are covered by Federal Depository Insurance. One transfer bank had pledged collateral in addition to the Federal Depository Insurance.

Investment Categories for Primary Government

	<u>Carrying Amount</u>	<u>Market Value</u>
Uncategorized Investments		
Lone Star Investment-Enhanced Corporate Fund	\$ 8,173,104	\$ 8,169,539
Total Investments		\$ 8,173,104
Cash Deposits		
Cash	\$ 4,004,500	4,004,500
TexPool	23,859,498	23,859,498
Lone Star Investment Pool-Liquidity Plus Fund	2,504,116	2,507,595
Lone Star Investment Pool-Corporate Fund	<u>\$10,601,058</u>	<u>10,611,491</u>
Total Cash and Deposits		<u>\$40,969,172</u>
Total Deposits and Investments		<u>\$49,142,276</u>
Cash and Temporary Investments (Exh. A, Primary Government Column)		\$40,969,172
Investments (Exh. A, Primary Government Column)		<u>\$ 8,173,104</u>
		<u>\$49,142,276</u>

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Investment Categories for Discretely Presented Component Units

	<u>Carrying Amount</u>	<u>Market Value</u>	
Uncategorized Investments			
Common Fund - Bond Fund	\$ 405,708	405,708	
Common Fund - Equity Fund	942,561	942,561	
Common Fund - Real Estate Securities Fund	<u>70,424</u>	<u>70,424</u>	
Total Investments			\$ 1,418,693
Cash and Deposits			
Cash	\$ 49,751	\$ 49,751	
Total Cash and Deposits			<u>\$ 49,751</u>
Total Deposits and Investments			<u>\$ 1,468,444</u>
Cash and Temporary Investments (Exh. A, Discrete Component Unit column)			\$ 49,751
Investments (Exh. A, Discrete Component Unit column)			<u>1,418,693</u>
			<u>\$ 1,468,444</u>

5. DERIVATIVES

None

6. BONDS PAYABLE

The following is a summary of bond transactions of CTCD for the year ended August 31, 2001:

Bonds Payable, September 1, 2000	\$ 18,139,000
Retirements	<u>(2,474,000)</u>
Bonds Payable, August 31, 2001	<u>\$ 15,665,000</u>

See Schedule D-1, for detailed analysis of changes in bonds payable during the year.

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General information related to bonds payable is summarized below.

Bond Issue Name	Series	Purpose Construct & Equip Buildings	Issue Date	Amount Authorized and Issued	Amount Outstanding	Source of Revenue for Debt Service
Revenue	1999	Sports Facility/ Library/Planetarium/ Fort Hood Facility	5/15/99	18,000,000	15,665,000	Revenues of District

Bond principal payments are due in annual installments averaging slightly more than \$1.9 million and carry interest rates ranging from 4.25% to 5.0% with the final installment due in the year 2009. See Schedule D-1 for detailed information regarding interest rates and maturity dates on individual bond issues. Combined interest expense recorded during FY 2001 and 2000 was approximately \$819,301 and \$904,916 respectively. Bond payments are made semi-annually in November and May. Revenues from the operation of the components of the revenue system and other available funds have been pledged to the retirement of the Revenue Financing System Bonds, Series 1999.

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At August 31, 2001, CTCD had established reserves in its retirement of indebtedness fund and holds cash sufficient to meet the requirements of the various bond indentures and to satisfy reserve requirements. Additionally, CTCD has complied with all other bond indenture requirements including provisions relative to types and levels of insurance coverages. The Bond principal and interest requirements for the next five years and beyond is summarized below.

<u>Fiscal Year</u> <u>Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	1,665,000	709,256	2,374,256
2003	1,740,000	634,331	2,374,331
2004	1,820,000	556,031	2,376,031
2005	1,910,000	465,032	2,375,032
2006	2,000,000	379,081	2,379,081
Beyond 5 years	<u>6,530,000</u>	<u>601,932</u>	<u>7,131,932</u>
TOTAL	<u>\$ 15,665,000</u>	<u>\$3,345,663</u>	<u>\$19,010,663</u>

7. ADVANCE REFUNDING BONDS

None.

8. DEFEASED BONDS OUTSTANDING

None.

9. EMPLOYEES' RETIREMENT PLAN

The State of Texas has joint contributory retirement plans for almost all of its employees. One of the primary plans in which the CTCD participates is administered by the Teacher Retirement System of Texas (TRS). The percentages of participant salaries currently contributed by the state and by each participant were 6.0% and 6.4% respectively, of annual compensation.

The Teacher Retirement System does not separately account for each of its component government agencies because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature.

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The state has also established an Optional Retirement Program (ORP) for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. The ORP provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state and by each participant are 6.0% and 6.65%, respectively. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program. For employees of record as of August 31, 1995, CTCD also contributed an additional 2.5% of each participants salary to the ORP under provisions of state law.

The total retirement expense to the state for both the TRS and ORP programs totaled \$831,521. In addition to the state expense for the CTCD, CTCD contributed \$1,307,125 for other college employees not eligible for state contributions.

Additionally, substantially all employees of CTCD participate in a defined contribution pension program which is subject to the provisions of the Employment Retirement Income Security Act of 1974, as amended. Participating employees are required to contribute 6% of covered compensation, while CTCD contributes 7%. Total employer contributions made by CTCD during the years ending August 31, 2001, and 2000 were \$1,453,743 and \$1,328,838 respectively.

In July 1991, CTCD implemented a supplemental retirement program to comply with the Omnibus Budget Reconciliation Act of 1990. All part-time employees are required to contribute 3.75% of covered compensation while CTCD contributes 3.75%. Total employee contributions made by CTCD during the year ending August 31, 2001, and 2000, were \$386,274 and \$359,491 respectively.

10. DEFERRED COMPENSATION PROGRAM

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government code 609.001. As of August 31, 2001, the CTCD had no employees participating in the program and no payroll deductions had been invested in approved plans.

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11. COMPENSATED ABSENCES

Full-time employees earn annual leave from .83 to 2.08 days per month depending on the number of years employed with the CTCD. CTCD's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of days up to 50 for those employees with 20 or more years of service. Employees with at least one year of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. CTCD recognizes the accrued liability for the unpaid annual leave in the Current Fund. Sick leave, which can be accumulated up to 480 hours, is earned at the rate of 8 hours per month. Employees are not entitled to payment for accumulated sick leave upon termination. Total accrued compensated absences payable for the year ending August 31, 2001 and 2000 were \$1,046,577 and \$984,852 respectively. For Fiscal Year 2001, accrued compensated absences was Current Unrestricted \$1,009,723, Auxiliary \$26,694 and Restricted \$10,160.

12. PENDING LAWSUITS AND CLAIMS

On August 31, 2001, various claims involving CTCD 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.

CTCD's contracts with the U.S. Government are subject to examination by the Defense Contract Auditing Agency. Management believes that adjustments, if any, resulting from such examination will have no significant impact on the financial condition or results of operations.

13. CAPITAL LEASE OBLIGATIONS

Equipment acquired under various purchase agreements is capitalized at the present value of future minimum lease payments. At the end of the fiscal year, the Board of Trustees may choose not to appropriate funds for the succeeding year. The equipment would then be returned to the vendor without further obligation of CTCD. The original capitalized cost of equipment under capital leases as of August 31, 2001, totaled \$1,783,181.

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The following is a schedule of the future minimum lease payments for leased property and the present value of the net minimum lease payments at August 31, 2001.

Minimum Lease Payments for:

2002	\$	263,115
2003		223,104
2004		201,130
2005		201,130
2006		201,130
2007		201,130
2008		201,130
2009		<u>50,282</u>
		\$1,542,151
Less: Interest		<u>(274,599)</u>
Present Value of Net Minimum Lease Payments		<u>\$1,267,552</u>

14. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

CTCD leases various equipment and other items under operating leases. Listed below is a schedule of future minimum rental payments for the next five years required under noncancellable operating leases that have initial or remaining lease terms as of August 31, 2001. These leases are recorded in the unrestricted fund.

Year Ending <u>August 31</u>		
2002	\$	501,131
2003		405,161
2004		282,605
2005		197,440
2006		<u>183,949</u>
		<u>\$1,570,286</u>

Rental expenses under operating leases during fiscal year 2001 and 2000 were approximately \$363,725 and \$484,666 respectively.

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15. FUNDS HELD IN TRUST BY OTHERS

There are no balances or transactions of funds held in trust by others on behalf of CTCD.

16. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Funds received, but not expended during the reporting period, are shown as additions to fund balance on Exhibit B. Revenues are recognized on Exhibit C as funds are actually expended. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit A. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit A. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal year 2001 for which monies have not been received nor funds expended total \$5,173,380. Of this amount, \$4,091,520 was from Federal Contracts, \$207,231 was from Federal Grant Awards, and \$874,629 was from State Grant Awards.

17. SELF INSURED PLANS

CTCD does not currently maintain self-insured arrangements. First dollar worker's compensation insurance coverage is carried for all College operations. Employee health and medical malpractice plans are funded. Coverage for unemployment compensation is maintained through the State of Texas as well as numerous other states in which the College contracts education.

Accrued liabilities are generally based on actuarial valuation and represents the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current fund expenditures.

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18. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach early or normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's minimum contribution per full-time active and retired employee was \$249.71 per month for the year ended August 31, 2001 and totaled \$1,881,243 for the year. The cost of providing these benefits for 504 active employees was \$1,504,639 and for 117 retired employees was \$376,604. A payable of \$187,000 was recorded to cover under-funding by the state for eligible insurance premiums. In addition to the state contributions for the CTCD, CTCD contributed \$676,660 for 275 other college employees and \$356,742 for 108 retired employees not eligible for state contributions. The cost of providing life insurance benefits for 779 active employees was \$154,309 and \$43,528 for 225 retirees.

19. RELATED PARTIES

The CTC Employee's Pension Plan and Trust provided certain services on behalf of the CTCD during the year ended August 31, 2001. The Employee's Pension Plan and Trust serves as fiduciary for the CTCD's defined contribution pension programs. During the fiscal year, the CTCD furnished certain services such as office space, utilities and staff assistance to the Trust for which the Trust reimbursed the CTCD at cost for these services which totaled \$118,787. There were no accounts receivable from the Trust at August 31, 2001.

20. INTERFUND BORROWING

All inter-fund borrowing has been made from unrestricted funds and is payable within one year without interest.

**CENTRAL TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2001**

21. PROPERTY TAXES

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

At August 31, 2001:

Assessed Valuation of the District:	\$ 3,916,802,479
Less: Exemptions	379,962,130
Less: Abatements	145,587
Net Assessed Valuation of the District	3,536,694,762

	Current Operations	Debt Service	Total
Tax Rate per \$100 valuation for authorized	.25	.25	.50
Tax Rate per \$100 valuation for assessed	.1485	-0-	.1485

Taxes levied for the year ended August 31, 2001 are \$4,984,420 (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed.

Taxes Collected	Current Operations	Debt Service	Total
Current Taxes Collected	\$4,927,074		\$4,927,074
Delinquent Taxes Collected	\$ 239,414		\$ 239,414
Penalties and Interest Collected	\$ 6,984		\$ 6,984
Total Collections	\$5,173,472		\$5,173,472

Tax collections for the year ended August 31, 2001 were 97.7% of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

CENTRAL TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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22. DEFERRED REVENUES

Revenues, primarily consisting of tuition, fees and housing charges, related to academic terms in the next fiscal year are recorded on the balance sheet as deferred revenue in the current fiscal year. Total deferred revenues for the year ending August 31, 2001 and 2000, were \$3,592,543 and \$2,720,553 respectively.

23. BUDGETARY DATA

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

24. 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*. CTCD had no unrelated business income tax liability for the year ended August 31, 2001.