

**CENTRAL TEXAS COLLEGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2005**

**1. Reporting Entity**

The Central Texas College District (CTCD) was established in July, 1965, in accordance with the laws of the State of Texas, to serve the educational needs of the public and the surrounding communities. CTCD is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. While CTCD 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.

**Institutions:**

At August 31, 2005, 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 defining goals, identifying abilities and interests, and the selection of an appropriate course of study to prepare for the future.

**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.

**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 an educational program which includes a full range of academic support courses, technical/vocational educational courses, specialized courses of training and instruction, 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, Macedonia, 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 and Guam.

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**

### **Reporting 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*. CTCD applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. CTCD has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. CTCD is reported as a special purpose government engaged in business-type activities.

### **Tuition Discounting**

#### **Texas Public Education Grants**

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.0333). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

#### **Title IV, Higher Education Act Program Funds**

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

#### **Other Tuition Discounts**

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

## **Basis of Accounting**

The financial statements of CTCD 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 district 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 District's Board of Trustees 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<sup>st</sup>.

## **Cash and Cash Equivalents**

CTCD's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

## **Investments**

In accordance with GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. (The governing board has designated public funds investment pools comprised of \$0 and \$6,584,998 at August 31, 2005 and August 31, 2004, respectively to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

## **Inventories**

Inventories consist of consumable office supplies, physical plant supplies, food service supplies, and bookstore stock. Inventories are valued by the first in, first out method and are charged to expense as consumed.

## **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. CTCD's capitalization policy includes real and personal property with a value equal to or greater than \$5,000 and has an estimated life of greater than one year. Renovations of \$100,000 to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating

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

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

### **Deferred Revenue**

Tuition and fees of \$8,050,189 and \$4,473,797 have been reported as deferred revenues at August 31, 2005 and August 31, 2004 respectively.

### **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.

### **Contractual Services**

Substantially all training programs and other services under contractual agreements with various U.S. military and other organizations are accounted for as operating revenues. 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 as operating expenses. Excess revenues or expenditures from such activities, indirect cost recoveries, and any receivables related to services which have been provided as of the net asset date are included in operations.

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.

## **Reclassifications**

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

## **Estimates**

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

## **Operating and Non-Operating Revenue and Expense Policy**

The College distinguishes operating revenues and expenses from non-operating items. 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.

### **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 its 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

Cash and Deposits included and reported on Exhibit 1, Statement of Net Assets; consist of the items reported below:

<b>Cash and Deposits</b>		
	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>
Bank Deposits		
Demand Deposits	\$ 2,176,990	\$ 3,118,102
	2,176,990	3,118,102
Cash and Cash Equivalents		
Petty Cash on Hand	26,640	25,933
Tex Pool	26,552,379	31,384,084
Tex Star	6,542,988	
Texas Term	6,540,663	
Corporate Stock	80,850	
Lone Star Investment Pool-Liquidity Plus		1,601,526
Lone Star Investment Pool-Corporate		<u>4,617,479</u>
	<u>39,743,520</u>	<u>37,629,022</u>
Total Cash and Deposits	<u>\$41,920,510</u>	<u>\$40,747,124</u>

#### **Reconciliation of Deposits and Investments to Exhibit 1**

	<u>Market Value</u> <u>August 31, 2005</u>	<u>Market Value</u> <u>August 31, 2004</u>
U.S. Government Securities	\$ 22,917,627	\$ 9,970,474
Commercial Paper	2,943,306	
Lone Star Investment- Enhanced Corporate Fund		<u>6,584,998</u>
Totals	<u>25,860,933</u>	<u>16,555,472</u>
Total Cash and Deposits	41,920,510	40,747,124
Total Investments	<u>25,860,933</u>	<u>16,555,472</u>
Total Deposits and Investments	<u>67,781,443</u>	<u>57,302,596</u>
Cash and Cash Equivalents (Exhibit 1)	41,668,053	40,537,031
Restricted Cash (Exhibit 1)	252,457	210,093
Investments (Exhibit 1)	<u>25,860,933</u>	<u>16,555,472</u>
TOTAL DEPOSITS AND INVESTMENTS	\$ <u>67,781,443</u>	\$ <u>57,302,596</u>

## Reconciliation of Deposits and Investments to Exhibit 1-A

	Market Value <u>August 31, 2005</u>	Market Value <u>August 31, 2004</u>
Uncategorized Investments		
Common Fund - Bond Fund	\$ 680,212	\$ 600,486
Common Fund - Equity Fund	1,606,602	1,300,208
Common Fund - Real Estate Securities Fund	<u>195,909</u>	<u>130,458</u>
Totals	2,482,723	2,031,152
Total Cash and Deposits	384,524	277,304
Total Investments	<u>2,482,723</u>	<u>2,031,152</u>
Total Deposits and Investments	<u>2,862,247</u>	<u>2,308,456</u>
Cash and Cash Equivalents (Exhibit 1-A)	384,524	277,304
Investments (Exhibit 1- A)	<u>2,482,723</u>	<u>2,031,152</u>
TOTAL DEPOSITS AND INVESTMENTS	\$ <u>2,862,247</u>	\$ <u>2,308,456</u>

As of August 31, 2005 CTCD had the following investments and maturities

	<u>Fair Value</u>	<u>Weight Average Maturity (Years)</u>
U.S. Government Securities	\$ 22,917,627	0.63
Commercial Paper	2,943,306	0.48
Investment Pool	39,636,030	0.08
Corporate Stock	<u>80,850</u>	0.00
Total Fair Value	\$ <u>65,577,813</u>	
Portfolio weighted average maturity		0.29

**Interest Rate Risk** In accordance with state law and CTCD policy, CTCD does not purchase any investments with maturities greater than 10 years.

**Credit Risk** In accordance with state law and CTCD's investment policy investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. All of the U.S. Agencies owned by CTCD have a rating of AAA. The commercial paper owned by CTCD has a rating of A-1+.

**Concentration of Credit Risk** CTCD does not place a limit on the amount that may be invested in any one issuer. More than 5% of CTCD's investments are in FHLMC (54%), FNMA (27%), FHLB (8%) and G.E. Capital Corporation Commercial Paper (11%).

## 5. Derivatives

None

## 6. Capital Assets

Capital assets activity for the year ended August 31, 2005 was as follows:

	<u>Balance as of</u> <u>September 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance as of</u> <u>August 31, 2005</u>
<u>Not Depreciated:</u>				
Land	\$ 1,202,164	386,947		1,589,111
Library Books	2,079,990	85,106	12,497	2,152,599
Construction in Progress	<u>735,819</u>	<u>1,223,626</u>	<u>443,578</u>	<u>1,515,867</u>
Subtotal	<u>4,017,973</u>	<u>1,695,679</u>	<u>456,075</u>	<u>5,257,577</u>
<u>Buildings and Other</u>				
<u>Capital Assets:</u>				
Buildings	69,573,459	701,247		70,274,706
Land Improvements	<u>5,159,308</u>	<u>6,809</u>	<u>70,000</u>	<u>5,096,117</u>
Total Buildings and Other Real Estate Improvements	74,732,767	708,056	70,000	75,370,823
Furniture, Machinery, Vehicles, & Other Equipment	8,417,653	859,638	1,735,888	7,541,403
Telecommunications & Peripheral Equipment	<u>5,459,720</u>	<u>1,241,496</u>	<u>1,228,831</u>	<u>5,472,385</u>
Total Buildings and Other Capital Assets	<u>88,610,140</u>	<u>2,809,190</u>	<u>3,034,719</u>	<u>88,384,611</u>
<u>Accumulated Depreciation:</u>				
Buildings	(21,408,949)	(1,252,962)		(22,661,911)
Land Improvements	(1,902,272)	(198,141)	63,000	(2,037,413)
Furniture, Machinery, Vehicles & Other Equipment	(5,652,756)	(841,341)	1,676,089	(4,818,008)
Telecommunications & Peripheral Equipment	<u>(3,366,475)</u>	<u>(719,035)</u>	<u>1,218,464</u>	<u>(2,867,046)</u>
Total Accumulated Depr	<u>(32,330,452)</u>	<u>(3,011,479)</u>	<u>2,957,553</u>	<u>(32,384,378)</u>
Net Capital Assets	\$ <u>60,297,661</u>	<u>1,493,390</u>	<u>533,241</u>	<u>61,257,810</u>

Please note that the college will begin to depreciate library books in the next fiscal year. To facilitate the transition, the college has estimated its collection of library books to be valued at \$2,152,599. Based on a fifteen year useful life, that amount would indicate \$1,527,562 of accumulated depreciation and \$86,120 of depreciation expense for FY 2005.

Capital assets activity for the year ended August 31, 2004 was as follows:

	<u>Balance as of</u> <u>September 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance as of</u> <u>August 31, 2004</u>
<u>Not Depreciated:</u>				
Land	\$ 1,202,164			1,202,164
Library Books	2,041,449	84,794	46,253	2,079,990
Construction in Progress	<u>13,231,518</u>	<u>735,819</u>	<u>13,231,518</u>	<u>735,819</u>
Subtotal	<u>16,475,131</u>	<u>820,613</u>	<u>13,277,771</u>	<u>4,017,973</u>
<u>Buildings and Other</u>				
<u>Capital Assets:</u>				
Buildings	56,621,829	13,695,999	744,369	69,573,459
Land Improvements	<u>4,878,268</u>	<u>281,040</u>	<u>          </u>	<u>5,159,308</u>
Total Buildings and Other Real Estate Improvements	61,500,097	13,977,039	744,369	74,732,767
Furniture, Machinery, Vehicles, & Other Equipment	7,268,244	1,437,188	287,779	8,417,653
Telecommunications & Peripheral Equipment	<u>6,792,442</u>	<u>439,138</u>	<u>1,771,860</u>	<u>5,459,720</u>
Total Buildings and Other Capital Assets	<u>75,560,783</u>	<u>15,853,365</u>	<u>2,804,008</u>	<u>88,610,140</u>
<u>Accumulated Depreciation:</u>				
Buildings	(20,344,351)	(1,064,598)		(21,408,949)
Land Improvements	(1,707,808)	(194,464)		(1,902,272)
Furniture, Machinery, Vehicles & Other Equipment	(5,518,119)	(422,417)	287,780	(5,652,756)
Telecommunications & Peripheral Equipment	<u>(2,864,048)</u>	<u>(537,437)</u>	<u>35,010</u>	<u>(3,366,475)</u>
Total Accumulated Depr	<u>(30,434,326)</u>	<u>(2,218,916)</u>	<u>322,790</u>	<u>(32,330,452)</u>
Net Capital Assets	\$ <u>61,601,588</u>	<u>14,455,062</u>	<u>15,758,989</u>	<u>60,297,661</u>

## 7. Long-term Liabilities

Long-term liability activity for the year ended August 31, 2005 was as follows:

	<u>Balance</u> <u>September 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>August 1, 2005</u>	<u>Current</u>
<u>Bonds</u>					
Revenue Bonds	\$ 10,440,000		1,910,000	8,530,000	2,000,000
Subtotal	10,440,000		1,910,000	8,530,000	2,000,000
<u>Accrued compensable absences</u>	<u>1,386,051</u>	<u>153,729</u>	<u>          </u>	<u>1,539,780</u>	<u>366,200</u>
Total Long-term liabilities	<u>\$11,826,051</u>	<u>153,729</u>	<u>1,910,000</u>	<u>10,069,780</u>	<u>2,366,200</u>

Long-term liability activity for the year ended August 31, 2004 was as follows:

	<u>Balance</u> <u>September 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>August 1, 2004</u>	<u>Current</u>
<u>Bonds</u>					
Revenue Bonds	\$ 12,260,000		1,820,000	10,440,000	1,910,000
Subtotal	12,260,000		1,820,000	10,440,000	1,910,000
<u>Accrued compensable absences</u>	<u>1,279,926</u>	<u>106,125</u>	<u>          </u>	<u>1,386,051</u>	<u>257,941</u>
Total Long-term liabilities	<u>\$ 13,539,926</u>	<u>106,125</u>	<u>1,820,000</u>	<u>11,826,051</u>	<u>2,167,941</u>

## 8. Debt and Lease Obligations

Debt service requirements at August, 2005, were as follows:

<u>For the Year Ended</u> <u>August 31, 2005</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$2,000,000	379,081	2,379,081
2007	2,085,000	294,081	2,379,081
2008	2,175,000	202,863	2,377,863
2009	<u>2,270,000</u>	<u>104,987</u>	<u>2,374,987</u>
	<u>\$8,530,000</u>	<u>981,012</u>	<u>9,511,012</u>

## 9. Bonds Payable

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	\$8,530,000	Revenues of District

Bonds payable are in annual installments varying from \$2,000,000 to \$2,270,000 with interest rates from 4.25% to 4.625% with the final installment due in 2009.

## 10. Advance Refunding Bonds

None.

## 11. Defeased Bonds Outstanding

None.

## 12. Short - Term Debt

None.

## 13. 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 CTCDD 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.

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. CTCDD contributes 2.5% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The expense for TRS and ORP to the State for the CTCD was \$1,066,292 and \$1,014,631 for the fiscal years ended August 31, 2005 and August 31, 2004 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of CTCD. CTCD expended an additional \$1,293,793 and \$1,153,875 for TRS and ORP for fiscal years ended August 31, 2005 and 2004.

The total compensation for all College employees was \$58,354,923 and \$52,710,064 for fiscal years 2005 and 2004, respectively. The total compensation of employees covered by the Teacher Retirement System was \$28,692,770 and \$27,123,383 and the total compensation of employees covered by the Optional Retirement System was \$8,636,677 and \$8,793,912 for fiscal years 2005 and 2004, respectively.

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, 2005, and 2004 were \$1,945,923 and \$1,803,198 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, 2005, and 2004, were \$609,898 and \$547,711 respectively.

#### **14. 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, 2005, the CTCD had no employees participating in the program and no payroll deductions had been invested in approved plans.

#### **15. Compensable 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 recognized the accrued liability for the unpaid annual leave in the amounts of \$1,539,780 and \$1,386,051 for Fiscal year 2005 and Fiscal Year 2004. Sick leave, which can be accumulated up to 480 hours, is earned at the rate of 8 hours per month. It is paid to an employee who misses work from illness. Employees are not entitled to payment for accumulated sick leave upon termination. CTCD's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave is minimal.

## 16. Pending Lawsuits and Claims

On August 31, 2005, 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.

## 17. Disaggregation of Receivables, Payables and Other Operating Revenues Balances

### Receivables

Receivables at August 31, 2005 and August 31, 2004 were as follows:

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>
Student Receivables	\$ 5,180,407	\$ 4,427,450
Taxes Receivable	320,922	332,628
Federal Receivables	15,049,968	17,450,303
Accounts Receivable	564,864	642,911
Interest Receivable	<u>57,103</u>	<u>42,244</u>
Subtotal	<u>21,173,264</u>	<u>22,895,536</u>
Allowance for Doubtful Accounts	<u>1,249,437</u>	<u>1,146,635</u>
<b>TOTAL RECEIVABLES</b>	<b>\$ <u>19,923,827</u></b>	<b>\$ <u>21,748,901</u></b>

### Payables

Payables at August 31, 2005 and August 31, 2004, were as follows:

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>
Vendors Payable	\$ 2,449,674	\$ 3,007,042
Salaries & Benefits Payable	<u>6,266,920</u>	<u>5,451,781</u>
<b>TOTAL PAYABLES</b>	<b>\$ <u>8,716,594</u></b>	<b>\$ <u>8,458,823</u></b>

## 18. Funds Held in Trust by Others

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

## **19. Contract and Grant Awards**

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2005 and 2004 for which monies have not been received nor funds expended total \$42,520,909 and \$47,157,803. Of these amounts, \$41,856,039, and \$46,549,881 were from Federal Contract and Grant Awards, and \$664,870 and \$607,922 were from State Contract and Grant Awards.

## **20. 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 represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations.

## **21. 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 contribution per full-time active and retired employee was \$315.56 per month for the year ended August 31, 2005 ( \$300.27 per month for Fiscal Year 2004) and totaled \$2,186,422 for Fiscal Year 2005 (\$2,011,323 for the year ended 2004). The cost of providing those benefits for 151 retirees in the year ended August 31, 2005 was \$593,997 (retiree benefits for 144 retirees cost \$515,433 in Fiscal Year 2004). For 385 active employees, the cost of providing benefits was \$1,592,425 for the Year ended August 31, 2005 (active employee benefits for 388 employees cost \$1,495,890 for the Year ended August 31, 2004.) In addition to the state contributions for the CTCD, CTCD contributed \$1,059,136 for 231 other college employees and \$529,055 for 132 retired employees not eligible for state contributions for the Fiscal Year ended August 31, 2005 (\$1,128,958 for 248 other college employees and \$500,468 for 133 retired employees not eligible for state contributions in Fiscal Year 2004). The cost of providing life insurance benefits for 616 active employees was \$168,346 and for 283 retirees was \$66,868 for the Fiscal Year ended August 31, 2005 (\$217,714 for 636 active employees and \$80,501 for 277 retirees in Fiscal Year 2004).

## 22. Ad Valorem 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:

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>
Assessed Valuation of the District:	\$5,313,110,557	\$4,825,988,467
Less: Exemptions	<u>494,022,639</u>	<u>483,183,029</u>
Net Assessed Valuation of the District	\$4,819,087,918	\$4,342,805,438

	FY 2005			FY 2004		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 valuation	.25	.25	.50	.25	.25	.50
Assessed Tax Rate per \$100 valuation	.1460	-0-	.1460	.1470	-0-	.1470

Taxes levied for the year ended August 31, 2005 and 2004 are \$7,035,868 and \$6,383,924 respectively, (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.

	FY 2005			FY 2004		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Taxes Collected						
Current Taxes Collected	\$ 6,449,884		\$6,449,884	\$6,046,950		\$6,049,950
Delinquent Taxes Collected	94,719		94,719	124,104		124,104
Penalties and Interest Collected	47,708		47,708	205		205
Total Collections	\$ 6,592,311		\$6,592,311	\$6,171,259		\$6,171,259

Tax collections for the year ended August 31, 2005 and 2004 were 93.7 % and 96.7%, respectively 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 general obligation debt service.

### **23. Branch Campus Maintenance Tax**

N/A

### **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, 2005 and 2004.

### **25. Component Units**

#### Central Texas College Foundation - Discrete Component Unit

Central Texas College Foundation (the Foundation) was established as a separate nonprofit organization in 1992, to raise funds to provide student scholarships and assistance in the development and growth of the College. Under Governmental Standards Board Statement No 39, Determining Whether Certain Organizations are Component Units, the Foundation is a component unit of CTCD because CTCD provides financial support to the Foundation and the economic resources received on behalf of the Foundation are entirely or almost entirely for the benefit of CTCD.

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). Complete financial statements of the Central Texas College Foundation can be obtained from the administrative office of the Foundation.

### **26. Related Parties (Not a Component Unit)**

The CTC Employee's Pension Plan and Trust provided certain services on behalf of the CTCD during the year ended August 31, 2005. 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 \$114,581 and \$141,704 during the years ended August 31, 2005 and 2004. There was a receivable from the trust which totaled \$48,601 and \$14,402 for fiscal years ended August 31, 2005 and 2004.

### **27. Subsequent Events**

None.