



**CENTRAL
TEXAS
COLLEGE**

**FOR STUDENTS OF THE
REAL WORLD**



ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDING
AUGUST 31, 2018**

CENTRAL TEXAS COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

August 31, 2018

CENTRAL TEXAS COLLEGE DISTRICT
Table of Contents
August 31, 2018

Organizational Data	1
Independent Auditors Report on the Financial Statements and Supplemental Information	2
Management Discussion and Analysis	5

FINANCIAL STATEMENTS

Exhibits	
1 - Statements of Net Position	13
1-A - Statement of Financial Position (discretely presented component unit)	14
2 - Statements of Revenues, Expenses and Changes in Net Position	15
2-A - Statement of Activities (discretely presented component unit)	16
3 - Statements of Cash Flows	17
Notes to the Basic Financial Statements	18

REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES

Schedule of District's Proportionate Share of Net Pension Liability	47
Schedule of District's Contributions for Pensions	48
Notes to the Required Supplementary Information Schedules for Pensions	49
Schedule of District's Proportionate Share of Net OPEB Liability	50
Schedule of District's Contributions for OPEB	51
Notes to the Required Supplementary Information Schedules for OPEB	52

SUPPLEMENTAL SCHEDULES

Schedules		
A	Schedule of Operating Revenues	55
B	Schedule of Operating Expenses by Object	56
C	Schedule of Non-Operating Revenues and Expenses	57
D	Schedule of Net Position by Source and Availability	58
E	Schedule of Expenditures of Federal Awards	59
F	Schedule of Expenditures of State Awards	61

AUDITORS' REPORTS ON CONTROLS AND COMPLIANCE

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance and the State of Texas Single Audit Circular	65
Schedule of Findings and Questioned Costs	68
Schedule of Corrective Action for Findings and Questioned Costs	72

ADDITIONAL INFORMATION (UNAUDITED)

Schedules		
G	Consolidating Statement of Revenues, Expenses and Changes in Net Position (Unaudited)	74
G-1	Consolidating Statement of Revenues, Expenses and Changes In Net Position Texas Campuses (Unaudited)	75
G-2	Consolidating Statement of Revenues, Expenses and Changes In Net Position Continental and International Campuses (Unaudited)	76

CENTRAL TEXAS COLLEGE DISTRICT

**ORGANIZATIONAL DATA
for the Fiscal Year 2018**

Board of Trustees

<u>Members</u>	<u>City</u>	<u>Term Expires</u>
Jimmy Towers, Chair	Killeen, TX	May, 2019
Mari M. Meyer, Vice Chair	Harker Heights, TX	May, 2019
Bill W. Beebe, Treasurer	Harker Heights, TX	May, 2021
BG (Ret) Rex Weaver, Secretary	Killeen, TX	May, 2023
Don R. Armstrong, Member	Killeen, TX	May, 2023
Brenda Coley, Member	Belton, TX	May, 2019
Dr. Joe Burns, Member	Copperas Cove, TX	May, 2019

Key Officers

Jim Yeonopolus	Chancellor
Michele Carter	Deputy Chancellor, Finance & Administration
Tina Ady, Ph.D	Deputy Chancellor, US Campus Operations
Robin Garrett, Ph.D.	Deputy Chancellor, Academic & Student Services
Bob Liberty	Comptroller



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KILLEEN • COPPERAS COVE • TEMPLE

*Member of
American Institute & Texas Society of
Certified Public Accountants*

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Trustees
Central Texas College District
Killeen, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Central Texas College District, (the District) as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Central Texas College District as of August 31, 2018 and 2017, and the respective 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 District's Proportionate Share of Net Pension Liability, the Schedule of District's Contributions for Pensions, the Schedule of District's Proportionate Shares of Net OPEB Liability, and the Schedule of District's Contributions for OPEB, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules (schedules A through D) as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular, and is also not a required part of the basic financial statements.

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)**

Other Information (continued)

The supplemental schedules, the schedule of expenditures of federal awards and the schedule of expenditures of 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The additional information (Schedules G, G-1, and G-2 - all marked "unaudited") have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the 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 the District's internal control over financial reporting and compliance.



Temple, Texas
December 14, 2018

**Central Texas College District
Annual Financial Report
Management’s Discussion and Analysis
For the Year Ended August 31, 2018**

This section of the Central Texas College District (the College) annual financial report presents a discussion and analysis of the financial performance of the College during the fiscal year ended August 31, 2018. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. This discussion and analysis is designed to focus on current activities, resulting change and current known facts. For management’s discussion and analysis, we have presented the previous year’s financial information in order to provide a comparison. The financial statements, footnotes and this discussion are the responsibility of management.

BASIC FINANCIAL STATEMENTS

The basic financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” and Statement No. 35, “Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities”. Three primary statements are required: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Financial statements for the College’s component unit, the Central Texas College Foundation (the Foundation) are issued independent to those of the College but are presented with the College’s basic financial statements.

One of the most important questions asked about the College’s finances is whether or not the College’s financial position has improved as a result of the year’s activities. The key to understanding this question is the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The College’s net position is one indicator of its financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the College’s financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Net Position includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating.

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2018

The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and non-capital financing and investing activities.

Required supplementary audited financial information related to pensions is presented as well as Schedules A through F. Each of these schedules presents in detail information from the basic financial statements.

Schedules G, G-1 and G-2 are provided to reflect the campus organizational structure of the College. These schedules are not required by GASB and are not audited.

FINANCIAL AND ENROLLMENT HIGHLIGHTS

- The combination of Cash and Investments are down approximately \$4.6 million from the previous fiscal year. The primary reason for this is significant capital expenditures for infrastructure.
- The college continues to operate multiple federal contracts with revenues in excess of \$15 million. This is a \$2.3 million increase from the previous fiscal year. The increase is due to the end of the Navy Distance Learning contract. With the contract ending in 2018 the Navy ordered courses at a much higher rate than the previous year.
- Tuition and Fees were down approximately \$2.4 million. This is a 6% decrease from the previous fiscal year. Due to our high military student population changes in deployments and military leaderships stance on voluntary education enrollments and tuition revenue can change drastically from year to year. In addition, the increasing competition from other online colleges has contributed to decreased enrollments. The most significant changes from the previous fiscal year were Navy Campus down 20%, Europe Campus down 12%, Central Campus up \$11% and Distance Learning down 9%. The decreased enrollments led to the closure of several locations in the Continental United States and Europe.
- The College was required to implement GASB 75, Other Post-Employment Benefits. As a result the college was required to restate the September 1, 2017 Net Position. The restatement was a decrease of \$90.9 million.
- The College continued its infrastructure upgrades and expended \$18.6 million on capital assets. This is an increase of \$4.4 million from the previous fiscal year.

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2018

STATEMENT OF NET POSITION

The Statement of Net Position includes all assets and liabilities 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 liabilities - are one way to measure the financial health of the college.

(In Millions)

	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>
Current assets:				
Cash and cash equivalents	\$ 86.0	\$ 79.9	7.6	\$ 92.2
Receivables	13.4	12.9	3.9	14.4
Inventory, prepaid expenses and other	<u>2.4</u>	<u>2.3</u>	<u>4.3</u>	<u>2.7</u>
Total current assets	101.8	95.1	7.0	109.3
Non-current assets:				
Restricted Cash	.5	.5	-	.5
Long-term investments	39.7	50.4	(21.2)	44.5
Notes Receivable	-	.1	(100.0)	-
Capital assets, net of depreciation	<u>132.1</u>	<u>117.4</u>	<u>12.5</u>	<u>107.0</u>
Total non-current assets	<u>172.3</u>	<u>168.4</u>	<u>2.3</u>	<u>152.0</u>
Total assets	<u>274.1</u>	<u>263.5</u>	<u>4.0</u>	<u>261.3</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	4.4	6.2	(29.0)	7.9
Deferred Outflows Related to OPEB	<u>2.2</u>	<u>-</u>	<u>100.0</u>	<u>-</u>
Total Deferred Outflows of Resources	6.6	6.2	6.5	7.9
Current liabilities:				
Accounts payable and accrued liabilities	26.9	22.4	20.1	21.7
Accrued absences	.3	.3	-	.4
Unearned Revenues	13.3	11.3	17.7	10.9
Net OPEB Liability	<u>.4</u>	<u>-</u>	<u>100.0</u>	<u>-</u>
Total current liabilities	40.9	34.0	20.3	33.0

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2018

Statement of Net Position (continued)

	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>
Non-current liabilities:				
Accrued absences	1.2	1.3	(7.7)	1.3
Net Pension liability	16.9	22.0	(23.2)	22.3
Net OPEB liability	<u>77.5</u>	<u>-</u>	<u>100.0</u>	<u>-</u>
Total non-current liabilities	<u>95.6</u>	<u>23.3</u>	<u>310.3</u>	<u>23.6</u>
Total liabilities	136.5	57.3	138.2	56.6
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	9.5	7.0	35.7	8.0
Deferred Inflows Related to OPEB	<u>17.2</u>	<u>-</u>	<u>100.0</u>	<u>-</u>
Total Deferred Inflows of Resources	26.7	7.0	281.4	8.0
Net position as restated (Note 2)				
Invested in capital assets, net of related debt	132.1	117.4	12.5	107.0
Restricted	1.5	1.3	15.4	.9
Unrestricted	<u>(16.1)</u>	<u>86.7</u>	<u>(118.6)</u>	<u>96.7</u>
Total net position	<u>117.5</u>	<u>205.4</u>	<u>(42.8)</u>	<u>204.6</u>

Federal, state and local statutes require certain net positions be restricted for future use. Other net positions are unrestricted; however, a majority of these net positions have been designated or reserved for specific purposes such as: working capital for instructional programs, future construction projects and reserves for insurance and post retirement benefits.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position present the operating results of the college, as well as the non-operating revenues and expenses. Annual ad valorem tax revenues, while budgeted for operations, are considered non-operating revenues in GASB 34-35. Additionally, State appropriations, which previously have been classified as operating revenues, were reclassified as non-operating revenues in accordance with directives from the Texas Higher Education Coordinating Board (THECB). This reclassification is designed to align Texas Community College's financial presentation with that of other States.

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2018

	(In Millions)			
	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>
Operating revenue:				
Net tuition and fees	\$ 37.2	\$ 39.6	(6.1)	\$ 41.7
Federal Funds	15.7	13.4	17.2	14.7
Grants and Contracts	2.1	1.9	10.5	1.7
Auxiliary Funds	5.1	6.3	(19.0)	7.5
Other	<u>1.0</u>	<u>1.3</u>	<u>(23.1)</u>	<u>1.4</u>
Total	61.1	62.5	(2.2)	67.0
Operating expenses	<u>114.2</u>	<u>118.7</u>	<u>(3.8)</u>	<u>125.5</u>
Net operating loss	<u>(53.1)</u>	<u>(56.2)</u>	<u>(5.5)</u>	<u>(58.5)</u>
Non-operating revenues (expenses)				
State Appropriations	22.0	23.1	(4.8)	23.2
Local ad valorem taxes	13.3	12.3	8.1	11.9
Federal Revenue, Non Operating	19.3	20.2	(4.5)	21.9
Investment income	1.5	1.3	15.4	1.2
Other Non-Operating Revenues	<u>-</u>	<u>.1</u>	<u>(100.0)</u>	<u>-</u>
Total	<u>56.1</u>	<u>57.0</u>	<u>(1.6)</u>	<u>58.2</u>
Increase in net position	<u>3.0</u>	<u>.8</u>	<u>275.0</u>	<u>(.3)</u>
Net position – Beginning of year for 2017 restated	205.4	204.6	.4	204.9
Cumul Effect of Change in Accounting Principle	<u>(90.9)</u>	<u>-</u>	<u>(100.0)</u>	<u>-</u>
Net position – Beginning of year restated	<u>114.4</u>	<u>204.6</u>	<u>(44.1)</u>	<u>204.9</u>
Net position - End of year restated	<u>\$ 117.5</u>	<u>\$ 205.4</u>	<u>(42.8)</u>	<u>\$ 204.6</u>

OPERATING EXPENSES (by functional classification)

	(In Millions)			
	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>
Instruction	\$ 38.3	\$ 37.8	1.3	\$ 40.8
Public service	1.7	1.5	13.3	1.5
Academic support	7.1	8.3	(14.5)	8.6
Student services	8.8	10.0	(12.0)	10.6
Institutional support	20.8	22.2	(6.3)	21.3
Operation and maintenance of plant	6.9	7.5	(8.0)	7.4
Scholarships and related expenses	22.0	22.0	-	24.7
Auxiliary activities	4.8	5.7	(15.8)	6.8
Depreciation	<u>3.8</u>	<u>3.7</u>	<u>2.7</u>	<u>3.8</u>
Total Expenses	<u>\$114.2</u>	<u>\$118.7</u>	<u>(3.8)</u>	<u>\$ 125.5</u>

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2018

OPERATING EXPENSES (by natural classification)

(In Millions)

	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>
Salaries and wages	\$ 46.6	\$ 50.1	(7.0)	\$ 53.7
State Benefits	5.3	4.5	17.8	4.6
Local Benefits	10.0	11.7	(14.5)	11.2
Scholarships and related expenses	21.9	21.9	-	24.5
Supplies and related expenses	26.6	26.8	(.7)	27.7
Depreciation	<u>3.8</u>	<u>3.7</u>	<u>2.7</u>	<u>3.8</u>
	\$ 114.2	\$118.7	(3.8)	\$125.5

Salaries and wages, which clearly represent the largest operating expense, decreased slightly from the previous fiscal year as did scholarships and supplies which is a direct result of the decrease in in enrollments and the cost saving measures that were implemented to offset declining enrollments.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the college's ability to generate net cash flows, its ability to meet its obligations as they come due and its need for external financing.

(In Millions)

	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>
Cash provided by (used in):				
Operating activities	\$(39.9)	\$(48.6)	(17.9)	\$ (50.5)
Non-capital financing activities	52.5	54.9	(4.4)	55.0
Capital and related financing activities	(18.6)	(14.0)	32.9	(4.8)
Investing activities	<u>12.1</u>	<u>(4.6)</u>	<u>363.0</u>	<u>(6.6)</u>
Net increase (decrease) in cash	6.1	(12.3)	149.6	(6.9)
Cash - beginning of year	<u>80.4</u>	<u>92.7</u>	<u>(13.3)</u>	<u>99.6</u>
Cash - end of year	\$ 86.5	\$ 80.4	7.6	\$ 92.7

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2018

Cash flows from operating activities represents the difference in the incoming and outgoing cash for all educational operations while cash flows from non-capital financing activities represents the collection from local ad valorem taxes, State appropriations and federal, non-operating revenue. Cash flows from operating activities was down due to decreased enrollments as explained at the beginning of this discussion. Cash flows from capital and related financing activities represent's the cash paid to contractors during the year for construction projects and for the purchase of other capital assets. The increase was due to the start-up phase for the campus wide infrastructure project. Cash flows from investing activities for the fiscal year were down as bond maturities and purchases were down from the previous fiscal year. The combination of those two items resulted in the net decrease in cash balances.

THE WAY AHEAD

2019 is off to a very positive start. For the first time in several years Fall enrollments were up from the previous year and early Spring registration is up as well. The main reason for these increases is the increased enrollments from our partnerships with the Killeen and Copperas Cove Independent school districts as well as the school districts in our service area. With continued decreases in military voluntary education our focus has turned back to students in the taxing district and service area thru our Early College High School, STEM and dual credit programs. In addition to expanding our enrollments with high school students, we are focusing on making CTC a destination college for local high school students that did not participate in the programs listed above.

Our multiyear infrastructure project will be near completion by the end of 2019 as well as our signage and campus security projects. These projects will be completely funded by reserves as have all construction projects over the last few decades keeping the College free from long term debt.

All of the employees of the College will continue to be good stewards of college resources and strive to make CTC the destination college in our region.

FINANCIAL STATEMENTS

**CENTRAL TEXAS COLLEGE DISTRICT
STATEMENTS OF NET POSITION
AUGUST 31, 2018 and AUGUST 31, 2017**

Exhibit 1

ASSETS	FISCAL YEAR	FISCAL YEAR
	2018	2017
Current Assets		
Cash and Cash Equivalents	\$ 86,031,347	\$ 79,848,755
Accounts Receivable (net)	13,337,447	12,918,698
Inventories	1,490,003	1,905,782
Prepaid Expenses	915,555	369,355
Total Current Assets	<u>101,774,352</u>	<u>95,042,590</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	509,926	541,769
Other Long-Term Investments	39,687,900	50,381,025
Notes Receivable	73,728	73,415
Capital Assets (net) (See Note 7)	132,144,969	117,406,380
Total Noncurrent Assets	<u>172,416,523</u>	<u>168,402,589</u>
Total Assets	<u>274,190,875</u>	<u>263,445,179</u>
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	4,376,034	6,212,327
Deferred Outflows Related to OPEB	2,177,324	
Total Deferred Outflows of Resources	<u>6,553,358</u>	<u>6,212,327</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	10,474,227	5,519,372
Accrued Liabilities	16,010,974	16,453,212
Accrued Compensable Absences-Current Portion	311,369	317,870
Funds Held for Others	432,858	432,153
Unearned Revenues	13,311,227	11,328,069
Net OPEB Liability-Current Portion	395,290	
Total Current Liabilities	<u>40,935,945</u>	<u>34,050,676</u>
Noncurrent Liabilities		
Accrued Compensable Absences	1,245,478	1,271,478
Net Pension Liability	16,859,073	21,981,885
Net OPEB Liability	77,508,230	
Total Noncurrent Liabilities	<u>95,612,781</u>	<u>23,253,363</u>
Total Liabilities	<u>136,548,726</u>	<u>57,304,039</u>
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	9,519,689	6,988,812
Deferred Inflows Related to OPEB	17,224,842	
Total Deferred Inflows of Resources	<u>26,744,531</u>	<u>6,988,812</u>
NET POSITION as restated (Note 2)		
Invested in Capital Assets, Net of Related Debt	132,144,962	117,406,380
Restricted for:		
Scholarships and Grants	1,432,833	1,326,859
Unrestricted	(16,126,819)	86,631,416
Total Net Position (Schedule D)	<u>\$ 117,450,976</u>	<u>\$ 205,364,655</u>

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

**CENTRAL TEXAS COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018**

Exhibit 1 - A

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY ENDOWED	TOTAL
Assets				
Cash & Cash Equivalents	\$ 71,658	\$ 307,950	\$ 12,360	\$ 391,968
Investments		404,349	7,840,933	8,245,282
CSV - Life Insurance		101,719		101,719
Total Assets	<u>71,658</u>	<u>814,018</u>	<u>7,853,293</u>	<u>8,738,969</u>
Liabilities				
Accounts Payable	<u>7,243</u>	<u>323,467</u>	<u>317,433</u>	<u>648,143</u>
Total Liabilities	<u>7,243</u>	<u>323,467</u>	<u>317,433</u>	<u>648,143</u>
Net Assets				
Unrestricted	64,415			64,415
Temporarily Restricted		490,551		490,551
Permanently Restricted			7,535,860	7,535,860
Total Net Position	<u>64,415</u>	<u>490,551</u>	<u>7,535,860</u>	<u>8,090,826</u>
Total Liabilities and Net Assets	<u>71,658</u>	<u>814,018</u>	<u>7,853,293</u>	<u>8,738,969</u>

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

CENTRAL TEXAS COLLEGE DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended August 31, 2018 and August 31, 2017

Exhibit 2

	<u>FISCAL YEAR</u> <u>2018</u>	<u>FISCAL YEAR</u> <u>2017</u>
Operating Revenues		
Tuition and Fees (Net)	\$ 37,130,010	\$ 39,578,299
Federal Grants and Contracts	15,726,918	13,433,182
State Grants and Contracts	1,124,351	1,146,121
Non-Governmental Grants and Contracts	953,586	733,419
Sales of Services of Educational Activities		143,884
Auxiliary Enterprises (net of discounts)	5,126,020	6,333,597
General Operating Revenues	<u>1,026,105</u>	<u>1,188,397</u>
Total Operating Revenues (Schedule A)	<u>61,086,990</u>	<u>62,556,899</u>
Operating Expenses		
Instruction	38,272,090	37,786,979
Public Service	1,720,093	1,454,145
Academic Support	7,068,972	8,284,498
Student Services	8,848,616	10,014,546
Institutional Support	20,777,334	22,214,255
Operation and Maintenance of Plant	6,898,896	7,516,481
Scholarships and Fellowships	22,014,966	22,028,165
Auxiliary Enterprises	4,757,583	5,753,006
Depreciation	<u>3,820,064</u>	<u>3,720,100</u>
Total Operating Expenses (Schedule B)	<u>114,178,614</u>	<u>118,772,175</u>
Operating Loss	<u>(53,091,624)</u>	<u>(56,215,276)</u>
Non-Operating Revenues (Expenses)		
State Appropriations	22,018,339	23,081,919
Ad Valorem Taxes (Net)	13,331,476	12,299,536
Federal Revenue, Non Operating	19,341,915	20,206,722
Investment Income	1,456,746	1,270,738
Other Non-Operating Revenues (Expenses)	<u>(34,324)</u>	<u>141,714</u>
Net Non-Operating Revenues (Schedule C)	<u>56,114,152</u>	<u>57,000,629</u>
Increase/(Decrease) in Net Position	<u>3,022,528</u>	<u>785,353</u>
Net Position		
Net Position, Beginning of Year as Restated (Note 2)	205,364,655	204,579,302
Cumulative Effect of Change in Accounting Principle	<u>(90,936,207)</u>	
Net Position , Beginning of Year, as Restated (Note 2)	<u>114,428,448</u>	<u>204,579,302</u>
Net Position - End of Year	<u>\$ 117,450,976</u>	<u>\$ 205,364,655</u>

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

**CENTRAL TEXAS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018**

Exhibit 2-A

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY ENDOWED	TOTAL
Revenue				
Contributions	\$ 98,817	\$ 93,553	\$ 76,716	\$ 269,086
Donated Administrative Support	136,281			136,281
Interest Income		9,374	81,310	90,684
Unrealized/Realized Gains(Loss) on Investment		2,857	788,486	791,343
Other Income		17,273	95,011	112,284
Total Revenue	<u>235,098</u>	<u>123,057</u>	<u>1,041,523</u>	<u>1,399,678</u>
Expenses				
Program				
Scholarships Awarded		42,505	336,840	379,345
Support				
College Support		282,574		282,574
Fund Raising	47,244	9,130		56,374
Donated Administrative Support	136,281			136,281
Total Expenses	<u>183,525</u>	<u>334,209</u>	<u>336,840</u>	<u>854,574</u>
Change in net position	51,573	(211,152)	704,683	545,104
Net Position at Beginning of Year	74,671	673,707	6,797,344	7,545,722
Transfers	<u>(61,829)</u>	<u>27,996</u>	<u>33,833</u>	
Net Position at End of Year	\$ <u>64,415</u>	\$ <u>490,551</u>	\$ <u>7,535,860</u>	\$ <u>8,090,826</u>

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

**CENTRAL TEXAS COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2018 and August 31, 2017**

Exhibit 3

	Fiscal Year 2018	Fiscal Year 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 35,987,765	\$ 38,940,165
Receipts from grants and contracts	20,032,131	15,347,696
Payments to suppliers for goods and services	(17,885,723)	(21,774,335)
Payments to or on behalf of employees	(62,081,971)	(65,974,805)
Payments for scholarships and fellowships	(21,870,412)	(21,906,592)
Payments for loans issued to students	(120,105)	(107,730)
Receipts from collection of loans to students	127,937	86,378
Other receipts (payments)	5,946,623	6,795,834
Net cash provided by operating activities	<u>(39,863,755)</u>	<u>(48,593,389)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	19,731,633	21,435,512
Receipts from Ad valorem taxes	13,519,003	12,496,892
Receipts from non operating federal revenue	19,393,798	21,060,801
Payments for collection of taxes	(187,527)	(197,356)
Receipts from student organizations and other agency transactions	6,133,781	6,467,412
Payments to student organizations and other agency transactions	<u>(6,133,078)</u>	<u>(6,406,808)</u>
Net cash provided (used) by non-capital financing activities	52,457,610	54,856,453
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of capital assets	29,257	148,370
Purchases of capital assets	<u>(18,622,234)</u>	<u>(14,174,924)</u>
Net cash provided (used) by capital and related financing activities	(18,592,977)	(14,026,554)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	25,104,166	29,047,852
Receipts from interest on investments	1,456,746	1,270,738
Purchases of investments	<u>(14,411,041)</u>	<u>(34,911,743)</u>
Net cash provided (used) by investing activities	12,149,871	(4,593,153)
Increase (decrease) in cash and cash equivalents	<u>6,150,749</u>	<u>(12,356,643)</u>
Cash and cash equivalents-September 1	80,390,524	92,747,167
Cash and cash equivalents-August 31	<u><u>\$ 86,541,273</u></u>	<u><u>\$ 80,390,524</u></u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Loss	\$ (53,091,624)	\$ (56,215,276)
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation expense	3,820,064	3,720,100
Payments made directly by state for benefits	755,191	746,640
Changes in assets and liabilities		
Receivables (net)	(470,633)	557,969
Inventories	415,779	79,671
Prepaid expenses	(546,200)	292,297
Accounts payable	4,954,855	560,686
Accrued liabilities	(442,238)	72,741
Compensated absences	(32,501)	(49,837)
Unearned revenues	1,983,159	436,723
Other Assets	(313)	(14,200)
Deferred Inflows and Outflows	2,790,706	1,219,097
Net cash provided (used) by operating activities	<u><u>\$ (39,863,755)</u></u>	<u><u>\$ (48,593,389)</u></u>

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

CENTRAL TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

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 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.

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. 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 §56.033). 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 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.

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.

Deferred Outflows

In addition to assets, CTCD 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. A typical deferred outflow for community colleges is a deferred charge or refunding debt.

Investments

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

Inventories

Inventories consist of consumable office supplies, physical plant 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. For equipment, CTCD'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. 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. CTCD charges costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's 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. The following lives are used:

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

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

Pensions

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

Unearned Revenue

Tuition and fees of \$13,311,227 and \$11,328,069 have been reported as unearned revenues at August 31, 2018 and August 31, 2017 respectively.

Deferred Inflows

In addition to liabilities, CTCD 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.

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. 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 food service is not performed by the College.

Prior Year Restatement

The college determined that Accounts Receivable reported for August 31, 2017 was overstated. This resulted from an incorrect calculation from our Enterprise Resource Planning (ERP) software for aging of accounts receivable. As a result, accounts receivable and bad debt expense were both overstated by \$957,381. The correction to this error has resulted in a restatement of the Exhibits 1 and 2 for August 31, 2017.

Net Position as of 8/31/17 as originally presented	\$206,322,036
Restatement for Accounts Receivable	<u>(957,381)</u>
Net Position as of 8/31/17 as restated	\$205,364,655

Restatement to Beginning Net Position

Effective for fiscal year 2018, the College implemented GASB Statement No. 75, Accounting for OPEB. Accordingly, a restatement to beginning net position was required for the recording of the beginning net OPEB liability and for the recording of deferred outflows of resources related to OPEB for contributions made to the ERS OPEB plan subsequent to the measurement date of the beginning net OPEB liability.

Because audited balances could not be obtained for all of the deferred outflows of resources and deferred inflows of resources related to OPEB, the College determined it was impractical to restate its fiscal year 2017 financial statements. As such, the College recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle.

Beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75:

Beginning Net Position as restated	\$205,364,655
Cumulative effect of change in accounting principle (GASB 75)	
Beginning Net OPEB liability (measurement date as of August 31, 2017)	(93,078,141)
Deferred outflow for College contributions to ERS plan During FY 17	<u>2,141,934</u>
Beginning Net Position as restated	<u>\$114,428,448</u>

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 District are in compliance with the Trustee's 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 Position; consist of the items reported below:

Cash and Deposits

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Bank Deposits		
Demand Deposits	\$ <u>11,178,591</u>	\$ <u>2,245,590</u>
	11,178,591	2,245,590
Cash and Cash Equivalents		
Petty Cash on Hand	15,181	18,801
Certificates of Deposit	61,500,000	64,500,000
Tex Pool	6,247,129	6,145,251
Tex Star	725,672	715,174
Texas Term	694,619	684,378
Lone Star	<u>6,180,081</u>	<u>6,081,330</u>
	<u>75,362,682</u>	<u>78,144,934</u>
Total Cash and Deposits	<u>\$ 86,541,273</u>	<u>\$ 80,390,524</u>

Reconciliation of Deposits and Investments to Exhibit 1

	Market Value <u>August 31, 2018</u>	Market Value <u>August 31, 2017</u>
U.S. Government Securities	\$ 35,212,600	\$ 40,436,801
Commercial paper	<u>4,475,300</u>	<u>9,944,224</u>
Totals	<u>39,687,900</u>	<u>50,381,025</u>
Total Cash and Deposits	86,541,273	80,390,524
Total Investments	<u>39,687,900</u>	<u>50,381,025</u>
Total Deposits and Investments	<u>\$ 126,229,173</u>	<u>\$ 130,771,549</u>
Cash and Cash Equivalents (Exhibit 1)	86,031,347	79,848,755
Restricted Cash (Exhibit 1)	509,926	541,769
Investments (Exhibit 1)	<u>39,687,900</u>	<u>50,381,025</u>
Total Deposits and Investments	<u>\$126,229,173</u>	<u>\$ 130,771,549</u>

Reconciliation of Deposits and Investments to Exhibit 1-A

	Market Value <u>August 31, 2018</u>	Market Value <u>August 31, 2017</u>
Common Fund - Bond Fund	\$ 1,553,708	\$ 1,575,946
Common Fund - Equity Fund	6,379,142	5,555,332
Common Fund - Fixed Income	<u>312,432</u>	<u>497,280</u>
Totals	<u>8,245,282</u>	<u>7,628,558</u>
Total Cash and Deposits	391,968	160,905
Total Investments	<u>8,245,282</u>	<u>7,628,558</u>
Total Deposits and Investments	<u>8,637,250</u>	<u>7,789,463</u>
Cash and Cash Equivalents (Exhibit 1-A)	391,968	160,905
Investments (Exhibit 1- A)	<u>8,245,282</u>	<u>7,628,558</u>
Total Deposits and Investments	\$ <u>8,637,250</u>	\$ <u>7,789,463</u>

As of August 31, 2018 CTCD had the following investments and maturities:

	Investment Maturities (in Years)			
	Fair Value	Less than 1	1 to 2	2 to 3
U.S. Government Securities	\$ 35,212,600	\$	\$34,238,690	\$ 973,910
Commercial Paper	4,475,300	4,475,300		
Total Fair Value	<u>\$ 39,687,900</u>	<u>\$ 4,475,300</u>	<u>\$34,238,690</u>	<u>\$ 973,910</u>

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.

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 FHLB (29%), FHLMC (25%), FFCB (22%), J.P Morgan Commercial Paper (12%) and FNMA (12%).

5. Fair Value of Financial Instruments

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level that is significant to their fair value measurement of the instrument.

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the assets or liability.

The fair value hierarchy of investments at August 31, 2018, follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Total</u>
U.S. Government securities	\$35,212,600				\$35,212,600
Commercial paper	4,475,300				4,475,300
Total	<u>\$39,687,900</u>				<u>\$39,687,900</u>

6. Derivatives

None

7. Capital Assets

Capital assets activity for the year ended August 31, 2018 was as follows:

	<u>Balance as of</u> <u>September 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance as of</u> <u>August 31, 2018</u>
<u>Not Depreciated:</u>				
Land	\$ 896,168			896,168
Construction in Progress	<u>11,972,888</u>	<u>17,215,169</u>	<u>4,980,584</u>	<u>24,207,473</u>
Subtotal	<u>12,869,056</u>	<u>17,215,169</u>	<u>4,980,584</u>	<u>25,103,641</u>
<u>Buildings and Other</u>				
<u>Capital Assets:</u>				
Buildings	138,694,205	5,287,796		143,982,001
Land Improvements	<u>10,364,908</u>	<u>266,869</u>		<u>10,631,777</u>
Total Buildings and Other				
Real Estate Improvements	149,059,113	5,554,665		154,613,778
Library Books	1,971,940	37,381	1,771	2,007,550
Furniture, Machinery, Vehicles, & Other Equipment	12,200,033	193,724	280,273	12,113,484
Telecommunications & Peripheral Equipment	<u>9,980,847</u>	<u>601,880</u>	<u>381,213</u>	<u>10,201,514</u>
Total Buildings and Other Capital Assets	<u>173,211,933</u>	<u>6,387,650</u>	<u>663,257</u>	<u>178,936,326</u>
<u>Accumulated Depreciation:</u>				
Buildings	(43,536,695)	(2,298,076)		(45,834,771)
Land Improvements	<u>(6,184,831)</u>	<u>(349,441)</u>		<u>(6,534,272)</u>
Total Buildings and Other				
Real Estate Improvements	(49,721,526)	(2,647,517)		(52,369,043)
Library Books	(1,819,767)	(30,508)	1,771	(1,848,504)
Furniture, Machinery, Vehicles & Other Equipment	(8,076,052)	(717,339)	267,619	(8,525,772)
Telecommunications & Peripheral Equipment	<u>(9,057,264)</u>	<u>(425,258)</u>	<u>330,843</u>	<u>(9,151,679)</u>
Total Accumulated Depr	<u>(68,674,609)</u>	<u>(3,820,622)</u>	<u>600,233</u>	<u>(71,894,998)</u>
Net Capital Assets	\$ <u>117,406,380</u>	<u>19,782,197</u>	<u>(5,043,608)</u>	<u>132,144,969</u>

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

	Balance as of September 1, 2016	Increases	Decreases	Balance as of August 31, 2017
<u>Not Depreciated:</u>				
Land	\$ 896,168			896,168
Construction in Progress	<u>7,761,755</u>	<u>10,331,295</u>	<u>6,120,162</u>	<u>11,972,888</u>
Subtotal	<u>8,657,923</u>	<u>10,331,295</u>	<u>6,120,162</u>	<u>12,869,056</u>
<u>Buildings and Other</u>				
<u>Capital Assets:</u>				
Buildings	131,307,965	7,386,240		138,694,205
Land Improvements	<u>10,364,908</u>			<u>10,364,908</u>
Total Buildings and Other				
Real Estate Improvements	141,672,873	7,386,240		149,059,113
Library Books	2,085,453	43,745	157,258	1,971,940
Furniture, Machinery, Vehicles, & Other Equipment	10,247,181	2,275,774	322,922	12,200,033
Telecommunications & Peripheral Equipment	<u>9,754,699</u>	<u>351,492</u>	<u>125,344</u>	<u>9,980,847</u>
Total Buildings and Other Capital Assets	<u>163,760,206</u>	<u>10,057,251</u>	<u>605,524</u>	<u>173,211,933</u>
<u>Accumulated Depreciation:</u>				
Buildings	(41,289,157)	(2,247,538)		(43,536,695)
Land Improvements	<u>(5,835,591)</u>	<u>(349,240)</u>		<u>(6,184,831)</u>
Total Buildings and Other				
Real Estate Improvements	(47,124,748)	(2,596,778)		(49,721,526)
Library Books	(1,942,707)	(34,318)	157,258	(1,819,767)
Furniture, Machinery, Vehicles & Other Equipment	(7,713,619)	(629,015)	266,582	(8,076,052)
Telecommunications & Peripheral Equipment	<u>(8,678,843)</u>	<u>(459,989)</u>	<u>81,568</u>	<u>(9,057,264)</u>
Total Accumulated Depr	<u>(65,459,917)</u>	<u>(3,720,100)</u>	<u>505,408</u>	<u>(68,674,609)</u>
Net Capital Assets	\$ <u>106,958,212</u>	<u>16,668,446</u>	<u>(6,220,278)</u>	<u>117,406,380</u>

8. Non- Current Liabilities

Non-Current liability activity for the year ended August 31, 2018 was as follows:

	Balance September 1, 2017	Additions	Reductions	Balance August 31, 2018	Current
Accrued compensable absences	1,589,348	49,297	81,798	1,556,847	311,369
Net Pension Liability	21,981,885	3,333	5,126,145	16,859,073	N/A
Net OPEB Liability	<u>101,545,055</u>	<u>23,641,535</u>	<u>28,849,478</u>	<u>77,903,520</u>	<u>395,290</u>
Total Non-Current liabilities	<u>\$23,571,233</u>	<u>101,597,685</u>	<u>28,849,478</u>	<u>96,319,440</u>	<u>706,659</u>

Non-Current liability activity for the year ended August 31, 2017 was as follows:

	Balance <u>September 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>August 31, 2017</u>	<u>Current</u>
Accrued compensable absences	1,639,185	70,640	120,477	1,589,348	317,870
Net Pension Liability	<u>22,321,695</u>	<u>1,512,100</u>	<u>1,851,910</u>	<u>21,981,885</u>	<u>N/A</u>
Total Non-Current liabilities	<u>\$23,960,880</u>	<u>1,582,740</u>	<u>1,972,387</u>	<u>23,571,233</u>	<u>317,870</u>

9. Debt and Lease Obligations

None.

10. Bonds Payable

None.

11. Advance Refunding Bonds

None.

12. Defeased Bonds Outstanding

None.

13. Short - Term Debt

None.

14. Employees' Retirement Plans

The State of Texas has joint contributory retirement plans for almost all of its employees.

Defined Benefit Plans

Plan Description

The CTCD 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.

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued comprehensive Annual financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. 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 COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

Contributions 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% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

Member	<u>2018</u>	<u>2017</u>
	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2017 Member Contributions	\$2,802,234	
FY 2017 State of Texas On-behalf Contributions	\$ 747,392	
FY 2017 District Contributions	\$1,728,065	

CTCD's contributions to the TRS pension plan in 2018 were \$768,690. Estimated State of Texas on-behalf contributions for 2018 were \$747,392.

- 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 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% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

• Valuation Date	August 31, 2017
• Actuarial Cost Method	Individual Entry Age Normal
• Asset Valuation Method	Market Value
• Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Municipal Bond Rate*	N/A
Last year ending August 31 in the 2017 to 2116	
Projection period (100 years)	2116
Inflation	2.5%
Payroll Growth Rate	2.5%
Salary increases including inflation	3.5% to 9.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

**If a municipal bond rate was to be used, the rate would be 3.42 percent as of August 2017 (i.e., the weekly rate closest to but not later than the Measurement Date). The rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bond with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

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

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0 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%. 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 expenses 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, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

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

Source: Teacher Retirement System of Texas 2017 Comprehensive Annual Financial Report

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8%)	1% Increase in Discount Rate (9.0%)
CTCD's proportionate Share of the net pension Liability:	\$28,421,069	\$16,859,073	\$7,231,838

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

At August 31, 2018 the CTCD reported a liability of \$16,859,073 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the CTCD. The amount recognized by the CTCD 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 CTCD were as follows:

CTCD's Proportionate share of the collective net pension liability	\$16,859,073
State's proportionate share that is associated with CTCD	<u>7,306,922</u>
Total	\$24,165,995

The net pension liability was measured as of August 31, 2017 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, 2016 through August 31, 2017

At the measurement date of August 31, 2017, the CTCD's proportion of the collective net pension liability was 0.052726%, which was a decrease of .005445% from its proportion measured as of August 31, 2016.

For the year ended August 31, 2018 the CTCD recognized pension expense of \$557,343 and revenue of \$557,343 for support provided by the State.

At August 31, 2018 the CTCD 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	\$246,656	\$909,188
Changes in actuarial assumptions	\$767,958	\$439,638
Difference between projected and actual investment earnings	\$2,592,730	\$3,821,383
Changes in proportion and difference between the employer's Contributions and the proportionate share of contributions		\$4,349,480
Contributions paid to TRS subsequent to the measurement date	\$768,690	
Total	\$4,376,034	\$9,519,689

The net amounts of the employer'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
2019	\$(1,464,578)
2020	\$(388,419)
2021	\$(1,547,236)
2022	\$(1,770,341)
2023	\$(513,389)
Thereafter	\$(228,382)

Optional Retirement Plan-Defined Contribution Plan

Plan Description. Participation in the ORP is in lieu of participation in the TRS. The ORP provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentage of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. CTCD contributes 1.9% 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. Senate Bill (SB) 1812 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the CTCD was \$2,473,421 and \$1,815,000 for the fiscal years ended August 31, 2018 and August 31, 2017 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of CTCD.

The total payroll for all College employees was \$46,588,418 and \$50,078,469 for fiscal years 2018 and 2017, respectively. The total payroll of employees covered by the Teacher Retirement System was \$33,120,338 and \$36,392,653 and the total payroll of employees covered by the Optional Retirement System was \$5,863,534 and \$6,274,402 for fiscal years 2018 and 2017, 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, 2018 and 2017 were \$2,292,135 and \$2,374,928 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 employer contributions made by CTCD during the year ending August 31, 2018 and 2017, were \$194,587 and \$217,007 respectively.

15. 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, 2018, the CTCD had no employees participating in the program and no payroll deductions had been invested in approved plans.

16. 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 their 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 six months 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 \$1,556,847 (\$311,369 current portion) and \$1,589,348 (317,870 current portion) for fiscal year 2018 and fiscal year 2017. 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.

17. 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 active was \$621.90 per month for the year ended August 31, 2018 (\$610.18 per month for Fiscal Year 2017) and totaled \$2,831,728 for Fiscal Year 2018 (\$2,697,934 for the year ended 2017). The cost to the state of providing those benefits for 238 retirees in the year ended August 31, 2018 was \$974,172 (retiree benefits for 233 retirees cost \$973,419 in Fiscal Year 2017). For 405 active employees, the cost of providing benefits was \$1,842,217 for the Year ended August 31, 2018 (active employee benefits for 398 employees cost \$1,724,515 for the Year ended August 31, 2017). S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

18. Other Post-Employment Benefits (OPEB)

(In accordance with GASB Statement 75)

Plan Description. The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

OPEB Plan Fiduciary Net Position. Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

Benefits Provided. Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions. 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. The employer and member contribution

rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs when the revenue expected to be generated by the appropriate funds.

The following table summarizes the maximum monthly employer contribution toward eligible retiree’s health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution and the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Year 2017

Retiree only	\$ 617.30
Retiree & Spouse	970.98
Retiree & Children	854.10
Retiree & Family	1,207.78

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31, 2017 and 2016

	FY 2017	FY 2016
Employers	\$890,735,173	\$663,986,538
Members (Employees)	195,806,162	183,284,339
Non-employer Contribution Entity (State of Texas)	44,433,743	N/A

Source: ERS FY 2017 Comprehensive Annual Financial Report

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of August 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions
ERS Group Benefits Program Plan

Valuation date	August 31, 2017
Actuarial cost method	Entry age
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.51%
Projected annual salary increase (includes inflation)	2.5% to 9.5%
Annual healthcare trend rate	8.5% for FY 2019, decreasing .5% per year to 4.5% for FY 2027 and later years
Inflation assumption rate	2.5%
Ad hoc post-employment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with full generational projection using Scale BB from Base year 2014
Disability retirees	Tables based on TRS experience with full generational projection using Scale BB from Base year 2014 using a 3 year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
Active members	Sex Distinct RP-2014 Employee mortality multiplied by 90% with full generational projection using Scale BB

Source: 2017 ERS CAFR except for mortality assumptions obtained from ERS 2017 GASB 74 Actuarial Valuation

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period (ex. September 1, 2010 to August 31, 2014) for higher education members.

Investment Policy. The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%

Discount Rate. Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.84%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.51%, which amounted to an increase of .67%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp’s AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis. The following schedule shows the impact on the Colleges proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that as used (3.51%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.51)	Discount Rate (3.51%)	1% Increase in Discount Rate (4.51%)
CTCD’s proportionate Share of the net OPEB Liability:	\$92,994,036	\$77,903,520	\$66,214,566

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on the College’s proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (8.5%) in measuring the net OPEB Liability.

	1% Decrease in Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (8.5% decreasing to 4.5%)	1% Increase in Healthcare Cost Trend Rates (9.5% decreasing to 5.5%)
CTCD’s proportionate Share of the net OPEB Liability:	\$65,491,144	\$77,903,520	\$94,009,282

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2018, the College reported a liability of \$77,903,520 for its proportionate share of the ERS’s net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as it’s proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

Colleges Proportionate share of the collective net OPEB liability	\$ 77,903,520
State’s proportionate share that is associated with the College	<u>35,415,650</u>
Total	<u>\$ 113,319,170</u>

The net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At the measurement date of August 31, 2017, the employer’s proportion of the collective net OPEB liability was .22863702% which was the same proportion measured as of August 31, 2016.

For the year ended August 31, 2018 the College recognized OPEB expense of \$974,172 and revenue of \$974,172 for support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study;
- The percentage of current and future retirees and retiree’s spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experiences and expected trends;
- Assumptions for administrative expenses, assumed per Capita Health Benefit Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience;
- Effects in short-term expectations and revised assumed rate of general inflation.

Changes of Benefit terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- An Increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- An elimination of the copayment for virtual visits;
- A copay reduction for in-network services and application of copayment rather than coinsurance to certain services like primary care and specialist visits.

These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capital Health Benefit Costs.

At August 31, 2018 the College reported its proportionate share of the ERS plan’s collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience		\$936,151
Changes in actuarial assumptions		\$16,288,691
Difference between projected and actual investment earnings	\$23,065	
Contributions paid to ERS subsequent to the measurement date	\$2,154,259	
Total	\$2,177,324	\$17,224,842

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year ended August 31:	OPEB Expense Amount
2019	\$(3,873,703)
2020	\$(3,873,703)
2021	\$(3,873,703)
2022	\$(3,873,703)
2023	\$(1,706,965)
Thereafter	0

19. Pending Lawsuits and Claims

On August 31, 2018, 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.

20. Disaggregation of Receivables, Payables and Other Operating Revenues Balances

Receivables

Receivables at August 31, 2018 and August 31, 2017 were as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Student Receivables	\$ 10,768,383	\$ 9,391,074
Taxes Receivable	351,363	329,585
Federal Receivables	5,601,796	7,504,698
Accounts Receivable	1,026,990	943,070
Interest Receivable	<u>1,116,446</u>	<u>1,211,509</u>
Subtotal	<u>18,864,978</u>	<u>19,379,936</u>
Allowance for Doubtful Accounts	<u>(5,527,531)</u>	<u>(6,461,238)</u>
TOTAL RECEIVABLES	\$ <u>13,337,447</u>	\$ <u>12,918,698</u>

Payables

Payables at August 31, 2018 and August 31, 2017, were as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Vendors Payable	\$ 10,474,227	\$ 5,519,372
Salaries & Benefits Payable	<u>16,010,974</u>	<u>16,453,212</u>
TOTAL PAYABLES	\$ <u>26,485,201</u>	\$ <u>21,972,584</u>

21. Funds Held in Trust by Others

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

22. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99). 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 2018 and 2017 for which monies have not been received nor funds expended total \$21,027,912 and \$23,092,820. Of these amounts, \$20,399,134 and \$22,501,055 were from Federal Contract and Grant Awards, and \$628,778 and \$591,765 were from State Contract and Grant Awards.

23. 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.

24. 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 2018</u>	<u>Fiscal Year 2017</u>
Assessed Valuation of the District:	\$11,631,382,318	\$10,773,730,414
Less: Exemptions	<u>(1,914,831,145)</u>	<u>(1,606,849,814)</u>
Net Assessed Valuation of the District	\$9,716,551,173	\$9,166,880,600

	FY 2018			FY 2017		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 valuation (Maximum per enabling legislation)	.25	.25	.50	.25	.25	.50
Assessed Tax Rate per \$100 valuation	.1399	-0-	.1399	.1366	-0-	.1366

Taxes levied for the year ended August 31, 2018 and 2017 are \$13,593,455 and \$12,521,959 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.

Taxes Collected	FY 2018			FY 2017		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$13,365,497		\$13,365,497	\$12,347,088		\$12,347,088
Delinquent Taxes Collected	74,894		74,894	76,902		76,902
Penalties and Interest Collected	78,612		78,612	72,903		72,903
Total Gross Collections	13,519,003		13,519,003	12,496,893		12,496,893
Tax Appraisal & Collection Fees	(187,527)		(187,527)	(197,357)		(197,357)
Bad Debt Expense						
Total Net Collections	\$13,331,476		\$13,331,476	\$12,299,536		\$12,299,536

Tax collections for the year ended August 31, 2018 and 2017 were 98.3% and 98.6%, 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.

The District participates in a tax increment financing district (TIF). The following table summarizes the obligations of the District's involvement in the TIF.

	Percentage of Incremental Tax Committed	Taxes Forgone in 2017	Taxes Forgone in 2016
Killeen Tax Increment Reinvestment Zone number Two	100%	\$21,473	\$12,144

25. Tax Abatements

None

26. Branch Campus Maintenance Tax

N/A

27. 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, 2018 and 2017.

28. 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 or held by 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.

29. 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, 2018. The Employee's Pension Plan and Trust serves as fiduciary for the CTCD's defined contribution pension programs. The members of Trust are employees of the District who do not receive any additional compensation or incur any expenses.

30. Subsequent Events

None.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES (RSI)**

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Four Fiscal Years**

Fiscal year ending August 31,*	2018**	2017**	2016**	2015**
CTCD's proportion of collective net pension liability	0.052726%	0.058171%	0.063147%	0.071666%
CTCD's proportionate share of collective net pension liability	\$ 16,859,073	21,981,885	22,321,695	19,142,979
State's proportionate share of net pension liability associated with CTCD	7,306,922	8,670,256	8,786,179	6,961,584
Total	24,165,995	30,652,141	31,107,874	26,104,563
CTCD's covered payroll	\$ 36,392,653	37,349,400	38,257,762	36,315,879
CTCD's proportionate share of collective net pension liability as a percentage of covered payroll	46.33%	58.85%	58.35%	52.71%
Plan Fiduciary net position as a percentage of total pension liability	82.17%	78.00%	78.43%	83.25%

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

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

**CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
Last Four Fiscal Years**

Fiscal year ending August 31,*	2018**	2017**	2016**	2015**
Legally required contributions	\$ 768,690	961,748	1,098,769	1,137,973
Actual contributions	<u>768,690</u>	<u>961,748</u>	<u>1,098,769</u>	<u>1,137,973</u>
Contributions deficiency				
CTCD's covered employee payroll amount	\$ 33,120,338	36,392,653	37,739,400	38,257,762
Contributions as a percentage of covered payroll	2.32%	2.64%	2.91%	2.97%

* The amounts presented above are as of the District's most recent fiscal year.

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

**CENTRAL TEXAS COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR
PENSIONS
Year Ended August 31, 2018**

1. Changes of Benefit Terms:

There were no changes of benefit terms for the year ended August 31, 2018.

2. Changes of Assumptions

There were no changes of assumptions for the year ended August 31, 2018.

CENTRAL TEXAS COLLEGE DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
 For the Year Ended August 31, 2018

Fiscal year ending August 31,*	2018**
CTCD's proportion of collective net OPEB liability	0.228637%
CTCD's proportionate share of collective net OPEB liability	\$ 77,903,520
State's proportionate share of net OPEB liability associated with CTCD	35,415,650
Total	113,319,170
CTCD's covered payroll	\$ 42,667,055
CTCD's proportionate share of collective net pension liability as a percentage of covered payroll	182.58%
Plan Fiduciary net position as a percentage of total pension liability	2.00%

* The amounts presented above are as of the measurement date of the collective net OPEB liability.

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

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OPEB
For the Year Ended August 31, 2018

Fiscal year ending August 31,*		2018**
Legally required contributions	\$	2,154,259
Actual contributions		<u>2,154,259</u>
Contributions deficiency		
CTCD's covered employee payroll amount	\$	38,983,872
Contributions as a percentage of covered payroll		5.53%

* The amounts presented above are of the District's most recent fiscal year end.

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

CENTRAL TEXAS COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR
OPEB
Year Ended August 31, 2018

Changes in Benefit Terms

Under Q/A #4.107 of GASB's *Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2017, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- Elimination of the copayment for virtual visits;
- A reduction in the copayment for Airrosti; and
- For out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for the FY 2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Changes in Assumptions

Demographic Assumptions

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age differences for future retirees and their spouses for selected classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees covering dependent children.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

Economic Assumptions

The assumed rate of general inflation has been updated since the previous valuation to remain consistent with the ERS retirement plan assumption previously adopted by the ERS Trustees.

Assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost, Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health

plan experiences and its effects on our short-term expectations and the revised assumed rate of general inflation.

The discount rate was lowered as a result of requirements by GASB no. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher.

Minor benefit changes have been reflected in the FY 2018 Assumed Per Capita Health Benefit Costs.

SUPPLEMENTAL SCHEDULES

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF OPERATING REVENUES

For the Year Ended August 31, 2018 (With Memorandum Totals for the Year Ended August 31, 2017)

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL EDUCATIONAL ACTIVITIES</u>	<u>AUXILIARY ENTERPRISES</u>	<u>FY 2018 TOTAL</u>	<u>FY 2017 TOTAL</u>
Tuition						
State Funded Courses :						
In-District Resident Tuition	\$ 11,779,942	\$	\$ 11,779,942	\$	\$ 11,779,942	\$ 10,364,357
Out-of-District Tuition	4,049,355		4,049,355		4,049,355	3,701,556
Non-resident Tuition	20,983,021		20,983,021		20,983,021	22,949,648
TPEG (set aside) *	1,121,929		1,121,929		1,121,929	1,264,664
Continuing Education	29,619		29,619		29,619	30,563
Non-State Funded :						
Continuing Education	18,255		18,255		18,255	12,902
C & I and API Operations	6,014,719		6,014,719		6,014,719	7,624,941
Total Tuition	<u>43,996,840</u>		<u>43,996,840</u>		<u>43,996,840</u>	<u>45,948,631</u>
Fees						
Other Fees	1,348,157		1,348,157		1,348,157	1,078,590
Total Fees	<u>1,348,157</u>		<u>1,348,157</u>		<u>1,348,157</u>	<u>1,078,590</u>
Allowances and Discounts						
Remissions and Exemptions-State	(1,216,106)		(1,216,106)		(1,216,106)	(1,071,397)
Title IV Federal Grants	(6,766,652)		(6,766,652)		(6,766,652)	(6,196,554)
TPEG awards	(219,805)		(219,805)		(219,805)	(177,138)
Other State Grants	(12,424)		(12,424)		(12,424)	(3,833)
Total Allowances and Discounts	<u>(8,214,987)</u>		<u>(8,214,987)</u>		<u>(8,214,987)</u>	<u>(7,448,922)</u>
Total Net Tuition and Fees	<u>37,130,010</u>		<u>37,130,010</u>		<u>37,130,010</u>	<u>39,578,299</u>
Additional Operating Revenues						
Federal Grants and Contracts	14,838,380	888,538	15,726,918		15,726,918	13,433,182
State Grants and Contracts	211,507	912,844	1,124,351		1,124,351	1,146,121
Nongovernmental grants and contracts	545,232	408,354	953,586		953,586	733,419
Sales and services of educational activities						143,884
General operating revenues	1,026,105		1,026,105		1,026,105	1,188,397
Total Additional Operating Revenue	<u>16,621,224</u>	<u>2,209,736</u>	<u>18,830,960</u>		<u>18,830,960</u>	<u>16,645,003</u>
Auxiliary Enterprises						
Bookstore				6,052,443	6,052,443	7,619,781
Less Discounts				(1,419,946)	(1,419,946)	(1,784,339)
Student Housing				488,890	488,890	422,196
Less Discounts				(83,356)	(83,356)	(50,440)
Planetarium				87,989	87,989	126,399
Total Net Auxiliary Enterprises				<u>5,126,020</u>	<u>5,126,020</u>	<u>6,333,597</u>
Total Operating Revenues	<u>\$ 53,751,234</u>	<u>\$ 2,209,736</u>	<u>\$ 55,960,970</u>	<u>\$ 5,126,020</u>	<u>\$ 61,086,990</u>	<u>\$ 62,556,899</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$1,121,929 and \$1,264,664 for years August 31, 2018 and 2017, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

CENTRAL TEXAS COLLEGE DISTRICT
 SCHEDULE OF OPERATING EXPENSES BY OBJECT
 Year Ended August 31, 2018 (with Memorandum Totals for the Year Ended August 31, 2017)

Schedule B

	Operating Expenses			Fiscal Year 2018	Fiscal Year 2017	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 24,658,657	\$ 3,080,615	\$ 8,070,703	\$ 35,809,975	\$ 35,480,457	
Public Service	493,981	171,439	1,054,673	1,720,093	1,454,145	
Academic Support	4,577,325	985,018	1,188,320	6,750,663	7,968,593	
Student Services	5,810,349	1,011,505	908,625	7,730,479	9,091,086	
Institutional Support	7,719,130	3,541,915	7,075,921	18,336,966	20,228,563	
Operation and Maintenance of Plant	2,230,700	895,821	3,772,375	6,898,896	7,516,481	
Total Unrestricted Educational Activities	<u>45,490,142</u>	<u>9,686,313</u>	<u>22,070,617</u>	<u>77,247,072</u>	<u>81,739,325</u>	
Restricted-Educational Activities						
Instruction	406,960	1,750,700	117,731	2,462,115	2,306,522	
Public Service						
Academic Support		318,309		318,309	315,905	
Student Services	97,377	795,772	29,258	1,118,137	923,460	
Institutional Support		2,440,368		2,440,368	1,985,692	
Operation and Maintenance of Plant						
Scholarships and Fellowships	143,389		1,165	22,014,966	22,028,165	
Total Restricted Educational Activities	<u>647,726</u>	<u>5,305,149</u>	<u>148,154</u>	<u>28,353,895</u>	<u>27,559,744</u>	
Total Educational Activities	<u>46,137,868</u>	<u>5,305,149</u>	<u>9,834,467</u>	<u>105,600,967</u>	<u>109,299,069</u>	
Auxiliary Enterprises	450,550		137,172	4,757,583	5,753,006	
Depreciation Expense-Buildings and other real estate improvements			2,677,467	2,677,467	2,631,096	
Depreciation Expense-Equipment and furniture			1,142,597	1,142,597	1,089,004	
Total Operating Expenses	<u>\$ 46,588,418</u>	<u>\$ 5,305,149</u>	<u>\$ 9,971,639</u>	<u>\$ 114,178,614</u>	<u>\$ 118,772,175</u>	
				(Exhibit 2)	(Exhibit 2)	

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
Year Ended August 31, 2018 (with Memorandum Totals for the Year Ended August 31, 2017)

Schedule C

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>FY 2018 Total</u>	<u>FY 2017 Total</u>
NON-OPERATING REVENUES					
State Appropriations					
Education and general state support	\$ 16,681,292	\$	\$	\$ 16,681,292	\$ 18,530,300
Dramatic enrollment growth					
State group insurance		2,831,728		2,831,728	2,697,934
State retirement matching		2,473,421		2,473,421	1,815,000
Hazlewood Legacy		31,898		31,898	38,685
Total state appropriations	<u>16,681,292</u>	<u>5,337,047</u>	<u></u>	<u>22,018,339</u>	<u>23,081,919</u>
Maintenance ad valorem taxes	13,331,476			13,331,476	12,299,536
Federal revenue, non operating		19,341,915		19,341,915	20,206,722
Gain on disposal of capital assets	7,100			7,100	148,370
Investment income	1,456,746			1,456,746	1,270,738
Other					
Total non-operating revenues	31,476,614	24,678,962		56,155,576	57,007,285
NON-OPERATING EXPENSES					
Loss on disposal of capital assets	41,424			41,424	6,656
Other					
Total non-operating expenses	41,424			41,424	6,656
Net non-operating revenues	\$ <u>31,435,190</u>	\$ <u>24,678,962</u>	\$ <u></u>	\$ <u>56,114,152</u>	\$ <u>57,000,629</u>
				(Exhibit 2)	(Exhibit 2)

CENTRAL TEXAS COLLEGE DISTRICT
 SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
 Year Ended August 31, 2018 (with Memorandum Totals for the Year Ended August 31, 2017)

Schedule D

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ (67,482,522)	\$	\$	\$ (67,482,522)	\$ (67,482,522)	\$	
Board Designated	51,355,703			51,355,703	51,355,703		
Restricted		1,432,833		1,432,833	1,432,833		
Plant							
Investment in Plant				132,144,962	132,144,962		132,144,962
Total Net Position, August 31, 2018	(16,126,819)	1,432,833		132,144,962	117,450,976 (Exhibit 1)	(14,693,986)	132,144,962
Total Net Position, August 31, 2017 as restated	(4,304,791)	1,326,859		117,406,380	114,428,448 (Exhibit 2)	(2,977,932)	117,406,380
Net Increase (Decrease) in Net Position	\$ (11,822,028)	\$ 105,974	\$	\$ 14,738,582	\$ 3,022,528 (Exhibit 2)	\$ (11,716,054)	\$ 14,738,582

CENTRAL TEXAS COLLEGE DISTRICT

Schedule E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2018

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			
Supplemental Educational Opportunity Grant Program	84.007		152,861
Federal College Work-study Program	84.033		73,277
Federal Pell Grant Program	84.063		19,131,365
Direct Loans	84.268		5,110,317
Subtotal Student Financial Aid Cluster			<u>24,467,820</u>
Pass-Through From:			
Texas Workforce Commission			
Adult Education	84.002A	2616AEL003	41,893
Adult Education	84.002A	2616AELB03	121,389
Adult Education	84.002A	2618ALA000	41,118
Temple College			
Adult Education Correctional	84.002A	2616AEL004	41,705
Adult Education	84.002A	2616AELB04	70,097
Adult Education	84.002A	2618ALA001	9,076
Subtotal CFDA			<u>325,278</u>
Texas Higher Education Coordinating Board:			
Carl D. Perkins Funds-Basic	84.048	19238	439,493
Total U.S. Department of Education			<u>25,232,591</u>
U.S. DEPARTMENT OF LABOR:			
Pass-Through From:			
Texas Workforce Commission			
WIA Dislocated Worker Formula	17.278	2916WOS002	246,390
Total U.S. Department of Labor			<u>246,390</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-Through From:			
Texas Workforce Commission			
Temporary Assistance to Needy Families	93.558	2616AEL003	4,466
Temporary Assistance to Needy Families	93.559	2616AELB03	47,108
Temporary Assistance to Needy Families	93.558	2618ALA000	4,039
Temple College			
Temporary Assistance to Needy Families	93.558	2616AEL004	60,638
Temporary Assistance to Needy Families	93.558	2618ALA001	7,762
Total U. S. Department of Health and Human Services			<u>124,013</u>
Total Federal Financial Assistance			<u>\$ 25,602,994</u>

Notes to Schedule on Following Page

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE E (Continued)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2018

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts revenue-per Schedule A	\$	15,726,918
Add Non Operating Federal Revenue from Schedule C		19,341,915
Less Expenditures Not Subject to Federal Single Audit		(9,465,839)
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$	<u>25,602,994</u>

Note 2: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds 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 of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The college has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the college has agency approved Indirect Recovery Rate it has elected not to use the 10 percent de minimis cost rate as permitted in the UG, section 200.414.

Note 3: Expenditures not subject to federal single audit.

CTCD receives amounts under contractual agreements with various U.S. military and other organizations for training programs and other services provided that are not subject to The Uniform Guidance audits and therefore are not included in the above Federal schedule.

Note 4: Student Loans Processed and Administrative Costs Recovered

None

Note 5: Nonmonetary federal assistance received

None

Note 6: Amounts passed through by the College

None

CENTRAL TEXAS COLLEGE DISTRICT

Schedule F

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2018

Grantor Agency Program Title	Grant Contract Number	Expenditures
Texas Workforce Commission		
Adult Education		
Basic Program	2616AEL003	10,746
Basic Program	2616AELB03	19,791
Basic Program	2618ALA000	2,768
Skills for Transition	2617SDF000	143,656
Skills for Small Business	2616SSD001	9
Temple College		
Adult Education		
Basic Program	2616AEL004	6,503
Basic Program	2618ALA001	1,177
Texas Higher Education Coordinating Board		
College Work-Study Program		31,179
Texas Grant Program		663
Texas Equal Opportunity Grant		656,401
Work-Study Student Mentorship Program	18869	7,917
Texas Science Technology, Engineering and Math Challenge Scholarship	16896	73,463
Total State Financial Assistance		\$ 954,273

Note 1: State Assistance Reconciliation

State Revenues - State Financial Assistance Per Schedule of expenditures of state awards	\$ 954,273
State Financial Assistance Tuition and fees	170,078
Total State Revenues per Schedule A	<u>\$ 1,124,351</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the Central Texas College's significant accounting policies. These expenditures are reported on Central Texas College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

**AUDITORS' REPORTS ON
CONTROL AND COMPLIANCE**



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Central Texas College District
Killeen, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Texas College District (The "District"), as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

**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* (CONTINUED)**

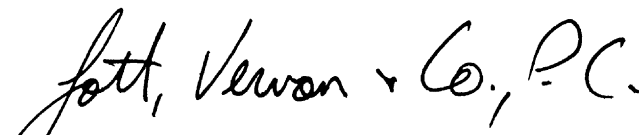
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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* or the Public Funds Investment Act (Chapter 2256, Texas Government Code).

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Temple, Texas
December 14, 2018



LOTT, VERNON & COMPANY, P.C.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Trustees
Central Texas College District
Killeen, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Central Texas College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and The State of Texas Single Audit Circular that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2018. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR (CONTINUED)**

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

Opinion on Each Major Federal and State Program

In our opinion, Central Texas 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 and state programs for the year ended August 31, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with The State of Texas Single Audit Circular and which is described in the accompanying schedule of findings and questioned costs as item 2018-1. Our opinion on each major federal and state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

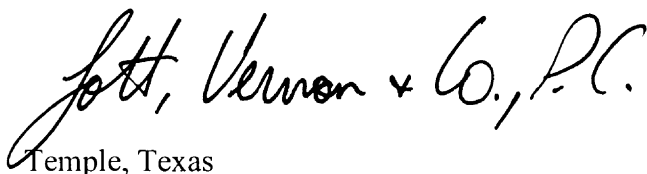
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR (CONTINUED)**

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 and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Temple, Texas
December 14, 2018

CENTRAL TEXAS COLLEGE DISTRICT

**Schedule of Findings and Questioned Costs
August 31, 2018**

I. Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting:
Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal and State Awards

- | | |
|--|-------------------------|
| 4. Internal control over major programs:
Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 200.516a of the Uniform Guidance or the State of Texas Single Audit Circular and Uniform Grant Management Standards? | No-Federal, Yes - State |
| 7. Identification of major programs: | |

Federal Programs

- Student Financial Assistance Cluster:
- Federal Supplemental Educational Opportunity Grants 84.007
 - Federal Work-study Program 84.033
 - Federal Pell Grant Program 84.063
 - Federal Direct Student Loans 84.268

State Programs

- Texas Workforce Commission: Skills for Transition
- THECB: Texas Science, Technology, Engineering and Math Challenge Scholarship (TSTEM)

- Career and Technical Education –
Basic Grants to States 84.048

CENTRAL TEXAS COLLEGE DISTRICT

Schedule of Findings and Questioned Costs (Continued)

August 31, 2018

8. Dollar threshold used to distinguish between type A and type B federal programs:	\$768,090
Dollar threshold considered between Type A and Type B state programs:	\$300,000
9. Auditee qualified as low-risk auditee for federal single audit?	Yes
Auditee qualified as a low-risk auditee for state single audit?	Yes

II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

CENTRAL TEXAS COLLEGE DISTRICT

Schedule of Findings and Questioned Costs (Continued)

August 31, 2018

- III. Findings and Questioned Costs for Federal and State Awards
2018-1 State - THECB: Texas Science, Technology, Engineering and Math Challenge
Scholarship (TSTEM), Grant Number 16896

Criteria: According to the TSTEM Grant, the following are required:

12.1 INITIAL SCHOLARSHIP RECIPIENT

T-STEM scholarships are merit scholarships, based on past and continued student performance in specific instructional programs. To receive an initial (first-year) T-STEM scholarship, a student must meet the following criteria:

- a. Graduate from high school with at least a 3.0 GPA on a four-point scale* in mathematics and sciences courses (a statutory requirement that applies regardless of a student's more recent academic record or work experience);
- b. Enroll at the applicant institution and self-declare a major in a T-STEM Instructional Program (Section 4.1);
- c. Limit the number of hours worked in an internship or employment with a T-STEM business/industry partner to no more than an average of 15 hours per week during the semester; and
- d. If male, have a statement on file with the applicant institution indicating that the student is registered with the Selective Service System as required by federal law or is exempted from Selective Service registration under federal law.

12.2 CONTINUING SCHOLARSHIP RECIPIENT

To receive a continuing (second-year) scholarship after receiving an initial (first-year) scholarship, a student must meet the following criteria:

- a. Remain enrolled in a T-STEM instructional program at the Awarded Applicant's institution;
- b. Maintain an overall GPA of at least 3.0 on a four-point scale;
- c. Complete at least 80 percent of all semester credit hours attempted during each semester of the prior academic year;
- d. Complete at least 30 semester credit hours during the first academic year (fall, spring, and summer semesters or equivalent), as calculated in keeping with institutional policies;

Condition:

For 10 of the 11 *initial* scholarship students reviewed, the student's total high school grade point average (GPA) that the student wrote on their application was used for the application for eligibility for TSTEM. The science and math GPA were not split out, and the GPA was not verified to a high school transcript at the time of approval.

CENTRAL TEXAS COLLEGE DISTRICT

Schedule of Findings and Questioned Costs (Continued)

August 31, 2018

For the other 1 student out of 11 *initial* students reviewed, that student's high school GPA or transcript was not obtained at all. This student was not a freshman at CTCD (i.e. had already been attending CTCD), so the school just used the student's prior year CTCD cumulative GPA and not their high school math and science GPA as per the grant instructions.

The student's applications were missing for 4 of the 11 initial student applications tested.

For the one *continuing* student reviewed, that student did not obtain the 30 hours required in the first academic year or previous year at CTCD in order to qualify for continuing TSTEM. Also, that student had a 2.974 cumulative GPA at the end of the previous semester; therefore, that student did not qualify under the GPA requirements.

Cause:

The Student's High School transcripts were not reviewed for Math and Science GPA. Some of the student's applications were not kept on file for review. The continuing student was not reviewed properly to ensure that student qualified under the continuing portion of the grant.

Effect:

Possible incorrect awarding of TSTEM.

Recommendation:

Ensure that applications and transcripts are reviewed properly and that continuing students properly qualify under the grant. Applications and transcripts should be kept on file.

CENTRAL TEXAS COLLEGE DISTRICT

**Schedule of Corrective Action for Audit Finding and Questioned Costs
August 31, 2018**

2018-1 State - THECB: Texas Science, Technology, Engineering and Math Challenge
Scholarship (TSTEM), Grant Number 16896

District Response:

We agree with the recommendation and will ensure all grant requirements are complied with and evidence thereof is kept in each students file.

Responsible Official to Implement Corrective Actions:

Associate Dean of Financial Aid Services

**ADDITIONAL INFORMATION
(UNAUDITED)**

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE G
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (UNAUDITED)
For the Period Ended August 31, 2018

	TEXAS CAMPUSES	AMERICAN PREPARATORY & INSTITUTE	CONTINENTAL INTERNATIONAL CAMPUSES	TOTAL
REVENUES				
Operating Revenues				
Tuition and Fees	\$ 31,103,581	8,788	6,017,641	37,130,010
Federal Grants and Contracts	3,557,379		12,169,539	15,726,918
State Grants and Contracts	1,124,351			1,124,351
Non-Governmental and Contracts	953,586			953,586
Sales and Services of Educational Activities				
Sales & Services of Auxiliary Enterprises	4,953,158		172,862	5,126,020
Miscellaneous Income	985,840	431	39,834	1,026,105
Total Operating Revenues	42,677,895	9,219	18,399,876	61,086,990
EXPENSES				
Operating Expenses				
Instruction	27,254,660	9,439	11,007,991	38,272,090
Public Services	1,720,093			1,720,093
Academic Support	3,604,767	890	3,463,315	7,068,972
Student Services	7,339,725		1,508,891	8,848,616
Institutional Support	20,405,057	25,932	346,345	20,777,334
Operation and Maintenance of Plant	6,611,475		287,421	6,898,896
Scholarships and Fellowships	21,750,760		264,206	22,014,966
Auxiliary Enterprises	4,454,319		303,264	4,757,583
Depreciation	3,812,576		7,488	3,820,064
Total Operating Expenses	96,953,432	36,261	17,188,921	114,178,614
Operating Income(Loss)	(54,275,537)	(27,042)	1,210,955	(53,091,624)
Non-Operating Revenues (Expenses)				
State Appropriations-General Revenue	22,018,339			22,018,339
Taxes for Maintenance and Operations	13,331,476			13,331,476
Federal Revenue, Non Operating	19,341,915			19,341,915
Investment Income	1,456,746			1,456,746
Other Non-Operating	(27,324)		(7,000)	(34,324)
Net Non-Operating Revenue	56,121,152		(7,000)	56,114,152
Other Revenues, Expenses, Gains (Losses)				
Allocation of Distance Learning	(1,929,525)		1,929,525	
Allocation of Systems	4,215,828	(2,043)	(4,213,785)	
Increase (Decrease) in Net Position	\$ 4,131,918	(29,085)	(1,080,305)	3,022,528

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE G-1
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
TEXAS CAMPUSES (UNAUDITED)
For the Period Ended August 31, 2018

	CENTRAL	FT. HOOD/SAC	DISTED	SYSTEMS	KNCT	AUXILIARY	TOTAL
REVENUES							
Operating Revenues							
Tuition and Fees	\$ 10,884,327	2,120,158	18,095,012	2,509		1,575	31,103,581
Federal Grants and Contracts	687,002	2,474,476			395,901		3,557,379
State Grants and Contracts	1,078,301	46,050					1,124,351
Non-Governmental and Contracts	670,174	23,738				259,674	953,586
Sales & Services of Auxiliary Enterprises		40,360				4,912,798	4,953,158
Miscellaneous Income	43,407	8,611		223,395	708,530	1,897	985,840
Total Operating Revenues	13,363,211	4,673,033	18,135,372	225,904	1,104,431	5,175,944	42,677,895
EXPENSES							
Operating Expenses							
Instruction	17,337,886	3,923,124	5,993,650				27,254,660
Public Services					1,720,093		1,720,093
Academic Support	1,547,703	955,932	417,811	683,321			3,604,767
Student Services	2,468,667	555,125	1,212,303	3,103,630			7,339,725
Institutional Support	5,131,998	312,482	2,692,021	12,182,373		86,183	20,405,057
Operation and Maintenance of Plant	6,515,730	95,745					6,611,475
Scholarships and Fellowships	21,718,662	32,098				4,454,319	21,750,760
Auxiliary Enterprises						539,774	4,454,319
Depreciation	2,353,322	136,924		610,932	171,624		3,812,576
Total Operating Expenses	57,073,968	6,011,430	10,315,785	16,580,256	1,891,717	5,080,276	96,953,432
Operating Income(Loss)	(43,710,757)	(1,338,397)	7,819,587	(16,354,352)	(787,286)	95,668	(54,275,537)
Non-Operating Revenues (Expenses)							
State Appropriations-General Revenue	15,083,182	4,165,031	482,791	2,287,335			22,018,339
Taxes for Maintenance and Operations	13,331,476						13,331,476
Federal Revenue, Non Operating	19,341,915						19,341,915
Investment Income	29			1,456,717			1,456,746
Other Non-Operating	(5,654)			(21,670)			(27,324)
Net Non-Operating Revenue	47,750,948	4,165,031	482,791	3,722,382			56,121,152
Other Revenues, Expenses, Gains (Losses)							
Allocation of Distance Education	3,174,379	1,120,369	(6,224,273)				(1,929,525)
Allocation of Systems	(4,706,423)	(1,117,997)	(2,078,105)	12,686,928	(305,643)	(262,932)	4,215,828
Increase (Decrease) in Net Position	2,508,147	2,829,006	(1,092,929)	54,958	(1,092,929)	(167,264)	4,131,918

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE G-2
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
CONTINENTAL & INTERNATIONAL CAMPUSES (UNAUDITED)
For the Period Ended August 31, 2018

	EUROPE CAMPUS	PACIFIC FAR EAST CAMPUS	CONTINENTAL CAMPUS	NAVY CAMPUS	TOTAL CONTINENTAL & INTERNATIONAL
REVENUES					
Operating Revenues					
Tuition and Fees	\$ 1,534,838	(1,461)	4,090,276	393,988	6,017,641
Federal Grants and Contracts	3,213,371			8,956,168	12,169,539
Sales & Services of Auxiliary Enterprises	8,860	1,452	12,725	149,825	172,862
Miscellaneous Income	3,584	2,113	33,903	234	39,834
Total Operating Revenues	4,760,653	2,104	4,136,904	9,500,215	18,399,876
EXPENSES					
Operating Expenses					
Instruction	3,211,789		1,446,926	6,349,276	11,007,991
Academic Support	671,022		2,029,167	763,126	3,463,315
Student Services	950,201		443,572	115,118	1,508,891
Institutional Support	128,891	206	58,364	158,884	346,345
Operation and Maintenance of Plant	222,184		13,802	51,435	287,421
Scholarships and Fellowships	67,323		179,585	17,298	264,206
Auxiliary Enterprises	91,088		31,838	180,338	303,264
Depreciation	3,424		1,411	2,653	7,488
Total Operating Expenses	5,345,922	206	4,204,665	7,638,128	17,188,921
Operating Income(Loss)	(585,269)	1,898	(67,761)	1,862,087	1,210,955
Non-Operating Revenues (Expenses)					
Investment Income					
Other Non-Operating		(7,000)			(7,000)
Net Non-Operating Revenue		(7,000)			(7,000)
Other Revenues, Expenses, Gains (Losses)					
Allocation of Distance Education	560,185		1,307,097	62,243	1,929,525
Allocation of Systems	(1,436,361)		(1,685,012)	(1,092,412)	(4,213,785)
Increase (Decrease) in Net Position	(1,461,445)	(5,102)	(445,676)	831,918	(1,080,305)