



FOR STUDENTS OF THE
REAL WORLD

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING
AUGUST 31, 2023

CENTRAL TEXAS COLLEGE DISTRICT
ANNUAL FINANCIAL REPORT
August 31, 2023

CENTRAL TEXAS COLLEGE DISTRICT
Table of Contents
August 31, 2023

| | | |
|--|--|----|
| 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 | 11 |
| 1-A | Statement of Financial Position (discretely presented component unit) | 12 |
| 2 | Statements of Revenues, Expenses and Changes in Net Position | 13 |
| 2-A-1 | Statement of Activities (discretely presented component unit) | 14 |
| 2-A-2 | Statement of Activities (discretely presented component unit) | 15 |
| 3 | Statements of Cash Flows | 16 |
| | Notes to the Basic Financial Statements | 17 |
| Required Supplementary Information (RSI) Schedules | | |
| | Schedule Of District's Proportionate Share Of Net Pension Liability | 43 |
| | Schedule Of District's Contributions For Pensions | 43 |
| | Notes To The Required Supplementary Information Schedules for Pensions | 44 |
| | Schedule Of District's Proportionate Share Of Net OPEB Liability | 45 |
| | Schedule Of District's Contributions For OPEB | 45 |
| | Notes To The Required Supplementary Information Schedules for OPEB | 46 |
| Supplemental Schedules | | |
| Schedules | | |
| A | Schedule of Operating Revenues | 48 |
| B | Schedule of Operating Expenses by Object | 49 |
| C | Schedule of Non-Operating Revenues and Expenses | 50 |
| D | Schedule of Net Position by Source and Availability | 51 |
| E | Schedule of Expenditures of Federal Awards | 52 |
| F | Schedule of Expenditures of State Awards | 54 |

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 Government Auditing Standards | 56 |
| 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 | 58 |
| Schedule of Findings and Questioned Costs | 61 |

Additional Information (Unaudited)

Schedules

| | | |
|-----|---|-----------|
| G | Consolidating Statement of Revenues, Expenses and Changes in Net Position(Unaudited) | 63 |
| G-1 | Consolidating Statement of Revenues, Expenses and Changes in Net Position Texas Campuses(Unaudited) | 64 |
| G-2 | Consolidating Statement of Revenues, Expenses and Changes in Net Position Continental and International Campuses(Unaudited) | 65 |

**Central Texas College District
Organizational Data
August 31, 2023**

Board of Trustees

| <u>Members</u> | <u>City</u> | <u>Term Expires</u> |
|--|--------------------|---------------------|
| Jimmy Towers, Chair | Killeen, TX | May, 2025 |
| SFC (Ret) James A Pierce, Jr, Vice Chair | Copperas Cove, TX | May, 2025 |
| Bill Beebe, Treasurer | Harker Heights, TX | May, 2027 |
| Brenda Coley, Secretary | Belton, TX | May, 2027 |
| Ernest Wilkerson, Member | Killeen, TX | May, 2029 |
| Charles Hollinger, Member | Killeen, TX | May, 2025 |
| BG (Ret) Rex Weaver, Member | Killeen, TX | May, 2029 |

Key Officers

| | |
|-----------------------|--|
| Jim Yeonopolus | Chancellor |
| Michele Carter, Ed.D. | Deputy Chancellor, Finance & Administration |
| Tina Ady, Ph.D. | Deputy Chancellor, Instruction & Workforce Initiatives |
| Robin Garrett, Ph.D. | Deputy Chancellor, Academic & Student Success |
| Bob Liberty | Associate Deputy Chancellor, Financial Management |



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

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Central Texas College District
Killeen, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows of Central Texas College District, as of and for the year ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Central Texas College District's basic financial statements as listed in the table of contents.

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, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Central Texas College District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 9 to the financial statements, in fiscal year ending August 31, 2023, the College adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Texas College District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Central Texas College District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Central Texas College District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, Notes to the Required Supplementary Information Schedules for Pensions, the Schedule of District's Proportionate Share of Net OPEB Liability, the Schedule of District's Contributions for OPEB, and Notes to the Required Supplementary Information Schedules for OPEB as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Texas College District's basic financial statements. The Supplemental Schedules (Schedules A-F), which include the Schedule of Expenditures of Federal Awards (Schedule E) and the Schedule of Expenditures of State Awards (Schedule F), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and The State of Texas Single Audit Circular, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, Supplemental Schedules (Schedules A-F), which include the Schedule of Expenditures of Federal Awards (Schedule E) and the Schedule of Expenditures of State Awards (Schedule F) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Organizational Data and the Additional Information (Unaudited) (Schedules G, G-1, and G-2) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of the Central Texas College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Central Texas College District's 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 Central Texas College District's internal control over financial reporting and compliance.



Temple, Texas
December 8, 2023

**Central Texas College District
Annual Financial Report
Management's Discussion and Analysis
For the Year Ended August 31, 2023**

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, 2023. 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.

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 and OPEB 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

Changes in Rights-to-use Assets are the result of implementing GASB 96.

The change in Lease Receivables and the liability is from adjusting the present value period to more closely align with GASB 87.

Operating Revenue is down as a result of declining enrollments.

Operating Expenses are also down as a result of declining enrollments, but include 2 stipends paid to employees during the year.

Federal Revenue-Non Operating is down because CARES funding has ended.

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) | | | |
|---|---------------|--------------|--------------|--------------|
| | 2023 | 2022 | % Change | 2021 |
| Current assets: | | | | |
| Cash and cash equivalents | \$63.2 | \$76.9 | -17.8% | \$93.1 |
| Short-term investments | 39.2 | 23.0 | 70.4% | 7.0 |
| Receivables | 11.5 | 14.4 | -20.1% | 29.3 |
| Inventory, prepaid expenses and other | 2.4 | 2.0 | 20.0% | 1.8 |
| Total current assets | 116.3 | 116.3 | 0.0% | 131.2 |
| Non-current assets: | | | | |
| Restricted Cash | 0.6 | 0.6 | 0.0% | 0.6 |
| Right-to-use Assets | 4.1 | 0.7 | 485.7% | 0.0 |
| Lease Receivable | 0.3 | 0.5 | -40.0% | 0.0 |
| Long-term investments | 11.8 | 24.7 | -52.2% | 16.3 |
| Notes Receivable | 0.1 | 0.1 | 0.0% | 0.1 |
| Capital assets, net of depreciation | 136.2 | 135.4 | 0.6% | 137.1 |
| Total non-current assets | 153.1 | 162.0 | -5.5% | 154.1 |
| Total assets | 269.4 | 278.3 | -3.2% | 285.3 |
| Deferred Outflows of Resources | | | | |
| Deferred Outflows Related to Pensions | 11.1 | 4.0 | 177.5% | 6.3 |
| Deferred Outflows Related to OPEB | 3.3 | 4.5 | -26.7% | 3.9 |
| Total Deferred Outflows of Resources | 14.4 | 8.5 | 69.4% | 10.2 |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 20.5 | 18.9 | 8.5% | 19.4 |
| Accrued absences | 0.4 | 0.4 | 0.0% | 0.4 |
| Unearned Revenues | 9.1 | 9.1 | 0.0% | 8.7 |
| Lease Liability | 0.1 | 0.3 | -66.7% | 0.0 |
| Software Liability | 1.4 | 0.0 | 100.0% | 0.0 |
| Net OPEB Liability | 1.1 | 1.1 | 0.0% | 1.8 |
| Total current liabilities | 32.6 | 29.8 | 9.4% | 30.3 |
| Non-current liabilities: | | | | |
| Accrued absences | 1.4 | 1.4 | 0.0% | 1.5 |
| Lease Liability | 0.7 | 0.4 | 75.0% | 0.0 |
| Software Liability | 1.8 | 0.0 | 100.0% | 0.0 |
| Net Pension liability | 18.0 | 8.3 | 116.9% | 20.5 |
| Net OPEB liability | 41.9 | 54.6 | -23.3% | 52.8 |
| Total non-current liabilities | 63.8 | 64.7 | -1.4% | 74.8 |
| Total liabilities | 96.4 | 94.5 | 2.0% | 105.1 |
| Deferred Inflows of Resources | | | | |
| Deferred Inflows Related to Leases | 0.3 | 0.5 | -40.0% | 0.0 |
| Deferred Inflows Related to Pensions | 11.3 | 15.2 | -25.7% | 8.4 |
| Deferred Inflows Related to OPEB | 24.2 | 20.7 | 16.9% | 28.0 |
| Total Deferred Inflows of Resources | 35.8 | 36.4 | -1.6% | 36.4 |

| | | | | |
|---|----------------|----------------|--------------|----------------|
| Net position | | | | |
| Invested in capital assets, net of related debt | 136.2 | 135.4 | 0.6% | 137.1 |
| Restricted | 1.7 | 1.8 | -5.6% | 1.6 |
| Unrestricted | 13.6 | 18.6 | -26.9% | 15.3 |
| Total net position | \$151.5 | \$155.8 | -2.8% | \$154.0 |

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.

| | (In Millions) | | | |
|--|---------------|---------------|----------------|----------------|
| | 2023 | 2022 | % Change | 2021 |
| Operating revenue: | | | | |
| Net tuition and fees | 18.7 | 26.7 | -30.0% | \$28.6 |
| Federal Funds | 4.3 | 4.4 | -2.3% | 5.1 |
| Grants and Contracts | 2.4 | 1.7 | 41.2% | 1.6 |
| Auxiliary Funds | 2.9 | 2.3 | 26.1% | 2.0 |
| Other | 1.0 | 2.3 | -56.5% | 22.1 |
| Total | 29.3 | 37.4 | -21.7% | 59.4 |
| Operating expenses | 83.2 | 91.2 | -8.8% | 111.3 |
| Net operating loss | (53.9) | (53.8) | 0.2% | (51.9) |
| Non-operating revenues (expenses) | | | | |
| State Appropriations | 18.4 | 17.8 | 3.4% | 21.3 |
| Local ad valorem taxes | 14.1 | 13.8 | 2.2% | 13.7 |
| Federal Revenue, Non Operating | 14.0 | 24.4 | -42.6% | 38.9 |
| Investment income | 3.1 | (0.4) | 875.0% | 0.8 |
| Total | 49.6 | 55.6 | -10.8% | 74.7 |
| Increase in net position | (4.3) | 1.8 | -338.9% | 22.8 |
| Net position - Beginning of year | 155.8 | 154.0 | 1.2% | 131.2 |
| Net position - End of year | 151.5 | 155.8 | -2.8% | \$154.0 |

Operating Expenses (by functional classification)

| | (In Millions) | | | |
|------------------------------------|---------------|---------------|--------------|----------------|
| | 2023 | 2022 | % Change | 2021 |
| Instruction | \$28.4 | \$28.3 | 0.4% | \$28.7 |
| Public service | 0.4 | 0.4 | 0.0% | 0.4 |
| Academic support | 5.5 | 5.5 | 0.0% | 5.4 |
| Student services | 7.8 | 7.9 | -1.3% | 7.5 |
| Institutional support | 9.9 | 9.1 | 8.8% | 32.1 |
| Operation and maintenance of plant | 7.7 | 8.0 | -3.8% | 8.9 |
| Scholarships and related expenses | 17.1 | 26.0 | -34.2% | 21.9 |
| Auxiliary activities | 2.7 | 2.4 | 12.5% | 2.8 |
| Depreciation | 3.7 | 3.6 | 2.8% | 3.6 |
| Total | \$83.2 | \$91.2 | -8.8% | \$111.3 |

Operating Expenses (by natural classification)

| | (In Millions) | | | |
|-----------------------------------|---------------|---------------|--------------|----------------|
| | 2023 | 2022 | % Change | 2021 |
| Salaries and wages | \$42.5 | \$40.7 | 4.4% | \$40.3 |
| State Benefits | 3.7 | 3.3 | 12.1% | 4.7 |
| Local Benefits | 9.9 | 10.7 | -7.5% | 9.5 |
| Scholarships and related expenses | 17.1 | 26.1 | -34.5% | 21.9 |
| Supplies and related expenses | 6.3 | 6.8 | -7.4% | 31.3 |
| Depreciation | 3.7 | 3.6 | 2.8% | 3.6 |
| Total | \$83.2 | \$91.2 | -8.8% | \$111.3 |

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) | | | |
|--|---------------|---------------|---------------|------------|
| | 2023 | 2022 | % Change | 2021 |
| Cash provided by (used in): | | | | |
| Operating activities | (53.9) | (44.8) | 20.3% | (69.7) |
| Non-capital financing activities | 45.0 | 55.2 | -18.5% | 72.3 |
| Capital and related financing activities | (4.6) | (1.9) | 142.1% | (0.7) |
| Investing activities | (0.3) | (24.7) | -98.8% | 2.1 |
| Net increase (decrease) in cash | (13.8) | (16.2) | -14.8% | 4.0 |
| Cash - beginning of year | 77.5 | 93.7 | -17.3% | 89.7 |
| Cash - end of year | 63.7 | 77.5 | -17.8% | 93.7 |

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 capital and related financing activities represents the cash paid to contractors during the year for construction projects and for the purchase of other capital assets.

The Way Ahead

Central Texas College's financial position remains healthy and reflects the dedication and hard work of our instructional, student support, and administrative services colleagues working together to effectively manage college resources, while remaining focused on our top priority – student success. However, the future presents several challenges to maintaining a balanced budget including a downward trend in enrollments, recruiting and retaining a talented workforce, and managing the rising operating costs.

In order to fulfill the college's mission and commitment to our students' success in a fiscally responsible manner, we have and will continue to make critical financial decisions for the preservation of resources needed to meet our students' evolving needs. The administration is continuously reviewing sites and programs for their viability and focusing on fiscal responsibility through the careful examination of expenses and the appropriate allocation of resources necessary to provide optimal services to our students.

The College is taking a strategic approach to support operations and various initiatives such as increasing the number of programs with embedded industry certifications, which will allow students to complete their programs and go directly into the workforce with the required credentials. New and expanded industry partnerships will be key to future operations in an effort to continue providing a quality and affordable education as well as specialized workforce training for our students. Finally, the College continues to implement a five-year schedule of in-district and out-of-district tuition rate increases at 5% annually. This modest increase maintains affordability for our students while providing additional revenue to meet rising costs.

Despite the uncertainty of the current economic climate, we remain optimistic about the College's financial viability and ability to continue providing an affordable quality education to our traditional and contemporary students. Therefore, in 2024 we will continue to critically examine program offerings in concert with industry needs to ensure we are providing credentials that lead to successful careers for our students.

Financial Statements

Central Texas College District
Exhibit 1
Statements Of Net Position
August 31, 2023 And August 31, 2022

| | Fiscal Year | |
|---|-----------------------|--------------------|
| | 2023 | 2022 |
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 63,154,027 | 76,895,815 |
| Short-Term Investments | 39,234,285 | 22,975,313 |
| Accounts Receivable (net) | 11,511,879 | 14,445,774 |
| Lease Receivable-Current Portion | 21,170 | 44,224 |
| Inventories | 1,560,203 | 1,712,304 |
| Prepaid Expenses | 807,942 | 290,101 |
| Total Current Assets | 116,289,506 | 116,363,531 |
| Noncurrent Assets | | |
| Restricted Cash and Cash Equivalents | 577,256 | 598,508 |
| Right-to-use Assets | 4,090,743 | 728,896 |
| Lease Receivable | 301,313 | 459,626 |
| Other Long-Term Investments | 11,788,660 | 24,646,243 |
| Notes Receivable | 83,905 | 73,931 |
| Capital Assets (net) (See Note 7) | 136,248,880 | 135,399,226 |
| Total Noncurrent Assets | 153,090,757 | 161,906,430 |
| Total Assets | 269,380,263 | 278,269,961 |
| Deferred Outflows of Resources | | |
| Deferred Outflows Related to Pensions | 11,084,852 | 4,014,057 |
| Deferred Outflows Related to OPEB | 3,282,936 | 4,503,099 |
| Total Deferred Outflows of Resources | 14,367,788 | 8,517,156 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | 3,513,464 | 2,140,976 |
| Accrued Liabilities | 16,662,315 | 16,391,736 |
| Accrued Compensable Absences-Current Portion | 352,976 | 356,967 |
| Funds Held for Others | 366,178 | 357,450 |
| Lease Liability-Current Portion | 113,566 | 273,320 |
| Software Liability-Current Portion | 1,407,143 | 0 |
| Unearned Revenues | 9,101,520 | 9,112,891 |
| Net OPEB Liability-Current Portion | 1,118,008 | 1,145,951 |
| Total Current Liabilities | 32,635,170 | 29,779,291 |
| Noncurrent Liabilities | | |
| Accrued Compensable Absences | 1,411,903 | 1,427,868 |
| Lease Liability | 726,354 | 455,576 |
| Software Liability | 1,843,680 | 0 |
| Net Pension Liability | 17,949,882 | 8,277,945 |
| Net OPEB Liability | 41,885,838 | 54,613,595 |
| Total Noncurrent Liabilities | 63,817,657 | 64,774,984 |
| Total Liabilities | 96,452,827 | 94,554,275 |
| Deferred Inflows of Resources | | |
| Deferred Inflows Related to Leases | 322,483 | 503,850 |
| Deferred Inflows Related to Pensions | 11,292,356 | 15,159,353 |
| Deferred Inflows Related to OPEB | 24,177,857 | 20,723,218 |
| Total Deferred Inflows of Resources | 35,792,696 | 36,386,421 |
| Net Position | | |
| Invested In Capital Assets, Net Of Related Debt | 136,248,880 | 135,399,226 |
| Restricted for: | | |
| Scholarships and Grants | 1,707,564 | 1,793,791 |
| Unrestricted | 13,546,084 | 18,653,404 |
| Total Net Position (Schedule D) | \$ 151,502,528 | 155,846,421 |

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

Central Texas College Foundation
Exhibit 1-A
Statement Of Financial Position
August 31, 2023 And August 31, 2022

| | Fiscal Year | |
|----------------------------------|-------------------|-------------------|
| | 2023 | 2022 |
| Assets | | |
| Current Assets | | |
| Cash | 231,392 | 185,916 |
| Total Current Assets | <u>231,392</u> | <u>185,916</u> |
| Restricted Assets | | |
| Cash | 181,323 | 370,829 |
| Contribution Receivable | 550 | 3,700 |
| Inventory | 2,556 | 2,901 |
| Investments | 11,773,594 | 12,018,414 |
| Csv - Life Insurance | 92,131 | 88,584 |
| Total Restricted Assets | <u>12,050,154</u> | <u>12,484,428</u> |
| Total Assets | <u>12,281,546</u> | <u>12,670,344</u> |
| Liabilities | | |
| Accounts Payable | 498,308 | 667,196 |
| Total Liabilities | <u>498,308</u> | <u>667,196</u> |
| Net Assets | | |
| Without Donor Restrictions | 229,865 | 185,916 |
| With Donor Restrictions | 11,553,373 | 11,817,232 |
| Total Net Assets | <u>11,783,238</u> | <u>12,003,148</u> |
| Total Liabilities And Net Assets | <u>12,281,546</u> | <u>12,670,344</u> |

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

Central Texas College District
Exhibit 2
Statements Of Revenues, Expenses And Changes In Net Position
Years Ended August 31, 2023 And August 31, 2022

| | Fiscal Year | |
|--|-----------------------|---------------------|
| | 2023 | 2022 |
| Operating Revenues | | |
| Tuition and Fees (Net) | \$ 18,703,635 | 26,679,900 |
| Federal Grants and Contracts | 4,319,259 | 4,448,975 |
| State Grants and Contracts | 978,455 | 736,741 |
| Non-Governmental Grants and Contracts | 1,289,970 | 966,495 |
| Auxiliary Enterprises (net of discounts) | 2,917,670 | 2,287,758 |
| General Operating Revenues | 1,034,386 | 2,250,573 |
| Total Operating Revenues (Schedule A) | 29,243,375 | 37,370,442 |
| Operating Expenses | | |
| Instruction | 28,392,526 | 28,269,256 |
| Public Service | 401,185 | 392,634 |
| Academic Support | 5,506,769 | 5,470,653 |
| Student Services | 7,803,628 | 7,887,643 |
| Institutional Support | 9,874,245 | 9,135,257 |
| Operation and Maintenance of Plant | 7,726,867 | 7,989,435 |
| Scholarships and Fellowships | 17,063,400 | 26,093,952 |
| Auxiliary Enterprises | 2,677,974 | 2,383,431 |
| Depreciation | 3,714,892 | 3,583,632 |
| Total Operating Expenses (Schedule B) | 83,161,486 | 91,205,893 |
| Operating Loss | (53,918,111) | (53,835,451) |
| Non-Operating Revenues (Expenses) | | |
| State Appropriations | 18,293,604 | 17,823,792 |
| Ad Valorem Taxes (Net) | 14,135,655 | 13,803,323 |
| Federal Revenue, Non Operating | 14,036,450 | 24,402,672 |
| Investment Income | 3,108,509 | (395,821) |
| Other Non Operating | 0 | 78 |
| Net Non-Operating Revenues (Schedule C) | 49,574,218 | 55,634,044 |
| Increase/(Decrease) in Net Position | (4,343,893) | 1,798,593 |
| Net Position | | |
| Net Position, Beginning of Year | 155,846,421 | 154,047,828 |
| Net Position - End of Year | \$ 151,502,528 | 155,846,421 |

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

Central Texas College Foundation
Exhibit 2-A-1
Statement Of Activities
For the Year Ended August 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|-------------------------------|-------------------|
| Revenue, Gains & Other Support | | | |
| Contributions | 57,791 | 282,066 | 339,857 |
| Donated Administrative Support | 237,916 | | 237,916 |
| Interest Income | | 32,489 | 32,489 |
| Unrealized/realized Gains(loss) On Investment | | 1,336,900 | 1,336,900 |
| Other Income | | 431,646 | 431,646 |
| Net Assets Released | 2,346,960 | (2,346,960) | |
| Total Revenues, Gains And Other Support | <u>2,642,667</u> | <u>(263,859)</u> | <u>2,378,808</u> |
| Expenses And Losses | | | |
| Program | | | |
| Scholarships Awarded | 935,580 | | 935,580 |
| Support | | | |
| College Support | | | |
| Fund Raising | 1,422,050 | | 1,422,050 |
| Donated Administrative Support | 237,916 | | 237,916 |
| Other | 3,172 | | 3,172 |
| Total Expenses And Losses | <u>2,598,718</u> | <u>0</u> | <u>2,598,718</u> |
| Change In Net Assets | 43,949 | (263,859) | (219,910) |
| Net Assets At Beginning Of Period | <u>185,916</u> | <u>11,817,232</u> | <u>12,003,148</u> |
| Net Assets At End Of Period | <u>229,865</u> | <u>11,553,373</u> | <u>11,783,238</u> |

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

Central Texas College Foundation
Exhibit 2-A-2
Statement Of Activities
For the Year Ended August 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|-------------------------------|--------------------|
| Revenue, Gains & Other Support | | | |
| Contributions | 27,156 | 266,885 | 294,041 |
| Donated Administrative Support | 184,121 | | 184,121 |
| Interest Income | | 2,758 | 2,758 |
| Unrealized/realized Gains(loss) On Investment | | (1,888,195) | (1,888,195) |
| Other Income | | 341,344 | 341,344 |
| Net Assets Released | 733,169 | (733,169) | 0 |
| Total Revenues, Gains And Other Support | 944,446 | (2,010,377) | (1,065,931) |
| Expenses And Losses | | | |
| Program | | | |
| Scholarships Awarded | 676,912 | | 676,912 |
| Support | | | |
| College Support | | | 0 |
| Fund Raising | 48,936 | | 48,936 |
| Donated Administrative Support | 184,121 | | 184,121 |
| Other | 13,531 | | 13,531 |
| Total Expenses And Losses | 923,500 | 0 | 923,500 |
| Change In Net Assets | 20,946 | (2,010,377) | (1,989,431) |
| Net Assets At Beginning Of Period | 164,970 | 13,827,609 | 13,992,579 |
| Net Assets At End Of Period | 185,916 | 11,817,232 | 12,003,148 |

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

Central Texas College District

Exhibit 3

Statements Of Cash Flows

Years Ended August 31, 2023 And August 31, 2022

| | Fiscal Year | |
|--|--------------|--------------|
| | 2023 | 2022 |
| Cash Flows From Operating Activities | | |
| Receipts from students and other customers | 21,272,060 | 25,796,663 |
| Receipts from grants and contracts | 7,274,625 | 6,844,213 |
| Payments to suppliers for goods and services | (13,735,018) | (17,729,175) |
| Payments to or on behalf of employees | (55,522,726) | (53,896,169) |
| Payments for scholarships and fellowships | (16,916,295) | (25,761,928) |
| Payments for loans issued to students | (74,923) | (44,051) |
| Receipts from collection of loans to students | 71,174 | 56,858 |
| Other receipts (payments) | 3,776,882 | 19,905,276 |
| Net cash provided (used) by operating activities | (53,854,221) | (44,828,313) |
| Cash Flows From Non-capital Financing Activities | | |
| Receipts from state appropriations | 17,350,050 | 17,366,059 |
| Receipts from Ad valorem taxes | 14,333,214 | 13,997,752 |
| Receipts from non operating federal revenue | 13,454,173 | 23,966,635 |
| Payments for collection of taxes | (197,559) | (194,429) |
| Receipts from student organizations and other agency transactions | 10,910,671 | 14,600,781 |
| Payments to student organizations and other agency transactions | (10,901,942) | (14,596,785) |
| Net cash provided (used) by non-capital financing activities | 44,948,607 | 55,140,013 |
| Cash Flows From Capital And Related Financing Activities | | |
| Proceeds from the sale of capital assets | 0 | 78 |
| Purchases of capital assets | (4,564,547) | (1,901,357) |
| Net cash provided(used) by capital and related financing activities | (4,564,547) | (1,901,279) |
| Cash Flows From Investing Activities | | |
| Proceeds from sales and maturities of investments | 41,500,610 | 13,172,594 |
| Receipts from interest on investments | 3,108,509 | (395,821) |
| Purchases of investments | (44,901,998) | (37,471,396) |
| Net cash provided (used) by investing activities | (292,879) | (24,694,623) |
| Increase (decrease) in cash and cash equivalents | (13,763,040) | (16,284,202) |
| Cash and cash equivalents-September 1 | 77,494,323 | 93,778,525 |
| Cash and cash equivalents-August 31 | 63,731,283 | 77,494,323 |
| Reconciliation Of Net Operating Loss To Net Cash Provided (used) By Operating Activities: | | |
| Operating Loss | (53,918,111) | (53,835,451) |
| Adjustments to reconcile operating income to net cash used by operating activities: | | |
| Depreciation expense | 3,714,892 | 3,583,632 |
| Payments made directly by state for benefits | 909,737 | 842,490 |
| Changes in assets and liabilities | | |
| Receivables (net) | 3,516,173 | 15,297,847 |
| Inventories | 152,101 | (201,666) |
| Prepaid expenses | (517,841) | (45,546) |
| Accounts payable | 1,388,063 | (998,461) |
| Interest Payable Leases | (15,575) | 15,575 |
| Accrued liabilities | 270,578 | 527,332 |
| Compensated absences | (19,956) | (82,631) |
| Unearned revenues | (11,371) | 386,183 |
| Other Assets | (9,973) | (23,397) |
| Deferred Inflows and Outflows | (9,312,938) | (10,294,220) |
| Net cash provided (used) by operating activities | (53,854,221) | (44,828,313) |

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

Central Texas College District
Notes To The Financial Statements
August 31, 2023

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 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 CTCD to pass through to the student. These funds are initially received by CTCD 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 \$8,263,221 and \$8,310,960 have been reported as unearned revenues at August 31, 2023 and August 31, 2022 respectively. Other unearned revenues of \$838,299 and \$801,931 have been reported at August 31, 2023 and August 31, 2022 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

CTCD distinguishes operating revenues and expenses from non-operating items. CTCD reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with CTCD'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 CTCD.

3. Authorized Investments

CTCD 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 CTCD 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 CTCD 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 | |
|---------------------------|----------------------|----------------------|
| | Fiscal Year | |
| | 2023 | 2022 |
| Bank Deposits | | |
| Demand Deposits | \$ 13,605,187 | \$ 9,989,235 |
| Cash and Cash Equivalents | | |
| Petty Cash on Hand | 10,801 | 11,384 |
| Certificates of Deposit | 23,022,841 | 42,570,360 |
| Tex Pool | 9,982,204 | 9,543,210 |
| Tex Star | 787,060 | 754,114 |
| Texas Term | 9,571,016 | 8,169,562 |
| Lone Star | 6,752,174 | 6,456,458 |
| | <u>50,126,096</u> | <u>67,505,088</u> |
| Total Cash and Deposits | <u>\$ 63,731,283</u> | <u>\$ 77,494,323</u> |

Reconciliation of Deposits and Investments to Exhibit 1

| | Market Value | |
|---------------------------------------|----------------------|----------------------|
| | 08/31/23 | 08/31/22 |
| U.S. Government Securities | \$ 19,666,528 | \$ 15,638,065 |
| U.S. Treasuries | 6,856,417 | 9,234,141 |
| U.S. State Securities | | 2,749,350 |
| Texas Term | 24,500,000 | 20,000,000 |
| Totals | <u>51,022,945</u> | <u>47,621,556</u> |
| Total Cash and Deposits | 63,731,283 | 77,494,323 |
| Total Investments | <u>51,022,945</u> | <u>47,621,556</u> |
| Total Deposits and Investments | <u>\$114,754,228</u> | <u>\$125,115,879</u> |
| Cash and Cash Equivalents (Exhibit 1) | 63,154,027 | 76,895,815 |
| Restricted Cash (Exhibit 1) | 577,256 | 598,508 |
| Short-Term Investments (Exhibit 1) | 39,234,285 | 22,975,313 |
| Long-Term Investments (Exhibit 1) | 11,788,660 | 24,646,243 |
| Total Deposits and Investments | <u>\$114,754,228</u> | <u>\$125,115,879</u> |

Reconciliation of Deposits and Investments to Exhibit 1-A

| | Market Value | |
|---|----------------------|----------------------|
| | 08/31/23 | 08/31/22 |
| Common Fund - Bond Fund | \$ 1,530,526 | \$ 2,044,635 |
| Common Fund - Equity Fund | 9,710,592 | 9,460,414 |
| Common Fund - Fixed Income | 532,476 | 513,365 |
| Totals | 11,773,594 | 12,018,414 |
| | | |
| Total Cash and Deposits | 412,715 | 556,745 |
| Total Investments | 11,773,594 | 12,018,414 |
| Total Deposits and Investments | 12,186,309 | 12,575,159 |
| | | |
| Cash and Cash Equivalents (Exhibit 1-A) | 412,715 | 556,745 |
| Investments (Exhibit 1- A) | 11,773,594 | 12,018,414 |
| Total Deposits and Investments | \$ 12,186,309 | \$ 12,575,159 |

As of August 31, 2023 CTCD had the following investments and maturities:

| | Investment Maturities (in Years) | | | |
|----------------------------|----------------------------------|-------------------|------------------|------------------|
| | Fair Value | Less Than 1 | 1 to 2 | 2 to 5 |
| U.S. Government Securities | \$ 19,666,528 | 7,877,868 | 9,977,088 | 1,811,572 |
| U.S. Treasuries | 6,856,417 | 6,856,417 | | |
| U.S. State Securities | 0 | | | |
| Texas Term | 24,500,000 | 24,500,000 | | |
| Total Fair Value | \$ 51,022,945 | 39,234,285 | 9,977,088 | 1,811,572 |

As of August 31, 2022 CTCD had the following investments and maturities:

| | Investment Maturities (in Years) | | | |
|----------------------------|----------------------------------|-------------------|------------------|-------------------|
| | Fair Value | Less Than 1 | 1 to 2 | 2 to 5 |
| U.S. Government Securities | \$ 15,638,065 | | 2,988,799 | 12,649,266 |
| U.S. Treasuries | 9,234,141 | 2,975,313 | 1,476,797 | 4,782,031 |
| U.S. State Securities | 2,749,350 | | 2,749,350 | |
| Texas Term | 20,000,000 | 20,000,000 | | |
| Total Fair Value | \$ 47,621,556 | 22,975,313 | 7,214,946 | 17,431,297 |

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. 45% of investments are in Governments Pools, 28% are in Certificate of Deposits and 27% in individual government securities(Bills, Bonds etc.).

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, 2023, follows:

| | Level | | | Total |
|----------------------------|---------------|------------|---|------------|
| | 1 | 2 | 3 | |
| U.S. Government Securities | \$ 19,666,528 | | | 19,666,528 |
| U.S. Treasuries | 6,856,417 | | | 6,856,417 |
| U.S. State Securities | 0 | | | 0 |
| Texas Term | | 24,500,000 | | 24,500,000 |
| Total Fair Value | \$ 26,522,945 | 24,500,000 | 0 | 51,022,945 |

The fair value hierarchy of investments at August 31, 2022, follows:

| | Level | | | Total |
|----------------------------|---------------|------------|---|------------|
| | 1 | 2 | 3 | |
| U.S. Government Securities | \$ 15,638,065 | | | 15,638,065 |
| U.S. Treasuries | 9,234,141 | | | 9,234,141 |
| U.S. State Securities | 2,749,350 | | | 2,749,350 |
| Texas Term | | 20,000,000 | | 20,000,000 |
| Total Fair Value | \$ 27,621,556 | 20,000,000 | 0 | 47,621,556 |

6. Derivatives

None

7. Capital Assets

Capital assets activity for the year ended August 31, 2023 was as follows:

| | Balance as of 08/31/22 | Increase | Decrease | Balance as of 08/31/23 |
|---|---------------------------|--------------------|---------------------|---------------------------|
| <u>Not Depreciated:</u> | | | | |
| Land | \$ 896,168 | | | 896,168 |
| Construction in Progress | 35,559,989 | 2,054,671 | 34,840,669 | 2,773,991 |
| Subtotal | 36,456,157 | 2,054,671 | 34,840,669 | 3,670,159 |
| <u>Buildings and Other Capital Assets</u> | | | | |
| Buildings | 145,437,747 | 1,147,698 | | 146,585,445 |
| Land Improvements | 13,362,651 | 35,167,669 | | 48,530,320 |
| Total Buildings and Other Real Estate Improvements | 158,800,398 | 36,315,367 | 0 | 195,115,765 |
| Library Books | 2,031,774 | 31,289 | 29,860 | 2,033,203 |
| Furniture, Machinery, Vehicles & Other Equipment | 13,088,702 | 881,692 | 335,097 | 13,635,297 |
| Telecommunications & Peripheral Equipment | 10,469,697 | 122,197 | 248,637 | 10,343,257 |
| Total Buildings and Other Capital Assets | 184,390,571 | 37,350,545 | 613,594 | 221,127,522 |
| <u>Accumulated Depreciation:</u> | | | | |
| Buildings | (55,168,334) | (2,288,173) | | (57,456,507) |
| Land Improvements | (8,028,997) | (570,637) | | (8,599,634) |
| Total Buildings and Other Real Estate Improvements | (63,197,331) | (2,858,810) | | (66,056,141) |
| Library Books | (1,896,768) | (14,319) | 29,860 | (1,881,227) |
| Furniture, Machinery, Vehicles & Other Equipment | (10,514,216) | (574,307) | 335,097 | (10,753,426) |
| Telecommunications & Peripheral Equipment | (9,839,187) | (267,456) | 248,636 | (9,858,007) |
| Total Accumulated Depr | (85,447,502) | (3,714,892) | 613,593 | (88,548,801) |
| Net Capital Assets | 135,399,226 | 35,690,324 | (34,840,670) | 136,248,880 |

Capital assets activity for the year ended August 31, 2022 was as follows:

| | Balance as of 08/31/21 | Increase | Decrease | Balance as of 08/31/22 |
|---|---------------------------|-------------|----------|---------------------------|
| <u>Not Depreciated:</u> | | | | |
| Land | \$ 896,168 | | | 896,168 |
| Construction in Progress | 35,559,253 | 736 | | 35,559,989 |
| Subtotal | 36,455,421 | 736 | 0 | 36,456,157 |
| <u>Buildings and Other Capital</u> | | | | |
| Buildings | 144,909,687 | 528,060 | | 145,437,747 |
| Land Improvements | 12,766,734 | 595,917 | | 13,362,651 |
| Total Buildings and Other Real | 157,676,421 | 1,123,977 | 0 | 158,800,398 |
| Library Books | 2,037,058 | 14,537 | 19,821 | 2,031,774 |
| Furniture, Machinery, Vehicles | 12,512,185 | 610,565 | 34,048 | 13,088,702 |
| Telecommunications & | 10,324,978 | 151,542 | 6,823 | 10,469,697 |
| Total Buildings and Other Capital | 182,550,642 | 1,900,621 | 60,692 | 184,390,571 |
| <u>Accumulated Depreciation:</u> | | | | |
| Buildings | (52,872,804) | (2,295,530) | | (55,168,334) |
| Land Improvements | (7,611,988) | (417,009) | | (8,028,997) |
| Total Buildings and Other Real | (60,484,792) | (2,712,539) | 0 | (63,197,331) |
| Library Books | (1,900,519) | (16,070) | 19,821 | (1,896,768) |
| Furniture, Machinery, Vehicles | (10,005,476) | (542,788) | 34,048 | (10,514,216) |
| Telecommunications & | (9,533,775) | (312,235) | 6,823 | (9,839,187) |
| Total Accumulated Depr | (81,924,562) | (3,583,632) | 60,692 | (85,447,502) |
| Net Capital Assets | 137,081,501 | (1,682,275) | 0 | 135,399,226 |

8. Non- Current Liabilities

Non-Current liability activity for the year ended August 31, 2023 was as follows:

| | Balance 08/31/22 | Additions | Reductions | Balance 08/31/23 | Current |
|-------------------------------|---------------------|------------|--------------|---------------------|-----------|
| Accrued compensable absences | 1,784,835 | 173,006 | (192,962) | 1,764,879 | 352,976 |
| Lease Liability | 728,896 | 839,920 | (728,896) | 839,920 | 113,566 |
| Software Liability | 0 | 3,250,823 | 0 | 3,250,823 | 1,407,143 |
| Net Pension Liability | 8,277,945 | 11,082,803 | (1,410,866) | 17,949,882 | |
| Net OPEB Liability | 55,759,546 | 5,918,429 | (18,674,129) | 43,003,846 | 1,118,008 |
| Total Non-Current liabilities | 66,551,222 | 21,264,981 | (21,006,853) | 66,809,350 | 2,991,693 |

Non-Current liability activity for the year ended August 31, 2022 was as follows:

| | Balance 08/31/21 | Additions | Reductions | Balance 08/31/22 | Current |
|-------------------------------|---------------------|-----------|--------------|---------------------|-----------|
| Accrued compensable absences | 1,867,466 | 53,463 | (136,094) | 1,784,835 | 356,967 |
| Lease Liability | 0 | 728,896 | 0 | 728,896 | 273,320 |
| Net Pension Liability | 20,458,627 | 0 | (12,180,682) | 8,277,945 | |
| Net OPEB Liability | 54,663,811 | 8,648,763 | (7,553,028) | 55,759,546 | 1,145,951 |
| Total Non-Current liabilities | 76,989,904 | 9,431,122 | (19,869,804) | 66,551,222 | 1,776,238 |

9. Debt, Lease and Software Obligations

CTCD changed accounting policies related to Leases by adopting Statement of Governmental Accounting Standards(GASB Statement) No. 87, Leases, in fiscal year ending August 31, 2022.

Obligations under lease on August 31, 2023, were as follows (amounts in 000's)

| Year Ending Aug. 31 | Principal Payments | Interest Payments | Total |
|---------------------|-----------------------|----------------------|-----------|
| 2024 | \$113,566 | 30,801 | 144,367 |
| 2025 | 56,069 | 25,688 | 81,757 |
| 2026 | 54,788 | 22,643 | 77,431 |
| 2027 | 55,148 | 19,780 | 74,928 |
| 2028 | 50,253 | 16,938 | 67,191 |
| 2029 - 2032 | 284,003 | 46,408 | 330,411 |
| 2033 - 2037 | 157,819 | 5,881 | 163,700 |
| 2038 - 2042 | 68,274 | 726 | 69,000 |
| Total | 839,920 | 168,865 | 1,008,785 |

Obligations by major asset class

| | Asset | Accumulated Amortization | Lease Obligation |
|----------------------|-----------|-----------------------------|---------------------|
| Technology equipment | 744,968 | 609,405 | 135,563 |
| Land, buildings | 910,047 | 205,690 | 704,357 |
| Total | 1,655,015 | 815,095 | 839,920 |

Central Texas College District changed accounting policies related to Software Subscriptions by adopting Statement of Governmental Accounting Standards(GASB Statement) No. 96, Subscription-Based Information Technology Arrangements year ending August 31, 2023.

Obligations under software subscriptions on August 31, 2023, were as follows:

| Year Ending Aug. 31 | Principal Payments | Interest Payments | Total |
|---------------------|-----------------------|----------------------|-----------|
| 2024 | \$1,407,143 | 276,320 | 1,683,463 |
| 2025 | 1,567,016 | 156,713 | 1,723,729 |
| 2026 | 129,895 | 23,516 | 153,411 |
| 2027 | 146,769 | 12,475 | 159,244 |
| Total | 3,250,823 | 469,024 | 3,719,847 |

Obligations by major asset class

| | Asset | Accumulated Amortization | Lease Obligation |
|-------------------|-----------|-----------------------------|---------------------|
| Software Licenses | 7,463,783 | 4,212,960 | 3,250,823 |

10. Bonds Payable

None

11. Advance Refunding Bonds

None

12. Defeased Bonds Outstanding

None

13. Short-Term Debt

None

14. Employees' Retirement Plan

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

Defined Benefit Pension Plans

Plan Description

The CTCD participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). The 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 workload 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 Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report is available online or write to TRS at 1000 Red River Street, Austin, Texas, 78701-2698.

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

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.

Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Texas Legislature to establish a member contribution rate of not less than 6% 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

| | Contribution Rates | |
|--|--------------------|-------|
| | 2023 | 2022 |
| Member | 8.00% | 8.00% |
| Non-Employer Contributing Entity (State) | 8.00% | 7.75% |
| Employers | 8.00% | 7.75% |
| | | |
| FY 2022 Member Contributions | 2,335,186 | |
| FY 2022 State of Texas On-behalf Contributions | 823,372 | |
| FY 2022 District Contributions | 1,410,866 | |

The CTCD’s contributions to the TRS pension plan in 2023 were \$505,681 as reported in the Schedule of CTCD’s Contributions for pensions in the Required Supplementary Information section of these financial statements. Estimated state of Texas on-behalf contributions for 2023 were \$823,372.

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

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

- * On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- * During a new member’s first 90 days of employment.
- * When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, or 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|-------------------------------------|
| * Valuation Date | 08/31/21 rolled forward to 08/31/22 |
| * Actuarial Cost Method | Individual entry age normal |
| * Asset Valuation Method | Fair value |
| * Single Discount Rate | 7.00% |
| * Long-term Expected Investment Rate Of Return* | 7.00% |
| * Municipal Bond Rate As Of August 2022* | 3.91% |
| * Last Year Ending August 31 In Projection Period (100 Years) | 2121 |
| * Inflation | 2.30% |
| * Salary Increases Including Inflation | 2.95% to 8.95% |
| * Ad Hoc Post-employment Benefit Changes | None |

*Source for the rate is the Fixed Income Marked Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported infidelity Index's "20-Year Municipal GO AA Index."

The actuarial methods and assumptions were selected by the TRS Board of Trustees of the Teacher Retirement System of Texas based upon analysis and recommendations by the system's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021.

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

Discount Rate

The single discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2022, are summarized below:

| Asset Class ¹ | Target Allocation ² | Long-Term Expected Geometric Real Rate of Return ³ | Expected Contribution to Long-Term Portfolio Returns |
|----------------------------------|-----------------------------------|---|---|
| Global Equity | | | |
| U.S. | 18.00% | 4.60% | 1.12% |
| Non-U.S. Developed | 13.00% | 4.90% | 0.90% |
| Emerging Markets | 9.00% | 5.40% | 0.75% |
| Private Equity | 14.00% | 7.70% | 1.55% |
| Stable Value | | | |
| Government Bonds | 16.00% | 1.00% | 0.22% |
| Absolute Return | | 3.70% | |
| Stable Value Hedge Funds | 5.00% | 3.40% | 0.18% |
| Real Return | | | |
| Real Estate | 15.00% | 4.10% | 0.94% |
| Energy and Natural Resources | 6.00% | 5.10% | 0.37% |
| Commodities | | 3.60% | |
| Risk parity | 8.00% | 4.60% | 0.43% |
| Asset Allocation Leverage | | | |
| Cash | 2.00% | 3.00% | 0.01% |
| Asset Allocation Leverage | -6.00% | 3.60% | -0.05% |
| Inflation Expectation | | | 2.70% |
| Volatility Drag ⁴ | | | -0.91% |
| Expected Return | 100.00% | | 8.19% |

1 Absolute Return includes Credit Sensitive Investments.

2 Target allocations are based on the FY2022 policy model.

3 Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022).

4 The volatility drag results from the conversion between arithmetic and geometric mean returns

Source: TRS 2022 CAFR

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 (7.00%) in measuring the Net Pension Liability.

| | 1.00% Decrease in Discount Rate 6.00% | Discount Rate 7.00% | 1.00% Increase in Discount Rate 8.00% |
|---|--|------------------------|--|
| CTCD's proportionate share of the net pension liability | 27,923,214 | 17,949,882 | 9,866,032 |

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

At August 31, 2023, the CTCD reported a liability of \$17,949,882 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 | \$17,949,882 |
| State’s proportionate share that is associated with CTCD | <u>10,475,438</u> |
| Total | \$28,425,320 |

The net pension liability was measured as of August 31, 2022 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, 2021 thru August 31, 2022.

At the measurement date of August 31, 2022, the employer’s proportion of the collective net pension liability was 0.000302352399%, which was an increase (decrease) of (0.000022700493)% from its proportion measured as of August 31, 2021.

For the year ended August 31, 2023, the CTCD recognized pension expense of \$1,001,333 and revenue of \$1,001,333 for support provided by the state.

At August 31, 2023, 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 | \$260,272 | 391,341 |
| Changes in actuarial assumptions | 3,344,648 | 833,580 |
| Difference between projected and actual investment earnings | 6,974,251 | 5,200,859 |
| Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions | | 4,866,576 |
| Contributions paid to TRS after the measurement date | 505,681 | |
| Total | \$11,084,852 | \$11,292,356 |

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 |
|-----------------------|------------------------|
| 2024 | (\$547,889) |
| 2025 | (731,147) |
| 2026 | (804,881) |
| 2027 | 1,349,628 |
| 2028 | 21,103 |
| Thereafter | |

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 \$1,108,154 and \$627,658 for the fiscal years ended August 31, 2023 and August 31, 2022 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of CTCD.

The total payroll for all CTCD employees was \$42,507,906 and \$40,738,316 for fiscal years 2023 and 2022, respectively. The total payroll of employees covered by the Teacher Retirement System was \$29,081,071 and \$28,970,051 and the total payroll of employees covered by the Optional Retirement System was \$5,126,255 and \$5,459,323 for fiscal years 2023 and 2022, 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, 2023 and 2022 were \$2,222,091 and \$2,168,960 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, 2023 and 2022, were \$153,873 and \$161,808 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, 2023, 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 \$1,764,879 (\$352,976 current portion) and \$1,784,835 (\$356,967 current portion) for fiscal year 2023 and fiscal year 2022. 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 \$624.82 per month for the year ended August 31, 2023 (\$624.82 per month for Fiscal Year 2022) and totaled \$2,646,108 for Fiscal Year 2023 (\$2,667,887 for the year ended 2022). The cost to the state of providing those benefits for 232 retirees in the year ended August 31, 2023 was \$988,735 (retiree benefits for 243 retirees cost \$1,015,545 in Fiscal Year 2022). For 466 active employees, the cost of providing benefits was \$1,657,373 for the Year ended August 31, 2023 (active employee benefits for 464 employees cost \$1,652,342 for the Year ended August 31, 2022). 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 defined-benefit 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 Annual Comprehensive Financial Report that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet <https://ers.texas.gov/About-ERS/reports-and-studies/reports-on-overall-ers-operations-and-financial-ma/2021-acfr>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

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 benefit option for Medicare-primary participants under the Health Select Medicare Advantage 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. There are no long-term contracts for contributions to the plan.

The following table summarizes the maximum monthly employer contribution toward eligible retiree's health and basic life premium, which is based on a blended rate. 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. As 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 2022**

| | |
|--------------------|----------|
| Retiree only | \$624.82 |
| Retiree & Spouse | 1,339.90 |
| Retiree & Children | 1,103.58 |
| Retiree & Family | 1,818.66 |

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, 2022 and August 31, 2021**

| | Fiscal Year | |
|---|-------------|-------------|
| | 2022 | 2021 |
| Employers | 699,999,453 | 766,689,167 |
| Members (Employees) | 190,659,955 | 192,426,941 |
| Non-employer Contribution Entity (State of Texas) | 36,750,724 | 39,188,518 |

Source: ERS FY 2022 Comprehensive Annual Financial Report

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of August 31, 2022 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, 2022 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent of Payroll, Open |
| Remaining Amortization Period | 30 Years |
| Asset Valuation Method | Not applicable because the plan operates on a pay-as-you-go basis |
| Discount Rate | 3.59% |
| Projected Annual Salary Increase (includes inflation) | 2.3% to 8.95% |
| Annual Healthcare Trend Rate | <u>HealthSelect</u> 5.60 for FY2024, 5.30% for FY 2025, 5.0% for FY2026, 4.75% for FY2027, 4.6% for FY2028 decreasing 10 basis points per year to an ultimate rate of 4.3% for FY2031 and later years |
| | <u>HealthSelect Medicare Advantage</u> 66.67% for FY2024, 24.00% for FY2025, 5% for FY2026, 4.75% for FY2027, 4.6% for FY2028 decreasing 10 basis points per year to an ultimate rate of 4.3% for FY2031 and later years |

| | |
|---------------------------------------|---|
| | <u>Pharmacy</u> |
| | 10.0% for FY2024 and FY2025, decreasing 100 basis points per year to 5.0% for FY2030 and 4.3% for FY2031 and later years |
| Inflation Assumption Rate | 2.30% |
| Ad hoc Postemployment Benefit changes | None |
| Mortality Rate | <u>State Agency Members</u> |
| | a. Service Retirees, Survivors and other Inactive Members (Regular, Elected, CPO/CO and JRS I and II Employee Classes): 2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2020. |
| | b. Disability Retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes): 2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with the Ultimate MP-2019 Projection Scale are projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females, respectively. |
| | c. Active Members: Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP-2019 Projection Scale from the year 2010. |
| | <u>Higher Education Members</u> |
| | a. Service Retirees, Survivors and Other Inactive Members: Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021. |
| | b. Disability Retirees: Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members. |
| | c. Active Members: Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-Projection Scale from the year 2010. |

Source: 2022 ERS ACAFR and ERS Actuarial Valuation of OPEB Under the TX Employees Group Benefits Program GASB 75 for the Measurement Year Ended August 31, 2022 and Employer Reporting for Fiscal Years Ending August 31, 2023.

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuaries for the period September 1, 2010 to August 31, 2019.

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 amended the investment policy statement in August 2022 to require that all funds in the plan be invested in cash and equivalent securities. The expected rate of return on these investments is currently 4.1% in line with the prevailing returns on 90-day US treasury bills.

Discount Rate. Because the State Retiree Health Plan 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 2.14%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.59%, which amounted to an increase of 1.45%. 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 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 CTCD's 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 (3.59%) in measuring the net OPEB Liability.

| | 1% Decrease in Discount Rate 2.59% | Discount Rate 3.59% | 1% Increase in Discount Rate 4.59% |
|--|---------------------------------------|------------------------|---------------------------------------|
| CTCD's proportionate share of the net OPEB liability | 50,155,479 | 43,003,846 | 37,284,258 |

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 5.60% for HealthSelect, 66.67% for HealthSelect Medicare Advantage and 10% for Pharmacy. The following schedule shows impact on the CTCD's proportionate share of the collective net OPEB liability if the healthcare cost trend rate was 1% less than and 1% greater than the healthcare cost trend rate that was used (HealthSelect 5.6%, HealthSelect Medicare Advantage 66.67%, and Pharmach 10%) in measuring the net OPEB liability

| | 1% Decrease in Healthcare Cost Trend Rates (HealthSelect: 4.60% decreasing to 3.3%; HealthSelect Medicare Advantage: 65.67% to 3.3%; Pharmacy: 9.0% decreasing to 3.3%) | Current Healthcare Cost Trend Rates (HealthSelect: 5.60% decreasing to 4.3%; HealthSelect Medicare Advantage: 66.67% to 4.3%; Pharmacy: 10.0% decreasing to 4.3%) | 1% Increase in Healthcare Cost Trend Rates (HealthSelect: 6.60% decreasing to 5.3%; HealthSelect Medicare Advantage: 66.67% to 5.3%; Pharmacy: 11.0% decreasing to 5.3%) |
|--|--|--|---|
| CTCD's proportionateShare of the net OPEB Liability: | 36,826,884 | 43,003,846 | 50,890,159 |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2023, the College reported a liability of \$43,003,846 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 its 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:

| | |
|---|---------------------|
| CTCD's Proportionate share of the collective net OPEB liability | \$43,003,846 |
| State's proportionate share that is associated with CTCD | 26,562,010 |
| Total | <u>\$69,565,856</u> |

The net OPEB liability was measured as of August 31, 2022, 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, 2021 thru August 31, 2022.

At the measurement date of August 31, 2022, the employer's proportion of the collective net OPEB liability was .15095973% which was less than the proportion measured as of August 31, 2021 of .15542511%, a decrease of .00446538%.

For the year ended August 31, 2023 the College recognized a reduction to OPEB expense of \$967,518 and revenue of \$967,518 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:

Demographic Assumptions

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 assumed to cover dependent children.
- * Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.

Economic Assumptions

- * Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- * Annual rate of increase in the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect recent available information.

Other Inputs

The discount rate was changed from 2.14% to 3.59% as a result of requirements by GASB No. 75 to utilize the yield or index rate for 20-year tax-exempt general obligation bonds related AA/Aa (or equivalent) or higher in effect on the measurement date.

Changes of Benefit terms Since Prior Measurement Date.

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2023, are provided for in the FY2023 Assumed Per Capita Health Benefit Costs.

At August 31, 2023 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 | | 1,356,823 |
| Changes in actuarial assumptions | 2,526,649 | 13,292,894 |
| Difference between projected and actual investment earnings | 7,417 | |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | | 9,528,140 |
| Contributions paid to TRS after the measurement date | 748,870 | |
| Total | \$3,282,936 | \$24,177,857 |

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 |
|-----------------------|---------------------|
| 2024 | (\$7,845,812) |
| 2025 | (4,990,758) |
| 2026 | (4,152,486) |
| 2027 | (3,136,633) |
| 2028 | (1,518,105) |
| Thereafter | 0 |

19. Certain Asset Retirement Obligations (AROs)

None

20. Pending Lawsuits and Claims

On August 31, 2023, various claims involving CTCD were pending. While the ultimate liability with respect to litigation and other claims asserted against the CTCD 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 CTCD.

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.

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

Receivables at August 31, 2023 and August 31, 2022 were as follows:

| | Fiscal Year | |
|---------------------------------|-------------|-------------|
| | 2023 | 2022 |
| Student Receivables | 6,347,055 | 9,573,557 |
| Taxes Receivable | 463,239 | 352,943 |
| Federal Receivables | 9,015,286 | 8,767,703 |
| Accounts Receivable | 620,448 | 864,988 |
| Interest Receivable | 1,532,098 | 865,930 |
| Subtotal | 17,978,126 | 20,425,121 |
| Allowance for Doubtful Accounts | (6,466,247) | (5,979,347) |
| Total Receivables | 11,511,879 | 14,445,774 |

Receivables under leases on August 31, 2023, were as follows (amounts in 000's)

| Year Ending Aug. 31 | Principal Payments | Interest Payments | Total |
|---------------------|--------------------|-------------------|---------|
| 2024 | 21,170 | 26,554 | 47,724 |
| 2025 | 12,758 | 25,373 | 38,131 |
| 2026 | 13,864 | 24,268 | 38,132 |
| 2027 | 15,065 | 23,066 | 38,131 |
| 2028 | 16,371 | 21,761 | 38,132 |
| 2029 - 2032 | 92,324 | 70,221 | 162,545 |
| 2033 - 2037 | 122,998 | 42,137 | 165,135 |
| 2038 - 2042 | 27,933 | 2,374 | 30,307 |
| | 322,483 | 235,754 | 558,237 |

Payables

Payables at August 31, 2023 and August 31, 2022 were as follows:

| | Fiscal Year | |
|-----------------------------|-------------|------------|
| | 2023 | 2022 |
| Vendors Payable | 3,513,464 | 2,140,976 |
| Salaries & Benefits Payable | 16,662,315 | 16,391,736 |
| Total Payables | 20,175,779 | 18,532,712 |

22. Funds Held in Trust by Others

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

23. 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 2023 and 2022 for which monies have not been received nor funds expended total \$7,609,712 and \$8,531,834. Of these amounts, \$6,283,513 and \$7,505,635 were from Federal Contract and Grant Awards, and \$1,326,199 and \$1,026,199 were from State Contract and Grant Awards.

24. Self Insured Plans

CTCD does not currently maintain self-insured arrangements. First dollar worker’s compensation insurance coverage is carried for all CTCD 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 CTCD 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.

25. 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: | Fiscal Year | |
|------------------------------------|-----------------|-----------------|
| | 2023 | 2022 |
| Assessed Valuation of the District | 19,513,409,799 | 16,203,968,485 |
| Less: Exemptions | (4,336,318,976) | (3,591,008,808) |
| Net Assessed Valuation of District | 15,177,090,823 | 12,612,959,677 |

| | Fiscal Year | | | | | |
|--|--------------------|--------------|--------|--------------------|--------------|--------|
| | 2023 | | | 2022 | | |
| | Current Operations | Debt Service | Total | Current Operations | Debt Service | Total |
| Authorized Tax Rate per \$100 valuation (Maximum per enabling legislation) | 0.2500 | 0.2500 | 0.5000 | 0.2500 | 0.2500 | 0.5000 |
| Assessed Tax Rate per \$100 valuation | 0.0960 | 0.0000 | 0.0960 | 0.1116 | 0.0000 | 0.1116 |

Taxes levied for the year ended August 31, 2023 and 2022 are \$14,570,007 and \$14,076,063 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.

| | Fiscal Year | | | | | |
|---------------------------------------|--------------------|--------------|------------|--------------------|--------------|------------|
| | 2023 | | | 2022 | | |
| | Current Operations | Debt Service | Total | Current Operations | Debt Service | Total |
| Current Taxes Collected | 14,161,352 | | 14,161,352 | 13,848,188 | | 13,848,188 |
| Delinquent Taxes Collected | 51,420 | | 51,420 | 54,845 | | 54,845 |
| Penalties & Interest Collected | 120,441 | | 120,441 | 94,719 | | 94,719 |
| Total Gross Collections | 14,333,214 | | 14,333,214 | 13,997,752 | | 13,997,752 |
| Tax Appraisal & Collection Fees | (197,559) | | (197,559) | (194,429) | | (194,429) |
| Bad Debt Expense | | | | | | |
| Assessed Tax Rate Per \$100 Valuation | 14,135,655 | | 14,135,655 | 13,803,323 | | 13,803,323 |

Tax collections for the year ended August 31, 2023 and 2022 were 97.2% and 98.4%, 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.

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

| | Percentage of Incremental Tax Committed | Taxes Forgone in 2023 | Taxes Forgone in 2022 |
|--|---|-----------------------|-----------------------|
| Killeen Tax Increment Reinvestment Zone Number Two | 100% | 64,217 | 38,099 |

26. Tax Abatements

None

27. Branch Campus Maintenance Tax

None

28. Income Taxes

CTCD 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, 2023 and 2022.

29. Component Units

Central Texas College Foundation - Discrete Component Unit

Central Texas College 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 CTCD. 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 CTCD'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.

30. 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, 2023. 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 CTCD who do not receive any additional compensation or incur any expenses.

31. Subsequent Events

None

**Required Supplementary Information
Schedules (RSI)**

**Central Texas College District
Schedule Of District's Proportionate Share Of Net Pension Liability
Last Nine Fiscal Years****

| Fiscal year ending August 31,* | 2023** | 2022** | 2021** | 2020** | 2019** | 2018** | 2017** | 2016** | 2015** |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| CTCD's proportion of collective net pension liability | 0.030235% | 0.032505% | 0.038199% | 0.042907% | 0.044695% | 0.052726% | 0.058171% | 0.063147% | 0.071666% |
| CTCD's proportionate share of collective net pension liability | 17,949,882 | 8,277,945 | 20,458,627 | 22,304,538 | 24,601,154 | 16,859,073 | 21,981,885 | 22,321,695 | 19,142,979 |
| State's proportionate share of net pension liability associated with CTCD | 10,475,438 | 4,684,427 | 11,237,563 | 11,015,631 | 11,832,909 | 7,306,922 | 8,670,256 | 8,786,179 | 6,961,584 |
| Total | 28,425,320 | 12,962,372 | 31,696,190 | 33,320,169 | 36,434,063 | 24,165,995 | 30,652,141 | 31,107,874 | 26,104,563 |
| CTCD's covered payroll | 28,970,051 | 30,284,554 | 32,518,222 | 33,189,244 | 33,120,338 | 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 | 61.96% | 27.33% | 62.91% | 67.20% | 74.28% | 46.33% | 58.85% | 58.35% | 52.71% |
| Plan Fiduciary net position as a percentage of total pension liability | 75.62% | 88.79% | 75.24% | 75.24% | 73.74% | 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 Nine Fiscal Years****

| Fiscal year ending August 31,* | 2023** | 2022** | 2021** | 2020** | 2019** | 2018** | 2017** | 2016** | 2015** |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Legally required contributions | 505,681 | 559,946 | 594,054 | 699,568 | 721,037 | 768,690 | 961,748 | 1,098,769 | 1,137,973 |
| Actual contributions | 505,681 | 559,946 | 594,054 | 699,568 | 721,037 | 768,690 | 961,748 | 1,098,769 | 1,137,973 |
| Contributions deficiency | | | | | | | | | |
| CTCD's covered employee payroll amount | 29,081,071 | 28,970,051 | 30,284,554 | 32,518,222 | 33,189,244 | 33,120,338 | 36,392,653 | 37,739,400 | 38,257,762 |
| Contributions as a percentage of covered payroll | 1.74% | 1.93% | 1.96% | 2.15% | 2.17% | 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
Notes to Required Supplementary Information (RSI) Schedules for Pensions
Year Ended August 31, 2023

1. Changes of Benefit Terms:

Minor benefit revisions have been adopted since the prior valuation. The TRS contribution increased from 7.75% in FY 2022 to 8.00% in FY 2023. There were no salary increases for the FY 2023.

2. Changes of Assumptions

The actuarial valuation was performed as of August 31, 2021. The actuarial methods and assumptions were primarily based on a study of actual experience for the four year period ending August 31, 2021 and were adopted July 2022.

- The total pension liability as of August 31, 2022 was developed using a roll-forward method from the August 31, 2021 valuation.
- The single discount rate used was 7.0%, lowered from the August 2021 rate of 7.25%.

**Central Texas College District
Schedule Of District's Proportionate Share Of Net OPEB Liability
Last Six Fiscal Years****

| Fiscal year ending August 31,* | 2023** | 2022** | 2021** | 2020** | 2019** | 2018** |
|--|------------|------------|------------|------------|------------|-------------|
| CTCD's proportion of collective net OPEB liability | 0.150960% | 0.155425% | 0.165424% | 0.176410% | 0.182120% | 0.228637% |
| CTCD's proportionate share of collective net OPEB liability | 43,003,846 | 55,759,546 | 54,663,811 | 60,972,299 | 53,976,266 | 77,903,520 |
| State's proportionate share of net OPEB liability associated with CTCD | 26,562,010 | 33,070,303 | 30,453,981 | 32,775,132 | 27,543,653 | 35,415,650 |
| Total | 69,565,856 | 88,829,849 | 85,117,792 | 93,747,431 | 81,519,919 | 113,319,170 |
| CTCD's covered payroll | 35,429,374 | 35,613,877 | 38,235,031 | 38,919,775 | 38,983,872 | 42,667,055 |
| CTCD's proportionate share of collective net OPEB liability as a percentage of covered payroll | 121.38% | 156.57% | 142.97% | 156.66% | 138.46% | 182.58% |
| Plan Fiduciary net position as a percentage of total OPEB liability | 0.57% | 0.38% | 1.30% | 1.30% | 1.30% | 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
Last Six Fiscal Years****

| Fiscal year ending August 31,* | 2023** | 2022** | 2021** | 2020** | 2019** | 2018** |
|--|------------|------------|------------|------------|------------|------------|
| Legally required contributions | 748,870 | 675,704 | 753,426 | 733,373 | 427,486 | 2,154,259 |
| Actual contributions | 748,870 | 675,704 | 753,426 | 733,373 | 427,486 | 2,154,259 |
| Contributions deficiency | | | | | | |
| CTCD's covered employee payroll amount | 34,207,326 | 35,429,374 | 35,613,877 | 38,235,031 | 38,919,775 | 38,983,872 |
| Contributions as a percentage of covered payroll | 2.19% | 1.91% | 2.12% | 1.92% | 1.10% | 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 (RSI) SCHEDULES FOR OPEB
Year Ended August 31, 2023

1. Changes of Benefit Terms:

Minor benefit revisions became effective September 1, 2022. These changes, which are not expected to have a significant impact on plan costs for FY2023, are provided for in the FY2023 Assumed Per Capita Health Benefit Costs.

2. Changes of Assumptions

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS 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 their 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 assumed to cover dependent children.
- * Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- * Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- * The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect the most recent available information.
- * The discount rate was changed from 2.14% to 3.59% as a result of requirements by GASB No. 75 to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Supplemental Schedules

Central Texas College District
Schedule A
Schedule Of Operating Revenues
For the Year Ended August 31, 2023 (with Memorandum Totals for the Year Ended August 31, 2022)

| | Unrestricted | Restricted | Total Educational Activities | Auxiliary Enterprises | Fiscal Year | |
|---|----------------------|------------------|------------------------------|-----------------------|--------------------|--------------------|
| | | | | | 2023 | 2022 |
| Tuition | | | | | | |
| State Funded Courses : | | | | | | |
| In-District Resident Tuition | \$ 9,742,760 | | 9,742,760 | | 9,742,760 | 10,578,849 |
| Out-of-District Tuition | 3,362,238 | | 3,362,238 | | 3,362,238 | 2,983,778 |
| Non-resident Tuition | 8,681,877 | | 8,681,877 | | 8,681,877 | 13,562,627 |
| TPEG (set aside) * | 921,850 | | 921,850 | | 921,850 | 955,613 |
| Continuing Education | 36,281 | | 36,281 | | 36,281 | 39,607 |
| Non-State Funded : | | | | | | |
| Continuing Education | 119,067 | | 119,067 | | 119,067 | 190,503 |
| C & I and API Operations | 1,345,848 | | 1,345,848 | | 1,345,848 | 2,265,026 |
| Total Tuition | 24,209,921 | 0 | 24,209,921 | 0 | 24,209,921 | 30,576,003 |
| Fees: | | | | | | |
| Other Fees | 1,525,280 | | 1,525,280 | | 1,525,280 | 2,067,707 |
| Total Fees | 1,525,280 | 0 | 1,525,280 | 0 | 1,525,280 | 2,067,707 |
| Allowances and Discounts: | | | | | | |
| Remissions and Exemptions-State | (898,047) | | (898,047) | | (898,047) | (712,483) |
| Title IV Federal Grants | (5,686,750) | | (5,686,750) | | (5,686,750) | (4,763,992) |
| TPEG awards | (410,067) | | (410,067) | | (410,067) | (338,956) |
| Other State Grants | (36,702) | | (36,702) | | (36,702) | (148,379) |
| Total Allowances and Discounts | (7,031,566) | 0 | (7,031,566) | 0 | (7,031,566) | (5,963,810) |
| Total Net Tuition and Fees | 18,703,635 | 0 | 18,703,635 | 0 | 18,703,635 | 26,679,900 |
| Additional Operating Revenues: | | | | | | |
| Federal Grants and Contracts | 2,335,456 | 1,983,803 | 4,319,259 | | 4,319,259 | 4,448,975 |
| State Grants and Contracts | 139,168 | 839,287 | 978,455 | | 978,455 | 736,741 |
| Nongovernmental grants and contracts | 722,528 | 567,442 | 1,289,970 | | 1,289,970 | 966,495 |
| General operating revenues | 1,034,386 | | 1,034,386 | | 1,034,386 | 2,250,573 |
| Total Additional Operating Revenue | 4,231,538 | 3,390,532 | 7,622,070 | 0 | 7,622,070 | 8,402,784 |
| Auxiliary Enterprises: | | | | | | |
| Bookstore | | | | 2,776,147 | 2,776,147 | 2,462,244 |
| Less Discounts | | | | (593,985) | (593,985) | (530,494) |
| Student Housing | | | | 743,291 | 743,291 | 344,560 |
| Less Discounts | | | | (111,075) | (111,075) | (54,597) |
| Planetarium | | | | 103,292 | 103,292 | 66,045 |
| Total Net Auxiliary Enterprises | 0 | 0 | 0 | 2,917,670 | 2,917,670 | 2,287,758 |
| Total Operating Revenues | \$ 22,935,173 | 3,390,532 | 26,325,705 | 2,917,670 | 29,243,375 | 37,370,442 |

* In accordance with Education Code 56.033, \$921,850 and \$955,613 for years August 31, 2023 and 2022, respectively, of tuition was set aside for Texas Public Education Grants (TPEG)

Central Texas College District
Schedule B
Schedule Of Operating Expenses By Object
For the Year Ended August 31, 2023 (with Memorandum Totals for the Year Ended August 31, 2022)

| | Salaries and Wages | Operating Expenses | | | Fiscal Year |
|---|--------------------|--------------------|-------------|----------------|-------------|
| | | State | Local | Other Expenses | |
| Unrestricted - Educational Activities | | | | | |
| Instruction | \$ 20,637,238 | | 3,083,752 | 2,551,154 | 26,272,144 |
| Public Service | 236,956 | 59,034 | 105,195 | 401,185 | 392,634 |
| Academic Support | 3,661,194 | 718,814 | 903,426 | 5,283,434 | 5,296,175 |
| Student Services | 5,142,140 | 983,462 | 832,486 | 6,958,088 | 7,136,079 |
| Institutional Support | 9,429,797 | 3,962,360 | (5,310,748) | 8,081,409 | 7,532,844 |
| Operation and Maintenance of Plant | 2,328,005 | 823,566 | 4,575,296 | 7,726,867 | 7,989,435 |
| Total Unrestricted Educational Activities | 41,435,330 | 0 | 9,630,988 | 3,656,809 | 54,723,127 |
| Restricted-Educational Activities | | | | | |
| Instruction | 327,282 | 1,250,190 | 98,763 | 444,147 | 2,120,382 |
| Public Service | | | | | 0 |
| Academic Support | | 223,335 | | | 223,335 |
| Student Services | 105,986 | 487,902 | 24,876 | 226,776 | 845,540 |
| Institutional Support | | 1,792,836 | | | 1,792,836 |
| Operation and Maintenance of Plant | 145,947 | 1,158 | 16,916,295 | 17,063,400 | 26,093,952 |
| Scholarships and Fellowships | 579,215 | 3,754,263 | 124,797 | 17,587,218 | 22,045,493 |
| Total Restricted Educational Activities | 42,014,545 | 3,754,263 | 9,755,785 | 21,244,027 | 76,768,620 |
| Total Educational Activities | 83,450,880 | 3,754,263 | 19,586,773 | 42,488,154 | 131,697,747 |
| Auxiliary Enterprises | 493,362 | | 111,850 | 2,072,762 | 2,677,974 |
| Depreciation Expense-Buildings and other Real Estate Improvements | | | 2,858,810 | | 2,712,538 |
| Depreciation Expense-Equipment and furniture | | | 856,082 | | 871,094 |
| Total Operating Expenses | \$ 42,507,907 | 3,754,263 | 9,867,635 | 27,031,681 | 83,161,486 |
| | | | | | (Exhibit 2) |
| | | | | | (Exhibit 2) |

Central Texas College District
Schedule C

Schedule Of Non-operating Revenues And Expenses
For the Year Ended August 31, 2023 (with Memorandum Totals for the Year Ended August 31, 2022

| | Fiscal Year | | |
|-------------------------------------|---------------|------------|-------------------------|
| | Unrestricted | Restricted | Auxiliary Enterprises |
| | 2023 | 2023 | 2022 |
| Non-operating Revenues | | | |
| State Appropriations | | | |
| Education and general state support | \$ 14,525,923 | | 14,525,923 14,509,784 |
| Dramatic enrollment growth | | | 0 0 |
| State group insurance | 2,646,108 | | 2,646,108 2,667,887 |
| State retirement matching | 1,108,155 | | 1,108,155 627,658 |
| Hazlewood Legacy | 13,418 | | 13,418 18,463 |
| Total state appropriations | 14,525,923 | 3,767,681 | 0 18,293,604 17,823,792 |
| Maintenance ad valorem taxes | 14,135,655 | | 14,135,655 13,803,323 |
| Federal revenue, non operating | 14,036,450 | | 14,036,450 24,402,672 |
| Investment income | 3,108,509 | | 3,108,509 (395,821) |
| Gain on disposal of capital assets | 0 | | 0 78 |
| Total non-operating revenues | 31,770,087 | 17,804,131 | 0 49,574,218 55,634,044 |
| Non-operating Expenses | | | |
| Loss on disposal of capital assets | 0 | | 0 0 |
| Other | 0 | | 0 0 |
| Total non-operating expenses | 0 | 0 | 0 0 |
| Net non-operating revenues | \$ 31,770,087 | 17,804,131 | 0 49,574,218 55,634,044 |
| | | | (Exhibit 2) (Exhibit 2) |

Central Texas College District
Schedule D
Schedule Of Net Position By Source And Availability
For the Year Ended August 31, 2023 (with Memorandum Totals for the Year Ended August 31, 2022)

| | Detail by Source | | Capital Assets Net of Depreciation & Related Debt | Total | Available for Current Operations | |
|---|------------------|------------|---|----------------------------|-------------------------------------|-------------|
| | Unrestricted | Restricted | | | Yes | No |
| Current | | | | | | |
| Unrestricted | \$ (16,229,346) | | (16,229,346) | (16,229,346) | | |
| Board Designated | 29,775,430 | | 29,775,430 | 29,775,430 | | |
| Restricted | | 1,707,564 | 1,707,564 | 1,707,564 | | |
| Plant | | | | | | |
| Investment in Plant | | | 136,248,880 | 136,248,880 | | |
| Total Net Position, August 31, 2023 | 13,546,084 | 1,707,564 | 136,248,880 | 151,502,528 (Exhibit 1) | 15,253,648 | 136,248,880 |
| Total Net Position, August 31, 2022 | 18,653,404 | 1,793,791 | 135,399,226 | 155,846,421 (Exhibit 2) | 20,447,195 | 135,399,226 |
| Net Increase (Decrease) in Net Position | \$ (5,107,320) | (86,227) | 0 | 849,654 (Exhibit 2) | (5,193,547) | 849,654 |

Central Texas College District
Schedule E
Schedule Of Expenditures Of Federal Awards
For the Year Ended August 31, 2023

| Federal Grantor Pass-Through Grantor Program Title | Assistance Listing 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 | | 71,457 |
| Federal College Work-study Program | 84.033 | | 57,707 |
| Federal Pell Grant Program | 84.063 | | 13,703,493 |
| Direct Loans | 84.268 | | 8,445,124 |
| Subtotal Student Financial Aid Cluster | | | <u>22,277,781</u> |
| Cares ACT: HEERF (Student) | 84.425E | | 1,000 |
| Cares ACT: HEERF (Institutional) | 84.425F | | 0 |
| Total Direct Program Cares Act | | | <u>1,000</u> |
| Pass-Through From: | | | |
| Texas Workforce Commission | | | |
| Adult Education | 84.002A | 2618ALAE00 | 363,704 |
| Adult Education | 84.002A | 2618ALAF00 | 36,293 |
| Subtotal | | | <u>399,997</u> |
| Texas Higher Education Coordinating Board: | | | |
| Carl D. Perkins Funds-Basic | 84.048 | 27612 | 630,992 |
| TRUE II | 21.027 | 27265 | 505,195 |
| Accelerating Student Success Planning Grant | 84.425C | 27307 | 16,044 |
| Student Success Acceleration Grant | 84.425C | 28564 | 136,462 |
| Temple College | | | |
| Reskilling Grant | 84.425C | 26689 | 11,813 |
| Subtotal | | | <u>164,319</u> |
| Total Pass-Through | | | <u>1,300,506</u> |
| Total U.S. Department of Education | | | <u>23,979,284</u> |
| U.S. Department Of Health And Human Services: | | | |
| Pass-Through From: | | | |
| Texas Workforce Commission | | | |
| Temporary Assistance to Needy Families | 93.558 | 2618ALAE00 | 32,994 |
| Temporary Assistance to Needy Families | 93.558 | 2618ALAE00 | 1,768 |
| Total U. S. Department of Health and Human Services | | | <u>34,762</u> |
| Total Federal Financial Assistance | | | <u>24,014,046</u> |
| Note 1: Federal Assistance Reconciliation | | | |
| Federal Grants and Contracts revenue-per Schedule A | | | 4,319,259 |
| Add Non Operating Federal Revenue from Schedule C | | | 14,036,450 |
| Total Federal Revenues per Schedule A and C | | | <u>18,355,709</u> |
| Reconciling Items: | | | |
| Add Direct Student Loans | | | 8,445,124 |
| Less Expenditures Not Subject to Federal Single Audit | | | (2,786,787) |
| Total Federal Revenues per Schedule of Expenditures of Federal Awards | | | <u>24,014,046</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, 2023

| Grantor Agency Program Title | Grant Contract Number | Expenditures |
|---|--------------------------|-------------------------|
| Texas Workforce Commission | | |
| Adult Education | | |
| Basic Program | 2618ALAE00 | 54,044 |
| Basic Program | 2618ALAE00 | 2,896 |
| Texas Higher Education Coordinating Board | | |
| College Work-study Program | | 51,904 |
| Texas Grant Program | | 0 |
| Texas Equal Opportunity Grant | | 825,099 |
| Nursing Innovation Grant Program | | 13,243 |
| Professional Nursing Shortage Reduction Program | | 52,054 |
| Professional Nursing Shortage Reduction Program >70 | | 34,350 |
| Total State Financial Assistance | | <u><u>1,033,590</u></u> |

Note 1: State Assistance Reconciliation

| | | |
|--|--|-----------------------|
| State Revenues - | | |
| State Financial Assistance | | |
| Per Schedule of expenditures of state awards | | 1,033,590 |
| State Financial Assistance | | |
| Tuition and fees | | (55,135) |
| Total State Revenues per Schedule A | | <u><u>978,455</u></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 Controls and Compliance



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

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

Member of
American Institute & Texas Society of
Certified Public Accountants

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

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, 2023 and 2022, 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 8, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 8, 2023



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

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

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

**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

Opinion on Each Major Federal and State Program

We have audited Central Texas College District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and The State of Texas Single Audit Circular that could have a direct and material effect on each of Central Texas College District's major federal and state programs for the year ended August 31, 2023. Central Texas College 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.

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, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and The State of Texas Single Audit Circular. Our responsibilities under those standards, the Uniform Guidance, and The State of Texas Single Audit Circular are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Central Texas College District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Central Texas College District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Central Texas College District's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Central Texas College District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance, and The State of Texas Single Audit Circular will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Central Texas College District's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance and The State of Texas Single Audit Circular, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Central Texas College District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Central Texas College District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Central Texas College District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Jatt, Vernon + Co. P.C.

Temple, Texas
December 8, 2023

CENTRAL TEXAS COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
August 31, 2023

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? | None |

7. Identification of major programs:

| <u>Federal Programs</u> | <u>Assistance Listing</u> | <u>State Programs</u> |
|---|---------------------------|---|
| <i>U.S. Department of Education</i> | <u>Number</u> | <i>Texas Higher Education Coordinating Board:</i> |
| Student Financial Assistance Cluster: | | <i>Texas Equal Opportunity Grant</i> |
| Federal Supplemental Educational Opportunity Grant: | 84.007 | |
| Federal Work-Study Program: | 84.033 | |
| Federal Pell Grant Program: | 84.063 | |
| Federal Direct Student Loans | 84.268 | |

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B federal programs: | \$750,000 |
| 9. Dollar threshold used to distinguish between type A and type B state programs: | \$750,000 |
| 10. Auditee qualified as low-risk auditee for federal single audit: | Yes |
| 11. Auditee qualified as 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

III. Federal and State Awards Findings and Questioned Costs

None

**Additional Information
(Unaudited)**

Central Texas College District
Schedule G
Consolidating Statement Of Revenues, Expenses And Changes In Net Position (Unaudited)
For the Year Ended August 31, 2023

| | Texas Campuses | Continental & International Campuses | Total |
|---|---------------------|--|---------------------|
| Revenues | | | |
| Operating Revenues | | | |
| Tuition and Fees | \$ 17,355,315 | 1,348,320 | 18,703,635 |
| Federal Grants and Contracts | 3,908,500 | 410,759 | 4,319,259 |
| State Grants and Contracts | 978,455 | 0 | 978,455 |
| Non-Governmental and Contracts | 1,289,970 | 0 | 1,289,970 |
| Sales & Services of Auxiliary Enterprises | 2,917,054 | 616 | 2,917,670 |
| Miscellaneous Income | 1,027,645 | 6,741 | 1,034,386 |
| Total Operating Revenues | 27,476,939 | 1,766,436 | 29,243,375 |
| Expenses | | | |
| Operating Expenses | | | |
| Instruction | 27,453,028 | 939,498 | 28,392,526 |
| Public Services | 401,185 | 0 | 401,185 |
| Academic Support | 4,077,385 | 1,429,384 | 5,506,769 |
| Student Services | 7,413,433 | 390,195 | 7,803,628 |
| Institutional Support | 9,929,439 | (55,194) | 9,874,245 |
| Operation and Maintenance of Plant | 7,506,987 | 219,880 | 7,726,867 |
| Scholarships and Fellowships | 16,928,284 | 135,116 | 17,063,400 |
| Auxiliary Enterprises | 2,674,318 | 3,656 | 2,677,974 |
| Depreciation | 3,711,173 | 3,719 | 3,714,892 |
| Total Operating Expenses | 80,095,232 | 3,066,254 | 83,161,486 |
| Operating Income(Loss) | (52,618,293) | (1,299,818) | (53,918,111) |
| Non-Operating Revenues (Expenses) | | | |
| State Appropriations-General Revenue | 18,293,604 | 0 | 18,293,604 |
| Taxes for Maintenance and Operations | 14,135,655 | 0 | 14,135,655 |
| Federal Revenue, Non Operating | 14,036,450 | 0 | 14,036,450 |
| Investment Income | 3,108,509 | 0 | 3,108,509 |
| Other | 0 | 0 | 0 |
| Net Non-Operating Revenue | 49,574,218 | 0 | 49,574,218 |
| Other Revenues, Expenses, Gains (Losses) | | | |
| Allocation of Distance Eduation | 214,435 | (214,435) | 0 |
| Allocation of Systems | (3,363,389) | 3,363,389 | 0 |
| Increase (Decrease) in Net Position | \$533,749 | (4,877,642) | (4,343,893) |

Central Texas College District
Schedule G-1
Consolidating Statement Of Revenues, Expenses And Changes In Net Position
Texas Campuses (Unaudited)
For the Year Ended August 31, 2023

| | Central | Ft. hood/SAC | Dist Ed | Systems | KNCT | Auxiliary | Total |
|---|---------------------|--------------------|-------------------|--------------------|----------------|------------------|---------------------|
| Revenues | | | | | | | |
| Operating Revenues | | | | | | | |
| Tuition and Fees | \$ 6,122,890 | 749,661 | 10,479,433 | 2,936 | 0 | 395 | 17,355,315 |
| Federal Grants and Contracts | 1,558,500 | 2,273,762 | (663) | 0 | 76,901 | 0 | 3,908,500 |
| State Grants and Contracts | 978,455 | 0 | 0 | 0 | 0 | 0 | 978,455 |
| Non-Governmental and Contracts | 1,262,463 | 27,507 | 0 | 0 | 0 | 0 | 1,289,970 |
| Sales & Services of Auxiliary Enterprises | 0 | 0 | 3,179 | 5,393 | 0 | 2,908,482 | 2,917,054 |
| Miscellaneous Income | 102,150 | 0 | 0 | 109,901 | 816,760 | (1,166) | 1,027,645 |
| Total Operating Revenues | 10,024,458 | 3,050,930 | 10,481,949 | 118,230 | 893,661 | 2,907,711 | 27,476,939 |
| Expenses | | | | | | | |
| Operating Expenses | | | | | | | |
| Instruction | 18,079,201 | 3,303,326 | 6,086,076 | 0 | (15,575) | 0 | 27,453,028 |
| Public Services | 0 | 0 | 0 | 0 | 401,185 | 0 | 401,185 |
| Academic Support | 1,814,902 | 1,079,238 | 277,375 | 905,870 | 0 | 0 | 4,077,385 |
| Student Services | 2,467,826 | 398,742 | 1,429,293 | 3,117,572 | 0 | 0 | 7,413,433 |
| Institutional Support | 5,824,231 | 246,899 | 3,217,596 | 575,296 | 0 | 65,417 | 9,929,439 |
| Operation and Maintenance of Plant | 7,382,385 | 124,602 | 0 | 0 | 0 | 0 | 7,506,987 |
| Scholarships and Fellowships | 16,919,928 | 7,356 | 0 | 1,000 | 0 | 0 | 16,928,284 |
| Auxiliary Enterprises | 4,081 | 0 | 0 | 0 | 0 | 2,670,237 | 2,674,318 |
| Depreciation | 2,528,661 | 190,254 | 0 | 429,349 | 20,571 | 542,338 | 3,711,173 |
| Total Operating Expenses | 55,021,215 | 5,350,417 | 11,010,340 | 5,029,087 | 406,181 | 3,277,992 | 80,095,232 |
| Operating Income(Loss) | (44,996,757) | (2,299,487) | (528,391) | (4,910,857) | 487,480 | (370,281) | (52,618,293) |
| Non-Operating Revenues (Expenses) | | | | | | | |
| State Appropriations-General Revenue | 15,314,185 | 1,710,481 | 501,008 | 767,930 | 0 | 0 | 18,293,604 |
| Taxes for Maintenance and Operations | 14,135,655 | 0 | 0 | 0 | 0 | 0 | 14,135,655 |
| Federal Revenue, Non Operating | 13,834,837 | 0 | 0 | 21,242 | 180,371 | 0 | 14,036,450 |
| Investment Income | 0 | 0 | 0 | 3,108,509 | 0 | 0 | 3,108,509 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Non-Operating Revenue | 43,284,677 | 1,710,481 | 501,008 | 3,897,681 | 180,371 | 0 | 49,574,218 |
| Other Revenues, Expenses, Gains (Losses) | | | | | | | |
| Allocation of Distance Education | (884,545) | (241,239) | 1,340,219 | | | | 214,435 |
| Allocation of Systems | 3,078,694 | 524,223 | 1,312,836 | (8,480,836) | 95,071 | 106,623 | (3,363,389) |
| Increase (Decrease) in Net Position | (5,675,319) | (1,354,468) | 0 | 7,467,660 | 572,780 | (476,904) | 533,749 |

Central Texas College District
Schedule G-2
Consolidating Statement Of Revenues, Expenses And Changes In Net Position
Continental & International Campuses (Unaudited)
For the Year Ended August 31, 2023

| | Europe Campus | Continental Campus | Navy Campus | Total |
|---|--------------------|-----------------------|------------------|--------------------|
| Revenues | | | | |
| Operating Revenues | | | | |
| Tuition and Fees | \$ 325,322 | 865,955 | 157,043 | 1,348,320 |
| Federal Grants and Contracts | 410,759 | 0 | 0 | 410,759 |
| State Grants and Contracts | 0 | 0 | 0 | 0 |
| Non-Governmental and Contracts | 0 | 0 | 0 | 0 |
| Sales & Services of Auxiliary Enterprises | 23 | 1,294 | (701) | 616 |
| Miscellaneous Income | 112 | 6,565 | 64 | 6,741 |
| Total Operating Revenues | 736,216 | 873,814 | 156,406 | 1,766,436 |
| Expenses | | | | |
| Operating Expenses | | | | |
| Instruction | 468,722 | 337,033 | 133,743 | 939,498 |
| Public Services | 0 | 0 | 0 | 0 |
| Academic Support | 355,973 | 970,587 | 102,824 | 1,429,384 |
| Student Services | 331,196 | 58,999 | 0 | 390,195 |
| Institutional Support | 178,090 | (336,517) | 103,233 | (55,194) |
| Operation and Maintenance of Plant | 219,880 | 0 | 0 | 219,880 |
| Scholarships and Fellowships | 32,601 | 86,778 | 15,737 | 135,116 |
| Auxiliary Enterprises | 13,658 | (10,002) | 0 | 3,656 |
| Depreciation | 198 | 868 | 2,653 | 3,719 |
| Total Operating Expenses | 1,600,318 | 1,107,746 | 358,190 | 3,066,254 |
| Operating Income(Loss) | (864,102) | (233,932) | (201,784) | (1,299,818) |
| Non-Operating Revenues (Expenses) | | | | |
| State Appropriations-General Revenue | 0 | 0 | 0 | 0 |
| Taxes for Maintenance and Operations | 0 | 0 | 0 | 0 |
| Federal Revenue, Non Operating | 0 | 0 | 0 | 0 |
| Investment Income | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Net Non-Operating Revenue | 0 | 0 | 0 | 0 |
| Other Revenues, Expenses, Gains (Losses) | | | | |
| Allocation of Distance Eduation | (67,011) | (147,424) | 0 | (214,435) |
| Allocation of Systems | 1,239,910 | 2,002,877 | 120,602 | 3,363,389 |
| Increase (Decrease) in Net Position | (2,171,023) | (2,384,233) | (322,386) | (4,877,642) |