

CENTRAL TEXAS COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

August 31, 2017

CENTRAL TEXAS COLLEGE DISTRICT
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CENTRAL TEXAS COLLEGE DISTRICT

**ORGANIZATIONAL DATA
for the Fiscal Year 2017**

Board of Trustees

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

Key Officers

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



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Central Texas College District
Killeen, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Central Texas College District, (the College) as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the

INDEPENDENT AUDITORS' REPORT (CONTINUED)

overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Central Texas College District as of August 31, 2017 and 2016, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Temple, Texas
December 13, 2017

**Central Texas College District
Annual Financial Report
Management’s Discussion and Analysis
For the Year Ended August 31, 2017**

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, 2017. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. This discussion and analysis is designed to focus on current activities, resulting change and current known facts. For management’s discussion and analysis, we have presented the previous year’s financial information in order to provide a comparison. The financial statements, footnotes and this discussion are the responsibility of management.

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2017

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

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

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

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

FINANCIAL AND ENROLLMENT HIGHLIGHTS

- The combination of Cash and Investments are down approximately \$6.5 million from the previous fiscal year. The primary reason for this is significant capital expenditures for infrastructure.
- The college continues to operate multiple federal contracts with revenues in excess of \$13 million. This is a slight decrease from the previous fiscal year. The college has multiple contracts and revenues vary from year to year based on quantities ordered by the federal government. In addition the Ft Hood campus had two federal contracts that ended during 2017.
- Tuition and Fees were down approximately \$2.1 million. This is a 5% decrease from the previous fiscal year. Due to our high military student population changes in deployments and military leaderships stance on voluntary education enrollments and tuition revenue can change drastically from year to year. The most significant changes from the previous fiscal year were Ft Hood Campus down 26%, Continental Campus down 17.6% and Europe Campus up 10.7%.
- Distance Education tuition and fees represent approximately \$20 million or 50% of total tuition and fees. Operating revenues clearly reflect military and distance learning initiatives.
- The College Board of Trustees maintained the local ad valorem tax rate for maintenance and operation at \$.1366 in 2017.

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2017

STATEMENT OF NET POSITION

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. Net position - the difference between assets and liabilities - are one way to measure the financial health of the college.

(In Millions)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>
Current assets:				
Cash and cash equivalents	\$ 79.8	\$ 92.3	(13.5)	\$ 99.0
Receivables	13.9	14.3	(2.8)	15.6
Inventory, prepaid expenses and other	<u>2.3</u>	<u>2.7</u>	<u>(14.8)</u>	<u>2.8</u>
Total current assets	<u>96.0</u>	<u>109.3</u>	<u>(12.2)</u>	<u>117.4</u>
Non-current assets:				
Restricted Cash	.5	.5	-	.6
Long-term investments	50.4	44.5	13.3	36.8
Notes Receivable	.1	-	100.0	-
Capital assets, net of depreciation	<u>117.4</u>	<u>107.0</u>	<u>9.7</u>	<u>106.0</u>
Total non-current assets	<u>168.4</u>	<u>152.0</u>	<u>10.8</u>	<u>143.4</u>
Total assets	<u>264.4</u>	<u>261.3</u>	<u>1.2</u>	<u>260.8</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	<u>6.2</u>	<u>7.9</u>	<u>(21.5)</u>	<u>2.7</u>
Total Deferred Outflows of Resources	<u>6.2</u>	<u>7.9</u>	<u>(21.5)</u>	<u>2.7</u>
Current liabilities:				
Accounts payable and accrued liabilities	22.4	21.7	3.2	21.0
Accrued absences	.3	.4	(25.0)	.3
Unearned Revenues	<u>11.3</u>	<u>10.9</u>	<u>3.7</u>	<u>11.1</u>
Total current liabilities	<u>34.0</u>	<u>33.0</u>	<u>3.0</u>	<u>32.3</u>
Non-current liabilities:				
Accrued absences	1.3	1.3	-	1.3
Net pension liability	<u>22.0</u>	<u>22.3</u>	<u>(1.3)</u>	<u>19.1</u>
Total non-current liabilities	<u>23.3</u>	<u>23.6</u>	<u>(1.3)</u>	<u>20.4</u>
Total liabilities	<u>57.3</u>	<u>56.6</u>	<u>1.2</u>	<u>52.7</u>

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2017

Statement of Net Position (continued)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	<u>7.0</u>	<u>8.0</u>	<u>(12.5)</u>	<u>5.9</u>
Total Deferred Inflows of Resources	<u>7.0</u>	<u>8.0</u>	<u>(12.5)</u>	<u>5.9</u>
Net position				
Invested in capital assets, net of related debt	117.4	107.0	9.7	106.0
Restricted	1.3	.9	44.4	.6
Unrestricted	<u>87.6</u>	<u>96.7</u>	<u>(9.4)</u>	<u>98.3</u>
Total net position	<u>206.3</u>	<u>204.6</u>	<u>.8</u>	<u>204.9</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2017

(In Millions)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>
Operating revenue:				
Net tuition and fees	\$ 39.6	\$ 41.7	(5.0)	\$ 44.9
Federal Funds	13.4	14.7	(8.9)	13.2
Grants and Contracts	1.9	1.7	11.8	1.6
Auxiliary Funds	6.3	7.5	(16.0)	7.8
Other	<u>1.3</u>	<u>1.4</u>	<u>(7.2)</u>	<u>1.6</u>
Total	62.5	67.0	(6.7)	69.1
Operating expenses	<u>117.8</u>	<u>125.5</u>	<u>(6.1)</u>	<u>130.5</u>
Net operating loss	<u>(55.3)</u>	<u>(58.5)</u>	<u>(5.5)</u>	<u>(61.4)</u>
Non-operating revenues (expenses)				
State Appropriations	23.1	23.2	(.4)	24.6
Local ad valorem taxes	12.3	11.9	3.4	11.6
Federal Revenue, Non Operating	20.2	21.9	(7.7)	25.1
Investment income	1.3	1.2	8.3	1.0
Other Non-Operating Revenues	<u>.1</u>	<u>-</u>	<u>100.0</u>	<u>-</u>
Total	<u>57.0</u>	<u>58.2</u>	<u>(2.1)</u>	<u>62.3</u>
Increase in net position	1.7	(.3)	666.6	.9
Net position - Beginning of year for 2015 restated	<u>204.6</u>	<u>204.9</u>	<u>(.1)</u>	<u>204.0</u>
Net position - End of year	\$ <u>206.3</u>	\$ <u>204.6</u>	<u>.8</u>	\$ <u>204.9</u>

OPERATING EXPENSES (by functional classification)

(In Millions)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>
Instruction	\$ 37.8	\$ 40.8	(7.4)	\$ 40.8
Public service	1.5	1.5	-	1.6
Academic support	8.3	8.6	(3.5)	10.0
Student services	10.0	10.6	(5.7)	11.2
Institutional support	21.3	21.3	-	20.9
Operation and maintenance of plant	7.5	7.4	13.5	7.4
Scholarships and related expenses	22.0	24.7	(10.9)	27.4
Auxiliary activities	5.7	6.8	(16.2)	7.2
Depreciation	<u>3.7</u>	<u>3.8</u>	<u>(2.6)</u>	<u>4.0</u>
Total Expenses	\$117.8	\$125.5	(6.2)	\$ 130.5

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2017

OPERATING EXPENSES (by natural classification)

(In Millions)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>
Salaries and wages	\$ 50.1	\$ 53.7	(6.7)	\$ 55.8
State Benefits	4.5	4.6	(2.2)	3.9
Local Benefits	11.7	11.2	4.5	11.9
Scholarships and related expenses	21.9	24.5	(10.6)	27.4
Supplies and related expenses	25.9	27.7	(6.5)	27.5
Depreciation	<u>3.7</u>	<u>3.8</u>	<u>(2.6)</u>	<u>4.0</u>
	\$ 117.8	\$125.5	(6.1)	\$130.5

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

STATEMENT OF CASH FLOWS

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

(In Millions)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>
Cash provided by (used in):				
Operating activities	\$(48.6)	\$(50.5)	(3.8)	\$ (56.5)
Non-capital financing activities	54.9	55.0	(.2)	59.7
Capital and related financing activities	(14.0)	(4.8)	191.7	(8.0)
Investing activities	<u>(4.6)</u>	<u>(6.6)</u>	<u>(30.3)</u>	<u>.8</u>
Net increase (decrease) in cash	(12.3)	(6.9)	(78.3)	(4.0)
Cash - beginning of year	<u>92.7</u>	<u>99.6</u>	<u>(6.9)</u>	<u>103.6</u>
Cash - end of year	\$ 80.4	\$ 92.7	(13.3)	\$ 99.6

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2017

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

THE WAY AHEAD

Enrollment decreases due to troop strength reductions at Ft Hood and many of our other campuses along with reductions in state funding led to the first tax rate increase in the past 25 years. That increase coupled with increases to in-district, out-of-district and non-resident tuition rates along with significant financial restraints ensured that Central Texas College was able to pass a budget for 2018 that is balanced and will add to the net position of the college. Increases to taxes and tuition are never easy and are recommended only after extensive scrutiny by the administration. That along with the knowledge of how large an asset Central Texas College is to the community aided the Board of Trustees in approving the administrations recommendations for the increases.

Central Texas College will continue to provide quality, affordable education that produces graduates who are career-ready and will make an immediate impact on the local community and economy. We will continue to operate the Killeen Independent School District's Early College High School (ECHS) at our Killeen campus. In 2019, we will welcome a new class of 300 juniors that will join the initial junior class of 300 that started in 2018. In addition to the ECHS we will continue to expand our hospitality management/culinary arts, automotive, welding and emergency medical technician programs to Killeen and Copperas Cove ISD's.

In addition to working closely with local school districts, we are still committed to working with military students and their families around the globe. While some locations are no longer viable for a physical presence, our robust distance education program and expanded student support from our Killeen location continues to provide military personnel and veterans the education they deserve.

FINANCIAL STATEMENTS

**CENTRAL TEXAS COLLEGE DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017 and AUGUST 31, 2016**

Exhibit 1

ASSETS	FISCAL YEAR	FISCAL YEAR
	2017	2016
Current Assets		
Cash and Cash Equivalents	\$ 79,848,755	\$ 92,279,232
Accounts Receivable (net)	13,876,079	14,330,746
Inventories	1,905,782	1,985,453
Prepaid Expenses	369,355	661,652
Total Current Assets	<u>95,999,971</u>	<u>109,257,083</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	541,769	467,936
Other Long-Term Investments	50,381,025	44,517,134
Notes Receivable	73,415	59,215
Capital Assets (net) (See Note 6)	117,406,380	106,958,212
Total Noncurrent Assets	<u>168,402,589</u>	<u>152,002,497</u>
Total Assets	<u>264,402,560</u>	<u>261,259,580</u>
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	6,212,327	7,877,166
Total Deferred Outflows of Resources	<u>6,212,327</u>	<u>7,877,166</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	5,519,372	4,958,686
Accrued Liabilities	16,453,212	16,380,471
Accrued Compensable Absences-Current Portion	317,870	327,837
Funds Held for Others	432,153	371,551
Unearned Revenues	11,328,069	10,891,346
Total Current Liabilities	<u>34,050,676</u>	<u>32,929,891</u>
Noncurrent Liabilities		
Accrued Compensable Absences	1,271,478	1,311,348
Net Pension Liability	21,981,885	22,321,695
Total Noncurrent Liabilities	<u>23,253,363</u>	<u>23,633,043</u>
Total Liabilities	<u>57,304,039</u>	<u>56,562,934</u>
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	6,988,812	7,994,510
Total Deferred Inflows of Resources	<u>6,988,812</u>	<u>7,994,510</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	117,406,380	106,958,212
Restricted for:		
Scholarships and Grants	1,326,859	918,637
Unrestricted	87,588,797	96,702,453
Total Net Position (Schedule D)	<u>\$ 206,322,036</u>	<u>\$ 204,579,302</u>

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

CENTRAL TEXAS COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2017

Exhibit 1 - A

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Assets				
Cash & Cash Equivalents	\$ 88,820	\$ 58,338	\$ 13,747	\$ 160,905
Investments		584,431	7,044,127	7,628,558
CSV - Life Insurance		97,152		97,152
Total Assets	<u>88,820</u>	<u>739,921</u>	<u>7,057,874</u>	<u>7,886,615</u>
Liabilities				
Accounts Payable	14,149	66,214	260,530	340,893
Total Liabilities	<u>14,149</u>	<u>66,214</u>	<u>260,530</u>	<u>340,893</u>
Net Assets				
Unrestricted	74,671			74,671
Temporarily Restricted		673,707		673,707
Permanently Restricted			6,797,344	6,797,344
Total Net Position	<u>74,671</u>	<u>673,707</u>	<u>6,797,344</u>	<u>7,545,722</u>
Total Liabilities and Net Assets	<u>88,820</u>	<u>739,921</u>	<u>7,057,874</u>	<u>7,886,615</u>

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

CENTRAL TEXAS COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended August 31, 2017 and August 31, 2016

Exhibit 2

	<u>FISCAL YEAR</u> <u>2017</u>	<u>FISCAL YEAR</u> <u>2016</u>
Operating Revenues		
Tuition and Fees (Net)	\$ 39,578,299	\$ 41,698,659
Federal Grants and Contracts	13,433,182	14,735,503
State Grants and Contracts	1,146,121	935,270
Non-Governmental Grants and Contracts	733,419	741,222
Sales of Services of Educational Activities	143,884	213,099
Auxiliary Enterprises (net of discounts)	6,333,597	7,518,705
General Operating Revenues	<u>1,188,397</u>	<u>1,199,954</u>
Total Operating Revenues (Schedule A)	<u>62,556,899</u>	<u>67,042,412</u>
Operating Expenses		
Instruction	37,786,979	40,839,178
Public Service	1,454,145	1,535,881
Academic Support	8,284,498	8,616,388
Student Services	10,014,546	10,574,897
Institutional Support	21,256,874	21,311,628
Operation and Maintenance of Plant	7,516,481	7,380,675
Scholarships and Fellowships	22,028,165	24,657,658
Auxiliary Enterprises	5,753,006	6,800,161
Depreciation	<u>3,720,100</u>	<u>3,798,483</u>
Total Operating Expenses (Schedule B)	<u>117,814,794</u>	<u>125,514,949</u>
Operating Loss	<u>(55,257,895)</u>	<u>(58,472,537)</u>
Non-Operating Revenues (Expenses)		
State Appropriations	23,081,919	23,177,299
Ad Valorem Taxes (Net)	12,299,536	11,940,784
Federal Revenue, Non Operating	20,206,722	21,870,738
Investment Income	1,270,738	1,191,575
Other Non-Operating Revenues (Expenses)	141,714	(5,214)
Net Non-Operating Revenues (Schedule C)	<u>57,000,629</u>	<u>58,175,182</u>
Increase/(Decrease) in Net Position	<u>1,742,734</u>	<u>(297,355)</u>
Net Position		
Net Position, Beginning of Year	<u>204,579,302</u>	<u>204,876,657</u>
Net Position - End of Year	<u>\$ 206,322,036</u>	<u>\$ 204,579,302</u>

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

**CENTRAL TEXAS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017**

Exhibit 2-A

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenue				
Contributions	\$ 82,027	\$ 34,338	\$ 90,203	\$ 206,568
Donated Administrative Support	169,398			169,398
Interest Income		4,523	68,794	73,317
Unrealized/Realized Gains(Loss) on Investment		3,031	696,999	700,030
Other Income		10,307	115,233	125,540
Total Revenue	<u>251,425</u>	<u>52,199</u>	<u>971,229</u>	<u>1,274,853</u>
Expenses				
Program				
Scholarships Awarded		29,899	262,150	292,049
Support				
College Support		45,127		45,127
Fund Raising	39,877	5,807		45,684
Donated Administrative Support	169,398			169,398
Total Expenses	<u>209,275</u>	<u>80,833</u>	<u>262,150</u>	<u>552,258</u>
Change in net position	42,150	(28,634)	709,079	722,595
Net Position at Beginning of Year	81,858	671,334	6,069,935	6,823,127
Transfers	<u>(49,337)</u>	<u>31,007</u>	<u>18,330</u>	
Net Position at End of Year	\$ <u>74,671</u>	\$ <u>673,707</u>	\$ <u>6,797,344</u>	\$ <u>7,545,722</u>

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

**CENTRAL TEXAS COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
Years Ended August 31, 2017 and August 31, 2016**

Exhibit 3

	Fiscal Year 2017	Fiscal Year 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 38,940,165	\$ 39,956,780
Receipts from grants and contracts	15,347,696	18,639,245
Payments to suppliers for goods and services	(21,774,335)	(24,340,245)
Payments to or on behalf of employees	(65,974,805)	(69,279,425)
Payments for scholarships and fellowships	(21,906,592)	(24,517,074)
Payments for loans issued to students	(107,730)	(137,363)
Receipts from collection of loans to students	86,378	121,138
Other receipts (payments)	6,795,834	9,033,207
Net cash (used) by operating activities	<u>(48,593,389)</u>	<u>(50,523,737)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	21,435,512	21,207,081
Receipts from Ad valorem taxes	12,496,892	12,125,799
Receipts from non operating federal revenue	21,060,801	21,948,298
Payments for collection of taxes	(197,356)	(185,015)
Receipts from student organizations and other agency transactions	6,467,412	7,085,309
Payments to student organizations and other agency transactions	(6,406,808)	(7,177,811)
Net cash provided (used) by non-capital financing activities	<u>54,856,453</u>	<u>55,003,661</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of capital assets	148,370	861
Purchases of capital assets	(14,174,924)	(4,821,848)
Net cash provided (used) by capital and related financing activities	<u>(14,026,554)</u>	<u>(4,820,987)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	29,047,852	33,705,342
Receipts from interest on investments	1,270,738	1,191,575
Purchases of investments	(34,911,743)	(41,448,541)
Net cash provided (used) by investing activities	<u>(4,593,153)</u>	<u>(6,551,624)</u>
Increase (decrease) in cash and cash equivalents	<u>(12,356,643)</u>	<u>(6,892,687)</u>
Cash and cash equivalents-September 1	92,747,167	99,639,855
Cash and cash equivalents-August 31	<u>\$ 80,390,524</u>	<u>\$ 92,747,168</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Loss	\$ (55,257,895)	\$ (58,472,537)
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation expense	3,720,100	3,798,483
Payments made directly by state for benefits	746,640	718,333
Changes in assets and liabilities		
Receivables (net)	(399,412)	1,199,438
Inventories	79,671	404,115
Prepaid expenses	292,297	(300,932)
Accounts payable	560,686	875,875
Accrued liabilities	72,741	(36,119)
Compensated absences	(49,837)	19,445
Unearned revenues	436,723	(87,349)
Other Assets	(14,200)	(12,880)
Deferred Inflows and Outflows	1,219,097	1,370,391
Net cash provided (used) by operating activities	<u>\$ (48,593,389)</u>	<u>\$ (50,523,737)</u>

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

CENTRAL TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

1. Reporting Entity

The Central Texas College District (CTCD) was established in July, 1965, in accordance with the laws of the State of Texas, to serve the educational needs of the public and the surrounding communities. CTCD is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While CTCD receives funding from local, state and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants

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

Title IV, Higher Education Act Program Funds

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

Other Tuition Discounts

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

Basis of Accounting

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

Budgetary Data

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

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

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 \$11,328,069 and \$10,891,346 have been reported as unearned revenues at August 31, 2017 and August 31, 2016 respectively.

Deferred Inflows

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

Estimates

The preparation of the financial statements in conformity with generally accepted accounting

principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

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

3. Authorized Investments

The Central Texas College District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The Board of Trustees of Central Texas College district has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas government Code). The investments of the College District are in compliance with the Trustee's investment policies. In addition, there were no instances of non-compliance with regards to the Public Funds Investment Act.

4. Deposits and Investments

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

Cash and Deposits

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Bank Deposits		
Demand Deposits	\$ 2,245,590	\$ 7,215,366
	2,245,590	7,215,366
Cash and Cash Equivalents		
Petty Cash on Hand	18,801	18,231
Certificates of Deposit	64,500,000	72,000,000
Tex Pool	6,145,251	6,091,099
Tex Star	715,174	710,531
Texas Term	684,378	679,795
Lone Star	<u>6,081,330</u>	<u>6,032,146</u>
	<u>78,144,934</u>	<u>85,531,802</u>
Total Cash and Deposits	<u>\$ 80,390,524</u>	<u>\$ 92,747,168</u>

Reconciliation of Deposits and Investments to Exhibit 1

	Market Value <u>August 31, 2017</u>	Market Value <u>August 31, 2016</u>
U.S. Government Securities	\$ 40,436,801	\$ 37,533,588
Commercial paper	<u>9,944,224</u>	<u>6,983,546</u>
Totals	<u>50,381,025</u>	<u>44,517,134</u>
Total Cash and Deposits	80,390,524	92,747,168
Total Investments	<u>50,381,025</u>	<u>44,517,134</u>
Total Deposits and Investments	\$ <u>130,771,549</u>	\$ <u>137,264,302</u>
Cash and Cash Equivalents (Exhibit 1)	79,848,755	92,279,232
Restricted Cash (Exhibit 1)	541,769	467,936
Investments (Exhibit 1)	<u>50,381,025</u>	<u>44,517,134</u>
Total Deposits and Investments	\$ <u>130,771,549</u>	\$ <u>137,264,302</u>

Reconciliation of Deposits and Investments to Exhibit 1-A

	Market Value <u>August 31, 2017</u>	Market Value <u>August 31, 2016</u>
Common Fund - Bond Fund	\$ 1,575,946	\$ 1,543,123
Common Fund - Equity Fund	5,555,332	4,337,260
Common Fund - Fixed Income	497,280	489,015
Common Fund - Real Estate Securities Fund	<u> </u>	<u>469,168</u>
Totals	<u>7,628,558</u>	<u>6,838,566</u>
Total Cash and Deposits	160,905	133,994
Total Investments	<u>7,628,558</u>	<u>6,838,566</u>
Total Deposits and Investments	<u>7,789,463</u>	<u>6,972,560</u>
Cash and Cash Equivalents (Exhibit 1-A)	160,905	133,994
Investments (Exhibit 1- A)	<u>7,628,558</u>	<u>6,838,566</u>
Total Deposits and Investments	\$ <u>7,789,463</u>	\$ <u>6,972,560</u>

As of August 31, 2017 CTCD had the following investments and maturities:

	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 to 2	2 to 3
U.S. Government Securities	\$ 40,436,801	\$ 11,001,005	\$18,944,295	\$ 10,491,501
Commercial Paper	9,944,224	9,944,224		
Total Fair Value	<u>\$ 50,381,025</u>	<u>\$ 20,945,229</u>	<u>\$18,944,295</u>	<u>\$ 10,491,501</u>

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

Credit Risk In accordance with state law and CTCD's investment policy investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A.

Concentration of Credit Risk CTCD does not place a limit on the amount that may be invested in any one issuer. More than 5% of CTCD's investments are in FFCB (41%), FHLMC (26%) and FNMA (18%).

5. Derivatives

None

6. Capital Assets

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

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

Capital assets activity for the year ended August 31, 2016 was as follows:

	Balance as of September 1, 2015	Increases	Decreases	Balance as of August 31, 2016
<u>Not Depreciated:</u>				
Land	\$ 896,168			896,168
Construction in Progress	<u>7,978,186</u>	<u>3,772,852</u>	<u>3,989,283</u>	<u>7,761,755</u>
Subtotal	<u>8,874,354</u>	<u>3,772,852</u>	<u>3,989,283</u>	<u>8,657,923</u>
<u>Buildings and Other</u>				
<u>Capital Assets:</u>				
Buildings	126,746,184	4,561,781		131,307,965
Land Improvements	<u>10,364,908</u>			<u>10,364,908</u>
Total Buildings and Other				
Real Estate Improvements	137,111,092	4,561,781		141,672,873
Library Books	2,135,176	23,177	72,900	2,085,453
Furniture, Machinery, Vehicles, & Other Equipment	10,391,777	230,104	374,700	10,247,181
Telecommunications & Peripheral Equipment	<u>9,558,692</u>	<u>223,216</u>	<u>27,209</u>	<u>9,754,699</u>
Total Buildings and Other Capital Assets	<u>159,196,737</u>	<u>5,038,278</u>	<u>474,809</u>	<u>163,760,206</u>
<u>Accumulated Depreciation:</u>				
Buildings	(38,993,325)	(2,295,832)		(41,289,157)
Land Improvements	<u>(5,445,874)</u>	<u>(389,717)</u>		<u>(5,835,591)</u>
Total Buildings and Other				
Real Estate Improvements	(44,439,199)	(2,685,549)		(47,124,748)
Library Books	(1,980,638)	(34,969)	72,900	(1,942,707)
Furniture, Machinery, Vehicles & Other Equipment	(7,516,342)	(570,546)	373,269	(7,713,619)
Telecommunications & Peripheral Equipment	<u>(8,193,989)</u>	<u>(507,419)</u>	<u>22,565</u>	<u>(8,678,843)</u>
Total Accumulated Depr	<u>(62,130,168)</u>	<u>(3,798,483)</u>	<u>468,734</u>	<u>(65,459,917)</u>
Net Capital Assets	\$ <u>105,940,923</u>	<u>5,012,647</u>	<u>(3,995,358)</u>	<u>106,958,212</u>

7. Non- Current Liabilities

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

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

Non-Current liability activity for the year ended August 31, 2016 was as follows:

	Balance <u>September 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>August 31, 2016</u>	<u>Current</u>
Accrued compensable absences	1,619,742	97,221	77,778	1,639,185	327,837
Net Pension Liability	<u>19,142,979</u>	<u>9,260,307</u>	<u>6,081,591</u>	<u>22,321,695</u>	<u>N/A</u>
Total Non-Current liabilities	<u>\$ 20,762,721</u>	<u>9,357,528</u>	<u>6,159,369</u>	<u>23,960,880</u>	<u>327,837</u>

8. Debt and Lease Obligations

None.

9. Bonds Payable

None.

10. Advance Refunding Bonds

None.

11. Defeased Bonds Outstanding

None.

12. Short - Term Debt

None.

13. Employees' Retirement Plans

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

Defined Benefit Pension Plans

Plan Description

The CTCD participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with

the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued comprehensive Annual financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Contributions

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

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

Contribution Rates

	<u>2017</u>	<u>2016</u>
Member	7.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2016 Member Contributions	\$2,717,798	
FY 2016 State of Texas On-behalf Contributions	\$ 730,444	
FY 2016 District Contributions	\$1,848,234	

CTCD’s contributions to the TRS pension plan in 2017 were \$961,748. Estimated State of Texas on-behalf contributions for 2017 were \$746,641.

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

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

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under “Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

**If a municipal bond rate was to be used, the rate would be 2.84 percent as of August 2016 (i.e., the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.*

Actuarial methods and assumptions were updated based on a study of actual experience for the four year period ending August 31, 2014, and adopted on September 24, 2015, by, the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0 percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expenses

and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

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

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

Source: Teacher Retirement System of Texas 2016 Comprehensive Annual Financial Report

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8%)	1% Increase in Discount Rate (9.0%)
CTCD's proportionate Share of the net pension Liability:	\$34,020,533	\$21,981,885	\$11,770,661

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

At August 31, 2017 the CTCD reported a liability of \$21,981,885 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	\$21,981,885
State's proportionate share that is associated with CTCD	<u>8,670,256</u>
Total	\$30,652,141

The net pension liability was measured as of August 31, 2016 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, 2015 thru August 31, 2016

At the measurement date of August 31, 2016, the employer's proportion of the collective net pension liability was 0.058171%, which was a decrease of 7.880026% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017 the CTCD recognized pension expense of \$899,766 and revenue of \$899,766 for support provided by the State.

At August 31, 2017 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	\$344,672	\$656,366
Changes in actuarial assumptions	\$669,968	\$609,309
Difference between projected and actual investment earnings	\$4,235,939	\$2,374,559
Changes in proportion and difference between the employer's Contributions and the proportionate share of contributions		\$3,348,578
Contributions paid to TRS subsequent to the measurement date	\$961,748	
Total	\$6,212,327	\$6,988,812

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
2018	\$(457,438)
2019	\$729,841
2020	\$(548,636)
2021	\$(798,169)
2022	\$(206,392)

Optional Retirement 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. S.B. 1812, 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 \$1,815,000 and \$2,162,692 for the fiscal years ended August 31, 2017 and August 31, 2016 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of CTCD.

The total payroll for all College employees was \$50,078,469 and \$53,661,557 for fiscal years 2017 and 2016, respectively. The total payroll of employees covered by the Teacher Retirement System was \$36,392,653 and \$37,739,400 and the total payroll of employees covered by the Optional Retirement System was \$6,274,402 and \$7,136,735 for fiscal years 2017 and 2016, 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, 2017 and 2016 were \$2,374,928 and \$2,497,624 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, 2017 and 2016, were \$217,007 and \$253,561 respectively.

14. Deferred Compensation Program

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government code 609.001. As of August 31, 2016, the CTCD had no employees participating in the program and no payroll deductions had been invested in approved plans.

15. Compensable Absences

Full-time employees earn annual leave from .83 to 2.08 days per month depending on the number of years employed with the CTCD. CTCD's policy is that an employee may carry 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 \$1,589,348 and \$1,639,185 for fiscal year 2017 and fiscal year 2016. Sick leave, which can be accumulated up to 480 hours, is earned at the rate of 8 hours per month. It is paid to an employee who misses work from illness. Employees are not entitled to payment for accumulated sick leave upon termination. CTCD's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave is minimal.

16. 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 \$610.18 per month for the year ended August 31, 2017 (\$572.58 per month for Fiscal Year 2016) and totaled \$2,697,934 for Fiscal Year 2017 (\$2,479,293 for the year ended 2016). The cost to the state of providing those benefits for 233 retirees in the year ended August 31, 2017 was \$973,419 (retiree benefits for 210 retirees cost \$967,869 in Fiscal Year 2016). For 398 active employees, the cost of providing benefits was \$1,724,515 for the Year ended August 31, 2017 (active employee benefits for 390 employees cost \$1,511,424 for the Year ended August 31, 2016). S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

17. Postemployment Benefits Other than Pensions

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

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

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

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy and is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB statement 45.

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

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

The college's contributions to SRHP for the years ended August 31, 2017, 2016, and 2015, were \$1,529,341, \$1,073,067 and \$1,005,788, respectively, which equaled the required contributions each year.

18. Pending Lawsuits and Claims

On August 31, 2017, various claims involving CTCD were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided by insurance or otherwise, is not likely to have a material effect on the College.

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

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

Receivables

Receivables at August 31, 2017 and August 31, 2016 were as follows:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Student Receivables	\$ 9,391,074	\$ 9,046,594
Taxes Receivable	329,585	327,086
Federal Receivables	7,504,698	8,117,022
Accounts Receivable	943,070	734,886
Interest Receivable	<u>1,211,509</u>	<u>1,184,476</u>
Subtotal	<u>19,379,936</u>	<u>19,410,064</u>
Allowance for Doubtful Accounts	<u>(5,503,857)</u>	<u>(5,079,318)</u>
TOTAL RECEIVABLES	\$ <u>13,876,079</u>	\$ <u>14,330,746</u>

Payables

Payables at August 31, 2017 and August 31, 2016, were as follows:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Vendors Payable	\$ 5,519,372	\$ 4,958,686
Salaries & Benefits Payable	<u>16,453,212</u>	<u>16,380,471</u>
TOTAL PAYABLES	\$ <u>21,972,584</u>	\$ <u>21,339,157</u>

20. Funds Held in Trust by Others

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

21. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants. 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 2017 and 2016 for which monies have not been received nor funds expended total \$23,092,820 and \$23,192,331. Of these amounts, \$22,501,055 and \$22,598,528 were from Federal Contract and Grant Awards, and \$591,765 and \$593,803 were from State Contract and Grant Awards.

22. Self Insured Plans

CTCD does not currently maintain self-insured arrangements. First dollar worker's compensation insurance coverage is carried for all College operations. Employee health and medical malpractice plans are funded. Coverage for unemployment compensation is maintained through the State of Texas as well as numerous other states in which the College contracts education. Accrued liabilities are generally based on actuarial valuation, and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations.

23. Ad Valorem Taxes

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

At August 31:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Assessed Valuation of the District:	\$11,081,711,745	\$10,492,657,401
Less: Exemptions	<u>(1,914,831,145)</u>	<u>(1,606,848,814)</u>
Net Assessed Valuation of the District	\$9,166,880,600	\$8,885,808,587

	FY 2017			FY 2016		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 valuation (Maximum per enabling legislation)	.25	.25	.50	.25	.25	.50
Assessed Tax Rate per \$100 valuation	.1366	-0-	.1366	.1366	-0-	.1366

Taxes levied for the year ended August 31, 2017 and 2016 are \$12,521,959 and \$12,138,015 respectively, (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed.

	FY 2017			FY 2016		
Taxes Collected	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$12,347,088		\$12,347,088	\$11,970,524		\$11,970,524
Delinquent Taxes Collected	76,902		76,902	79,790		78,790
Penalties and Interest Collected	72,903		72,903	75,485		75,485
Total Gross Collections	12,496,893		12,496,893	12,125,799		12,125,799
Tax Appraisal & Collection Fees	(197,357)		(197,357)	(185,015)		(185,015)
Bad Debt Expense						
Total Net Collections	\$12,299,536		\$12,299,536	\$11,940,784		\$11,940,784

Tax collections for the year ended August 31, 2017 and 2016 were 98.6% and 98.6%, respectively of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or general obligation debt service.

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

	Percentage of Incremental Tax Committed	Taxes Forgone in 2017	Taxes Forgone in 2016
Killeen Tax Increment Reinvestment Zone number Two	100%	\$12,144	\$10,111

24. Tax Abatements

None

25. Branch Campus Maintenance Tax

N/A

26. Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. CTCD had no unrelated business income tax liability for the year ended August 31, 2017 and 2016.

27. Component Units

Central Texas College Foundation - Discrete Component Unit

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

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

28. 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, 2017. The Employee's Pension Plan and Trust serves as fiduciary for the CTCD's defined contribution pension programs. The members of Trust are employees of the District who do not receive any additional compensation or incur any expenses.

29. Subsequent Events

None.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES (RSI)**

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY
For the Year Ended August 31, 2017

Fiscal year ending August 31,*	2017**	2016**	2015**
CTCD's proportional share of collective net pension liability	0.058171%	0.063147%	0.071666%
CTCD's proportional share of collective net pension liability	\$ 21,981,885	22,321,695	19,142,979
Portion of NECE's total proportionate share of NPL associated with the CTCD	8,670,256	8,786,179	6,961,584
Total	30,652,141	31,107,874	26,104,563
CTCD's covered payroll amount	\$ 36,392,653	37,739,400	38,257,762
Ratio of ER proportionate share of collective NPL/ER's covered payroll amount	60.40%	59.15%	50.04%

* 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 the Year Ended August 31, 2017**

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

* 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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended August 31, 2017**

1. Changes of Benefit Terms:

There were no changes of benefit terms for the year ended August 31, 2017.

2. Changes of Assumptions

There were no changes of assumptions for the year ended August 31, 2017.

SUPPLEMENTAL SCHEDULES

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF OPERATING REVENUES

For the Year Ended August 31, 2017 (With Memorandum Totals for the Year Ended August 31, 2016)

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL EDUCATIONAL ACTIVITIES</u>	<u>AUXILIARY ENTERPRISES</u>	<u>FY 2017 TOTAL</u>	<u>FY 2016 TOTAL</u>
Tuition						
State Funded Courses :						
In-District Resident Tuition	\$ 10,364,357	\$	\$ 10,364,357	\$	\$ 10,364,357	\$ 10,664,035
Out-of-District Tuition	3,701,556		3,701,556		3,701,556	4,189,443
Non-resident Tuition	22,949,648		22,949,648		22,949,648	23,232,363
TPEG (set aside) *	1,264,664		1,264,664		1,264,664	1,198,740
Continuing Education	30,563		30,563		30,563	332,361
Non-State Funded :						
Continuing Education	12,902		12,902		12,902	9,930
C & I and API Operations	7,624,941		7,624,941		7,624,941	8,769,927
Total Tuition	<u>45,948,631</u>		<u>45,948,631</u>		<u>45,948,631</u>	<u>48,396,799</u>
Fees						
Other Fees	1,078,590		1,078,590		1,078,590	1,084,175
Total Fees	<u>1,078,590</u>		<u>1,078,590</u>		<u>1,078,590</u>	<u>1,084,175</u>
Allowances and Discounts						
Remissions and Exemptions-State	(1,071,397)		(1,071,397)		(1,071,397)	(827,980)
Title IV Federal Grants	(6,196,554)		(6,196,554)		(6,196,554)	(6,695,230)
TPEG awards	(177,138)		(177,138)		(177,138)	(251,084)
Other State Grants	(3,833)		(3,833)		(3,833)	(8,021)
Total Allowances and Discounts	<u>(7,448,922)</u>		<u>(7,448,922)</u>		<u>(7,448,922)</u>	<u>(7,782,315)</u>
Total Net Tuition and Fees	<u>39,578,299</u>		<u>39,578,299</u>		<u>39,578,299</u>	<u>41,698,659</u>
Additional Operating Revenues						
Federal Grants and Contracts	12,581,911	851,271	13,433,182		13,433,182	14,735,503
State Grants and Contracts	190,880	955,241	1,146,121		1,146,121	935,270
Nongovernmental grants and contracts	331,122	402,297	733,419		733,419	741,222
Sales and services of educational activities	143,884		143,884		143,884	213,099
General operating revenues	1,188,397		1,188,397		1,188,397	1,199,954
Total Additional Operating Revenue	<u>14,436,194</u>	<u>2,208,809</u>	<u>16,645,003</u>		<u>16,645,003</u>	<u>17,825,048</u>
Auxiliary Enterprises						
Bookstore				7,619,781	7,619,781	9,527,670
Less Discounts				(1,784,339)	(1,784,339)	(2,461,698)
Student Housing				422,196	422,196	394,989
Less Discounts				(50,440)	(50,440)	(60,618)
Planetarium				126,399	126,399	118,362
Total Net Auxiliary Enterprises				<u>6,333,597</u>	<u>6,333,597</u>	<u>7,518,705</u>
Total Operating Revenues	<u>\$ 54,014,493</u>	<u>\$ 2,208,809</u>	<u>\$ 56,223,302</u>	<u>\$ 6,333,597</u>	<u>\$ 62,556,899</u>	<u>\$ 67,042,412</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$1,264,664 and \$1,198,740 for years August 31, 2017 and 2016, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF OPERATING EXPENSES BY OBJECT
Year Ended August 31, 2017 (with Memorandum Totals for the Year Ended August 31, 2016)

Schedule B

	Operating Expenses			Fiscal Year 2017	Fiscal Year 2016	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 26,281,732	\$ 3,531,517	\$ 5,667,208	\$ 35,480,457	\$ 38,510,640	
Public Service	481,401	175,339	797,405	1,454,145	1,535,881	
Academic Support	5,166,278	1,277,220	1,525,095	7,968,593	8,291,449	
Student Services	6,473,404	1,389,092	1,228,590	9,091,086	9,557,715	
Institutional Support	8,085,674	4,011,299	7,174,209	19,271,182	19,315,574	
Operation and Maintenance of Plant	2,373,282	949,970	4,193,229	7,516,481	7,380,675	
Total Unrestricted Educational Activities	<u>48,861,771</u>	<u>11,334,437</u>	<u>20,585,736</u>	<u>80,781,944</u>	<u>84,591,934</u>	
Restricted-Educational Activities						
Instruction	454,857	1,624,656	120,469	2,306,522	2,328,538	
Public Service						
Academic Support		315,905		315,905	324,939	
Student Services	122,671	586,681	28,848	923,460	1,017,182	
Institutional Support		1,985,692		1,985,692	1,996,054	
Operation and Maintenance of Plant						
Scholarships and Fellowships	120,549		1,024	21,906,592	22,028,165	
Total Restricted Educational Activities	<u>698,077</u>	<u>4,512,934</u>	<u>150,341</u>	<u>27,559,744</u>	<u>30,324,371</u>	
Total Educational Activities	<u>49,559,848</u>	<u>4,512,934</u>	<u>11,484,778</u>	<u>108,341,688</u>	<u>114,916,305</u>	
Auxiliary Enterprises	518,621		178,020	5,753,006	6,800,161	
Depreciation Expense-Buildings and other real estate improvements			2,631,096	2,631,096	2,720,518	
Depreciation Expense-Equipment and furniture			1,089,004	1,089,004	1,077,965	
Total Operating Expenses	<u>\$ 50,078,469</u>	<u>\$ 4,512,934</u>	<u>\$ 11,662,798</u>	<u>\$ 117,814,794</u>	<u>\$ 125,514,949</u>	
				(Exhibit 2)	(Exhibit 2)	

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
Year Ended August 31, 2017 (with Memorandum Totals for the Year Ended August 31, 2016)

Schedule C

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>FY 2017 Total</u>	<u>FY 2016 Total</u>
NON-OPERATING REVENUES					
State Appropriations					
Education and general state support	\$ 18,530,300	\$	\$	\$ 18,530,300	\$ 18,501,726
Dramatic enrollment growth					
State group insurance		2,697,934		2,697,934	2,479,293
State retirement matching		1,815,000		1,815,000	2,162,692
Hazlewood Legacy		38,685		38,685	33,588
Total state appropriations	<u>18,530,300</u>	<u>4,551,619</u>	<u></u>	<u>23,081,919</u>	<u>23,177,299</u>
Maintenance ad valorem taxes	12,299,536			12,299,536	11,940,784
Federal revenue, non operating		20,206,722		20,206,722	21,870,738
Gain on disposal of capital assets	148,370			148,370	860
Investment income	1,270,738			1,270,738	1,191,575
Other					
Total non-operating revenues	32,248,944	24,758,341		57,007,285	58,181,256
NON-OPERATING EXPENSES					
Loss on disposal of capital assets	6,656			6,656	6,074
Other					
Total non-operating expenses	6,656			6,656	6,074
Net non-operating revenues	\$ <u>32,242,288</u>	\$ <u>24,758,341</u>	\$ <u></u>	\$ <u>57,000,629</u>	\$ <u>58,175,182</u>
				(Exhibit 2)	(Exhibit 2)

CENTRAL TEXAS COLLEGE DISTRICT
 SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
 Year Ended August 31, 2017 (with Memorandum Totals for the Year Ended August 31, 2016)

Schedule D

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ 36,972,209	\$	\$	\$ 36,972,209	\$ 36,972,209	\$	
Board Designated	50,616,588			50,616,588	50,616,588		
Restricted		1,326,859		1,326,859	1,326,859		
Plant							
Investment in Plant				117,406,380	117,406,380		117,406,380
Total Net Position, August 31, 2017	87,588,797	1,326,859		117,406,380	206,322,036 (Exhibit 1)	88,915,656	117,406,380
Total Net Position, August 31, 2016	96,702,453	918,637		106,958,212	204,579,302 (Exhibit 1)	97,621,090	106,958,212
Net Increase (Decrease) in Net Position	\$ (9,113,656)	\$ 408,222	\$	\$ 10,448,168	\$ 1,742,734 (Exhibit 2)	\$ (8,705,434)	\$ 10,448,168

CENTRAL TEXAS COLLEGE DISTRICT

Schedule E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2017

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
U.S. DEPARTMENT OF LABOR:			
Pass-Through From:			
Texas Workforce Commission			
WIA Dislocated Worker Formula	17.278	2916WOS002	163,742
Total U.S. Department of Labor			<u>163,742</u>
U.S. DEPARTMENT OF EDUCATION:			
Direct Programs:			
Student Financial Aid Cluster			
Supplemental Educational Opportunity Grant Program	84.007		86,281
Federal College Work-study Program	84.033		47,123
Federal Pell Grant Program	84.063		19,571,360
Direct Loans	84.268		6,299,488
Subtotal Student Financial Aid Cluster			<u>26,004,252</u>
Pass-Through From:			
Texas Workforce Commission			
Adult Education	84.002A	2616AELB03	11,017
Adult Education Carrer Pathway Navagator Initiative	84.002A	2616AEL002	55,269
Adult Education	84.002A	2616AEL003	158,111
Temple College			
Adult Education Correctional	84.002A	2616AEL004	38,329
Adult Educational	84.002A	2616AEL004	55,142
Adult Educational	84.002A	2616AELB04	148
Subtotal CFDA			<u>318,016</u>
Texas Higher Education Coordinating Board:			
Carl D. Perkins Funds-Basic	84.048	17648	489,781
Total U.S. Department of Education			<u>26,812,049</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-Through From:			
Texas Workforce Commission			
Temporary Assistance to Needy Families	93.558	2616AEL003	43,532
Temporary Assistance to Needy Families	93.559	2616AELB03	155
Temporary Assistance to Needy Families-Self Sufficiency	93.558	1515SSF000	21,467
Temple College			
Temporary Assistance to Needy Families	93.558	2616AEL004	44,696
Total U. S. Department of Health and Human Services			<u>109,850</u>
Total Federal Financial Assistance			\$ <u><u>27,085,641</u></u>

Notes to Schedule on Following Page

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE E (Continued)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2017

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts revenue-per Schedule A	\$	13,433,182
Add Non Operating Federal Revenue from Schedule C		20,206,722
Less Expenditures Not Subject to Federal Single Audit		<u>(6,554,263)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$	<u><u>27,085,641</u></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.

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, 2017

Grantor Agency Program Title	Grant Contract Number	Expenditures
Texas Workforce Commission Adult Education Basic Program	2616AEL003	28,424
Skills for Transition	2617SDF000	7,431
Skills for Small Business	2616SSD001	2,456
Temple College Adult Education Basic Program	2616AEL004	31,830
Texas Higher Education Coordinating Board College Work-Study Program		43,279
Texas Grant Program		1,988
Texas Equal Opportunity Grant		564,709
Work-Study Student Mentorship Program	15553	26,742
Texas Science Technology, Engineering and Math Challenge Scholarship	16896	66,487
Total State Financial Assistance		\$ <u>773,346</u>

Note 1: State Assistance Reconciliation

State Revenues - State Financial Assistance Per Schedule of expenditures of state awards	\$ 773,346
State Financial Assistance Tuition and fees	372,775
Total State Revenues per Schedule A	\$ <u>1,146,121</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

**AUDITORS' REPORTS ON
CONTROL AND COMPLIANCE**



LOTT, VERNON & COMPANY, P.C.

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

Board of Trustees
Central Texas College District
Killeen, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Texas College District (The "College"), as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

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

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

**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)**

weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Temple, Texas
December 13, 2017



LOTT, VERNON & COMPANY, P.C.

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

Board of Trustees
Central Texas College District
Killeen, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Central Texas College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and The State of Texas Single Audit Circular that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2017. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal and State Program

In our opinion, Central Texas College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

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.

Jett, Vernon & Co., P.C.

Temple, Texas

December 13, 2017

CENTRAL TEXAS COLLEGE DISTRICT

**Schedule of Findings and Questioned Costs
August 31, 2017**

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:

Federal Programs

State Programs

Student Financial Aid Cluster:

Texas Equal Opportunity Grant

- | | |
|--|--------|
| - Federal Supplemental Educational
Opportunity Grants | 84.007 |
| - Federal Work-study
Program | 84.033 |
| - Federal Pell Grant
Program | 84.063 |
| - Federal Direct Student
Loans | 84.268 |

Adult Education 84.002A

CENTRAL TEXAS COLLEGE DISTRICT

Schedule of Findings and Questioned Costs (Continued)
August 31, 2017

8. Dollar threshold used to distinguish between type A and type B federal programs:	\$750,000
Dollar threshold considered between Type A and Type B state programs:	\$300,000
9. Auditee qualified as low-risk auditee for federal single audit?	Yes
Auditee qualified as a low-risk auditee for state single audit?	Yes

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

None

III. Findings and Questioned Costs for Federal and State Awards

None

**ADDITIONAL INFORMATION
(UNAUDITED)**

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE G
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (UNAUDITED)
For the Period Ended August 31, 2017

	TEXAS CAMPUSES	AMERICAN PREPARATORY & INSTITUTE	CONTINENTAL INTERNATIONAL CAMPUSES	TOTAL
REVENUES				
Operating Revenues				
Tuition and Fees	\$ 31,935,066	81,586	7,561,647	39,578,299
Federal Grants and Contracts	4,163,864		9,269,318	13,433,182
State Grants and Contracts	1,146,121			1,146,121
Non-Governmental and Contracts	733,419			733,419
Sales and Services of Educational Activities		143,884		143,884
Sales & Services of Auxiliary Enterprises	5,943,085		390,512	6,333,597
Miscellaneous Income	1,118,848	4	69,545	1,188,397
Total Operating Revenues	45,040,403	225,474	17,291,022	62,556,899
EXPENSES				
Operating Expenses				
Instruction	28,163,842	117,225	9,505,912	37,786,979
Public Services	1,454,145			1,454,145
Academic Support	4,048,934	72,861	4,162,703	8,284,498
Student Services	8,116,061		1,898,485	10,014,546
Institutional Support	19,399,861	430,572	1,426,441	21,256,874
Operation and Maintenance of Plant	7,208,271		308,210	7,516,481
Scholarships and Fellowships	21,765,473	(50)	262,742	22,028,165
Auxiliary Enterprises	5,376,825		376,181	5,753,006
Depreciation	3,708,341		11,759	3,720,100
Total Operating Expenses	99,241,753	620,608	17,952,433	117,814,794
Operating Income(Loss)	(54,201,350)	(395,134)	(661,411)	(55,257,895)
Non-Operating Revenues (Expenses)				
State Appropriations-General Revenue	23,081,919			23,081,919
Taxes for Maintenance and Operations	12,299,536			12,299,536
Federal Revenue, Non Operating	20,206,722			20,206,722
Investment Income	1,270,708		30	1,270,738
Other Non-Operating	141,714			141,714
Net Non-Operating Revenue	57,000,599		30	57,000,629
Other Revenues, Expenses, Gains (Losses)				
Allocation of Distance Learning	(2,694,981)		2,694,981	
Allocation of Systems	4,313,608	(20,928)	(4,292,680)	
Increase (Decrease) in Net Position	\$ 4,417,876	(416,062)	(2,259,080)	1,742,734

**CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE G-1
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (UNAUDITED)
TEXAS CAMPUSES
For the Period Ended August 31, 2017**

	CENTRAL	FT. HOOD/SAC	DISTED	SYSTEMS	KNCT	AUXILIARY	TOTAL
REVENUES							
Operating Revenues							
Tuition and Fees	\$ 9,758,939	2,258,140	19,910,091	3,073		4,823	31,935,066
Federal Grants and Contracts	652,216	2,815,406			696,242		4,163,864
State Grants and Contracts	1,026,514	119,607					1,146,121
Non-Governmental and Contracts	655,046	41,819		4,512		32,042	733,419
Sales & Services of Auxiliary Enterprises	46,077		70,279			5,872,806	5,943,085
Miscellaneous Income				202,068		868,081	1,118,848
Total Operating Revenues	12,138,792	5,234,972	19,980,370	209,653	1,564,323	5,912,293	45,040,403
EXPENSES							
Operating Expenses							
Instruction	17,219,757	4,682,931	6,261,154				28,163,842
Public Services					1,454,145		1,454,145
Academic Support	1,810,740	932,704	560,107	745,383			4,048,934
Student Services	2,860,163	659,847	1,262,012	3,334,039			8,116,061
Institutional Support	6,341,691	316,873	2,665,442	9,988,330	5,241	82,284	19,399,861
Operation and Maintenance of Plant	7,130,982	77,289					7,208,271
Scholarships and Fellowships	21,753,337	12,136					21,765,473
Auxiliary Enterprises						5,376,825	5,376,825
Depreciation	2,175,005	136,924		674,823	187,056	534,533	3,708,341
Total Operating Expenses	59,291,675	6,818,704	10,748,715	14,742,575	1,646,442	5,993,642	99,241,753
Operating Income(Loss)	(47,152,883)	(1,583,732)	9,231,655	(14,532,922)	(82,119)	(81,349)	(54,201,350)
Non-Operating Revenues (Expenses)							
State Appropriations-General Revenue	16,505,056	4,646,804	494,948	1,435,111			23,081,919
Taxes for Maintenance and Operations	12,299,536						12,299,536
Federal Revenue, Non Operating	20,206,722						20,206,722
Investment Income				1,270,708			1,270,708
Other Non-Operating	140,844			870			141,714
Net Non-Operating Revenue	49,152,158	4,646,804	494,948	2,706,689			57,000,599
Other Revenues, Expenses, Gains (Losses)							
Allocation of Distance Education	3,804,678	1,426,754	(7,926,413)				(2,694,981)
Allocation of Systems	(3,929,824)	(1,038,263)	(1,800,190)	11,504,255	(195,659)	(226,711)	4,313,608
Increase (Decrease) in Net Position	\$ 1,874,129	3,451,563	(321,978)	(277,778)	(308,060)	4,417,876	

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE G-2
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (UNAUDITED)
CONTINENTAL & INTERNATIONAL CAMPUSES
For the Period Ended August 31, 2017

	EUROPE CAMPUS	PACIFIC FAR EAST CAMPUS	CONTINENTAL CAMPUS	NAVY CAMPUS & INTERNATIONAL	TOTAL CONTINENTAL & INTERNATIONAL
REVENUES					
Operating Revenues					
Tuition and Fees	\$ 1,677,293	239,261	5,131,557	513,536	7,561,647
Federal Grants and Contracts	2,748,474	39,935		6,480,909	9,269,318
Sales & Services of Auxiliary Enterprises	11,043	6,567	24,313	348,589	390,512
Miscellaneous Income	1,313	17,581	42,328	8,323	69,545
Total Operating Revenues	<u>4,438,123</u>	<u>303,344</u>	<u>5,198,198</u>	<u>7,351,357</u>	<u>17,291,022</u>
EXPENSES					
Operating Expenses					
Instruction	2,914,993	162,797	1,937,661	4,490,461	9,505,912
Academic Support	718,099	436,232	2,194,079	814,293	4,162,703
Student Services	929,359	310,548	546,782	111,796	1,898,485
Institutional Support	716,474	248,806	75,004	386,157	1,426,441
Operation and Maintenance of Plant	207,626		14,010	86,574	308,210
Scholarships and Fellowships	58,280	8,314	178,304	17,844	262,742
Auxiliary Enterprises	28,762		42,469	304,950	376,181
Depreciation	4,340	1,500	3,266	2,653	11,759
Total Operating Expenses	<u>5,577,933</u>	<u>1,168,197</u>	<u>4,991,575</u>	<u>6,214,728</u>	<u>17,952,433</u>
Operating Income(Loss)	<u>(1,139,810)</u>	<u>(864,853)</u>	<u>206,623</u>	<u>1,136,629</u>	<u>(661,411)</u>
Non-Operating Revenues (Expenses)					
Investment Income		30			30
Other Non-Operating					
Net Non-Operating Revenue		<u>30</u>			<u>30</u>
Other Revenues, Expenses, Gains (Losses)					
Allocation of Distance Education	634,113	396,321	1,585,283	79,264	2,694,981
Allocation of Systems	(1,162,971)	(307,165)	(2,176,173)	(646,371)	(4,292,680)
Increase (Decrease) in Net Position	<u>\$ (1,668,668)</u>	<u>(775,667)</u>	<u>(384,267)</u>	<u>569,522</u>	<u>(2,259,080)</u>