

**NORTH CENTRAL TEXAS COLLEGE**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
For the Years Ended August 31, 2018 and 2017

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**NORTH CENTRAL TEXAS COLLEGE  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Regents  
North Central Texas College  
Gainesville, TX 76240

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of North Central Texas College (the College) as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the North Central Texas 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 the business-type activities and the discretely presented component unit of North Central Texas College as of August 31, 2018 and 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

In 2018, the College adopted new accounting guidance prescribed by GASB #75 for its other post-employment benefit (OPEB) plan—a multiple-employer, cost-sharing, defined benefit OPEB plan that has a special funding situation. Because GASB #75 implements new measurement criteria and reporting provisions, significant information has been added to the government-wide statements. Exhibit 1 discloses the College's Net OPEB Liability and some deferred resource outflows and deferred resource inflows related to the College's OPEB plan. Exhibit 2 discloses the adjustment to the College's beginning net position. Our opinion is not modified with respect to the matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-9), schedule of the College's share of the net pension liability (page 47), schedule of the College's contributions (page 48), schedule of the College's proportionate share of the net OPEB liability (Page 49) and schedule of employer's contributions for OPEB (page 50) 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*

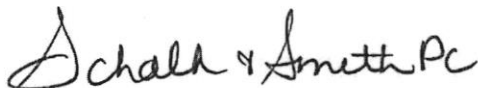
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Central Texas College's basic financial statements. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards 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 supplementary schedules of operating revenues, operating expenses by object, non-operating revenues and expenses, net position by source and availability, schedule of expenditures of federal awards, and schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The organizational data 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, 2018, on our consideration of North Central Texas 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 North Central Texas College's internal control over financial reporting and compliance.



Schalk & Smith, P.C.  
December 13, 2018

## Management's Discussion and Analysis

This section of North Central Texas College's annual financial report presents a discussion and analysis of the College's financial performance during the fiscal year ended August 31, 2018. Please read it in conjunction with the College's financial statements, which follow this section.

### Overview of the Financial Statements

This annual report consists of four parts – *management discussion and analysis, the basic financial statements, required supplementary information, and schedules of federal and state grant and contract expenditures.*

The basic financial statements, according to GASB 34, Par. 138, under Business-type Activity include two kinds of statements that present different views of the College:

The *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* are College-wide financial statements that provide both long-term and short-term information about the College's overall financial status. The remaining financial statements are *Statement of Cash Flows, Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenues and Expenses, Schedule of Net Position by Source and Availability, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Awards* that provide more detail on the specific revenue generated and expenditures made during the past year of operation.

The *Statement of Net Position* reports the total net position available to finance future services (GASB 34, Par. 430). As a business-type activity, the College reports in the single column, entity-wide format. GASB 34 specifies the elements of the statement of net position to be classified as current assets, non-current assets, current liabilities, non-current liabilities, and net position. Net Position are to be classified as invested in capital assets, net of related debt.

The *Statement of Revenues, Expenses, and Changes in Net Position* is a statement of activities and reports the effect of non-operating (general maintenance ad-valorem tax) revenues, defined as the amounts of the functions that are not supported by charges to users (state appropriations and student tuition and fees). Revenues are presented as operating (program) revenue, non-operating (general) revenue, and other revenues, expenses, gains and losses. Expenses are reported by function, except those that meet the definition of special or extraordinary items (GASB 34 Par. 41). Functional expenses are defined as the "direct" expense specifically associated with a function and would not include allocations of indirect expenses. The functional categories for expenses are instruction, research, public service, academic support, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, and depreciation expense.

The primary purpose of the *Statement of Cash Flows* is to provide relevant information about the cash receipts and cash payments of an entity during the fiscal period. The statement explains the changes during the period in cash and cash equivalents regardless of whether there are restrictions on their use. The total amount of cash and cash equivalents at the beginning and end of the period shown in the statement are easily traceable to similarly titled items or subtotals shown on the statement of net position. First, the statement reports the effects during the period of operations, capital financing, non-capital financing, and investing transactions. Secondly, related information reports the investing, capital, and financing transactions that affect financial position but do not directly affect cash flows during the period. Finally, a reconciliation of operating income to net cash from operating activities is provided.

The *Schedule of Operating Revenues* provides a detail presentation of all operating revenue regardless of source. Sources of operating revenue are state appropriations, tuition, fees, scholarship allowances and discounts, other operating revenue from grants and contracts, and auxiliary enterprises.

The *Schedule of Operating Expenses by Object* displays operating expenses split between restricted and unrestricted categories. Educational activities are reported as instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarship and fellowships. Auxiliary enterprises' expenses and depreciation expense are also reported on this schedule.

The *Schedule of Non-Operating Revenues and Expenses* shows M&O ad valorem taxes, investment income, and other non-operating revenues as well as, interest on capital related debt, loss on disposal of capital assets and other non-operating revenues.

The *Schedule of Net Position by Source and Availability* shows details by source for unrestricted, restricted expendable, restricted non-expendable, and capital assets net of depreciation and related debt for current funds, endowment funds, and plant funds. The schedule also shows net increase or decrease by category.

The *Schedule of Expenditures of Federal Awards* and the *Schedule of Expenditures of State Awards* are schedules that satisfy the A-133 requirements and the State of Texas Single Audit Circular requirements.

Financial information for the component unit, North Central Texas College Foundation, Inc., is reported separately from the financial information presented for the primary government. Complete financial statements for the component unit are available from the Office of the Vice-Chancellor of Financial Services, North Central Texas College, upon request.

### **Condensed Comparative Financial Information**

A comparative analysis of financial statement data is presented for the College.

### **Analysis of the College's Overall Financial Position**

The overall financial position of the College is very good. There was a significant increase in many critical areas during the past year. The combined fall credit and noncredit head count enrollment grew from 5,180 in 2002 and peaked at 10,488 in Fall 2017. Student tuition and fee revenue increased from \$3,871,000 in 2002 to \$18,573,860 in 2018. While the College has grown substantially over the last few years, the state appropriations have not grown at a comparable rate, thus the growth the College has experienced is not being funded through state appropriations. Although state funding has increased from \$7,370,000 in 2002 to \$13,674,435 in 2018, the portion of state funding has decreased from 38.3% of the total expenditures in 2002 to 24.72 in 2018.

An additional positive trend is the growth of the tax base valuation of the district. The College taxing district is Cooke County, Texas. Ad valorem taxes are assessed and collected by the College based on the valuation of real property and minerals on January 1. The trend from 2000 until 2018 has been a continual increase in taxable assessed valuation from \$1,288,353,176 in 2000 to \$2,963,312,297 in 2018. Total tax collections have increased from \$1,332,078 in 2000 to \$4,048,140 in 2018. The combined maintenance and operations and debt service tax was \$0.1212 for the fiscal year ended August 31, 2018. The approved maintenance and operations



tax rate per \$100 of valuation has decreased to \$0.087 and the interest and sinking tax rate was \$0.0342 for a total of \$0.1212 in 2018.

While the Texas Tax Code, Title 1 Property Tax Code, Chapter 26, Assessments section 26012 states "Maintenance and Operations Assessments" can be used for any lawful purpose other than debt service for which a taxing unit may spend property tax revenues, NCTC has chosen to more narrowly define what it considers maintenance and operations. NCTC has identified a group of maintenance and operational accounts (for the Gainesville Campus only) for which taxpayers are expected to provide the necessary support. Historically, the tax revenues have not been sufficient to cover the maintenance and operational cost for the Gainesville Campus, thus the balance has been paid for from other unrestricted funds. NCTC Board of Regents approved a tax freeze in 2005 for property tax owners over 65 or disabled.

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$23,695,978 as of August 31, 2018.

**Table I  
Net Assets**

	<b>Business-type Activities 2018</b>	<b>Business-type Activities 2017</b>	<b>Business-type Activities 2016</b>
Current and other assets	\$ 24,314,739	\$ 25,685,184	\$ 28,165,171
Capital assets	49,795,994	47,447,660	47,154,617
Total assets	<u>74,110,733</u>	<u>73,132,844</u>	<u>75,319,788</u>
Deferred Outflows of Resources	1,850,281	1,966,547	1,003,780
Non current liabilities	38,000,338	23,754,966	24,412,550
Other liabilities	9,338,082	7,848,758	8,296,525
Total liabilities	<u>47,338,420</u>	<u>31,603,724</u>	<u>32,709,075</u>
Deferred Inflows of Resources	<u>4,926,616</u>	<u>697,836</u>	<u>817,580</u>
Net Position:			
Invested in capital assets net of related debt	33,658,990	29,915,399	28,086,890
Restricted	3,372,989	2,269,928	2,256,626
Unrestricted	<u>(13,336,001)</u>	<u>10,612,504</u>	<u>12,453,397</u>
Total net position	<u>\$ 23,695,978</u>	<u>\$ 42,797,831</u>	<u>\$ 42,796,913</u>

Investments in capital assets (e.g., land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$33,658,990. The College uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the College's Net Position (approximately 14.23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position is a deficit of \$13,336,001 as of August 31, 2018. The reason for this deficit was due to new standards that required recording the College's proportionate share of the Employees Retirement System of Texas (ERS) net other post-employment benefits (OPEB) liability. The total net position is not an indication that the College has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

The College's total net position increased by \$567,900 as a result of current year's operations. The total cost of all business-type activities was \$55,367,149. The amount of these activities paid through property taxes was \$3,515,422 for the year ended 8/31/2018.

**Table II**  
**Changes in Net Assets**

	<b>Business-type Activities 2018</b>	<b>Business-type Activities 2017</b>	<b>Business-type Activities 2016</b>
<b>Revenues:</b>			
<b>Operating Revenues:</b>			
Tuition & Fees	\$ 18,573,860	\$ 15,999,007	\$ 15,175,605
Federal Grants & Contracts	2,592,945	3,374,344	3,203,638
State Grants & Contracts	2,021,089	1,736,501	2,036,295
Private Grants	543,921	607,594	552,548
Sales & Services of Educational Activities	237,244	262,036	244,326
Auxiliary Enterprises (net)	310,743	453,539	559,157
Other Operating Revenues	892,253	1,119,191	1,226,389
<b>Non-operating Revenues:</b>			
State Appropriations	13,674,435	14,027,250	13,116,545
Property Taxes	4,083,322	3,876,122	3,869,718
Federal Grants & Contracts	11,590,043	10,139,133	10,118,167
Gifts	1,105,000	-	-
Investment Income (net)	286,412	143,584	87,709
Gain on Disposal of Fixed Assets	-	(43,303)	-
Other Non-operating Revenues	23,782	31,492	48,283
<b>Total Revenues</b>	<b>55,935,049</b>	<b>51,726,490</b>	<b>50,238,380</b>
<b>Operating Expense:</b>			
Instruction	22,690,232	21,657,146	20,248,345
Research	-	-	-
Public Service	1,738,428	1,060,126	1,353,701
Academic Support	2,629,452	3,146,771	3,245,805
Student Services	4,713,441	3,826,989	3,331,163
Institutional Support	8,723,328	7,976,578	6,344,782
Operation & Maintenance of Plant	5,272,184	4,741,963	4,860,258
Scholarship & Fellowship	5,999,149	5,874,680	6,653,388
Auxiliary Enterprises	875,231	792,109	1,285,827
Depreciation	2,154,282	2,029,602	1,571,471
<b>Non-operating Expense:</b>			
Interest on Capital Related Debt	571,422	619,608	696,656
Other	-	-	-
<b>Total Expenses</b>	<b>55,367,149</b>	<b>51,725,572</b>	<b>49,591,396</b>
Increase in Net Position	567,900	918	646,984
Beginning Net Position	42,797,831	42,796,913	42,149,929
Prior Period Adjustment	(19,669,753)	-	-
Beginning Net Position, as Restated	23,128,078	42,796,913	42,149,929
Ending Net Position	<b>\$ 23,695,978</b>	<b>\$ 42,797,831</b>	<b>\$ 42,796,913</b>

### **Significant Capital Assets and Long-term Debt Activity**

During the fiscal year 2018, the College issued no new debt. The College completed a major renovation of the 600 Building creating a Student Union that houses the cafeteria, bookstore and other space focusing on students.

### **Discussion of Current Known Facts, Decisions, or Conditions**

Enrollment for credit and non-credit headcount has experienced a slight decline in 2016 but returned to an all-time high of 10,488 in Fall 2017. This surpassed the previous fall record of 10,442 in Fall 2014. All indications are that enrollment will stabilize around 10,000 or will slightly increase as a result of the continuing growth along the I-35 corridor. Two of the College's campuses are located along this interstate. Contact hours reflected an increase of 10% with a Fall total of 1,495,312 compared to 1,359,520 in Fall 2016.

### **Other Capital Assets and Long-term Debt Activity**

For 2018, depreciation expense of \$2,154,282 was recorded. The College spent, in addition to the major purchases discussed above, over \$1,400,000 in capital outlay during the current fiscal year. The capitalization policy of recording capital assets when the item value is \$5,000 or greater and has a useful life of greater than one year became effective with the year ended August 31, 2002.

The College has four bonds outstanding as of August 31, 2018 as follows:

- 1) The 2011 Series issue was for \$4,065,000. The 2011 Series were used, along with \$304,955, to refund the 1998 Series with an outstanding balance at the time of \$3,705,000. A payment of \$375,000 was made during the year and the balance outstanding at year-end was \$1,595,000. The bonds will mature May 2022. The bond covenant requires funds be set-aside in an interest and sinking fund and a reserve fund. At August 31, 2018, the amount set aside was adequate.
- 2) The 2013 Series issue was for \$3,505,000. The 2013 Series was used to partially refund the 2004 Series with an outstanding balance at the time of \$3,915,000. A payment of \$420,000 was made during the year and the balance outstanding at year-end was \$1,790,000. The bonds will mature May 2022. The bond covenant requires funds be set-aside in an interest and sinking fund and a reserve fund. At August 31, 2018, the amount set aside was adequate.
- 3) The 2013 Series Limited Tax General Obligation Bond in the amount of \$5,500,000. This bond was issued for the purpose of constructing the Health Science Building and adding on to the Industrial Technology Center. A payment of \$505,000 was made during the year and the balance outstanding at year-end was \$3,945,000. The bonds will mature August 2025.
- 4) The 2014 Series Limited Tax General Obligation Bond in the amount of \$8,730,000. This bond was issued for the purpose of constructing the Health Science Building and adding on to the Industrial Technology Center. A payment of \$100,000 was made during the year and the balance outstanding at year-end was \$8,265,000. The bonds will mature August 2034.

Revenues sufficient to make all required payments of principal and interest have been properly recorded. Moody's Investor Services have the College's bond rating at A1 for the revenue bonds

and Aa3 for the general obligation bonds. The College has never defaulted on any outstanding bond issue.

### **Contacting the College's Financial Management**

This financial report is designed to provide taxpayers, customers, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Vice-Chancellor of Fiscal Affairs, North Central Texas College, 1525 West California St., Gainesville, Texas 76240.



## **Basic Financial Statements**

**NORTH CENTRAL TEXAS COLLEGE**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2018 AND AUGUST 31, 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 15,033,223	\$ 15,779,381
Short term investments	4,058,337	4,055,149
Accounts receivable (net)	2,331,625	3,236,346
Inventories	18,167	11,696
Other assets	493,974	316,850
<b>Total Current Assets</b>	<b>21,935,326</b>	<b>23,399,422</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	2,379,413	2,285,762
Capital assets (net)	49,795,994	47,447,660
<b>Total Noncurrent Assets</b>	<b>52,175,407</b>	<b>49,733,422</b>
<b>TOTAL ASSETS</b>	<b>74,110,733</b>	<b>73,132,844</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	113,012	141,265
Deferred outflows related to OPEB	501,112	-
Deferred outflows related to pensions	1,236,157	1,825,282
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,850,281</b>	<b>1,966,547</b>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	2,105,824	975,097
Accrued liabilities	76,026	68,561
Funds held for others	92,030	86,010
Unearned revenue	5,644,202	5,319,090
Bonds payable-current portion	1,420,000	1,400,000
<b>Total Current Liabilities</b>	<b>9,338,082</b>	<b>7,848,758</b>
<b>Noncurrent Liabilities</b>		
Net pension liability	6,310,110	7,481,446
Net OPEB liability	16,860,212	-
Bonds payable	14,830,016	16,273,520
<b>Total Noncurrent Liabilities</b>	<b>38,000,338</b>	<b>23,754,966</b>
<b>TOTAL LIABILITIES</b>	<b>47,338,420</b>	<b>31,603,724</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources related to Pensions	1,198,742	697,836
Deferred Inflows of Resources related to OPEB	3,727,874	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,926,616</b>	<b>697,836</b>
 <b>NET POSITION</b>		
Invested in capital assets, net of related debt	33,658,990	29,915,399
Restricted for		
Expendable		
Student aid	973,852	962,426
Instructional programs	8,061	8,061
Construction projects	1,000,000	-
Debt service	1,391,076	1,299,441
Unrestricted	(13,336,001)	10,612,504
<b>TOTAL NET POSITION</b>	<b>\$ 23,695,978</b>	<b>\$ 42,797,831</b>

The Notes to Financial Statements are an integral part of this statement.

# NORTH CENTRAL TEXAS COLLEGE FOUNDATION, INC.

A COMPONENT UNIT OF NORTH CENTRAL TEXAS COLLEGE

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2018 and AUGUST 31, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 160,393	\$ 78,105
Investments	4,210,225	3,499,789
Interest Receivable	40,067	36,234
<b>Total Current Assets</b>	<u>4,410,685</u>	<u>3,614,128</u>
<b>Permanently Restricted Endowment</b>	<u>5,760,721</u>	<u>5,523,946</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,171,406</u>	<u>\$ 9,138,074</u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Liabilities</b>		
Accounts Payable	\$ -	\$ -
Scholarships Payable	496,328	473,697
Deferred Support	-	-
<b>Total Liabilities/Current Liabilities</b>	<u>496,328</u>	<u>473,697</u>
<b>Net Assets</b>		
Unrestricted	18,374	4,465
Temporarily Restricted	3,895,983	3,135,966
Permanently Restricted	5,760,721	5,523,946
<b>Total Net Assets</b>	<u>9,675,078</u>	<u>8,664,377</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 10,171,406</u>	<u>\$ 9,138,074</u>

The Notes to Financial Statements are an integral part of this statement.

**NORTH CENTRAL TEXAS COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED AUGUST 31, 2018 AND AUGUST 31, 2017**

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$8,121,254 and \$6,349,575 respectively)	\$ 18,573,860	\$ 15,999,007
Federal grants and contracts	2,592,945	3,374,344
State grants and contracts	2,021,089	1,736,501
Private grants	543,921	607,594
Sales and services of educational activities	237,244	262,036
Auxiliary enterprises (net of discounts \$786,750 and \$600,554 respectively)	310,743	453,539
Other operating revenues	892,253	1,119,191
<b>Total Operating Revenues (Schedule A)</b>	<u>25,172,055</u>	<u>23,552,212</u>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	22,690,232	21,657,146
Research	-	-
Public service	1,738,428	1,060,126
Academic support	2,629,452	3,146,771
Student services	4,713,441	3,826,989
Institutional support	8,723,328	7,976,578
Operation and maintenance of plant	5,272,184	4,741,963
Scholarship and fellowships	5,999,149	5,874,680
Auxiliary enterprises	875,231	792,109
Depreciation	2,154,282	2,029,602
<b>Total Operating Expenses (Schedule B)</b>	<u>54,795,727</u>	<u>51,105,964</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(29,623,672)</u>	<u>(27,553,752)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	13,674,435	14,027,250
Maintenance ad-valorem taxes		
Taxes for maintenance and operations	2,932,914	2,802,463
Taxes for general obligation bonds	1,150,408	1,073,659
Federal Revenue, non-operating	11,590,043	10,139,133
Gifts	1,105,000	-
Investment income (net of investment expenses)	286,412	143,584
Interest on capital related debt	(571,422)	(619,608)
Gain (Loss) Loss on disposal of fixed assets	-	(43,303)
Other non-operating revenues	23,782	31,492
Other non-operating expenses	-	-
<b>Net Non-Operating Revenues (Schedule C)</b>	<u>30,191,572</u>	<u>27,554,670</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>567,900</u>	<u>918</u>
<b>NET POSITION-BEGINNING OF YEAR</b>	42,797,831	42,796,913
<b>PRIOR PERIOD ADJUSTMENT</b>	(19,669,753)	-
<b>NET POSITION-BEGINNING OF YEAR AS RESTATED</b>	<u>23,128,078</u>	<u>42,796,913</u>
<b>NET POSITION-END OF YEAR</b>	<u>\$ 23,695,978</u>	<u>\$ 42,797,831</u>

The Notes to Financial Statements are an integral part of this statement.

**NORTH CENTRAL TEXAS COLLEGE FOUNDATION, INC.****A COMPONENT UNIT OF NORTH CENTRAL TEXAS COLLEGE****STATEMENT OF ACTIVITIES**

For the Years Ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>SUPPORT AND REVENUE</b>		
<b>Support</b>		
Donations	\$ 163,608	\$ 6,392
Fundraising	5,903	-
<b>Total Support</b>	<u>169,511</u>	<u>6,392</u>
<b>Revenue</b>		
Interest and Dividends	1,700	167
<b>Total Revenue</b>	<u>1,700</u>	<u>167</u>
<b>Net assets released from restrictions:</b>		
Satisfaction of Program Restrictions	1,696,392	1,374,152
<b>TOTAL UNRESTRICTED SUPPORT AND REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>1,867,603</u>	<u>1,380,711</u>
 <b>OPERATING EXPENSES</b>		
<b>Program services</b>		
Scholarships	951,220	766,211
Departmental Expenses	424,715	217,745
Amortization of Bond Premium	686	133
<b>Supporting services</b>		
Management and General	387,160	306,587
Fundraising	89,913	91,889
<b>TOTAL OPERATING EXPENSES</b>	<u>1,853,694</u>	<u>1,382,565</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<u>13,909</u>	<u>(1,854)</u>
 <b>TEMPORARILY RESTRICTED NET ASSETS</b>		
<b>Support</b>		
Donations	1,409,291	744,374
Fundraising	346,499	263,531
<b>Total Support</b>	<u>1,755,790</u>	<u>1,007,905</u>
<b>Revenue</b>		
Interest and Dividends	529,125	760,478
Gain (Loss) on Sale of Assets	154,803	(31,616)
Unrealized Gain (Loss)	61,241	180,712
<b>Total Revenue</b>	<u>745,169</u>	<u>909,574</u>
<b>Net assets released from restrictions:</b>		
Reached Endowment Status	(44,550)	(5,542)
Satisfaction of Program Restrictions	(1,696,392)	(1,374,152)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>760,017</u>	<u>537,785</u>
 <b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Endowments Received	192,225	41,958
<b>Net assets released from restrictions:</b>		
Satisfaction of Program Restrictions	44,550	5,542
<b>CHANGE IN PERMANENTLY RESTRICTED NET ASSETS</b>	<u>236,775</u>	<u>47,500</u>
 <b>CHANGE IN NET ASSETS</b>	1,010,701	583,431
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>8,664,377</u>	<u>8,080,946</u>
 <b>NET ASSETS AT END OF YEAR</b>	<u>\$ 9,675,078</u>	<u>\$ 8,664,377</u>

The accompanying notes are an integral part of these statements.

**NORTH CENTRAL TEXAS COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2018 AND AUGUST 31, 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and customers	\$ 20,172,692	\$ 17,639,316
Receipts of appropriations, grants and contracts	5,947,517	5,091,129
Payments to or on behalf of employees	(29,485,470)	(29,559,149)
Payments to suppliers	(19,817,169)	(19,874,229)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(23,182,430)</b>	<b>(26,702,933)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Ad valorem tax revenues	4,072,693	3,874,487
State appropriations	11,930,940	12,762,749
Non-operating federal revenue	11,590,043	10,139,133
Other cash receipts (payments)	1,128,782	16,482
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>28,722,458</b>	<b>26,792,851</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(4,502,616)	(2,365,948)
Principal paid on debt	(1,400,000)	(1,370,000)
Interest paid on debt	(573,143)	(606,561)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(6,475,759)</b>	<b>(4,342,509)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	286,412	143,584
Purchases of investments	(3,188)	(6,979)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>283,224</b>	<b>136,605</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(652,507)</b>	<b>(4,115,986)</b>
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 1</b>	<b>18,065,143</b>	<b>22,181,129</b>
<b>CASH AND CASH EQUIVALENTS - AUGUST 31</b>	<b>\$ 17,412,636</b>	<b>\$ 18,065,143</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (29,623,672)	\$ (27,553,752)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Payments made directly by state for benefits	562,467	613,044
Depreciation expense	2,154,282	2,029,602
OPEB Expense	1,193,558	
Pension expense	323,386	329,151
Changes in assets and liabilities:		
Receivables, net	915,346	(1,805,275)
Inventories	(6,471)	(1,777)
Other assets	(177,120)	179,637
Accounts payable	1,150,682	(1,286,237)
Deferred revenue	325,112	814,513
Deposits held for others	-	(21,839)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (23,182,430)</b>	<b>\$ (26,702,933)</b>
<b>Cash Reconciliation:</b>		
Cash and cash equivalents	\$ 15,033,223	\$ 15,779,381
Restricted cash	2,379,413	2,285,762
<b>Total Cash</b>	<b>\$ 17,412,636</b>	<b>\$ 18,065,143</b>

The Notes to Financial Statements are an integral part of this statement.

**NORTH CENTRAL TEXAS COLLEGE FOUNDATION, INC.**  
**A COMPONENT UNIT OF NORTH CENTRAL TEXAS COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2018 AND AUGUST 31, 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from donors	\$ 1,765,124	\$ 792,724
Receipts from fundraising activities	352,402	263,531
Payments of scholarships and departmental expenses	(1,353,304)	(984,367)
Payments of fundraising and management expenses	(477,073)	(398,476)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>287,149</b>	<b>(326,588)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	526,306	759,554
Purchases of investments	(731,167)	(423,354)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(204,861)</b>	<b>336,200</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	82,288	9,612
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 1</b>	78,105	68,493
<b>CASH AND CASH EQUIVALENTS - AUGUST 31</b>	<b>\$ 160,393</b>	<b>\$ 78,105</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 1,010,701	\$ 583,431
Adjustments to reconcile operating loss to net cash used by operating activities:		
Investment earnings	(746,869)	(909,741)
Amortization of bond premium	686	133
Changes in assets and liabilities:		
Unconditional promises to give	-	-
Accounts payable	-	-
Scholarships payable	22,631	(411)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 287,149</b>	<b>\$ (326,588)</b>

The Notes to Financial Statements are an integral part of this statement.

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**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 and 2017**

**1. REPORTING ENTITY**

North Central Texas College (the College), was established in 1924 as Gainesville Junior College, in accordance with the laws of the State of Texas, to serve the educational needs of Cooke County and the surrounding area. The College is considered to be a special purpose, primary government, according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

The Board of Regents (the Board), a seven-member group constituting an on-going entity, is the level of government that has governance responsibilities over all activities, programs, and facilities of the College. The Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operation and primary accountability for fiscal matters.

The governmental reporting entity consists of the College and its component unit. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the College are such that exclusion would cause the College's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the College's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the College.

The basic financial statements include both blended and discretely presented component units. The blended component unit, although a legally separate entity, is in substance, part of the College's operations and so data from this unit is combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate statement to emphasize it is legally separate from the government.

For financial reporting purposes, the College's basic financial statement include all financial activities that are controlled by or are dependent upon actions taken by the College's board of regents. The financial statements of the component unit may be obtained by writing to North Central Texas College, 1525 W. California, Gainesville, TX 76240.

The facilities utilized in the College system are located on five distinct campuses, Gainesville in Cooke County, Corinth in Denton County, Flower Mound in Denton County, Bowie in Montague County, and Graham in Young County. The College's primary campus rests on 132 acres of land located in the southwest section of Gainesville, Texas, on U.S. Highway 51. In January 2000, the College opened two extension centers located at Corinth and at Bowie. The Gainesville and Corinth campuses are capitalized assets of the College. The Bowie campus is operated under a lease with the Bowie 4B Sales Tax Corporation; the lease is discussed elsewhere in these disclosures. The fourth campus was opened in Graham, in Young County; citizens of Graham Independent School District passed a Branch Campus Maintenance Tax in November 2009 with tax revenue beginning in 2010-2011. The fifth campus Flower Mound opened in January 2011 in leased facilities and converted to a lease-to-own agreement through 2032.

The College offers academic and professional courses for students who plan to transfer to senior colleges and universities to continue to work toward a baccalaureate degree as well as technical and vocational courses to develop occupational skills and continuing education courses for adults. The College has several secondary instruction sites in North Texas.

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 and 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Guidelines**

The significant accounting policies followed by the College 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*. The College applies all applicable GASB pronouncements. The College 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" amount, 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 student uses the award 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 (HEA) 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 restricted revenue. When the student uses the award 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: The College awards tuition and fee scholarships from institutional funds to students who qualify. When the student uses the award 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.

**Basis of Accounting**

The financial statements of the College have been prepared on the accrual basis of accounting, 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 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 Board 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**

The College'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. The College sets aside resources for the repayment of the bonds. The College has designated public funds investment pools comprised of \$14,396,077 and \$15,333,922 at August 31, 2018 and August 31, 2017 respectively, to be cash equivalents. The College also segregates bond proceeds to be used for capital projects. These assets are classified as restricted cash on the statement of net position

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 and 2017**

because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

**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 of the College consist of consumable fuel and cosmetology stock. Inventories are valued at cost, using the average cost method of valuation, and are charged to expense as consumed or sold. Inventory at year-end consisted of the following amounts:

	August 31, 2018	August 31, 2017
Fuel	\$ 1,454	\$ 565
Cosmetology Stock	16,713	11,131
	\$ 18,167	\$ 11,696

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition or estimated fair market value at the date donated. The College's capitalization policy includes all real or personal property with a value of \$5,000 or more and an estimated life in excess of 2 years. Renovations of \$100,000 to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to operating expense in the year in which the expense is incurred.

The College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

Buildings	50 years
Facilities and Other Improvements	20 years
Furniture, Machinery, Other Equipment	10 years
Vehicles	7 years
Telecommunications and Peripheral Equipment	5 years
Library Books	15 years

**Other Post-Employment Benefits (OPEB)**

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

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 and 2017**

**Pensions**

The College 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 the Teacher Retirement System of Texas (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 the benefit terms. Investments are reported at fair value.

**Unearned Revenues**

Unearned revenues at August 31, 2018 and 2017 were as follows:

	August 31, 2018	August 31, 2017
Tuition	\$ 5,639,202	\$ 5,319,090
State Grant	5,000	-
Federal Grant	-	-
Local Grant	-	-
	\$ 5,644,202	\$ 5,319,090

**Deferred Inflows**

In addition to liabilities, 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB. The College's deferred inflows consist of inflows related to pensions and other post-employment benefits.

**Deferred Outflows**

In addition to assets, 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 only permitted to report deferred outflows in circumstances specifically authorized by the GASB. The College's deferred outflows consist of deferred charges on refunding debt, deferred outflows related to pensions and other post-employment benefit.

**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 business type activity (BTA) and as a single, proprietary fund. Operating revenues and

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 and 2017**

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. As of July 17, 2011, the operation of the bookstore is no longer performed by the college.

**Net Position**

When the College incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

At August 31, 2018 and 2017, net position of the College consisted of the following:

	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Net property, plant and equipment	\$ 49,795,994	\$ 47,447,660
Less:		
General obligation bonds payable, net	(12,841,356)	(13,463,950)
Revenue bonds payable, net	(3,295,648)	(4,068,311)
Amount of debt related to unspent proceeds	-	-
Total net investment in capital assets	<u>33,658,990</u>	<u>29,915,399</u>
Restricted for debt service	1,391,076	1,299,441
Restricted for student aid	973,852	962,426
Restricted for instructional programs	8,061	8,061
Restricted for construction projects	1,000,000	-
Unrestricted	<u>(13,336,001)</u>	<u>10,612,504</u>
Total net position	<u>\$ 23,695,978</u>	<u>\$ 42,797,831</u>

**Prior Year Restatement**

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

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

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

Beginning net position	\$ 42,797,831
Cumulative effect of change in accounting principle (GASB 75);	
Beginning Net OPEB liability (measurement date as of 8/31/17)	(20,144,368)
Deferred outflow for College contributions to the ERS plan during FY17	<u>474,615</u>
Beginning net position, as restated	<u>\$ 23,128,078</u>



**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 and 2017**

**3. AUTHORIZED INVESTMENTS**

The Board has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act. The investments of the College are in compliance with the adopted investment policies.

The College 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.

**4. DEPOSITS AND INVESTMENTS**

**Cash and Deposits**

The College's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the College's agent bank approved pledged securities in an amount sufficient to protect College funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) assurance.

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. The College does have a policy for custodial credit risk. At August 31, 2018 and 2017, the carrying amounts of the College's bank deposits were \$3,013,284 and \$2,727,646, respectively, and total bank balances equaled \$3,708,500 and \$3,282,023. Bank balances of \$294,161 and \$358,808 were covered by FDIC, and \$3,414,339 and \$2,923,215 were covered by collateral pledged in the College's name for the years ended August 31, 2018 and 2017, respectively.

**Public Funds Investment Pool**

The College has cash equivalents that consist of balances held by the Texas Local Government Investment Pool (TexPool). The State Comptroller of Public Accounts exercises oversight responsibility of TexPool. Oversight includes the ability to significantly influence operations, designations of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The College considers TexPool balances to be cash equivalents.

**Cash and Cash Equivalents**

Cash, deposits, and cash equivalents consist of the following:

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 and 2017**

The College (Primary Government)		
Statement of Net Assets - Exhibit 1		
	8/31/2018	8/31/2017
Bank Deposits		
Demand Deposits	\$ 3,013,284	\$ 2,727,646
Petty Cash and Cash on Hand	3,275	3,575
Total Cash and Deposits	3,016,559	2,731,221
Cash Equivalents		
TexPool	14,396,077	15,333,922
Total Cash, Deposits, and Cash Equivalents	<u>\$ 17,412,636</u>	<u>\$ 18,065,143</u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be returned, or the College will not be able to recover collateral securities in the possession of an outside party. The College's policy requires deposits to be 100% secured by collateral valued at market less the amount of the Federal Deposit Insurance Corporation (FDIC) limit. At August 31, 2018, the College's deposits are not exposed to custodial credit risk.

**Investments**

The College's investments consist of certificates of deposit located in several area banks. These certificates of deposit have maturity values of 1 year, and as such are considered short term investments. At August 31, 2018 and 2017, the College had the following investments:

Investment Type	Fair Value	Investment Maturities in Years			
	8/31/2018	1 or Less	1 to 5	5 to 10	10 to 15
Certificates of Deposit	\$ 4,058,337	\$ 4,058,337	\$ -	\$ -	\$ -
	8/31/2017	1 or Less	1 to 5	5 to 10	10 to 15
Certificates of Deposit	\$ 4,055,149	\$ 4,055,149	\$ -	\$ -	\$ -

The Public Funds Investment Act also requires the College to have independent auditors perform test procedures related to investment practices as prescribed by that legislation. The College is in compliance with the requirements of the Public Funds Investment Act.

**Analysis of Specific Deposit and Investment Risks**

GASB Statement No. 40 requires a determination as to whether the College was exposed to the following specific investment risks at year-end and, if so, the reporting of certain related disclosures:

- Credit Risk - Risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. For the years ended August 31, 2018 and 2017, the College was not exposed to credit risk.
- Concentration of Credit Risk - Risk of loss attributed to the magnitude of an entity's investment in a single issuer. For the years ended August 31, 2018 and 2017, the College was not significantly exposed to a concentration of credit risk.
- Interest Rate Risk - Risk that changes in the interest rates will adversely affect the fair value of an investment. For the years ended August 31, 2018 and 2017, the College was not significantly exposed to interest rate risk.

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- Foreign Currency Risk - Risk that exchange rates will adversely affect the fair value of an investment. For the years ended August 31, 2018 and 2017, the College was not exposed to foreign currency risk.

**Reconciliation of Deposits and Investments for the College (Primary Government) to Statement of Net Position - Exhibit 1**

	Carrying Amounts	
	8/31/2018	8/31/2017
Total Cash and Deposits	\$ 3,016,559	\$ 2,731,221
TexPool	14,396,077	15,333,922
Certificates of Deposit	4,058,337	4,055,149
Total Deposits and Investments	<u>\$ 21,470,973</u>	<u>\$ 22,120,292</u>
Per Statement of Net Assets - Exhibit 1:		
Cash and Cash Equivalents	\$ 15,033,223	\$ 15,779,381
Short-term Investments	4,058,337	4,055,149
Restricted Cash	2,379,413	2,285,762
Total Deposits and Investments	<u>\$ 21,470,973</u>	<u>\$ 22,120,292</u>

**5. CAPITAL ASSETS - COMPARATIVE**

Capital assets activity for the years ended August 31, 2018 and 2017 was as follows:

<u>August 31, 2018</u>	Balance 9/1/2017	Increases	Decreases	Balance 8/31/2018
<u>Not Depreciated:</u>				
Land	\$ 1,491,594	\$ -	\$ -	\$ 1,491,594
Construction In Progress	325,526	3,772,925	(3,366,610)	731,841
Subtotal	<u>1,817,120</u>	<u>3,772,925</u>	<u>(3,366,610)</u>	<u>2,223,435</u>
<u>Other Capital Assets:</u>				
Buildings and Improvements	48,642,139	108,154	3,366,610	52,116,903
Equipment	12,779,128	460,022	-	13,239,150
Library Books	1,836,836	34,824	(26,967)	1,844,693
Automobiles	700,795	126,688	-	827,483
Subtotal	<u>63,958,898</u>	<u>729,688</u>	<u>3,339,643</u>	<u>68,028,229</u>
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	(11,328,014)	(1,144,016)	-	(12,472,030)
Equipment	(4,835,024)	(1,127,883)	-	(5,962,907)
Library Books	(1,746,774)	-	226,061	(1,520,713)
Automobiles	(418,546)	(81,474)	-	(500,020)
Subtotal	<u>(18,328,358)</u>	<u>(2,353,373)</u>	<u>226,061</u>	<u>(20,455,670)</u>
Net Other Capital Assets	<u>45,630,540</u>	<u>(1,623,685)</u>	<u>3,565,704</u>	<u>47,572,559</u>
Net Capital Assets	<u>\$ 47,447,660</u>	<u>\$ 2,149,240</u>	<u>\$ 199,094</u>	<u>\$ 49,795,994</u>



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<u>August 31, 2017</u>	Balance 9/1/2016	Increases	Decreases	Balance 8/31/2017
<u>Not Depreciated:</u>				
Land	\$ 1,491,594	\$ -	\$ -	\$ 1,491,594
Construction In Progress	15,034,396	325,526	(15,034,396)	325,526
Subtotal	<u>16,525,990</u>	<u>325,526</u>	<u>(15,034,396)</u>	<u>1,817,120</u>
<u>Other Capital Assets:</u>				
Buildings and Improvements	37,384,211	519,120	10,738,808	48,642,139
Equipment	7,047,853	1,435,687	4,295,588	12,779,128
Library Books	1,807,969	39,325	(10,458)	1,836,836
Automobiles	815,402	46,290	(160,897)	700,795
Subtotal	<u>47,055,435</u>	<u>2,040,422</u>	<u>14,863,041</u>	<u>63,958,898</u>
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	(10,371,720)	(956,294)	-	(11,328,014)
Equipment	(3,989,913)	(845,111)	-	(4,835,024)
Library Books	(1,598,960)	(158,272)	10,458	(1,746,774)
Automobiles	(466,215)	(69,925)	117,594	(418,546)
Subtotal	<u>(16,426,808)</u>	<u>(2,029,602)</u>	<u>128,052</u>	<u>(18,328,358)</u>
Net Other Capital Assets	30,628,627	10,820	14,991,093	45,630,540
Net Capital Assets	<u>\$ 47,154,617</u>	<u>\$ 336,346</u>	<u>\$ (43,303)</u>	<u>\$ 47,447,660</u>

The depreciation expense for the year ended August 31, 2018 was \$2,154,282 and for the year ended August 31, 2017 was \$2,029,602.

**6. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Current and noncurrent receivables at August 31, 2018 and 2017 were as follows:

	<u>The College (Primary Government)</u>	
	<u>8/31/2018</u>	<u>8/31/2017</u>
Taxes Receivable	139,521	130,062
Federal Receivable	464,821	786,409
State & Local Receivable	192,916	671,548
Student Receivables	6,191,784	5,456,305
Other Receivable	28,027	180,054
Subtotal	<u>7,017,069</u>	<u>7,224,378</u>
Allowance for Doubtful Accounts	<u>(4,685,444)</u>	<u>(3,988,032)</u>
Total Receivables	<u>\$ 2,331,625</u>	<u>\$ 3,236,346</u>

Accounts payables and accrued liabilities at August 31, 2018 and 2017, were as follows:

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	The College (Primary Government)	
	8/31/2018	8/31/2017
Vendors Payable	\$ 1,786,377	\$ 727,922
Students Payable	69,305	17,505
Other Payable	206,126	179,184
Interest Payable	44,016	50,486
Total Accounts Payable	2,105,824	975,097
Accrued Liabilities		
Salaries & Benefits Payable	76,026	68,561
Total Payables	\$ 2,181,850	\$ 1,043,658

**7. LONG-TERM LIABILITIES**

Bonds payable at August 31, 2018 were comprised of the following individual issues:

NCTC District Tuition and Combined Fee Revenue Refunding Bonds. Series 2011

- For the refunding of the Series 1998 Bonds
- Issue date October 1, 2011
- Original amount authorized and issued \$4,065,000
- Source of revenue for debt service-Tuition and Fees
- Payable in annual installments varying from \$330,000 to \$415,000
- Interest rates from 2% to 3%
- Final installment due May 2022

NCTC District Tuition and Combined Fee Revenue Refunding Bonds. Series 2013

- For the partial refunding of the Series 2004 Bonds
- Issue date November 15, 2012
- Original amount authorized and issued \$3,505,000
- Source of revenue for debt service-Tuition and Fees
- Payable in annual installments varying from \$40,000 to \$465,000
- Interest rate 2.25%
- Final installment due May 2022

NCTC District Limited Tax General Obligation Bonds, Series 2013

- For the construction and renovation of College buildings on the Gainesville campus
- Issue date December 30, 2013
- Original amount authorized and issued \$5,500,000
- Source of revenue for debt service-Ad Valorem Tax
- Payable in annual installments varying from \$140,000 to \$610,000
- Interest rate 2.64%
- Final installment due August 2025

NCTC District Limited Tax General Obligation Bonds, Series 2014

- For the construction and renovation of College buildings on the Gainesville campus
- Issue date February 27, 2014
- Original amount authorized and issued \$8,730,000
- Source of revenue for debt service-Ad Valorem Tax
- Payable in annual installments varying from \$165,000 to \$1,025,000
- Interest rate 2.0% to 4.75%
- Final installment due August 2034

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Activity in long term liabilities for the years ended August 31, 2018 and 2017, was as follows:

	Beginning	Activity		Ending	Current Portion
	Balance	Additions	Reductions	Balance	
<u>August 31, 2018</u>					
Revenue Bonds:					
2011 Series	\$ 1,970,000	\$ -	\$ (375,000)	\$ 1,595,000	\$ 385,000
2013 Series	2,210,000	-	(420,000)	1,790,000	430,000
General Obligation Bonds:					
2013 Series	4,450,000	-	(505,000)	3,945,000	505,000
2014 Series	8,365,000	-	(100,000)	8,265,000	100,000
CAB Accretion	63,940	19,784	-	83,724	-
Premium on Bonds	614,580	-	(43,288)	571,292	-
Net Pension Liability	7,481,446	(524,546)	(646,790)	6,310,110	N/A
Net OPEB Liability	20,144,368	(2,820,385)	(463,771)	16,860,212	N/A
	<u>\$ 45,299,334</u>	<u>\$ (3,325,147)</u>	<u>\$ (2,553,849)</u>	<u>\$ 39,420,338</u>	<u>\$ 1,420,000</u>
<u>August 31, 2017</u>					
Revenue Bonds:					
2011 Series	\$ 2,335,000	\$ -	\$ (365,000)	\$ 1,970,000	\$ 375,000
2013 Series	2,620,000	-	(410,000)	2,210,000	420,000
General Obligation Bonds:					
2013 Series	4,945,000	-	(495,000)	4,450,000	505,000
2014 Series	8,465,000	-	(100,000)	8,365,000	100,000
CAB Accretion	44,850	19,090	-	63,940	-
Premium on Bonds	657,873	-	(43,293)	614,580	-
Net Pension Liability	6,692,988	1,417,497	(629,039)	7,481,446	N/A
	<u>\$ 25,760,711</u>	<u>\$ 1,436,587</u>	<u>\$ (2,042,332)</u>	<u>\$ 25,154,966</u>	<u>\$ 1,400,000</u>

Debt service requirements at August 31, 2018 are summarized below:

Fiscal Year	Principal	Interest	Total Requirements
August 31, 2019	1,435,000	538,048	1,973,048
2020	1,465,000	503,021	1,968,021
2021	1,515,000	465,271	1,980,271
2022	1,550,000	425,213	1,975,213
2023	690,000	384,235	1,074,235
2024-2028	3,440,000	1,925,009	5,365,009
2029-2033	4,475,000	894,287	5,369,287
2034	1,025,000	143,924	1,168,924
Total Requirements	<u>\$ 15,595,000</u>	<u>\$ 5,279,008</u>	<u>\$ 20,874,008</u>

Accreted Interest Payable

A portion of the 2013 General Obligation Bond and the 2014 General Obligation Bonds consisted of capital appreciation bonds (CABS). These bonds are zero-coupon bonds with deep discounts. The difference between the initial price of the bonds plus the premium on the CABS and the maturity value represents interest. This interest is accreted over the term of the bonds and is recorded as a liability in the District's financial statements. The following schedule summarizes the changes in accreted interest payable during the years ended August 31, 2018 and 2017.

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	Balance	Booked	Retired	Balance
<u>August 31, 2018</u>	<u>9/1/2017</u>	<u>9/1/2017</u>	<u>9/1/2017</u>	<u>8/31/2018</u>
Accreted Interest Payable	\$ 63,940	\$ 19,784	\$ -	\$ 83,724

	Balance	Booked	Retired	Balance
<u>August 31, 2017</u>	<u>9/1/2016</u>	<u>9/1/2016</u>	<u>9/1/2016</u>	<u>8/31/2017</u>
Accreted Interest Payable	\$ 44,850	\$ 19,090	\$ -	\$ 63,940

**8. LEASE OBLIGATIONS**

Bowie Campus Lease: The Bowie campus in Montague County is operated under a lease with Bowie 4B Sales Tax Corporation (the Corporation); sales tax revenues from the City of Bowie provide for the construction and maintenance of the facility. Per the lease agreement with the Corporation, the College leases the facility from the Corporation at a rate of \$1 per year until the debt associated with the facility is paid in full. At that time, the College has the option to purchase the facility at a cost of \$1. In addition to the rent, the College pays to the Corporation a "Building Usage Fee"; the amount is calculated based on student enrollment at the Bowie campus at \$25 per student. The Building Usage Fee is payable twice per year; on or before October 1 based on the Fall semester enrollment and on or before March 1 based on the Spring semester enrollment.

Flower Mound Campus Lease: The Flower Mound Campus in Denton County was initially operated under a lease with Eagle Parker Square, LLC. In August 2012, the property sold, and the College entered into a lease/purchase agreement with New Hope CEFFC through May 2032. The College has the option to purchase beginning in 2022; if that option is not exercised prior to completion of the lease agreement, the property ownership will transfer to the College in 2032 for the purchase price of \$1. Payment of the lease is made semiannually.

Graham Campus Lease: The Graham campus in Young County is operated under a lease with the City of Graham. Per the lease agreement with the City, the College leases the facilities at a rate of \$10 per year. The primary term of the lease is for a five-year period. The lease may be renewed and extended for three additional five-year periods. Payment of the \$10 lease rate is due before September 1<sup>st</sup> of each lease year.

Other Leases: The College leases various copiers and other equipment under noncancelable operating (noncapitalized) leases that have an initial term in excess of one year. The College also entered into leases for classroom space on the Corinth campus. The lease expense for the equipment and classroom space for the year ended August 31, 2018 and 2017 was \$1,277,789 and \$1,144,446, respectively.

Minimum future requirements as of August 31, 2018 were as follows:

<u>Fiscal Year</u>	<u>Future Minimum</u>
<u>August 31,</u>	<u>Lease Payments</u>
2019	1,274,429
2020	823,546
2021	851,681
2022	893,114
2023	844,142
2024-2028	4,730,871
2029-2032	3,424,800
Total	<u>\$ 12,842,583</u>

**NORTH CENTRAL TEXAS COLLEGE**  
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**9. ADVANCE REFUNDING BONDS**

NCTC District Tuition and Combined Fee Revenue Refunding Bonds. Series 2011

- Refunded \$4,235,000 of District Revenue Bonds, Series 1998
- Issued refunding bonds on 10/1/2011
- \$4,065,000, all authorized bonds have been issued
- Average interest rate of bonds refunded—4.75%
- Net proceeds from Refunding Series \$4,011,276 after payment of \$53,724 in underwriting fees, insurance, and other issuance costs
- Additional \$292,930 of Series 1998 sinking fund monies were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1998 bonds.
- The 1998 Series bonds are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant Fund Group.
- Advance refunding of the 1998 Series bonds reduced the college’s debt service payments over the next 12 years by approximately \$1,074,281
- Economic Gain--\$522,470, difference between the net present value of the old and new debt service payments, excluding the reserve fund contribution
- Accounting Loss-\$69,206 as a result of the advance refunding

NCTC District Tuition and Combined Fee Revenue Refunding Bonds. Series 2013

- Refunded \$3,255,000 of District Revenue Bonds, Series 2004
- Issued refunding bonds on 11/15/2012
- \$3,505,000, all authorized bonds have been issued
- Average interest rate of bonds refunded—4.375%
- Net proceeds from Refunding Series \$3,453,563 after payment of \$51,437 in underwriting fees, insurance, and other issuance costs
- The 2004 Series bonds are considered partially defeased and the liability for the defeased coupons have been removed from the Investment in Plant Fund Group. The coupons due on 5/15/2013 and 5/15/2014 were not defeased.
- Advance refunding of the 2004 Series bonds reduced the college’s debt service payments over the next 9 years by approximately \$166,280
- Economic Gain-\$151,952, difference between the net present value of the old and new debt service payments
- Accounting Loss-\$198,563, as a result of the advance refunding

**10. DEFEASED BONDS OUTSTANDING**

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Series 1998	2011	\$ 2,270,000
Series 2004	2013	\$ 1,760,000

**11. EMPLOYEES RETIREMENT PLAN**

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

TRS issues suggested footnote disclosures for pension plans resulting from the implementation of GASB Statement 68. The TRS sample footnotes are displayed below and can also be obtained from the TRS website. Certain revisions, including additions and deletions, have been made to the TRS suggested footnote disclosures below to achieve appropriate disclosure for community colleges.

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**Plan Description.** The College participates in a cost-sharing, multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec 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 pensions' Board of Trustees does not have the authority to establish or amend benefit terms.

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/TRS%20Documents/cafr\\_2017.pdf](http://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf); by writing to TRS, 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% (multiplier) times the average of the five highest annual creditable salaries times year of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the members age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. 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 2018 and 2017.



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	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 691,205
Current fiscal year member contributions		\$ 1,418,336
2016 measurement year NECE on-behalf contributions		\$ 542,688

The College's contributions to the TRS pension plan during the fiscal year ended August 31, 2018 were \$691,205 as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions were \$542,688.

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 for all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Public junior colleges are required to pay the employer contributions 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 of 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

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Actuarial Methods:	
Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.0%
Long-term Expected Investment Rate of Return	8.0%
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2115
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad Hoc Post-employment Benefit Changes	None

The actuarial methods and assumptions are primarily 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 actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior 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%. 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 the 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2017, are summarized below:



# NORTH CENTRAL TEXAS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
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%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	100.0%		8.7%

\*The Expected Contribution to Returns incorporates the volatility drag conversion between Arithmetic and Geometric mean returns.

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

	<b>1% Decrease in Discount Rate (7.0%)</b>	<b>Discount Rate (8.0%)</b>	<b>1% Increase in Discount Rate (9.0%)</b>
College's proportionate share of the net pension liability	\$ 10,637,600	\$ 6,310,110	\$ 2,706,773

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2018, the College reported a liability of \$6,310,110 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College 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 College were as follows:

College's proportionate share of the collective net pension liability	\$ 6,310,110
State's proportionate share that is associated with the College	5,305,618
<b>Total</b>	<b>\$ 11,615,728</b>

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

At the measurement date of August 31, 2017, the employer's portion of the collective net pension liability was 0.0197347519% which was a decrease of 0.0000634501% from its portion measured as of August 31, 2016.

For the year ended August 31, 2018, the College recognized pension expense of \$323,386 and revenue of \$404,691 for support provided by the State.

At August 31, 2018, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 92,320	\$ 340,296
Changes in actuarial assumptions	287,436	164,550
Difference between projected and actual investment earnings	-	459,867
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	165,196	234,029
Total as of August 31, 2017 measurement date	544,952	1,198,742
Contributions paid to TRS subsequent to the measurement date	691,205	-
Total	<u>\$ 1,236,157</u>	<u>\$ 1,198,742</u>

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:

<b>Year Ended August 31,</b>	<b>Pension Expense</b>
2019	\$ (229,813)
2020	172,977
2021	(260,754)
2022	(351,053)
2023	23,542
Thereafter	(8,690)

**12. OTHER POST-EMPLOYMENT BENEFITS**

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

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contribution provision of the GBP are authorized by State law and may be amended by the Texas Legislature.

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

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

**Contributions.** Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS Staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

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

Maximum Monthly Employer Contribution  
Retiree Health and Risk: Life Premium

	2018
Retiree only	\$ 617.30
Retiree and spouse	\$ 970.98
Retiree and children	\$ 854.10
Retiree and family	\$ 1,207.78
Current fiscal year employer contributions	\$ 496,120
Current fiscal year member contributions	\$ -
2017 measurement year NECE on-behalf contributions	\$ 399,031

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

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**Premium Contributions by Source**  
**Group Benefits Program Plan**

	<b>Fiscal Year</b>	<b>Fiscal Year</b>
	<b>Ended 8/31/18</b>	<b>Ended 8/31/17</b>
Employees	\$ 2,475,746	\$ 2,690,249
Members (Employees)	1,064,391	1,059,996
Nonemployer Contributing Entity (State of Texas)	1,844,921	1,568,869

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

**Actuarial Assumptions**  
**ERS Group Benefits Program Plan**

Valuation Date	August 31, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Not Applicable
Discount Rate	3.51%
Projected Annual Salary Increase (Includes Inflation)	2.5%-9.5%
Annual Healthcare Trend Rate	8.5% for FY 2019, decreasing .05% per year to 4.5% for FY 2027 and later years
Inflation Assumptions Rate	2.50%
Ad Hoc Postemployment benefit Changes	None
Mortality Assumptions:	
Service Retirees, Survivors and other Inactive Members	2017 State Retirees of Texas (SRT) Mortality Table
Disability Retirees	RP-2014 Disabled Retiree Mortality
Active Members	RP-2014 Active Member Mortality

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

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

**Discount Rate.** Because GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.84%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.51%, which amounted to an increase of .67%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investor Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO)

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basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable to zero years.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact on the College's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.51%)	Discount Rate (3.51%)	1% Increase in Discount Rate (4.51%)
College's proportionate share of the net OPEB liability	\$ 20,126,167	\$ 16,860,212	\$ 14,330,438

**Healthcare Trend Rate Sensitivity Analysis.** The following schedule presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% greater than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	\$ 14,173,875	\$ 16,860,212	\$ 20,345,889

**OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB.** At August 31, 2018. The College reported a liability of \$16,860,212 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the college for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College was as follows:

College's proportionate share of the collective net OPEB liability	\$ 16,860,212
State's proportionate share that is associated with the College	<u>14,506,619</u>
Total	<u>\$ 31,366,831</u>

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

At the measurement date of August 31, 2017, the employer's proportion of the collective net OPEB liability was .0494826% which was the same proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for ERS stated that the change in proportion was immaterial, and therefore, disregarded this year.

For the year ended August 31, 2018, the district recognized total OPEB expense of \$1,193,558 and revenue for support provided by state and federal sources of \$776,337.

At August 31, 2018, the District reported its proportionate share of the ERS's deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:



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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 202,606
Changes in actuarial assumptions	-	3,525,268
Difference between projected and actual investment earnings	4,992	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	-
Total as of August 31, 2017 measurement date	4,992	3,727,874
Contributions paid to ERS subsequent to the measurement date	496,120	-
Total	\$ 501,112	\$ 3,727,874

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

Year Ended August 31,	Pension Expense
2019	\$ (838,363)
2020	(838,363)
2021	(838,363)
2022	(838,363)
2023	(369,429)
Thereafter	-

### 13. OPTIONAL RETIREMENT PLAN

*Plan Description.* Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program 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 legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. The College contributes 2.5% for employees who are participating in the ORP prior to September 1, 1995. Benefits are fully vested 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 College was \$561,399 and \$541,574 for the fiscal years ended August 31, 2018 and 2017, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll of all College employees was \$24,635,757 and \$23,225,917 for fiscal years August 31, 2018 and 2017, respectively. The total payroll of employees covered by the TRS was \$16,986,236 and \$15,928,660; and the total payroll of employees covered by the ORP was \$2,828,725 and \$2,740,752 for fiscal years August 31, 2018 and 2017, respectively.

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**14. DEFERRED COMPENSATION PLAN**

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. The total of deferred salaries of employees since the inception of the program is not determinable.

As of August 31, 2018, the College had 25 employees participating in the program. A total of \$142,420 in payroll deductions were invested in approved plans during the fiscal year.

As of August 31, 2017, the College had 25 employees participating in the program. A total of \$116,073 in payroll deductions were invested in approved plans during the fiscal year.

**15. COMPENSATED ABSENCES**

Full-time employees earn vacation leave at the rate of 1.25 days per month for each month of employment with the College. The College's policy is that an employee may not carry vacation leave forward from one fiscal year to another fiscal year. Accordingly, the College did not recognize an accrued liability for the unpaid vacation leave in the financial statements.

A liability for accrued sick leave, which is earned at a rate of 80 hours per year and can be accumulated up to 45 days (60 days after 10 years of service), is not recorded. It is the policy of the College to not record accrued sick leave as a component of compensation expense because the benefits become compensation when the sick leave is utilized, not when accumulated. Upon termination, an employee does not receive payment for any accumulated sick leave.

**16. PENDING LAWSUITS AND CLAIMS**

None

**17. CONTRACT AND GRANT AWARDS**

Contracts and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *State and Local Governments*, 8.99). For Federal Contract and Grant Awards, funds expended but not collected are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed (e.g., multi-year awards) or funds awarded during fiscal years 2018 and 2017 for which monies have not been received nor funds expended, totaled \$5,664,688 and \$7,567,376, respectively. Of this amount, \$4,726,432 and \$6,117,260 were from Federal Contract and Grant awards, respectively and \$936,844 and \$1,450,116 were from State Contract and Grant awards and \$1,412 from Local or from Private Contract and Grant Awards for fiscal year 2018.

**18. SELF-INSURED PLANS**

The College maintains a self-insured arrangement for coverage in the area of unemployment compensation. The unemployment compensation plan is on a pay-as-you-go basis. Payments for incurred claims are charged to current funds expenditures. Prior to 1998, the College maintained a self-insured arrangement for coverage in the area of workers' compensation insurance. The College has funds available to cover claims incurred in the period the institution was in this plan. Claims Administrative Services, Inc. of Tyler, Texas administers the plan.



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**19. 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 employee was \$622 and \$617 per month for employee-only coverage for the years ended August 31, 2018 and 2017, respectively. The cost of providing these benefits and the total number of employees participating in the plan and contributions were as follows:

	August 31, 2018		August 31, 2017	
	Number of Employees	Contribution	Number of Employees	Contribution
Active Employees	363	\$ 1,450,172	358	\$ 1,156,825
Retired Employees	98	420,728	93	396,747
	461	\$ 1,870,900	451	\$ 1,553,572

S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

**20. AD VALOREM TAX**

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

Net assessed valuation at August 31 was as follows:

	Fiscal Year 2018	Fiscal Year 2017
Assessed Valuation	\$ 3,986,696,838	\$ 3,748,203,720
Less: Exemptions & Abatements	(1,016,271,060)	(905,531,243)
Net Assessed Valuation	\$ 2,970,425,778	\$ 2,842,672,477

The tax rates per \$100 valuation were as follows:

	Fiscal Year 2018		Fiscal Year 2017	
	Current Operations	Debt Service	Current Operations	Debt Service
Authorized	0.20000	0.50000	0.20000	0.50000
Assessed	0.08700	0.03420	0.08881	0.03380

Taxes levied for the years ended August 31, 2018 and 2017, were \$4,032,613 and \$3,865,927, respectively. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Tax collections for the years ended August 31, 2018 and 2017, were 98.7% and 98.4%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

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	Current Operations	Debt Service	Total
<u>Fiscal Year Ended August 31, 2018</u>			
Current Taxes Collected	\$ 2,849,305	\$ 1,120,500	\$ 3,969,805
Delinquent Taxes Collected	52,867	25,465	78,332
Penalties & Interest Collected	19,174	5,380	24,554
Total Collections	\$ 2,921,346	\$ 1,151,345	\$ 4,072,691
<u>Fiscal Year Ended August 31, 2017</u>			
Current Taxes Collected	\$ 2,752,266	\$ 1,055,363	\$ 3,807,629
Delinquent Taxes Collected	26,273	8,725	34,998
Penalties & Interest Collected	23,789	9,571	33,360
Total Collections	\$ 2,802,328	\$ 1,073,659	\$ 3,875,987

### 21. BRANCH CAMPUS MAINTENANCE TAX

A branch campus maintenance tax established by election has been levied by Graham Independent School District in Young County, Texas. It 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 Graham Independent School District. Collections are transferred to the College to be used for the operation of a Branch Campus at Graham. This revenue is reported under Local Grants and Contracts.

	Collections (including penalties and interest)	
	August 31, 2018	August 31, 2017
Young County	\$ 413,476	\$ 410,004

### 22. INCOME TAXES

The College is exempt from income taxes under Internal Revenue Service 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*. The College had no unrelated business income tax liability for the years ended August 31, 2018 and 2017.

### 23. BLENDED COMPONENT UNIT

Mary Josephine Cox Estate Trust: The Mary Josephine Cox Estate (the Trust) is a Trust that has been granted tax-exempt status pursuant to the provisions of the Internal Revenue Code Section 501(c)(3). The resources of the Trust are to be used to provide scholarships to North Central Texas College for Cooke County, Texas residents that meet certain specified criteria. The Trust owns real property located in Texas and Oklahoma. The Texas property is the site of an agricultural experiment farm. The Oklahoma property is leased to a farmer/rancher.

For the fiscal years 2018 and 2017, the Trust was totally managed by the Administration of the College and falls under the direct oversight of the College's Board of Regents. For the years ended August 31, 2018 and 2017, the Trust is presented using the blended method of inclusion.

Condensed component unit information for Mary Josephine Cox Estate Trust, the College's blended component for the year ended August 31, 2018 and 2017 is as follows:

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**Condensed Statement of Net Position**

	<b>Fiscal Year Ended</b>	
	<u>8/31/2018</u>	<u>8/31/2017</u>
Assets		
Current assets	\$ 973,851	\$ 962,425
Capital assets, net	218,436	219,080
Total Assets	<u>1,192,287</u>	<u>1,181,505</u>
Liabilities		
Current liabilities	-	-
Net Position		
Net investment in capital assets	218,436	219,080
Restricted		
Expendable	973,851	962,425
Total Net Position	<u>\$ 1,192,287</u>	<u>\$ 1,181,505</u>

**Condensed Statement of Revenues,  
Expenses and Changes in Net Position**

Operating Expense		
Scholarship	\$ 4,700	\$ 1,800
Other	3,535	4,081
Depreciation	645	645
Total Operating Expense	<u>8,880</u>	<u>6,526</u>
Nonoperating Revenues/Expense		
Investment income	15,102	6,507
Other	4,560	4,560
Total Nonoperating Revenues/Expense	<u>19,662</u>	<u>11,067</u>
Change in Net Position	10,782	4,541
Net Position, Beginning of Year	<u>1,181,505</u>	<u>1,176,964</u>
Net Position, End of Year	<u>\$ 1,192,287</u>	<u>\$ 1,181,505</u>

**Condensed Statement of Cash Flows**

Net Cash Provided (Used) by Operating Activities	\$ (8,236)	\$ (78,970)
Net Cash Provided (Used) by Investing Activities	19,662	11,067
Net increase/(decrease) in cash	<u>11,426</u>	<u>(67,903)</u>
Cash, Beginning of Year	962,425	1,030,328
Cash, End of Year	<u>\$ 973,851</u>	<u>\$ 962,425</u>

**24. COMMITMENTS AND CONTINGENT LIABILITIES**

Grants: The College participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the

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College, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**25. RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018 and 2017, the College purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**26. TAX ABATEMENTS**

North Central Texas College has entered into property tax abatement agreements with local businesses under the Property Redevelopment and tax Abatement Act, Chapter 312, V.T.C.A, Tax Code. Localities may grant property tax abatements of up to 50% of a business' property tax bill for attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the service area of the College. For the fiscal year ended August 31, 2018, the College abated property taxes totaling \$224,817 under this program, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

- A 50% property tax abatement to a wind farm to stimulate investment and economic development. The abatement amounted to \$75,174.
- A 50% property tax abatement to an oil well service company to stimulate investment and economic development. The abatement amounted to \$117,939.

**27. NORTH CENTRAL TEXAS COLLEGE FOUNDATION – DISCRETE COMPONENT UNIT**

The North Central Texas College Foundation, Inc., (formerly Cooke County College Endowment Foundation, Inc.), a non-profit corporation, organized and existing under the laws of the State of Texas, with its principal office at 1525 California, Gainesville, Texas, 76240, was created on October 17, 1984. The Foundation's purpose is two-fold: to receive, hold, and manage private gifts and bequests of money for the benefit and advancement of North Central Texas College and its students and to promote a positive public image for North Central Texas College. The Foundation is organizationally and fiscally separate from North Central Texas College, but it utilizes the name and mission of the College and operates only under the approval and sanction of the College's Board of Trustees. The Foundation qualifies as a discretely presented component unit of North Central Texas College.

GENERAL AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of North Central Texas College Foundation, Inc. (the Foundation) are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Financial Statement Presentation

The Foundation maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the Foundation classifies net position and revenues, expenses, gains, and losses

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based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Foundation and changes therein are classified and reported as follows:

Unrestricted – Net position that is not subject to donor-imposed restrictions and may be used for any operating purpose of the Foundation.

Temporarily Restricted – Net position that is subject to donor-imposed stipulations that require the passage of time and/or the occurrence of a specific event.

Permanently Restricted – Net position that is required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions.

Cash and Cash Equivalents

The Foundation considers all highly liquid financial instruments with an initial maturity of three months or less are considered to be cash equivalents. Cash and short-term investments held in a trust agency account are reported as investments instead of cash because the Foundation holds those funds as an endowment. The Foundation does not have a policy for custodial credit risk. At August 31, 2018 and 2017, the carrying amounts of the Foundation's bank deposits were \$160,393 and \$78,105, respectively, and total bank balances equaled \$172,163 and \$98,720.

Investments

The Foundation's investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are reported in the statement of activities. The calculation of realized gain is independent of the calculation of the net increase in fair value of investments. Realized gains and losses on investment that have been held in more than one fiscal year and disposed of in the current year may have been recognized as an increase or decrease in the fair value of investments reported in a prior year. The accumulated unrealized gains on investments held at August 31, 2018 and 2017 were \$417,536 and \$356,296 respectively.

Contributions

Contributions received by the Foundation are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received which are designated for future periods or specific uses are required to be presented as temporarily restricted support and are reclassified to unrestricted net assets upon satisfaction of the restrictions.

Promises to Give

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted assets if the restrictions expire during the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed Services

The services of the Foundation employees and certain operating costs have been donated by the College. The Foundation recognized revenue and related expense of \$265,460 and \$225,395 for the years ended August 31, 2018 and 2017, respectively, for these contributed services received from the College based on the cost recognized by North Central Texas College for the supplies and personnel providing those services.

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 and 2017**

Exemption from Income Taxes

The Foundation is a Texas non-profit corporation and has obtained exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Use of Estimates

The preparation of 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.

INVESTMENTS

The following schedule summarizes the Foundation's investments as of August 31, 2018 and 2017:

	August 31, 2018			August 31, 2017		
	Cost	Fair Value	Unrealized Gain/(Loss)	Cost	Fair Value	Unrealized Gain/(Loss)
<u>Short-Term Investments:</u>						
Money Market & Cash Equiv.	\$ 5,191,568	\$ 5,614,001	\$ 422,433	\$ 4,731,185	\$ 4,927,614	\$ 196,429
Government Sorth-term Funds	672,282	663,645	(8,637)	728,304	722,848	(5,456)
Corporate Bonds & Notes	203,036	202,678	(358)	150,047	154,135	4,088
U. S. Government Agencies	198,218	201,558	3,340	198,218	209,066	10,848
	6,265,104	6,681,882	416,778	5,807,754	6,013,663	205,909
<u>Long-Term Investments</u>						
Corporate Bonds & Notes	3,088,772	\$ 3,091,810	3,038	2,622,160	\$ 2,771,527	149,367
U. S. Government Agencies	199,534	197,254	(2,280)	237,525	238,545	1,020
	3,288,306	3,289,064	758	2,859,685	3,010,072	150,387
 Total Investments	\$ 9,553,410	\$ 9,970,946	\$ 417,536	\$ 8,667,439	\$ 9,023,735	\$ 356,296



**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 and 2017**

The investment maturities are as follows:

Investment Type	Fair Value	Investment Maturities in Years				
	8/31/2018	Less Than 1	1 to 5	5 to 10	10 to 15	
U. S. Government Agencies	\$ 398,812	\$ 201,558	\$ 197,254	\$ -	\$ -	
Corporate Bonds & Notes	3,294,488	202,678	1,807,061	1,276,054	8,695	
U. S. Government S/T Funds	663,645	663,645	-	-	-	
Money Market & Cash Equivalents	5,614,001	5,614,001	-	-	-	
<b>Total Investments</b>	<b>\$ 9,970,946</b>	<b>\$ 6,681,882</b>	<b>\$ 2,004,315</b>	<b>\$ 1,276,054</b>	<b>\$ 8,695</b>	

Investment Type	Fair Value	Investment Maturities in Years				
	8/31/2017	Less Than 1	1 to 5	5 to 10	10 to 15	
U. S. Government Agencies	\$ 447,611	\$ 209,066	\$ 238,545	\$ -	\$ -	
Corporate Bonds & Notes	2,925,662	154,135	1,488,050	1,273,167	10,310	
U. S. Government S/T Funds	722,848	722,848	-	-	-	
Money Market & Cash Equivalents	4,927,614	4,927,614	-	-	-	
<b>Total Investments</b>	<b>\$ 9,023,735</b>	<b>\$ 6,013,663</b>	<b>\$ 1,726,595</b>	<b>\$ 1,273,167</b>	<b>\$ 10,310</b>	

**Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. All assets subject to fair value measurement have been valued using a market approach except for Level 3 assets which are valued using the income approach.

Fair values for assets in Level 1 are calculated using quoted market prices in an active market or the price of an identical asset or liability. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques. There were no changes in the valuation techniques during the two years presented.

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2018				
Investments:				
Money Market & Cash Equivalents	\$ 5,614,001	\$ -	\$ 5,614,001	\$ -
Government short-term Funds	663,645	663,645	-	-
Corporate Bonds & Notes	3,294,488	3,294,488	-	-
U.S. Government Agencies	398,812	398,812	-	-
<b>Totals August 31, 2017</b>	<b>\$ 9,970,946</b>	<b>\$ 4,356,945</b>	<b>\$ 5,614,001</b>	<b>\$ -</b>

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2017				
Investments:				
Money Market & Cash Equivalents	\$ 4,927,614	\$ -	\$ 3,301,467	\$ -
Government short-term Funds	722,848	722,848	-	-
Corporate Bonds & Notes	2,925,662	2,925,662	-	-
U.S. Government Agencies	447,611	447,611	-	-
<b>Totals August 31, 2016</b>	<b>\$ 9,023,735</b>	<b>\$ 4,096,121</b>	<b>\$ 3,301,467</b>	<b>\$ -</b>



**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 and 2017**

**28. SUBSEQUENT EVENTS**

The College's management has evaluated subsequent events through December 13, 2018, the date which the financial statements were available for issue.

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## **Required Supplementary Information**

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM**

	<b>Measurement Year Ended August 31,</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability	0.0197348%	0.0197982%	0.0189342%	0.0203348%
District's proportion share of the net pension liability	\$ 6,310,110	\$ 7,481,446	\$ 6,692,988	\$ 5,431,706
States proportionate share of the net pension liability associated with the District	5,305,618	6,277,519	5,831,190	4,623,508
Total	11,615,728	13,758,965	12,524,178	10,055,214
District's covered employee payroll	15,928,660	15,354,615	14,102,654	12,600,027
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	39.61%	48.72%	47.46%	43.11%
Plan fiduciary net position as a percentage of total pension liability	82.17%	78.00%	78.43%	83.25%

The amounts presented above are as of the measurement date of the collective net pension liability. This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF THE DISTRICT CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM**

	<b>Fiscal Year Ended August 31,</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 691,205	\$ 646,627	\$ 629,202	\$ 560,648
Contributions in relation to the contractually required contribution	(691,205)	(646,627)	(629,202)	(560,648)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	16,986,236	15,928,660	15,354,615	14,102,654
Contributions as a percentage of covered-employee payroll	4.07%	4.06%	4.10%	3.98%

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**EMPLOYEE RETIREMENT SYSTEM OF TEXAS**  
**STATE RETIREE HEALTH PLAN**

	<b>Measurement Year Ended August 31, 2017</b>
District's proportion of the Net OPEB Liability	0.0494826%
District's proportion share of the Net OPEB Liability	\$ 16,860,212
State's proportionate share of the Net OPEB Liability associated with the District	14,506,619
<b>Total</b>	<b>31,366,831</b>
District's covered employee payroll	219,130,417
District's proportionate share of the Net OPEB Liability as a percentage of its covered-employee payroll	7.69%
Plan fiduciary net position as a percentage of total OPEB liability	2.04%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 1--year schedule that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement.

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS FOR OPEB**  
**EMPLOYEE RETIREMENT SYSTEM OF TEXAS**  
**STATE RETIREE HEALTH PLAN**

	<b>Fiscal Year Ended August 31, 2018</b>
Contractually required contributions	\$ 496,120
Contributions in relation to the contractually required contribution	(496,120)
Contribution deficiency (excess)	-
District's covered employee payroll	189,033,073
Contributions as a percentage of covered-employee payroll	0.26%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 1--year schedule that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement.



**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**NOTES TO SCHEDULES FOR THE TRS PENSION**

**Changes of benefit terms**

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

**Changes of assumptions**

There were no changes in the actuarial assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

**NOTES TO SCHEDULES FOR OPEB**

**Changes in benefit terms**

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

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- Elimination of the copayment for virtual visits;
- A reduction in the copayment for Airrosti and
- For out-of-state participants, (1) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

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

**Changes in assumptions**

**Demographic assumptions.**

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

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

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.

- Proportion of future retirees covering dependent children
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

**Economic Assumptions**

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

Assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Costs, Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations and the revised assumed rate of general inflation.

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

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

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## **Schedules**

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF OPERATING REVENUES**  
**FOR THE YEAR ENDED AUGUST 31, 2018**  
(With Memorandum Totals for the Year Ended August 31, 2017)

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL EDUCATIONAL ACTIVITIES</u>	<u>AUXILIARY ENTERPRISES</u>	<u>2018</u>	<u>2017</u>
<b>TUITION</b>						
State funded credit courses						
In-district resident tuition	\$ 1,304,598	\$ -	\$ 1,304,598	\$ -	\$ 1,304,598	\$ 1,025,667
Out-of-district resident tuition	14,634,384	-	14,634,384	-	14,634,384	12,866,064
TPEG credit (set aside)*	543,787	-	543,787	-	543,787	501,801
State funded continuing education	419,333	-	419,333	-	419,333	688,732
Non-resident tuition	1,527,395	-	1,527,395	-	1,527,395	1,150,803
Non-state funded continuing education	507,166	-	507,166	-	507,166	484,621
<b>TOTAL TUITION</b>	<u>18,936,663</u>	<u>-</u>	<u>18,936,663</u>	<u>-</u>	<u>18,936,663</u>	<u>16,717,688</u>
<b>FEES</b>						
General fees	8,329,527	-	8,329,527	-	8,329,527	6,062,888
Distance education fees	-	-	-	-	-	-
Student service fees	-	-	-	-	-	-
Laboratory fees	144,014	-	144,014	-	144,014	168,560
<b>TOTAL FEES</b>	<u>8,473,541</u>	<u>-</u>	<u>8,473,541</u>	<u>-</u>	<u>8,473,541</u>	<u>6,231,448</u>
<b>SCHOLARSHIP ALLOWANCES AND DISCOUNTS</b>						
Scholarship allowances	(71,659)	(4,700)	(76,359)	(786,748)	(863,107)	(649,820)
Remissions and exemptions-state	(1,205,647)	-	(1,205,647)	-	(1,205,647)	(890,911)
TPEG allowances	-	(421,866)	(421,866)	-	(421,866)	(316,004)
Federal grants to students	-	(6,063,113)	(6,063,113)	-	(6,063,113)	(4,858,291)
Texas grants	-	(282,611)	(282,611)	-	(282,611)	(235,103)
<b>TOTAL SCHOLARSHIP ALLOWANCES AND DISCOUNTS</b>	<u>(1,277,306)</u>	<u>(6,772,290)</u>	<u>(8,049,596)</u>	<u>(786,748)</u>	<u>(8,836,344)</u>	<u>(6,950,129)</u>
<b>TOTAL NET TUITION AND FEES</b>	<u>26,132,898</u>	<u>(6,772,290)</u>	<u>19,360,608</u>	<u>(786,748)</u>	<u>18,573,860</u>	<u>15,999,007</u>
<b>ADDITIONAL OPERATING REVENUES</b>						
Federal grants and contracts	-	2,592,945	2,592,945	-	2,592,945	3,374,344
State grants and contracts	47,420	1,973,669	2,021,089	-	2,021,089	1,736,501
Private grants	429,133	114,788	543,921	-	543,921	607,594
Sales and services of educational activities	133,030	-	133,030	104,214	237,244	262,036
Investment income (program restricted)	-	-	-	-	-	-
Other operating revenues	892,253	-	892,253	-	892,253	1,119,191
<b>TOTAL OTHER OPERATING REVENUES</b>	<u>1,501,836</u>	<u>4,681,402</u>	<u>6,183,238</u>	<u>104,214</u>	<u>6,287,452</u>	<u>7,099,666</u>
<b>AUXILIARY ENTERPRISES</b>						
Residential life	-	-	-	466,599	466,599	463,896
Scholarship allowances and discounts	-	-	-	(327,384)	(327,384)	(290,134)
Net Residential Life	-	-	-	139,215	139,215	173,762
Bookstore	-	-	-	171,528	171,528	279,777
Scholarship allowances and discounts	-	-	-	-	-	-
Net Bookstore	-	-	-	171,528	171,528	279,777
<b>TOTAL NET AUXILIARY ENTERPRISE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,743</u>	<u>310,743</u>	<u>453,539</u>
<b>TOTAL OPERATING REVENUES</b>	<u>\$ 27,634,734</u>	<u>\$ (2,090,888)</u>	<u>\$ 25,543,846</u>	<u>\$ (371,791)</u>	<u>\$ 25,172,055</u>	<u>\$ 23,552,212</u>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.033, \$543,787 and \$501,801 for years ended August 31, 2018 and 2017 respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF OPERATING EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED AUGUST 31, 2018**  
(With Memorandum Totals For the Year Ended August 31, 2017)

	OPERATING EXPENSE			2018	2017	
	SALARIES AND WAGES	BENEFITS				OTHER EXPENSE
		STATE	LOCAL			
<b>UNRESTRICTED EDUCATIONAL ACTIVITIES</b>						
Instruction	\$ 13,290,980	\$ -	\$ 1,821,036	\$ 3,802,810	\$ 18,914,826	\$ 17,343,742
Research	-	-	-	-	-	-
Public service	223,737	-	30,655	241,730	496,122	503,468
Academic support	1,731,677	-	237,262	416,936	2,385,875	2,803,495
Student services	2,821,414	-	386,570	454,425	3,662,409	2,979,584
Institutional support	4,663,636	-	638,978	2,764,729	8,067,343	7,491,824
Operation and maintenance of plant	438,356	-	124,708	4,674,893	5,237,957	4,706,828
Scholarship and fellowships	-	-	-	-	-	-
<b>TOTAL UNRESTRICTED EDUCATIONAL ACTIVITIES</b>	<u>23,169,800</u>	<u>-</u>	<u>3,239,209</u>	<u>12,355,523</u>	<u>38,764,532</u>	<u>35,828,941</u>
<b>RESTRICTED EDUCATIONAL ACTIVITIES</b>						
Instruction	804,250	2,097,192	-	873,964	3,775,406	4,313,404
Research	-	-	-	-	-	-
Public service	373,171	120,675	-	748,460	1,242,306	556,658
Academic support	-	243,577	-	-	243,577	343,276
Student services	237,711	446,558	-	366,763	1,051,032	847,405
Institutional support	-	655,985	-	-	655,985	484,754
Operation and maintenance of plant	-	-	-	34,227	34,227	35,135
Scholarship and fellowships	296,954	-	-	5,702,195	5,999,149	5,874,680
<b>TOTAL RESTRICTED EDUCATIONAL ACTIVITIES</b>	<u>1,712,086</u>	<u>3,563,987</u>	<u>-</u>	<u>7,725,609</u>	<u>13,001,682</u>	<u>12,455,312</u>
<b>AUXILIARY ENTERPRISES</b>	<u>35,244</u>	<u>-</u>	<u>8,320</u>	<u>831,667</u>	<u>875,231</u>	<u>792,109</u>
<b>DEPRECIATION EXPENSE</b>						
Buildings and other real estate improvements	-	-	-	1,144,018	1,144,018	956,295
Equipment and furniture	-	-	-	1,010,264	1,010,264	1,073,307
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 24,917,130</u>	<u>\$ 3,563,987</u>	<u>\$ 3,247,529</u>	<u>\$ 23,067,081</u>	<u>\$ 54,795,727</u>	<u>\$ 51,105,964</u>
				(Exhibit 2)	(Exhibit 2)	



**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2018**  
(With Memorandum Totals for the Year Ended August 31, 2017)

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>AUXILIARY ENTERPRISES</u>	<u>2018</u>	<u>2017</u>
<b>NON-OPERATING REVENUES</b>					
State Appropriations:					
Education and general state support	\$ 10,814,097	\$ -	\$ -	\$ 10,814,097	\$ 11,209,177
State group insurance	-	2,621,258	-	2,621,258	1,553,572
State retirement matching	-	239,080	-	239,080	1,264,501
Other	-	-	-	-	-
Total State Appropriations	<u>10,814,097</u>	<u>2,860,338</u>	<u>-</u>	<u>13,674,435</u>	<u>14,027,250</u>
Maintenance ad valorem taxes	2,932,914	-	-	2,932,914	2,802,463
Debt service ad valorem taxes	-	1,150,408	-	1,150,408	1,073,659
Federal Revenue, non-operating	-	11,590,043	-	11,590,043	10,139,133
Gifts	-	1,105,000	-	1,105,000	-
Investment income	259,828	26,584	-	286,412	143,584
Gain on disposal of capital assets	-	-	-	-	-
Other non-operating revenues	22,757	1,025	-	23,782	31,492
<b>TOTAL NON-OPERATING REVENUES</b>	<u>14,029,596</u>	<u>16,733,398</u>	<u>-</u>	<u>30,762,994</u>	<u>28,217,581</u>
<b>NON-OPERATING EXPENSES</b>					
Interest on capital related debt	-	571,422	-	571,422	619,608
Loss on disposal of capital assets	-	-	-	-	43,303
Other non-operating expenses	-	-	-	-	-
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>-</u>	<u>571,422</u>	<u>-</u>	<u>571,422</u>	<u>662,911</u>
<b>NET NON-OPERATING REVENUES</b>	<u>\$ 14,029,596</u>	<u>\$ 16,161,976</u>	<u>\$ -</u>	<u>\$ 30,191,572</u> (Exhibit 2)	<u>\$ 27,554,670</u> (Exhibit 2)

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
**FOR THE YEAR ENDED AUGUST 31, 2018**  
 (With Memorandum Totals For the Year Ended August 31, 2017)

	DETAIL BY SOURCE				AVAILABLE FOR CURRENT OPERATIONS		
	UNRESTRICTED	RESTRICTED		CAPITAL ASSETS NET OF DEPREC & RELATED DEBT	TOTAL	YES	NO
		EXPENDABLE	NON-EXPEND				
<b>CURRENT</b>							
Unrestricted	\$ (18,584,779)	\$ -	\$ -	\$ -	\$ (18,584,779)	\$ (18,584,779)	\$ -
Board Designated	-	-	-	-	-	-	-
Restricted	-	8,061	-	-	8,061	-	8,061
Auxiliary Enterprises	-	-	-	-	-	-	-
<b>ENDOWMENT</b>							
Restricted	-	973,852	-	-	973,852	-	973,852
Investment in Plant	-	-	-	-	-	-	-
<b>PLANT</b>							
Unexpended	-	-	-	-	-	-	-
Renewals	5,248,778	1,000,000	-	-	6,248,778	-	6,248,778
Debt Service	-	1,391,076	-	-	1,391,076	-	1,391,076
Investment in Plant	-	-	-	33,658,990	33,658,990	-	33,658,990
<b>TOTAL NET POSITION AUGUST 31, 2018</b>	<u>(13,336,001)</u>	<u>3,372,989</u>	<u>-</u>	<u>33,658,990</u>	<u>23,695,978</u>	<u>(18,584,779)</u>	<u>42,280,757</u>
<b>TOTAL NET POSITION AUGUST 31, 2017</b>	<u>10,612,504</u>	<u>2,269,928</u>	<u>-</u>	<u>29,915,399</u>	<u>42,797,831</u>	<u>3,225,753</u>	<u>39,572,078</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (23,948,505)</u>	<u>\$ 1,103,061</u>	<u>\$ -</u>	<u>\$ 3,743,591</u>	<u>\$ (19,101,853)</u>	<u>\$ (21,810,532)</u>	<u>\$ 2,708,679</u>

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(Exhibit 1)

(Exhibit 1)

(Exhibit 2)

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Schedule E

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PASS-THROUGH DISBURSEMENTS & EXPENDITURES
U.S. Department of Education			
Direct Programs:			
SEOG	84.007	N/A	\$ 120,863
Federal College Work-Study Program	84.033	N/A	190,561
Federal Pell Grant Program	84.063	N/A	11,278,618
Direct Student Loans	84.268	N/A	12,231,158
Title III Strengthening Institutions	84.031	N/A	450,290
Student Support Services (TRIO)	84.042A	N/A	275,019
Pass-through From:			
Texas Higher Education Coordinating Board			
Carl Perkins-Career & Technical Education	84.048A	142053	322,978
University of Texas			
TRC Math Partnerships	84.366B	UTA17-000480	103,953
TRC Science Partnerships	84.366B	UTA17-000509	103,950
TRC Math and Science Partnerships	84.366B	Unknown	125
Subtotal			<u>208,028</u>
Texas Workforce Commission			
AEL Accelerate Texas II	84.002A	2916AEL009	44,562
Total U.S. Department of Education			<u>25,122,077</u>
U. S. Department of Labor			
H-1B TechHire Partnerships	17.268	HG-29356-16-60A-48	740,609
Trade Adjustment Assistance Community College & Career Training	17.282	TC-25053-13-60-A-48	59,973
Pass-through from:			
Texas Workforce Commission			
Employment Service /Wagner Peyser	17.207	2518WPB000	266,745
Employment Service /Wagner Peyser	17.207	2517WPB000	48,437
Subtotal			<u>315,182</u>
Total U.S. Department of Labor			<u>1,115,764</u>
General Services Administration			
Federal Surplus Property	39.003	958	34,229
Small Business Administration			
Pass-through From:			
Dallas County Community College District			
Small Business Development Grant	59.037	SBAHQ-14-B-0018	142,076
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 26,414,146</u>

See notes to schedule on following page.

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Schedule E

Note 1: Federal Financial Assistance Reconciliation:

Federal Grants and Contracts Revenue per Schedule A	\$	2,592,945
Federal Revenue, Non Operating per Schedule C		11,590,043
Add: Direct Student Loans		12,231,158
Total Federal Revenues per Schedule of Federal Awards	\$	<u>26,414,146</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 that 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 general purpose financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has agency approved Indirect Recovery Rate, it has elected not to use the 10% de minimis cost rate as permitted in the UG, section 200.414

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

STATE GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	PASS-THROUGH GRANTOR'S NUMBER	PASS-THROUGH DISBURSEMENTS AND EXPENDITURES
Pass-through From:		
Texas Higher Education Coordinating Board		
Texas Grant	N/A	563,470
State Work Study	11838	71,724
CAL Loan	N/A	21,315
DOR Performance	45580089	5,561
Nursing Shortage	N/A	47,420
Texas Workforce Commission		
Skills Development Fund-Jostens	0418SDF001	121,066
Skills Development Fund-Hilex Poly	0417SDF002	162,742
Skills Development Fund-Advanced Mfg II	0416SDF003	345,265
Subtotal		629,073
JET Welding	0417JET000	6,693
Texas Fast Start IV	0417GRF000	330,494
Small Business Skills	0418SSD000	5,755
Pass-through From:		
North Texas Workforce Solutions		
Bowie HDJT	0317HJT000	200,000
Total Texas Workforce Commission		1,172,015
Pass-through From:		
University of Texas at Austin		
Tex2-ICE	UTA18-000332	24,548
Pass-through From:		
Dallas Community College		
Small Business Development State Grant	N/A	115,036
TOTAL STATE ASSISTANCE		\$ 2,021,089

Note 1: State Financial Assistance Reconciliation:

State Revenues per Schedule of Expenditures of State Awards	\$ 2,021,089
Reconciling Items: N/A	-
Total State Revenues per Schedule A	\$ 2,021,089

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 North Central Texas College's significant accounting policies. These expenditures are reported on North Central Texas College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

## **SINGLE AUDIT REPORTS**



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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***

To the Board of Regents  
North Central Texas College  
Gainesville, TX 76240

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 the business-type activities and the discretely presented component unit of North Central Texas College as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise North Central Texas College's basic financial statements, and have issued our report thereon dated December 13, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Central Texas 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 North Central Texas College's internal control. Accordingly, we do not express an opinion on the effectiveness of North Central Texas 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 entity'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 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**

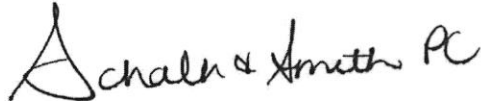
As part of obtaining reasonable assurance about whether North Central Texas College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

**Public Funds Investment Act**

We have performed tests designed to verify North Central Texas College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2018, no instances of noncompliance were found.

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

A handwritten signature in black ink that reads "Schalk & Smith PC". The signature is written in a cursive, flowing style.

Schalk & Smith, P.C.  
December 13, 2018



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

To the Board of Regents  
North Central Texas College  
Gainesville, TX 76240

**Report on Compliance for Each Major Federal and State Program**

We have audited North Central Texas College'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 North Central Texas College's major federal and state programs for the year ended August 31, 2018. North Central Texas 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of North Central Texas 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Single Audit Circular*. Those standards and the Uniform Guidance and the State of Texas *Single 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 and state program occurred. An audit includes examining, on a test basis, evidence about North Central Texas College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 North Central Texas College's compliance.

***Opinion on Each Major Federal and State Program***

In our opinion, North Central Texas College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2018.

**Report on Internal Control over Compliance**

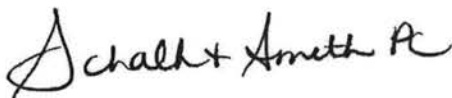
Management of North Central Texas College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Central Texas College's internal control 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 North Central Texas 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.

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.

A handwritten signature in cursive script that reads "Schalk & Smith P.C.".

Schalk & Smith, P.C.  
December 13, 2018

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**Section I-Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

- Material weakness identified?       yes       no
- Significant deficiency identified?       yes       none reported
- Noncompliance material to financial statements noted?       yes       no

**Federal & State Awards**

Internal control over major programs:

- Material weakness identified?       yes       no
- Significant deficiency identified?       yes       none reported

Type of auditor's report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance 2 CRF 200.516(a) or State of Texas Audit Circular:

Identification of Major Programs:

Federal:

- Financial Aid Cluster CFDA #84.007; 84.033; 84.063; 84.268
- H-1B TechHire Partnerships CFDA #17.268

State:

- Texas Workforce Commission-Skills Development Grants

Dollar threshold used to distinguish between type A and type B programs-federal: \$750,000

Dollar threshold used to distinguish between type A and type B programs-state: \$300,000

Auditee qualified as low-risk auditee?       yes       no

**Section II – Financial Statement Findings-NONE**

**Section III – Federal Award findings and Questioned Costs-NONE**

**NORTH CENTRAL TEXAS COLLEGE**  
**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

NONE