

**NORTH CENTRAL TEXAS COLLEGE**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
For the Years Ended August 31, 2019 and 2018

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**NORTH CENTRAL TEXAS COLLEGE  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018  
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**NORTH CENTRAL TEXAS COLLEGE  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR 2018-2019**

**ORGANIZATIONAL DATA**

**BOARD OF REGENTS AND OFFICERS**

**Officers**

Karla Metzler  
Richard Haayen  
Christy Morris

Chair  
Vice Chair  
Secretary

**Members**

Jerry Don Henderson  
Jon Grime  
Richard Haayen  
Dillon Ott  
Erica Sullivan  
Christy Morris  
Karla Metzler

Gainesville, Texas  
Muenster, Texas  
Gainesville, Texas  
Gainesville, Texas  
Gainesville, Texas  
Gainesville, Texas  
Gainesville, Texas

Term Expires  
in May of  
2023  
2021  
2023  
2021  
2025  
2025  
2021

**Principal Administrative Officers**

Dr. Brent Wallace  
Robbie Baugh  
Debbie Sharp  
Dr. Van Miller  
Dr. Andrew Fisher  
Denise Cason

Chancellor  
Vice Chancellor Administrative Affairs  
Vice Chancellor External Affairs  
Vice Chancellor Fiscal Affairs  
Vice Chancellor Instruction  
Chief Information Officer

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Regents  
North Central Texas College  
North Central Texas College Foundation, Inc.  
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 (College) and North Central Texas College Foundation, Inc. (Foundation), a discretely presented component unit, as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's and the Foundation'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 North Central Texas College and North Central Texas College Foundation, Inc. as of August 31, 2019 and 2018, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-9), schedule of the College's share of the net pension liability (page 47), schedule of the College's contributions for pensions (page 48), schedule of the College's proportionate share of the net OPEB liability (Page 49) and schedule of College'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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's and the Foundation's basic financial statements.

The supplemental schedules required by Texas Higher Education Coordinating Board, presented on pages 54-59, are presented for purposes of additional analysis as required by the Coordinating Board and are not a required part of the basic financial statements.

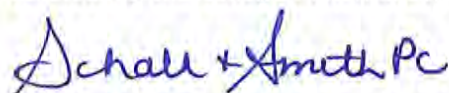
The schedule of expenditures of federal awards, pages 58-59, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements.

The schedule of expenditures of state awards, page 60, is presented for purposes of additional analysis as required by *State of Texas Single Audit Circular* and is not a required part of the basic financial statements.

The supplemental schedules required by Texas Higher Education Coordinating Board, 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 schedules referenced to in this paragraph are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Schalk & Smith, P.C.  
Gainesville, Texas  
January 15, 2020



## 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 years ended August 31, 2017, 2018 and 2019. Since this management's discussion and analysis is designed to focus on current activities, resulting change, decisions or conditions of facts, please read it in conjunction with the College's basic financial statements (pages 10-15) and the footnotes (pages 16-46). The College endeavors to present an objective and easily readable analysis of the overall financial activities to students and the public. Responsibility for the completeness and fairness of this information vests with the College.

### 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 10,525 in Fall 2018. Student tuition and fee revenue increased from \$3,871,000 in 2002 to \$19,735,931 in 2019. 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 \$14,131,053 in 2019, the portion of state funding has decreased from 38.3% of the total expenditures in 2002 to 23.02% in 2019.

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 2019 has been a continual increase in taxable assessed valuation from \$1,288,353,176 in 2000 to \$3,253,847,432 in 2019. Total tax collections have increased from \$1,332,078 in 2000 to \$4,063,574 in 2019. The combined maintenance and operations and debt service tax was \$0.1102 for the fiscal year ended August 31, 2019. The approved maintenance and operations

tax rate per \$100 of valuation has decreased to \$0.0808 and the interest and sinking tax rate was \$0.02940 for a total of \$0.1102 in 2019.

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 enough 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 \$18,329,297 as of August 31, 2019.

**Table I**  
**Net Assets**

	<b>Business-type Activities 2019</b>	<b>Business-type Activities 2018</b>	<b>Business-type Activities 2017</b>
Current and other assets	\$ 22,455,594	\$ 24,314,739	\$ 25,685,184
Capital assets	49,539,473	49,795,994	47,447,660
Total assets	<u>71,995,067</u>	<u>74,110,733</u>	<u>73,132,844</u>
Deferred Outflows of Resources	17,762,315	1,850,281	1,966,547
Non current liabilities	49,619,596	38,000,338	23,754,966
Other liabilities	11,356,590	9,338,082	7,848,758
Total liabilities	<u>60,976,186</u>	<u>47,338,420</u>	<u>31,603,724</u>
Deferred Inflows of Resources	10,451,899	4,926,616	697,836
Net Position:			
Invested in capital assets net of related debt	34,832,007	33,658,990	29,915,399
Restricted	2,898,264	3,372,989	2,269,928
Unrestricted	(19,400,974)	(13,336,001)	10,612,504
Total net position	<u>\$ 18,329,297</u>	<u>\$ 23,695,978</u>	<u>\$ 42,797,831</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 \$34,832,007. 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 15.81%) 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 (\$19,400,974) as of August 31, 2019. 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 decreased by \$5,366,681 as a result of current year's operations. The total cost of all business-type activities was \$61,382,610. The amount of these activities paid through property taxes was \$4,075,265 for the year ended 8/31/2019.

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

	<b>Business-type Activities 2019</b>	<b>Business-type Activities 2018</b>	<b>Business-type Activities 2017</b>
<b>Revenues:</b>			
<b>Operating Revenues:</b>			
Tuition & Fees	\$ 19,735,931	\$ 18,573,860	\$ 15,999,007
Federal Grants & Contracts	2,618,674	2,592,945	3,374,344
State Grants & Contracts	1,466,819	2,021,089	1,736,501
Private Grants	437,698	543,921	607,594
Sales & Services of Educational Activities	172,697	237,244	262,036
Auxiliary Enterprises (net)	320,383	310,743	453,539
Other Operating Revenues	1,340,251	892,253	1,119,191
<b>Non-operating Revenues:</b>			
State Appropriations	14,131,053	13,674,435	14,027,250
Property Taxes	4,075,265	4,083,322	3,876,122
Federal Grants & Contracts	11,113,621	11,590,043	10,139,133
Gifts	-	1,105,000	-
Investment Income (net)	494,183	286,412	143,584
Gain on Disposal of Fixed Assets	-	-	(43,303)
Other Non-operating Revenues	109,354	23,782	31,492
<b>Total Revenues</b>	<b>56,015,929</b>	<b>55,935,049</b>	<b>51,726,490</b>
<b>Operating Expense:</b>			
Instruction	24,270,439	22,690,232	21,657,146
Research	-	-	-
Public Service	2,429,034	1,738,428	1,060,126
Academic Support	3,144,173	2,629,452	3,146,771
Student Services	5,846,055	4,713,441	3,826,989
Institutional Support	9,669,480	8,723,328	7,976,578
Operation & Maintenance of Plant	6,294,013	5,272,184	4,741,963
Scholarship & Fellowship	5,807,938	5,999,149	5,874,680
Auxiliary Enterprises	962,794	875,231	792,109
Depreciation	2,406,484	2,154,282	2,029,602
<b>Non-operating Expense:</b>			
Interest on Capital Related Debt	552,200	571,422	619,608
Other	-	-	-
<b>Total Expenses</b>	<b>61,382,610</b>	<b>55,367,149</b>	<b>51,725,572</b>
Increase in Net Position	(5,366,681)	567,900	918
Beginning Net Position	23,695,978	42,797,831	42,796,913
Prior Period Adjustment	-	(19,669,753)	-
Beginning Net Position, as Restated	23,695,978	23,128,078	42,796,913
Ending Net Position	<b>\$ 18,329,297</b>	<b>\$ 23,695,978</b>	<b>\$ 42,797,831</b>

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

During the fiscal year 2019, the College issued no new debt. The College's major capital asset purchases for 2019 included furnishing the FSB Exchange in Denton in the amount of \$552,806, improvements & furnishings for the MSB Building in the amount of \$311,135, furnishings and equipment for Bowie ITC in the amount of \$314,890 and residence hall renovations in the amount of \$233,930.

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

Enrollment for credit and non-credit headcount increased slightly in Fall 2018 to an all-time high of 10,525. This surpassed Fall 2017 enrollment of 10,327 as well as the previous record enrollment of 10,440 in Fall, 2014. Fundable contact hours were virtually unchanged from the previous fall term at 1,501,776.

After a year of planning and construction, the FSB Exchange opened in downtown Denton in August of 2019. This location represents the sixth campus in the NCTC system, and the third in Denton County. This facility is equipped with the latest instructional technology and will offer both traditional and non-traditional instructional formats. A donation of \$1 million dollars was received from First State Bank of Gainesville in FY18 to aid with improvements to this facility.

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

For 2019, depreciation expense of \$2,406,485 was recorded. The College spent over \$2,100,000 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, 2019 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 \$385,000 was made during the year and the balance outstanding at year-end was \$1,210,000. 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, 2019, 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 \$430,000 was made during the year and the balance outstanding at year-end was \$1,360,000. 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, 2019, 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 \$520,000 was made during the year and the balance outstanding at year-end was \$3,425,000. 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 \$8,165,000. The bonds will mature August 2034.

Revenues enough 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.

**Economic Factors That Will Affect the Future**

The strong economy in Texas continues to negatively impact enrollment at community colleges across the state. Fortunately for NCTC, rapid population growth within the service area continues to offset the downward enrollment trends seen elsewhere in Texas. The recent opening of the FSB Exchange Campus in downtown Denton should allow the College to provide services to concurrently enrolled students at both Texas Woman's University and the University of North Texas. The new facility will also relieve some of the recent congestion experienced at the College's largest campus in Corinth. The College expects most of its future enrollment growth opportunities to be centered in two areas: 1) Denton County (Corinth, Flower Mound, and FSB Exchange), and 2) online courses.

**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, 2019 AND AUGUST 31, 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13,621,688	\$ 15,033,223
Short term investments	4,105,908	4,058,337
Accounts receivable (net)	2,145,064	2,331,625
Inventories	26,177	18,167
Other assets	452,659	493,974
<b>Total Current Assets</b>	<u>20,351,496</u>	<u>21,935,326</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	2,104,098	2,379,413
Capital assets (net)	49,539,473	49,795,994
<b>Total Noncurrent Assets</b>	<u>51,643,571</u>	<u>52,175,407</u>
<b>TOTAL ASSETS</b>	<u>71,995,067</u>	<u>74,110,733</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	84,759	113,012
Deferred outflows related to OPEB	12,386,990	501,112
Deferred outflows related to pensions	5,290,566	1,236,157
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>17,762,315</u>	<u>1,850,281</u>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	2,058,153	2,105,824
Accrued liabilities	67,205	76,026
Funds held for others	96,087	92,030
Unearned revenue	7,670,145	5,644,202
Bonds payable-current portion	1,465,000	1,420,000
<b>Total Current Liabilities</b>	<u>11,356,590</u>	<u>9,338,082</u>
<b>Noncurrent Liabilities</b>		
Net pension liability	11,349,689	6,310,110
Net OPEB liability	24,942,682	16,860,212
Bonds payable	13,327,225	14,830,016
<b>Total Noncurrent Liabilities</b>	<u>49,619,596</u>	<u>38,000,338</u>
<b>TOTAL LIABILITIES</b>	<u>60,976,186</u>	<u>47,338,420</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources related to Pensions	797,481	1,198,742
Deferred Inflows of Resources related to OPEB	9,654,418	3,727,874
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>10,451,899</u>	<u>4,926,616</u>
 <b>NET POSITION</b>		
Invested in capital assets, net of related debt	34,832,007	33,658,990
Restricted for		
Expendable		
Student aid	991,580	973,852
Instructional programs	8,061	8,061
Construction projects	794,862	1,000,000
Debt service	1,103,761	1,391,076
Unrestricted	(19,400,974)	(13,336,001)
<b>TOTAL NET POSITION</b>	<u>\$ 18,329,297</u>	<u>\$ 23,695,978</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 FINANCIAL POSITION**  
**AUGUST 31, 2019 and AUGUST 31, 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 36,401	\$ 160,393
Investments	4,799,810	4,210,225
Interest Receivable	35,517	40,067
<b>Total Current Assets</b>	4,871,728	4,410,685
<b>Permanently Restricted Endowment</b>	6,307,766	5,760,721
<b>TOTAL ASSETS</b>	\$ 11,179,494	\$ 10,171,406
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Liabilities</b>		
Accounts Payable	\$ -	\$ -
Scholarships Payable	517,972	496,328
Deferred Support	-	-
<b>Total Liabilities/Current Liabilities</b>	517,972	496,328
<b>Net Assets</b>		
Without Donor Restrictions	20,992	18,374
With Donor Restrictions	10,640,530	9,656,704
<b>Total Net Assets</b>	10,661,522	9,675,078
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 11,179,494	\$ 10,171,406

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, 2019 AND AUGUST 31, 2018**

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$9,462,918 and \$8,836,344 respectively)	\$ 19,735,931	\$ 18,573,860
Federal grants and contracts	2,618,674	2,592,945
State grants and contracts	1,466,819	2,021,089
Private grants	437,698	543,921
Sales and services of educational activities	172,697	237,244
Auxiliary enterprises (net of discounts \$331,860 and \$327,384 respectively)	320,383	310,743
Other operating revenues	1,340,251	892,253
<b>Total Operating Revenues (Schedule A)</b>	<u>26,092,453</u>	<u>25,172,055</u>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	24,270,439	22,690,232
Research	-	-
Public service	2,429,034	1,738,428
Academic support	3,144,173	2,629,452
Student services	5,846,055	4,713,441
Institutional support	9,669,480	8,723,328
Operation and maintenance of plant	6,294,013	5,272,184
Scholarship and fellowships	5,807,938	5,999,149
Auxiliary enterprises	962,794	875,231
Depreciation	2,406,484	2,154,282
<b>Total Operating Expenses (Schedule B)</b>	<u>60,830,410</u>	<u>54,795,727</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(34,737,957)</u>	<u>(29,623,672)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	14,131,053	13,674,435
Maintenance ad-valorem taxes		
Taxes for maintenance and operations	2,994,555	2,932,914
Taxes for general obligation bonds	1,080,710	1,150,408
Federal Revenue, non-operating	11,113,621	11,590,043
Gifts	-	1,105,000
Investment income (net of investment expenses)	494,183	286,412
Interest on capital related debt	(552,200)	(571,422)
Gain (Loss) Loss on disposal of fixed assets	-	-
Other non-operating revenues	109,354	23,782
Other non-operating expenses	-	-
<b>Net Non-Operating Revenues (Schedule C)</b>	<u>29,371,276</u>	<u>30,191,572</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(5,366,681)</u>	<u>567,900</u>
<b>NET POSITION-BEGINNING OF YEAR</b>	23,695,978	42,797,831
<b>PRIOR PERIOD ADJUSTMENT</b>	-	(19,669,753)
<b>NET POSITION-BEGINNING OF YEAR AS RESTATED</b>	<u>23,695,978</u>	<u>23,128,078</u>
<b>NET POSITION-END OF YEAR</b>	<u>\$ 18,329,297</u>	<u>\$ 23,695,978</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, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>SUPPORT AND REVENUE</b>		
<b>Support</b>		
Donations	\$ 6,023	\$ 163,608
Fundraising	-	5,903
Total Support	6,023	169,511
<b>Revenue</b>		
Interest and Dividends	550	1,700
Total Revenue	550	1,700
<b>Net assets released from restrictions:</b>		
Satisfaction of Program Restrictions	1,607,007	1,696,392
<b>TOTAL UNRESTRICTED SUPPORT AND REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>1,613,580</b>	<b>1,867,603</b>
 <b>OPERATING EXPENSES</b>		
<b>Program services</b>		
Scholarships	1,031,076	951,220
Departmental Expenses	191,784	424,715
Amortization of Bond Premium	1,257	686
<b>Supporting services</b>		
Management and General	339,939	387,160
Fundraising	46,906	89,913
<b>TOTAL OPERATING EXPENSES</b>	<b>1,610,962</b>	<b>1,853,694</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>2,618</b>	<b>13,909</b>
 <b><u>WITH DONOR RESTRICTIONS</u></b>		
<b>Support</b>		
Donations	1,727,110	1,601,516
Fundraising	187,874	346,499
Total Support	1,914,984	1,948,015
<b>Revenue</b>		
Interest and Dividends	519,015	529,125
Gain (Loss) on Sale of Assets	149,815	154,803
Unrealized Gain (Loss)	7,019	61,241
Total Revenue	675,849	745,169
<b>Net assets released from restrictions:</b>		
Satisfaction of Program Restrictions	(1,607,007)	(1,696,392)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>983,826</b>	<b>996,792</b>
 <b>CHANGE IN NET ASSETS</b>	<b>986,444</b>	<b>1,010,701</b>
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>9,675,078</b>	<b>8,664,377</b>
 <b>NET ASSETS AT END OF YEAR</b>	<b>\$ 10,661,522</b>	<b>\$ 9,675,078</b>

The accompanying notes are an integral part of these statements.

**NORTH CENTRAL TEXAS COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND AUGUST 31, 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and customers	\$ 23,392,868	\$ 20,172,692
Receipts of appropriations, grants and contracts	4,859,027	5,947,517
Payments to or on behalf of employees	(32,962,561)	(29,485,470)
Payments to suppliers	(22,085,203)	(19,817,169)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(26,795,869)</u>	<u>(23,182,430)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Ad valorem tax revenues	4,052,333	4,072,693
State appropriations	13,525,151	11,930,940
Non-operating federal revenue	11,113,621	11,590,043
Other cash receipts (payments)	40,686	1,128,782
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>28,731,791</u>	<u>28,722,458</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(2,081,296)	(4,502,616)
Principal paid on debt	(1,435,000)	(1,400,000)
Interest paid on debt	(553,088)	(573,143)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(4,069,384)</u>	<u>(6,475,759)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	494,183	283,224
Purchases of investments	(47,571)	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>446,612</u>	<u>283,224</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,686,850)	(652,507)
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 1</b>	17,412,636	18,065,143
<b>CASH AND CASH EQUIVALENTS - AUGUST 31</b>	<u>\$ 15,725,786</u>	<u>\$ 17,412,636</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (34,737,957)	\$ (29,623,672)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Payments made directly by state for benefits	605,902	562,467
Depreciation expense	2,406,485	2,154,282
OPEB Expense	2,123,136	1,193,558
Bad Debt Expense	2,483,703	697,412
Pension expense	583,909	323,386
Changes in assets and liabilities:		
Receivables, net	(2,274,210)	217,934
Inventories	(8,010)	(6,471)
Other assets	41,315	(177,120)
Accounts payable	(50,142)	1,144,662
Deferred revenue	2,025,943	325,112
Deposits held for others	4,057	6,020
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (26,795,869)</u>	<u>\$ (23,182,430)</u>
<b>Cash Reconciliation:</b>		
Cash and cash equivalents	\$ 13,621,688	\$ 15,033,223
Restricted cash	2,104,098	2,379,413
<b>Total Cash</b>	<u>\$ 15,725,786</u>	<u>\$ 17,412,636</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 CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND AUGUST 31, 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from donors	\$ 1,733,133	\$ 1,765,124
Receipts from fundraising activities	187,874	352,402
Payments of scholarships and departmental expenses	(1,201,216)	(1,353,304)
Payments of fundraising and management expenses	(386,845)	(477,073)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>332,946</b>	<b>287,149</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	522,858	526,306
Purchases of investments	(979,796)	(731,167)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(456,938)</b>	<b>(204,861)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(123,992)	82,288
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 1</b>	160,393	78,105
<b>CASH AND CASH EQUIVALENTS - AUGUST 31</b>	<b>\$ 36,401</b>	<b>\$ 160,393</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 986,444	\$ 1,010,701
Adjustments to reconcile operating loss to net cash used by operating activities:		
Investment earnings	(676,399)	(746,869)
Amortization of bond premium	1,257	686
Changes in assets and liabilities:		
Unconditional promises to give	-	-
Accounts payable	-	-
Scholarships payable	21,644	22,631
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 332,946</b>	<b>\$ 287,149</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, 2019 and 2018**

**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 six 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 sixth campus, FSB Exchange, opened in September, 2019 in leased facilities. The lease agreement terminates in 2043.

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, 2019 and 2018**

**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 \$12,525,009 and \$14,396,077 at August 31, 2019 and August 31, 2018 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 because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.



**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 and 2018**

**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, 2019	August 31, 2018
Fuel	\$ 1,617	\$ 1,454
Cosmetology Stock	24,560	16,713
	\$ 26,177	\$ 18,167

**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.

**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

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 and 2018**

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, 2019 and 2018 were as follows:

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Tuition	\$ 7,648,518	\$ 5,639,202
State Grant	10,000	5,000
Federal Grant	11,627	-
	<u>\$ 7,670,145</u>	<u>\$ 5,644,202</u>

**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 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, 2019 and 2018, net position of the College consisted of the following:

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 and 2018**

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Net property, plant and equipment	\$ 49,539,473	\$ 49,795,994
Less:		
General obligation bonds payable, net	(12,204,481)	(12,841,356)
Revenue bonds payable, net	(2,502,985)	(3,295,648)
Amount of debt related to unspent proceeds	-	-
Total net investment in capital assets	<u>34,832,007</u>	<u>-</u>
Restricted for debt service	1,103,761	1,391,076
Restricted for student aid	991,580	973,852
Restricted for instructional programs	8,061	8,061
Restricted for construction projects	794,862	1,000,000
Unrestricted	<u>(19,400,974)</u>	<u>(13,336,001)</u>
Total net position	<u>\$ 18,329,297</u>	<u>\$ (9,963,012)</u>

**Prior Year Restatement-For Year Ended August 31, 2018**

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	474,615
Beginning net position, as restated	<u>\$ 23,128,078</u>

**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.

# NORTH CENTRAL TEXAS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019 and 2018

### 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, 2019 and 2018, the carrying amounts of the College's bank deposits were \$3,198,400 and \$3,013,284, respectively, and total bank balances equaled \$2,709,139 and \$3,708,500. Bank balances of \$394,570 and \$294,161 were covered by FDIC, and \$2,314,569 and \$3,414,339 were covered by collateral pledged in the College's name for the years ended August 31, 2019 and 2018, 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:

	The College (Primary Government)	
	Assets - Exhibit 1	
	8/31/2019	8/31/2018
Bank Deposits		
Demand Deposits	\$ 3,198,402	\$ 3,013,284
Petty Cash and Cash on Hand	2,375	3,275
Total Cash and Deposits	3,200,777	3,016,559
Cash Equivalents		
TexPool	12,525,009	14,396,077
Total Cash, Deposits, and Cash Equivalents	\$ 15,725,786	\$ 17,412,636

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, 2019, the College's deposits are not exposed to custodial credit risk.

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**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, 2019 and 2018, the College had the following investments:

Investment Type	Fair Value	Investment Maturities in Years			
	8/31/2019	1 or Less	1 to 5	5 to 10	10 to 15
Certificates of Deposit	\$ 4,105,908	\$ 4,105,908	\$ -	\$ -	\$ -
	8/31/2018	1 or Less	1 to 5	5 to 10	10 to 15
Certificates of Deposit	\$ 4,058,337	\$ 4,058,337	\$ -	\$ -	\$ -

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, the College was not significantly exposed to interest rate risk.
- Foreign Currency Risk - Risk that exchange rates will adversely affect the fair value of an investment. For the years ended August 31, 2019 and 2018, 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	
	8/31/2019	8/31/2018
Total Cash and Deposits	\$ 3,200,777	\$ 3,016,559
TexPool	12,525,009	14,396,077
Certificates of Deposit	4,105,908	4,058,337
Total Deposits and Investments	<u>\$ 19,831,694</u>	<u>\$ 21,470,973</u>
Per Statement of Net Assets - Exhibit 1:		
Cash and Cash Equivalents	\$ 13,621,688	\$ 15,033,223
Short-term Investments	4,105,908	4,058,337
Restricted Cash	2,104,098	2,379,413
Total Deposits and Investments	<u>\$ 19,831,694</u>	<u>\$ 21,470,973</u>

**5. CAPITAL ASSETS - COMPARATIVE**

Capital assets activity for the years ended August 31, 2019 and 2018 was as follows:

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<u>August 31, 2019</u>	Balance 9/1/2018	Increases	Decreases	Balance 8/31/2019
<u>Not Depreciated:</u>				
Land	\$ 1,491,594	\$ -	\$ -	\$ 1,491,594
Construction In Progress	731,841	262,924	(731,841)	262,924
Subtotal	<u>2,223,435</u>	<u>262,924</u>	<u>(731,841)</u>	<u>1,754,518</u>
<u>Other Capital Assets:</u>				
Buildings and Improvements	52,116,903	710,175	731,841	53,558,919
Equipment	13,239,150	1,050,429	-	14,289,579
Library Books	1,844,693	-	(12,079)	1,832,614
Automobiles	827,483	57,768	(18,796)	866,455
Subtotal	<u>68,028,229</u>	<u>1,818,372</u>	<u>700,966</u>	<u>70,547,567</u>
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	(12,472,030)	(1,184,714)	-	(13,656,744)
Equipment	(5,962,907)	(1,104,874)	-	(7,067,781)
Library Books	(1,520,713)	(50,012)	99,542	(1,471,183)
Automobiles	(500,020)	(66,884)	-	(566,904)
Subtotal	<u>(20,455,670)</u>	<u>(2,406,484)</u>	<u>99,542</u>	<u>(22,762,612)</u>
Net Other Capital Assets	47,572,559	(588,112)	800,508	47,784,955
Net Capital Assets	<u>\$ 49,795,994</u>	<u>\$ (325,188)</u>	<u>\$ 68,667</u>	<u>\$ 49,539,473</u>
<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	45,630,540	(1,623,685)	3,565,704	47,572,559
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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The depreciation expense for the year ended August 31, 2019 was \$2,406,484 and for the year ended August 31, 2018 was \$2,154,282.

**6. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Current and noncurrent receivables at August 31, 2019 and 2018 were as follows:

	The College (Primary Government)	
	8/31/2019	8/31/2018
Taxes Receivable	129,584	139,521
Federal Receivable	254,649	464,821
State & Local Receivable	82,910	192,916
Student Receivables	8,409,355	6,191,784
Other Receivable	435,158	28,027
Subtotal	<u>9,311,656</u>	<u>7,017,069</u>
Allowance for Doubtful Accounts	<u>(7,166,592)</u>	<u>(4,685,444)</u>
Total Receivables	<u>\$ 2,145,064</u>	<u>\$ 2,331,625</u>

Accounts payables and accrued liabilities at August 31, 2019 and 2018, were as follows:

	The College (Primary Government)	
	8/31/2019	8/31/2018
Vendors Payable	\$ 1,677,629	\$ 1,786,377
Students Payable	5,050	7,421
Other Payable	76,471	95,854
Interest Payable	37,666	44,016
Total Accounts Payable	<u>1,796,816</u>	<u>1,933,668</u>
Accrued Liabilities		
Salaries & Benefits Payable	<u>328,542</u>	<u>248,182</u>
Total Payables	<u>\$ 2,125,358</u>	<u>\$ 2,181,850</u>

**7. LONG-TERM LIABILITIES**

Bonds payable at August 31, 2019 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

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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

Activity in long term liabilities for the years ended August 31, 2019 and 2018, was as follows:

<u>August 31, 2019</u>	Beginning	Activity		Ending	Current
	Balance	Additions	Reductions	Balance	
Revenue Bonds:					
2011 Series	\$ 1,595,000	\$ -	\$ (385,000)	\$ 1,210,000	\$ 390,000
2013 Series	1,790,000	-	(430,000)	1,360,000	440,000
General Obligation Bonds:					
2013 Series	3,945,000	-	(520,000)	3,425,000	535,000
2014 Series	8,265,000	-	(100,000)	8,165,000	100,000
CAB Accretion	83,724	20,497	-	104,221	-
Premium on Bonds	571,292	-	(43,288)	528,004	-
Net Pension Liability	6,310,110	5,734,211	(694,632)	11,349,689	N/A
Net OPEB Liability	16,860,212	2,022,954	6,059,516	24,942,682	N/A
	<u>\$ 39,420,338</u>	<u>\$ 7,777,662</u>	<u>\$ 3,886,596</u>	<u>\$ 51,084,596</u>	<u>\$ 1,465,000</u>

<u>August 31, 2018</u>	Balance	Additions	Reductions	Balance	Current
					Portion
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	-	17,323,983	(463,771)	16,860,212	N/A
	<u>\$ 25,154,966</u>	<u>\$ 16,819,221</u>	<u>\$ (2,553,849)</u>	<u>\$ 39,420,338</u>	<u>\$ 1,420,000</u>



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Debt service requirements at August 31, 2019 are summarized below:

Fiscal Year August 31,	Principal	Interest	Total Requirements
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	710,000	365,605	1,075,605
2025-2029	3,545,000	1,816,479	5,361,479
2030-2034	4,685,000	685,899	5,370,899
Total Requirements	<u>\$ 14,160,000</u>	<u>\$ 4,645,723</u>	<u>\$ 18,805,723</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, 2019 and 2018.

<u>August 31, 2018</u>	Balance 9/1/2018	Booked	Retired	Balance 8/31/2019
Accreted Interest Payable	\$ 83,724	\$ 20,502	\$ -	\$ 104,226

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

**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.

**NORTH CENTRAL TEXAS COLLEGE**  
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FSB Exchange (Denton) Campus: The FSB Exchange Campus in Denton County is operated under a lease with NCCD--North Central Properties, LLC. The College has the option to purchase beginning in 2028. If that option is not exercised prior to the completion of the lease agreement, the property ownership will transfer to the College in 2043 for the purchase price of \$1. Payment of the lease is made semiannually.

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, 2019 and 2018 was \$1,485,266 and \$1,277,789, respectively.

Minimum future requirements as of August 31, 2019 were as follows:

<u>Fiscal Year</u> <u>August 31,</u>	<u>Future Minimum</u> <u>Lease Payments</u>
2020	1,781,739
2021	2,074,356
2022	2,164,294
2023	2,134,626
2024	2,109,206
2025-2029	11,304,096
2030-2034	10,323,300
2035-2039	7,697,200
2040-2043	6,149,000
Total	<u>\$ 45,737,817</u>

**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%

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- 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**

<b>Bond Issue</b>	<b>Year Refunded</b>	<b>Par Value Outstanding</b>
Series 1998	2011	\$ 1,935,000
Series 2004	2013	\$ 1,350,000

**11. EMPLOYEES RETIREMENT PLAN**

**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.state.tx.us/about/documents/cafr.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 or 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.

# NORTH CENTRAL TEXAS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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**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 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2019 and 2018 would remain the same.

	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 737,547
Current fiscal year member contributions		\$ 1,514,625
2018 measurement year NECE on-behalf contributions		\$ 553,516

Contributions to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRs. The State contributes to the plan in accordance with State statutes and the General Appropriations Act (GAA).

The College's contributions to the TRS pension plan during the fiscal year ended August 31, 2019 was \$737,547 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 \$553,516.

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.

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In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**Actuarial Assumptions.** The total pension liability in the August 31, 2017 actuarial valuation and rolled to 2018 was determined using the following actuarial assumptions:

Actuarial Methods:	
Valuation Date	8/31/2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Amortization Method	Level Percent of Payroll, Floating
Amortization Period	30 Years
Actuarial Assumptions:	
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return*	7.25%
Municipal Bond Rate	3.69%*
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Benefit Changes During the Year	None
Post-employment Benefit Changes	None

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

The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the TRS system's actuary. The TRS Board of Trustees has the sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and adopted on July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability. There were not changes of benefit terms that affect measurement of the total pension liability during the measurement period.

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**Discount Rate.** The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 sufficient to finance the benefit payments until the year 2069. As a result, 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 arithmetic real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2018, are summarized below:

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%	5.7%	1.4%
Non-U. S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	9.0%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.14%
Private Equity	13.0%	10.18%	1.32%
<b>Stable Value</b>			
U. S. Treasuries	11.0%	1.11%	0.12%
Absolute Return	0.0%	0.0%	0.00%
Stable Value Hedge Funds	4.0%	3.09%	0.12%
Cash	1.0%	-0.3%	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.07%	0.02%
Real Assets	14.0%	5.21%	0.73%
Energy and Natural Resources	5.0%	7.48%	0.037%
Commodities	0.0%	0.00%	0.00%
<b>Risk Parity</b>			
Risk Parity	5.0%	3.7%	0.18%
Inflation Expectation			2.30%
Volatility Drag***			-0.79%
<b>Total</b>	100.0%		7.28%

\*Target Allocations are based on the FY2016 policy model

\*\* Capital market assumptions come from Aon Hewett (2017 Q4)

\*\*\*The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the 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 2018 Net Pension Liability.

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	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
College's proportionate share of the net pension liability	\$ 17,129,402	\$ 11,349,689	\$ 6,670,668

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At August 31, 2019, the College reported a liability of \$11,349,689 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	\$ 11,349,689
State's proportionate share that is associated with the College	9,049,608
Total	\$ 20,399,297

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 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, 2017 thru August 31, 2018.

At the measurement date of August 31, 2018, the employer's portion of the collective net pension liability was 0.0206198922% which was an increase of 0.0008851403% from its portion measured as of August 31, 2017.

For the year ended August 31, 2019, the College recognized pension expense of \$1,479,579 and revenue of \$895,670 for support provided by the State.

At August 31, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 70,745	\$ 278,477
Changes in actuarial assumptions	4,092,110	127,879
Difference between projected and actual investment earnings	-	215,352
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	390,164	175,773
Total as of August 31, 2017 measurement date	4,553,019	797,481
Contributions paid to TRS subsequent to the measurement date	737,547	-
Total	\$ 5,290,566	\$ 797,481

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:

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Year Ended August 31,	Pension Expense
2020	\$ 928,476
2021	475,290
2022	380,695
2023	770,246
2024	721,861
Thereafter	478,970

### 12. OTHER POST-EMPLOYMENT BENEFITS

**Plan Description.** The Texas Employees Group Benefit Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and 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. The fiduciary net position of the plan has been determined using the same basis used by OPEB plans. Components of the net OPEB liability of the plan as of August 31, 2018 are as follows:

Total OPEB Liability	\$ 30,018,171,896
Less Plan Fiduciary Net Position	<u>380,429,662</u>
Net OPEB Liability	<u>\$ 29,637,742,234</u>
 Net Position as a percentage of Total OPEB Liability	 1.27%

**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



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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 Basic Life Premium**

	2018	2019
Retiree only	\$ 617.30	\$ 621.90
Retiree and spouse	970.98	1,334.54
Retiree and children	854.10	1,099.06
Retiree and family	1,207.78	1,811.70
Current fiscal year employer contributions		\$ 526,884
2018 measurement year NECE on-behalf contributions		\$ 1,870,899

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

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

	Fiscal Year Ended 8/31/18	Fiscal Year Ended 8/31/17
Employers	\$ 307,028,461	\$ 890,735,173
Members (Employees)	203,123,120	195,806,162
Nonemployer Contributing Entity (State of Texas)	16,585,270	44,433,743
Federal Revenue	74,492,786	73,120,123
Total Contributions	\$ 601,229,637	\$ 1,204,095,201

Source: ERS 2018 Comprehensive Annual Financial Report

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

Valuation Date	August 31, 2018
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Not Applicable
Actuarial Assumptions:	
Discount Rate	3.96%
Projected Annual Salary Increase (Includes Inflation)	2.5%-9.5%, including inflation
Annual Healthcare Trend Rate	7.3% for FY 2020, 7.40% for FY 2021, 7.00% for FY 2022, decreasing .05% per year to an ultimate rate of 4.50% for FY 2027 and later years
Inflation Assumptions Rate	2.50%
Ad Hoc Postemployment benefit Changes	None
Mortality Rate:	

State Agency Members

1. Service Retirees, Survivors and other Inactive Members - 2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2014.
2. Disability Retirees - RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014
3. Active Members - RP-2014 Active Member Mortality tables with Ultimate MP projection Scale projected from the the year 2014.

Higher Education Members

1. Service Retirees, Survivors and other Inactive Members - Tables based on TMRS experience with Ultimate MP Projection Scale from the year 2018
2. Disability Retirees - Tables based on TMRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per hundred per 100 female members.
3. Active Members - Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies recently adopted by the Teacher Retirement System (TRS) trustees 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

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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 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of .45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's 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) 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.

	<b>1% Decrease in Discount Rate (2.96%)</b>	<b>Discount Rate (3.96%)</b>	<b>1% Increase in Discount Rate (4.96%)</b>
College's proportionate share of the net OPEB liability	\$ 29,612,771	\$ 24,942,682	\$ 21,407,956

**Healthcare Trend Rate Sensitivity Analysis.** The initial healthcare trend rate is 7.30% and the ultimate rates is 4.50%. The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1% lower or 1% greater than the healthcare cost trend rate that was used (4.50%) in calculating the net OPEB Liability.

	<b>Healthcare Cost Trend</b>		
	<b>1% Decrease Rates 6.3% Decreasing to 3.5%</b>	<b>Current Trend Rates 7.3% Decreasing to 4.5%</b>	<b>1% Increase Rates 8.3% Decreasing to 5.5%</b>
College's proportionate share of the net OPEB liability	\$ 21,123,231	\$ 24,942,682	\$ 29,869,791

**OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB.** At August 31, 2019, The College reported a liability of \$24,942,682 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	\$ 24,942,682
State's proportionate share that is associated with the College	19,087,781
Total	\$ 44,030,463

The net OPEB liability was measured as of August 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The

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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, 2017 thru August 31, 2018.

At the measurement date of August 31, 2018, the employer's proportion of the collective net OPEB liability was .08415851% which was an increase of .03467591% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019, the district recognized total OPEB expense of \$2,009,667 and revenue for support provided by state and federal sources of \$(113,469).

**Changes in Actuarial Assumptions.** Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the Teacher Retirement System (TRS) Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary.

In addition, assumed expense, assumed per capital health benefit costs and assumed health benefit cost, retiree contribution and expense trends have been updated to reflect recent experience and its effects on our short-term expectation. Furthermore, (a) the percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence and (b) the percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.

Lastly, the discount rate assumption was increased from 3.51% to 3.96% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa or equivalent) or higher in effect on the measurement date.

Under Q/A #4.107 of the GASB's Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, this valuation reflects the benefit changes that will become effective January 1, 2019, since these changes were communicated to plan members in advance of the preparation of this return. The only benefit change for fiscal year 2019 for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,550 to \$6,650 for individuals from \$13,100 to \$13,300 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the fiscal year 2019 Assumed Per Capita Health benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

**High-Cost Plan Excise Tax.** Consistent with the prior valuation, the effects of the High-Cost Plan Excise Tax imposed by the ACA under Internal Revenue Code Section 49801 (sometimes referred to as the "Cadillac Tax") have been included in this valuation. The Excise Tax become effective in 2020, but the plan is not expected to be subject to the tax until 2068 based on current plan provisions, assumptions and participant demographics. The Net OPEB Liability is increased by the \$97 million value of the estimated Excise Taxes in future years and associated increases to the ADC is \$7 million.

**Medicare Part D.** The Medicare Prescription drug Improvement and Modernization Act of 2003 introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a prescription drug benefit that is at least

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actuarially equivalent to the basic coverage provided under Medicare Part D (the Retiree drug subsidy).

The valuation of future OPEB may not reflect the anticipated receipt of future federal government subsidy payments under the Medicare Part D Prescription Drug Program as required under GASB Technical bulletin No 2006-1. The Bulletin requires that Retiree Drug subsidy payments to an employer to be reported by the employer as revenue, rather than being netted against the employer's OPEB cost for prescription drug coverage.

ERS implemented an Employer Group Waiver Plan plus Commercial Wrap (EGWP plus Wrap) on January 1, 2013 in order to provide the plan with the benefit of increased subsidies and discounts available under such an arrangement. The Retiree Drug Subsidy has been significantly reduced as a result of the implementation of the EGWP plus Wrap. The Retiree Drug Subsidies are excluded from this valuation in accordance with GASB Technical bulletin No. 2006-1.

The projected cost of the EGWP plus Wrap reflects the subsidies which are expected to be provided by the Federal government under Medicare Part D and the discounts expected to be provided by drug manufacturers as required under the ACA.

**Variability in future Actuarial Measurement.** Future actuarial measurement may differ significantly from the current measurements due to such factors as the follows:

- Plan experience differing from that anticipated by the economic or demographic assumptions
- Changes in economic or demographic assumptions
- Increases or decreases expected as part of the natural operation of the methodology used for these measurement (such as the end of an amortization period); and
- Changes in plan provisions, applicable law or applicable accounting standards.

At August 31, 2019, the District reported its proportionate share of the ERS' plans collective deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	\$ 913,820
Changes in actuarial assumptions	-	8,740,598
Difference between projected and actual investment earnings	11,812	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	11,848,294	-
Total as of August 31, 2017 measurement date	11,860,106	9,654,418
Contributions paid to ERS subsequent to the measurement date	526,884	-
Total	<u>\$ 12,386,990</u>	<u>\$ 9,654,418</u>

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:

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<u>Year Ended August 31,</u>	<u>Pension Expense</u>
2020	\$ 120,313
2021	120,313
2022	120,313
2023	917,862
2024	926,887
Thereafter	-

The College is dependent upon information provided by the ERS Plan for recognizing the OPEB liability, deferred inflows and deferred outflows or resources, and expenses. The ERS Plan information provided to the District used retiree data for the restatement in fiscal year 2019. Contributions made subsequent to the measurement date by the College for retirees have been recorded as deferred outflows or resources as of August 31, 2019 and contributions made subsequent to the measurement date by the College for active employees have been recorded as an expense for the year ended August 31, 2019. Future changes, if any to the current methodology or actuarial assumptions being utilized, could result in significant changes in accounting and financial reporting in future periods.

**13. OPTIONAL RETIREMENT PLAN**

*Plan Description.* The State has also established an optional retirement program for institutions of higher education 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. Senate Bill (S.B. ) 1812, 83<sup>rd</sup> Texas Legislation, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the College was \$623,422 and \$561,399 for the fiscal years ended August 31, 2019 and 2018, 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 \$25,907,973 and \$24,635,757 for fiscal years August 31, 2019 and 2018, respectively. The total payroll of employees covered by the TRS was \$18,330,433 and \$16,986,236; and the total payroll of employees covered by the ORP was \$2,955,158 and \$2,828,725 for fiscal years August 31, 2019 and 2018, respectively.

**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. This plan is funded by employee contributions such that the College is not liable for the diminution in value or loss of all or part of the participating employees' deferred amounts or investment income due to market conditions or the failure, insolvency or bankruptcy of a qualified vendor. The total of deferred salaries of employees since the inception of the program is not determinable.

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As of August 31, 2019, the College had 35 employees participating in the program. A total of \$178,873 in payroll deductions were invested in approved plans during the fiscal year.

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.

**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 2019 and 2018 for which monies have not been received nor funds expended, totaled \$4,483,181 and \$5,664,688, respectively. Of this amount, \$3,344,001 and \$4,726,432 were from Federal Contract and Grant awards, respectively and \$1,139,180 and \$936,844 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.

**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 \$625 and \$622 per month for employee-only coverage for the years ended August 31, 2019 and 2018, respectively. The cost of providing these benefits and the total number of employees participating in the plan and contributions were as follows:

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	August 31, 2019		August 31, 2018	
	Number of Employees	Contribution	Number of Employees	Contribution
Active Employees	378	\$ 1,374,187	363	\$ 2,226,509
Retired Employees	105	441,438	98	420,728
	<u>483</u>	<u>\$ 1,815,625</u>	<u>461</u>	<u>\$ 2,647,237</u>

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 2019	Fiscal Year 2018
Assessed Valuation	\$ 4,386,927,831	\$ 3,989,999,157
Less: Exemptions & Abatements	(1,133,080,399)	(1,019,573,379)
Net Assessed Valuation	<u>\$ 3,253,847,432</u>	<u>\$ 2,970,425,778</u>

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

	Fiscal Year 2019		Fiscal Year 2018	
	Current Operations	Debt Service	Current Operations	Debt Service
Authorized	0.20000	0.50000	0.20000	0.50000
Assessed	0.08080	0.02940	0.08700	0.03420

Taxes levied for the years ended August 31, 2019 and 2018, were \$4,044,783 and \$4,032,613, 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, 2019 and 2018, were 99.6% and 98.7%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

	Current Operations	Debt Service	Total
<u>Fiscal Year Ended August 31, 2019</u>			
Current Taxes Collected	\$ 2,912,572	\$ 1,061,503	\$ 3,974,075
Delinquent Taxes Collected	71,845	14,654	86,499
Penalties & Interest Collected	16,143	5,931	22,074
Total Collections	<u>\$ 3,000,560</u>	<u>\$ 1,082,088</u>	<u>\$ 4,082,648</u>
<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	<u>\$ 2,921,346</u>	<u>\$ 1,151,345</u>	<u>\$ 4,072,691</u>

**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



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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, 2019	August 31, 2018
Young County	\$ 408,715	\$ 413,476

**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, 2019 and 2018.

**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 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018 is as follows:

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**Condensed Statement of Net Position**

	<b>Fiscal Year Ended</b>	
	8/31/2019	8/31/2018
Assets		
Current assets	\$ 991,580	\$ 973,851
Capital assets, net	217,791	218,436
Total Assets	<u>1,209,371</u>	<u>1,192,287</u>
Liabilities		
Current liabilities	-	-
Net Position		
Net investment in capital assets	217,791	218,436
Restricted		
Expendable	991,580	973,851
Total Net Position	<u>\$ 1,209,371</u>	<u>\$ 1,192,287</u>

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

Operating Expense		
Scholarship	\$ 6,700	\$ 4,700
Other	-	3,535
Depreciation	645	645
Total Operating Expense	<u>7,345</u>	<u>8,880</u>
Nonoperating Revenues/Expense		
Investment income	24,416	15,102
Other	13	4,560
Total Nonoperating Revenues/Expense	<u>24,429</u>	<u>19,662</u>
Change in Net Position	17,084	10,782
Net Position, Beginning of Year	<u>1,192,287</u>	<u>1,181,505</u>
Net Position, End of Year	<u>\$ 1,209,371</u>	<u>\$ 1,192,287</u>

**Condensed Statement of Cash Flows**

Net Cash Provided (Used) by Operating Activities	\$ (6,700)	\$ (8,236)
Net Cash Provided (Used) by Investing Activities	24,429	19,662
Net increase/(decrease) in cash	<u>17,729</u>	<u>11,426</u>
Cash, Beginning of Year	<u>973,851</u>	<u>962,425</u>
Cash, End of Year	<u>\$ 991,580</u>	<u>\$ 973,851</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 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.

**NORTH CENTRAL TEXAS COLLEGE**  
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**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 2019 and 2018, 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, 2019, the College abated property taxes totaling \$74,655 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 \$58,721.
- A 50% property tax abatement to a manufacturer to stimulate investment and economic development. The abatement amounted to \$8,464.

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

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purposes, however, the Foundation classifies net position and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Foundation and changes therein are classified according to two classes of net assets: net assets without donor restrictions and net assets with donor 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, 2019 and 2018, the carrying amounts of the Foundation's bank deposits were \$36,401 and \$160,393, respectively, and total bank balances equaled \$86,088 and \$172,163.

**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, 2019 and 2018 were \$424,555 and \$417,536 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 \$294,737 and \$265,460 for the years ended August 31, 2019 and 2018, 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.

**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.

**NORTH CENTRAL TEXAS COLLEGE**  
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**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, 2019 and 2018:

	August 31, 2019			August 31, 2018		
	Cost	Fair Value	Unrealized Gain/(Loss)	Cost	Fair Value	Unrealized Gain/(Loss)
<b>Short-Term Investments:</b>						
Money Market & Cash Equiv.	\$ 5,497,586	\$ 5,741,833	\$ 244,247	\$ 5,191,568	\$ 5,614,001	\$ 422,433
Government Sorth-term Funds	1,008,421	1,003,329	(5,092)	672,282	663,645	(8,637)
Corporate Bonds & Notes	201,170	205,928	4,758	203,036	202,678	(358)
U. S. Government Agencies	-	-	-	198,218	201,558	3,340
	6,707,177	6,951,090	243,913	6,265,104	6,681,882	416,778
<b>Long-Term Investments</b>						
Corporate Bonds & Notes	3,600,610	\$ 3,768,124	167,514	3,088,772	\$ 3,091,810	3,038
U. S. Government Agencies	375,234	388,362	13,128	199,534	197,254	(2,280)
	3,975,844	4,156,486	180,642	3,288,306	3,289,064	758
<b>Total Investments</b>	<b>\$ 10,683,021</b>	<b>\$ 11,107,576</b>	<b>\$ 424,555</b>	<b>\$ 9,553,410</b>	<b>\$ 9,970,946</b>	<b>\$ 417,536</b>

The investment maturities are as follows:

Investment Type	Fair Vaue	Investment Maturities in Years			
	8/31/2019	Less Than 1	1 to 5	5 to 10	10 to 15
U. S. Government Agencies	\$ 388,362	\$ -	\$ 388,362	\$ -	\$ -
Corporate Bonds & Notes	3,974,052	205,928	2,286,994	914,334	566,796
U. S. Government S/T Funds	1,003,329	1,003,329	-	-	-
Money Market & Cash Equivalents	5,741,833	5,741,833	-	-	-
<b>Total Investments</b>	<b>\$ 11,107,576</b>	<b>\$ 6,951,090</b>	<b>\$ 2,675,356</b>	<b>\$ 914,334</b>	<b>\$ 566,796</b>
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>

**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.

**NORTH CENTRAL TEXAS COLLEGE**  
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		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, 2019	Fair Value			
Investments:				
Money Market & Cash Equivalents	\$ 5,741,833	\$ -	\$ 5,741,833	\$ -
Government short-term Funds	1,003,329	1,003,329	-	-
Corporate Bonds & Notes	3,974,052	3,974,052	-	-
U.S. Government Agencies	388,362	388,362	-	-
Totals August 31, 2019	<u>\$ 11,107,576</u>	<u>\$ 5,365,743</u>	<u>\$ 5,741,833</u>	<u>\$ -</u>

		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	Fair Value			
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	-	-
Totals August 31, 2018	<u>\$ 9,970,946</u>	<u>\$ 4,356,945</u>	<u>\$ 5,614,001</u>	<u>\$ -</u>

**28. SUBSEQUENT EVENTS**

The College's management has evaluated subsequent events through January 15, 2020, the date which the financial statements were available for issue.

## **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>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability	0.0206199%	0.0197348%	0.0197982%	0.0189342%	0.0203348%
District's proportion share of the net pension liability	\$ 11,349,689	\$ 6,310,110	\$ 7,481,446	\$ 6,692,988	\$ 5,431,706
States proportionate share of the net pension liability associated with the District	9,049,608	5,305,618	6,277,519	5,831,190	4,623,508
<b>Total</b>	<b>20,399,297</b>	<b>11,615,728</b>	<b>13,758,965</b>	<b>12,524,178</b>	<b>10,055,214</b>
District's covered employee payroll	16,986,236	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	66.82%	39.61%	48.72%	47.46%	43.11%
Plan fiduciary net position as a percentage of total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

	Fiscal Year Ended August 31,				
	2019	2018	2017	2016	2015
Contractually required contributions	\$ 737,547	\$ 691,205	\$ 646,627	\$ 629,202	\$ 560,648
Contributions in relation to the contractually required contribution	(737,547)	(691,205)	(646,627)	(629,202)	(560,648)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	18,330,433	16,986,236	15,928,660	15,354,615	14,102,654
Contributions as a percentage of covered-employee payroll	4.02%	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, 2018</b>	<b>Measurement Year Ended August 31, 2017</b>
District's proportion of the Net OPEB Liability	0.0841585%	0.0494826%
District's proportion share of the Net OPEB Liability	\$ 24,942,682	\$ 16,860,212
States proportionate share of the Net OPEB Liability associated with the District	<u>19,087,781</u>	<u>14,506,619</u>
Total	<u>44,030,463</u>	<u>31,366,831</u>
District's covered employee payroll	189,033,073	219,130,417
District's proportionate share of the Net OPEB Liability as a percentage of its covered-employee payroll	13.19%	7.69%
Plan fiduciary net position as a percentage of total OPEB liability	1.27%	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, 2019</b>	<b>Fiscal Year Ended August 31, 2018</b>
Contractually required contributions	\$ 526,884	\$ 496,120
Contributions in relation to the contractually required contribution	(526,884)	(496,120)
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
District's covered employee payroll	180,662,713	189,033,073
Contributions as a percentage of covered-employee payroll	<u>0.29%</u>	<u>0.26%</u>

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, 2019**

**A. 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.***

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

**B. Notes to Schedules for the TRS OPEB Plan**

***Changes in Benefit Terms.***

Under Q/A #4.107 of GASB's Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, this valuation reflects the benefit changes that will become effective January 1, 2019, since these changes were communicated to plan members in advance of the preparation of this report. The only benefit change for fiscal year 2019 for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,550 to \$6,650 for individuals and from \$13,100 to \$13,300 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the fiscal year 2019 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

***Changes in Actuarial Assumptions.***

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect

assumptions recently adopted by the Teacher Retirement (TRS) Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary. In addition, assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations. Furthermore, (a) the percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence and (b) the percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends. Lastly, the discount rate assumption was increased from 3.51% to 3.96% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

### ***Changes in Actuarial Assumptions.***

#### **Demographic Assumptions**

Since the last calculation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age differences for future retirees and their spouses for select classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by 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, assumed Express, assumed Per Capita Health Benefit Cost and assumed Health Benefit Cost, Retiree Contributions and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations and the revised assumed rate of general inflation:

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

#### **Economic Assumptions**

Assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost and 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.

The discount rate was changed from 3.51% to 3.96% as a result of requirements

by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rate AA/Aa (or equivalent) or higher in effect on the measurement date.

Minor benefit changes described below have been reflected in the FY 2019 and Assumed Per Capita Health Benefits Costs.

<https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2018-CAFR.pdf>

<https://www.ers.texas.gov/About-ERS/Reports-and-Studies/ERS-Actuarial-Valuation-Reports/2017-ERS-OPEB-Valuation-Report-November-2018.pdf>

## Schedules

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF OPERATING REVENUES**  
**FOR THE YEAR ENDED AUGUST 31, 2019**  
(With Memorandum Totals for the Year Ended August 31, 2018)

	UNRESTRICTED	RESTRICTED	TOTAL EDUCATIONAL ACTIVITIES	AUXILIARY ENTERPRISES	2019	2018
<b>TUITION</b>						
State funded credit courses						
In-district resident tuition	\$ 1,961,226	\$ -	\$ 1,961,226	\$ -	\$ 1,961,226	\$ 1,304,598
Out-of-district resident tuition	14,233,478	-	14,233,478	-	14,233,478	14,634,384
TPEG credit (set aside)*	667,701	-	667,701	-	667,701	543,787
State funded continuing education	605,168	-	605,168	-	605,168	419,333
Non-resident tuition	1,297,178	-	1,297,178	-	1,297,178	1,527,395
Non-state funded continuing education	294,252	-	294,252	-	294,252	507,166
<b>TOTAL TUITION</b>	<u>19,059,003</u>	<u>-</u>	<u>19,059,003</u>	<u>-</u>	<u>19,059,003</u>	<u>18,936,663</u>
<b>FEES</b>						
General fees	10,139,846	-	10,139,846	-	10,139,846	8,329,527
Laboratory fees	-	-	-	-	-	144,014
<b>TOTAL FEES</b>	<u>10,139,846</u>	<u>-</u>	<u>10,139,846</u>	<u>-</u>	<u>10,139,846</u>	<u>8,473,541</u>
<b>SCHOLARSHIP ALLOWANCES AND DISCOUNTS</b>						
Scholarship allowances	(76,660)	(6,700)	(83,360)	(1,127,563)	(1,210,923)	(863,107)
Remissions and exemptions-state	(1,653,348)	-	(1,653,348)	-	(1,653,348)	(1,205,647)
TPEG allowances	-	(485,043)	(485,043)	-	(485,043)	(421,866)
Federal grants to students	-	(5,863,738)	(5,863,738)	-	(5,863,738)	(6,063,113)
Texas grants	-	(249,866)	(249,866)	-	(249,866)	(282,611)
<b>TOTAL SCHOLARSHIP ALLOWANCES AND DISCOUNTS</b>	<u>(1,730,008)</u>	<u>(6,605,347)</u>	<u>(8,335,355)</u>	<u>(1,127,563)</u>	<u>(9,462,918)</u>	<u>(8,836,344)</u>
<b>TOTAL NET TUITION AND FEES</b>	<u>27,468,841</u>	<u>(6,605,347)</u>	<u>20,863,494</u>	<u>(1,127,563)</u>	<u>19,735,931</u>	<u>18,573,860</u>
<b>ADDITIONAL OPERATING REVENUES</b>						
Federal grants and contracts	-	2,618,674	2,618,674	-	2,618,674	2,592,945
State grants and contracts	21,643	1,445,176	1,466,819	-	1,466,819	2,021,089
Private grants	408,535	29,163	437,698	-	437,698	543,921
Sales and services of educational activities	129,429	-	129,429	43,268	172,697	237,244
Other operating revenues	1,340,251	-	1,340,251	-	1,340,251	892,253
<b>TOTAL OTHER OPERATING REVENUES</b>	<u>1,899,858</u>	<u>4,093,013</u>	<u>5,992,871</u>	<u>43,268</u>	<u>6,036,139</u>	<u>6,287,452</u>
<b>AUXILIARY ENTERPRISES</b>						
Residential life	-	-	-	523,724	523,724	466,599
Scholarship allowances and discounts	-	-	-	(331,860)	(331,860)	(327,384)
Net Residential Life	-	-	-	191,864	191,864	139,215
Bookstore	-	-	-	128,519	128,519	171,528
Scholarship allowances and discounts	-	-	-	-	-	-
Net Bookstore	-	-	-	128,519	128,519	171,528
<b>TOTAL NET AUXILIARY ENTERPRISE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,383</u>	<u>320,383</u>	<u>310,743</u>
<b>TOTAL OPERATING REVENUES</b>	<u>\$ 29,368,699</u>	<u>\$ (2,512,334)</u>	<u>\$ 26,856,365</u>	<u>\$ (763,912)</u>	<u>\$ 26,092,453</u>	<u>\$ 25,172,055</u>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.033, \$667,701 and \$543,787 for years ended August 31, 2019 and 2018 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, 2019**  
(With Memorandum Totals For the Year Ended August 31, 2018)

	OPERATING EXPENSE				2019	2018
	SALARIES AND WAGES	BENEFITS		OTHER EXPENSE		
		STATE	LOCAL			
<b>UNRESTRICTED EDUCATIONAL ACTIVITIES</b>						
Instruction	\$ 13,567,740	\$ -	\$ 2,141,350	\$ 3,684,856	\$ 19,393,946	\$ 18,914,826
Research	-	-	-	-	-	-
Public service	570,072	-	87,246	618,902	1,276,220	496,122
Academic support	1,878,979	-	287,565	525,621	2,692,165	2,385,875
Student services	3,230,401	-	494,391	453,415	4,178,207	3,662,409
Institutional support	4,865,538	-	744,638	2,856,266	8,466,442	8,067,343
Operation and maintenance of plant	445,630	-	117,729	4,566,722	5,130,081	5,237,957
Scholarship and fellowships	-	-	-	-	-	-
<b>TOTAL UNRESTRICTED EDUCATIONAL ACTIVITIES</b>	<u>24,558,360</u>	<u>-</u>	<u>3,872,919</u>	<u>12,705,782</u>	<u>41,137,061</u>	<u>38,764,532</u>
<b>RESTRICTED EDUCATIONAL ACTIVITIES</b>						
Instruction	635,152	3,569,812	-	671,529	4,876,493	3,775,406
Research	-	-	-	-	-	-
Public service	273,266	223,283	-	656,265	1,152,814	1,242,306
Academic support	-	452,008	-	-	452,008	243,577
Student services	403,956	913,495	-	350,397	1,667,848	1,051,032
Institutional support	-	1,170,454	-	32,584	1,203,038	655,985
Operation and maintenance of plant	-	-	-	1,163,932	1,163,932	34,227
Scholarship and fellowships	255,295	-	-	5,552,643	5,807,938	5,999,149
<b>TOTAL RESTRICTED EDUCATIONAL ACTIVITIES</b>	<u>1,567,669</u>	<u>6,329,052</u>	<u>-</u>	<u>8,427,350</u>	<u>16,324,071</u>	<u>13,001,682</u>
<b>AUXILIARY ENTERPRISES</b>	<u>26,253</u>	<u>-</u>	<u>1,615</u>	<u>934,926</u>	<u>962,794</u>	<u>875,231</u>
<b>DEPRECIATION EXPENSE</b>						
Buildings and other real estate improvements	-	-	-	1,184,713	1,184,713	1,144,018
Equipment and furniture	-	-	-	1,221,771	1,221,771	1,010,264
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 26,152,282</u>	<u>\$ 6,329,052</u>	<u>\$ 3,874,534</u>	<u>\$ 24,474,542</u>	<u>\$ 60,830,410</u>	<u>\$ 54,795,727</u>
				(Exhibit 2)	(Exhibit 2)	

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2019**  
(With Memorandum Totals for the Year Ended August 31, 2018)

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>AUXILIARY ENTERPRISES</u>	<u>2019</u>	<u>2018</u>
<b>NON-OPERATING REVENUES</b>					
State Appropriations:					
Education and general state support	\$ 10,813,856	\$ -	\$ -	\$ 10,813,856	\$ 10,814,097
State group insurance	-	1,815,625	-	1,815,625	2,621,258
State retirement matching	-	1,501,572	-	1,501,572	239,080
Other	-	-	-	-	-
Total State Appropriations	<u>10,813,856</u>	<u>3,317,197</u>	<u>-</u>	<u>14,131,053</u>	<u>13,674,435</u>
Maintenance ad valorem taxes	2,994,555	-	-	2,994,555	2,932,914
Debt service ad valorem taxes	-	1,080,710	-	1,080,710	1,150,408
Federal Revenue, non-operating	-	11,113,621	-	11,113,621	11,590,043
Gifts	-	-	-	-	1,105,000
Investment income	450,171	44,012	-	494,183	286,412
Gain on disposal of capital assets	-	-	-	-	-
Other non-operating revenues	60,592	48,762	-	109,354	23,782
<b>TOTAL NON-OPERATING REVENUES</b>	<u>14,319,174</u>	<u>15,604,302</u>	<u>-</u>	<u>29,923,476</u>	<u>30,762,994</u>
<b>NON-OPERATING EXPENSES</b>					
Interest on capital related debt	-	552,200	-	552,200	571,422
Loss on disposal of capital assets	-	-	-	-	-
Other non-operating expenses	-	-	-	-	-
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>-</u>	<u>552,200</u>	<u>-</u>	<u>552,200</u>	<u>571,422</u>
<b>NET NON-OPERATING REVENUES</b>	<u>\$ 14,319,174</u>	<u>\$ 15,052,102</u>	<u>\$ -</u>	<u>\$ 29,371,276</u> (Exhibit 2)	<u>\$ 30,191,572</u> (Exhibit 2)

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
**FOR THE YEAR ENDED AUGUST 31, 2019**  
 (With Memorandum Totals For the Year Ended August 31, 2018)

	DETAIL BY SOURCE				TOTAL	AVAILABLE FOR CURRENT OPERATIONS	
	UNRESTRICTED	RESTRICTED		NON-EXPEND		YES	NO
		EXPENDABLE	NON-EXPEND				
<b>CURRENT</b>							
Unrestricted Board Designated	\$ (32,667,632)	\$ -	\$ -	\$ -	\$ (32,667,632)	\$ -	\$ -
Restricted	-	8,061	-	-	8,061	-	8,061
Auxiliary Enterprises	-	-	-	-	-	-	-
<b>ENDOWMENT</b>							
Restricted Investment in Plant	-	991,580	-	-	991,580	-	991,580
<b>PLANT</b>							
Unexpended Renewals	13,266,658	794,862	-	-	14,061,520	-	14,061,520
Debt Service Investment in Plant	-	1,103,761	-	-	1,103,761	-	1,103,761
<b>TOTAL NET POSITION AUGUST 31, 2019</b>	<b>(19,400,974)</b>	<b>2,898,264</b>	<b>-</b>	<b>-</b>	<b>18,329,297</b>	<b>(32,667,632)</b>	<b>50,996,929</b>
					<b>(Exhibit 1)</b>		
<b>TOTAL NET POSITION AUGUST 31, 2018</b>	<b>(13,336,001)</b>	<b>3,372,989</b>	<b>-</b>	<b>-</b>	<b>23,695,978</b>	<b>3,225,753</b>	<b>39,572,078</b>
					<b>(Exhibit 1)</b>		
<b>CHANGE IN NET POSITION</b>	<b>\$ (6,064,973)</b>	<b>\$ (474,725)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,366,681)</b>	<b>\$ (35,893,385)</b>	<b>\$ 11,424,851</b>
					<b>(Exhibit 2)</b>		

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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	\$ 200,798
Federal College Work-Study Program	84.033	N/A	160,484
Federal Pell Grant Program	84.063	N/A	10,752,340
Direct Student Loans	84.268	N/A	11,847,826
Total Financial Assistance Cluster			<u>22,961,448</u>
 Title III Strengthening Institutions	 84.031	 N/A	 453,623
Student Support Services (TRIO)	84.042A	N/A	267,984
Pass-through From:			
Texas Higher Education Coordinating Board Carl Perkins-Career & Technical Education	84.048A	142053	427,102
Total U.S. Department of Education			<u>24,110,157</u>
U. S. Department of Labor			
WIA Adult Program	17.258	2519WOS001	3,749
 H-1B TechHire Partnerships	 17.268	 HG293563D0	 879,707
Employment Service /Wagner Peyser	17.207	2518WPB000	108,084
Employment Service /Wagner Peyser	17.207	2519WPB000	258,733
Subtotal			<u>366,817</u>
Total U.S. Department of Labor			<u>1,250,273</u>
General Services Administration			
Federal Surplus Property	39.003	958	<u>23,222</u>
Small Business Administration			
Pass-through From:			
Dallas County Community College District Small Business Development Grant	59.037	SBAHQ-14-B-0018	<u>129,960</u>
U.S. Department of Health and Human Services			
Pass-through from:			
Texas Workforce Commission Temporary Assistance for Needy Families	93.558	25195MP001	<u>66,509</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 25,580,121</u>

See notes to schedule on following page.

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Note 1: Federal Financial Assistance Reconciliation:

Federal Grants and Contracts Revenue per Schedule A	\$	2,618,674
Federal Revenue, Non Operating per Schedule C		11,113,621
Add: Direct Student Loans		11,847,826
Total Federal Revenues per Schedule of Federal Awards	\$	25,580,121

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

Note 3: Expenditures Not Subject to Single Audit

None

Note 4: Student Loans Processed and Administrative Costs Recovered - If Not Included in Schedule

Federal Grantor & CFDA Number-Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Administrative Costs Recovered
None			

Note 5: Nonmonetary Federal Assistance Received

General Services Administration Federal Surplus Property	23,222
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Note 6: Amounts Paset-Through by the College

None

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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	497,604
State Work Study	11838	54,855
CAL Loan	N/A	42,659
DOR Performance	45580089	5,314
Nursing Shortage	N/A	21,643
Pass-through From:		
Tarrant County Community College		
Accelerate Texas Mentor EIT		-
Texas Workforce Commission		
Skills Development Fund-Jostens	0418SDF001	182,360
Skills Development Fund-Hilex Poly	0417SDF002	132,699
Skills Development Fund-Peterbilt	0419SDF001	244,807
Skills Development Fund-Samsung	0419SDF003	59,004
Subtotal		<u>618,870</u>
Texas Fast Start IV	0417GRF000	121,543
Small Skills	0418SSD000	6,659
Total Texas Workforce Commission		<u>747,072</u>
Pass-through From:		
University of Texas at Arlington		
Tex2-ICE	UTA18-000332	15,452
Pass-through From:		
Dallas Community College		
Small Business Development State Grant	N/A	82,220
<b>TOTAL STATE ASSISTANCE</b>		<u><u>\$ 1,466,819</u></u>

**Note 1: State Financial Assistance Reconciliation:**

State Revenues per Schedule of Expenditures of State Awards	\$ 1,466,819
Reconciling Items: N/A	-
Total State Revenues per Schedule A	<u><u>\$ 1,466,819</u></u>

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for 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  
North Central Texas College Foundation, Inc.  
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 discretely presented component unit of the North Central Texas College (College) as of and for the year ended August 31, 2019 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 15, 2020.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting 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 and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

### **Texas Public Funds Investment Act**

We have performed tests designed to verify the College's compliance with the requirements of the Texas Public Funds Investment Act. During the year ended August 31, 2019, no instances of noncompliance, material or nonmaterial, 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 blue ink that reads "Schalk & Smith PC". The signature is written in a cursive, flowing style.

Schalk & Smith, P.C.  
Gainesville, Texas  
January 15, 2020



**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 the compliance of North Central Texas College (College) 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 College's major federal and state programs for the year ended August 31, 2019. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with 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 the College's compliance 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 the 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 the College's compliance.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2019.

**Report on Internal Control over Compliance**

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

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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.



Schalk & Smith, P.C.  
Gainesville, Texas  
January 15, 2020

**NORTH CENTRAL TEXAS COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

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

**Financial Statements**

The auditor's report expresses an unqualified opinion on the financial statements of North Central Texas College and North Central Texas College Foundation, Inc..

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

The auditor's report on compliance for the major federal and state awards programs for North Central Texas College and North Central Texas College Foundation, Inc. expresses an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance 2 CRF 200.516(a) or State of Texas Audit Circular:  yes  no

Identification of Major Programs:

Federal:

- Financial Aid Cluster CFDA #84.007; 84.033; 84.063; 84.268
- Higher Education Institutional Aid CFDA #84.031

State:

- Texas 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, 2019**

NONE