

NORTH CENTRAL TEXAS COLLEGE
ANNUAL FINANCIAL AND COMPLIANCE REPORT
For the Years Ended August 31, 2013 and 2012

**NORTH CENTRAL TEXAS COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012
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**NORTH CENTRAL TEXAS COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR 2012-2013**

ORGANIZATIONAL DATA

BOARD OF REGENTS AND OFFICERS

OFFICERS

Bill Ledbetter
David Flusche
Karla Metzler

Chairman
Vice Chairman
Secretary

Members

Bill Ledbetter
David Flusche
Richard Haayen
Matt Chalmers
Patsy Wilson
Christy Morris
Karla Metzler

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

Term Expires
in May of
2017
2015
2017
2019
2015
2019
2015

Principal Administrative Officers

Dr. Eddie Hadlock
Dr. Janie Neighbors
Dr. Brent Wallace
Dr. Billy Roessler
Debbie Sharp
Dr. Steve Broyles
Emily Klement
Roy Culberson

President
Vice President of Financial Services
Vice President of Instruction
Vice President of Student Services
Vice President of Institutional Advancement
Dean of Administrative Services
Dean of Bowie & Graham Campuses
Dean of Corinth & Flower Mound Campuses



INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
North Central Texas College
Gainesville, Texas 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, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the North Central Texas College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of North Central Texas College Foundation, Inc. were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of North Central Texas College, as of August 31, 2013, and the respective changes in financial position, and cash flows thereof for the year 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 on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

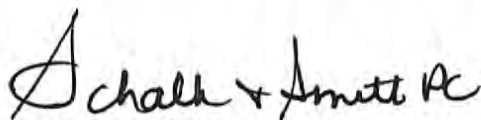
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Central Texas College's basic financial statements. The supplementary schedules of operating revenues, operating expenses by object, non-operating revenues and expenses, and net assets by source and availability are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the schedule of expenditures of state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Single Audit Circular*, and are also not a required part of the basic financial statements.

The supplementary schedules of operating revenues, operating expenses by object, non-operating revenues and expenses, and net assets by source and availability and the schedule of expenditures of federal awards and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules of operating revenues, operating expenses by object, non-operating revenues and expenses, and net assets by source and availability and the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, on our consideration of North Central Texas College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Texas College's internal control over financial reporting and compliance.



Schalk & Smith, P.C.
December 5, 2013

Management's Discussion and Analysis

This section of North Central Texas College's annual financial report presents a discussion and analysis of the College's financial performance during the fiscal year ended August 31, 2013. Please read it in conjunction with the College's financial statements, which follow this section.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The *Schedule of Non-Operating Revenues and Expenses* shows maintenance 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-President 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 has grown from 5,180 in 2002 to 10,699 in 2013. The enrollment growth has also resulted in an increase in net student tuition and fees. Student tuition and fee revenue has increased from \$3,871,000 in 2002 to \$13,280,934 in 2013. 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 \$11,944,561 in 2013, the portion of state funding has decreased from 38.3% of the total expenditures in 2002 to 26.3% in 2013.

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 2012 has been a continual increase in taxable assessed valuation from \$1,288,353,176 in 2000 to \$2,832,788,062 in 2013. Total tax collections have increased from \$1,332,078 in 2000 to \$2,195,906 in 2013. The combined maintenance and operations and debt service tax was \$0.12727 for the fiscal year ended August 31, 1997. After retirement of a general obligation tax

bond in 1999, the College was able to reduce the total tax levy on local taxpayers to \$0.10110. The approved maintenance and operations tax rate per \$100 of valuation has decreased further to \$0.0663 in 2013.

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

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 \$44,708,423 as of August 31, 2013.

**Table I
Net Assets**

| | Business-type Activities 2013 | Business-type Activities 2012 | Business-type Activities 2011 |
|--|--|--|--|
| Current and other assets | \$ 27,282,189 | \$ 25,917,713 | \$ 24,240,412 |
| Capital assets | 29,541,378 | 26,905,029 | 27,626,391 |
| Total assets | <u>56,823,567</u> | <u>52,822,742</u> | <u>51,866,803</u> |
| Deferred Outflows of Resources | 254,277 | 62,915 | - |
| Non current liabilities | 6,602,291 | 7,099,507 | 7,905,000 |
| Other liabilities | 5,767,130 | 5,439,751 | 5,774,941 |
| Total liabilities | <u>12,369,421</u> | <u>12,539,258</u> | <u>13,679,941</u> |
| Net Position: | | | |
| Invested in capital assets net of related debt | 22,313,138 | 19,404,031 | 19,166,391 |
| Restricted | 1,893,142 | 1,686,788 | 2,155,978 |
| Unrestricted | 20,502,143 | 19,255,580 | 16,864,493 |
| Total net position | <u>\$ 44,708,423</u> | <u>\$ 40,346,399</u> | <u>\$ 38,186,862</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 \$22,313,138. 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 4.23 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position (\$20,502,143) may be used to meet the College's ongoing obligations. This surplus 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 have increased by \$4,362,024. The total cost of all business-type activities was \$45,471,698. The amount that our taxpayers paid for these activities through property taxes was \$-0- for the year ended 8/31/2013.

**Table II
Changes in Net Assets**

| | Business-type Activities 2013 | Business-type Activities 2012 | Business-type Activities 2011 |
|--|--|--|--|
| Revenues: | | | |
| Operating Revenues: | | | |
| Tuition & Fees | \$ 13,280,934 | \$ 12,585,175 | \$ 11,403,453 |
| Federal Grants & Contracts | 3,579,756 | 3,109,181 | 3,141,917 |
| State Grants & Contracts | 1,910,692 | 783,825 | 813,770 |
| Private Grants | 849,101 | 398,822 | 420,801 |
| Sales & Services of Educational Activities | 200,960 | 193,629 | 168,970 |
| Auxiliary Enterprises (net) | 626,772 | 720,232 | 2,156,428 |
| Other Operating Revenues | 610,733 | 400,978 | 654,488 |
| Non-operating Revenues: | | | |
| State Appropriations | 11,944,561 | 11,269,594 | 12,082,436 |
| Property Taxes | 2,241,896 | 2,183,511 | 2,162,597 |
| Federal Grants & Contracts | 13,014,243 | 12,538,836 | 11,575,271 |
| Gifts | - | - | - |
| Investment Income (net) | 39,931 | 46,653 | 79,014 |
| Gain on Disposal of Fixed Assets | - | - | - |
| Other Non-operating Revenues | 1,534,143 | 8,027 | 14,813 |
| Total Revenues | <u>49,833,722</u> | <u>44,238,463</u> | <u>44,673,958</u> |
| Operating Expense: | | | |
| Instruction | 18,655,803 | 17,555,187 | 17,983,585 |
| Research | 110,885 | 121,242 | 163,526 |
| Public Service | 1,031,921 | 678,050 | 709,604 |
| Academic Support | 2,765,494 | 2,549,274 | 2,606,129 |
| Student Services | 3,169,755 | 2,863,291 | 2,649,014 |
| Institutional Support | 4,974,715 | 4,549,799 | 4,154,440 |
| Operation & Maintenance of Plant | 4,094,460 | 3,370,414 | 4,184,840 |
| Scholarship & Fellowship | 8,371,065 | 8,135,579 | 6,873,801 |
| Auxiliary Enterprises | 856,067 | 830,649 | 2,792,326 |
| Depreciation | 1,206,163 | 1,086,235 | 1,078,725 |
| Non-operating Expense: | | | |
| Interest on Capital Related Debt | 182,648 | 212,064 | 392,666 |
| Other | 52,722 | 127,142 | - |
| Total Expenses | <u>45,471,698</u> | <u>42,078,926</u> | <u>43,588,656</u> |
| Increase in Net Assets | 4,362,024 | 2,159,537 | 1,085,302 |
| Beginning Net Assets | 40,346,399 | 38,186,862 | 37,101,560 |
| Ending Net Assets | \$ <u>44,708,423</u> | \$ <u>40,346,399</u> | \$ <u>38,186,862</u> |

Significant Capital Assets and Long-term Debt Activity

During the current fiscal year, the 2004 Bonds were partially refunded by the 2013 Tuition and Combined Fee Revenue Refunding Bonds in the amount of \$3,505,000. The refunding of the 2004 bonds reduced the college's debt service payments over the next 9 years by \$166,2801. The payment due on 5/15/2014 was not refunded.

The 100 Building and the 600 Building were renovated during the current fiscal year. The amount expended for these renovations was \$1,861,817. \$627,654 was expended on the HVAC system in Corinth.

Discussion of Current Known Facts, Decisions, or Conditions

Enrollment for credit and non-credit headcount continues to increase. Headcount for the Fall term has grown from 5,180 in 2002 to 10,699 in 2012. All indications are that enrollment will continue to increase due mainly to the growth along the I-35 corridor. The College has two of its campuses located along this interstate. In addition to the headcount growth, the College is realizing an increase in the number of contact hours generated by student enrollment. Contact hours are used in the state funding formula, and increased from 898,000 in Fall 2002 to 1,696,845 in Fall 2012.

In November 2013, a bond election for \$14.8 million was passed by the citizens of Cooke County for the purpose of constructing a Health Science Building, adding on to the Career & Technology Center and adding the additional parking spaces required.

Other Capital Assets and Long-term Debt Activity

For 2013, depreciation expense of \$1,206,163 was recorded. The College spent, in addition to the major purchases discussed above, almost \$1,296,493 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 three Revenue Bonds outstanding as of August 31, 2013 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 \$330,000 was made during the year and the balance outstanding at year-end was \$3,375,000. 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, 2013, the amount set aside was adequate.
- 2) In 2004, NCTC issued \$6,000,000 in Revenue Bonds. These bonds were partially refunded by the 2013 Series Refunding Bonds. The balance outstanding at year-end was \$335,000, which represents the 5/15/2014 payment. The bond covenant requires funds be set-aside in an interest and sinking fund and a reserve fund. At August 31, 2013, the amount set aside was adequate.
- 3) 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 \$40,000 was made during the year and the balance outstanding at year-end was \$3,465,000. 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, 2013, the amount set aside was adequate.

Revenues sufficient to make all required payments of principal and interest have been properly recorded. Moody's Investor Services have the College's bond rating at A1. The College has never defaulted on any outstanding bond issue.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, 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-President of Financial Services, North Central Texas College, 1525 West California St., Gainesville, Texas 76240.

BASIC FINANCIAL STATEMENTS

NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF NET POSITION
AUGUST 31, 2013 AND AUGUST 31, 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 22,766,416 | \$ 21,838,787 |
| Long-term investments-current portion | - | - |
| Accounts receivable (net) | 1,949,921 | 2,028,746 |
| Inventories | 8,787 | 6,385 |
| Other assets | 628,545 | 452,790 |
| Total Current Assets | <u>25,353,669</u> | <u>24,326,708</u> |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents | 1,928,520 | 1,591,005 |
| Capital assets (net) (see note 5) | 29,541,378 | 26,905,029 |
| Total Noncurrent Assets | <u>31,469,898</u> | <u>28,496,034</u> |
| TOTAL ASSETS | <u>56,823,567</u> | <u>52,822,742</u> |
| Deferred Outflows of Resources | | |
| Deferred loss on refunding | <u>254,277</u> | <u>62,915</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 402,586 | 278,125 |
| Accrued liabilities | 49,242 | 58,976 |
| Funds held for others | 87,754 | 68,138 |
| Deferred revenues | 4,522,548 | 4,379,512 |
| Bonds payable-current portion | 705,000 | 655,000 |
| Total Current Liabilities | <u>5,767,130</u> | <u>5,439,751</u> |
| Noncurrent Liabilities | | |
| Deposits | 79,051 | 75,351 |
| Bonds payable | 6,523,240 | 7,024,156 |
| Total Noncurrent Liabilities | <u>6,602,291</u> | <u>7,099,507</u> |
| TOTAL LIABILITIES | <u>12,369,421</u> | <u>12,539,258</u> |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 22,313,138 | 19,404,031 |
| Restricted for | | |
| Expendable | | |
| Student aid | 947,769 | 943,609 |
| Instructional programs | 67,042 | 214,263 |
| Unexpended bond proceeds | - | - |
| Debt service | 878,331 | 528,916 |
| Unrestricted | 20,502,143 | 19,255,580 |
| TOTAL NET POSITION | <u>\$ 44,708,423</u> | <u>\$ 40,346,399</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, 2013

| | <u>TOTAL</u> | <u>TOTALS</u> <u>8/31/2012</u> |
|--|---------------------|-----------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 81,107 | \$ 52,324 |
| Investments | 2,144,591 | 2,158,290 |
| Unconditional Promises to Give | - | - |
| Interest Receivable | 43,150 | 42,230 |
| Total Current Assets | <u>2,268,848</u> | <u>2,252,844</u> |
| Permanently Restricted Endowment | <u>4,413,462</u> | <u>4,166,931</u> |
| TOTAL ASSETS | <u>\$ 6,682,310</u> | <u>\$ 6,419,775</u> |
| LIABILITIES & NET ASSETS | | |
| Liabilities | | |
| Accounts Payable | \$ 14,955 | \$ - |
| Scholarships Payable | 312,330 | 290,189 |
| Deferred Support | - | - |
| Total Liabilities/Current Liabilities | <u>327,285</u> | <u>290,189</u> |
| Net Assets | | |
| Unrestricted | 12,224 | 16,084 |
| Temporarily Restricted | 1,929,339 | 1,946,571 |
| Permanently Restricted | 4,413,462 | 4,166,931 |
| Total Net Assets | <u>6,355,025</u> | <u>6,129,586</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 6,682,310</u> | <u>\$ 6,419,775</u> |

See accompanying notes and independent auditor's report.

NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2013 AND AUGUST 31, 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------|----------------------|
| REVENUES | | |
| Operating Revenues | | |
| Tuition and fees (net of discounts of \$6,963,557 and \$6,383,115 respectively) | \$ 13,280,934 | \$ 12,585,175 |
| Federal grants and contracts | 3,579,756 | 3,109,181 |
| State grants and contracts | 1,910,692 | 783,825 |
| Private grants | 849,101 | 398,822 |
| Sales and services of educational activities | 200,960 | 193,629 |
| Investment income (program restricted) | - | - |
| Auxiliary enterprises (net of discounts \$261,434 and \$231,373 respectively) | 626,772 | 720,232 |
| Other operating revenues | 610,733 | 400,978 |
| Total Operating Revenues (Schedule A) | <u>21,058,948</u> | <u>18,191,842</u> |
| EXPENSES | | |
| Operating Expenses | | |
| Instruction | 18,655,803 | 17,555,187 |
| Research | 110,885 | 121,242 |
| Public service | 1,031,921 | 678,050 |
| Academic support | 2,765,494 | 2,549,274 |
| Student services | 3,169,755 | 2,863,291 |
| Institutional support | 4,974,715 | 4,549,799 |
| Operation and maintenance of plant | 4,094,460 | 3,370,414 |
| Scholarship and fellowships | 8,371,065 | 8,135,579 |
| Auxiliary enterprises | 856,067 | 830,649 |
| Depreciation | 1,206,163 | 1,086,235 |
| Total Operating Expenses (Schedule B) | <u>45,236,328</u> | <u>41,739,720</u> |
| OPERATING INCOME (LOSS) | <u>(24,177,380)</u> | <u>(23,547,878)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| State appropriations | 11,944,561 | 11,269,594 |
| Maintenance ad-valorem taxes | | |
| Taxes for maintenance and operations | 2,240,474 | 2,182,708 |
| Taxes for general obligation bonds | 1,422 | 803 |
| Federal Revenue, non-operating | 13,014,243 | 12,538,836 |
| Gifts | - | - |
| Investment income (net of investment expenses) | 39,931 | 46,653 |
| Interest on capital related debt | (182,648) | (212,064) |
| Gain (Loss) Loss on disposal of fixed assets | - | - |
| Other non-operating revenues | 1,534,143 | 8,027 |
| Other non-operating expenses | (52,722) | (127,142) |
| Net Non-Operating Revenues (Schedule C) | <u>28,539,404</u> | <u>25,707,415</u> |
| INCREASE (DECREASE) IN NET ASSETS | 4,362,024 | 2,159,537 |
| NET ASSETS-BEGINNING OF YEAR | <u>40,346,399</u> | <u>38,186,862</u> |
| NET ASSETS-END OF YEAR | <u>\$ 44,708,423</u> | <u>\$ 40,346,399</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
YEAR ENDED AUGUST 31, 2013

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>TOTALS</u> | <u>8/31/2012</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|---------------------|
| SUPPORT AND REVENUE: | | | | | |
| Support: | | | | | |
| Donations | \$ 150,825 | \$ 499,059 | \$ - | \$ 649,884 | \$ 688,196 |
| Endowments Received | - | - | 160,491 | 160,491 | 156,859 |
| Fund Raising | - | 139,172 | - | 139,172 | 152,199 |
| Total Support | <u>150,825</u> | <u>638,231</u> | <u>160,491</u> | <u>949,547</u> | <u>997,254</u> |
| Revenue: | | | | | |
| Interest and Dividends | 499 | 264,968 | - | 265,467 | 663,782 |
| Gain (Loss) on Sale of Assets | - | 10,735 | - | 10,735 | 7,950 |
| Unrealized Gain (Loss) | - | (43,546) | - | (43,546) | 162,071 |
| Net Assets that Reached Endowment Status | - | (86,040) | 86,040 | - | - |
| Net Assets Released from Restrictions-Satisfaction of Program Restrictions | 801,580 | (801,580) | - | - | - |
| Total Revenue | <u>802,079</u> | <u>(655,463)</u> | <u>86,040</u> | <u>232,656</u> | <u>833,803</u> |
| TOTAL SUPPORT AND REVENUE | <u>952,904</u> | <u>(17,232)</u> | <u>246,531</u> | <u>1,182,203</u> | <u>1,831,057</u> |
| EXPENSES: | | | | | |
| Program Services: | | | | | |
| Scholarships | 544,623 | - | - | 544,623 | 533,850 |
| Departmental Expenses | 411,881 | - | - | 411,881 | 229,055 |
| Amortization of Bond Premium | - | - | - | - | - |
| Total Program Services | <u>956,504</u> | <u>-</u> | <u>-</u> | <u>956,504</u> | <u>762,905</u> |
| Support Services: | | | | | |
| Management and General | 260 | - | - | 260 | 120 |
| Fund Raising | - | - | - | - | 76 |
| Total Support Services | <u>260</u> | <u>-</u> | <u>-</u> | <u>260</u> | <u>196</u> |
| TOTAL EXPENSES | <u>956,764</u> | <u>-</u> | <u>-</u> | <u>956,764</u> | <u>763,101</u> |
| EXCESS SUPPORT AND REVENUE OVER EXPENSES | <u>(3,860)</u> | <u>(17,232)</u> | <u>246,531</u> | <u>225,439</u> | <u>1,067,956</u> |
| NET ASSETS, BEGINNING OF YEAR | <u>16,084</u> | <u>1,946,571</u> | <u>4,166,931</u> | <u>6,129,586</u> | <u>5,061,630</u> |
| NET ASSETS, END OF YEAR | <u>\$ 12,224</u> | <u>\$ 1,929,339</u> | <u>\$ 4,413,462</u> | <u>\$ 6,355,025</u> | <u>\$ 6,129,586</u> |

See accompanying notes and independent auditor's report.

NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2013 AND AUGUST 31, 2012

| | <u>2013</u> | <u>2012</u> |
|--|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from students and customers | \$ 14,895,517 | \$ 14,992,586 |
| Receipts of appropriations, grants and contracts | 6,258,675 | 5,179,029 |
| Other receipts | - | - |
| Payments to or on behalf of employees | (22,173,511) | (20,246,491) |
| Payments to suppliers | (19,888,470) | (19,106,620) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(20,907,789)</u> | <u>(19,181,496)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Ad valorem tax revenues | 2,220,581 | 2,199,016 |
| State appropriations | 10,107,356 | 9,584,810 |
| Non-operating federal revenue | 13,014,243 | 12,538,836 |
| Gifts and grants (Other than capital) | - | - |
| Other cash receipts (payments) | 1,534,143 | (3,872) |
| NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES | <u>26,876,323</u> | <u>24,318,790</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchases of capital assets | (3,842,512) | (364,873) |
| Proceeds from sale of capital assets | - | - |
| Proceeds from bonds payable | - | - |
| Payment of bond issuance costs | - | (119,002) |
| Principal paid on debt | (695,000) | (840,000) |
| Interest paid on debt | (205,808) | (246,419) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(4,743,320)</u> | <u>(1,570,294)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale and maturity of investments | - | - |
| Investment earnings | 39,930 | 46,653 |
| Purchases of investments | - | - |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>39,930</u> | <u>46,653</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,265,144 | 3,613,653 |
| CASH AND CASH EQUIVALENTS - SEPTEMBER 1 | 23,429,792 | 19,816,139 |
| CASH AND CASH EQUIVALENTS - AUGUST 31 | <u>\$ 24,694,936</u> | <u>\$ 23,429,792</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ (24,177,380) | \$ (23,547,878) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Payments made directly by state for benefits | 1,837,205 | 1,684,784 |
| Depreciation expense | 1,206,163 | 1,086,235 |
| Changes in assets and liabilities: | | |
| Receivables, net | (306,030) | 1,946,767 |
| Inventories | (2,401) | 639 |
| Other assets | (175,755) | (26,559) |
| Accounts payable | 137,888 | (468,890) |
| Deferred revenue | 552,904 | 152,002 |
| Deposits held for others | 19,616 | (8,596) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (20,907,790)</u> | <u>\$ (19,181,496)</u> |

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

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

1. REPORTING ENTITY

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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, 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 board of regents has designated public funds investment pools comprised of \$17,383,924 and \$16,078,373 at 8/31/2013 and 8/31/2012, respectively to be cash equivalents. The College sets aside resources for the repayment of the bonds. These assets are classified as restricted cash on the statement of net assets 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
FOR THE YEAR ENDED AUGUST 31, 2013

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:

| | <u>August 31, 2013</u> | <u>August 31, 2012</u> |
|-------------------|------------------------|------------------------|
| Fuel | \$ 336 | \$ 868 |
| Cosmetology Stock | 8,451 | 5,517 |
| | <u>\$ 8,787</u> | <u>\$ 6,385</u> |

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, Vehicles and Other Equipment | 10 years |
| Telecommunications and Peripheral Equipment | 5 years |
| Library Books | 15 years |

Deferred Revenues

Deferred revenues at August 31, 2013 and 2012 were as follows:

| | <u>August 31, 2013</u> | <u>August 31, 2012</u> |
|---------------|------------------------|------------------------|
| Tuition | \$ 4,271,348 | \$ 3,973,344 |
| State Grant | 227,039 | 406,168 |
| Federal Grant | 10,991 | - |
| Local Grant | 13,170 | - |
| | <u>\$ 4,522,548</u> | <u>\$ 4,379,512</u> |

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. As of July 17, 2011, the operation of the bookstore is no longer performed by the college.

Accounting Changes

Change in Accounting Principles-As a result of implementing GASB Statement Nos. 63 and 65, the College has restated the financial statements for the year ended August 31, 2012, effectively decreasing the net position by \$115,243. The decrease results from no longer deferring and amortizing bond issuance costs. Further, the College has restated its long-term liabilities to reflect that a component of those liabilities as of August 31, 2012 –deferred charge on refunding—is now reported as a deferred outflow of resources on the government-wide Statement of Net Position. The effect of this change, as of August 31, 2012, is as follows:

| | <u>As Originally Reported</u> | <u>As Restated</u> |
|--------------------------------|-----------------------------------|------------------------|
| Statement of Net Position: | | |
| Deferred Outflows of Resources | \$ - | \$ 62,915 |
| Bonds Payable | 6,961,241 | 7,024,156 |

Net Assets

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

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
FOR THE YEAR ENDED AUGUST 31, 2013

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 not have a policy for custodial credit risk. At August 31, 2013 and 2012, the carrying amounts of the College's bank deposits were \$7,307,247 and \$7,347,604, respectively, and total bank balances equaled \$8,711,980 and \$8,425,564. Bank balances of \$1,116,646 and \$1,002,648 were covered by FDIC, and \$7,595,334 and \$7,820,336 were covered by collateral pledged in the College's name for the years ended August 31, 2013 and 2012, respectively.

The Foundation does not have a policy for custodial credit risk. At August 31, 2013 and 2012, the carrying amounts of the Foundation's bank deposits were \$81,107 and \$52,324, respectively, and total bank balances equaled \$84,394 and \$61,086. During the year ended August 31, 2013, bank balances were underpledged for a total of 5 days. During the year ended August 31, 2012, bank balances were underpledged for a total of 61 days.

Public Funds Investment Pool

The College's temporary investments 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 assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The College considers TexPool balances to be cash equivalents.

Cash and Cash Equivalents

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

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

| | The College (Primary Government) | | The Foundation (Discretely Presented Component Unit) | |
|---|--|---------------|---|------------|
| | Statement of Net Assets - Exhibit 1 | | Statement of Financial Position | |
| | 8/31/2013 | 8/31/2012 | 8/31/20113 | 8/31/20112 |
| Bank Deposits | | | | |
| Demand Deposits | \$ 3,275,631 | \$ 3,318,138 | \$ 81,107 | \$ 52,324 |
| Time Deposits | 4,031,616 | 4,029,466 | - | - |
| Total Bank Deposits | 7,307,247 | 7,347,604 | 81,107 | 52,324 |
| Petty Cash and Cash on Hand | 3,765 | 3,815 | - | - |
| Total Cash and Deposits | 7,311,012 | 7,351,419 | 81,107 | 52,324 |
| Cash Equivalents | | | | |
| TexPool | 17,383,924 | 16,078,373 | - | - |
| Total Cash, Deposits, and Cash Equivalents | \$ 24,694,936 | \$ 23,429,792 | \$ 81,107 | \$ 52,324 |

Investments

During the fiscal year ended August 31, 2013 and 2012, the College did not sell any investments. The calculation of realized gains is independent of the calculation of the net increase in fair value of investments. Realized gains and losses on investments 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 gain on investments held at August 31, 2013 and 2012, was \$0 and \$0, respectively.

During the fiscal year ended August 31, 2013, the Foundation sold several investments. The calculation of the realized gain is independent of the calculation of the net increase in fair value of investments. Realized gains and losses on investments 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, 2013 and 2012, were \$322,178 and \$365,723, respectively.

As of August 31, 2013 and 2012, the College (Primary Government) had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities in Years | | | |
|-------------------------|---------------|--------------------------------|--------|---------|----------|
| | 8/31/2013 | Less Than 1 | 1 to 5 | 5 to 10 | 10 to 15 |
| TEXPOOL Investment Pool | \$ 17,383,924 | \$ 17,383,924 | \$ - | \$ - | \$ - |
| Certificates of Deposit | 4,031,616 | 4,031,616 | | | |
| Total Investments | \$ 21,415,540 | \$ 21,415,540 | \$ - | \$ - | \$ - |
| | 8/31/2012 | Less Than 1 | 1 to 5 | 5 to 10 | 10 to 15 |
| TEXPOOL Investment Pool | \$ 16,078,373 | \$ 16,078,373 | \$ - | \$ - | \$ - |
| Certificates of Deposit | 4,029,466 | 4,029,466 | | | |
| Total Investments | \$ 20,107,839 | \$ 20,107,839 | \$ - | \$ - | \$ - |

As of August 31, 2013 and 2012, the Foundation (Discretely Presented Component Unit) had the following investments and maturities:

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

| Investment Type | Fair Vaue | Investment Maturities in Years | | | |
|---------------------------------|---------------------|--------------------------------|---------------------|---------------------|-------------------|
| | 8/31/2013 | Less Than 1 | 1 to 5 | 5 to 10 | 10 to 15 |
| U. S. Government Agencies | \$ 684,536 | \$ - | \$ 682,868 | \$ 1,668 | \$ - |
| Corporate Bonds & Notes | 2,515,962 | 207,596 | 987,274 | 1,056,767 | 364,325 |
| U. S. Government S/T Funds | 2,317,149 | 2,317,149 | - | - | - |
| Money Market & Cash Equivalents | 1,040,406 | 1,040,406 | - | - | - |
| Total Investments | \$ 6,558,053 | \$ 3,565,151 | \$ 1,670,142 | \$ 1,058,435 | \$ 364,325 |

| Investment Type | 8/31/2012 | Less Than 1 | 1 to 5 | 5 to 10 | 10 to 15 |
|---------------------------------|---------------------------|---------------------|---------------------|---------------------|-------------------|
| | U. S. Government Agencies | \$ 2,661,924 | \$ - | \$ 758,108 | \$ 1,611,766 |
| Corporate Bonds & Notes | 698,793 | - | 461,650 | 237,143 | - |
| U. S. Government S/T Funds | 2,317,836 | 2,317,836 | - | - | - |
| Money Market & Cash Equivalents | 643,975 | 643,975 | - | - | - |
| Total Investments | \$ 6,322,528 | \$ 2,961,811 | \$ 1,219,758 | \$ 1,848,909 | \$ 292,050 |

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

| | Carrying Amounts | |
|--|----------------------|----------------------|
| | 8/31/2013 | 8/31/2012 |
| Total Long-Term Investments | \$ - | \$ - |
| Total Cash and Deposits | 7,311,012 | 7,351,419 |
| Total Cash Equivalents | 17,383,924 | 16,078,373 |
| Total Deposits and Investments | \$ 24,694,936 | \$ 23,429,792 |
| Per Statement of Net Assets - Exhibit 1: | | |
| Cash and Cash Equivalents | \$ 22,766,416 | \$ 21,838,787 |
| Long-Term Investments-Current Portion | - | - |
| Restricted Cash and Cash Equivalents | 1,928,520 | 1,591,005 |
| Total Deposits and Investments | \$ 24,694,936 | \$ 23,429,792 |

Reconciliation of Deposits and Investments for the Foundation (Discretely Presented Component Unit) to Statement of Financial Position

| | Carrying Amounts | |
|---------------------------------------|---------------------|---------------------|
| | 8/31/2013 | 8/31/2012 |
| U.S. Government Agencies | \$ 684,536 | \$ 698,793 |
| Corporate Bonds & Notes | 2,515,962 | 2,664,617 |
| Mutual Funds | 2,317,149 | 2,317,836 |
| Money Martket & Cash Equivalents | 1,040,406 | 643,975 |
| Total Investments | 6,558,053 | 6,325,221 |
| Total Cash and Deposits | 81,107 | 52,324 |
| Total Deposits and Investments | \$ 6,639,160 | \$ 6,377,545 |
| Per Statement of Financial Position: | | |
| Cash and Cash Equivalents | \$ 81,107 | \$ 52,324 |
| Investments | 2,144,591 | 2,158,290 |
| Restricted Permanent Endowment | 4,413,462 | 4,166,931 |
| Total Deposits and Investments | \$ 6,639,160 | \$ 6,377,545 |

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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:

- a. Credit Risk - Credit risk is the 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, 2013 and 2012, neither the College nor the Foundation was significantly exposed to credit risk.
- b. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of an entities investment in a single issuer. For the years ended August 31, 2013 and 2012, neither the College nor the Foundation was significantly exposed to a concentration of credit risk.
- c. Interest Rate Risk - This is the risk that changes in the interest rates will adversely affect the fair value of an investment. For the years ended August 31, 2013 and 2012, neither the College nor the Foundation was significantly exposed to an interest rate risk.
- d. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. For the years ended August 31, 2013 and 2012, neither the College nor the Foundation was exposed to a foreign currency risk.

5. CAPITAL ASSETS - COMPARATIVE

Capital assets activity for the years ended August 31, 2013 and 2012 was as follows:

| <u>August 31, 2013</u> | <u>Balance</u> <u>9/1/2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>8/31/2013</u> |
|----------------------------------|-----------------------------------|---------------------|------------------|------------------------------------|
| Not Depreciated: | | | | |
| Land | \$ 1,491,594 | | \$ - | \$ 1,491,594 |
| Construction In Progress | - | 52,500 | | 52,500 |
| Subtotal | <u>1,491,594</u> | <u>52,500</u> | <u>-</u> | <u>1,544,094</u> |
| Other Capital Assets: | | | | |
| Buildings and Improvements | 30,622,272 | 2,615,177 | - | 33,237,449 |
| Equipment | 3,754,210 | 1,056,314 | - | 4,810,524 |
| Library Books | 1,674,915 | 833 | - | 1,675,748 |
| Automobiles | 579,245 | 61,140 | - | 640,385 |
| Subtotal | <u>36,630,642</u> | <u>3,733,464</u> | <u>-</u> | <u>40,364,106</u> |
| Accumulated Depreciation: | | | | |
| Buildings and Improvements | (7,399,405) | (714,660) | - | (8,114,065) |
| Equipment | (2,280,130) | (308,119) | - | (2,588,249) |
| Library Books | (1,177,189) | (138,996) | 56,549 | (1,259,636) |
| Automobiles | (360,483) | (44,389) | - | (404,872) |
| Subtotal | <u>(11,217,207)</u> | <u>(1,206,164)</u> | <u>56,549</u> | <u>(12,366,822)</u> |
| Net Other Capital Assets | <u>25,413,435</u> | <u>2,527,300</u> | <u>56,549</u> | <u>27,997,284</u> |
| Net Capital Assets | <u>\$ 26,905,029</u> | <u>\$ 2,579,800</u> | <u>\$ 56,549</u> | <u>\$ 29,541,378</u> |

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

| <u>August 31, 2012</u> | Balance 9/1/2011 | Increases | Decreases | Balance 8/31/2012 |
|----------------------------------|---------------------|--------------|-----------|----------------------|
| Not Depreciated: | | | | |
| Land | \$ 1,491,594 | | \$ - | \$ 1,491,594 |
| Other Capital Assets: | | | | |
| Buildings and Improvements | 30,622,272 | - | - | 30,622,272 |
| Equipment | 3,473,553 | 280,657 | - | 3,754,210 |
| Library Books | 1,658,294 | 16,621 | - | 1,674,915 |
| Automobiles | 546,375 | 32,870 | - | 579,245 |
| Subtotal | 36,300,494 | 330,148 | - | 36,630,642 |
| Accumulated Depreciation: | | | | |
| Buildings and Improvements | (6,720,676) | (678,729) | - | (7,399,405) |
| Equipment | (2,046,174) | (233,956) | - | (2,280,130) |
| Library Books | (1,076,742) | (135,170) | 34,723 | (1,177,189) |
| Automobiles | (322,105) | (38,378) | - | (360,483) |
| Subtotal | (10,165,697) | (1,086,233) | 34,723 | (11,217,207) |
| Net Other Capital Assets | 26,134,797 | (756,085) | 34,723 | 25,413,435 |
| Net Capital Assets | \$ 27,626,391 | \$ (756,085) | \$ 34,723 | \$ 26,905,029 |

The depreciation expense for the year ended August 31, 2013 was \$1,206,163 and for the year ended August 31, 2012 was \$1,086,235.

6. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Current and noncurrent receivables at August 31, 2013 and 2012 were as follows:

| | The College (Primary Government) | | The Foundation (Component Unit) | |
|---------------------------------|----------------------------------|--------------|---------------------------------|-----------|
| | 8/31/2013 | 8/31/2012 | 8/31/2013 | 8/31/2012 |
| Accounts Receivable | \$ 384,111 | \$ 411,797 | \$ - | \$ - |
| Taxes Receivable | 144,417 | 126,065 | - | - |
| Federal Receivable | 420,888 | 614,836 | - | - |
| State & Local Receivable | 111,567 | 14,937 | - | - |
| Student Receivables | 2,438,992 | 2,211,204 | - | - |
| Interest Receivable | - | - | 43,150 | 42,230 |
| Other Receivable | 12,136 | 9,941 | - | - |
| Insurance Proceeds | - | - | - | - |
| Subtotal | 3,512,111 | 3,388,780 | 43,150 | 42,230 |
| Allowance for Doubtful Accounts | (1,562,190) | (1,360,034) | - | - |
| Total Receivables | \$ 1,949,921 | \$ 2,028,746 | \$ 43,150 | \$ 42,230 |

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

Accounts payables and accrued liabilities at August 31, 2013 and 2012, were as follows:

| | The College (Primary Government) | | The Foundation (Component Unit) | |
|-----------------------------|----------------------------------|------------|---------------------------------|------------|
| | 8/31/2013 | 8/31/2012 | 8/31/2013 | 8/31/2012 |
| Vendors Payable | \$ 281,803 | \$ 122,532 | \$ - | \$ - |
| Students Payable | - | 7,990 | 312,330 | 290,189 |
| Other Payable | 67,159 | 70,819 | 14,955 | - |
| Interest Payable | 53,624 | 76,784 | - | - |
| Total Accounts Payable | 402,586 | 278,125 | 327,285 | 290,189 |
| Accrued Liabilities: | | | | |
| Salaries & Benefits Payable | 49,242 | 58,976 | - | - |
| Total Payables | \$ 451,828 | \$ 337,101 | \$ 327,285 | \$ 290,189 |

7. BONDS PAYABLE

Bonds payable at August 31, 2013 were comprised of the following individual issues:

NCTC District Tuition and Combined Fee Revenue Bonds, Series 2004

- For the construction, improvement, and renovation of buildings, structures, or facilities, including a Performing Arts Center on the Gainesville campus
- Issue date February 15, 2004
- Original amount issued \$6,000,000; amount authorized \$10,000,000
- Source of revenue for debt service-Tuition and Fees
- Payable in annual installments varying from \$165,000 to \$470,000
- Interest rates from 3.875% to 5%
- Final installment due May 2022

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

NORTH CENTRAL TEXAS COLLEGE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2013

Activity in bonds payable for the years ended August 31, 2013 and 2012, was as follows:

| | Beginning Balance | Activity | | Ending Balance | Current Portion |
|------------------------|----------------------|--------------------|-----------------------|---------------------|--------------------|
| | | Additions | Reductions | | |
| <u>August 31, 2013</u> | | | | | |
| Revenue Bonds: | | | | | |
| 2004 Series | \$ 3,915,000 | \$ - | \$ (3,580,000) | \$ 335,000 | \$ 325,000 |
| 2011 Series | 3,705,000 | - | (330,000) | 3,375,000 | 340,000 |
| 2013 Series | - | 3,505,000 | (40,000) | 3,465,000 | 40,000 |
| Premium on Bonds | 59,156 | - | (5,916) | 53,240 | - |
| | <u>\$ 7,679,156</u> | <u>\$3,505,000</u> | <u>\$ (3,955,916)</u> | <u>\$ 7,228,240</u> | <u>\$ 705,000</u> |
| <u>August 31, 2012</u> | | | | | |
| Revenue Bonds: | | | | | |
| 1998 Series | \$ 4,235,000 | \$ - | \$ (4,235,000) | \$ - | \$ - |
| 2004 Series | 4,225,000 | - | (310,000) | 3,915,000 | 325,000 |
| 2011 Series | - | 4,065,000 | (360,000) | 3,705,000 | 330,000 |
| Premium on Bonds | - | 65,072 | (5,916) | 59,156 | - |
| | <u>\$ 8,460,000</u> | <u>\$4,130,072</u> | <u>\$ (4,910,916)</u> | <u>\$ 7,679,156</u> | <u>\$ 655,000</u> |

Debt service requirements at August 31, 2013 are summarized

| Fiscal Year | Principal | Interest | Total Requirements |
|--------------------|---------------------|-------------------|-----------------------|
| August 31, | | | |
| 2014 | 715,000 | 181,724 | 896,724 |
| 2015 | 745,000 | 158,950 | 903,950 |
| 2016 | 760,000 | 141,325 | 901,325 |
| 2017 | 775,000 | 123,337 | 898,337 |
| 2018 | 795,000 | 104,988 | 899,988 |
| 2019-2022 | 3,385,000 | 219,363 | 3,604,363 |
| Total Requirements | <u>\$ 7,175,000</u> | <u>\$ 929,687</u> | <u>\$ 8,104,687</u> |

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.

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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 1st of each lease year.

Other Leases: The College leases various copiers and other equipment under noncancelable operating (noncapitalized) leases that have an initial term in excess of one year. The College also entered into leases for classroom space on the Corinth campus. The current year's lease expense for the equipment and classroom space was \$1,299,566.

Minimum future requirements as of August 31, 2013 were as follows:

| <u>Fiscal Year</u> <u>August 31,</u> | <u>Future Minimum</u> <u>Lease Payments</u> |
|---|--|
| 2014 | \$ 1,428,559 |
| 2015 | 1,433,320 |
| 2016 | 1,407,949 |
| 2017 | 1,468,038 |
| 2018 | 1,598,094 |
| 2019-2023 | 6,018,862 |
| 2024-2028 | 3,982,538 |
| 2029-2032 | 3,424,800 |
| Total | <u>\$ 20,762,160</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%
- Net proceeds from Refunding Series \$3,453,563 after payment of \$51,437 in underwriting fees, insurance, and other issuance costs

NORTH CENTRAL TEXAS COLLEGE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2013

- The 2004 Series bonds are considered paratially defeased and the liability for the defeased coupons have been removed from the Investment in Plant Fund Group. The coupons due on 5/15/2013 and 5/15/2014 were not defeased.
- Advance refunding of the 2004 Series bonds reduced the college's debt service payments over the next 9 years by approximately \$166,280
- Economic Gain--\$151,952, difference between the net present value of the old and new debt service payments
- Accounting Loss-\$198,563 as a result of the advance refunding

10. DEFEASED BONDS OUTSTANDING

| <u>Bond Issue</u> | <u>Year Refunded</u> | <u>Par Value Outstanding</u> |
|-------------------|----------------------|------------------------------|
| Series 1998 | 2011 | \$ 3,735,000 |
| Series 2004 | 2013 | \$ 3,255,000 |

11. EMPLOYEES RETIREMENT PLAN

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

Teacher Retirement System of Texas (TRS)

Plan Description. The College contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries or employees of the public school systems of Texas. It operates primarily under the provision of the Texas Constitution, Article XVI, Sec 67, and Texas Government Code, Title 8 Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.4 percent for Fiscal Year 2013, 2012 and 2011 and a state contribution rate of 6.0 percent for Fiscal Years 2013, 2012 and 2011. The required contribution was made.

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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. 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.

The retirement expense to the State for the College was \$904,483 and \$800,004 for the fiscal years ended August 31, 2013 and 2012, 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 \$19,339,012 and \$17,928,675 for fiscal years August 31, 2013 and 2012, respectively. The total payroll of employees covered by the TRS was \$11,557,135 and \$10,300,023; and the total payroll of employees covered by the ORP was \$3,031,417 and \$3,095,782 for fiscal years August 31, 2013 and 2012, respectively.

10. DEFERRED COMPENSATION PLAN

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The total of deferred salaries of employees since the inception of the program is not determinable.

As of August 31, 2013, the College had 24 employees participating in the program. A total of \$86,229 in payroll deductions were invested in approved plans during the fiscal year.

As of August 31, 2012, the College had 22 employees participating in the program. A total of \$90,244 in payroll deductions were invested in approved plans during the fiscal year.

11. 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.

12. PENDING LAWSUITS AND CLAIMS

None

13. CONTRACT AND GRANT AWARDS

Contracts and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. 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 2013 and 2012 for which monies have not

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

been received nor funds expended, totaled \$5,782,646 and \$3,835,608, respectively. Of this amount, \$5,150,531 and \$3,561,614 were from Federal Contract and Grant awards, respectively and \$632,115 and \$273,994 were from State Contract and Grant awards. There were no amounts from Local or from Private Contract and Grant Awards.

14. 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.

15. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State of Texas provides certain health care and life insurance benefits to active and retired employees. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar 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 \$470.38 and \$438.30 per month for employee-only coverage for the years ended August 31, 2013 and 2012, respectively. The cost of providing these benefits and the total number of employees participating in the plan and contributions were as follows:

| | August 31, 2013 | | August 31, 2012 | |
|-------------------|---------------------|--------------|---------------------|--------------|
| | Number of Employees | Contribution | Number of Employees | Contribution |
| Active Employees | 263 | \$ 424,870 | 259 | \$ 394,547 |
| Retired Employees | 79 | 507,852 | 81 | 490,233 |
| | 342 | \$ 932,722 | 340 | \$ 884,780 |

16. 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 2013 | Fiscal Year 2012 |
|-------------------------------|------------------|------------------|
| Assessed Valuation | \$ 3,526,842,134 | \$ 3,285,804,829 |
| Less: Exemptions & Abatements | (694,054,072) | (690,874,746) |
| Net Assessed Valuation | \$ 2,832,788,062 | \$ 2,594,930,083 |

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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

| | Fiscal Year 2013 | | Fiscal Year 2012 | |
|------------|-----------------------|-----------------|-----------------------|-----------------|
| | Current Operations | Debt Service | Current Operations | Debt Service |
| Authorized | 0.20000 | 0.50000 | 0.20000 | 0.50000 |
| Assessed | 0.06630 | 0.00000 | 0.07120 | 0.00000 |

Taxes levied for the years ended August 31, 2013 and 2012, were \$2,188,196 and \$2,157,384, respectively, including any penalty and interest assessed. 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, 2013 and 2012, were 98.1% and 98.4%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

| | Current Operations | Debt Service | Total |
|--|-----------------------|-----------------|--------------|
| <u>Fiscal Year Ended August 31, 2013</u> | | | |
| Current Taxes Collected | \$ 2,147,546 | \$ - | \$ 2,147,546 |
| Delinquent Taxes Collected | 47,064 | 1,296 | 48,360 |
| Penalties & Interest Collected | 24,549 | 126 | 24,675 |
| Total Collections | \$ 2,219,159 | \$ 1,422 | \$ 2,220,581 |
| <u>Fiscal Year Ended August 31, 2012</u> | | | |
| Current Taxes Collected | \$ 2,123,068 | \$ - | \$ 2,123,068 |
| Delinquent Taxes Collected | 47,064 | 603 | 47,667 |
| Penalties & Interest Collected | 28,082 | 200 | 28,282 |
| Total Collections | \$ 2,198,214 | \$ 803 | \$ 2,199,017 |

17. BRANCH CAMPUS MAINTENANCE TAX

A branch campus maintenance tax has been established by election has been levied by Graham Independent School District in Young County, Texas. It is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in Graham Independent School District. Collections are transferred to the College to be used for the operation of a Branch Campus at Graham. This revenue is reported under Local Grants and Contracts.

| | Collections (including penalties and interest) | |
|--------------|---|-----------------|
| | August 31, 2013 | August 31, 2012 |
| Young County | \$ 391,712 | \$ 366,810 |

18. 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*

NORTH CENTRAL TEXAS COLLEGE
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FOR THE YEAR ENDED AUGUST 31, 2013

of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2013 and 2012.

19. COMPONENT UNITS

North Central Texas College Foundation, Inc.: North Central Texas College Foundation, Inc. (the Foundation) was established as a separate nonprofit organization in 1984 for the purpose of providing student scholarships and assistance in the development and growth of the College. Under Governmental Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units, the Foundation is a component unit of the College because:

- The College provides financial support to the Foundation and the economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the College and
- The College is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the foundation and
- The economic resources are held by the Foundation that the College is entitled or has the ability to otherwise access, are significant to the College.
-

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

Mary Josephine Cox Estate Trust: The Mary Josephine Cox Estate is a Trust (an Endowment Fund) (the 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 2013 and 2012, 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, 2013 and 2012, the Trust is presented using the blended method of inclusion.

20. 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.

Funding Shortfall: During the 2011 legislative session, the Texas Legislature modified the methodology for calculating the appropriated retirement funds, basing it on 6% of each District's unrestricted general revenue appropriation for each year of the biennium state budget, rather than the previous method of calculating on a percentage of the aggregate compensation paid to individual participating in the system. This shift in methodology resulted in a shortfall for FY2012 to the state's Teacher Retirement System (TRS). The shortfall portion attributed to North Central Texas College, in the amount of \$224,533 was both remitted to TRS and expensed in FY 2013.

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

21. 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 2013 and 2012, 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.

22. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. North Central Texas College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

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

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

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

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

The College's contributions to SRHP for the years ended August 31, 2013, 2012 and 2011 were \$507,852, \$490,233, and \$405,317, respectively, which equaled the required contributions each year.

23. SUBSEQUENT EVENTS

The College's management has evaluated subsequent events through December 5, 2013, the date which the financial statements were available for issue. The only material subsequent event was a bond issue.

In November 2013, a bond election for \$14.8 million was passed by the citizens of Cooke County for the purpose of constructing a Health Science Building, adding on to the Career & Technology Center and adding the additional parking spaces required.

SCHEDULES

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

| | UNRESTRICTED | RESTRICTED | TOTAL EDUCATIONAL ACTIVITIES | AUXILIARY ENTERPRISES | TOTALS MEMORANDUM ONLY | |
|---|----------------------|---------------------|------------------------------------|--------------------------|---------------------------|----------------------|
| | | | | | 2013 | 2012 |
| TUITION | | | | | | |
| State funded credit courses | | | | | | |
| In-district resident tuition | \$ 844,321 | \$ - | \$ 844,321 | \$ - | \$ 844,321 | \$ 1,173,456 |
| Out-of-district resident tuition | 12,309,901 | - | 12,309,901 | - | 12,309,901 | 11,685,830 |
| TPEG credit (set aside)* | 420,634 | - | 420,634 | - | 420,634 | 412,521 |
| State funded continuing education | 1,275,698 | - | 1,275,698 | - | 1,275,698 | 830,346 |
| Non-resident tuition | 709,840 | - | 709,840 | - | 709,840 | 675,380 |
| Non-state funded continuing education | 416,209 | - | 416,209 | - | 416,209 | 496,509 |
| TOTAL TUITION | <u>15,976,603</u> | <u>-</u> | <u>15,976,603</u> | <u>-</u> | <u>15,976,603</u> | <u>15,274,042</u> |
| FEES | | | | | | |
| General fees | 3,129,226 | - | 3,129,226 | - | 3,129,226 | 2,648,598 |
| Distance education fees | 723,525 | - | 723,525 | - | 723,525 | 616,677 |
| Student service fees | - | - | - | 198,400 | 198,400 | 191,687 |
| Laboratory fees | 216,737 | - | 216,737 | - | 216,737 | 237,286 |
| TOTAL FEES | <u>4,069,488</u> | <u>-</u> | <u>4,069,488</u> | <u>198,400</u> | <u>4,267,888</u> | <u>3,694,248</u> |
| SCHOLARSHIP ALLOWANCES AND DISCOUNTS | | | | | | |
| Scholarship allowances | (47,359) | (3,612) | (50,971) | (261,434) | (312,405) | (300,328) |
| Remissions and exemptions-state | (592,541) | - | (592,541) | - | (592,541) | (552,099) |
| TPEG allowances | - | (441,218) | (441,218) | - | (441,218) | (385,203) |
| Federal grants to students | - | (5,464,585) | (5,464,585) | - | (5,464,585) | (4,980,623) |
| Texas grants | - | (152,808) | (152,808) | - | (152,808) | (164,862) |
| TOTAL SCHOLARSHIP ALLOWANCES AND DISCOUNTS | <u>(639,900)</u> | <u>(6,062,223)</u> | <u>(6,702,123)</u> | <u>(261,434)</u> | <u>(6,963,557)</u> | <u>(6,383,115)</u> |
| TOTAL NET TUITION AND FEES | <u>19,406,191</u> | <u>(6,062,223)</u> | <u>13,343,968</u> | <u>(63,034)</u> | <u>13,280,934</u> | <u>12,585,175</u> |
| ADDITIONAL OPERATING REVENUES | | | | | | |
| Federal grants and contracts | - | 3,579,756 | 3,579,756 | - | 3,579,756 | 3,109,181 |
| State grants and contracts | - | 1,910,692 | 1,910,692 | - | 1,910,692 | 783,825 |
| Private grants | 391,712 | 457,389 | 849,101 | - | 849,101 | 398,822 |
| Sales and services of educational activities | 93,630 | - | 93,630 | 107,330 | 200,960 | 193,629 |
| Investment income (program restricted) | - | - | - | - | - | - |
| Other operating revenues | 610,733 | - | 610,733 | - | 610,733 | 400,978 |
| TOTAL OTHER OPERATING REVENUES | <u>1,096,075</u> | <u>5,947,837</u> | <u>7,043,912</u> | <u>107,330</u> | <u>7,151,242</u> | <u>4,886,435</u> |
| AUXILIARY ENTERPRISES | | | | | | |
| Residential life | - | - | - | 444,123 | 444,123 | 456,183 |
| Scholarship allowances and discounts | - | - | - | (237,815) | (237,815) | (231,373) |
| Net Residential Life | - | - | - | 206,308 | 206,308 | 224,810 |
| Bookstore | - | - | - | 420,464 | 420,464 | 495,422 |
| Scholarship allowances and discounts | - | - | - | - | - | - |
| Net Bookstore | - | - | - | 420,464 | 420,464 | 495,422 |
| TOTAL NET AUXILIARY ENTERPRISE | <u>-</u> | <u>-</u> | <u>-</u> | <u>626,772</u> | <u>626,772</u> | <u>720,232</u> |
| TOTAL OPERATING REVENUES | <u>\$ 20,502,266</u> | <u>\$ (114,386)</u> | <u>\$ 20,387,880</u> | <u>\$ 671,068</u> | <u>\$ 21,058,948</u> | <u>\$ 18,191,842</u> |
| | | | | | (Exhibit 2) | (Exhibit 2) |

* In accordance with Education Code 56.033, \$412,521 and \$396,163 for years ended August 31, 2012 and 2011, 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, 2013
(With Memorandum Totals For the Year Ended August 31, 2012)

| | OPERATING EXPENSE | | | TOTALS MEMORANDUM ONLY | | |
|--|-----------------------|---------------------|---------------------|---------------------------|----------------------|----------------------|
| | SALARIES AND WAGES | BENEFITS | | OTHER EXPENSE | 2013 | 2012 |
| | | STATE | LOCAL | | | |
| UNRESTRICTED EDUCATIONAL ACTIVITIES | | | | | | |
| Instruction | \$ 11,188,612 | \$ - | \$ 1,665,664 | \$ 2,034,735 | \$ 14,889,011 | \$ 14,159,757 |
| Research | 61,255 | - | 9,119 | 34,106 | 104,480 | 115,163 |
| Public service | 152,474 | - | 22,699 | 160,350 | 335,523 | 470,785 |
| Academic support | 1,626,786 | - | 242,182 | 430,502 | 2,299,470 | 2,368,041 |
| Student services | 1,531,690 | - | 228,025 | 244,599 | 2,004,314 | 1,853,065 |
| Institutional support | 2,379,169 | - | 354,190 | 1,992,575 | 4,725,934 | 4,357,905 |
| Operation and maintenance of plant | 431,697 | - | 116,179 | 3,536,367 | 4,084,243 | 3,362,149 |
| Scholarship and fellowships | - | - | - | - | - | - |
| TOTAL UNRESTRICTED EDUCATIONAL ACTIVITIES | 17,371,683 | - | 2,638,058 | 8,433,234 | 28,442,975 | 26,686,865 |
| RESTRICTED EDUCATIONAL ACTIVITIES | | | | | | |
| Instruction | 609,835 | 1,295,870 | - | 1,861,087 | 3,766,792 | 3,395,430 |
| Research | - | 6,405 | - | - | 6,405 | 6,079 |
| Public service | 169,414 | 59,487 | - | 467,497 | 696,398 | 207,265 |
| Academic support | 265,275 | 200,749 | - | - | 466,024 | 181,233 |
| Student services | 524,430 | 270,843 | - | 370,168 | 1,165,441 | 1,010,226 |
| Institutional support | - | 248,781 | - | - | 248,781 | 191,894 |
| Operation and maintenance of plant | - | - | - | 10,217 | 10,217 | 8,265 |
| Scholarship and fellowships | 217,924 | - | - | 8,153,141 | 8,371,065 | 8,135,579 |
| TOTAL RESTRICTED EDUCATIONAL ACTIVITIES | 1,786,878 | 2,082,135 | - | 10,862,110 | 14,731,123 | 13,135,971 |
| AUXILIARY ENTERPRISES | 82,294 | - | 36,274 | 737,499 | 856,067 | 830,649 |
| DEPRECIATION EXPENSE | | | | | | |
| Buildings and other real estate improvements | - | - | - | 714,660 | 714,660 | 678,730 |
| Equipment and furniture | - | - | - | 491,503 | 491,503 | 407,505 |
| TOTAL OPERATING EXPENSES | \$ 19,240,855 | \$ 2,082,135 | \$ 2,674,332 | \$ 21,239,006 | \$ 45,236,328 | \$ 41,739,720 |
| | | | | (Exhibit 2) | (Exhibit 2) | |

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

| | <u>UNRESTRICTED</u> | <u>RESTRICTED</u> | <u>AUXILIARY ENTERPRISES</u> | <u>TOTALS MEMORANDUM ONLY</u> | |
|-------------------------------------|----------------------|----------------------|----------------------------------|-------------------------------------|-------------------------------------|
| | | | | <u>2013</u> | <u>2012</u> |
| NON-OPERATING REVENUES | | | | | |
| State Appropriations: | | | | | |
| Education and general state support | \$ 10,107,356 | \$ - | \$ - | \$ 10,107,356 | \$ 9,584,810 |
| State group insurance | - | 932,722 | - | 932,722 | 884,780 |
| State retirement matching | - | 904,483 | - | 904,483 | 800,004 |
| Other | - | - | - | - | - |
| Total State Appropriations | <u>10,107,356</u> | <u>1,837,205</u> | <u>-</u> | <u>11,944,561</u> | <u>11,269,594</u> |
| Maintenance ad valorem taxes | 2,240,474 | - | - | 2,240,474 | 2,182,708 |
| Debt service ad valorem taxes | - | 1,422 | - | 1,422 | 803 |
| Federal Revenue, non-operating | - | 13,014,243 | - | 13,014,243 | 12,538,836 |
| Gifts | - | - | - | - | - |
| Investment income | 37,818 | 2,113 | - | 39,931 | 46,653 |
| Gain on disposal of capital assets | - | - | - | - | - |
| Other non-operating revenues | 1,527,500 | 6,643 | - | 1,534,143 | 8,027 |
| TOTAL NON-OPERATING REVENUES | <u>13,913,148</u> | <u>14,861,626</u> | <u>-</u> | <u>28,774,774</u> | <u>26,046,621</u> |
| NON-OPERATING EXPENSES | | | | | |
| Interest on capital related debt | - | 182,648 | - | 182,648 | 212,064 |
| Loss on disposal of capital assets | - | - | - | - | - |
| Other non-operating expenses | - | 52,722 | - | 52,722 | 11,899 |
| TOTAL NON-OPERATING EXPENSES | <u>-</u> | <u>235,370</u> | <u>-</u> | <u>235,370</u> | <u>223,963</u> |
| NET NON-OPERATING REVENUES | <u>\$ 13,913,148</u> | <u>\$ 14,626,256</u> | <u>\$ -</u> | <u>\$ 28,539,404</u> (Exhibit 2) | <u>\$ 25,822,658</u> (Exhibit 2) |

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2013
 (With Memorandum Totals For the Year Ended August 31, 2012)

| | DETAIL BY SOURCE | | | | TOTAL | AVAILABLE FOR CURRENT OPERATIONS | |
|--|---------------------|-------------------|-------------|---|---------------------|----------------------------------|-------------------|
| | UNRESTRICTED | RESTRICTED | | CAPITAL ASSETS NET OF DEPREC & RELATED DEBT | | YES | NO |
| | | EXPENDABLE | NON-EXPEND | | | | |
| CURRENT | | | | | | | |
| Unrestricted Board Designated | \$ 13,866,793 | \$ - | \$ - | \$ - | \$ 13,866,793 | \$ - | \$ - |
| Restricted | - | 67,042 | - | - | 67,042 | - | 67,042 |
| Auxiliary Enterprises | 2,184,210 | - | - | - | 2,184,210 | 2,184,210 | - |
| ENDOWMENT | | | | | | | |
| Restricted Investment in Plant | - | 947,769 | - | - | 947,769 | - | 947,769 |
| PLANT | | | | | | | |
| Unexpended Renewals | 4,451,140 | - | - | - | 4,451,140 | - | 4,451,140 |
| Debt Service Investment in Plant | - | 878,331 | - | - | 878,331 | - | 878,331 |
| TOTAL NET ASSETS AUGUST 31, 2013 | 20,502,143 | 1,893,142 | - | 22,091,479 | 44,708,423 | 16,051,003 | 28,657,420 |
| | | | | | (Exhibit 1) | | |
| TOTAL NET ASSETS AUGUST 31, 2012 | 19,255,580 | 1,686,788 | - | 19,404,031 | 40,346,399 | 11,866,087 | 28,595,555 |
| | | | | | (Exhibit 1) | | |
| NET INCREASE (DECREASE) IN NET ASSETS | \$ 1,246,563 | \$ 206,354 | \$ - | \$ 2,909,107 | \$ 4,362,024 | \$ 4,184,916 | \$ 61,865 |
| | | | | | (Exhibit 2) | | |

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

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 | \$ 139,228 |
| Federal College Work-Study Program | 84.033 | N/A | 127,914 |
| Federal Pell Grant Program | 84.063 | N/A | 12,747,101 |
| Direct Student Loans | 84.268 | N/A | 11,099,922 |
| Student Support Services (TRIO) | 84.042A | P042A100964 | 247,357 |
| Pass-through From: | | | |
| Texas Higher Education Coordinating Board | | | |
| Carl Perkins Voc. Ed. | 84.048A | 134247 | 330,102 |
| Teacher Quality Type B | 84.367B | 494 | 82,004 |
| Subtotal | | | <u>82,004</u> |
| College Across Challenge Grant | 84.378 | P378A110023 | 217,509 |
| College Across Challenge Grant | 84.378 | P378A120023 | 27,004 |
| | | | <u>244,513</u> |
| University of Texas | | | |
| Mathematics and Science Partnerships | 84.366B | UTA13-000340 | 18,689 |
| Mathematics and Science Partnerships | 84.366B | UTA12-000422 | 98,359 |
| Mathematics and Science Partnerships | 84.366B | UTA12000444 | 160,884 |
| Mathematics and Science Partnerships | 84.366B | UTA13-000363 | 20,710 |
| Mathematics and Science Partnerships | 84.366B | Unknown | 637 |
| Subtotal | | | <u>299,279</u> |
| Total U.S. Department of Education | | | <u>25,317,420</u> |
| Department of Justice | | | |
| Grants to Reduce Domestic Violence | 16.525 | 2011WAAX0022 | 171,401 |
| Department of Labor | | | |
| Technology Based Learning | 17.268 | HG181630960A48 | 617 |
| Pass-through From: | | | |
| Workforce Solutions of North Central Texas | | | |
| Technology Based Learning | 17.268 | HG227351260A48 | 293,095 |
| Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry | 17.275 | GJ200421060A48 | 1,800,363 |
| Total U.S. Department of Labor | | | <u>2,094,075</u> |
| General Services Administration | | | |
| Federal Surplus Property | 39.003 | 21240 | 10,217 |
| Small Business Administration | | | |
| Pass-through From: | | | |
| Dallas County Community College District | | | |
| Small Business Development Grant | 59.037 | SBAHQ-13-B-0007-0002 | 89,153 |
| Small Business Development Grant | 59.037 | 1-603001-Z152 | 11,655 |
| | | | <u>100,808</u> |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | <u>\$ 27,693,921</u> |

See notes to schedule on following page.

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

Schedule E

Note 1: Federal Financial Assistance Reconciliation:

| | | |
|---|----|--------------------------|
| Federal Grants and Contracts Revenue per Schedule A | \$ | 16,593,999 |
| Add: Direct Student Loans | | <u>11,099,922</u> |
| Total Federal Revenues per Schedule of Federal Awards | \$ | <u><u>27,693,921</u></u> |

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

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds 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.

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

| 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 | 698,163 |
| State Work Study | N/A | 29,343 |
| State Work Study Mentorship | 43/67 | 37,082 |
| DOR Performance | A147-10 | 204,477 |
| JET Oil & Gas | 5112-7 | 266,522 |
| S3 | 10895/11060/12062 | 31,764 |
| Texas Workforce Commission | | |
| Zodiac | 2513SDF003 | 84,000 |
| Tarrant County College District | | |
| GE Locomotive | 0512SDF003 | 470,674 |
| Pass-through From: | | |
| Dallas Community College | | |
| Small Business Development State Grant | N/A | 88,667 |
| TOTAL STATE ASSISTANCE | | <u>\$ 1,910,692</u> |

Note 1: State Financial Assistance Reconciliation:

| | |
|---|---------------------|
| State Revenues per Schedule of Expenditures of State Awards | \$ 1,910,692 |
| Reconciling Items: N/A | - |
| Total State Revenues per Schedule A | <u>\$ 1,910,692</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 SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of North Central Texas College, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise North Central Texas College's basic financial statements, and have issued our report thereon dated December 5, 2013. The financial statements of North Central Texas College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

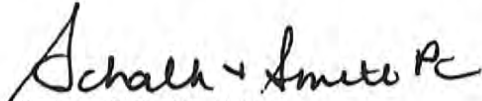
Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Central Texas College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 cursive script that reads "Schalk & Smith P.C.".

Schalk & Smith, P.C.
December 5, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

Report on Compliance for Each Major Federal and State Program

We have audited North Central Texas College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas *Single Audit Circular* that could have a direct and material effect on each of North Central Texas College's major federal and state programs for the year ended August 31, 2013. North Central Texas College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Central Texas College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Single Audit Circular*. Those standards, OMB Circular A-133 and the State of Texas *Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about North Central Texas College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, North Central Texas College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2013.

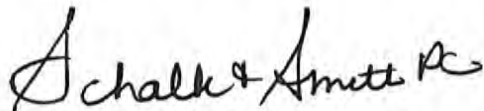
Report on Internal Control Over Compliance

Management of North Central Texas College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Central Texas College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas *Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Central Texas College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas *Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



Schalk & Smith, P.C.
December 5, 2013

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNQUALIFIED

Internal control over financial reporting:

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

Federal & State Awards

Internal control over major programs:

- Material weakness identified? _____yes X no
- Significant deficiency identified? _____yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 or the State of Texas Audit Circular:

_____yes X no

Identification of Major Programs:

Federal:

- Financial Aid Cluster CFDA #84.007; 84.033; 84.063; 84,268
- Carl Perkins Voc. Ed CFDA #84.048A

State:

- Texas Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000
 Auditee qualified as low-risk auditee? X 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, 2013

NONE

OTHER REPORTS



December 5, 2013

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of North Central Texas College for the year ended August 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 5, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Central Texas College are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by North Central Texas College during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the North Central Texas College's financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

There are no sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 5, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the North Central Texas College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues


We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as North Central Texas College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Regents and management of North Central Texas College and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


Schalk & Smith, P.C.