

CENTRAL TEXAS COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

August 31, 2014

CENTRAL TEXAS COLLEGE DISTRICT
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CENTRAL TEXAS COLLEGE DISTRICT

**ORGANIZATIONAL DATA
for the Fiscal Year 2014**

Board of Trustees

<u>Members</u>	<u>City</u>	<u>Term Expires</u>
BG (Ret) Rex Weaver, Chair	Killeen, TX	May, 2017
Jimmy Towers, Vice Chair	Killeen, TX	May, 2019
Elwood H. Shemwell, Treasurer	Copperas Cove, TX	May, 2019
Dr. Scott Isdale, Secretary	Belton, TX	May, 2015
Don R. Armstrong, Member	Killeen, TX	May, 2017
Mari M. Meyer, Member	Harker Heights, TX	May, 2019
William L. Shine, Member	Harker Heights, TX	May, 2015

Key Officers

Thomas D. Klincar, D.A.	Chancellor
Burdette Beebe	Deputy Chancellor, Finance & Administration
Ralph Ford, Ph.D	President, Texas Operations & Online Programs
Dana Watson, Ph.D.	Deputy Chancellor, Academic & Student Services
Jim Yeonopolus	President, Continental & International Operations
Bob Liberty	Comptroller



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CERTIFIED PUBLIC ACCOUNTANTS

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KILLEEN • COPPERAS COVE • TEMPLE

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

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION**

Board of Trustees
Central Texas College District
Killeen, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Central Texas College District, (the College) as of and for the years ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)

Auditor's Responsibility (continued)

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 Central Texas College District as of August 31, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplemental schedules (schedules A through D) as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by 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.

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)**


Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.


Temple, Texas
November 21, 2014

**Central Texas College District
Annual Financial Report
Management’s Discussion and Analysis
For the Year Ended August 31, 2014**

This section of the Central Texas College District (the College) annual financial report presents a discussion and analysis of the financial performance of the College during the fiscal year ended August 31, 2014. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. This discussion and analysis is designed to focus on current activities, resulting change and current known facts. For management’s discussion and analysis, we have presented the previous year’s financial information in order to provide a comparison. The financial statements, footnotes and this discussion are the responsibility of management.

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2014

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

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

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

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

FINANCIAL AND ENROLLMENT HIGHLIGHTS

- Cash and Investment levels increased approximately \$4.3 million or 3.2% from the previous fiscal year.
- The College's total assets remained very similar to the previous fiscal year.
- The college continues to operate multiple federal contracts with revenues in excess of \$14 million. This is a decrease from the previous fiscal year and is primarily due to the loss of an educational services contract in our Europe campus.
- Tuition and Fees were down approximately \$11 million. Several factors contributed to the decrease. Sequestration of the federal government decreased the dollars available for education. In addition the Department of Defense had a temporary suspension of their tuition assistance program. This suspension directly impacted enrollments immediately but in addition it kept many potential military students from enrolling and becoming Central Texas College students.
- Distance Education tuition and fees represent approximately \$19 million or 42% of total tuition and fees. Operating revenues clearly reflect military and distance learning initiatives.
- The College Board of Trustees lowered the local ad valorem tax rate for maintenance and operation from \$.1400/100 in 2013 to \$.1370 in 2014. Due to the continued growth and construction in the college district local ad valorem tax revenue increased slightly even with the reduction in the tax rate. The College's tax rate has decreased or remained constant for more than two decades.

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2014

Statement of Net Position

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

(In Millions)

	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2012</u>
Current assets:				
Cash and short-term investments	\$ 103.0	\$ 98.8	4.3	\$ 121.8
Receivables	16.1	20.4	(21.1)	16.6
Inventory, prepaid expenses and other	<u>2.8</u>	<u>2.9</u>	<u>(3.4)</u>	<u>3.7</u>
Total current assets	121.9	122.1	(.2)	142.1
Non-current assets:				
Restricted Cash	.6	.5	20.0	.1
Long-term investments	36.5	36.5	-	14.2
Notes Receivable	.1	-	115.1	-
Capital assets, net of depreciation	<u>102.0</u>	<u>101.7</u>	<u>.3</u>	<u>95.7</u>
Total non-current assets	<u>139.2</u>	<u>138.7</u>	<u>.4</u>	<u>110.0</u>
Total assets	<u>261.1</u>	<u>260.8</u>	<u>.1</u>	<u>252.1</u>
Current liabilities:				
Accounts payable and accrued liabilities	20.1	20.4	(1.5)	19.3
Unearned revenues	13.7	14.0	(2.1)	16.1
Long-term liabilities - current portion	<u>.3</u>	<u>.3</u>	<u>-</u>	<u>.3</u>
Total current liabilities	34.1	34.7	(1.7)	35.7
Non-current liabilities:				
Long-term liabilities	<u>1.3</u>	<u>1.4</u>	<u>(7.1)</u>	<u>1.3</u>
Total liabilities	35.4	36.1	(1.9)	37.0
Net position				
Invested in capital assets, net of related debt	102.0	101.7	.3	95.7
Restricted	.7	.8	(12.5)	.8
Unrestricted	<u>123.0</u>	<u>122.2</u>	<u>.7</u>	<u>118.6</u>
Total net position	<u>225.7</u>	<u>224.7</u>	<u>.4</u>	<u>215.1</u>
Total liabilities and net position	\$ <u>261.1</u>	\$ <u>260.8</u>	<u>.1</u>	<u>252.1</u>

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2014

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	(In Millions)			
	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2012</u>
Operating revenue:				
Net tuition and fees	\$ 44.6	\$ 55.6	(19.8)	\$ 53.6
Federal Funds	14.4	21.5	(33.0)	28.7
Grants and Contracts	2.0	2.1	(4.8)	2.8
Auxiliary Funds	8.9	9.6	(7.3)	10.6
Other	<u>1.8</u>	<u>1.6</u>	<u>12.5</u>	<u>1.6</u>
Total	71.7	90.4	(20.7)	97.3
Operating expenses	<u>134.5</u>	<u>142.7</u>	<u>(5.7)</u>	<u>144.6</u>
Net operating loss	<u>(62.8)</u>	<u>(52.3)</u>	<u>20.1</u>	<u>(47.3)</u>
Non-operating revenues (expenses)				
State Appropriations	23.9	22.4	6.7	22.7
Local ad valorem taxes	11.4	11.2	1.8	11.2
Federal Revenue, Non Operating	27.5	27.9	(1.4)	28.2
Investment income	<u>1.0</u>	<u>.4</u>	<u>150.0</u>	<u>.7</u>
Total	<u>63.8</u>	<u>61.9</u>	<u>3.1</u>	<u>62.8</u>
Increase in net position	1.0	9.6	(89.6)	15.5
Net position - Beginning of year	<u>224.7</u>	<u>215.1</u>	<u>4.5</u>	<u>199.6</u>
Net position - End of year	\$ <u>225.7</u>	\$ <u>224.7</u>	<u>.4</u>	\$ <u>215.1</u>

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2014

OPERATING EXPENSES (by functional classification)

(In Millions)

	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2012</u>
Instruction	\$ 43.2	\$ 49.1	(12.0)	\$ 53.1
Public service	1.5	1.5	-	1.4
Academic support	9.2	9.5	(3.2)	9.0
Student services	11.6	12.1	(4.1)	12.3
Institutional support	19.8	19.5	1.5	18.1
Operation and maintenance of plant	7.6	7.8	(2.6)	7.5
Depreciation	3.9	4.0	(2.5)	3.5
Scholarships and related expenses	29.7	30.2	(1.7)	30.0
Auxiliary activities	<u>8.0</u>	<u>9.0</u>	<u>(11.1)</u>	<u>9.7</u>
Total Expenses	\$134.5	\$142.7	(5.7)	\$ 144.6

OPERATING EXPENSES (by natural classification)

(In Millions)

	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2012</u>
Salaries and wages	\$ 57.2	\$ 63.0	(9.2)	\$ 65.5
State Benefits	3.1	2.9	6.9	2.8
Local Benefits	13.0	13.3	(2.3)	12.8
Scholarships and related expenses	29.6	30.2	(2.0)	29.9
Supplies and related expenses	27.7	29.4	(5.8)	30.1
Depreciation	<u>3.9</u>	<u>3.9</u>	<u>-</u>	<u>3.5</u>
	\$ 134.5	\$142.7	(5.7)	\$144.6

Salaries and wages, which clearly represent the largest operating expense, decreased slightly from the previous fiscal year which is a direct result of sequestration and the loss of the Europe educational services contract. The college's burden for health insurance and retirement for state eligible employees continues to skyrocket as state funding is limited to a maximum of 50% of actual expenditures.

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2014

STATEMENT OF CASH FLOWS

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

(In Millions)

	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2012</u>
Cash provided by (used in):				
Operating activities	\$(54.0)	\$(51.7)	4.4	\$ (41.3)
Non-capital financing activities	61.6	60.8	1.3	61.5
Capital and related financing activities	(4.2)	(9.9)	(57.6)	(3.1)
Investing activities	<u>.9</u>	<u>(4.9)</u>	<u>(118.4)</u>	<u>(14.4)</u>
Net increase (decrease) in cash	4.3	(5.7)	175.4	2.7
Cash - beginning of year	<u>99.3</u>	<u>105.0</u>	<u>(5.4)</u>	<u>102.3</u>
Cash - end of year	\$103.6	\$ 99.3	4.3	\$ 105.0

Cash flows from operating activities represents the difference in the incoming and outgoing cash for all educational operations while cash flows from non-capital financing activities represents the collections from local ad valorem taxes, State appropriations and federal, non-operating revenue. These two sections remained similar to the previous year. Cash flows from capital and related financing activities represent's the cash paid to contractors during the year for construction projects and for the purchase of other capital assets. The decrease was due to the fact that the only major renovation or construction projects began very late in the fiscal year and the college had very few investments mature during the year so purchases of new investments were down drastically.

CENTRAL TEXAS COLLEGE DISTRICT

Management's Discussion and Analysis

For the Year Ended August 31, 2014

THE YEAR IN REVIEW AND THE WAY AHEAD

As we approach the 50th anniversary of the college's founding, we are reminded of where we have come from and where we are going. This year we were able to add approximately \$1 million to our net position despite the military's substantial reduction in the amount of funding available in tuition assistance. During this year we have undertaken a number of capital projects which has been deferred from previous years as well as repositioning ourselves in the distance learning market.

We will continue to look for greater efficiencies in our operations and transformative initiatives to enhance student success. These initiatives include the development of a virtual one-stop student services center, digitization of faculty, staff and student records for indexing, retrieval and archiving, implementation of an online admission application and related course registration, and continued renovation of facilities and infrastructure which includes classrooms with smart technology.

We have just entered into an agreement with the Killeen Independent School District to begin an early college program on our campus. This early college high school initiative is geared toward providing a more stable future for first-generation college applicants. Students in the program will be able to graduate simultaneously with a high school diploma and a college degree.

To further reduce student costs and enhance student success, we are exploring expanded class schedule offerings to include more classes at night and on weekends, expansion of online course offerings, and expanded adoption of electronic textbooks. Central Texas College will continue to provide our students with quality education at affordable costs.

FINANCIAL STATEMENTS

**CENTRAL TEXAS COLLEGE DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014 and AUGUST 31, 2013**

Exhibit 1

ASSETS	FISCAL YEAR		FISCAL YEAR	
	2014		2013	
Current Assets				
Cash and Cash Equivalents	\$	102,968,894	\$	98,786,777
Accounts Receivable (net)		16,116,391		20,467,723
Inventories		2,443,535		2,482,430
Prepaid Expenses		362,599		397,658
Total Current Assets		<u>121,891,419</u>		<u>122,134,588</u>
Noncurrent Assets				
Restricted Cash and Cash Equivalents		638,749		531,000
Other Long-Term Investments		36,549,205		36,476,382
Notes Receivable		66,558		30,942
Capital Assets (net) (See Note 6)		101,954,265		101,637,247
Total Noncurrent Assets		<u>139,208,777</u>		<u>138,675,571</u>
Total Assets		<u>261,100,196</u>		<u>260,810,159</u>
 LIABILITIES				
Current Liabilities				
Accounts Payable		3,739,818		4,685,074
Accrued Liabilities		15,912,261		15,433,939
Accrued Compensable Absences-Current Portion		337,782		345,813
Funds Held for Others		432,594		336,850
Unearned Revenues		13,667,963		13,963,820
Total Current Liabilities		<u>34,090,418</u>		<u>34,765,496</u>
Noncurrent Liabilities				
Accrued Compensable Absences		1,351,127		1,383,254
Total Noncurrent Liabilities		<u>1,351,127</u>		<u>1,383,254</u>
Total Liabilities		<u>35,441,545</u>		<u>36,148,750</u>
 NET POSITION				
Invested in Capital Assets, Net of Related Debt		101,954,265		101,637,247
Restricted for:				
Scholarships and Grants		697,054		797,181
Unrestricted		123,007,332		122,226,981
Total Net Position (Schedule D)	\$	<u>225,658,651</u>	\$	<u>224,661,409</u>

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

**CENTRAL TEXAS COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2014**

Exhibit 1 - A

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Assets				
Cash & Cash Equivalents	\$ 48,767	\$ 18,949	\$ 14,708	\$ 82,424
Investments		723,094	5,825,691	6,548,785
CSV - Life Insurance		93,884		93,884
Total Assets	<u>48,767</u>	<u>835,927</u>	<u>5,840,399</u>	<u>6,725,093</u>
Liabilities				
Accounts Payable	351	26,538	147,925	174,814
Total Liabilities	<u>351</u>	<u>26,538</u>	<u>147,925</u>	<u>174,814</u>
Net Position				
Unrestricted	48,416			48,416
Temporarily Restricted		809,389		809,389
Permanently Restricted			5,692,474	5,692,474
Total Net Position	<u>\$ 48,416</u>	<u>\$ 809,389</u>	<u>\$ 5,692,474</u>	<u>\$ 6,550,279</u>

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

CENTRAL TEXAS COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended August 31, 2014 and August 31, 2013

Exhibit 2

	<u>FISCAL YEAR 2014</u>	<u>FISCAL YEAR 2013</u>
Operating Revenues		
Tuition and Fees (Net)	\$ 44,626,464	\$ 55,626,692
Federal Grants and Contracts	14,372,578	21,454,391
State Grants and Contracts	713,654	680,446
Non-Governmental Grants and Contracts	1,313,346	1,428,002
Sales of Services of Educational Activities	391,458	426,565
Auxiliary Enterprises (net of discounts)	8,883,565	9,585,739
General Operating Revenues	<u>1,461,254</u>	<u>1,194,535</u>
Total Operating Revenues (Schedule A)	<u>71,762,319</u>	<u>90,396,370</u>
 Operating Expenses		
Instruction	43,157,481	49,098,495
Public Service	1,550,326	1,504,148
Academic Support	9,201,209	9,546,565
Student Services	11,644,559	12,117,520
Institutional Support	19,834,504	19,445,570
Operation and Maintenance of Plant	7,649,127	7,767,449
Scholarships and Fellowships	29,646,651	30,249,163
Auxiliary Enterprises	7,969,714	9,030,153
Depreciation	<u>3,863,743</u>	<u>3,942,448</u>
Total Operating Expenses (Schedule B)	<u>134,517,314</u>	<u>142,701,511</u>
Operating Loss	<u>(62,754,995)</u>	<u>(52,305,141)</u>
 Non-Operating Revenues (Expenses)		
State Appropriations	23,856,120	22,415,386
Ad Valorem Taxes (Net)	11,447,915	11,191,987
Federal Revenue, Non Operating	27,530,972	27,851,764
Investment Income	961,207	435,339
Other Non-Operating Revenues (Expenses)	<u>(43,977)</u>	<u>(10,651)</u>
Net Non-Operating Revenues (Schedule C)	<u>63,752,237</u>	<u>61,883,825</u>
 Increase in Net Position	<u>997,242</u>	<u>9,578,684</u>
 Net Position		
Net Position - Beginning of Year as restated (Note 2)	<u>224,661,409</u>	<u>215,082,725</u>
Net Position - End of Year	<u>\$ 225,658,651</u>	<u>\$ 224,661,409</u>

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

**CENTRAL TEXAS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014**

Exhibit 2-A

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenues, Gains and Other Support				
Contributions	\$ 70,463	\$ 75,533	\$ 117,111	\$ 263,107
Donated Administrative Support	215,297			215,297
Interest Income		1,697	79,122	80,819
Unrealized/Realized Gains(Loss) on Investment		6,278	872,339	878,617
Other Income		16,717	26,409	43,126
Total Revenues, Gains, Other Support	<u>285,760</u>	<u>100,225</u>	<u>1,094,981</u>	<u>1,480,966</u>
Expenses				
Program				
Scholarships Awarded		26,200	148,225	174,425
Support				
College Support		101,057		101,057
Fund Raising	32,047			32,047
Donated Administrative Support	215,297			215,297
Total Expenses	<u>247,344</u>	<u>127,257</u>	<u>148,225</u>	<u>522,826</u>
Changes in Net Position	38,416	(27,032)	946,756	958,140
Net Position at Beginning of Period	47,917	845,457	4,698,765	5,592,139
Transfers	(37,917)	(9,036)	46,953	
Net Position at End of Period	<u>\$ 48,416</u>	<u>\$ 809,389</u>	<u>\$ 5,692,474</u>	<u>\$ 6,550,279</u>

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

**CENTRAL TEXAS COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
Years Ended August 31, 2014 and August 31, 2013**

Exhibit 3

	Fiscal Year 2014	Fiscal Year 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 44,485,498	\$ 51,514,434
Receipts from grants and contracts	20,045,189	20,149,793
Payments to suppliers for goods and services	(27,647,200)	(26,444,619)
Payments to or on behalf of employees	(72,631,364)	(78,590,610)
Payments for scholarships and fellowships	(29,548,788)	(30,147,470)
Payments for loans issued to students	(84,132)	(65,822)
Receipts from collection of loans to students	54,709	67,431
Other receipts (payments)	11,278,942	11,786,738
Net cash (used) by operating activities	<u>(54,047,146)</u>	<u>(51,730,125)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	23,197,277	21,664,335
Receipts from Ad valorem taxes	11,626,081	11,370,375
Receipts from non operating federal revenue	26,932,431	28,266,869
Payments for collection of taxes	(178,166)	(178,388)
Receipts from student organizations and other agency transactions	10,896,578	12,879,875
Payments to student organizations and other agency transactions	(10,800,834)	(13,164,901)
Other receipts (payments)	(11,342)	(3,074)
Net cash provided (used) by non-capital financing activities	<u>61,662,025</u>	<u>60,835,091</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of capital assets	7,023	12,949
Purchases of capital assets	(4,220,419)	(9,876,362)
Net cash provided (used) by capital and related financing activities	<u>(4,213,396)</u>	<u>(9,863,413)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	6,939,346	33,417,959
Receipts from interest on investments	961,207	435,339
Purchases of investments	(7,012,170)	(38,796,593)
Net cash provided (used) by investing activities	<u>888,383</u>	<u>(4,943,295)</u>
Increase (decrease) in cash and cash equivalents	<u>4,289,866</u>	<u>(5,701,742)</u>
Cash and cash equivalents-September 1	99,317,777	105,019,519
Cash and cash equivalents-August 31	<u>\$ 103,607,643</u>	<u>\$ 99,317,777</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (62,754,995)	\$ (52,305,141)
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation expense	3,863,743	3,942,448
Payments made directly by state for benefits	658,843	751,051
Changes in assets and liabilities		
Receivables (net)	4,949,873	(4,318,234)
Inventories	38,895	577,275
Prepaid expenses	35,058	228,548
Accounts payable	(945,255)	1,117,985
Accrued liabilities	478,322	283,302
Compensated absences	(40,158)	114,867
Deferred revenues	(295,857)	(2,122,184)
Other Assets	(35,615)	(42)
Net cash provided (used) by operating activities	<u>\$ (54,047,146)</u>	<u>\$ (51,730,125)</u>

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

CENTRAL TEXAS COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2014

1. Reporting Entity

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

2. Summary of Significant Accounting Policies

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants

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

Title IV, Higher Education Act Program Funds

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

is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

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

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

CTCD's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

Investments

In accordance with GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

Inventories consist of consumable office supplies, physical plant supplies and bookstore stock. Inventories are valued by the first in, first out method and are charged to expense as consumed.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, CTCD's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

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

Unearned Revenue

Tuition and fees of \$13,667,963 and \$13,963,820 have been reported as unearned revenues at August 31, 2014 and August 31, 2013 respectively.

Related Intra-District Transactions

In order to provide effective and efficient operation and management of the various operating units and campuses of CTCD, policy, executive direction, and administrative control functions are performed by the Central Texas College Systems. Each campus shares the cost of operation of this administrative function.

Similarly, each Continental and International Campus shares the administrative costs associated with the operation of a specific educational program at that campus.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing

operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of food service is not performed by the College.

Prior Year Restatement

The college determined that Accounts Receivable reported for August 31, 2012 was overstated. This resulted from an accounting error where an entry was posted in reverse. As a result, accounts receivable and tuition and fee revenue were both overstated by \$1,915,094. The correction to this error has resulted in a restatement of the Exhibits 1 and 2 for August 31, 2012.

Net Position as of 8/31/12 as originally presented	\$ 216,997,819
Restatement for Accounts Receivable	<u>(1,915,094)</u>
Net Position as of 8/31/12 as restated	<u>\$ 215,082,725</u>

3. Authorized Investments

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

4. Deposits and Investments

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

Cash and Deposits

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>
Bank Deposits		
Demand Deposits	\$ <u>3,003,312</u>	\$ <u>2,279,638</u>
	3,003,312	2,279,638
Cash and Cash Equivalents		
Petty Cash on Hand	21,992	22,333
Certificates of Deposit	61,017,552	60,000,000
Tex Pool	23,050,982	24,536,812
Tex Star	3,206,703	3,205,566
Texas Term	7,171,794	9,168,788
Lone Star	6,004,268	
Corporate Stock	<u>131,040</u>	<u>104,640</u>
	<u>100,604,331</u>	<u>97,038,139</u>
Total Cash and Deposits	<u>\$103,607,643</u>	<u>\$ 99,317,777</u>

Reconciliation of Deposits and Investments to Exhibit 1

	<u>Market Value</u> <u>August 31, 2014</u>	<u>Market Value</u> <u>August 31, 2013</u>
U.S. Government Securities	\$ 27,931,750	\$ 27,760,050
Municipal Obligations	6,589,955	6,690,394
U.S. State Agency Securities	<u>2,027,500</u>	<u>2,025,938</u>
Totals	<u>36,549,205</u>	<u>36,476,382</u>
Total Cash and Deposits	103,607,643	99,317,777
Total Investments	<u>36,549,205</u>	<u>36,476,382</u>
Total Deposits and Investments	<u>140,156,848</u>	<u>135,794,159</u>
Cash and Cash Equivalents (Exhibit 1)	102,968,894	98,786,777
Restricted Cash (Exhibit 1)	638,749	531,000
Investments (Exhibit 1)	<u>36,549,205</u>	<u>36,476,382</u>
Total Deposits and Investments	<u>\$140,156,848</u>	<u>\$ 135,794,159</u>

Reconciliation of Deposits and Investments to Exhibit 1-A

	Market Value <u>August 31, 2014</u>	Market Value <u>August 31, 2013</u>
Uncategorized Investments		
Common Fund - Bond Fund	\$ 1,437,958	\$ 1,325,528
Common Fund - Equity Fund	4,082,903	3,260,802
Common Fund - Fixed Income	381,785	690,888
Common Fund - Real Estate Securities Fund	<u>646,139</u>	<u>306,919</u>
Totals	<u>6,548,785</u>	<u>5,584,137</u>
Total Cash and Deposits	82,424	81,337
Total Investments	<u>6,548,785</u>	<u>5,584,137</u>
Total Deposits and Investments	<u>6,631,209</u>	<u>5,665,474</u>
Cash and Cash Equivalents (Exhibit 1-A)	82,424	81,337
Investments (Exhibit 1- A)	<u>6,548,785</u>	<u>5,584,137</u>
Total Deposits and Investments	\$ <u>6,631,209</u>	\$ <u>5,665,474</u>

As of August 31, 2014 CTCD had the following investments and maturities:

	<u>Fair Value</u>	Investment Maturities (in Years)		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>
U.S. Government Securities	\$ 27,931,750	\$	\$12,504,350	\$ 15,427,400
Municipal Obligations	6,589,955	4,302,188	2,287,767	
U.S. State Agency Securities	<u>2,027,500</u>		<u>2,027,500</u>	
Total Fair Value	<u>\$ 36,549,205</u>	<u>\$ 4,302,188</u>	<u>\$16,819,617</u>	<u>\$ 15,427,400</u>

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

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

Concentration of Credit Risk CTCD does not place a limit on the amount that may be invested in any one issuer. More than 5% of CTCD's investments are in FNMA (55%), FHLMC (18%), Frisco Texas Municipal Obligation (11%) and Texas Transportation Commission (6%) and Ft Worth, ISD (5%).

5. Derivatives

None

6. Capital Assets

Capital assets activity for the year ended August 31, 2014 was as follows:

	<u>Balance as of</u> <u>September 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance as of</u> <u>August 31, 2014</u>
<u>Not Depreciated:</u>				
Land	\$ 896,168			896,168
Construction in Progress	<u>9,279,771</u>	<u>778,063</u>	<u>9,279,771</u>	<u>778,063</u>
Subtotal	<u>10,175,939</u>	<u>778,063</u>	<u>9,279,771</u>	<u>1,674,231</u>
<u>Buildings and Other</u>				
<u>Capital Assets:</u>				
Buildings	116,156,217	10,589,967		126,746,184
Land Improvements	<u>9,636,104</u>	<u>728,804</u>		<u>10,364,908</u>
Total Buildings and Other				
Real Estate Improvements	125,792,321	11,318,771		137,111,092
Library Books	2,232,513	49,771	157,270	2,125,014
Furniture, Machinery, Vehicles, & Other Equipment	10,011,055	592,462	451,885	10,151,632
Telecommunications & Peripheral Equipment	<u>9,201,506</u>	<u>761,123</u>	<u>709,333</u>	<u>9,253,296</u>
Total Buildings and Other Capital Assets	<u>147,237,395</u>	<u>12,722,127</u>	<u>1,318,488</u>	<u>158,641,034</u>
<u>Accumulated Depreciation:</u>				
Buildings	(34,558,547)	(2,150,106)		(36,708,653)
Land Improvements	<u>(4,559,675)</u>	<u>(428,068)</u>		<u>(4,987,743)</u>
Total Buildings and Other				
Real Estate Improvements	(39,118,222)	(2,578,174)		(41,696,396)
Library Books	(2,104,430)	(39,955)	157,270	(1,987,115)
Furniture, Machinery, Vehicles & Other Equipment	(6,950,697)	(547,029)	439,650	(7,058,076)
Telecommunications & Peripheral Equipment	<u>(7,602,738)</u>	<u>(698,585)</u>	<u>681,910</u>	<u>(7,619,413)</u>
Total Accumulated Depr	<u>(55,776,087)</u>	<u>(3,863,743)</u>	<u>1,278,830</u>	<u>(58,361,000)</u>
Net Capital Assets	\$ <u>101,637,247</u>	<u>9,636,447</u>	<u>(9,319,429)</u>	<u>101,954,265</u>

Capital assets activity for the year ended August 31, 2013 was as follows:

	Balance as of <u>September 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance as of <u>August 31, 2013</u>
<u>Not Depreciated:</u>				
Land	\$ 896,168			896,168
Construction in Progress	<u>1,050,425</u>	<u>8,365,059</u>	<u>135,713</u>	<u>9,279,771</u>
Subtotal	<u>1,946,593</u>	<u>8,365,059</u>	<u>135,713</u>	<u>10,175,939</u>
<u>Buildings and Other</u>				
<u>Capital Assets:</u>				
Buildings	115,882,319	273,898		116,156,217
Land Improvements	<u>9,636,104</u>			<u>9,636,104</u>
Total Buildings and Other				
Real Estate Improvements	125,518,423	273,898		125,792,321
Library Books	2,186,149	59,213	12,849	2,232,513
Furniture, Machinery, Vehicles, & Other Equipment	9,283,970	850,134	123,049	10,011,055
Telecommunications & Peripheral Equipment	<u>8,789,231</u>	<u>511,025</u>	<u>98,750</u>	<u>9,201,506</u>
Total Buildings and Other Capital Assets	<u>145,777,773</u>	<u>1,694,270</u>	<u>234,648</u>	<u>147,237,395</u>
<u>Accumulated Depreciation:</u>				
Buildings	(32,469,708)	(2,088,839)		(34,558,547)
Land Improvements	<u>(4,134,340)</u>	<u>(425,335)</u>		<u>(4,559,675)</u>
Total Buildings and Other				
Real Estate Improvements	(36,604,048)	(2,514,174)		(39,118,222)
Library Books	(2,060,410)	(44,020)		(2,104,430)
Furniture, Machinery, Vehicles & Other Equipment	(6,403,900)	(654,291)	107,494	(6,950,697)
Telecommunications & Peripheral Equipment	<u>(6,932,149)</u>	<u>(729,963)</u>	<u>59,374</u>	<u>(7,602,738)</u>
Total Accumulated Depr	<u>(52,000,507)</u>	<u>(3,942,448)</u>	<u>166,868</u>	<u>(55,776,087)</u>
Net Capital Assets	\$ <u>95,723,859</u>	<u>6,116,881</u>	<u>(203,493)</u>	<u>101,637,247</u>

7. Non- Current Liabilities

Non-Current liability activity for the year ended August 31, 2014 was as follows:

	Balance <u>September 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>August 31, 2014</u>	<u>Current</u>
Accrued compensable absences	<u>1,729,067</u>	<u>109,051</u>	<u>149,209</u>	<u>1,688,909</u>	<u>337,782</u>
Total Non-Current liabilities	\$ <u>1,729,067</u>	<u>109,051</u>	<u>149,209</u>	<u>1,688,909</u>	<u>337,782</u>

Non-Current liability activity for the year ended August 31, 2013 was as follows:

	Balance September 1, 2012	Additions	Reductions	Balance August 31, 2013	Current
<u>Accrued compensable absences</u>	<u>1,614,200</u>	<u>148,047</u>	<u>33,180</u>	<u>1,729,067</u>	<u>345,813</u>
Total Non-Current liabilities	\$ <u>1,614,200</u>	<u>148,047</u>	<u>33,180</u>	<u>1,729,067</u>	<u>345,813</u>

8. Debt and Lease Obligations

None.

9. Bonds Payable

None.

10. Advance Refunding Bonds

None.

11. Defeased Bonds Outstanding

None.

12. Short - Term Debt

None.

13. Employees' Retirement Plan

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

Teacher Retirement System of Texas

Plan Description. The CTCD contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. The TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions 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. The 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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% 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 the particular action, the time required to amortize TRS's 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% for fiscal years 2014 and 2013 and a state contribution rate of 6.8% for fiscal year 2014 and 6.4% for fiscal year 2013. Senate Bill (S.B.) 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentage of participant salaries currently contributed by the state and each participant are 6.6 and 6.65%, respectively. CTCD contributes 1.9% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the CTCD was \$916,297 and \$1,242,373 for the fiscal years ended August 31, 2014 and August 31, 2013 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of CTCD.

The total payroll for all College employees was \$57,220,308 and \$62,976,458 for fiscal years 2014 and 2013, respectively. The total payroll of employees covered by the Teacher Retirement System was \$36,315,879 and \$37,648,405 and the total compensation of employees covered by the Optional Retirement System was \$8,664,517 and \$8,992,324 for fiscal years 2014 and 2013, respectively.

Additionally, substantially all employees of CTCD participate in a defined contribution pension program which is subject to the provisions of the Employment Retirement Income Security Act of 1974, as amended. Participating employees are required to contribute 6% of covered compensation, while CTCD contributes 7%. Total employer contributions made by CTCD during the years ending August 31, 2014 and 2013 were \$2,638,246 and \$2,707,973 respectively. In July 1991, CTCD implemented a supplemental retirement program to comply with the

Omnibus Budget Reconciliation Act of 1990. All part-time employees are required to contribute 3.75% of covered compensation while CTCD contributes 3.75%. Total employer contributions made by CTCD during the year ending August 31, 2014 and 2013, were \$359,070 and \$493,756 respectively.

14. Deferred Compensation Program

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government code 609.001. As of August 31, 2014, the CTCD had no employees participating in the program and no payroll deductions had been invested in approved plans.

15. Compensable Absences

Full-time employees earn annual leave from .83 to 2.08 days per month depending on the number of years employed with the CTCD. CTCD's policy is that an employee may carry their accrued leave forward from one fiscal year to another fiscal year with a maximum number of days up to 50 for those employees with 20 or more years of service. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. CTCD recognized the accrued liability for the unpaid annual leave in the amounts of \$1,688,909 and \$1,729,067 for fiscal year 2014 and fiscal year 2013. Sick leave, which can be accumulated up to 480 hours, is earned at the rate of 8 hours per month. It is paid to an employee who misses work from illness. Employees are not entitled to payment for accumulated sick leave upon termination. CTCD's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave is minimal.

16. Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time active was \$503.14 per month for the year ended August 31, 2014 (\$470.38 per month for Fiscal Year 2013) and totaled \$2,201,890 for Fiscal Year 2014 (\$1,662,663 for the year ended 2013). The cost to the state of providing those benefits for 203 retirees in the year ended August 31, 2014 was \$1,334,304 (retiree benefits for 190 retirees cost \$1,210,083 in Fiscal Year 2013). For 458 active employees, the cost of providing benefits was \$867,586 for the Year ended August 31, 2014 (active employee benefits for 403 employees cost \$452,580 for the Year ended August 31, 2013). S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

17. Postemployment Benefits Other than Pensions

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

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

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

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. 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.

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

The college's contributions to SRHP for the years ended August 31, 2014, 2013, and 2012, were \$897,089, \$858,084, and \$808,008, respectively, which equaled the required contributions each year.

18. Pending Lawsuits and Claims

On August 31, 2014, various claims involving CTCD were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided by insurance or otherwise, is not likely to have a material effect on the College.

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

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

Receivables

Receivables at August 31, 2014 and August 31, 2013 were as follows:

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>
Student Receivables	\$ 9,096,816	\$ 9,884,859
Taxes Receivable	320,920	332,164
Federal Receivables	9,180,641	12,755,856
Accounts Receivable	1,222,977	1,019,269
Interest Receivable	<u>474,868</u>	<u>460,293</u>
Subtotal	<u>20,296,222</u>	<u>24,452,441</u>
Allowance for Doubtful Accounts	<u>(4,179,831)</u>	<u>(3,984,718)</u>
TOTAL RECEIVABLES	\$ <u>16,116,391</u>	\$ <u>20,467,723</u>

Payables

Payables at August 31, 2014 and August 31, 2013, were as follows:

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>
Vendors Payable	\$ 3,739,818	\$ 4,685,074
Salaries & Benefits Payable	<u>15,912,261</u>	<u>15,433,939</u>
TOTAL PAYABLES	\$ <u>19,652,079</u>	\$ <u>20,119,013</u>

20. Funds Held in Trust by Others

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

21. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2014 and 2013 for which monies have not been received nor funds expended total \$29,593,662 and \$48,884,901. Of these amounts, \$29,204,496 and \$48,540,667 were from Federal Contract and Grant Awards, and \$389,166 and \$344,234 were from State Contract and Grant Awards.

22. Self Insured Plans

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

23. Ad Valorem Taxes

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

At August 31:

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>
Assessed Valuation of the District:	\$9,591,932,229	\$9,147,531,675
Less: Exemptions	<u>1,111,803,542</u>	<u>1,035,373,661</u>
Net Assessed Valuation of the District	\$8,480,128,687	\$8,112,158,014

	FY 2014			FY 2013		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized Tax Rate per \$100 valuation (Maximum per enabling legislation)	.25	.25	.50	.25	.25	.50
Assessed Tax Rate per \$100 valuation	.1370	-0-	.1370	.1400	-0-	.1400

Taxes levied for the year ended August 31, 2014 and 2013 are \$11,617,776 and \$11,357,021 respectively, (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed.

Taxes Collected	FY 2014			FY 2013		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes Collected	\$11,460,688		\$11,460,688	\$11,219,995		\$11,219,995
Delinquent Taxes Collected	86,990		86,990	76,937		76,937
Penalties and Interest Collected	78,403		78,403	73,443		73,443
Total Gross Collections	11,626,081		11,626,081	11,370,375		11,370,375
Tax Appraisal & Collection Fees	(178,166)		(178,166)	(178,388)		(178,388)
Bad Debt Expense						
Total Net Collections	\$11,447,915		\$11,447,915	\$11,191,987		\$11,191,987

Tax collections for the year ended August 31, 2014 and 2013 were 98.6% and 98.8%, respectively of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or general obligation debt service.

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

	Percentage of Incremental Tax Committed	Taxes Forgone in 2014	Taxes Forgone in 2013
Killeen Tax Increment Reinvestment Zone number Two	100%	\$ 9,473	\$ 7,656

24. Branch Campus Maintenance Tax

N/A

25. Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. CTCD had no unrelated business income tax liability for the year ended August 31, 2014 and 2013.

26. Component Units

Central Texas College Foundation - Discrete Component Unit

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

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

27. Related Parties (Not a Component Unit)

The CTC Employee's Pension Plan and Trust provided certain services on behalf of the CTCD during the year ended August 31, 2014. The Employee's Pension Plan and Trust serves as fiduciary for the CTCD's defined contribution pension programs. The members of Trust are employees of the District who do not receive any additional compensation or incur any expenses.

28. Subsequent Accounting Pronouncements

GASB statement No. 68, Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27, was issued June of 2012 and will apply to the District's financial statements beginning with the year ended August 31, 2015. This statement will require the District to recognize a liability for its proportionate share of net pension liability.

SUPPLEMENTAL SCHEDULES

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF OPERATING REVENUES

For the Year Ended August 31, 2014 (With Memorandum Totals for the Year Ended August 31, 2013)

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL EDUCATIONAL ACTIVITIES</u>	<u>AUXILIARY ENTERPRISES</u>	<u>FY 2014 TOTAL</u>	<u>FY 2013 TOTAL</u>
Tuition						
State Funded Courses :						
In-District Resident Tuition	\$ 9,897,205	\$	\$ 9,897,205	\$	\$ 9,897,205	\$ 10,553,702
Out-of-District Tuition	3,425,955		3,425,955		3,425,955	3,375,523
Non-resident Tuition	24,743,012		24,743,012		24,743,012	28,270,003
TPEG (set aside) *	1,023,865		1,023,865		1,023,865	1,092,943
Continuing Education	56,606		56,606		56,606	53,460
Non-State Funded :						
Continuing Education	34,813		34,813		34,813	36,644
C & I and API Operations	12,667,947		12,667,947		12,667,947	18,665,262
Total Tuition	<u>51,849,403</u>		<u>51,849,403</u>		<u>51,849,403</u>	<u>62,047,537</u>
Fees						
Other Fees	1,476,402		1,476,402		1,476,402	2,044,140
Total Fees	<u>1,476,402</u>		<u>1,476,402</u>		<u>1,476,402</u>	<u>2,044,140</u>
Allowances and Discounts						
Remissions and Exemptions-State	(760,857)		(760,857)		(760,857)	(706,022)
Title IV Federal Grants	(7,677,004)		(7,677,004)		(7,677,004)	(7,484,837)
TPEG awards	(258,883)		(258,883)		(258,883)	(270,241)
Other State Grants	(2,597)		(2,597)		(2,597)	(3,885)
Total Allowances and Discounts	<u>(8,699,341)</u>		<u>(8,699,341)</u>		<u>(8,699,341)</u>	<u>(8,464,985)</u>
Total Net Tuition and Fees	<u>44,626,464</u>		<u>44,626,464</u>		<u>44,626,464</u>	<u>55,626,692</u>
Additional Operating Revenues						
Federal Grants and Contracts	13,335,120	1,037,458	14,372,578		14,372,578	21,454,391
State Grants and Contracts	89,087	624,567	713,654		713,654	680,446
Nongovernmental grants and contracts	881,486	431,860	1,313,346		1,313,346	1,428,002
Sales and services of educational activities	391,458		391,458		391,458	426,565
General operating revenues	1,461,254		1,461,254		1,461,254	1,194,535
Total Additional Operating Revenue	<u>16,158,405</u>	<u>2,093,885</u>	<u>18,252,290</u>		<u>18,252,290</u>	<u>25,183,939</u>
Auxiliary Enterprises						
Bookstore				11,350,004	11,350,004	12,474,388
Less Discounts				(3,189,975)	(3,189,975)	(3,591,434)
Student Housing				693,814	693,814	664,209
Less Discounts				(88,771)	(88,771)	(89,821)
Planetarium				118,493	118,493	128,397
Total Net Auxiliary Enterprises				<u>8,883,565</u>	<u>8,883,565</u>	<u>9,585,739</u>
Total Operating Revenues	<u>\$ 60,784,869</u>	<u>\$ 2,093,885</u>	<u>\$ 62,878,754</u>	<u>\$ 8,883,565</u>	<u>\$ 71,762,319</u> (Exhibit 2)	<u>\$ 90,396,370</u> (Exhibit 2)

* In accordance with Education Code 56.033, \$1,023,865 and \$1,092,943 for years August 31, 2014 and 2013, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

CENTRAL TEXAS COLLEGE DISTRICT
 SCHEDULE OF OPERATING EXPENSES BY OBJECT
 Year Ended August 31, 2014 (with Memorandum Totals for the Year Ended August 31, 2013)

Schedule B

	Operating Expenses			Fiscal Year 2014	Fiscal Year 2013	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 30,306,207	\$ 4,602,321	\$ 6,463,629	\$ 41,372,157	\$ 47,803,407	
Public Service	585,168	187,216	777,942	1,550,326	1,504,148	
Academic Support	5,928,516	1,401,126	1,653,294	8,982,936	9,410,969	
Student Services	7,570,807	1,587,155	1,388,715	10,546,677	10,913,459	
Institutional Support	8,782,462	3,885,305	5,950,644	18,618,411	17,828,699	
Operation and Maintenance of Plant	2,506,738	922,780	4,219,609	7,649,127	7,767,449	
Total Unrestricted Educational Activities	<u>55,679,898</u>	<u>12,585,903</u>	<u>20,453,833</u>	<u>88,719,634</u>	<u>95,228,131</u>	
Restricted-Educational Activities						
Instruction	322,301	1,247,275	75,490	1,785,324	1,295,088	
Public Service						
Academic Support		218,273		218,273	135,596	
Student Services	283,174	436,546	61,735	1,097,882	1,204,061	
Institutional Support		1,216,093		1,216,093	1,616,871	
Operation and Maintenance of Plant						
Scholarships and Fellowships	96,398		1,465	29,646,651	30,249,163	
Total Restricted Educational Activities	<u>701,873</u>	<u>3,118,187</u>	<u>138,690</u>	<u>33,964,223</u>	<u>34,500,779</u>	
Total Educational Activities	<u>56,381,771</u>	<u>3,118,187</u>	<u>12,724,593</u>	<u>122,683,857</u>	<u>129,728,910</u>	
Auxiliary Enterprises	838,537		227,383	7,969,714	9,030,153	
Depreciation Expense-Buildings and other real estate improvements			2,618,129	2,618,129	2,558,194	
Depreciation Expense-Equipment and furniture			1,245,614	1,245,614	1,384,254	
Total Operating Expenses	<u>\$ 57,220,308</u>	<u>\$ 3,118,187</u>	<u>\$ 12,951,976</u>	<u>\$ 134,517,314</u>	<u>\$ 142,701,511</u>	
				(Exhibit 2)	(Exhibit 2)	

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
Year Ended August 31, 2014 (with Memorandum Totals for the Year Ended August 31, 2013)

Schedule C

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>FY 2014 Total</u>	<u>FY 2013 Total</u>
NON-OPERATING REVENUES					
State Appropriations					
Education and general state support	\$ 20,642,249		\$	\$ 20,642,249	\$ 19,510,350
Dramatic enrollment growth					
State group insurance		2,201,890		2,201,890	1,662,663
State retirement matching		916,297		916,297	1,242,373
Professional nursing shortage reduction		95,684		95,684	
Total state appropriations	<u>20,642,249</u>	<u>3,213,871</u>		<u>23,856,120</u>	<u>22,415,386</u>
Maintenance ad valorem taxes	11,447,915			11,447,915	11,191,987
Federal revenue, non operating		27,530,972		27,530,972	27,851,764
Gain on disposal of capital assets	6,960			6,960	100
Investment income	961,207			961,207	435,339
Other					
Total non-operating revenues	33,058,331	30,744,843		63,803,174	61,894,576
NON-OPERATING EXPENSES					
Loss on disposal of capital assets	39,595			39,595	7,677
Other	11,342			11,342	3,074
Total non-operating expenses	50,937			50,937	10,751
Net non-operating revenues	\$ 33,007,394	30,744,843		63,752,237	61,883,825
				(Exhibit 2)	(Exhibit 2)

CENTRAL TEXAS COLLEGE DISTRICT
 SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
 Year Ended August 31, 2014 (with Memorandum Totals for the Year Ended August 31, 2013)

Schedule D

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ 68,779,774	\$	\$	\$ 68,779,774	\$ 68,779,774	\$	
Board Designated	54,225,930			54,225,930	54,225,930		
Restricted		697,054		697,054	697,054		
Loan	1,628			1,628			1,628
Plant							
Investment in Plant				101,954,265	101,954,265		101,954,265
Total Net Position, August 31, 2014	123,007,332	697,054		101,954,265	225,658,651 (Exhibit 1)	123,702,758	101,955,893
Total Net Position, August 31, 2013	122,226,981	797,181		101,637,247	224,661,409 (Exhibit 1)	123,014,830	101,646,579
Net Increase (Decrease) in Net Position	\$ 780,351	\$ (100,127)	\$	\$ 317,018	\$ 997,242 (Exhibit 2)	\$ 687,928	\$ 309,314

CENTRAL TEXAS COLLEGE DISTRICT

Schedule E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2014

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
U.S. DEPARTMENT OF LABOR:			
Texas Workforce Commission			
WIA Title V Incentive Grants	17.267	2913WSW001	101,973
Total U.S. Department of Labor			<u>101,973</u>
U.S. DEPARTMENT OF EDUCATION:			
Direct Programs:			
Student Financial Aid Cluster			
Supplemental Educational Opportunity Grant Program	84.007		132,000
Federal College Work-study Program	84.033		56,200
Federal Pell Grant Program	84.063		27,374,370
Direct Loans	84.268		10,560,534
Subtotal Student Financial Aid Cluster			<u>38,123,104</u>
Upward Bound	84.047		3,724
Pass-Through From:			
Texas Workforce Commission			
Adult Education	84.002	2164ABE000	245,780
Adult Education-Correctional	84.002	2164ABE000	23,904
Subtotal CFDA			<u>269,684</u>
Texas Higher Education Coordinating Board:			
Carl D. Perkins Funds-Basic	84.048A	142028	497,341
Carl D. Perkins Funds-Leadership	84.048A	R14078	107,395
Subtotal CFDA			<u>604,736</u>
Total U.S. Department of Education			<u>39,001,248</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-Through From:			
Texas Education Agency			
Temporary Assistance to Needy Families	93.558	336250108	1,430
Subtotal CFDA			<u>1,430</u>
Texas Workforce Commission			
Temporary Assistance to Needy Families	93.558	2614ABE001	62,668
Subtotal CFDA			<u>62,668</u>
Total U. S. Department of Health and Human Services			<u>64,098</u>
Total Federal Financial Assistance			\$ <u><u>39,167,319</u></u>

Notes to Schedule on Following Page

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE E (Continued)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2014

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts revenue-per Schedule A	\$	14,372,578
Add Non Operating Federal Revenue from Schedule C		27,530,972
Add Direct Loans		10,560,534
Less Expenditures Not Subject to Federal Single Audit		<u>(13,296,765)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$	<u><u>39,167,319</u></u>

Note 2: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the college for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The college has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures not subject to federal single audit.

CTCD receives amounts under contractual agreements with various U.S. military and other organizations for training programs and other services provided that are not subject to OMB-133 audits and therefore are not included in the above Federal schedule.

Note 4: Student Loans Processed and Administrative Costs Recovered

None

Note 5: Nonmonetary federal assistance received

None

Note 6: Amounts passed through by the College

None

CENTRAL TEXAS COLLEGE DISTRICT

Schedule F

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2014

Grantor Agency Program Title	Grant Contract Number	Expenditures
Texas Education Agency Adult Education Basic Program	13010001711042	\$ 15,765
Texas Workforce Commission Adult Education Basic Program	2614ABE000	69,556
Texas Higher Education Coordinating Board College Work-Study Program		41,854
Texas Grant Program		279,047
Texas Equal Opportunity Grant		123,468
Work-Study Student Mentorship Program	07067	35,355
Top 10% Scholarship		14,000
Total State Financial Assistance		\$ <u>579,045</u>
<hr/> Note 1: State Assistance Reconciliation <hr/>		
State Revenues - State Financial Assistance Per Schedule of expenditures of state awards		\$ 579,045
State Financial Assistance Tuition and fees		134,609
Total State Revenues per Schedule A		\$ <u>713,654</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

**AUDITORS' REPORTS ON
CONTROL AND COMPLIANCE**



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

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Certified Public Accountants

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

Board of Trustees
Central Texas College District
Killeen, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Texas College District (The "College"), as of and for the years ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 21, 2014.

Internal Control Over Financial Reporting

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

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

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

Internal Control over Financial Reporting (Continued)

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Temple, Texas
November 21, 2014



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**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**

Board of Trustees
Central Texas College District
Killeen, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Central Texas College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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 its major federal and state programs for the year ended August 31, 2014. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs:

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular. Those standards 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 programs occurred.

**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 (CONTINUED)**

Auditor's Responsibility (continued)

An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, Central Texas College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or 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 or 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 or 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.

**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 (CONTINUED)**

Report on Internal Control Over Compliance (continued)

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.

Jett, Vernon & Co., P.C.

Temple, Texas
November 21, 2014

CENTRAL TEXAS COLLEGE DISTRICT

Schedule of Findings and Questioned Costs

August 31, 2014

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal and State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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 Circular A-133 or the State of Texas Uniform Grant Management Standards?	None
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Identification of major programs:

Federal Programs

State Programs

Student Financial Assistance Cluster:	Texas Grant Program
- Federal Supplemental Educational Opportunity Grants	84.007
- Federal Work-study Program	84.033
- Federal Pell Grant Program	84.063
- Federal Direct Student Loans	84.268
Adult Basic Education	84.002

CENTRAL TEXAS COLLEGE DISTRICT

Schedule of Findings and Questioned Costs (Continued)

August 31, 2014

Dollar threshold considered between Type A and Type B federal programs	\$300,000
Dollar threshold considered between Type A and Type B state programs	\$300,000
Auditee qualified as low-risk auditee for federal single audit?	Yes
Auditee qualified as a low-risk auditee for state single audit?	Yes

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

None

III. Findings and Questioned Costs for Federal and State Awards

None

**ADDITIONAL INFORMATION
(UNAUDITED)**

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE G
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (UNAUDITED)
For the Period Ended August 31, 2014

	TEXAS CAMPUSES	AMERICAN PREPARATORY & INSTITUTE	CONTINENTAL INTERNATIONAL CAMPUSES	TOTAL
REVENUES				
Operating Revenues				
Tuition and Fees	\$ 31,900,338	43,354	12,682,772	44,626,464
Federal Grants and Contracts	4,360,027		10,012,551	14,372,578
State Grants and Contracts	713,654			713,654
Non-Governmental and Contracts	1,313,346			1,313,346
Sales and Services of Educational Activities		391,458		391,458
Sales & Services of Auxiliary Enterprises	7,938,035		945,530	8,883,565
Miscellaneous Income	1,429,922	88	31,244	1,461,254
Total Operating Revenues	47,655,322	434,900	23,672,097	71,762,319
EXPENSES				
Operating Expenses				
Instruction	31,746,480	131,882	11,279,119	43,157,481
Public Services	1,550,326			1,550,326
Academic Support	3,760,290	173,892	5,267,027	9,201,209
Student Services	8,831,310		2,813,249	11,644,559
Institutional Support	17,134,263	529,183	2,171,058	19,834,504
Operation and Maintenance of Plant	7,165,737		483,390	7,649,127
Scholarships and Fellowships	29,500,693		145,958	29,646,651
Auxiliary Enterprises	6,767,485		1,202,229	7,969,714
Depreciation	3,836,432		27,311	3,863,743
Total Operating Expenses	110,293,016	834,957	23,389,341	134,517,314
Operating Income(Loss)	(62,637,694)	(400,057)	282,756	(62,754,995)
Non-Operating Revenues (Expenses)				
State Appropriations-General Revenue	23,856,120			23,856,120
Taxes for Maintenance and Operations	11,447,915			11,447,915
Federal Revenue, Non Operating	27,530,972			27,530,972
Investment Income	961,169		38	961,207
Other Non-Operating	(40,511)		(3,466)	(43,977)
Net Non-Operating Revenue	63,755,665		(3,428)	63,752,237
Other Revenues, Expenses, Gains (Losses)				
Allocation of Distance Learning	(2,191,505)		2,191,505	
Allocation of Systems	4,265,960	(16,856)	(4,249,104)	
Increase (Decrease) in Net Position	\$ 3,192,426	(416,913)	(1,778,271)	997,242

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE G-1
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (UNAUDITED)
TEXAS CAMPUSES
For the Period Ended August 31, 2014

	CENTRAL	FT.HOOD/SAC	DIST ED	SYSTEMS	KNCT	AUXILIARY	TOTAL
REVENUES							
Operating Revenues							
Tuition and Fees	\$ 10,041,468	3,064,394	18,790,945	3,531			31,900,338
Federal Grants and Contracts	684,520	2,876,447			799,060		4,360,027
State Grants and Contracts	626,576	87,078					713,654
Non-Governmental and Contracts	649,753			562,536		101,057	1,313,346
Sales & Services of Auxiliary Enterprises			131,662			7,806,373	7,938,035
Miscellaneous Income	183,299	8,079		388,257	848,917	1,370	1,429,922
Total Operating Revenues	12,185,616	6,035,998	18,922,607	954,324	1,647,977	7,908,800	47,655,322
EXPENSES							
Operating Expenses							
Instruction	19,278,107	5,787,432	6,680,941				31,746,480
Public Services					1,550,326		1,550,326
Academic Support	1,714,173	853,298	512,840	679,979			3,760,290
Student Services	3,356,859	727,701	1,107,254	3,639,496			8,831,310
Institutional Support	5,824,079	233,999	2,627,483	8,268,492	62,890	117,320	17,134,263
Operation and Maintenance of Plant	7,112,466	50,271				3,000	7,165,737
Scholarships and Fellowships	29,500,693						29,500,693
Auxiliary Enterprises			62,108			6,705,377	6,767,485
Depreciation	2,130,345	136,924	3,769	679,944	255,780	629,670	3,836,432
Total Operating Expenses	68,916,722	7,789,625	10,994,395	13,267,911	1,868,996	7,455,367	110,293,016
Operating Income(Loss)	(56,731,106)	(1,753,627)	7,928,212	(12,313,587)	(221,019)	453,433	(62,637,694)
Non-Operating Revenues (Expenses)							
State Appropriations-General Revenue	17,882,090	5,651,657	173,015	149,358			23,856,120
Taxes for Maintenance and Operations	11,447,915						11,447,915
Federal Revenue, Non Operating	27,530,972						27,530,972
Investment Income	460			960,709			961,169
Other Non-Operating	(18,225)				(1,823)	(20,463)	(40,511)
Net Non-Operating Revenue	56,843,212	5,651,657	173,015	1,110,067	(1,823)	(20,463)	63,755,665
Other Revenues, Expenses, Gains (Losses)							
Allocation of Distance Education	3,158,345	1,095,753	(6,445,603)				(2,191,505)
Allocation of Systems	(3,801,152)	(1,050,044)	(1,655,624)	11,205,575	(181,071)	(251,724)	4,265,960
Increase (Decrease) in Net Position	\$ (530,701)	3,943,739		2,055	(403,913)	181,246	3,192,426

CENTRAL TEXAS COLLEGE DISTRICT
SCHEDULE G-2
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (UNAUDITED)
CONTINENTAL & INTERNATIONAL CAMPUSES
For the Period Ended August 31, 2014

	<u>EUROPE CAMPUS</u>	<u>PACIFIC FAR EAST CAMPUS</u>	<u>CONTINENTAL CAMPUS</u>	<u>NAVY CAMPUS</u>	<u>TOTAL CONTINENTAL & INTERNATIONAL</u>
REVENUES					
Operating Revenues					
Tuition and Fees	\$ 1,636,189	2,508,097	7,641,917	896,569	12,682,772
Federal Grants and Contracts	2,825,055	69,452	195,515	6,922,529	10,012,551
Sales & Services of Auxiliary Enterprises	33,611	40,149	62,147	809,623	945,530
Miscellaneous Income	3,310	3,615	16,262	8,057	31,244
Total Operating Revenues	<u>4,498,165</u>	<u>2,621,313</u>	<u>7,915,841</u>	<u>8,636,778</u>	<u>23,672,097</u>
EXPENSES					
Operating Expenses					
Instruction	3,046,652	851,896	2,201,633	5,178,938	11,279,119
Academic Support	931,729	1,106,282	2,221,483	1,007,533	5,267,027
Student Services	1,192,655	750,031	690,772	179,791	2,813,249
Institutional Support	1,008,837	485,869	333,595	342,757	2,171,058
Operation and Maintenance of Plant	334,281	34,937	18,811	95,361	483,390
Scholarships and Fellowships	52,304	21,285	43,989	28,380	145,958
Auxiliary Enterprises	113,495	79,458	190,308	818,968	1,202,229
Depreciation	16,138	1,500	4,593	5,080	27,311
Total Operating Expenses	<u>6,696,091</u>	<u>3,331,258</u>	<u>5,705,184</u>	<u>7,656,808</u>	<u>23,389,341</u>
Operating Income(Loss)	<u>(2,197,926)</u>	<u>(709,945)</u>	<u>2,210,657</u>	<u>979,970</u>	<u>282,756</u>
Non-Operating Revenues (Expenses)					
Investment Income		38			38
Other Non-Operating	(3,466)				(3,466)
Net Non-Operating Revenue	<u>(3,466)</u>	<u>38</u>			<u>(3,428)</u>
Other Revenues, Expenses, Gains (Losses)					
Allocation of Distance Education	515,648	193,368	1,418,033	64,456	2,191,505
Allocation of Systems	(718,368)	(768,625)	(1,885,808)	(876,303)	(4,249,104)
Increase (Decrease) in Net Position	<u>\$ (2,404,112)</u>	<u>(1,285,164)</u>	<u>1,742,882</u>	<u>168,123</u>	<u>(1,778,271)</u>