

NORTH CENTRAL TEXAS COLLEGE
ANNUAL FINANCIAL AND COMPLIANCE REPORT
For the Years Ended August 31, 2015 and 2014

**NORTH CENTRAL TEXAS COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014
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**NORTH CENTRAL TEXAS COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR 2014-2015**

ORGANIZATIONAL DATA

BOARD OF REGENTS AND OFFICERS

Officers

Karla Metzler
Bill Ledbetter
Christy Morris

Chair
Vice Chair
Secretary

Members

		Term Expires <u>in May of</u>
Bill Ledbetter	Gainesville, Texas	2017
Jon Grime	Muenster, Texas	2021
Richard Haayen	Gainesville, Texas	2017
Matt Chalmers	Gainesville, Texas	2019
Patsy Wilson	Gainesville, Texas	2021
Christy Morris	Gainesville, Texas	2019
Karla Metzler	Gainesville, Texas	2021

Principal Administrative Officers

Dr. Brent Wallace
Dr. Janie Neighbors
Dr. Andrew Fisher
Dr. Billy Roessler
Debbie Sharp
Robbie Baugh
Dr. Emily Klement
Bill Winans

President
Vice President of Fiscal Affairs
Vice President of Instruction
Vice President of Student Services
Vice President of External Affairs
Vice President of Administrative Affairs
Associate VP of Instructional Partnerships
Associate VP of Human Resources



INDEPENDENT AUDITOR'S REPORT

Board of Regents
North Central Texas College,
Gainesville, TX

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of North Central Texas College (the College), as of and for the year ended August 31, 2015 and 2014, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. . Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the North Central Texas College, as of August 31, 2015 and 2014, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 2 to the financial statements, effective September 1, 2014, North Central Texas College adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-9) schedule of the College's share of the net pension liability (page 39) and schedule of the College's contributions (page 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The organizational data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the North Central Texas College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Texas College's internal control over financial reporting and compliance.



Schalk & Smith, P.C.
December 10, 2015

Management's Discussion and Analysis

This section of North Central Texas College's annual financial report presents a discussion and analysis of the College's financial performance during the fiscal year ended August 31, 2015. Please read it in conjunction with the College's financial statements, which follow this section.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Condensed Comparative Financial Information

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

Analysis of the College's Overall Financial Position

The overall financial position of the College is very good. There was a significant increase in many critical areas during the past year. The combined fall credit and noncredit head count enrollment grew from 5,180 in 2002 to 10,723 in 2013; there was a slight decrease in Fall 2014 (10,442). Student tuition and fee revenue increased from \$3,871,000 in 2002 to \$14,337,876 in 2015. While the College has grown substantially over the last few years, the state appropriations have not grown at a comparable rate, thus the growth the College has experienced is not being funded through state appropriations. Although state funding has increased from \$7,370,000 in 2002 to \$13,726,049 in 2015, the portion of state funding has decreased from 38.3% of the total expenditures in 2002 to 27.90% in 2015.

An additional positive trend is the growth of the tax base valuation of the district. The College taxing district is Cooke County, Texas. Ad valorem taxes are assessed and collected by the College based on the valuation of real property and minerals on January 1. The trend from 2000 until 2015 has been a continual increase in taxable assessed valuation from \$1,288,353,176 in 2000 to \$2,957,079,396 in 2015. Total tax collections have increased from \$1,332,078 in 2000 to \$3,557,8044 in 2015. The combined maintenance and operations and debt service tax was \$0.12727 for the fiscal year ended August 31, 1997. The approved maintenance and operations

tax rate per \$100 of valuation has decreased further to \$0.0712 and the interest and sinking tax rate is .0383 for a total of .1095 in 2015.

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

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$42,149,929 as of August 31, 2015.

**Table I
Net Assets**

	Business-type Activities 2015	Business-type Activities 2014	Business-type Activities 2013
Current and other assets	\$ 37,606,534	\$ 42,285,769	\$ 27,282,189
Capital assets	35,934,278	30,608,945	29,541,378
Total assets	<u>73,540,812</u>	<u>72,894,714</u>	<u>56,823,567</u>
Deferred Outflows of Resources	<u>1,062,276</u>	<u>226,024</u>	<u>254,277</u>
Non current liabilities	24,618,534	20,481,285	6,602,291
Other liabilities	6,173,050	6,283,634	5,767,130
Total liabilities	<u>30,791,584</u>	<u>26,764,919</u>	<u>12,369,421</u>
Deferred outflows of Resources	<u>1,661,575</u>		
Net Position:			
Invested in capital assets net of related debt	26,017,379	23,965,356	22,313,138
Restricted	2,762,089	2,375,184	1,893,142
Unrestricted	<u>13,370,461</u>	<u>20,015,279</u>	<u>20,502,143</u>
Total net position	<u>\$ 42,149,929</u>	<u>\$ 46,355,819</u>	<u>\$ 44,708,423</u>

Investments in capital assets (e.g., land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$26,017,379. The College uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the College's Net Position (approximately 6.55 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position (\$13,370,461) may be used to meet the College's ongoing obligations. This surplus is not an indication that the College has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

The College's total Net Position has increased by \$1,948,256. The total cost of all business-type activities was \$49,189,873. The amount that of these activities paid through property taxes was \$1,636,353 for the year ended 8/31/2015.

**Table D
Changes in Net Assets**

	Business-type Activities 2015	Business-type Activities 2014	Business-type Activities 2013
Revenues:			
Operating Revenues:			
Tuition & Fees	\$ 14,337,876	\$ 13,763,954	\$ 13,280,934
Federal Grants & Contracts	2,523,611	2,563,759	3,579,756
State Grants & Contracts	2,842,742	2,079,889	1,910,692
Private Grants	536,451	719,592	849,101
Sales & Services of Educational Activities	176,725	196,709	200,960
Auxiliary Enterprises (net)	606,044	573,503	626,772
Other Operating Revenues	583,716	374,042	610,733
Non-operating Revenues:			
State Appropriations	13,726,049	13,289,564	11,944,561
Property Taxes	3,584,609	2,268,148	2,241,896
Federal Grants & Contracts	12,165,740	12,849,142	13,014,243
Gifts	750		
Investment Income (net)	36,038	30,715	39,931
Gain on Disposal of Fixed Assets		(1,333)	
Other Non-operating Revenues	17,778	35,352	1,534,143
Total Revenues	<u>51,138,129</u>	<u>48,743,036</u>	<u>49,833,722</u>
Operating Expense:			
Instruction	19,383,724	18,280,001	18,655,803
Research	149,760	131,274	110,885
Public Service	1,377,767	1,425,545	1,031,921
Academic Support	2,873,561	2,800,011	2,765,494
Student Services	3,642,662	3,557,812	3,169,755
Institutional Support	6,024,974	5,564,619	4,974,715
Operation & Maintenance of Plant	4,787,184	4,138,348	4,094,460
Scholarship & Fellowship	7,934,469	8,321,074	8,371,065
Auxiliary Enterprises	902,726	931,108	856,067
Depreciation	1,433,868	1,322,736	1,206,163
Non-operating Expense:			
Interest on Capital Related Debt	679,178	478,238	182,648
Other		<u>144,874</u>	<u>52,722</u>
Total Expenses	<u>49,189,873</u>	<u>47,095,640</u>	<u>45,471,698</u>
Increase in Net Position	1,948,256	1,647,396	4,362,024
Beginning Net Position	46,355,819	44,708,423	40,346,399
Prior Period Adjustment	(6,154,146)		
Beginning Net Position, as Restated	<u>40,201,673</u>	<u>44,708,423</u>	<u>40,346,399</u>
Ending Net Position	\$ <u>42,149,929</u>	\$ 46,355,819	\$ 44,708,423

Significant Capital Assets and Long-term Debt Activity

During the fiscal year 2014, the College issued the Limited Tax and General Obligation Bonds, Series 2013 in the amount of \$5,500,000 and the Limited Tax and General Obligation Bonds, Series 2014 in the amount of \$8,730,000. These bonds were issued to construct a Health Science Building and adding on to the Career & Technology Center.

The Career & Technology Center addition and the Health Science Building were not completed during the year. Improvements were also in progress on the Performing Arts Center during the year.

Discussion of Current Known Facts, Decisions, or Conditions

Enrollment for credit and non-credit headcount has recently experienced a slight decline, after a decade of continual increase. Headcount for the Fall 2014 term dipped to 10,442, compared to 10,723 in 2013. All indications are that enrollment will stabilize around 10,000 or slightly increase as a result of the continuing growth along the I-35 corridor. Two of the College's campuses are located along this interstate. Contact hours reflected a similar dip with 1,509,488 in Fall 2014 compared to 1,572,702 for Fall 2013.

In 2015, construction began on the projects related to the issuance of the general obligation bonds approved by voters. The projects include the construction of the Health Sciences Center and expansion of the Industrial & Technology Center and the associated parking lots.

Other Capital Assets and Long-term Debt Activity

For 2015, depreciation expense of \$1,433,866 was recorded. The College spent, in addition to the major purchases discussed above, over \$1,275,000 in capital outlay during the current fiscal year. The capitalization policy of recording capital assets when the item value is \$5,000 or greater and has a useful life of greater than one year became effective with the year ended August 31, 2002.

The College has four bonds outstanding as of August 31, 2015 as follows:

- 1) The 2011 Series issue was for \$4,065,000. The 2011 Series were used, along with \$304,955, to refund the 1998 Series with an outstanding balance at the time of \$3,705,000. A payment of \$345,000 was made during the year and the balance outstanding at year-end was \$2,690,000. The bonds will mature May 2022. The bond covenant requires funds be set-aside in an interest and sinking fund and a reserve fund. At August 31, 2015, the amount set aside was adequate.
- 2) The 2013 Series issue was for \$3,505,000. The 2013 Series was used to partially refund the 2004 Series with an outstanding balance at the time of \$3,915,000. A payment of \$400,000 was made during the year and the balance outstanding at year-end was \$3,025,000. The bonds will mature May 2022. The bond covenant requires funds be set-aside in an interest and sinking fund and a reserve fund. At August 31, 2015, the amount set aside was adequate.
- 3) The 2013 Series Limited Tax General Obligation Bond in the amount of \$5,500,000. This bond was issued for the purpose of constructing the Health Science Building and adding on to the Industrial & Technology Center. A payment of \$140,000 was made during the year and the balance outstanding at year-end was \$5,360,000. The bonds will mature August 2025.
- 4) The 2014 Series Limited Tax General Obligation Bond in the amount of \$8,730,000. This bond was issued for the purpose of constructing the Health Science Building and adding on to the Industrial & Technology Center. A payment of \$165,000 was made during the year and the balance outstanding at year-end was \$8,565,000. The bonds will mature August 2034.

Revenues sufficient to make all required payments of principal and interest have been properly recorded. Moody's Investor Services have the College's bond rating at A1 for the revenue bonds and Aa3 for the general obligation bonds. The College has never defaulted on any outstanding bond issue.

Contacting the College's Financial Management

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

Basic Financial Statements

NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF NET POSITION
AUGUST 31, 2015 AND AUGUST 31, 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 20,485,244	\$ 23,045,437
Long-term investments-current portion		
Accounts receivable (net)	1,549,553	1,839,404
Inventories	10,178	2,070
Other assets	794,865	630,525
Total Current Assets	22,839,840	25,517,436
Noncurrent Assets		
Restricted cash and cash equivalents	14,766,694	16,768,333
Capital assets (net)	35,934,278	30,608,945
Total Noncurrent Assets	50,700,972	47,377,278
TOTAL ASSETS	73,540,812	72,894,714
Deferred Outflows of Resources		
Deferred loss on refunding	197,771	226,024
Deferred outflows related to pensions	864,505	
Total Deferred Outflows of Resources	1,062,276	226,024
LIABILITIES		
Current Liabilities		
Accounts payable	385,012	807,246
Accrued liabilities	64,457	69,638
Funds held for others	79,327	74,584
Unearned revenue	4,369,254	4,282,166
Bonds payable-current portion	1,275,000	1,050,000
Total Current Liabilities	6,173,050	6,283,634
Noncurrent Liabilities		
Deposits	89,350	85,149
Net pension liability	5,428,707	
Bonds payable	19,100,477	20,396,136
Total Noncurrent Liabilities	24,618,534	20,481,285
TOTAL LIABILITIES	30,791,584	26,764,919
Deferred Inflows of Resources related to Pensions	1,661,575	
NET POSITION		
Invested in capital assets, net of related debt	26,017,379	23,965,356
Restricted for		
Expendable		
Student aid	950,523	950,761
Instructional programs	729,076	797,655
Debt service	1,082,490	626,768
Unrestricted	13,370,461	20,015,279
TOTAL NET POSITION	\$ 42,149,929	\$ 46,355,819

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

NORTH CENTRAL TEXAS COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2015 and AUGUST 31, 2014

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 73,656	\$ 176,704
Investments	2,256,183	212,693,382
Unconditional Promises to Give		
Interest Receivable	33,124	35,160
Total Current Assets	2,363,563	2,481,246
Permanently Restricted Endowment	5,377,877	4,873,522
TOTAL ASSETS	\$ 7,741,440	\$ 7,354,768
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable	\$ 342,732	\$ 14,525
Scholarships Payable	248,566	248,566
Deferred Support		
Total Liabilities/Current Liabilities	342,732	263,091
Net Assets		
Unrestricted	11,759	15,139
Temporarily Restricted	2,009,072	2,203,016
Permanently Restricted	5,377,877	4,873,522
Total Net Assets	7,398,708	7,091,677
TOTAL LIABILITIES AND NET ASSETS	\$ 7,741,440	\$ 7,354,768

See accompanying notes and independent auditor's report.

NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2015 AND AUGUST 31, 2014

	2015	2014
REVENUES		
Operating Revenues		
Tuition and fees (net of discounts of \$7,118,449 and \$7,148,955 respectively)	\$ 14,337,876	\$ 13,763,954
Federal grants and contracts	2,523,611	2,563,759
State grants and contracts	2,842,742	2,079,889
Private grants	536,451	719,592
Sales and services of educational activities	176,725	196,709
Auxiliary enterprises (net of discounts \$270,712 and \$271,410 respectively)	606,044	573,503
Other operating revenues	<u>583,716</u>	<u>374,042</u>
Total Operating Revenues (Schedule A)	<u>21,607,165</u>	<u>20,271,448</u>
 EXPENSES		
Operating Expenses		
Instruction	19,383,724	18,280,001
Research	149,760	131,274
Public service	1,377,767	1,425,545
Academic support	2,873,561	2,800,011
Student services	3,642,662	3,557,812
Institutional support	6,024,974	5,564,619
Operation and maintenance of plant	4,787,184	4,138,348
Scholarship and fellowships	7,934,469	8,321,074
Auxiliary enterprises	902,726	931,108
Depreciation	<u>1,433,868</u>	<u>1,322,736</u>
Total Operating Expenses (Schedule B)	<u>48,510,695</u>	<u>46,472,528</u>
 OPERATING INCOME (LOSS)	 (26,903,530)	 (26,201,080)
 NON-OPERATING REVENUES (EXPENSES)		
State appropriations	13,726,049	13,289,564
Maintenance ad-valorem taxes		
Taxes for maintenance and operations	2,327,616	2,267,607
Taxes for general obligation bonds	1,256,993	541
Federal Revenue, non-operating	12,165,740	12,849,142
Gifts	750	
Investment income (net of investment expenses)	36,038	30,715
Interest on capital related debt	(679,178)	(478,238)
Gain (Loss) on disposal of fixed assets		(1,333)
Other non-operating revenues	17,778	35,352
Other non-operating expenses		(144,874)
Net Non-Operating Revenues (Schedule C)	<u>28,851,786</u>	<u>27,848,476</u>
 INCREASE (DECREASE) IN NET POSITION	 1,948,256	 1,647,396
 NET POSITION-BEGINNING OF YEAR	 46,355,819	 44,708,423
Prior Period Adjustments	<u>(6,154,146)</u>	
Net POSITION-BEGINNING OF YEAR AS RESTATED	<u>40,201,673</u>	<u>44,708,423</u>
NET POSITION-END OF YEAR	<u>\$ 42,149,929</u>	<u>\$ 46,355,819</u>

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

NORTH CENTRAL TEXAS COLLEGE FOUNDATION, INC.

A COMPONENT UNIT OF NORTH CENTRAL TEXAS COLLEGE

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2015 AND 2014

	2015	2014
SUPPORT AND REVENUE		
Support		
Donations	\$ 10,790	\$ 12,086
Fundraising	1,000	1,080
Total Support	11,790	13,166
Revenue		
Interest and Dividends	342	579
Total Revenue	342	579
Net assets released from restrictions:		
Net Assets Released from Restrictions-Satisfaction of Program Restrictions	1,155,543	869,721
TOTAL UNRESTRICTED SUPPORT AND REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	1,167,675	883,466
OPERATING EXPENSES		
Program services		
Scholarships	624,088	495,088
Departmental Expenses	370,909	224,911
Supporting services		
Management and General	176,058	160,552
Fundraising	-	-
TOTAL OPERATING EXPENSES	1,171,055	880,551
CHANGE IN UNRESTRICTED NET ASSETS	(3,380)	2,915
TEMPORARILY RESTRICTED NET ASSETS		
Support		
Donations	636,459	657,072
Fundraising	324,902	279,125
Total Support	961,361	936,197
Revenue		
Interest and Dividends	339,292	263,103
Gain (Loss) on Sale of Assets	78,618	259,903
Unrealized Gain (Loss)	(226,431)	(91,495)
Total Revenue	191,479	431,511
Net assets released from restrictions:		
Net Assets that Reached Endowment Status	(191,241)	(224,310)
Net Assets Released from Restrictions-Satisfaction of Program Restrictions	(1,155,543)	(869,721)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(193,944)	273,677
PERMANENTLY RESTRICTED NET ASSETS		
Endowments Received	313,114	235,750
Net assets released from restrictions:		
Restrictions satisfied by occurrence	191,241	224,310
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	504,355	460,060
CHANGE IN NET ASSETS	307,031	736,652
NET ASSETS AT BEGINNING OF YEAR	7,091,677	6,355,025
NET ASSETS AT END OF YEAR	\$ 7,398,708	\$ 7,091,677

The accompanying notes are an integral part of these statements

NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2015 AND AUGUST 31, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and customers	\$ 15,108,859	\$ 14,994,341
Receipts of appropriations, grants and contracts	6,943,402	5,067,095
Other receipts		
Payments to or on behalf of employees	(26,559,840)	(24,899,523)
Payments to suppliers	(19,836,734)	(19,504,261)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(24,344,313)	(24,342,348)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad valorem tax revenues	3,573,059	2,311,127
State appropriations	12,741,840	12,723,208
Non-operating federal revenue	12,165,740	12,849,142
Other cash receipts (payments)	3,483	35,352
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	28,484,122	27,918,829
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(6,759,201)	(2,391,636)
Proceeds from bonds payable		14,992,580
Payment of bond issuance costs		(192,581)
Principal paid on debt	(1,050,000)	(715,000)
Interest paid on debt	(928,480)	(181,725)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(8,737,681)	11,511,638
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	36,040	30,715
Purchases of investments		
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	36,040	30,715
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,561,832)	15,118,834
CASH AND CASH EQUIVALENTS - SEPTEMBER 1	39,813,770	24,694,936
CASH AND CASH EQUIVALENTS - AUGUST 31	\$ 35,251,938	\$ 39,813,770
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (26,903,530)	\$ (26,201,080)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Payments made directly by state for benefits	984,209	566,356
Depreciation expense	1,433,868	1,322,736
Pension expense	71,630	
Changes in assets and liabilities:		
Receivables, net	301,401	24,156
Inventories	(8,108)	6,717
Other assets	(164,341)	(1,980)
Accounts payable	(150,730)	144,818
Deferred revenue	87,087	(190,901)
Deposits held for others	4,201	(13,170)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (24,344,313)	\$ (24,342,348)

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

NORTH CENTRAL TEXAS COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2015 AND AUGUST 31, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors	\$ 960,363	\$ 904,908
Receipts from fundraising activities	325,902	280,205
Payments of scholarships and departmental expenses	(915,294)	(784,193)
Payments of fundraising and management expenses	<u>(176,058)</u>	<u>(160,552)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>194,913</u>	<u>240,368</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	341,008	271,672
Purchases of investments	<u>(638,969)</u>	<u>(416,443)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(297,961)</u>	<u>(144,771)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(103,048)</u>	<u>95,597</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 1	<u>176,704</u>	<u>81,107</u>
CASH AND CASH EQUIVALENTS - AUGUST 31	<u>\$ 73,656</u>	<u>\$ 176,704</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 307,031	\$ 736,652
Adjustments to reconcile operating loss to net cash used by operating activities:		
Investment earnings	(191,821)	(432,090)
Amortization of bond premium	62	
Changes in assets and liabilities:		
Unconditional promises to give		
Accounts payable	(14,525)	(430)
Scholarships payable	<u>94,166</u>	<u>(63,764)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 194,913</u>	<u>\$ 240,368</u>

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

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

1. REPORTING ENTITY

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

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

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

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

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

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

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

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

Tuition Discounting

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

Title V, Higher Education Act (CHEA) Program Funds: Certain Title V HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as restricted revenue. When the student uses the award for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts: The College awards tuition and fee scholarships from institutional funds to students who qualify. When the student uses the award for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The board of regents has designated public funds investment pools comprised of \$31,723,209 and \$29,251,719 at 8/31/2015 and 8/31/2014, respectively to be cash equivalents. The College sets aside resources for the repayment of the bonds. These assets are classified as restricted cash on the

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

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

Investments

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

Inventories

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

	August 31, 2015	August 31, 2014
Fuel	\$ 493	\$ 1,560
Cosmetology Stock	9,685	510
	\$ 10,178	\$ 2,070

Capital Assets

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

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

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

Deferred Inflows

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

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. The College's deferred outflows consist of deferred charges on refunding debt and deferred outflows related to pensions.

Unearned Revenues

Unearned revenues at August 31, 2015 and 2014 were as follows:

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Tuition	\$ 4,297,552	\$ 4,092,518
State Grant	49,625	178,345
Federal Grant	2,168	2,952
Local Grant	19,909	8,351
	\$ 4,369,254	\$ 4,282,166

Pensions

For the year ended August 31, 2015, the College has implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

Net Position

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

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

At August 31, 2015, net position of the College consisted of the following:

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Net property, plant and equipment	\$ 35,934,278	\$ 30,608,945
Less:		
General obligation bonds payable, net	(14,464,632)	(14,938,812)
Revenue bonds payable, net	(5,713,074)	(6,507,324)
Amount of debt related to unspent proceeds	<u>10,260,807</u>	\$ 14,802,547
Total net investment in capital assets	<u>26,017,379</u>	<u>23,965,356</u>
Restricted for debt service	1,082,490	626,768
Restricted for student aid	950,523	950,761
Restricted for instructional programs	729,076	797,655
Unrestricted	<u>13,370,461</u>	<u>20,015,279</u>
Total net position	\$ 42,149,929	\$ 46,355,819

Prior Year Restatement

In the year of implementation of GASB 68, as amended by GASB 71, a restatement to beginning net position will be required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and beginning of the reporting entity's fiscal year. The beginning net position was decreased by \$6,154,146 which represents Net pension liability of \$6,669,690 and Deferred outflows of \$515,544.

Implementation of New Accounting Pronouncements

The College implemented two GASB statements in fiscal year 2015, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68". These statements were issued in June 2012 and November 2013, respectively. Both statements were effective for fiscal years beginning after June 15, 2014. The College has implemented the provisions of these Statements for the year ended August 31, 2015.

3. AUTHORIZED INVESTMENTS

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

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

4. DEPOSITS AND INVESTMENTS

Cash and Deposits

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

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. The College does not have a policy for custodial credit risk. At August 31, 2015 and 2014, the carrying amounts of the College's bank deposits were \$5,997,075 and \$8,087,516, respectively, and total bank balances equaled \$8,463,559 and \$8,377,917. Bank balances of \$1,150,068 and \$1,103,155 were covered by FDIC, and \$7,313,491 and \$7,274,762 were covered by collateral pledged in the College's name for the years ended August 31, 2015 and 2014, respectively.

The Foundation does not have a policy for custodial credit risk. At August 31, 2015 and 2014, the carrying amounts of the Foundation's bank deposits were \$73,656 and \$176,704, respectively, and total bank balances equaled \$81,953 and \$730,812. During the year ended August 31, 2015, bank balances were underpledged for a total of 8 days. During the year ended August 31, 2014, bank balances were underpledged for a total of 3 days.

Public Funds Investment Pool

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

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

Cash and Cash Equivalents

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

	The College (Primary Government)		The Foundation (Discretely Presented Component Unit)	
	Statement of Net Assets - Exhibit 1		Statement of Financial Position	
	8/31/2015	8/31/2014	8/31/2015	8/31/2014
Bank Deposits				
Demand Deposits	\$ 1,954,934	\$ 4,049,484	\$ 73,656	\$ 176,704
Time Deposits	4,104,211	4,038,103		
Total Bank Deposits	5,997,075	8,087,516	73,656	176,704
Petty Cash and Cash on Hand	3,144	3,045		
Total Cash and Deposits	6,000,219	8,090,561	73,656	176,704
Cash Equivalents				
TexPool	291,251	311,723		
Total Cash, Deposits, and Cash Equivalents	39,813,770	35,251,938	\$ 73,656	\$ 176,704

Investments

During the fiscal year ended August 31, 2015, the Foundation sold several investments. The calculation of the realized gain is independent of the calculation of the net increase in fair value of

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

investments. Realized gains and losses on investments that have been held in more than one fiscal year and disposed of in the current year may have been recognized as an increase or decrease in the fair value of investments reported in a prior year. The accumulated unrealized gains on investments held at August 31, 2015 and 2014, were \$4,251 and \$230,682, respectively.

As of August 31, 2015 and 2014, the Foundation (Discretely Presented Component Unit) had the following investments and maturities:

	Carrying Amounts	
	8/31/2015	8/31/2014
U.S. Government Agencies	\$ 223,401	\$ 228,841
Corporate Bonds & Notes	2,451,270	2,390,301
Mutual Funds	1,879,057	1,434,760
Money Market & Cash Equivalents	3,080,329	3,089,002
Total Investments	7,634,057	7,142,904
Total Cash and Deposits	73,656	176,704
Total Deposits and Investments	\$ 7,707,713	\$ 7,319,608
Per Statement of Financial Position:		
Cash and Cash Equivalents	\$ 73,656	\$ 176,704
Investments	2,256,183	2,269,382
Restricted Permanent Endowment	5,377,877	4,873,522
Total Deposits and Investments	\$ 7,707,716	\$ 7,319,608

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

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

	Carrying Amounts	
	8/31/2015	8/31/2014
Total Long-Term Investments	\$	\$
Total Cash and Deposits	6,000,219	8,090,561
Total Cash Equivalents	29,251,719	31,723,209
Total Deposits and Investments	\$ 35,251,938	\$ 39,813,770
Per Statement of Net Assets - Exhibit 1:		
Cash and Cash Equivalents	\$ 20,485,244	\$ 23,045,437
Long-Term Investments-Current Portion		
Restricted Cash and Cash Equivalents	14,766,694	16,768,333
Total Deposits and Investments	\$ 35,251,938	\$ 39,813,770

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

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

Investment Type	Fair Value		Investment Maturities in Years			
	8/31/2015	Less Than 1	1 to 5	5 to 10	10 to 15	
U. S. Government Agencies	\$ 223,404	\$	\$ 223,404	\$	\$	
Corporate Bonds & Notes	2,451,270		1,307,231	883,258	260,781	
U. S. Government S/T Funds	1,879,057	1,879,057				
Money Market & Cash Equivalents	3,080,329	3,080,329				
Total Investments	\$ 7,634,060	\$ 4,959,386	\$ 1,530,635	\$ 883,258	\$ 260,781	
	8/31/2014	Less Than 1	1 to 5	5 to 10	10 to 15	
U. S. Government Agencies	\$ 228,842	\$	\$ 228,842	\$	\$	
Corporate Bonds & Notes	2,390,301	408,436	561,358	1,148,731	271,776	
U. S. Government S/T Funds	1,434,760	1,434,760				
Money Market & Cash Equivalents	3,089,001	3,089,001				
Total Investments	\$ 7,142,904	\$ 4,932,197	\$ 790,200	\$ 1,148,731	\$ 271,776	

Analysis of Specific DeRosit and Investment Risks

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

- a. Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. For the years ended August 31, 2015 and 2014, neither the College nor the Foundation was significantly exposed to credit risk.
- b. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of an entities investment in a single issuer. For the years ended August 31, 2015 and 2014, neither the College nor the Foundation was significantly exposed to a concentration of credit risk.
- c. Interest Rate Risk - This is the risk that changes in the interest rates will adversely affect the fair value of an investment. For the years ended August 31, 2015 and 2014, neither the College nor The Foundation was significantly exposed to interest rate risk.
- d. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. For the years ended August 31, 2015 and 2014, neither the College nor the Foundation was exposed to foreign currency risk.

5. CAPITAL ASSETS - COMPARATIVE

Capital assets activity for the years ended August 31, 2015 and 2014 was as follows:

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<u>August 31, 2015</u>	Balance			Balance
	9/1/2014	Increases	Decreases	8/31/2015
Not Degreciated:				
Land	\$ 1,491,594		\$	\$ 1,491,594
Construction Progress	1,925,284	548,179		740,914
Subtotal	3,416,878	548,179		8,901,057
Other Capital Assets:				
Buildings and Improvements	33,237,449			33,237,449
Equipment	5,074,344	1,068,348		6,142,692
Library Books	1,812,495	75,475	(92,523)	1,795,447
Automobiles	687,083	131,199	(651,529)	752,753
Subtotal	40,181,137	1,275,102	(158,105)	41,928,134
Accumulated Depreciation:				
Buildings and Improvements	(8,857,080)	(736,965)		(9,594,045)
Equipment	(2,965,181)	(478,971)		(3,444,152)
Library Books	(1,407,748)	(153,142)	92,521	(1,468,369)
Automobiles	(389,295)	(64,788)	65,159	(388,924)
Subtotal	(13,161,934)	(1,433,866)	158,105	(14,189,512)
Net Other Capital Assets	27,192,107	(158,184)	(2)	27,103,121
Net Capital Assets	\$ 30,608,945	\$ 5,325,335	\$ (2)	\$ 35,934,128
<u>August 31, 2014</u>	Balance			Balance
	9/1/2013	Increases	Decreases	8/31/2014
Not Degreciated:				
Land	\$ 1,491,594		\$	\$ 1,491,594
Construction Progress	521,500.00	118,728.84		1,192,512.84
Subtotal	1,544,094	1,872,784		3,416,878
Other Capital Assets:				
Buildings and Improvements	33,237,449			33,237,449
Equipment	4,810,524	263,820		5,074,344
Library Books	1,675,748	136,747		1,812,495
Automobiles	640,138.5	118,128.4	(711,586)	687,103
Subtotal	40,136,411.06	518,185.1	(711,586)	40,181,137.1
Accumulated Depreciation:				
Buildings and Improvements	(8,114,065)	(743,015)		(8,857,080)
Equipment	(2,588,249)	(376,932)		(2,965,181)
Library Books	(1,259,636)	(148,112)		(1,407,748)
Automobiles	(404,187.2)	(54,167.7)	70,125.4	(389,129.5)
Subtotal	(12,136,682.2)	(1,132,236)	70,125.4	(13,161,930.4)
Net Other Capital Assets	27,199,728.4	(803,185)	(11,332)	27,192,106.7
Net Capital Assets	19,541,378	1,068,899	(1,332)	30,160,894.5

The depreciation expense for the year ended August 31, 2015 was \$1,433,868 and for the year ended August 31, 2014 was \$1,322,736.

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6. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Current and noncurrent receivables at August 31, 2015 and 2014 were as follows:

	The College (Prima Government)		The Foundation (ComQonent Unit)	
	8L31L2015	8L31L2014	8L31L2015	8/31/2014
Accounts Receivable	\$ 158,364	\$ 375,909	\$	\$
Taxes Receivable	111,012	99,803		
Federal Receivable	603,739	714,085		
State & Local Receivable	223,154	71,131		
Student Receivables	2,701,085	2,402,857		
Interest Receivable			33,724	35,160
Other Receivable	176,040	9,775		
Insurance Proceeds				
Subtotal	3,973,394	3,673,560	33,724	35,160
Allowance for Doubtful Accounts	(2,423,184)	(1,183,415)		
Total Receivables	<u>1,549,553</u>	<u>1,839,404</u>	<u>33,724</u>	<u>35,160</u>

Accounts payables and accrued liabilities at August 31, 2015 and 2014, were as follows:

	The College (Prima Government)		The Foundation (ComQonent Unit)	
	8L31L2015	8L31L2014	8L31L2015	8L31L2014
Vendors Payable	\$ 206,415	\$ 344,220	\$	\$
Students Payable			342,732	248,566
Other Payable	116,676	129,165		14,525
Interest Payable	61,192	333,186		
Total Accounts Payable	385,011	807,246	342,732	263,091
Accrued Liabilities:				
Salaries & Benefits Payable	64,458	69,638		
Total Payables	\$ 449,469	\$ 876,884	\$ 342,732	\$ 263,091

7. LONG-TERM LIABILITIES

Bonds payable at August 31, 2015 were comprised of the following individual issues:

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

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

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

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

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- Interest rate 2.25%
- Final installment due May 2022

NCTC District Limited Tax General Obligation Bonds, Series 2013

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

NCTC District Limited Tax General Obligation Bonds, Series 2014

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

Activity in bonds payable for the years ended August 31, 2015 and 2014, was as follows:

August 31, 2015	Beginning	Activity		Ending	Current Portion
	Balance	Additions	Reductions	Balance	
Revenue Bonds:					
2004 Series	\$	\$		\$	\$
2011 Series	3,035,000		(345,000)	2,690,000	355,000
2013 Series	3,425,000		(400,000)	3,025,000	405,000
General Obligation Bonds:					
2013 Series	5,500,000		(140,000)	5,360,000	415,000
2014 Series	8,730,000		(165,000)	8,565,000	100,000
CAB Accretion	11,672	22,639		34,311	
Premium on Bonds	744,464		(43,298)	701,166	
Net Pension Liability	715131460		(21084J53}	514281707	NLA
	<u>28,959,596</u>	<u>22,639</u>	<u>{3!178,051</u>	<u>25,804,184</u>	<u>1,275,000</u>
August 31, 2014					
Revenue Bonds:					
2004 Series	\$ 335,000	\$	\$ (335,000)	\$	\$
2011 Series	3,375,000		(340,000)	3,035,000	345,000
2013 Series	3,465,000		(40,000)	3,425,000	400,000
General Obligation Bonds:					
2013 Series		5,500,000		5,500,000	140,000
2014 Series		8,730,000		8,730,000	165,000
CAB Accretion		11,672		11,672	
Premium on Bonds	53!240	7341522	(43!298}	744!464	
	<u>\$ 7!228!240</u>	<u>\$14!976!194</u>	<u>\$ (7581298}</u>	<u>\$ 211446J36</u>	<u>\$ 1D50!000</u>

Debt service requirements at August 31, 2015 are summarized

NORTH CENTRAL TEXAS COLLEGE
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Fiscal Year August 31	Princial	Interest	Total Requirements
2016	1,275,000	706,548	1,981,548
2017	1,370,000	606,561	1,976,561
2018	1,400,000	573,143	1,973,143
2019	1,435,000	538,048	1,973,048
2020	1,465,000	503,021	1,968,021
2021-2025	5,190,000	1,986,153	7,176,153
2026-2030	3,675,000	1,691,050	5,366,050
2031-2034	3,183,010	465,149	4,129,149
Total Requirements	19,640,000	7,107,023	26,171,023

Accreted Interest Payable

A portion of the 2013 General Obligation Bond and the 2014 General Obligation Bonds consisted of capital appreciation bonds (CABS). These bonds are zero-coupon bonds with deep discounts. The difference between the initial price of the bonds plus the premium on the CABS and the maturity value represents interest. This interest is accreted over the term of the bonds and is recorded as a liability in the District's financial statements. The following schedule summarizes the changes in accreted interest payable during the years ended August 31, 2015 and 2014.

August 31, 2015	Balance 9/1/2014	Booked	Retired	Balance 8/31/2015
Accreted Interest Payable	11,672	22,639		34,311

August 31, 2014	Balance 9/1/2014	Booked	Retired	Balance 8/31/2014
Accreted Interest Payable		11,672		11,672

8. LEASE OBLIGATIONS

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

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

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

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Other Leases: The College leases various copiers and other equipment under noncancelable operating (noncapitalized) leases that have an initial term in excess of one year. The College also entered into leases for classroom space on the Corinth campus. The current year's lease expense for the equipment and classroom space was \$1,498,934.

Minimum future requirements as of August 31, 2015 were as follows:

<u>Fiscal Year</u> <u>August 31,</u>	<u>Future Minimum</u> <u>Lease Payments</u>
2016	\$ 1,477,137
2017	1,535,317
2018	1,662,529
2019	1,692,810
2020	1,658,667
2021-2025	4,232,348
2026-2030	4,109,988
2031-2032	<u>1,754,600</u>
Total	\$ 18,123,396

9. ADVANCE REFUNDING BONDS

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

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

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

- Refunded \$3,255,000 of District Revenue Bonds, Series 2004
- Issued refunding bonds on 11/15/2012
- \$3,505,000, all authorized bonds have been issued
- Average interest rate of bonds refunded-4.375%
- Net proceeds from Refunding Series \$3,453,563 after payment of \$51,437 in underwriting fees, insurance, and other issuance costs
- The 2004 Series bonds are considered partially defeased and the liability for the defeased coupons have been removed from the investment in Plant Fund Group. The coupons due on 5/15/2013 and 5/15/2014 were not defeased.
- Advance refunding of the 2004 Series bonds reduced the college's debt service payments over the next 9 years by approximately \$166,280

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- Economic Gain--\$151,952, difference between the net present value of the old and new debt service payments
- Accounting Loss--\$198,563 as a result of the advance refunding

10. DEFEASED BONDS OUTSTANDING

Bond Issue	Year Refunded	Par Value Outstanding
Series 1998	2011	\$ 3,185,000
Series 2004	2013	\$ 2,900,000

11. EMPLOYEES RETIREMENT PLAN

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

Teacher Retirement System of Texas (TRS)

A. Plan Description

The College participates in a cost-sharing, multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec 67, and Texas Government Code, Title 8 Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pensions' Board of Trustees does not have the authority to establish or amend benefit terms.

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

B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS, 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times year of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the members age and years or service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are not automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

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D. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GM) established the employer contribution rates for fiscal years 2014 and 2015.

	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY2014 District Contribution	515,544	
FY2014 State of Texas On-Behalf Contributions	\$ 437,900	

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation or all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contributions rate in the following instances:

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

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

E. Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

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Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 year Market Value
Discount Rate	8%
Long-term expected investment Rate of Return (includes inflation of 3%)	8%
Salary increases (includes inflation of 3%)	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age of inactive vested members stemming from the actuarial audit performed in the summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

F. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2014 as amended October 1, 2014 are summarized below:

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Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Returns
Global Equity			
U. S.	18.0%	7.0%	1.4%
Non-U. S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
Stable Value			
U. S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy and Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
Risk Parity			
Risk Parity	5.0%	8.9%	0.4%
Alpha	0.0%	0.0%	1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

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

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1%, less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	10% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	10% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability	\$ 9,706,129	\$ 5,431,706	\$ 2,235,233

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

At August 31, 2015, the College reported a liability of \$5,431,706 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the collective net pension liability	\$ 5,431,706
State's proportionate share that is associated with the College	<u>4,623,508</u>
Total	\$ 10,055,214

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The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employee's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31 2014.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period. There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 9/1/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the College recognized pension expense of \$437,900 and revenue of \$437,900 for support provided by the State.

At August 31, 2015, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 84,003	\$
Changes in actuarial assumptions	353,067	
Difference between projected and actual investment earnings		1,660,151
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		1,424
Contributions paid to TRS subsequent to the measurement date	427,435	
Total	864,150	1,661,575

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

Year Ended August 31,	Pension Expense
2016	\$ 341,544
2017	341,544
2018	341,544
2019	(73,493)
2020	(681,178)
Thereafter	\$ 882,961

Optional Retirement Plan

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

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Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. The College contributes 2.5% for employees who are participating in the ORP prior to September 1, 1995. . Benefits are fully vested after one year plus one day of employment. Because these are individual annuity contracts, the State has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the College was \$521,164 and \$566,356 for the fiscal years ended August 31, 2015 and 2014, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll of all College employees was \$21,587,264 and \$20,215,301 for fiscal years August 31, 2015 and 2014, respectively. The total payroll of employees covered by the TRS was \$14,102,654 and \$12,600,027; and the total payroll of employees covered by the ORP was \$2,803,680 and \$2,964,432 for fiscal years August 31, 2015 and 2014, respectively.

12. DEFERRED COMPENSATION PLAN

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

As of August 31, 2015, the College had 29 employees participating in the program. A total of \$172,040 in payroll deductions were invested in approved plans during the fiscal year.

As of August 31, 2014, the College had 25 employees participating in the program. A total of \$101,618 in payroll deductions were invested in approved plans during the fiscal year.

13. COMPENSATED ABSENCES

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

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

14. PENDING LAWSUITS AND CLAIMS

On September 26, 2014, the College's women's softball team's bus, driven by the team's head coach, was struck by a semi-truck while returning from a collegiate softball event in Oklahoma. There were multiple student injuries and fatalities. The College has been sued for negligence by the families of three of the deceased students involved in the crash. The case is in the very early stages of litigation and no discovery has been taken at this time. The College has filed a motion to transfer venue to Cooke County, which has not yet been set for hearing. The attorneys cannot predict the outcome of this matter at this time.

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
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15. CONTRACT AND GRANT AWARDS

Contracts and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed (e.g., multi-year awards) or funds awarded during fiscal years 2015 and 2014 for which monies have not been received nor funds expended, totaled \$4,909,755 and \$6,385,778, respectively. Of this amount, \$4,078,815 and \$5,568,607 were from Federal Contract and Grant awards, respectively and \$830,940 and \$817,171 were from State Contract and Grant awards. There were no amounts from Local or from Private Contract and Grant Awards.

16. SELF-INSURED PLANS

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

17. HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was \$537.66 and \$503.14 per month for employee-only coverage for the years ended August 31, 2015 and 2014, respectively. The cost of providing these benefits and the total number of employees participating in the plan and contributions were as follows:

	August 31, 2015		August 31, 2014	
	Number of Employees	Contribution	Number of Employees	Contribution
Active Employees	353	\$ 1,070,210	324	\$ 735,293
Retired Employees	81	310,196	79	552,159
	434	1,138,117	403	1,128,718

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

18. AD VALOREM TAX

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

Net assessed valuation at August 31 was as follows:

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

	Fiscal Year 2015	Fiscal Year 2014
Assessed Valuation	\$ 3,773,501,178	\$ 3,722,367,636
Less: Exemptions & Abatements	(816,421,782)	(815,353,948)
Net Assessed Valuation	\$ 2,957,079,396	\$ 2,907,013,688

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

	Fiscal Year 2015		Fiscal Year 2014	
	Current Operations	Debt Service	Current Operations	Debt Service
Authorized	0.20000	0.50000	0.20000	0.50000
Assessed	0.07120	0.03830	0.06680	0.00000

Taxes levied for the years ended August 31, 2015 and 2014, were \$3,591,503 and \$2,236,392, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Tax collections for the years ended August 31, 2015 and 2014, were 98.6% and 98.6%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures.

	Current Operations	Debt Service	Total
<u>Fiscal Year Ended August 31, 2015</u>			
Current Taxes Collected	2,302,770	1,236,863	3,539,633
Delinquent Taxes Collected	18,148	23	18,171
Penalties & Interest Collected	18,899	6,004	24,903
Total Collections	2,339,817	1,242,890	3,582,707
 <u>Fiscal Year Ended August 31, 2014</u>			
Current Taxes Collected	2,205,678		2,205,678
Delinquent Taxes Collected	70,124	412	70,536
Penalties & Interest Collected	25,136		25,136
Total Collections	2,300,938	412	2,301,350

19. BRANCH CAMPUS MAINTENANCE TAX

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

	Collections (including penalties and interest)	
	August 31, 2015	August 31, 2014
Young County	\$ 438,394	\$ 426,944

20. INCOME TAXES

The College is exempt from income taxes under Internal Revenue Service Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income*

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2015 and 2014.

21. COMPONENT UNITS

North Central Texas College Foundation, nc.: North Central Texas College Foundation, nc. (the Foundation) was established as a separate nonprofit organization in 1984 for the purpose of providing student scholarships and assistance in the development and growth of the College. Under GASB standards, the Foundation is a component unit of the College because:

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

Accordingly the Foundation financial statements are included in the College's annual report as a discrete component unit (see table of contents). Complete financial statements of the North Central Texas College Foundation, nc. can be obtained from the administrative office of the Foundation. The services of the College employees and certain operating costs have been donated by the College. The estimated value of these contributed services is \$154,578 and \$149,846 for the years ended August 31, 2015 and 2014 respectively. This amount has been included in revenues and expenditures in the accompanying component unit financial statements for the years ended August 31, 2015 and 2014.

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

For the fiscal years 2015 and 2014, the Trust was totally managed by the Administration of the College and falls under the direct oversight of the College's Board of Regents. For the years ended August 31, 2015 and 2014, the Trust is presented using the blended method of inclusion.

22. COMMITMENTS AND CONTINGENT LIABILITIES

Grants: The College participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the College, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

23. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015 and 2014,

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 and 2014

the College purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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

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

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

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

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

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, 2015, 2014 and 2013 were \$310,964, \$552,559, and \$507,852 respectively, which equaled the required contributions each year.

25. SUBSEQUENT EVENTS

The College's management has evaluated subsequent events through December 9, 2015, the date which the financial statements were available for issue.

Required Supplementary Information

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>2015</u>
District's proportion of the net pension liability	0.0203348%
District's proportion share of the net pension liability	\$ 5,431,706
State's proportionate share of the net pension liability associated with the District	<u>4,623,508</u>
Total	<u>10,055,214</u>
District's covered employee payroll	14,102,654
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.52%
Plan fiduciary net position as a percentage of total pension liability	83.25%

Note: The first TRS actuarial report was completed for the year ended August 31, 2014 (measurement date) therefore, only one year of required supplementary information is available.

**NORTH CENTRAL TEXAS COLLEGE
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2015**

	2015
Contractually required contributions	\$ 515,544
Contributions in relation to the contractually required contribution	(515,544)
Contribution deficiency (excess)	\$
District's covered employee payroll	14,102,654
Contributions as a percentage of covered-employee payroll	3.66%

Note: The first TRS actuarial report was completed for the year ended August 31, 2014 (measurement date) therefore, only one year of required supplementary information is available.

Schedules

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	UNRESTRICTED	RESTRICTED	TOTAL EDUCATIONAL ACTIVITIES	AUXILIARY ENTERPRISES	TOTALS MEMORANDUM ONLY	
					2015	2014
TUITION						
State funded credit courses						
In-district resident tuition	\$ 893,081	\$	\$ 893,081	\$	\$ 893,081	\$ 851,957
Out-of-district resident tuition	13,026,671		13,026,671		13,026,671	12,213,693
TPEG credit (set aside)*	454,858		454,858		454,858	418,115
State funded continuing education	668,669		668,669		668,669	957,220
Non-resident tuition	744,968		744,968		744,968	764,825
Non-state funded continuing education	409,829		409,829		409,829	482,209
TOTAL TUITION	<u>16,198,076</u>		<u>16,198,076</u>		<u>16,198,076</u>	<u>15,688,019</u>
FEES						
General fees	4,070,446		4,070,446		4,070,446	4,061,452
Distance education fees	790,303		790,303		790,303	752,895
Student service fees				189,298	189,298	194,976
Laboratory fees	208,202		208,202		208,202	215,567
TOTAL FEES	<u>5,068,951</u>		<u>5,068,951</u>	<u>189,298</u>	<u>5,258,249</u>	<u>5,224,890</u>
SCHOLARSHIP ALLOWANCES AND DISCOUNTS						
Scholarship allowances	(60,408)	(3,600)	(64,008)	(293,834)	(357,842)	(339,598)
Remissions and exemptions-state	(870,052)		(870,052)		(870,052)	(663,120)
TPEG allowances		(399,049)	(399,049)		(399,049)	(435,273)
Federal grants to students		(5,474,354)	(5,474,354)		(5,474,354)	(5,251,973)
Texas grants		{17,1522}	{17,1522}		{17,1522}	{458,9912}
TOTAL SCHOLARSHIP ALLOWANCES AND DISCOUNTS	<u>{930,4602}</u>	<u>{5,894,1552}</u>	<u>{6,824,6152}</u>	<u>{293,8342}</u>	<u>{7,118,4492}</u>	<u>{7,148,9552}</u>
TOTAL NET TUITION AND FEES	<u>20,336,567</u>	<u>{5,894,1552}</u>	<u>14,442,412</u>	<u>{104,5362}</u>	<u>14,337,876</u>	<u>13,763,954</u>
ADDITIONAL OPERATING REVENUES						
Federal grants and contracts		2,523,611	2,523,611		2,523,611	2,563,759
State grants and contracts		2,842,742	2,842,742		2,842,742	2,079,889
Private grants	438,394	98,057	536,451		536,451	719,592
Sales and services of educational activities	99,604		99,604	77,121	176,725	196,709
Investment income (program restricted)						
Other operating revenues	583,716		583,716		583,716	374,042
TOTAL OTHER OPERATING REVENUES	<u>1,121,714</u>	<u>5,464,410</u>	<u>6,586,124</u>	<u>77,121</u>	<u>6,663,245</u>	<u>5,933,991</u>
AUXILIARY ENTERPRISES						
Residential life				455,880	455,880	417,924
Scholarship allowances and discounts				{270,7122}	{270,7122}	{271,4102}
Net Residential Life				185,168	185,168	146,514
Bookstore				420,876	420,876	426,989
Scholarship allowances and discounts						
Net Bookstore				420,876	420,876	426,989
TOTAL NET AUXILIARY ENTERPRISE				<u>606,044</u>	<u>606,044</u>	<u>573,503</u>
TOTAL OPERATING REVENUES	<u>\$ 21,458,281</u>	<u>\$ {429,7452}</u>	<u>\$ 21,028,536</u>	<u>\$ 578,629</u>	<u>\$ 21,607,165</u>	<u>\$ 20,271,448</u>

(Exhibit 2)

(Exhibit 2)

* In accordance with Education Code 56.033, \$454,857 and \$418,115 for years ended August 31, 2015 and 2014, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2015
(With Memorandum Totals For the Year Ended August 31, 2014)

	OPERATING EXPENSE			TOTALS MEMORANDUM ONLY		
	SALARIES AND WAGES	BENEFITS		2015	2014	
		STATE	LOCAL			OTHER EXPENSE
UNRESTRICTED EDUCATIONAL ACTIVITIES						
Instruction	\$ 12,106,710	\$	\$ 1,902,539	\$ 2,098,867	\$ 16,108,116	\$ 15,648,531
Research	94,251		14,811	28,947	138,009	124,420
Public service	235,270		36,972	137,390	409,632	490,550
Academic support	1,926,761		302,786	358,763	2,588,310	2,351,374
Student services	1,713,944		269,342	284,146	2,267,432	2,157,194
Institutional support	3,123,442		490,841	2,021,275	5,635,558	5,291,600
Operation and maintenance of plant	426,711		159,059	4,200,429	4,786,199	4,128,548
Scholarship and fellowships						
TOTAL UNRESTRICTED EDUCATIONAL ACTIVITIES	<u>19,627,089</u>		<u>3,176,350</u>	<u>9,129,817</u>	<u>31,933,256</u>	<u>30,192,217</u>
RESTRICTED EDUCATIONAL ACTIVITIES						
Instruction	564,733	1,651,370		1,059,505	3,275,608	2,631,470
Research		11,751			11,751	6,854
Public service	435,937	135,194		397,004	968,135	934,995
Academic support	34,818	250,433			285,251	448,637
Student services	618,403	350,179		406,648	1,375,230	1,400,618
Institutional support		389,416			389,416	273,019
Operation and maintenance of plant				985	985	9,800
Scholarship and fellowships	202,150			7,732,319	7,934,469	8,321,074
TOTAL RESTRICTED EDUCATIONAL ACTIVITIES	<u>1,856,041</u>	<u>2,788,343</u>		<u>9,596,461</u>	<u>14,240,845</u>	<u>14,026,467</u>
AUXILIARY ENTERPRISES	<u>115,432</u>		<u>36,136</u>	<u>751,158</u>	<u>902,726</u>	<u>931,108</u>
DEPRECIATION EXPENSE						
Buildings and other real estate improvements				736,965	736,965	743,015
Equipment and furniture				696,903	696,903	579,721
TOTAL OPERATING EXPENSES	<u>\$ 21,598,562</u>	<u>\$ 2,788,343</u>	<u>\$ 3,212,486</u>	<u>\$ 20,911,304</u>	<u>\$ 48,510,695</u>	<u>\$ 46,472,528</u>
				(Exhibit 2)		(Exhibit 2)

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>AUXILIARY ENTERPRISES</u>	TOTALS MEMORANDUM ONLY	
				<u>2015</u>	<u>2014</u>
NON-OPERATING REVENUES					
State Appropriations:					
Education and general state support	\$ 11,360,666	\$	\$	\$ 11,360,666	\$ 11,438,356
State group insurance		1,381,174		1,381,174	1,287,852
State retirement matching		984,209		984,209	566,356
Other					
Total State Appropriations	<u>11,360,666</u>	<u>2,365,383</u>	<u></u>	13,726,049	13,289,564
Maintenance ad valorem taxes	2,327,616			2,327,616	2,267,607
Debt service ad valorem taxes		1,256,993		1,256,993	541
Federal Revenue, non-operating		12,165,740		12,165,740	12,849,142
Gifts	750			750	
Investment income	9,835	26,203		36,038	30,715
Gain on disposal of capital assets					
Other non-operating revenues		<u>17,778</u>		<u>17,778</u>	<u>35,352</u>
TOTAL NON-OPERATING REVENUES	<u>13,698,867</u>	<u>15,832,097</u>	<u></u>	29,530,964	28,472,921
NON-OPERATING EXPENSES					
Interest on capital related debt		679,178		679,178	478,238
Loss on disposal of capital assets					1,333
Other non-operating expenses					144,874
TOTAL NON-OPERATING EXPENSES		<u>679,178</u>		<u>679,178</u>	<u>624,445</u>
NET NON-OPERATING REVENUES	<u>\$ 13,698,867</u>	<u>\$ 15,152,919</u>	<u>\$</u>	\$ 28,851,786	\$ 27,848,476
				(Exhibit 2)	(Exhibit 2)

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2015
(With Memorandum Totals For the Year Ended August 31, 2014)

	DETAIL BY SOURCE					AVAILABLE FOR CURRENT OPERATIONS	
	UNRESTRICTED	RESTRICTED		CAPITAL ASSETS NET OF DEPREC & RELATED DEBT	TOTAL	YES	NO
		EXPENDABLE	NON-EXPEND				
CURRENT							
Unrestricted	\$ 5,005,751	\$ -	\$ -	\$ -	\$ 5,005,751	\$ 5,005,751	\$ -
Board Designated							
Restricted	-	729,076	-	-	729,076	-	729,076
Auxiliary Enterprises	1,730,738	-	-	-	1,730,738	1,730,738	-
ENDOWMENT							
Restricted	-	950,523	-	-	950,523	-	950,523
Investment in Plant	-	-	-	220,370	220,370	-	220,370
PLANT							
Unexpended			-	10,260,807	10,260,807	-	10,260,807
Renewals	6,633,972	-	-	-	6,633,972	-	6,633,972
Debt Service	-	1,082,490	-	-	1,082,490	-	1,082,490
Investment in Plant	-	-	-	15,536,202	15,536,202	-	15,536,202
TOTAL NET POSITION AUGUST 31, 2015	<u>13,370,461</u>	<u>2,762,089</u>	<u>-</u>	<u>26,017,379</u>	<u>42,149,929</u>	<u>6,736,489</u>	<u>35,413,440</u>
					(Exhibit 1)		
TOTAL NET POSITION AUGUST 31, 2014	<u>20,015,279</u>	<u>2,375,184</u>	<u>-</u>	<u>23,965,356</u>	<u>46,355,819</u>	<u>14,421,066</u>	<u>31,934,753</u>
					(Exhibit 1)		
CHANGE IN NET POSITION	\$ (6,644,818)	\$ 386,905	\$ -	\$ 2,052,023	\$ (4,205,890)	\$ (7,684,577)	\$ 3,478,687
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPAL	<u>6,154,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,154,146</u>	<u>6,154,146</u>	<u>-</u>
NET INCREASE (DECREASE) IN NET POSITION	<u>\$ (490,672)</u>	<u>\$ 386,905</u>	<u>\$ -</u>	<u>\$ 2,052,023</u>	<u>\$ 1,948,256</u>	<u>\$ (1,530,431)</u>	<u>\$ 3,478,687</u>

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

Schedule E

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PASS-THROUGH DISBURSEMENTS & EXPENDITURES
U.S. Department of Education			
Direct Programs:			
SEOG	84.007	N/A	\$ 150,360
Federal College Work-Study Program	84.033	N/A	97,070
Federal Pell Grant Program	84.063	N/A	11,918,310
Direct Student Loans	84.268	N/A	8,947,860
Student Support Services (TRIO)	84.042A	P042AI00964	255,274
Pass-through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Voe. Ed.	84.048A	154250	413,959
University of Texas			
Mathematics and Science Partnerships	84.366B	UTM-000389	107,257
Mathematics and Science Partnerships	84.366B	UTA15-000232	20,137
Mathematics and Science Partnerships	84.366B	UTA14000412	121,770
Mathematics and Science Partnerships	84.366B	UTA150000255	24,304
Mathematics and Science Partnerships	84.366B	Unknown	783
Subtotal			<u>274,251</u>
Total U.S. Department of Education			<u>22,057,084</u>
Department of Justice			
Grants to Reduce Domestic Violence	16.525	2011WAAX0022	<u>118,280</u>
Department of Labor			
Pass-through From:			
Workforce Solutions of North Central Texas			
Technology Based Learning	17.268	HG227351260A48	230,869
Trade Adjustment Assistance Community College & Career Training	17.282	TC-25053-13-60-A-48	<u>1,143,266</u>
Total U.S. Department of Labor			<u>1,374,135</u>
General Services Administration			
Federal Surplus Property	39.003	958	<u>985</u>
Small Business Administration			
Pass-through From:			
Dallas County Community College District			
Small Business Development Grant	59.037	SBAHQ-15-B-0018	<u>86,727</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 23,637,211</u>

See notes to schedule on following page.

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

Note 1: Federal Financial Assistance Reconciliation:

Federal Grants and Contracts Revenue per Schedule A	\$	14,689,351
Add: Direct Student Loans		8,947,860
Total Federal Revenues per Schedule of Federal Awards	\$	<u>23,637,211</u>

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

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

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

STATE GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	PASS-THROUGH GRANTOR'S NUMBER	PASS-THROUGH DISBURSEMENTS AND EXPENDITURES
Pass-through From:		
Texas Higher Education Coordinating Board		
Texas Grant	N/A	802,780
State Work Study	N/A	46,591
CSSP Toolkit	13393	20,000
DOR Performance	101045580009	19,708
S3	10895/11060/12062	148,129
CSSP Continuation	13621	70,565
Texas Workforce Commission		
Skills Development Grant	2513SDF003	92,803
Skills Development Grant	0414SDF000	260,437
Skills Development Grant	2513SDF000	4,767
Skills Development Grant	0414SDF006	25,105
Skills Development Grant	0414SDF002	189,970
Skills Small Business	0414SSDOOO	18,777
Texas Fast Start Program	2514GRFOOO	703,561
Total Texas Workforce Commission		<u>1,295,420</u>
Pass-through From:		
Dallas Community College		
Small Business Development State Grant		108,275
Texas Comptroller		
Jet Grant	14-5535-15	331,274
TOTAL STATE ASSISTANCE		<u>\$ 2,842,742</u>

Note 1: State Financial Assistance Reconciliation:

State Revenues per Schedule of Expenditures of State Awards

\$ 2,842,742

Reconciling Items: N/A

Total State Revenues per Schedule A

\$ 2,842,742Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

Single Audit Reports



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of North Central Texas College as of and for the years ended August 31, 2015, and 2014, and the related notes to the financial statements, which collectively comprise North Central Texas College's basic financial statements, and have issued our report thereon dated December 10, 2015.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Public Funds Investment Act

We have performed tests designed to verify the College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2015, no instances of noncompliance were found.

Purpose of this Report

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

Schalk & Smith, P.C.
December 10, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Regents
North Central Texas College

Report on Compliance for Each Major Federal Program

We have audited North Central Texas College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas *Single Audit Circular* that could have a direct and material effect on each of North Central Texas College's major federal programs for the year ended August 31, 2015. North Central Texas College's major federal and state programs are identified in the summary of the 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 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, OMB Circular A-133 and the State of Texas *Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 & State Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2015.

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 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.

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 OMS Circular A-133 and the State of Texas *Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

J cfto.W pc_,

Schalk & Smith, P.C.
December 10, 2015

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

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

Federal & State Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 801(a) of OMB Circular A-133 or the State of Texas Audit Circular:

_____yes no

Identification of Major Programs:

Federal:

- Financial Aid Cluster CFDA #84.007; 84.033; 84.063; 84.268
- Career and Technical Education-Basic Grants to States CFDA #84.048

State:

- Texas Grants

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

Auditee qualified as low-risk auditee? X yes -
_____no

Section II - Financial Statement Findings-NONE

Section III - Federal Award findings and Questioned Costs-NONE

NORTH CENTRAL TEXAS COLLEGE
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

NONE