

NORTH CENTRAL TEXAS COLLEGE
ANNUAL FINANCIAL AND COMPLIANCE REPORT
For the Years Ended August 31, 2016 and 2015

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**NORTH CENTRAL TEXAS COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015
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NORTH CENTRAL TEXAS COLLEGE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR 2015-2016

ORGANIZATIONAL DATA

BOARD OF REGENTS AND OFFICERS

Officers

Karla Metzler
Bill Ledbetter
Christy Morris

Chair
Vice Chair
Secretary

Members

Bill Ledbetter
Jon Grime
Richard Haayen
Matt Chalmers
Patsy Wilson
Christy Morris
Karla Metzler

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

Term Expires
in May of
2017
2021
2017
2019
2021
2019
2021

Principal Administrative Officers

Dr. Brent Wallace
Dr. Janie Neighbors
Dr. Andrew Fisher
Debbie Sharp
Robbie Baugh
Dr. Emily Klement
David Brown

President
Vice President of Fiscal Affairs
Vice President of Instruction
Vice President of External Affairs
Vice President of Administrative Affairs
Associate VP of Instructional Partnerships
Associate VP of Strategic Planning

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of North Central Texas College (the College) as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the North Central Texas College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of North Central Texas College as of August 31, 2016 and 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 42), and schedule of the College's contributions (page 43) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Central Texas College's basic financial statements. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas *Single Audit Circular*, and are also not a required part of the basic financial statements.

The supplementary schedules of operating revenues, operating expenses by object, non-operating revenues and expenses, net 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, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of North Central Texas College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Texas College's internal control over financial reporting and compliance.



Schalk & Smith, P.C.
December 12, 2016

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, 2016. 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 is 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 Uniform Guidance requirements and the State of Texas Single Audit Circular requirements.

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

Condensed Comparative Financial Information

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

Analysis of the College's Overall Financial Position

The overall financial position of the College is very good. There was a significant increase in many critical areas during the past year. The combined fall credit and noncredit head count enrollment grew from 5,180 in 2002 and peaked at 10,723 in 2013; there has been a slight decrease each year since, with a total enrollment of 9,651 in Fall 2015. Student tuition and fee revenue increased from \$3,871,000 in 2002 to \$15,754,222 in 2016. 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 \$13,116,545 in 2016, the portion of state funding has decreased from 38.3% of the total expenditures in 2002 to 26.44% in 2016.

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 2016 has been a continual increase in taxable assessed valuation from \$1,288,353,176 in 2000 to \$2,827,618,272 in 2016. Total tax collections have increased from \$1,332,078 in 2000 to \$3,824,290 in 2016. 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 increased to \$0.0811 and the interest and sinking tax rate was \$0.0402 for a total of \$0.1213 in 2016.

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 \$43,375,530 as of August 31, 2016.

Table I
Net Assets

	Business-type Activities 2016	Business-type Activities 2015	Business-type Activities 2014
Current and other assets	\$ 28,743,788	\$ 37,606,534	\$ 42,285,769
Capital assets	47,154,617	35,934,278	30,608,945
Total assets	<u>75,898,405</u>	<u>73,540,812</u>	<u>72,894,714</u>
Deferred Outflows of Resources	1,003,780	1,062,276	226,024
Non current liabilities	24,412,550	24,618,534	20,481,285
Other liabilities	8,296,525	6,173,050	6,283,634
Total liabilities	<u>32,709,075</u>	<u>30,791,584</u>	<u>26,764,919</u>
Deferred Inflows of Resources	817,580	1,661,575	-
Net Position:			
Invested in capital assets net of related debt	28,086,890	26,017,379	23,965,356
Restricted	2,256,626	2,762,089	2,375,184
Unrestricted	13,032,014	13,370,461	20,015,279
Total net position	<u>\$ 43,375,530</u>	<u>\$ 42,149,929</u>	<u>\$ 46,355,819</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 \$28,086,890. 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 5.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position (\$13,032,014) 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 \$1,225,601. The total cost of all business-type activities was \$49,591,396. The amount that of these activities paid through property taxes was \$2,644,117 for the year ended 8/31/2016.

Table II
Changes in Net Assets

	Business-type Activities 2016	Business-type Activities 2015	Business-type Activities 2014
Revenues:			
Operating Revenues:			
Tuition & Fees	\$ 15,754,222	\$ 14,337,876	\$ 13,763,954
Federal Grants & Contracts	3,203,638	2,523,611	2,563,759
State Grants & Contracts	2,036,295	2,842,742	2,079,889
Private Grants	552,548	536,451	719,592
Sales & Services of Educational Activities	244,326	176,725	196,709
Auxiliary Enterprises (net)	559,157	606,044	573,503
Other Operating Revenues	1,226,389	583,716	374,042
Non-operating Revenues:			
State Appropriations	13,116,545	13,726,049	13,289,564
Property Taxes	3,869,718	3,584,609	2,268,148
Federal Grants & Contracts	10,118,167	12,165,740	12,849,142
Gifts	-	750	-
Investment Income (net)	87,709	36,038	30,715
Gain on Disposal of Fixed Assets	-	-	(1,333)
Other Non-operating Revenues	48,283	17,778	35,352
Total Revenues	<u>50,816,997</u>	<u>51,138,129</u>	<u>48,743,036</u>
Operating Expense:			
Instruction	20,248,345	19,383,724	18,280,001
Research	-	149,760	131,274
Public Service	1,353,701	1,377,767	1,425,545
Academic Support	3,245,805	2,873,561	2,800,011
Student Services	3,331,163	3,642,662	3,557,812
Institutional Support	6,344,782	6,024,974	5,564,619
Operation & Maintenance of Plant	4,860,258	4,787,184	4,138,348
Scholarship & Fellowship	6,653,388	7,934,469	8,321,074
Auxiliary Enterprises	1,285,827	902,726	931,108
Depreciation	1,571,471	1,433,868	1,322,736
Non-operating Expense:			
Interest on Capital Related Debt	696,656	679,178	478,238
Other	-	-	144,874
Total Expenses	<u>49,591,396</u>	<u>49,189,873</u>	<u>47,095,640</u>
Increase in Net Position	1,225,601	1,948,256	1,647,396
Beginning Net Position	42,149,929	46,355,819	44,708,423
Prior Period Adjustment	-	(6,154,146)	-
Beginning Net Position, as Restated	42,149,929	40,201,673	44,708,423
Ending Net Position	\$ <u>43,375,530</u>	\$ <u>42,149,929</u>	\$ <u>46,355,819</u>

Significant Capital Assets and Long-term Debt Activity

During the fiscal year 2014, the College issued Limited Tax and General Obligation Bonds, Series 2013 in the amount of \$5,500,000 and 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 Industrial Technology Center.

The Industrial Technology Center was completed during the year and the Health Science Building was near completion at year-end.

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 2015 term dipped to 9,651, compared to 10,442 in 2014. 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 1,396,976 in Fall 2015.

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 (HSC) and expansion of the Industrial Technology Center (ITC) and the associated parking lots. The ITC and parking lots were completed in Spring 2016. At year-end, the HSC was near completion.

Other Capital Assets and Long-term Debt Activity

For 2016, depreciation expense of \$1,571,471 was recorded. The College spent, in addition to the major purchases discussed above, over \$1,020,000 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, 2016 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 \$355,000 was made during the year and the balance outstanding at year-end was \$2,335,000. 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, 2016, 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 \$405,000 was made during the year and the balance outstanding at year-end was \$2,620,000. 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, 2016, 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 \$415,000 was made during the year and the balance outstanding at year-end was \$4,945,000. The bonds will mature August 2025.
- 4) The 2015 Series Limited Tax General Obligation Bond in the amount of \$8,730,000. This bond was issued for the purpose of constructing the Health Science Building and adding on to the Industrial Technology Center. A payment of \$100,000 was made during the year and the balance outstanding at year-end was \$8,465,000. 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. If you have questions regarding the North Central Texas College Foundation, Inc. contact the NCTC Foundation at 1525 West California St., Gainesville, TX 76240.

Basic Financial Statements

NORTH CENTRAL TEXAS COLLEGE

STATEMENT OF NET POSITION AUGUST 31, 2016 AND AUGUST 31, 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 17,922,585	\$ 16,443,103
Short term investments	4,048,170	4,042,141
Accounts receivable (net)	2,008,049	1,549,553
Inventories	9,919	10,178
Other assets	496,521	794,865
Total Current Assets	<u>24,485,244</u>	<u>22,839,840</u>
Noncurrent Assets		
Restricted cash and cash equivalents	4,258,544	14,766,694
Capital assets (net)	47,154,617	35,934,278
Total Noncurrent Assets	<u>51,413,161</u>	<u>50,700,972</u>
TOTAL ASSETS	<u>75,898,405</u>	<u>73,540,812</u>
Deferred Outflows of Resources		
Deferred loss on refunding	169,518	197,771
Deferred outflows related to pensions	834,262	864,505
Total Deferred Outflows of Resources	<u>1,003,780</u>	<u>1,062,276</u>
LIABILITIES		
Current Liabilities		
Accounts payable	2,256,361	385,012
Accrued liabilities	84,748	64,457
Funds held for others	80,839	79,327
Unearned revenue	4,504,577	4,369,254
Bonds payable-current portion	1,370,000	1,275,000
Total Current Liabilities	<u>8,296,525</u>	<u>6,173,050</u>
Noncurrent Liabilities		
Deposits	21,839	89,350
Net pension liability	6,692,988	5,428,707
Bonds payable	17,697,723	19,100,477
Total Noncurrent Liabilities	<u>24,412,550</u>	<u>24,618,534</u>
TOTAL LIABILITIES	<u>32,709,075</u>	<u>30,791,584</u>
Deferred Inflows of Resources related to Pensions	<u>817,580</u>	<u>1,661,575</u>
NET POSITION		
Invested in capital assets, net of related debt	28,086,890	26,017,379
Restricted for		
Expendable		
Student aid	957,239	950,523
Instructional programs	8,061	729,076
Debt service	1,291,326	1,082,490
Unrestricted	13,032,014	13,370,461
TOTAL NET POSITION	<u>\$ 43,375,530</u>	<u>\$ 42,149,929</u>

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

NORTH CENTRAL TEXAS COLLEGE FOUNDATION, INC.

A COMPONENT UNIT OF NORTH CENTRAL TEXAS COLLEGE

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2016 and AUGUST 31, 2015

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 68,493	\$ 73,656
Investments	2,974,839	2,256,183
Unconditional Promises to Give	-	-
Interest Receivable	35,276	33,724
Total Current Assets	<u>3,078,608</u>	<u>2,363,563</u>
Permanently Restricted Endowment	<u>5,476,446</u>	<u>5,377,877</u>
TOTAL ASSETS	<u><u>\$ 8,555,054</u></u>	<u><u>\$ 7,741,440</u></u>
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable	\$ -	\$ -
Scholarships Payable	474,108	372,732
Deferred Support	-	-
Total Liabilities/Current Liabilities	<u>474,108</u>	<u>372,732</u>
Net Assets		
Unrestricted	6,319	11,759
Temporarily Restricted	2,598,181	2,009,072
Permanently Restricted	5,476,446	5,377,877
Total Net Assets	<u>8,080,946</u>	<u>7,398,708</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,555,054</u></u>	<u><u>\$ 7,771,440</u></u>

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

NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2016 AND AUGUST 31, 2015

	2016	2015
REVENUES		
Operating Revenues		
Tuition and fees (net of discounts of \$6,882,362 and \$7,148,955 respectively)	\$ 15,754,222	\$ 14,337,876
Federal grants and contracts	3,203,638	2,523,611
State grants and contracts	2,036,295	2,842,742
Private grants	552,548	536,451
Sales and services of educational activities	244,326	176,725
Auxiliary enterprises (net of discounts \$247,548 and \$270,712 respectively)	559,157	606,044
Other operating revenues	1,226,389	583,716
Total Operating Revenues (Schedule A)	23,576,575	21,607,165
EXPENSES		
Operating Expenses		
Instruction	20,248,345	19,383,724
Research	-	149,760
Public service	1,353,701	1,377,767
Academic support	3,245,805	2,873,561
Student services	3,331,163	3,642,662
Institutional support	6,344,782	6,024,974
Operation and maintenance of plant	4,860,258	4,787,184
Scholarship and fellowships	6,653,388	7,934,469
Auxiliary enterprises	1,285,827	902,726
Depreciation	1,571,471	1,433,868
Total Operating Expenses (Schedule B)	48,894,740	48,510,695
OPERATING INCOME (LOSS)	(25,318,165)	(26,903,530)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	13,116,545	13,726,049
Maintenance ad-valorem taxes		
Taxes for maintenance and operations	2,588,075	2,327,616
Taxes for general obligation bonds	1,281,643	1,256,993
Federal Revenue, non-operating	10,118,167	12,165,740
Gifts	-	750
Investment income (net of investment expenses)	87,709	36,038
Interest on capital related debt	(696,656)	(679,178)
Gain (Loss) Loss on disposal of fixed assets	-	-
Other non-operating revenues	48,283	17,778
Other non-operating expenses	-	-
Net Non-Operating Revenues (Schedule C)	26,543,766	28,851,786
INCREASE (DECREASE) IN NET POSITION	1,225,601	1,948,256
NET POSITION-BEGINNING OF YEAR	42,149,929	46,355,819
Prior Period Adjustments	-	(6,154,146)
Net POSITION-BEGINNING OF YEAR AS RESTATED	42,149,929	40,201,673
NET POSITION-END OF YEAR	\$ 43,375,530	\$ 42,149,929

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

NORTH CENTRAL TEXAS COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF ACTIVITIES
For the Years Ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUE		
Support		
Donations	\$ 3,924	\$ 10,790
Fundraising	300	1,000
Total Support	<u>4,224</u>	<u>11,790</u>
Revenue		
Interest and Dividends	202	342
Total Revenue	<u>202</u>	<u>342</u>
Net assets released from restrictions:		
Satisfaction of Program Restrictions	<u>1,410,251</u>	<u>1,155,543</u>
TOTAL UNRESTRICTED SUPPORT AND REVENUES AND		
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,414,677</u>	<u>1,167,675</u>
OPERATING EXPENSES		
Program services		
Scholarships	776,337	624,088
Departmental Expenses	333,614	370,847
Amortization of Bond Premium	126	62
Supporting services		
Management and General	285,741	176,058
Fundraising	24,299	-
TOTAL OPERATING EXPENSES	<u>1,420,117</u>	<u>1,171,055</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(5,440)</u>	<u>(3,380)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Support		
Donations	971,506	636,459
Fundraising	241,455	324,902
Total Support	<u>1,212,961</u>	<u>961,361</u>
Revenue		
Interest and Dividends	593,675	339,292
Gain (Loss) on Sale of Assets	104,899	78,618
Unrealized Gain (Loss)	171,332	(226,431)
Total Revenue	<u>869,906</u>	<u>191,479</u>
Net assets released from restrictions:		
Reached Endowment Status	(83,507)	(191,241)
Satisfaction of Program Restrictions	<u>(1,410,251)</u>	<u>(1,155,543)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>589,109</u>	<u>(193,944)</u>
<u>PERMANENTLY RESTRICTED NET ASSETS</u>		
Endowments Received	15,062	313,114
Net assets released from restrictions:		
Satisfaction of Program Restrictions	<u>83,507</u>	<u>191,241</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>98,569</u>	<u>504,355</u>
CHANGE IN NET ASSETS	682,238	307,031
NET ASSETS AT BEGINNING OF YEAR	<u>7,398,708</u>	<u>7,091,677</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,080,946</u>	<u>\$ 7,398,708</u>

The accompanying notes are an integral part of these statements.

NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2016 AND AUGUST 31, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and customers	\$ 17,748,867	\$ 15,108,859
Receipts of appropriations, grants and contracts	5,724,201	6,943,402
Payments to or on behalf of employees	(28,074,801)	(26,559,840)
Payments to suppliers	(16,125,133)	(19,836,734)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(20,726,866)</u>	<u>(24,344,313)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad valorem tax revenues	3,852,127	3,573,059
State appropriations	12,371,300	12,741,840
Non-operating federal revenue	10,118,167	12,165,740
Other cash receipts (payments)	48,282	3,483
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>26,389,876</u>	<u>28,484,122</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(12,791,810)	(6,759,201)
Principal paid on debt	(1,275,000)	(1,050,000)
Interest paid on debt	(706,548)	(928,480)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(14,773,358)</u>	<u>(8,737,681)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	87,709	36,040
Purchases of investments	(6,029)	(4,109)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>81,680</u>	<u>31,931</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,028,668)	(4,565,941)
CASH AND CASH EQUIVALENTS - SEPTEMBER 1	31,209,797	35,775,738
CASH AND CASH EQUIVALENTS - AUGUST 31	<u>\$ 22,181,129</u>	<u>\$ 31,209,797</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (25,318,165)	\$ (26,903,530)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Payments made directly by state for benefits	596,167	984,209
Depreciation expense	1,571,471	1,433,868
Pension expense	599,607	71,630
Changes in assets and liabilities:		
Receivables, net	(440,905)	301,401
Inventories	259	(8,108)
Other assets	298,345	(164,341)
Accounts payable	1,897,031	(150,730)
Deferred revenue	135,323	87,087
Deposits held for others	(65,999)	4,201
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (20,726,866)</u>	<u>\$ (24,344,313)</u>
Cash Reconciliation:		
Cash and cash equivalents	\$ 17,922,585	\$ 16,443,103
Restricted cash	4,258,544	14,766,694
Total Cash	<u>\$ 22,181,129</u>	<u>\$ 31,209,797</u>

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

NORTH CENTRAL TEXAS COLLEGE FOUNDATION, INC.
A COMPONENT UNIT OF NORTH CENTRAL TEXAS COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2016 AND AUGUST 31, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors	\$ 990,492	\$ 960,363
Receipts from fundraising activities	241,755	325,902
Payments of scholarships and departmental expenses	(978,575)	(915,294)
Payments of fundraising and management expenses	(310,040)	(176,058)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(56,368)</u>	<u>194,913</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	592,199	341,008
Purchases of investments	(540,994)	(638,969)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>51,205</u>	<u>(297,961)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,163)	(103,048)
CASH AND CASH EQUIVALENTS - SEPTEMBER 1	73,656	176,704
CASH AND CASH EQUIVALENTS - AUGUST 31	<u>\$ 68,493</u>	<u>\$ 73,656</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 682,238	\$ 307,031
Adjustments to reconcile operating loss to net cash used by operating activities:		
Investment earnings	(870,108)	(191,821)
Amortization of bond premium	126	62
Changes in assets and liabilities:		
Unconditional promises to give	-	-
Accounts payable	-	(14,525)
Scholarships payable	131,376	94,166
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (56,368)</u>	<u>\$ 194,913</u>

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NORTH CENTRAL TEXAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 and 2015

1. REPORTING ENTITY

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

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

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

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

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

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

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

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

Tuition Discounting

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

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

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

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The College sets aside resources for the repayment of the bonds. The College has designated public funds investment pools comprised of \$19,701,154 and \$29,251,719 at August 31, 2016 and August 31, 2015 respectively, to be cash equivalents. The College also segregates bond proceeds to be used for capital projects. These assets are classified as restricted cash on the statement of net position

NORTH CENTRAL TEXAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 and 2015

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, 2016	August 31, 2015
Fuel	\$ 367	\$ 493
Cosmetology Stock	9,552	9,685
	<u>\$ 9,919</u>	<u>\$ 10,178</u>

Capital Assets

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

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

Buildings	50 years
Facilities and Other Improvements	20 years
Furniture, Machinery, 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, 2016 and 2015

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, 2016</u>	<u>August 31, 2015</u>
Tuition	\$ 4,504,577	\$ 4,297,552
State Grant	-	49,625
Federal Grant	-	2,168
Local Grant	-	19,909
	<u>\$ 4,504,577</u>	<u>\$ 4,369,254</u>

Pensions

The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

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

Net Position

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

NORTH CENTRAL TEXAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 and 2015

At August 31, 2016, net position of the College consisted of the following:

	August 31, 2016	August 31, 2015
Net property, plant and equipment	\$ 47,154,617	\$ 35,934,278
Less:		
General obligation bonds payable, net	(14,077,235)	(14,464,632)
Revenue bonds payable, net	(4,990,492)	(5,713,074)
Amount of debt related to unspent proceeds	-	10,260,807
Total net investment in capital assets	<u>28,086,890</u>	<u>26,017,379</u>
Restricted for debt service	1,291,326	1,082,490
Restricted for student aid	957,239	950,523
Restricted for instructional programs	8,061	729,076
Unrestricted	<u>13,032,014</u>	<u>13,370,461</u>
Total net position	<u>\$ 43,375,530</u>	<u>\$ 42,149,929</u>

3. AUTHORIZED INVESTMENTS

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

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

4. DEPOSITS AND INVESTMENTS

Cash and Deposits

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

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. The College does have a policy for custodial credit risk. At August 31, 2016 and 2015, the carrying amounts of the College's bank deposits were \$2,476,600 and \$1,954,934, respectively, and total bank balances equaled \$3,513,376 and \$4,421,418. Bank balances of \$490,448 and \$353,155 were covered by FDIC, and \$3,022,928 and \$4,068,263 were covered by collateral pledged in the College's name for the years ended August 31, 2016 and 2015, respectively.

Public Funds Investment Pool

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

NORTH CENTRAL TEXAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 and 2015

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)	
	Statement of Net Assets - Exhibit 1	
	8/31/2016	8/31/2015
Bank Deposits		
Demand Deposits	\$ 2,476,600	\$ 1,954,934
Petty Cash and Cash on Hand	3,375	3,144
Total Cash and Deposits	2,479,975	1,958,078
Cash Equivalents		
TexPool	19,701,154	29,251,719
Total Cash, Deposits, and Cash Equivalents	<u>\$ 22,181,129</u>	<u>\$ 31,209,797</u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be returned or the College will not be able to recover collateral securities in the possession of an outside party. The College's policy requires deposits to be 100% secured by collateral valued at market less the amount of the Federal Deposit Insurance Corporation (FDIC) limit. At August 31, 2016, the College's deposits are not exposed to custodial credit risk.

Investments

The College's investments consist of certificates of deposit located in several area banks. These certificates of deposit have maturity values of 1 year, and as such are considered short term investments. At August 31, 2016 and 2015, the College had the following investments:

Investment Type	Fair Value	Investment Maturities in Years			
	8/31/2016	1 or Less	1 to 5	5 to 10	10 to 15
Certificates of Deposit	\$ 4,048,170	\$ 4,048,170	\$ -	\$ -	\$ -
	8/31/2015	1 or Less	1 to 5	5 to 10	10 to 15
Certificates of Deposit	\$ 4,042,141	\$ 4,042,141	\$ -	\$ -	\$ -

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.

NORTH CENTRAL TEXAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 and 2015

Analysis of Specific Deposit and Investment Risks

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

- Credit Risk - Risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. For the years ended August 31, 2016 and 2015, the College was not exposed to credit risk.
- Concentration of Credit Risk - Risk of loss attributed to the magnitude of an entities investment in a single issuer. For the years ended August 31, 2016 and 2015, the College was not significantly exposed to a concentration of credit risk.
- Interest Rate Risk - Risk that changes in the interest rates will adversely affect the fair value of an investment. For the years ended August 31, 2016 and 2015, the College was not significantly exposed to interest rate risk.
- Foreign Currency Risk - Risk that exchange rates will adversely affect the fair value of an investment. For the years ended August 31, 2016 and 2015, neither the College nor the Foundation was exposed to a foreign currency risk.

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

	Carrying Amounts	
	8/31/2016	8/31/2015
Total Cash and Deposits	\$ 2,479,975	\$ 1,958,078
TexPool	19,701,154	29,251,719
Certificates of Deposit	4,048,170	4,042,141
Total Deposits and Investments	<u>\$ 26,229,299</u>	<u>\$ 35,251,938</u>
Per Statement of Net Assets - Exhibit 1:		
Cash and Cash Equivalents	\$ 17,922,585	\$ 16,443,103
Short-term Investments	4,048,170	4,042,141
Restricted Cash	4,258,544	14,766,694
Total Deposits and Investments	<u>\$ 26,229,299</u>	<u>\$ 35,251,938</u>

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 and 2015

5. CAPITAL ASSETS - COMPARATIVE

Capital assets activity for the years ended August 31, 2016 and 2015 was as follows:

<u>August 31, 2016</u>	Balance 9/1/2015	Increases	Decreases	Balance 8/31/2016
Not Depreciated:				
Land	\$ 1,491,594	\$ -	\$ -	\$ 1,491,594
Construction In Progress	7,409,463	11,771,695	(4,146,762)	15,034,396
Subtotal	8,901,057	11,771,695	(4,146,762)	16,525,990
Other Capital Assets:				
Buildings and Improvements	33,237,449	-	4,146,762	37,384,211
Equipment	6,142,692	919,886	(14,725)	7,047,853
Library Books	1,795,447	37,580	(25,058)	1,807,969
Automobiles	752,753	62,649	-	815,402
Subtotal	41,928,341	1,020,115	4,106,979	47,055,435
Accumulated Depreciation:				
Buildings and Improvements	(9,594,045)	(777,675)	-	(10,371,720)
Equipment	(3,444,152)	(560,488)	14,727	(3,989,913)
Library Books	(1,468,369)	(155,649)	25,058	(1,598,960)
Automobiles	(388,554)	(77,661)	-	(466,215)
Subtotal	(14,895,120)	(1,571,473)	39,785	(16,426,808)
Net Other Capital Assets	27,033,221	(551,358)	4,146,764	30,628,627
Net Capital Assets	\$ 35,934,278	\$ 11,220,337	\$ 2	\$ 47,154,617
<u>August 31, 2015</u>	Balance 9/1/2014	Increases	Decreases	Balance 8/31/2015
Not Depreciated:				
Land	\$ 1,491,594	\$ -	\$ -	\$ 1,491,594
Construction In Progress	1,925,284	5,484,179	-	7,409,463
Subtotal	3,416,878	5,484,179	-	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	(65,529)	752,753
Subtotal	40,811,371	1,275,022	(158,052)	41,928,341
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)	65,529	(388,554)
Subtotal	(13,619,304)	(1,433,866)	158,050	(14,895,120)
Net Other Capital Assets	27,192,067	(158,844)	(2)	27,033,221
Net Capital Assets	\$ 30,608,945	\$ 5,325,335	\$ (2)	\$ 35,934,278

NORTH CENTRAL TEXAS COLLEGE

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The depreciation expense for the year ended August 31, 2016 was \$1,571,471 and for the year ended August 31, 2015 was \$1,433,868.

6. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Current and noncurrent receivables at August 31, 2016 and 2015 were as follows:

	The College (Primary Government)	
	8/31/2016	8/31/2015
Accounts Receivable	\$ 148,405	\$ 158,364
Taxes Receivable	129,736	111,012
Federal Receivable	564,830	603,739
State & Local Receivable	265,817	223,154
Student Receivables	3,831,935	2,701,085
Interest Receivable	-	-
Other Receivable	-	176,040
Insurance Proceeds	-	-
Subtotal	4,940,723	3,973,394
Allowance for Doubtful Accounts	(2,932,674)	(2,423,841)
Total Receivables	<u>\$ 2,008,049</u>	<u>\$ 1,549,553</u>

Accounts payables and accrued liabilities at August 31, 2016 and 2015, were as follows:

	The College (Primary Government)	
	8/31/2016	8/31/2015
Vendors Payable	\$ 2,066,853	\$ 206,416
Students Payable	31,730	-
Other Payable	101,249	116,676
Interest Payable	56,529	61,920
Total Accounts Payable	2,256,361	385,012
Accrued Liabilities		
Salaries & Benefits Payable	84,748	64,457
Total Payables	<u>\$ 2,341,109</u>	<u>\$ 449,469</u>

7. LONG-TERM LIABILITIES

Bonds payable at August 31, 2016 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

NORTH CENTRAL TEXAS COLLEGE
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- Original amount authorized and issued \$3,505,000
- Source of revenue for debt service-Tuition and Fees
- Payable in annual installments varying from \$40,000 to \$465,000
- Interest rate 2.25%
- Final installment due May 2022

NCTC District Limited Tax General Obligation Bonds, Series 2013

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

NCTC District Limited Tax General Obligation Bonds, Series 2014

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

Activity in long term liabilities for the years ended August 31, 2016 and 2015, was as follows:

	Beginning Balance	Activity		Ending Balance	Current Portion
<u>August 31, 2016</u>		Additions	Reductions		
Revenue Bonds:					
2011 Series	\$ 2,690,000	\$ -	\$ (355,000)	\$ 2,335,000	\$ 365,000
2013 Series	3,025,000	-	(405,000)	2,620,000	410,000
General Obligation Bonds:					
2013 Series	5,360,000	-	(415,000)	4,945,000	495,000
2014 Series	8,565,000	-	(100,000)	8,465,000	100,000
CAB Accretion	34,311	23,285	(12,746)	44,850	-
Premium on Bonds	701,166		(43,293)	657,873	-
Net Pension Liability	5,428,707	1,821,930	(557,649)	6,692,988	N/A
	<u>\$ 25,804,184</u>	<u>\$ 1,845,215</u>	<u>\$ (1,888,688)</u>	<u>\$ 25,760,711</u>	<u>\$ 1,370,000</u>
<u>August 31, 2015</u>					
Revenue Bonds:					
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	7,513,460		(2,084,753)	5,428,707	N/A
	<u>\$ 28,959,596</u>	<u>\$ 22,639</u>	<u>\$ (3,178,051)</u>	<u>\$ 25,804,184</u>	<u>\$ 1,275,000</u>

NORTH CENTRAL TEXAS COLLEGE
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Debt service requirements at August 31, 2016 are summarized below:

<u>Fiscal Year</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
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	1,515,000	465,271	1,980,271
2022-2026	4,155,000	2,116,582	6,271,582
2027-2031	4,085,000	1,277,275	5,362,275
2032-2034	2,940,000	283,574	3,223,574
Total Requirements	<u>\$ 18,365,000</u>	<u>\$ 6,363,475</u>	<u>\$ 24,728,475</u>

Accreted Interest Payable

A portion of the 2013 General Obligation Bond and the 2014 General Obligation Bonds consisted of capital appreciation bonds (CABS). These bonds are zero-coupon bonds with deep discounts. The difference between the initial price of the bonds plus the premium on the CABS and the maturity value represents interest. This interest is accreted over the term of the bonds and is recorded as a liability in the District's financial statements. The following schedule summarizes the changes in accreted interest payable during the years ended August 31, 2016 and 2015.

	<u>Balance</u> <u>9/1/2015</u>	<u>Booked</u>	<u>Retired</u>	<u>Balance</u> <u>8/31/2016</u>
<u>August 31, 2016</u>				
Accreted Interest Payable	34,311	23,285	(12,746)	44,850

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

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.

NORTH CENTRAL TEXAS COLLEGE

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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 lease expense for the equipment and classroom space for the year ended August 31, 2016 and 2015 was \$1,489,315 and \$1,498,934, respectively.

Minimum future requirements as of August 31, 2016 were as follows:

<u>Fiscal Year</u> <u>August 31,</u>	<u>Future Minimum</u> <u>Lease Payments</u>
2017	\$ 1,560,226
2018	1,687,449
2019	1,716,759
2020	1,670,857
2021	1,135,498
2022-2026	3,888,050
2027-2031	4,204,988
2032	868,400
Total	<u>\$ 16,732,227</u>

9. ADVANCE REFUNDING BONDS

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

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

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

- Refunded \$3,255,000 of District Revenue Bonds, Series 2004
- Issued refunding bonds on 11/15/2012
- \$3,505,000, all authorized bonds have been issued
- Average interest rate of bonds refunded—4.375%
- Net proceeds from Refunding Series \$3,453,563 after payment of \$51,437 in underwriting fees, insurance, and other issuance costs
- 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.

NORTH CENTRAL TEXAS COLLEGE
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- Advance refunding of the 2004 Series bonds reduced the college's debt service payments over the next 9 years by approximately \$166,280
- Economic Gain-\$151,952, difference between the net present value of the old and new debt service payments
- Accounting Loss-\$198,563 as a result of the advance refunding

10. DEFEASED BONDS OUTSTANDING

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Series 1998	2011	\$ 2,895,000
Series 2004	2013	\$ 2,535,000

11. EMPLOYEES RETIREMENT PLAN

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

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% (multiplier) times the average of the five highest annual creditable salaries times year of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the members age and years or service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (A) above.

NORTH CENTRAL TEXAS COLLEGE

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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 increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
 FY2016 Employer Contribution		\$ 522,057
FY2016 Member Contributions		\$ 1,213,307
FY2016 NECE On-Behalf Contributions		\$ 488,605

The College's contributions to the TRS pension plan during the fiscal year ended August 31, 2016 were \$522,057 as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements.

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.

Public junior colleges are required to pay the employer contributions rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code
- During a new member's first 90 days of employment
- When any part 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.

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E. Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-term expected Investment Rate of Return (includes inflation of 2.5%)	8.0%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. The most significant changes were related to the update of the post-retirement mortality rates based on the most recent TRS member experience and the decrease in the assumption for general wage inflation from 3.0% to 2.5%. Other changes to overall assumptions and methods had a minor impact on the results of the actuarial valuation and the related pension liability.

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

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-estimate 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 Systems target asset allocation as of August 31, 2015, are summarized below:

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Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U. S.	18.0%	4.6%	1.0%
Non-U. S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U. S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

*The Expected Contribution to Returns incorporates the volatility drag 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 an 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability	\$ 10,486,650	\$ 6,692,988	\$ 3,533,103

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

At August 31, 2016, the College reported a liability of \$6,692,988 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:

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College's proportionate share of the collective net pension liability	\$ 6,692,988
State's proportionate share that is associated with the College	5,831,190
Total	<u>\$ 12,524,178</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At the measurement date of August 31, 2015, the employer's proportion of the collective net pension liability was 0.0189342% which was a decrease of -0.0014006% from its proportion measured as of August 31, 2014.

For the year ended August 31, 2016, the College recognized pension expense of \$830,851 and revenue of \$830,851 for support provided by the State.

At August 31, 2016, 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	\$ 69,863	\$ 257,217
Changes in actuarial assumptions	293,634	238,776
Difference between projected and actual investment earnings	403,221	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	321,587
Contributions paid to TRS subsequent to the measurement date	67,544	-
Total	<u>\$ 834,262</u>	<u>\$ 817,580</u>

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

Year Ended August 31,	Pension Expense
2017	\$ (67,927)
2018	(67,927)
2019	(67,926)
2020	347,113
2021	(69,324)
Thereafter	(124,871)

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 \$522,057 and \$521,164 for the fiscal years ended August 31, 2016 and 2015, 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 \$22,197,653 and \$21,587,264 for fiscal years August 31, 2016 and 2015, respectively. The total payroll of employees covered by the TRS was \$15,354,615 and \$14,102,654; and the total payroll of employees covered by the ORP was \$2,831,646 and \$2,803,680 for fiscal years August 31, 2016 and 2015, 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, 2016, the College had 26 employees participating in the program. A total of \$148,990 in payroll deductions were invested in approved plans during the fiscal year.

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.

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 was sued for negligence by the families of three of the deceased students involved in the crash. The court signed the order dismissing the claims against NCTC without prejudice on November 18, 2016.

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 and 2015

15. CONTRACT AND GRANT AWARDS

Contracts and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *State and Local Governments*, 8.99). For Federal Contract and Grant Awards, funds expended but not collected are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed (e.g., multi-year awards) or funds awarded during fiscal years 2016 and 2015 for which monies have not been received nor funds expended, totaled \$9,819,510 and \$4,909,755, respectively. Of this amount, \$4,845,240 and \$4,078,815 were from Federal Contract and Grant awards, respectively and \$809,623 and \$830,940 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, Inc. 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 \$577 and \$538 per month for employee-only coverage for the years ended August 31, 2016 and 2015, respectively. The cost of providing these benefits and the total number of employees participating in the plan and contributions were as follows:

	August 31, 2016		August 31, 2015	
	Number of Employees	Contribution	Number of Employees	Contribution
Active Employees	372	\$ 1,113,320	353	\$ 1,070,210
Retired Employees	91	337,110	81	310,964
	<u>463</u>	<u>\$ 1,450,430</u>	<u>434</u>	<u>\$ 1,381,174</u>

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

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, 2016 and 2015

	Fiscal Year 2016	Fiscal Year 2015
Assessed Valuation	\$ 3,662,924,151	\$ 3,773,501,178
Less: Exemptions & Abatements	(835,305,879)	(816,421,782)
Net Assessed Valuation	<u>\$ 2,827,618,272</u>	<u>\$ 2,957,079,396</u>

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

	Fiscal Year 2016		Fiscal Year 2015	
	Current Operations	Debt Service	Current Operations	Debt Service
Authorized	0.20000	0.50000	0.20000	0.50000
Assessed	0.08110	0.04020	0.07120	0.03830

Taxes levied for the years ended August 31, 2016 and 2015, were \$3,832,807 and \$3,591,503, 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, 2016 and 2015, were 98.8% 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, 2016</u>			
Current Taxes Collected	\$ 2,530,775	\$ 1,254,807	\$ 3,785,582
Delinquent Taxes Collected	29,030	9,678	38,708
Penalties & Interest Collected	20,166	7,672	27,838
Total Collections	<u>\$ 2,579,971</u>	<u>\$ 1,272,157</u>	<u>\$ 3,852,128</u>
<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	<u>\$ 2,339,817</u>	<u>\$ 1,242,890</u>	<u>\$ 3,582,707</u>

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, 2016	August 31, 2015
Young County	\$ 433,211	\$ 438,394

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, 2016 and 2015

of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2016 and 2015.

21. BLENDED COMPONENT UNIT

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

For the fiscal years 2016 and 2015, 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, 2016 and 2015, the Trust is presented using the blended method of inclusion.

Condensed component unit information for Mary Josephine Cox Estate Trust, the College's blended component for the year ended August 31, 2016 is as follows:

Condensed Statement of Net Position

Assets	
Current assets	\$ 1,030,328
Capital assets, net	219,725
Total Assets	<u>1,250,053</u>
Liabilities	
Current liabilities	<u>73,089</u>
Net Position	
Net investment in capital assets	219,725
Restricted	
Expendable	957,239
Total Net Position	<u>\$ 1,176,964</u>

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

Operating Expense	
Scholarship	\$ 5,818
Depreciation	645
Total Operating Expense	<u>6,463</u>
Nonoperating Revenues/Expense	
Investment income	2,731
Other	9,802
Total Nonoperating Revenues/Expense	<u>12,533</u>
Change in Net Position	6,070
Net Position, Beginning of Year	1,170,894
Net Position, End of Year	<u>\$ 1,176,964</u>

NORTH CENTRAL TEXAS COLLEGE
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Net Cash Provided (Used) by Operating Activities:	
Operating Activities	\$ (4,674)
Investing Activities	19,516
Net increase/(decrease) in cash	14,842
Cash, Beginning of Year	1,015,486
Cash, End of Year	\$ 1,030,328

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 2016 and 2015, 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.

NORTH CENTRAL TEXAS COLLEGE
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AUGUST 31, 2016 and 2015

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, 2016, 2015 and 2014 were \$379,883, \$310,964, and \$552,852 respectively, which equaled the required contributions each year.

25. NORTH CENTRAL TEXAS COLLEGE FOUNDATION – DISCRETE COMPONENT UNIT

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

GENERAL AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

The Foundation maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the Foundation classifies net position and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Foundation and changes therein are classified and reported as follows:

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

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

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

Cash and Cash Equivalents

The Foundation considers all highly liquid financial instruments with an initial maturity of three months or less are considered to be cash equivalents. Cash and short-term investments held in a trust agency account are reported as investments instead of cash because the Foundation holds

NORTH CENTRAL TEXAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 and 2015

those funds as an endowment. The Foundation does not have a policy for custodial credit risk. At August 31, 2016 and 2015, the carrying amounts of the Foundation's bank deposits were \$68,493 and \$73,656, respectively, and total bank balances equaled \$98,270 and \$81,953. During the year ended August 31, 2016 and 2015, bank balances were underpledged for a total of 1 and 8 days, respectively.

Investments

The Foundation's investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are reported in the statement of activities. The calculation of realized gain is independent of the calculation of the net increase in fair value of investments. Realized gains and losses on investment that have been held in more than one fiscal year and disposed of in the current year may have been recognized as an increase or decrease in the fair value of investments reported in a prior year. the accumulated unrealized gains on investments held at August 31, 2016 and 2015 were \$175,586 and \$4,254, respectively.

Contributions

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

Promises to Give

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

Contributed Services

The services of the Foundation employees and certain operating costs have been donated by the College. The Foundation recognized revenue and related expense of \$228,643 and \$154,578 for the years ended August 31, 2016 and 2015, respectively, for these contributed services received from the College based on the cost recognized by North Central Texas College for the supplies and personnel providing those services.

Exemption from Income Taxes

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

Use of Estimates

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

INVESTMENTS

The following schedule summarizes the Foundation's investments as of August 31, 2016 and 2015:

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 and 2015

	August 31, 2016			August 31, 2015		
	Cost	Fair Value	Unrealized Gain/(Loss)	Cost	Fair Value	Unrealized Gain/(Loss)
<u>Short-Term Investments</u>						
Money Market & Cash Equiv.	\$ 3,366,728	\$ 3,301,467	\$ (65,261)	\$ 3,191,982	\$ 3,080,332	\$ (111,650)
Government Short-term Funds	2,239,705	2,242,674	2,969	1,918,849	1,879,057	(39,792)
Corporate Bonds & Notes	99,082	102,745	3,663	-	-	-
	<u>5,705,515</u>	<u>5,646,886</u>	<u>(58,629)</u>	<u>5,110,831</u>	<u>4,959,389</u>	<u>(151,442)</u>
<u>Long-Term Investments</u>						
Corporate Bonds & Notes	2,371,808	2,586,147	214,339	2,320,358	2,451,270	130,912
U.S. Government Agencies	198,376	218,252	19,876	198,617	223,401	24,784
	<u>2,570,184</u>	<u>2,804,399</u>	<u>234,215</u>	<u>2,518,975</u>	<u>2,674,671</u>	<u>155,696</u>
Totals	<u>\$ 8,275,699</u>	<u>\$ 8,451,285</u>	<u>\$ 175,586</u>	<u>\$ 7,629,806</u>	<u>\$ 7,634,060</u>	<u>\$ 4,254</u>

The investment maturities are as follows:

Investment Type	Fair Value	Investment Maturities in Years			
	8/31/2016	Less Than 1	1 to 5	5 to 10	10 to 15
U. S. Government Agencies	\$ 218,252	\$ -	\$ 218,252	\$ -	\$ -
Corporate Bonds & Notes	2,688,892	102,745	1,571,070	1,003,030	12,047
U. S. Government S/T Funds	2,242,674	2,242,674	-	-	-
Money Market & Cash Equivalents	3,301,467	3,301,467	-	-	-
Total Investments	<u>\$ 8,451,285</u>	<u>\$ 5,646,886</u>	<u>\$ 1,789,322</u>	<u>\$ 1,003,030</u>	<u>\$ 12,047</u>
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	<u>\$ 7,634,060</u>	<u>\$ 4,959,386</u>	<u>\$ 1,530,635</u>	<u>\$ 883,258</u>	<u>\$ 260,781</u>

Fair Value Measurement

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

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

NORTH CENTRAL TEXAS COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 and 2015

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2016				
Investments:	Fair Value			
Money Market & Cash Equivalents	\$ 3,301,467	\$ -	\$ 3,301,467	\$ -
Government short-term Funds	2,242,674	2,242,674	-	-
Corporate Bonds & Notes	2,688,892	2,688,892	-	-
U.S. Government Agencies	218,252	218,252	-	-
Totals August 31, 2016	<u>\$ 8,451,285</u>	<u>\$ 5,149,818</u>	<u>\$ 3,301,467</u>	<u>\$ -</u>

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
August 31, 2015				
Investments:	Fair Value			
Money Market & Cash Equivalents	\$ 3,080,329	\$ -	\$ 3,080,329	\$ -
Government short-term Funds	1,879,057	1,879,057	-	-
Corporate Bonds & Notes	2,451,270	2,451,270	-	-
U.S. Government Agencies	223,401	223,401	-	-
Totals August 31, 2015	<u>\$ 7,634,057</u>	<u>\$ 4,553,728</u>	<u>\$ 3,080,329</u>	<u>\$ -</u>

26. SUBSEQUENT EVENTS

The College's management has evaluated subsequent events through December 12, 2016, the date which the financial statements were available for issue.

Required Supplementary Information

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NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
Last Two Fiscal Years

	2016	2015
District's proportion of the net pension liability	0.0189342%	0.0203348%
District's proportion share of the net pension liability	\$ 6,692,988	\$ 5,431,706
States proportionate share of the net pension liability associated with the District	5,831,190	4,623,508
Total	<u>12,524,178</u>	<u>10,055,214</u>
District's covered employee payroll	15,354,615	14,102,654
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	43.59%	38.52%
Plan fiduciary net position as a percentage of total pension liability	78.43%	83.25%

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
Last Two Fiscal Years

Exhibit 5

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 522,057	\$ 479,490
Contributions in relation to the contractually required contribution	<u>(522,057)</u>	<u>(479,490)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	15,354,615	14,102,654
Contributions as a percentage of covered-employee payroll	3.40%	3.40%

NORTH CENTRAL TEXAS COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

Changes of benefit terms.

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

Changes of assumptions.

The following are changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether

the member has 10 years of service or more.

12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

Schedules

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NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL EDUCATIONAL ACTIVITIES</u>	<u>AUXILIARY ENTERPRISES</u>	<u>2016</u>	<u>2015</u>
TUITION						
State funded credit courses						
In-district resident tuition	\$ 1,084,565	\$ -	\$ 1,084,565	\$ -	\$ 1,084,565	\$ 893,081
Out-of-district resident tuition	13,945,992	-	13,945,992	-	13,945,992	13,026,671
TPEG credit (set aside)*	527,394	-	527,394	-	527,394	454,858
State funded continuing education	433,561	-	433,561	-	433,561	668,669
Non-resident tuition	779,433	-	779,433	-	779,433	744,968
Non-state funded continuing education	129,505	-	129,505	-	129,505	409,829
TOTAL TUITION	<u>16,900,450</u>	<u>-</u>	<u>16,900,450</u>	<u>-</u>	<u>16,900,450</u>	<u>16,198,076</u>
FEES						
General fees	4,527,205	-	4,527,205	-	4,527,205	4,070,446
Distance education fees	828,185	-	828,185	-	828,185	790,303
Student service fees	-	-	-	177,633	177,633	189,298
Laboratory fees	203,111	-	203,111	-	203,111	208,202
TOTAL FEES	<u>5,558,501</u>	<u>-</u>	<u>5,558,501</u>	<u>177,633</u>	<u>5,736,134</u>	<u>5,258,249</u>
SCHOLARSHIP ALLOWANCES AND DISCOUNTS						
Scholarship allowances	(96,162)	(6,982)	(103,144)	(427,785)	(530,929)	(357,842)
Remissions and exemptions-state	(587,853)	-	(587,853)	-	(587,853)	(870,052)
TPEG allowances	-	(505,568)	(505,568)	-	(505,568)	(399,049)
Federal grants to students	-	(5,216,505)	(5,216,505)	-	(5,216,505)	(5,474,354)
Texas grants	-	(41,507)	(41,507)	-	(41,507)	(17,152)
TOTAL SCHOLARSHIP ALLOWANCES AND DISCOUNTS	<u>(684,015)</u>	<u>(5,770,562)</u>	<u>(6,454,577)</u>	<u>(427,785)</u>	<u>(6,882,362)</u>	<u>(7,118,449)</u>
TOTAL NET TUITION AND FEES	<u>21,774,936</u>	<u>(5,770,562)</u>	<u>16,004,374</u>	<u>(250,152)</u>	<u>15,754,222</u>	<u>14,337,876</u>
ADDITIONAL OPERATING REVENUES						
Federal grants and contracts	-	3,203,638	3,203,638	-	3,203,638	2,523,611
State grants and contracts	-	2,036,295	2,036,295	-	2,036,295	2,842,742
Private grants	433,211	119,337	552,548	-	552,548	536,451
Sales and services of educational activities	130,845	-	130,845	113,481	244,326	176,725
Investment income (program restricted)	-	-	-	-	-	-
Other operating revenues	1,226,389	-	1,226,389	-	1,226,389	583,716
TOTAL OTHER OPERATING REVENUES	<u>1,790,445</u>	<u>5,359,270</u>	<u>7,149,715</u>	<u>113,481</u>	<u>7,263,196</u>	<u>6,663,245</u>
AUXILIARY ENTERPRISES						
Residential life	-	-	-	462,924	462,924	455,880
Scholarship allowances and discounts	-	-	-	(247,548)	(247,548)	(270,712)
Net Residential Life	-	-	-	215,376	215,376	185,168
Bookstore	-	-	-	343,781	343,781	420,876
Scholarship allowances and discounts	-	-	-	-	-	-
Net Bookstore	-	-	-	343,781	343,781	420,876
TOTAL NET AUXILIARY ENTERPRISE	<u>-</u>	<u>-</u>	<u>-</u>	<u>559,157</u>	<u>559,157</u>	<u>606,044</u>
TOTAL OPERATING REVENUES	<u>\$ 23,565,381</u>	<u>\$ (411,292)</u>	<u>\$ 23,154,089</u>	<u>\$ 422,486</u>	<u>\$ 23,576,575</u>	<u>\$ 21,607,165</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$527,394 and \$454,858 for years ended August 31, 2016 and 2015, 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, 2016
(With Memorandum Totals For the Year Ended August 31, 2015)

	OPERATING EXPENSE			2016	2015
	SALARIES AND WAGES	BENEFITS STATE LOCAL	OTHER EXPENSE		
UNRESTRICTED EDUCATIONAL ACTIVITIES					
Instruction	\$ 12,486,285	\$ -	\$ 2,067,611	\$ 1,921,139	\$ 16,108,116
Research	-	-	-	-	138,009
Public service	217,289	-	35,981	96,543	409,632
Academic support	2,054,596	-	340,222	562,412	2,588,310
Student services	1,915,433	-	317,178	289,523	2,267,432
Institutional support	3,808,502	-	630,652	1,469,025	5,635,558
Operation and maintenance of plant	476,926	-	158,119	4,023,840	4,786,199
Scholarship and fellowships	-	-	-	870,052	-
TOTAL UNRESTRICTED EDUCATIONAL ACTIVITIES	20,959,031	-	3,549,763	9,232,534	31,933,256
RESTRICTED EDUCATIONAL ACTIVITIES					
Instruction	946,679	1,665,529	-	1,161,102	3,275,608
Research	-	-	-	-	11,751
Public service	341,957	112,804	-	549,127	968,135
Academic support	40,894	247,681	-	288,575	285,251
Student services	264,875	289,262	-	254,892	1,375,230
Institutional support	-	436,603	-	-	389,416
Operation and maintenance of plant	-	-	-	201,373	985
Scholarship and fellowships	243,797	-	-	5,539,539	7,934,469
TOTAL RESTRICTED EDUCATIONAL ACTIVITIES	1,838,202	2,751,879	-	7,706,033	14,240,845
AUXILIARY ENTERPRISES	135,415	-	41,148	1,109,264	902,726
DEPRECIATION EXPENSE					
Buildings and other real estate improvements	-	-	-	777,674	736,965
Equipment and furniture	-	-	-	793,797	696,903
TOTAL OPERATING EXPENSES	\$ 22,932,648	\$ 2,751,879	\$ 3,590,911	\$ 19,619,302	\$ 48,510,695
				(Exhibit 2)	(Exhibit 2)

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>AUXILIARY ENTERPRISES</u>	<u>2016</u>	<u>2015</u>
NON-OPERATING REVENUES					
State Appropriations:					
Education and general state support	\$ 11,219,026	\$ -	\$ -	\$ 11,219,026	\$ 11,360,666
State group insurance	-	1,450,430	-	1,450,430	1,381,174
State retirement matching	-	447,089	-	447,089	984,209
Other	-	-	-	-	-
Total State Appropriations	11,219,026	1,897,519	-	13,116,545	13,726,049
Maintenance ad valorem taxes	2,588,075	-	-	2,588,075	2,327,616
Debt service ad valorem taxes	-	1,281,643	-	1,281,643	1,256,993
Federal Revenue, non-operating	-	10,118,167	-	10,118,167	12,165,740
Gifts	-	-	-	-	750
Investment income	69,132	18,577	-	87,709	36,038
Gain on disposal of capital assets	-	-	-	-	-
Other non-operating revenues	37,317	10,966	-	48,283	17,778
TOTAL NON-OPERATING REVENUES	<u>13,913,550</u>	<u>13,326,872</u>	<u>-</u>	<u>27,240,422</u>	<u>29,530,964</u>
NON-OPERATING EXPENSES					
Interest on capital related debt	-	696,656	-	696,656	679,178
Loss on disposal of capital assets	-	-	-	-	-
Other non-operating expenses	-	-	-	-	-
TOTAL NON-OPERATING EXPENSES	<u>-</u>	<u>696,656</u>	<u>-</u>	<u>696,656</u>	<u>679,178</u>
NET NON-OPERATING REVENUES	<u>\$ 13,913,550</u>	<u>\$ 12,630,216</u>	<u>\$ -</u>	<u>\$ 26,543,766</u> (Exhibit 2)	<u>\$ 28,851,786</u> (Exhibit 2)

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2016
(With Memorandum Totals For the Year Ended August 31, 2015)

	DETAIL BY SOURCE					AVAILABLE FOR CURRENT OPERATIONS	
	CAPITAL					YES	NO
	UNRESTRICTED	RESTRICTED EXPENDABLE	RESTRICTED NON-EXPEND	ASSETS NET OF DEPREC & RELATED DEBT	TOTAL		
CURRENT							
Unrestricted	\$ 5,170,996	\$ -	\$ -	\$ -	\$ 5,170,996	\$ 5,170,996	\$ -
Board Designated	-	-	-	-	-	-	-
Restricted	-	8,061	-	-	8,061	-	8,061
Auxiliary Enterprises	916,179	-	-	-	916,179	916,179	-
ENDOWMENT							
Restricted	-	957,239	-	-	957,239	-	957,239
Investment in Plant	-	-	-	220,370	220,370	-	220,370
PLANT							
Unexpended	-	-	-	-	-	-	-
Renewals	6,944,839	-	-	-	6,944,839	-	6,944,839
Debt Service	-	1,291,326	-	-	1,291,326	-	1,291,326
Investment in Plant	-	-	-	27,866,520	27,866,520	-	27,866,520
TOTAL NET POSITION AUGUST 31, 2016	13,032,014	2,256,626	-	28,086,890	43,375,530 (Exhibit 1)	6,087,175	37,288,355
TOTAL NET POSITION AUGUST 31, 2015	13,370,461	2,762,089	-	26,017,379	42,149,929 (Exhibit 1)	6,736,489	35,413,440
CHANGE IN NET POSITION	\$ (338,447)	\$ (505,463)	\$ -	\$ 2,069,511	\$ 1,225,601 (Exhibit 2)	\$ (649,314)	\$ 1,874,915

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

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	\$ 155,308
Federal College Work-Study Program	84.033	N/A	133,831
Federal Pell Grant Program	84.063	N/A	9,829,028
Direct Student Loans	84.268	N/A	8,536,108
Student Support Services (TRIO)	84.042A	P042A100964	225,172
Pass-through From:			
Texas Higher Education Coordinating Board			
Title III	84.031A	P031A150026-16	260,637
Carl Perkins Voc. Ed.	84.048A	142053	404,362
University of Texas			
Mathematics and Science Partnerships	84.366B	UTA16-000359	21,637
Mathematics and Science Partnerships	84.366B	UTA15-000232	125,201
Mathematics and Science Partnerships	84.366B	UTA16-000387	23,493
Mathematics and Science Partnerships	84.366B	UTA15-000255	121,100
Mathematics and Science Partnerships	84.366B	Unknown	87
Subtotal			<u>291,518</u>
Workforce Solutions of North Central Texas			
Project Achieve	84.002A	2916AEL009	23,066
Accelerate Texas	84.002A	2916AEL009	2,914
Subtotal			<u>25,980</u>
Total U.S. Department of Education			<u>19,861,944</u>
Department of Labor			
Pass-through From:			
Workforce Solutions of North Central Texas			
High Demand Job Training	17.258	AA-26808-15-55-A-48	\$ 83,007
Technology Based Learning	17.268	HG227351260A48	28,583
Trade Adjustment Assistance Community College & Career Training	17.282	TC-25053-13-60-A-48	<u>1,585,199</u>
Total U.S. Department of Labor			<u>1,696,789</u>
General Services Administration			
Federal Surplus Property	39.003	958	<u>201,373</u>
Small Business Administration			
Pass-through From:			
Dallas County Community College District			
Small Business Development Grant	59.037	SBAHQ-14-B-0018	<u>97,807</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 21,857,913</u>

See notes to schedule on following page.

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Schedule E

Note 1: Federal Financial Assistance Reconciliation:

Federal Grants and Contracts Revenue per Schedule A	\$ 13,321,805
Add: Direct Student Loans	8,536,108
Total Federal Revenues per Schedule of Federal Awards	<u>\$ 21,857,913</u>

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

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has agency approved Indirect Recovery Rate, it has elected not to use the 10% de minimis cost rate as permitted in the UG, section 200.414

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

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	661,061
State Work Study	11838	47,706
CAL Loan	N/A	28,007
DOR Performance	101045580009	4,929
S3	10895	7,489
Texas Workforce Commission		
Skills Development Grant	0414SDF000	264,912
Skills Development Grant	0414SDF006	870
Skills Development Grant	0416SDF000	16,246
Skills Development Grant	0416SDF003	341,519
Subtotal		<u>623,547</u>
Skills Small Business	0414SSD000	8,155
Texas Fast Start Program	2514GRF000	542,346
Accelerate Texas Integrated E&T	2916AEL009	9,884
Total Texas Workforce Commission		<u>1,183,932</u>
Pass-through From:		
Dallas Community College		
Small Business Development State Grant	N/A	103,171
TOTAL STATE ASSISTANCE		<u><u>\$ 2,036,295</u></u>

Note 1: State Financial Assistance Reconciliation:

State Revenues per Schedule of Expenditures of State Awards	\$ 2,036,295
Reconciling Items: N/A	-
Total State Revenues per Schedule A	<u><u>\$ 2,036,295</u></u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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SINGLE AUDIT REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of North Central Texas College as of and for the years ended August 31, 2016 and 2015, 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 12, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Public Funds Investment Act

We have performed tests designed to verify North Central Texas College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2016, no instances of noncompliance were found.

Purpose of this Report

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

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

Schalk & Smith, P.C.
December 12, 2016



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

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

Report on Compliance for Each Major Federal and State Program

We have audited North Central Texas College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Single Audit Circular* that could have a direct and material effect on each of North Central Texas College's major federal and state programs for the year ended August 31, 2016. North Central Texas College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Central Texas College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Single Audit Circular*. Those standards and the Uniform Guidance and the State of Texas *Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about North Central Texas College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, North Central Texas College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2016.

Report on Internal Control over Compliance

Management of North Central Texas College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Central Texas College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over

compliance in accordance with the Uniform Guidance and the State of Texas *Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Central Texas College's internal control over compliance.

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

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

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

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

Schalk & Smith, P.C.
December 12, 2016

NORTH CENTRAL TEXAS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

SECTION I-SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	UNMODIFIED
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal & State Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified?	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 2. CRF 200.516(a) or the State of Texas Audit Circular	No
Identification of Major Programs:	
Federal:	
Financial Aid Cluster CFDA #84.007; 84.033; 84.063; 84.268	
Trade Adjustment Assistance Community College and Career (TAACCCT) CFDA # 17.282	
State:	
Texas Workforce Commission-Skills Development Grants	
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II-FINANCIAL STATEMENT FINDINGS

None

SECTION III-FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

NORTH CENTRAL TEXAS COLLEGE
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

NONE