

**NORTH CENTRAL TEXAS COLLEGE**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
For the Years Ended August 31, 2022 and 2021

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**NORTH CENTRAL TEXAS COLLEGE  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021  
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**NORTH CENTRAL TEXAS COLLEGE  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR 2021-2022**

**ORGANIZATIONAL DATA**

**BOARD OF REGENTS AND OFFICERS**

**Officers**

Karla Metzler  
Richard Haayen  
Christy Morris

Chair  
Vice Chair  
Secretary

**Members**

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

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

Term Expires  
in May of  
2023  
2027  
2023  
2025  
2027  
2025  
2027

**Principal Administrative Officers**

Dr. Brent Wallace  
Robbie Baugh  
Debbie Sharp  
Dr. Van Miller  
Dr. Bruce King  
Denise Cason  
Melinda Carroll

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

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INDEPENDENT AUDITOR'S REPORT

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

**Opinions**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of North Central Texas College (College) and North Central Texas College Foundation, Inc. (Foundation), a discretely presented component unit, as of and for the years ended August 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's and the Foundation's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the North Central Texas College (College) and North Central Texas College Foundation, Inc. (Foundation), a discretely presented component unit, as of August 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Central Texas College (College) and North Central Texas College Foundation, Inc. (Foundation), and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Central Texas College (College) and North Central Texas College Foundation, Inc. (Foundation)'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the Proportionate Share of the Net Pension Liability, Schedule of the College's Contributions-TRS, Schedule of the Proportionate Share of the Net OPEB Liability, and Schedule of Employer's Contributions-OPEB be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of state awards, as required by *State of Texas Single Audit Circular*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

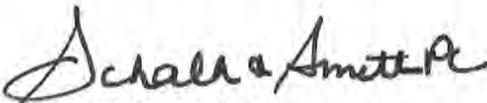
## **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the supplemental schedules required by Texas Higher Education Coordinating but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Schalk & Smith, P.C.  
Gainesville, Texas  
December 12, 2022

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## Management's Discussion and Analysis

This section of North Central Texas College's annual financial report presents a discussion and analysis of the College's financial performance during the fiscal years ended August 31, 2020, 2021 and 2022. Since this management's discussion and analysis is designed to focus on current activities, resulting change, decisions, or conditions of facts, please read it in conjunction with the College's basic financial statements (pages 11-18) and the footnotes (pages 19-57). The College endeavors to present an objective and easily readable analysis of the overall financial activities to students and the public. Responsibility for the completeness and fairness of this information rests with the College.

### Overview of the Financial Statements

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

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

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

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

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

The primary purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments of an entity during the fiscal period. The statement explains the changes during the period in cash and cash equivalents regardless of whether there are restrictions on their use. The total amount of cash and cash equivalents at the beginning and end of the period shown in the statement are easily traceable to similarly titled items or subtotals shown on the statement of net position. First, the statement reports the effects during the period of operations, capital financing, non-capital financing, and investing transactions.

Secondly, related information reports the investing, capital, and financing transactions that affect financial position but do not directly affect cash flows during the period. Finally, a reconciliation of operating income to net cash from operating activities is provided.

The Schedule of Operating Revenues provides a detailed presentation of all operating revenue regardless of source. Sources of operating revenues are state appropriations, tuition, fees, scholarship allowances and discounts, other operating revenues 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 expenses are also reported on this schedule.

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

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

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

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

### **Condensed Comparative Financial Information**

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

### **Analysis of the College's Overall Financial Position**

The overall financial position of the College is very good. There was a significant increase in many critical areas during the past year. The combined fall credit and noncredit head count enrollment peaked at 10,525 in Fall 2018. Since then, it has declined to 7,955 in Fall 2021. Student tuition and fee revenue reached an all-time high in 2019-2020 at \$21,504,682 before declining this year to \$18,119,617. While the College has grown substantially over the past decade, the state appropriations have not grown at a comparable rate, thus the growth the College has experienced is not being funded through state appropriations. Although state funding has increased from \$7,370,000 in 2002 to \$14,043,433 in 2022, the portion of state funding has decreased from 38.3% of the total expenditures in 2002 to 20.49% in 2022.

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 2022 has been a continual increase in taxable assessed valuation from \$1,288,353,176 in 2000 to \$4,062,912,250 in 2022. Total tax collections have increased from \$1,332,078 in 2000 to \$4,500,945 in 2022. The combined maintenance and operations and debt service tax rate was \$0.09490 for the fiscal year ended August 31, 2022. The approved maintenance and operations

tax rate per \$100 of valuation decreased to \$0.0731 and the interest and sinking tax rate decreased to \$0.0218 for a total of \$0.09490 in 2022.

While the Texas Tax Code, Title 1 Property Tax Code, Chapter 26, Assessments section 26012 states "Maintenance and Operations Assessments" can be used for any lawful purpose other than debt service for which a taxing unit may spend property tax revenues, NCTC has chosen to more narrowly define what it considers maintenance and operations. NCTC has identified a group of maintenance and operational accounts (for the Gainesville Campus only) for which taxpayers are expected to provide the necessary support. Historically, the tax revenues have not been enough to cover the maintenance and operational costs 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 \$31,072,317 as of August 31, 2022.

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

	<b>Business-type Activities 2022</b>	<b>Business-type Activities 2021</b>	<b>Business-type Activities 2020</b>
Current and other assets	\$ 36,573,831	\$ 34,048,437	\$ 22,816,112
Capital assets	77,065,542	72,168,762	47,715,248
Total assets	<u>113,639,373</u>	<u>106,217,199</u>	<u>70,531,360</u>
Deferred Outflows of Resources	9,434,617	12,928,452	17,382,443
Non current liabilities	70,369,044	71,188,908	51,956,752
Other liabilities	9,601,480	9,218,396	8,771,890
Total liabilities	<u>79,970,524</u>	<u>80,407,304</u>	<u>60,728,642</u>
Deferred Inflows of Resources	12,031,149	8,768,420	9,504,443
Net Position:			
Net interment in capital assets	37,701,707	38,194,954	34,466,575
Restricted	3,708,290	1,891,263	2,085,005
Unrestricted	(10,337,680)	(10,116,290)	(18,870,862)
Total net position	<u>\$ 31,072,317</u>	<u>\$ 29,969,927</u>	<u>\$ 17,680,718</u>

Investments in capital assets (e.g., land, buildings, furniture, and equipment) less any related debt used to acquire those assets that are still outstanding is \$37,701,707. 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 11.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position is a deficit of (\$10,337,680) as of August 31, 2022. The reason for this deficit was due to standards that required recording the College's proportionate share of the Employees Retirement System of Texas (ERS) net other post-employment benefits (OPEB) liability. The total net position is not an indication that the College has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

The College's total net position increased by \$1,102,390 because of the current year's operations. The total cost of all business-type activities was \$69,875,065. \$3,398,555 of these expenses were paid by the taxpayers in the form of property tax.

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

	<b>Business-type Activities 2022</b>	<b>Business-type Activities 2021</b>	<b>Business-type Activities 2020</b>
<b>Revenues:</b>			
<b>Operating Revenues:</b>			
Tuition & Fees	\$ 18,119,617	\$ 20,844,482	\$ 21,504,682
Federal Grants & Contracts	18,267,809	14,483,581	6,411,954
State Grants & Contracts	3,284,002	1,428,565	1,717,492
Private Grants	607,744	451,671	441,938
Sales & Services of Educational Activities	94,929	80,026	95,061
Auxiliary Enterprises (net)	251,436	194,681	398,211
Other Operating Revenues	1,787,522	2,352,431	2,755,491
<b>Non-operating Revenues:</b>			
State Appropriations	14,043,433	15,804,046	15,871,006
Property Taxes	4,500,945	4,211,464	4,113,339
Federal Grants & Contracts	9,617,544	9,508,659	10,922,376
Gifts	-	-	-
Investment Income (net)	199,320	64,055	262,787
Gain on Disposal of Fixed Assets	188,118	1,724,542	-
Insurance Proceeds	-	4,226,238	-
Other Non-operating Revenues	15,036	15,040	51,579
<b>Total Revenues</b>	<b>70,977,455</b>	<b>75,389,481</b>	<b>64,545,916</b>
<b>Operating Expense:</b>			
Instruction	21,096,877	21,045,398	24,770,235
Research	-	-	-
Public Service	1,296,164	1,442,750	2,162,999
Academic Support	3,946,512	4,031,309	4,405,977
Student Services	10,779,742	9,582,209	9,237,568
Institutional Support	12,546,377	10,750,005	10,703,717
Operation & Maintenance of Plant	4,909,394	3,631,070	5,001,577
Scholarship & Fellowship	9,379,133	7,281,257	5,291,251
Auxiliary Enterprises	794,221	548,969	595,000
Depreciation	3,789,841	3,714,282	2,506,904
<b>Non-operating Expense:</b>			
Interest on Capital Related Debt	1,283,548	1,271,489	518,217
Other	53,256	3,800	1,050
<b>Total Expenses</b>	<b>69,875,065</b>	<b>63,302,538</b>	<b>65,194,495</b>
Increase in Net Position	1,102,390	12,086,943	(648,579)
Beginning Net Position	29,969,927	17,680,718	18,329,297
Prior Period Adjustment	-	202,266	-
Beginning Net Position, as Restated	29,969,927	17,882,984	18,329,297
<b>Ending Net Position</b>	<b>\$ 31,072,317</b>	<b>\$ 29,969,927</b>	<b>\$ 17,680,718</b>

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

During the fiscal year 2022, the College issued the 2022 Tuition and Combined Fee Revenue Bonds in order to purchase the Flower Mound facilities. The Series 2011 was paid off during the fiscal year ended August 31, 2022. The College's major capital asset purchases for 2022 included the Flower Mound facilities, Corinth Campus Improvements, Denton Campus Improvements and MJ Cox Testing Center improvements.

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

After peaking in Fall 2018, enrollment has dropped for three consecutive years to 7,995 in Fall 2021. Fundable contact hours dropped from 1,501,776 in Fall 2018 to 1,095,296 in Fall 2021.

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

For 2022, depreciation expense of \$3,789,826 was recorded. The College spent over \$8.7 million in capital outlay during the current fiscal year. The capitalization policy of recording capital assets when the item value is \$5,000 or greater and has a useful life of greater than one year became effective with the year ended August 31, 2002.

The College has three bonds outstanding as of August 31, 2022, as follows:

- 1) 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 \$565,000 was made during the year and the balance outstanding at year-end was \$1,775,000. The bonds will mature in August 2025.
- 2) The 2022 Tuition and Combined Fee Revenue Bond in the amount of \$6,670,000. This bond was issued for the purpose of purchasing the Flower Mound campus. A payment of \$45,000 was made during the year and the balance outstanding at year-end was \$6,625,000. The bonds will mature in June 2032.
- 3) The 2014 Series Limited Tax General Obligation Bond in the amount of \$8,730,000. This bond was issued for the purpose of constructing the Health Science Building and adding on to the Industrial Technology Center. A payment of \$105,000 was made during the year and the balance outstanding at year-end was \$7,855,000. The bonds will mature in August 2034.

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

### **Economic Factors That Will Affect the Future**

The College expects the lingering effects of the coronavirus to subside in 2023. Enrollment has been slow to rebound, an experience not uncommon among community colleges across the nation. But optimistic signs point to a slow return to normalcy with regard to enrollment. That optimism is also prevalent in the area of workforce education, and it has led the College to pursue the opening of a new instructional facility in the Alliance area of southwestern Denton County in the 2022-23 school year. This may also lead to additional academic transfer offerings in a previously underserved, yet fast-growing part of the NCTC service area. A statewide commission has recently completed work on a new funding structure for community colleges in the state of Texas. This new structure has the potential of enhancing state appropriations in the coming years. The College is optimistic that the new reliance on completion measures rather than enrollment numbers for determining state revenue will benefit the College in the long run.

**Contacting the College's Financial Management**

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

## **Basic Financial Statements**

# NORTH CENTRAL TEXAS COLLEGE

Exhibit 1

## STATEMENT OF NET POSITION AUGUST 31, 2022 AND AUGUST 31, 2021

	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 27,788,892	\$ 25,720,359
Short term investments	5,113,519	5,106,024
Accounts receivable (net)	1,969,425	626,680
Inventories	31,119	23,207
Other assets	545,902	699,965
<b>Total Current Assets</b>	<b>35,448,857</b>	<b>32,176,235</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	1,124,974	1,872,202
Capital assets (net)	77,065,542	72,168,762
<b>Total Noncurrent Assets</b>	<b>78,190,516</b>	<b>74,040,964</b>
<b>TOTAL ASSETS</b>	<b>113,639,373</b>	<b>106,217,199</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	-	28,253
Deferred outflows related to OPEB	6,460,248	8,786,998
Deferred outflows related to pensions	2,974,369	4,113,201
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,434,617</b>	<b>12,928,452</b>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	1,577,287	1,765,178
Accrued liabilities	46,275	45,631
Funds held for others	-	-
Unearned revenue	6,034,352	5,664,115
Capital leases-current portion	688,566	658,472
Bonds payable-current portion	1,255,000	1,085,000
<b>Total Current Liabilities</b>	<b>9,601,480</b>	<b>9,218,396</b>
<b>Noncurrent Liabilities</b>		
Net pension liability	4,787,325	11,178,119
Net OPEB liability	28,161,450	27,752,200
Capital leases	21,851,834	22,039,684
Bonds payable	15,568,435	10,218,905
<b>Total Noncurrent Liabilities</b>	<b>70,369,044</b>	<b>71,188,908</b>
<b>TOTAL LIABILITIES</b>	<b>79,970,524</b>	<b>80,407,304</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources related to Pensions	6,283,392	1,839,712
Deferred Inflows of Resources related to OPEB	5,747,757	6,928,708
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>12,031,149</b>	<b>8,768,420</b>
 <b>NET POSITION</b>		
Net investment in capital assets	37,701,707	38,194,954
Restricted for		
Expendable		
Student aid	1,123,538	1,287,356
Instructional programs	2,579,449	8,061
Construction projects	-	-
Debt service	5,303	595,846
Unrestricted	(10,337,680)	(10,116,290)
<b>TOTAL NET POSITION</b>	<b>\$ 31,072,317</b>	<b>\$ 29,969,927</b>

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

**NORTH CENTRAL TEXAS COLLEGE**  
**STATEMENT OF FIDUCIARY NET FINANCIAL POSITION**  
**CUSTODIAL FUNDS**  
**AUGUST 31, 2022 and AUGUST 31, 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 97,501	\$ 97,081
<b>LIABILITIES &amp; NET POSITION</b>		
<b>NET POSITION</b>		
Restricted for:		
Individuals, organizations and other governments	97,501	97,081
<b>TOTAL NET POSITION</b>	97,501	97,081
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 97,501	\$ 97,081

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, 2022 and AUGUST 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 37,847	\$ 50,612
Investments	4,991,560	6,376,590
Interest Receivable	33,431	39,270
<b>Total Current Assets</b>	<u>5,062,838</u>	<u>6,466,472</u>
<b>Permanently Restricted Endowment</b>	<u>8,118,590</u>	<u>7,191,504</u>
<b>TOTAL ASSETS</b>	<u>\$ 13,181,428</u>	<u>\$ 13,657,976</u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Liabilities</b>		
Accounts Payable	\$ -	\$ -
Scholarships Payable	367,649	408,439
Deferred Support	-	-
<b>Total Liabilities/Current Liabilities</b>	<u>367,649</u>	<u>408,439</u>
<b>Net Assets</b>		
Without Donor Restrictions	31,755	27,358
With Donor Restrictions	12,782,024	13,222,179
<b>Total Net Assets</b>	<u>12,813,779</u>	<u>13,249,537</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 13,181,428</u>	<u>\$ 13,657,976</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, 2022 AND AUGUST 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$9,379,133 and \$7,161,324 respectively)	\$ 18,119,617	\$ 20,844,482
Federal grants and contracts	18,267,809	14,483,581
State grants and contracts	3,284,002	1,428,565
Private grants	607,744	451,671
Sales and services of educational activities	94,929	80,026
Auxiliary enterprises (net of discounts \$316,744 and \$173,220 respectively)	251,436	194,681
Other operating revenues	1,787,522	2,352,431
<b>Total Operating Revenues (Schedule A)</b>	<u>42,413,059</u>	<u>39,835,437</u>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	21,096,877	21,045,398
Research	-	-
Public service	1,296,164	1,442,750
Academic support	3,946,512	4,031,309
Student services	10,779,742	9,582,209
Institutional support	12,546,377	10,750,005
Operation and maintenance of plant	4,909,394	3,631,070
Scholarship and fellowships	9,379,133	7,281,257
Auxiliary enterprises	794,221	548,969
Depreciation	3,789,841	3,714,282
<b>Total Operating Expenses (Schedule B)</b>	<u>68,538,261</u>	<u>62,027,249</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(26,125,202)</u>	<u>(22,191,812)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	14,043,433	15,804,046
Maintenance ad-valorem taxes		
Taxes for maintenance and operations	3,472,468	3,126,713
Taxes for general obligation bonds	1,028,477	1,084,751
Federal Revenue, non-operating	9,617,544	9,508,659
Gifts	-	-
Investment income (net of investment expenses)	199,320	64,055
Interest on capital related debt	(1,283,548)	(1,271,489)
Gain (Loss) Loss on disposal of fixed assets	188,118	1,724,542
Insurance Proceeds	-	4,226,238
Other non-operating revenues	15,036	15,040
Other non-operating expenses	(53,256)	(3,800)
<b>Net Non-Operating Revenues (Schedule C)</b>	<u>27,227,592</u>	<u>34,278,755</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>1,102,390</u>	<u>12,086,943</u>
<b>NET POSITION-BEGINNING OF YEAR</b>	29,969,927	17,680,718
<b>PRIOR PERIOD ADJUSTMENT</b>	-	202,266
<b>NET POSITION-END OF YEAR</b>	<u>\$ 31,072,317</u>	<u>\$ 29,969,927</u>

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

**NORTH CENTRAL TEXAS COLLEGE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**CUSTODIAL FUNDS**  
**FOR THE YEARS AUGUST 31, 2022 AND AUGUST 31, 2021**

	<b>2022</b>	<b>2021</b>
<b>ADDITIONS</b>		
Contributions		
Students	\$ 4,061	\$ 1,066
Fundraising	8,016	1,215
<b>Total Additions</b>	<b>12,077</b>	<b>2,281</b>
<b>DEDUCTIONS</b>		
Benefits paid to students	11,657	3,292
<b>NET DECREASE IN FIDUCIARY NET POSITION</b>	420	(1,011)
<b>NET POSITION AT BEGINNING OF YEAR</b>	97,081	98,092
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 97,501</b>	<b>\$ 97,081</b>

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, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>SUPPORT AND REVENUE</b>		
<b>Support</b>		
Donations	\$ 8,825	\$ 16,222
Fundraising	-	-
Total Support	8,825	16,222
<b>Revenue</b>		
Interest and Dividends	762	643
Total Revenue	762	643
<b>Net assets released from restrictions:</b>		
Satisfaction of Program Restrictions	1,382,437	1,272,051
<b>TOTAL UNRESTRICTED SUPPORT AND REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS</b>	1,392,024	1,288,916
 <b>OPERATING EXPENSES</b>		
<b>Program services</b>		
Scholarships	837,699	922,030
Departmental Expenses	141,985	37,814
Amortization of Bond Premium	-	-
<b>Supporting services</b>		
Management and General	338,988	307,308
Fundraising	68,955	17,458
<b>TOTAL OPERATING EXPENSES</b>	1,387,627	1,284,610
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	4,397	4,306
 <b><u>WITH DONOR RESTRICTIONS</u></b>		
<b>Support</b>		
Donations	1,914,349	1,309,392
Fundraising	187,803	54,712
Total Support	2,102,152	1,364,104
<b>Revenue</b>		
Interest and Dividends	436,340	366,540
Gain (Loss) on Sale of Investments	526,870	98,921
Unrealized Gain (Loss)	(2,123,080)	871,419
Total Revenue	(1,159,870)	1,336,880
<b>Net assets released from restrictions:</b>		
Satisfaction of Program Restrictions	(1,382,437)	(1,272,051)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	(440,155)	1,428,933
 <b>CHANGE IN NET ASSETS</b>	(435,758)	1,433,239
<b>NET ASSETS AT BEGINNING OF YEAR</b>	13,249,537	11,816,298
<b>NET ASSETS AT END OF YEAR</b>	\$ 12,813,779	\$ 13,249,537

The accompanying notes are an integral part of these statements.

**NORTH CENTRAL TEXAS COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND AUGUST 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and customers	\$ 16,544,715	\$ 20,869,017
Receipts of appropriations, grants and contracts	24,096,712	24,110,326
Payments to or on behalf of employees	(30,101,431)	(33,263,862)
Payments to suppliers	(31,698,365)	(23,697,451)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(21,158,369)</u>	<u>(11,981,970)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Ad valorem tax revenues	5,145,112	4,247,726
State appropriations	11,869,750	12,401,904
Non-operating federal revenue	9,617,544	9,508,659
Other cash receipts (payments)	15,036	11,240
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>26,647,442</u>	<u>26,169,529</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(8,713,579)	(4,763,425)
Sale of fixed assets	215,091	1,720,208
Insurance proceeds	-	4,226,238
Proceeds from Debt	7,212,208	66,393
Reclassification of custodial funds	-	(98,091)
Principal paid on debt	(1,829,964)	(2,546,007)
Interest paid on debt	(1,243,349)	(1,274,940)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(4,359,593)</u>	<u>(2,669,624)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	191,825	64,055
Purchases of investments	-	(972,629)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>191,825</u>	<u>(908,574)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,321,305	10,609,361
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 1</b>	27,592,561	16,983,200
<b>CASH AND CASH EQUIVALENTS - AUGUST 31</b>	<u>\$ 28,913,866</u>	<u>\$ 27,592,561</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (26,125,202)	\$ (22,191,812)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Payments made directly by state for benefits	2,173,683	2,302,330
Depreciation expense	3,789,841	3,714,282
OPEB expense	1,555,049	6,215,949
Bad debt expense	(673,519)	509,343
Pension expense	(808,282)	(3,762,488)
Changes in assets and liabilities:		
Receivables, net	(1,313,393)	1,137,094
Inventories	(7,912)	(8,730)
Other assets	154,063	(322,584)
Accounts payable	(272,934)	676,842
Deferred revenue	370,237	(252,196)
Deposits held for others	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (21,158,369)</u>	<u>\$ (11,981,970)</u>
<b>Cash Reconciliation:</b>		
Cash and cash equivalents	\$ 27,788,892	\$ 25,720,359
Restricted cash	1,124,974	1,872,202
<b>Total Cash</b>	<u>\$ 28,913,866</u>	<u>\$ 27,592,561</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, 2022 AND AUGUST 31, 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from donors	\$ 1,923,174	\$ 1,325,614
Receipts from fundraising activities	187,803	54,712
Payments of scholarships and departmental expenses	(1,020,474)	(989,925)
Payments of fundraising and management expenses	(407,943)	(377,300)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>682,560</b>	<b>13,101</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	442,941	422,834
Purchases of investments	(1,138,266)	(526,592)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(695,325)</b>	<b>(103,758)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(12,765)	(90,657)
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 1</b>	50,612	141,269
<b>CASH AND CASH EQUIVALENTS - AUGUST 31</b>	<b>\$ 37,847</b>	<b>\$ 50,612</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (435,758)	\$ 1,433,239
Adjustments to reconcile operating loss to net cash used by operating activities:		
Investment earnings	1,159,108	(1,390,057)
Amortization of bond premium	-	-
Changes in assets and liabilities:		
Unconditional promises to give	-	-
Accounts payable	-	-
Scholarships payable	(40,790)	(30,081)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 682,560</b>	<b>\$ 13,101</b>

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

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**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

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

The facilities utilized in the College system are located on six distinct campuses, Gainesville in Cooke County, Corinth, FSB Exchange and 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 which was purchased in 2022. The sixth campus, FSB Exchange, opened in September 2019 in leased facilities. The lease agreement terminates in 2043.

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

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

**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 \$20,709,423 and \$14,477,616 on August 31, 2022 and August 31, 2021 respectively, to be cash equivalents. The College also segregates bond proceeds to be used for capital projects. These assets are classified as restricted cash on the statement of net position because their use is limited by applicable bond covenants, and they are maintained in separate bank accounts.

# NORTH CENTRAL TEXAS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022 and 2021

### **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, 2022	August 31, 2021
Fuel	\$ 2,696	\$ 2,743
Cosmetology Stock	28,423	20,464
	<u>\$ 31,119</u>	<u>\$ 23,207</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 of more than 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 right-to-use lease asset capitalization level is determined by the Board of Regents. The term of the lease must be the non-cancelable period during which the College has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. Existing contracts were evaluated for this year of implementation and the recording of the lease assets and liability has been reported in the financial statements.

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

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

### **Other Post-Employment Benefits (OPEB)**

The fiduciary net position of the Employees retirement system of Texas (ERS) State retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense;

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

**Pensions**

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

**Unearned Revenues**

Unearned revenues on August 31, 2022 and 2021 were as follows:

	August 31, 2022	August 31, 2021
Tuition	\$ 5,408,868	\$ 5,629,816
State Grant	25,469	34,299
Federal Grant	600,015	-
	\$ 6,034,352	\$ 5,664,115

**Deferred Inflows**

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

**Deferred Outflows**

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

**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

# NORTH CENTRAL TEXAS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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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.

On August 31, 2022 and 2021, net position of the College consisted of the following:

	<u>August 31, 2022</u>	<u>August 31, 2021</u>
Net property, plant and equipment	\$ 77,065,542	\$ 72,168,762
Less:		
General obligation bonds payable, net	(16,823,435)	(10,882,993)
Capital Leases, net	(22,540,400)	(23,090,815)
Amount of debt related to unspent proceeds	-	-
Total net investment in capital assets	<u>37,701,707</u>	<u>38,194,954</u>
Restricted for debt service	5,303	595,846
Restricted for student aid	1,123,538	1,287,356
Restricted for instructional programs	2,579,449	8,061
Restricted for construction projects	-	-
Unrestricted	<u>(10,337,680)</u>	<u>(10,116,290)</u>
Total net position	<u>\$ 31,072,317</u>	<u>\$ 29,969,927</u>

### **Bonds and Capital Leases**

Long-term debt and capital leases are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. The College implemented GASB 87 for reporting leases during this reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term lease provided in GASB 87 and must meet the capitalization level set by the Board. The right to use lease liability is reported on the statement of net position. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

### **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

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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. On August 31, 2022 and 2021, the carrying amounts of the College's bank deposits were \$8,202,218 and \$13,112,719, respectively, and total bank balances equaled \$7,919,638 and \$12,174,016. Bank balances of \$751,981 and \$459,415 were covered by FDIC, and \$7,167,657 and \$11,714,601 were covered by collateral pledged in the College's name for the years ended August 31, 2022 and 2021, 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 people who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with SEC's Rule 2a-7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The College considers TexPool balances to be cash equivalents.

**Cash and Cash Equivalents**

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

	The College (Primary Government)	
	Assets - Exhibit 1	
	8/31/2022	8/31/2021
Bank Deposits		
Demand Deposits	\$ 8,202,218	\$ 13,112,719
Petty Cash and Cash on Hand	2,225	2,225
Total Cash and Deposits	8,204,443	13,114,944
Cash Equivalents		
TexPool	20,709,423	14,477,616
Total Cash, Deposits, and Cash Equivalents	\$ 28,913,866	\$ 27,592,560

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. On August 31, 2022, the College's deposits are not exposed to custodial credit risk.

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### Investments

The College's investments consist of certificates of deposit located in several area banks. These certificates of deposit have maturity values of 1 year, and as such are considered short term investments. On August 31, 2022 and 2021, the College had the following investments:

Investment Type	Fair Value	Investment Maturities in Years			
	8/31/2022	1 or Less	1 to 5	5 to 10	10 to 15
Certificates of Deposit	\$ 5,113,519	\$ 5,113,519	\$ -	\$ -	\$ -
	8/31/2021	1 or Less	1 to 5	5 to 10	10 to 15
Certificates of Deposit	\$ 5,106,025	\$ 5,106,025	\$ -	\$ -	\$ -

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

### Analysis of Specific Deposit and Investment Risks

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

- **Credit Risk** - Risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. For the years ended August 31, 2022 and 2021, the College was not exposed to credit risk.
- **Concentration of Credit Risk** - Risk of loss attributed to the magnitude of an entity's investment in a single issuer. For the years ended August 31, 2022 and 2021, the College was not significantly exposed to a concentration of credit risk.
- **Interest Rate Risk** - Risk that changes in interest rates will adversely affect the fair value of an investment. For the years ended August 31, 2022 and 2021, 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, 2022 and 2021, the College was not exposed to foreign currency risk.

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

	Carrying Amounts	
	8/31/2022	8/31/2021
Total Cash and Deposits	\$ 8,204,443	\$ 13,114,944
TexPool	20,709,423	14,477,616
Certificates of Deposit	5,113,519	5,106,025
Total Deposits and Investments	<u>\$ 34,027,385</u>	<u>\$ 32,698,585</u>
Per Statement of Net Assets - Exhibit 1:		
Cash and Cash Equivalents	\$ 27,788,892	\$ 25,720,359
Short-term Investments	5,113,519	5,106,024
Restricted Cash	1,124,974	1,872,202
Total Deposits and Investments	<u>\$ 34,027,385</u>	<u>\$ 32,698,585</u>

### **5. CAPITAL ASSETS - COMPARATIVE**

Capital assets activity for the years ended August 31, 2022 and 2021 was as follows:

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<u>August 31, 2022</u>	Balance 9/1/2021	Increases	Decreases	Balance 8/31/2022
<u>Not Depreciated:</u>				
Land	\$ 989,786	\$ -	\$ -	\$ 989,786
Construction In Progress	4,923,593	762,714	(4,854,101)	832,206
Subtotal	<u>5,913,379</u>	<u>762,714</u>	<u>(4,854,101)</u>	<u>1,821,992</u>
<u>Other Capital Assets:</u>				
Buildings and Improvements	54,013,610	11,505,618	(10,100)	65,509,128
Equipment	14,859,441	757,140	(5,124)	15,611,457
Library Books	1,832,594	-	(60,396)	1,772,198
Automobiles	930,106	-	(399,176)	530,930
Right of Use Buildings	23,977,930	466,985	-	24,444,915
Right of Use Vehicles	-	69,711	-	69,711
Right of Use Equipment	518,788	5,512	-	524,300
Subtotal	<u>96,132,469</u>	<u>12,804,966</u>	<u>(474,796)</u>	<u>108,462,639</u>
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	(16,041,499)	(1,229,918)	8,260	(17,263,157)
Equipment	(9,278,518)	(1,087,043)	5,125	(10,360,436)
Library Books	(1,524,011)	(47,043)	69,222	(1,501,832)
Automobiles	(700,897)	(63,820)	365,231	(399,486)
Right of Use Buildings	(1,978,711)	(1,255,715)	-	(3,234,426)
Right of Use Vehicles	-	(4,478)	-	(4,478)
Right of Use Equipment	(353,450)	(101,824)	-	(455,274)
Subtotal	<u>(29,877,086)</u>	<u>(3,789,841)</u>	<u>447,838</u>	<u>(33,219,089)</u>
Net Other Capital Assets	<u>66,255,383</u>	<u>9,015,125</u>	<u>(26,958)</u>	<u>75,243,550</u>
Net Capital Assets	<u>\$ 72,168,762</u>	<u>\$ 9,777,839</u>	<u>\$ (4,881,059)</u>	<u>\$ 77,065,542</u>

# NORTH CENTRAL TEXAS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022 and 2021

<u>August 31, 2021</u>	Balance 9/1/2020	Increases	Decreases	Balance 8/31/2021
<b>Not Depreciated:</b>				
Land	\$ 1,491,594	\$ -	\$ (501,808)	\$ 989,786
Construction In Progress	-	4,923,593	-	4,923,593
Subtotal	<u>1,491,594</u>	<u>4,923,593</u>	<u>(501,808)</u>	<u>5,913,379</u>
<b>Other Capital Assets:</b>				
Buildings and Improvements	54,013,610	-	-	54,013,610
Equipment	14,617,211	263,749	(21,519)	14,859,441
Library Books	1,859,587	-	(26,993)	1,832,594
Automobiles	927,998	10,288	(8,180)	930,106
Right of Use Buildings	23,947,217	30,713	-	23,977,930
Right of Use Vehicles	-	-	-	-
Right of Use Equipment	481,898	36,890	-	518,788
Subtotal	<u>95,847,521</u>	<u>341,640</u>	<u>(56,692)</u>	<u>96,132,469</u>
<b>Accumulated Depreciation:</b>				
Buildings and Improvements	(14,869,083)	(1,172,416)	-	(16,041,499)
Equipment	(8,192,455)	(1,107,582)	21,519	(9,278,518)
Library Books	(1,512,331)	(47,877)	36,197	(1,524,011)
Automobiles	(620,883)	(83,325)	3,311	(700,897)
Right of Use Buildings	(776,092)	(1,202,619)	-	(1,978,711)
Right of Use Vehicles	-	-	-	-
Right of Use Equipment	(252,986)	(100,464)	-	(353,450)
Subtotal	<u>(26,223,830)</u>	<u>(3,714,283)</u>	<u>61,027</u>	<u>(29,877,086)</u>
Net Other Capital Assets	<u>69,623,691</u>	<u>(3,372,643)</u>	<u>4,335</u>	<u>66,255,383</u>
Net Capital Assets	<u>\$ 71,115,285</u>	<u>\$ 1,550,950</u>	<u>\$ (497,473)</u>	<u>\$ 72,168,762</u>

The depreciation expense for the year ended August 31, 2022 was \$3,789,826 and for the year ended August 31, 2021 was \$3,714,283.

### 6. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Current and noncurrent receivables on August 31, 2022 and 2021 were as follows:

	The College (Primary Government)	
	8/31/2022	8/31/2021
Taxes Receivable	156,316	144,964
Federal Receivable	1,131,447	343,647
State & Local Receivable	71,129	71,014
Student Receivable	9,031,536	9,117,858
Other Receivable	24,273	98,885
Subtotal	<u>10,414,701</u>	<u>9,776,368</u>
Allowance for Doubtful Accounts	<u>(8,445,276)</u>	<u>(9,149,688)</u>
Total Receivables	<u>\$ 1,969,425</u>	<u>\$ 626,680</u>

Accounts payables and accrued liabilities on August 31, 2022 and 2021, were as follows:

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	<u>The College (Primary Government)</u>	
	<u>8/31/2022</u>	<u>8/31/2021</u>
Vendor Payable	\$ 1,075,245	\$ 1,345,113
Student Payable	219,578	188,103
Other Payable	229,612	211,526
Interest Payable	<u>52,852</u>	<u>20,436</u>
Total Accounts Payable	1,577,287	1,765,178
Accrued Liabilities		
Salary & Benefit Payable	<u>46,275</u>	<u>45,631</u>
Total Payables	<u>\$ 1,623,562</u>	<u>\$ 1,810,809</u>

**7. LONG-TERM LIABILITIES**

Bonds payable on August 31, 2022 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%
- This issue was paid off in FY2022

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

NCTC District Tuition and Combined Fee Revenue, Series 2022

- For the purchase of the Flower Mound facility
- Issue date April 28, 2022
- Original amount authorized and issued \$6,670,000
- Source of revenue for debt service-Tuition & Fees
- Payable in annual installments varying from \$45,000 to \$780,000
- Interest rate 2.2%
- Final installment due June 2032

# NORTH CENTRAL TEXAS COLLEGE

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Capital Lease Obligations consist of the following:

Denton Campus Science Lab. In September 2021, the College entered into a lease agreement with Headliner Investments Ltd for the Denton Campus Science Lab located at 314 E. Hickory, Denton, TX. This lease terminates on August 31, 2031.

Corinth Campus Bookstore. In April 2019, the College entered into a lease agreement with J&A Capital Assets Ltd for the Corinth Campus Bookstore located at 1701 North Corinth, Suite 200, Denton, TX. This lease terminates in June 2024.

Pinnell Square, Suite 404A . In February 2021, the College entered into a lease agreement with Pinnell Square, LP for 1406 N Corinth Street, Suite 404A, Denton, TX. This lease terminates in January 2023.

Denton Campus In June 2020, the College entered into a lease agreement with NCCD=North Central Properties LLC for 316 E Hickory, Denton, TX. This lease terminates in June 2043.

MSU Flower Mound In July 2017 the College entered into a lease agreement with Midwestern State University for the Flower Mound campus located at 100 Parker Square, Flower Mound, TX. This lease terminates in June 2027.

Alliance Center. In August, 2022, the College entered into a lease agreement with TX Champions Industrial LP for Building 1 Champions Circle, Fort Worth, TX. This lease terminates in August 2032.

SBDC In August 2019, the College entered into a lease agreement with First United Bank & Trust for the property located at 1517 Centre Pl Dr, Denton, TX. This lease terminates in August 2024.

Other Leases: The College leases various copiers and other equipment with terms in excess of one year. The College also entered into leases for vehicles with Enterprise Fleet Management.

Activity in long term liabilities for the years ended August 31, 2022 and 2021, was as follows:

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	Beginning	Activity		Ending	Current
	Balance	Additions	Reductions	Balance	Portion
<u>August 31, 2022</u>					
Revenue Bonds:					
2011 Series	\$ 415,000	\$ -	\$ (415,000)	\$ -	\$ -
General Obligation Bonds:					
2013 Series	2,340,000	-	(565,000)	1,775,000	575,000
2014 Series	7,960,000	-	(105,000)	7,855,000	115,000
2022 Series	-	6,670,000	(45,000)	6,625,000	565,000
CAB Accretion	147,491	22,819	-	170,310	-
Premium on Bonds	441,414	-	(43,289)	398,125	-
Capital Leases Buildings	22,524,006	466,985	(588,679)	22,402,312	639,846
Capital Leases Equipment	174,150	5,512	(106,543)	73,119	32,930
Capital Leases Vehicles	-	69,712	(4,743)	64,969	15,790
Net Pension Liability	11,178,119	(802,223)	(5,588,571)	4,787,325	N/A
Net OPEB Liability	27,752,200	2,235,212	(1,825,962)	28,161,450	N/A
	<u>\$ 72,932,380</u>	<u>\$ 8,668,017</u>	<u>\$ (9,287,787)</u>	<u>\$ 72,312,610</u>	<u>\$ 1,943,566</u>

	Beginning	Activity		Ending	Current
	Balance	Additions	Reductions	Balance	Portion
<u>August 31, 2021</u>					
Revenue Bonds:					
2011 Series	\$ 820,000	\$ -	\$ (405,000)	\$ 415,000	\$ 415,000
2013 Series	920,000	-	(920,000)	-	-
General Obligation Bonds:					
2013 Series	2,890,000	-	(550,000)	2,340,000	565,000
2014 Series	8,065,000	-	(105,000)	7,960,000	105,000
CAB Accretion	125,472	22,019	-	147,491	-
Premium on Bonds	484,706	-	(43,292)	441,414	-
Capital Leases Buildings	22,958,592	30,713	(465,299)	22,524,006	552,282
Capital Leases Equipment	239,178	35,680	(100,708)	174,150	106,190
Capital Leases Vehicles	-	-	-	-	-
Net Pension Liability	10,983,077	1,056,188	(861,146)	11,178,119	N/A
Net OPEB Liability	29,183,496	2,047,810	(3,479,106)	27,752,200	N/A
	<u>\$ 76,669,521</u>	<u>\$ 3,192,410</u>	<u>\$ (6,929,551)</u>	<u>\$ 72,932,380</u>	<u>1,743,472</u>

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Debt service requirements for bonds and capital leases on August 31, 2022 are summarized below:

Fiscal Year August 31,	BONDS			CAPITAL LEASES Right to Use
	Principal	Interest	Total Requirements	
2023	1,255,000	529,985	1,784,985	623,944
2024	1,275,000	498,925	1,773,925	1,671,688
2025	1,305,000	466,719	1,771,719	1,623,868
2026	1,090,000	703,830	1,793,830	1,837,331
2027	1,400,000	420,410	1,820,410	1,839,334
2028-2032	7,925,000	1,338,505	9,263,505	8,725,733
2033-2037	2,005,000	143,924	2,148,924	7,802,529
2038-2042	-	-	-	7,562,600
2043-2047	-	-	-	3,017,200
Total Requirements	<u>\$ 16,255,000</u>	<u>\$ 4,102,298</u>	<u>\$ 20,357,298</u>	<u>\$ 34,704,227</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, 2022 and 2021.

<u>August 31, 2022</u>	Balance			Balance
	9/1/2021	Booked	Retired	8/31/2022
Accreted Interest Payable	\$ 147,491	\$ 22,819	\$ -	\$ 170,310

<u>August 31, 2021</u>	Balance			Balance
	9/1/2020	Booked	Retired	8/31/2021
Accreted Interest Payable	\$ 125,472	\$ 22,019	\$ -	\$ 147,491

**8. OPERATING LEASES**

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.

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

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The College entered into twelve leases for vehicles that are considered operating leases. The lease expense for these leases for the year ended August 31, 2022 and 2021 was \$12,833 and \$-0- respectively. The minimum future requirements as of August 31, 2023 were as follows:

Fiscal Year August 31,	Future Minimum Lease Payments
2023	\$ 12,833
2024	-
2025	-
2026	-
2027	-

**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
- The loss on refunding was completely amortized during FY 2022

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

- Refunded \$3,255,000 of District Revenue Bonds, Series 2004
- Issued refunding bonds on 11/15/2012
- \$3,505,000, all authorized bonds have been issued
- Average interest rate of bonds refunded—4.375%
- Net proceeds from Refunding Series \$3,453,563 after payment of \$51,437 in underwriting fees, insurance, and other issuance costs
- The 2004 Series bonds are considered partially defeased and the liability for the defeased coupons have been removed from the Investment in Plant Fund Group. The coupons due on 5/15/2013 and 5/15/2014 were not defeased.
- Advance refunding of the 2004 Series bonds reduced the college’s debt service payments over the next 9 years by approximately \$166,280
- 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
- The loss on refunding was completely amortized during FY 2022

# NORTH CENTRAL TEXAS COLLEGE

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### 10. DEFEASED BONDS OUTSTANDING

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Series 1998	2011	\$ 830,000

### 11. EMPLOYEES RETIREMENT PLAN

#### Defined Benefit Pension Plan

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

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/Pages/aboutpublications.aspx>; by writing to TRS, 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

**Benefits Provided.** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times year of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the members age and years or service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code Section 821.006 prohibits benefit improvements if, because 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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

**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%

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and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	2021	2022
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current fiscal year employer contributions		\$ 889,799
Current fiscal year member contributions		\$ 1,648,127
2021 measurement year NECE on-behalf contributions		\$ 674,538

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code
- During a new member's first 90 days of employment
- When any part or all 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, there is an additional surcharge an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to a 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**Actuarial Assumptions.** The total pension liability in the August 31, 2020 rolled forward to August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

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Methods and Assumptions Used to Determine Contribution Rates

Valuation Date	August 21, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 31, 2020	1.95%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in	
Projection Period (100 Years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

**Discount Rate.** The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's 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 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021 are summarized below:

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<b>Asset Class*</b>	<b>Target Allocation**</b>	<b>Long-term Expected Geometric Real Rate of Return ***</b>	<b>Expected Contribution to Long-Term Portfolio Return ****</b>
<b>Global Equity</b>			
USA	18.0%	3.6%	0.94%
Non-U. S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
<b>Stable Value</b>			
Government Bonds	16.0%	-0.2%	0.10%
Absolute Return (Including Credit Sensitive)	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
<b>Real Return</b>			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
<b>Risk Parity</b>			
Risk Parity	8.0%	2.8%	0.28%
<b>Asset Allocation Leverage</b>			
Cash	2.0%	-0.7%	-0.01%
Asset Allocation Leverage	-6.0%	-0.5%	0.03%
Inflation Expectation			2.20%
Volatility Drag			-0.95%
<b>Expected Return</b>	<b>100.0%</b>		<b>6.90%</b>

\* Absolute Return includes Credit Sensitive Investments

\*\*Target Allocation based on the FY21 policy model

\*\*\*Capital Market Assumptions come from AON Hewitt (as of 8/31/21)

\*\*\*\* \*The volatility drag results from the conversion between arithmetic and geometric mean returns

**Discount Rate Sensitivity Analysis.** The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25% than the current rate.

	<b>1% Decrease in Discount Rate (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase in Discount Rate (8.25%)</b>
College's proportionate share of the net pension liability	\$ 10,461,064	\$ 4,787,325	\$ 184,200

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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** On August 31, 2021, the College reported a liability of \$4,787,325 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the collective net pension liability	\$ 4,787,325
State's proportionate share that is associated with the College	4,025,356
Total	\$ 8,812,681

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 thru August 31, 2021.

At the measurement date of August 31, 2021, the employer's portion of the collective net pension liability was 0.0187985473% which was a decrease of 0.0020725215% from its portion measured as of August 31, 2020.

### **Changes Since the Prior Actuarial Valuation**

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021 the College recognized pension expense of \$1,448,230 and revenue of \$1,903 for support provided by the State.

On August 31, 2021, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 8,011	\$ 337,031
Changes in actuarial assumptions	1,692,226	737,665
Difference between projected and actual investment earnings	297,354	4,311,464
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	250,381	897,232
Subtotal	2,247,972	6,283,392
Contributions paid to TRS subsequent to the measurement date *	726,397	-
Total	\$ 2,974,369	\$ 6,283,392

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

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Year Ended August 31,	Pension Expense
2023	\$ 706,276
2024	1,056,045
2025	1,365,751
2026	190,946
Thereafter	56,517

**Defined Contribution Plan**

*Plan Description.* The State has also established an optional retirement program for institutions of higher education in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. State law provides for a member contribution rate of 6.60% for fiscal year 2022 and 2021. The College contributes an additional 2.5% for employees who are participating in the optional retirement program. Benefits fully vest after one year plus one date of employment. Because these are individual annuity contracts, the State has no additional or unfunded liability for this program. Senate Bill (S.B.) 1812, 83<sup>rd</sup> Texas Legislation, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the College was \$786,634 and \$773,657 for the fiscal years ended August 31, 2022 and 2021 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

**Summary of Combined Retirement Plans**

The total payroll of all College employees was \$27,470,735 and \$26,362,572 for fiscal years August 31, 2022 and 2021, respectively. The total payroll of employees covered by the TRS was \$20,300,242 and \$18,311,260; and the total payroll of employees covered by the ORP was \$2,336,030 and \$2,635,915 fiscal years August 31, 2022 and 2021, respectively.

**12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description.* The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefit Program (GBP) is administrated by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years' service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provision of the GBP are authorized by State law and may be amended by the Texas Legislature.

*OPEB Plan Fiduciary Net Position.* Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial report (CAFR) that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18<sup>th</sup> Street, Austin, TX 78701; or by calling (877) 275-4377.

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**Benefits Provided.** Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

**Contributions.** Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS Staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

The following table summarizes the maximum monthly employer contribution toward eligible retiree's health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

### Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium

	2021	2020
Retiree only	\$ 625	\$ 625
Retiree and spouse	1,340	1,341
Retiree and children	1,104	1,104
Retiree and family	1,817	1,820

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

### Premium Contributions by Source Group Benefits Program Plan

	Fiscal Year Ended 8/31/22	Fiscal Year Ended 8/31/21
Employers	\$ 587,453	\$ 628,510
Members (Employees)	180,663	193,290
Federal Revenue	87,210	93,305
Nonemployer Contributing Entity (State of Texas)	29,623	31,693
Total Contributions	\$ 884,948	\$ 946,798

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of August 31, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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**Actuarial Assumptions**

**ERS Group Benefits Program Plan**

Valuation Date	August 31, 2021
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Amortization Period	30 Years
Asset Valuation Method	Not Applicable
Inflation Rate	2.30%
Healthcare cost trend rates	
Medical (Health Select)	5.25% for FY2023, 5.15% for FY2024, 5.0% for FY2025, 4.75% for FY2026, 4.6% for FY2027 decreasing 10 basis points per year to an ultimate rate of 4.3% for FY2030 and later years
Medical (Health Select Medicare Advantage)	00.0% for FY2023, 66.67% for FY2024, 24.0% for FY2025, 4.75% for FY2026, 4.6% for FY2027 decreasing 10 basis points per year to an ultimate rate of 4.3% for FY2030 and later years
Pharmacy	10.0% for FY2023 10%.0 for FY2024, decreasing 100 basis points per year to 5.0% for FY2029 and 4.3% for FY2030 and later years
Salary Increases	2.3%-9.05%, including inflation
Discount rate	2.14%
Aggregate payroll growth	2.70%
Retirement age	Experience-based tables of rates that are specific to the class of employee
Mortality	
1. State Agency Members	
a. Service Retirees, Survivors and Other Inactive Members (Regular, Elected, CPO/CO and JRS I and II Employee Classes)	2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO members. Generational mortality improvements in accordance with the Ultimate MP Projection Scale are projected from the year 2020.
b. Disability Retirees (Regular, Elected, CPO, CO and JRS1 and II Employee Classes)	2020 State Retirees of Texas Mortality table three years for males and females, Generational mortality improvements in accordance with the Ultimate MP Projection Scale are projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females, respectively.
c. Active Members	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members. Pub-2010 Public Safety Active Member Mortality table for DPO/CO members. Generational mortality improvements in accordance with the Ultimate MP Projections Scale are projected from the year 2010.
2. Higher Education Members	
a. Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.
b. Disability Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
c. Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

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2. Disability Retirees - RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014
3. Active Members - RP-2014 Active Member Mortality tables with Ultimate MP projection Scale projected from the year 2014.

Higher Education Members

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

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2017 for higher education members. The mortality rates were based on the tables identified in the above table titled *Actuarial Methods and Assumptions*.

**Investment Policy.** The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

**Discount Rate.** Because GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.2%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.14%, which amounted to a decrease of .06%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is equivalent to Moody's Investor Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable to zero years.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact on the College's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

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	1% Decrease in Discount Rate (1.14)	Discount Rate (2.14)	1% Increase in Discount Rate (3.14)
College's proportionate share of the net OPEB liability	\$ 33,540,998	\$ 28,161,450	\$ 23,952,222

**Healthcare Trend Rate Sensitivity Analysis.** The initial healthcare trend rate is 5.25% and the ultimate rate is 4.30%. The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1% lower or 1% greater than the healthcare cost trend rate that was used (5.25%) in calculating the net OPEB Liability.

	Healthcare Cost Trend		
	1% Decrease Rates 4.25% Decreasing to 3.3%	Current Trend Rates 5.25% Decreasing to 4.3%	1% Increase Rates 6.25% Decreasing to 5.3%
	College's proportionate share of the net OPEB liability	\$ 23,581,899	\$ 28,161,450

**OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB.** For the Plan Year ended On August 31, 2021. The College reported a liability of \$28,161,450 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the college for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College was as follows:

College's proportionate share of the collective net OPEB liability	\$ 28,161,450
State's proportionate share that is associated with the College	24,311,296
Total	\$ 52,472,746

The net OPEB liability was measured as of August 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At the measurement date of August 31, 2021, the employer's proportion of the collective net OPEB liability was .07849771% which was a decrease of .0054863% from its proportion measured as of August 31, 2020.

For the year ended August 31, 2022, the district recognized total OPEB expense of \$1,259,675 and revenue for support provided by state and federal sources of \$295,376.

**Changes in Actuarial Assumptions.** Since the last valuation was prepared for this plan, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations. Furthermore, (a) the percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, (b) the percentage of future retirees assumed to be married and electing coverage for their spouse, (c) the proportion of future retirees assumed to elect health coverage at retirement and the proportion of future retirees expected to receive the Opt-Out Credit at retirement, (d) the percentage of Higher Education vested terminated members assumed to

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have terminated less than on year before the valuation date and (e) the annual rate of increase in the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act have been updated to reflect recent plan experience and expected trends. In addition, the assumption for expenses directly related to the payment of GBP HealthSelect medical benefits has been updated to reflect recent contract revisions.

Lastly, the discount rate was changed from 2.20% as of August 31, 2020 to 2.14% as of August 31, 2021 as a result of requirements by GASB No. 75 to utilize the yield or index rate of 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

*Changes of Benefit Terms.* No benefit changes

On August 31, 2021, the College reported its proportionate share of the ERS' plans collective deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ -	\$ 690,769
Changes in actuarial assumptions	1,928,043	3,136,555
Difference between projected and actual investment earnings	4,988	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,197,870	1,920,433
Total as of August 31, 2019 measurement date	6,130,901	5,747,757
Contributions paid to ERS subsequent to the measurement date *	329,347	-
Total	\$ 6,460,248	\$ 5,747,757

\*The \$329,347 reported as Deferred Outflows of Resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ended August 31, 2022.

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

<b>Year Ended August 31,</b>	<b>Pension Expense</b>
2023	\$ 803,580
2024	723,519
2025	(508,704)
2026	(478,282)
2027	(156,970)
Thereafter	-

**13. DEFERRED COMPENSATION PLAN**

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. This plan is funded by employee contributions such that the College is not liable for the diminution in value or loss of all or part of the participating employees' deferred amounts or investment income due to market conditions or the failure,

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insolvency or bankruptcy of a qualified vendor. The total of deferred salaries of employees since the inception of the program is not determinable.

As of August 31, 2022, the College had 30 employees participating in the program. A total of \$280,661 in payroll deductions were invested in approved plans during the fiscal year.

As of August 31, 2021 the College had 37 employees participating in the program. A total of \$228,674 in payroll deductions were invested in approved plans during the fiscal year.

**14. 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.

**15. PENDING LAWSUITS AND CLAIMS**

None

**16. 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 contracts 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 2022 and 2021 for which monies have not been received nor funds expended, totaled 1,255,372 and \$8,596,028, respectively. Of this amount, \$988,879 and \$8,498,593 were from Federal Contract and Grant awards, respectively and \$266,493 and \$97,435 were from State Contract and Grant awards.

**17. 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.

**18. HEALTH CARE AND LIFE INSURANCE BENEFITS**

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was \$625 and \$625 per month for employee-only coverage for the years ended August 31, 2022 and 2021, respectively. The cost of providing these benefits and the total number of employees participating in the plan and contributions were as follows:

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	August 31, 2022		August 31, 2021	
	Number of Employees	Contribution	Number of Employees	Contribution
Active Employees	381	\$ 1,368,494	349	\$ 1,529,198
Retired Employees	130	509,813	108	507,498
	<u>511</u>	<u>\$ 1,878,307</u>	<u>457</u>	<u>\$ 2,036,696</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.

**19. 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 on August 31 was as follows:

	Fiscal Year 2022	Fiscal Year 2021
Assessed Valuation	\$ 5,421,679,423	\$ 4,907,771,079
Less: Exemptions & Abatements	(1,358,767,173)	(1,224,848,466)
Net Assessed Valuation	<u>\$ 4,062,912,250</u>	<u>\$ 3,682,922,613</u>

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

	Fiscal Year 2022		Fiscal Year 2021	
	Current Operations	Debt Service	Current Operations	Debt Service
Authorized	0.200000	0.075700	0.200000	0.075700
Assessed	0.073100	0.021800	0.072832	0.024982

Taxes levied for the years ended August 31, 2022 and 2021, were \$4,429,685 and \$4,140,536, respectively. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Tax collections for the years ended August 31, 2022 and 2021, were 98.77% and 98.74%, 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, 2022</u>			
Current Taxes Collected	\$ 3,370,051	\$ 1,005,022	\$ 4,375,073
Delinquent Taxes Collected	59,095	15,077	74,172
Penalties & Interest Collected	18,446	5,584	24,030
Total Collections	<u>\$ 3,447,592</u>	<u>\$ 1,025,683</u>	<u>\$ 4,473,275</u>
<u>Fiscal Year Ended August 31, 2021</u>			
Current Taxes Collected	\$ 3,043,767	\$ 1,044,425	\$ 4,088,192
Delinquent Taxes Collected	77,086	21,034	98,120
Penalties & Interest Collected	18,729	6,375	25,104
Total Collections	<u>\$ 3,139,582</u>	<u>\$ 1,071,834</u>	<u>\$ 4,211,416</u>

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### 20. BRANCH CAMPUS MAINTENANCE TAX

A branch campus maintenance tax established by election has been levied by Graham Independent School District in Young County, Texas. It is levied each October 1 on the assessed value listed as of 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, 2022	August 31, 2021
Young County	\$ 461,330	\$ 430,133

### 21. INCOME TAXES

The College is exempt from income taxes under Internal Revenue Service Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The College had no unrelated business income tax liability for the years ended August 31, 2021 and 2021.

### 22. 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 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021 is as follows:

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**Condensed Statement of Net Position**

	<b>Fiscal Year Ended</b>	
	<u>8/31/2022</u>	<u>8/31/2021</u>
Assets		
Current assets	\$ 1,123,538	\$ 1,287,356
Capital assets, net	139,250	141,121
Total Assets	<u>1,262,788</u>	<u>1,428,477</u>
Liabilities		
Current liabilities	-	-
Net Position		
Net investment in capital assets	139,250	141,121
Restricted		
Expendable	<u>1,123,538</u>	<u>1,287,356</u>
Total Net Position	<u>\$ 1,262,788</u>	<u>\$ 1,428,477</u>

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

Operating Expense		
Scholarship	\$ 6,000	\$ 5,400
Other	-	-
Depreciation	15	976
Total Operating Expense	<u>6,015</u>	<u>6,376</u>
Nonoperating Revenues/Expense		
Investment income	6,703	1,973
Gain on Sale of Assets	(1,855)	506,640
Total Nonoperating Revenues/Expense	<u>4,848</u>	<u>508,613</u>
Income Before Transfers	(1,167)	502,237
Transfers Out	<u>(164,522)</u>	<u>(289,303)</u>
Change in Net Position	(165,689)	212,934
Net Position, Beginning of Year	<u>1,428,477</u>	<u>1,215,543</u>
Net Position, End of Year	<u>\$ 1,262,788</u>	<u>\$ 1,428,477</u>

**Condensed Statement of Cash Flows**

Net Cash Provided (Used) by Operating Activities	\$ (6,000)	\$ (5,400)
Net Cash Provided (Used) by Investing Activities	<u>(157,818)</u>	294,359
Net increase/(decrease) in cash	<u>(163,818)</u>	288,959
Cash, Beginning of Year	<u>1,287,356</u>	998,397
Cash, End of Year	<u>\$ 1,123,538</u>	<u>\$ 1,287,356</u>

**23. 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

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respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**24. 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 2022 and 2021, 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.

**25. TAX ABATEMENTS**

North Central Texas College has entered into property tax abatement agreements with local businesses under the Property Redevelopment and tax Abatement Act, Chapter 312, V.T.C.A, Tax Code. Localities may grant property tax abatements of up to 50% of a business' property tax bill for attracting or retaining businesses within their jurisdictions. Abatements may be granted to any business located within or promising to relocate to the service area of the College.

For the fiscal year ended August 31, 2022, the College abated property taxes totaling \$68,950 under this program, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

- A 50% property tax abatement to a wind farm to stimulate investment and economic development. The abatement amounted to \$42,762.
- A 50% property tax abatement to a solar farm to stimulate investment and economic development. The abatement amounted to \$22,236.
- A 50% property tax abatement to a banking institution to stimulate investment and economic development. The abatement amounted to \$14,284.

For the fiscal year ended August 31, 2021, the College abated property taxes totaling \$96,626 under this program, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

- A 50% property tax abatement to a wind farm to stimulate investment and economic development. The abatement amounted to \$44,075.
- A 50% property tax abatement to a manufacturer to stimulate investment and economic development. The abatement amounted to \$6,985.
- A 50% property tax abatement to a banking institution to stimulate investment and economic development. The abatement amounted to \$14,218.

**26. PRIOR PERIOD ADJUSTMENT**

Beginning net assets of the College as of August 31, 2020, have been restated for prior period to record GASB 87. This change in accounting principle is described in the section labeled Bonds and Capital Leases on page 22. The net assets were increased by 202,266. The figures for the year ended August 31, 2021 have been adjusted to reflect the change.

**27. SUBSEQUENT EVENTS**

The College's management has evaluated subsequent events through December 12, 2022, the date which the financial statements were available for issue.

**28. 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.

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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.

### **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.

### **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.

### **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, the net position of the Foundation and changes therein are classified according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

### **Cash and Cash Equivalents**

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

### **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.

### **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.

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Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Donated Materials, Services and Facilities**

The salaries of certain Foundation employees were donated by the North Central Texas College. The College also provides office space and equipment at no cost to the Foundation. The value of these contributed services is provided in the notes and is reported in the financial statements.

**Presentation of Expenses**

The cost of providing the various programs and activities of the Foundation has been summarized on a functional basis in the accompanying statements of activities.

- Program Services and Scholarships consists of scholarships and departmental expense payments made to the College for tuition and books on behalf of specified students, staff, and faculty of the College
- Management and General expenses consist of general supporting services that are necessary for the services received from the College based on the cost recognized by the College for the supplies and personnel providing those services.
- Fundraising activities are directed at soliciting and receiving funds, gifts, grants, and property to enable the Foundation to fulfill its purpose.

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are currently available net assets for operating purposes under the direction of the board, designated by the board for specific use, or donor advised funds.

**Net Assets with Donor Restrictions**

Contributions received from third parties with donor stipulations that limit the use of the donated assets, including specific or implied time restrictions inherent in pledges to give cash or other assets in the future, or are restricted such that the original gift (or principal) must be maintained in perpetuity, such as a permanent endowment fund are reported as net assets with donor restriction in the accompanying financial statements. When the applicable restriction expires, that is, when a stipulated time restriction ends or the purpose of the restrictions is accomplished (including accrual of the related obligation), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements or activities as net assets released from restrictions. Contributions received with temporary restrictions which are satisfied in the same reporting period are accounted for as described above and are included in net assets released from restrictions in the accompanying statement of activities. For contributions maintained in perpetuity, only the investment return on the original principal is available for use according to donor restrictions.

**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.

**Functional Expenses**

Expenses are summarized and categorized based on their functional classification as either program services or supporting services in the statement of functional expenses. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function.

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**Advertising**

The Foundation expenses advertising costs as incurred. Advertising costs were approximately \$0 and \$0 for the years ended August 31, 2022 and 2021, respectively. Advertising expense was allocated in the departmental expenses line of the statement of functional expenses.

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include demand deposit and certificates of deposit at local financial institutions. On August 31, 2022 and 2021, the carrying balance of the Foundation's cash and cash equivalents was \$37,847 and \$50,612, of which all of it was restricted for scholarships, and the bank balance was \$40,478 and \$56,724. The difference in carrying balance and bank balance represent amounts outstanding that cleared in the subsequent year.

**NOTE C – INVESTMENTS, DONOR-DESIGNATED ENDOWMENTS**

As of August 31, 2022, and 2021, investments consist of common stock, bonds, mutual funds, and US Treasury notes. All investments are stated at fair values at year-end. Investment values and cumulative unrealized gain or (loss) on August 31, 2022 and 2021, are summarized as follows:

**Reconciliation of Deposit and Investments to the Statements of Financial Position**

	Carrying Amounts	
	8/31/2022	8/31/2021
U.S. Government Agencies	\$ 199,772	\$ 382,885
Corporate Bonds & Notes	4,134,821	4,374,173
Mutual Funds	777,838	653,449
Money Market & Cash Equivalents	7,997,719	8,157,587
Total Investments	13,110,150	13,568,094
Total Cash and Deposits	37,847	50,612
Total Deposits and Investments	<u>\$ 13,147,997</u>	<u>\$ 13,618,706</u>
Per Statement of Financial Position:		
Cash and Cash Equivalents	\$ 37,847	\$ 50,612
Investments	4,991,560	6,376,590
Restricted Permanent Endowment	8,118,590	7,191,504
Total Deposits and Investments	<u>\$ 13,147,997</u>	<u>\$ 13,618,706</u>

**Investment Policy**

To achieve its investment objectives, the endowment funds will be allocated among a number of asset classes. These asset classes may include domestic equity, domestic fixed income, international equity, international fixed income, real estate, venture capital, and cash. The purpose of allocating among asset classes is to ensure the proper level of diversification within the funds. The general policy shall be to diversify investment among both equity and fixed income securities to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

In establishing appropriate allocation for each fund, four basic concepts are involved:

- Time Horizons – length or term of investment.
- Return Expectations – anticipated earnings on the investment.
- Liquidity Requirement – cash availability.
- Risk – amount of fluctuation in the value of the investment that can be tolerated.

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The endowment funds should be diversified both by asset class and within asset classes. Within each asset class, securities should be diversified among economic sectors, industry, quality, and size. The purpose of this diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced.

### **Endowment Policy**

The Foundation's endowments consist of approximately 340 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The purpose of the scholarship program is to accept contributions and award scholarships for the College's students. Additional endowments may be established to support the College's efforts in program development, improvement of instruction, and professional development such as a Technology Fund.

The gift is invested according to the established policy of the Foundation. The corpus of the Trust shall be invested and reinvested separately or together with other funds of the Foundation, and only the income from the endowment shall be awarded. The Board of Directors shall be authorized to pay out of the income, all expenses and liabilities properly incurred in furthering the purpose of the trust. If an endowment is made up of assets other than cash and administrative expenses are incurred above the income earned, the Foundation can pay this expense out of the principal.

A minimum of \$1,000 must be received for the establishment of a separate scholarship fund working toward full endowment. Within 5 years of the initial deposit, an additional \$5,000 must be added. At the completion of the 5-year/\$6,000 criterion, the subsequent interest will be returned to the principal until the endowment is fully funded at \$13,500 or \$15,000. Specific exceptions to the required principal balance may be authorized at the discretion of the foundation's Board of Directors.

Investment net asset composition by type of fund as of August 31, 2022 and 2021 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Assets
<b>August 31, 2022</b>				
Donor-restricted endowment funds	\$ -	\$ 4,959,805	\$ 8,118,590	\$ 13,078,395
Unrestricted donor-advised funds	31,755	-	-	31,755
<b>Total Funds</b>	<b>\$ 31,755</b>	<b>\$ 4,959,805</b>	<b>\$ 8,118,590</b>	<b>\$ 13,110,150</b>
<b>August 31, 2021</b>				
Donor-restricted endowment funds	\$ -	\$ 6,349,232	\$ 7,191,504	\$ 13,540,736
Unrestricted donor-advised funds	27,358	-	-	27,358
<b>Total Funds</b>	<b>\$ 27,358</b>	<b>\$ 6,349,232</b>	<b>\$ 7,191,504</b>	<b>\$ 13,568,094</b>

Changes in investment net assets as of August 31, 2022 and 2021 are as follows:

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Assets
August 31, 2022				
Donor-restricted endowment funds	\$ -	\$ 4,959,805	\$ 8,118,590	\$ 13,078,395
Unrestricted donor-advised funds	31,755	-	-	31,755
Total Funds	<u>\$ 31,755</u>	<u>\$ 4,959,805</u>	<u>\$ 8,118,590</u>	<u>\$ 13,110,150</u>
August 31, 2021				
Donor-restricted endowment funds	\$ -	\$ 6,349,232	\$ 7,191,504	\$ 13,540,736
Unrestricted donor-advised funds	27,358	-	-	27,358
Total Funds	<u>\$ 27,358</u>	<u>\$ 6,349,232</u>	<u>\$ 7,191,504</u>	<u>\$ 13,568,094</u>

Changes in investment net assets as of August 31, 2022 and 2021 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
August 31, 2022				
Investment net assets, beginning of year	\$ 27,358	\$6,349,232	\$ 7,191,504	\$ 13,568,094
Contributions and fundraising	8,825	1,266,974	835,178	2,110,977
Amounts that reached endowment status	-	(91,908)	91,908	-
Investment income	762	1,036,238	-	1,037,000
Net appreciation	-	(2,123,080)	-	(2,123,080)
Amounts appropriated for expenditures	(5,190)	(1,477,651)	-	(1,482,841)
Investment net assets, end of year	<u>\$ 31,755</u>	<u>\$4,959,805</u>	<u>\$ 8,118,590</u>	<u>\$ 13,110,150</u>
August 31, 2021				
Investment net assets, beginning of year	\$ 23,052	\$5,190,844	\$ 6,857,266	\$ 12,071,162
Contributions and fundraising	16,222	1,078,329	285,775	1,380,326
Amounts that reached endowment status	-	(48,463)	48,463	-
Investment income	643	532,738	-	533,381
Net appreciation	-	871,419	-	871,419
Amounts appropriated for expenditures	(12,559)	(1,275,635)	-	(1,288,194)
Investment net assets, end of year	<u>\$ 27,358</u>	<u>\$6,349,232</u>	<u>\$ 7,191,504</u>	<u>\$ 13,568,094</u>

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Investment maturities are as follows:

Investment Type	Fair Vaue	Investment Maturities in Years			
	8/31/2022	Less Than 1	1 to 5	5 to 10	10 to 15
U. S. Government Agencies	\$ 199,772	\$ 199,772	\$ -	\$ -	\$ -
Corporate Bonds & Notes	4,134,821	1,672,816	1,842,016	478,463	141,526
U. S. Government S/T Funds	777,838	777,838	-	-	-
Money Market & Cash Equivalents	7,997,719	7,997,719	-	-	-
Total Investments	\$ 13,110,150	\$ 10,648,145	\$ 1,842,016	\$ 478,463	\$ 141,526

Investment Type	Fair Vaue	Investment Maturities in Years			
	8/31/2021	Less Than 1	1 to 5	5 to 10	10 to 15
U. S. Government Agencies	\$ 382,885	\$ -	\$ 382,885	\$ -	\$ -
Corporate Bonds & Notes	4,374,173	233,903	2,574,248	568,745	997,277
U. S. Government S/T Funds	653,449	653,449	-	-	-
Money Market & Cash Equivalents	8,157,589	8,157,589	-	-	-
Total Investments	\$ 13,568,096	\$ 9,044,941	\$ 2,957,133	\$ 568,745	\$ 997,277

**NOTE D – CONCENTRATIONS OF CREDIT RISK FROM FINANCIAL INSTRUMENTS**

The Foundation, a Component Unit of the College has concentrations of credit risk from financial instruments in the two areas listed below:

- On August 31, 2022 and 2021, the Foundation had \$37,847 and \$50,612 deposited in demand accounts and certificates of deposit. At various times during the audit period, the balances in the banks were over the FDIC limit. These funds were fully collateralized at year-end.

The Foundation's Board of Directors do not require that assets invested by the Foundation in demand accounts, money market accounts, certificates of deposit, or U.S. Treasury securities be collateralized.

**NOTE E – FAIR VALUE MEASUREMENTS**

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, 2022 and 2021**

		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, 2022	Fair Value			
Investments:				
Money Market & Cash Equivalents	\$ 8,157,587	\$ -	\$ 8,157,587	\$ -
Government short-term Funds	653,449	653,449	-	-
Corporate Bonds & Notes	4,374,173	4,374,173	-	-
U.S. Government Agencies	382,885	382,885	-	-
Totals August 31, 2022	<u>\$ 13,568,094</u>	<u>\$ 5,410,507</u>	<u>\$ 8,157,587</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, 2021	Fair Value			
Investments:				
Money Market & Cash Equivalents	\$ 4,774,732	\$ -	\$ 4,774,732	\$ -
Government short-term Funds	2,219,793	2,219,793	-	-
Corporate Bonds & Notes	4,684,475	4,684,475	-	-
U.S. Government Agencies	392,162	392,162	-	-
Totals August 31, 2021	<u>\$ 12,071,162</u>	<u>\$ 7,296,430</u>	<u>\$ 4,774,732</u>	<u>\$ -</u>

**NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-restrictions within one year of the balance sheet date.

	8/31/2022	8/31/2021
Financial assets at year-end	\$ 13,181,428	\$ 13,657,976
Less those unavailable for general expenditures within one year due to:		
Donor-restricted to endowment	(8,118,590)	(7,191,504)
Donor-restricted to scholarship expenses	(5,031,083)	(6,439,114)
Financial assets available to meet the needs for general fund expenditure within one year	<u>\$ 31,755</u>	<u>\$ 27,358</u>

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in short-term investment, typically mutual funds.

**NOTE G – SCHOLARSHIPS PAYABLE**

Scholarship payables represent Fall 2022 and Fall 2021 scholarships awarded, but not paid as of August 31, 2022 and 2021. The scholarship payable as of August 31, 2022 and 2021 was \$367,649 and \$408,439.

# NORTH CENTRAL TEXAS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022 and 2021

### NOTE H – RESTRICTIONS ON NET ASSETS

Net assets are classified into two categories: net assets without donor restrictions and net assets with donor restrictions. The classifications are dependent upon the existence and/or nature of any donor restrictions placed upon net assets.

- Without Donor Restrictions – Net assets without donor restrictions are available for current operating expenses or for designation by the Board of Directors for a specific purpose.
- With Donor Restrictions – Net assets with donor restrictions are assets that have been restricted by donors until the occurrence of a certain event or the expiration of time requirements.

### NOTE I – CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal years 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 a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### NOTE J – CONCENTRATION OF REVENUE SOURCES

The Foundation is largely supported by contributions from the public. It is always considered reasonably possible that benefactors or contributors might be lost in the near-term. The Foundation's market is concentrated in the north central Texas geographical area.

### NOTE K – FUNCTIONAL EXPENSES

The cost of providing the various programs and activities of the Foundation has been summarized on a functional basis in the accompanying statement of activities. Functional expense categorized by scholarships and departmental expense, management and general and fundraising costs for the years ended August 31, 2022 and 2021 are as follows:

	Program Services	Support Services	Total
August 31, 2022			
EXPENSES:			
Scholarships	\$ 837,699	\$ -	\$ 837,699
Departmental Expenses	141,985	-	141,985
Management and General	-	338,988	338,988
Fund Raising	-	68,955	68,955
<b>TOTAL EXPENSES</b>	<b>\$ 979,684</b>	<b>\$ 407,943</b>	<b>\$ 1,387,627</b>
August 31, 2021			
EXPENSES:			
Scholarships	\$ 922,030	\$ -	\$ 922,030
Departmental Expenses	37,814	-	37,814
Management and General	-	307,308	307,308
Fund Raising	-	17,458	17,458
<b>TOTAL EXPENSES</b>	<b>\$ 959,844</b>	<b>\$ 324,766</b>	<b>\$ 1,284,610</b>

# NORTH CENTRAL TEXAS COLLEGE

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022 and 2021

### NOTE L – CONTRIBUTED SERVICES RECEIVED FROM PERSONNEL OF AN AFFILIATE

North Central Texas College, an affiliate for the Foundation, provided operating expenses to the Foundation without charge for use in its program. During the years ended August 31, 2022 and 2021, the Foundation recognized revenue and related expense of \$338,970 and \$307,261 for contributed services received from the College based on the cost recognized by the College for supplies and personnel providing those services. The College supports the Foundation by providing the following operating expenses:

	<u>8/31/2022</u>	<u>8/31/2021</u>
Salaries	\$ 305,402	\$ 283,260
Postage	-	-
Travel	1,378	489
Other	32,190	23,512
Total	<u>\$ 338,970</u>	<u>\$ 307,261</u>

### NOTE M – RELATED PARTIES

The Foundation is a nonprofit organization with the sole purpose of supporting the educational and other activities of the College. The Foundation solicits donations and acts as coordinator of gifts made by other parties. It remitted restricted scholarships of \$837,699 and \$922,030 to the College during the years ended August 31, 2022 and 2021. During these years, the College furnished certain services, such as office space, utilities, and staff assistance to the Foundation. The Foundation did not reimburse the College for these services.

### NOTE N – SUBSEQUENT EVENTS

The Foundation had no material subsequent events. Subsequent events were evaluated through December 12, 2022, which is the financial statement issuance date.

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**Required Supplementary Information**

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM**

Exhibit 4

	Measurement Year Ended August 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0187985473%	0.0208711%	0.0211282%	0.0206199%	0.0197348%	0.0197982%	0.0189342%	0.0203348%
District's proportion share of the net pension liability	\$ 4,787,325	\$ 11,178,119	\$ 10,983,077	\$ 11,349,689	\$ 6,310,110	\$ 7,481,446	\$ 6,692,988	\$ 5,431,706
States proportionate share of the net pension liability associated with the District	4,025,356	9,143,933	8,727,990	9,049,608	5,305,618	6,277,519	5,831,190	4,623,508
Total	8,812,681	20,322,052	19,711,067	20,399,297	11,615,728	13,758,965	12,524,178	10,055,214
District's covered employee payroll	20,300,242	18,311,260	19,433,025	18,330,433	16,986,236	15,928,660	15,354,615	14,102,654
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.58%	61.05%	56.52%	61.92%	37.15%	46.97%	43.59%	38.52%
Plan fiduciary net position as a percentage of total pension liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

The amounts presented above are as of the measurement date of the collective net pension liability. This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF THE DISTRICT CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM**

Exhibit 5

	Fiscal Year Ended August 31,							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 889,751	\$ 801,701	\$ 860,898	\$ 737,547	\$ 691,205	\$ 646,627	\$ 629,202	\$ 560,648
Contributions in relation to the contractually required contribution	(889,751)	(801,701)	(860,898)	(737,547)	(691,205)	(646,627)	(629,202)	(560,648)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	20,300,242	18,311,260	19,433,025	18,330,433	16,986,236	15,928,660	15,354,615	14,102,654
Contributions as a percentage of covered-employee payroll	4.38%	4.38%	4.43%	4.02%	4.07%	4.06%	4.10%	3.98%

5 The amounts presented above are as the Employer's most recent fiscal year-ends. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**EMPLOYEE RETIREMENT SYSTEM OF TEXAS**  
**STATE RETIREE HEALTH PLAN**

	Measurement Year Ended August 31, 2021	Measurement Year Ended August 31, 2020	Measurement Year Ended August 31, 2019	Measurement Year Ended August 31, 2018	Measurement Year Ended August 31, 2017
District's proportion of the Net OPEB Liability	0.07849771%	0.08398399%	0.08443645%	0.0841585%	0.0494826%
District's proportion share of the Net OPEB Liability	\$ 28,161,450	\$ 27,752,200	\$ 29,183,496	\$ 24,942,682	\$ 16,860,212
States proportionate share of the Net OPEB Liability associated with the District	24,267,035	22,387,933	24,151,892	19,087,781	14,506,619
<b>Total</b>	<b>52,428,485</b>	<b>50,140,133</b>	<b>53,335,388</b>	<b>44,030,463</b>	<b>31,366,831</b>
District's covered employee payroll	162,006,800	133,670,000	181,460,483	180,662,713	189,033,073
District's proportionate share of the Net OPEB Liability as a percentage of its covered-employee payroll	17.38%	20.76%	16.08%	13.81%	8.92%
Plan fiduciary net position as a percentage of total OPEB liability	0.32%	0.32%	0.17%	1.27%	2.04%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS FOR OPEB**  
**EMPLOYEE RETIREMENT SYSTEM OF TEXAS**  
**STATE RETIREE HEALTH PLAN**

	Fiscal Year Ended August 31, 2022	Fiscal Year Ended August 31, 2021	Fiscal Year Ended August 31, 2020	Fiscal Year Ended August 31, 2019	Fiscal Year Ended August 31, 2018
Contractually required contributions	\$ 578,461	\$ 551,309	\$ 547,930	\$ 526,884	\$ 496,120
Contributions in relation to the contractually required contribution	(578,461)	(551,309)	(547,930)	(526,884)	(496,120)
Contribution deficiency (excess)	-	-	-	-	-
District's covered employee payroll	162,006,800	133,670,000	181,460,483	180,662,713	189,033,073
Contributions as a percentage of covered-employee payroll	0.36%	0.41%	0.30%	0.29%	0.26%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**NORTH CENTRAL TEXAS COLLEGE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

**NOTES TO SCHEDULES FOR THE TRS PENSION**

**Changes in Actuarial Assumptions.**

There have been no changes.

**Changes of Benefit Terms.**

Minor benefit changes became effective January 1, 2021. These changes did not have a significant impact on plan costs for FY2022.

**NOTES TO SCHEDULES FOR OPEB**

**Changes in Actuarial Assumptions.**

Since the last valuation was prepared for this plan, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations. Furthermore, (a) the percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, (b) the percentage of future retirees assumed to be married and electing coverage for their spouse, (c) the proportion of future retirees assumed to elect health coverage at retirement and the proportion of future retirees expected to receive the Opt-Out Credit at retirement, (d) the percentage of Higher Education vested terminated members assumed to have terminated less than one year before the valuation date and (e) the annual rate of increase in the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act have been updated to reflect recent plan experience and expected trends. In addition, the assumption for expenses directly related to the payment of GBP HealthSelect medical benefits has been updated to reflect recent contract revisions.

Lastly, the discount rate was changed from 2.20% as of August 31, 2020 to 2.14% as of August 31, 2021 as a result of requirements by GASB No. 75 to utilize the yield or index rate of 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

*Changes of Benefit Terms.* No benefit changes

## Schedules

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF OPERATING REVENUES**  
**FOR THE YEAR ENDED AUGUST 31, 2022**  
(With Memorandum Totals for the Year Ended August 31, 2021)

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL EDUCATIONAL ACTIVITIES</u>	<u>AUXILIARY ENTERPRISES</u>	<u>2022</u>	<u>2021</u>
<b>TUITION</b>						
State funded credit courses						\$ -
In-district resident tuition	\$ 1,331,896	\$ -	\$ 1,331,896	\$ -	\$ 1,331,896	\$ 941,070
Out-of-district resident tuition	13,818,404	-	13,818,404	-	13,818,404	14,289,017
TPEG credit (set aside)*	487,569	-	487,569	-	487,569	504,204
State funded continuing education	61,361	-	61,361	-	61,361	567,567
Non-resident tuition	1,233,444	-	1,233,444	-	1,233,444	977,015
Non-state funded continuing education	289,179	-	289,179	-	289,179	292,793
<b>TOTAL TUITION</b>	<u>17,221,853</u>	<u>-</u>	<u>17,221,853</u>	<u>-</u>	<u>17,221,853</u>	<u>17,571,666</u>
<b>FEES</b>						
General fees	10,276,897	-	10,276,897	-	10,276,897	10,434,141
Laboratory fees	-	-	-	-	-	-
<b>TOTAL FEES</b>	<u>10,276,897</u>	<u>-</u>	<u>10,276,897</u>	<u>-</u>	<u>10,276,897</u>	<u>10,434,141</u>
<b>SCHOLARSHIP ALLOWANCES AND DISCOUNTS</b>						
Scholarship allowances	(2,257,929)	(6,000)	(2,263,929)	(932,593)	(3,196,522)	(1,109,294)
Remissions and exemptions-state	(1,246,975)	-	(1,246,975)	-	(1,246,975)	(1,347,401)
TPEG allowances	-	(239,778)	(239,778)	-	(239,778)	(464,918)
Federal grants to students	-	(4,410,868)	(4,410,868)	-	(4,410,868)	(3,954,722)
Texas grants	-	(284,990)	(284,990)	-	(284,990)	(284,990)
<b>TOTAL SCHOLARSHIP ALLOWANCES AND DISCOUNTS</b>	<u>(3,504,904)</u>	<u>(4,941,636)</u>	<u>(8,446,540)</u>	<u>(932,593)</u>	<u>(9,379,133)</u>	<u>(7,161,325)</u>
<b>TOTAL NET TUITION AND FEES</b>	<u>23,993,846</u>	<u>(4,941,636)</u>	<u>19,052,210</u>	<u>(932,593)</u>	<u>18,119,617</u>	<u>20,844,482</u>
<b>ADDITIONAL OPERATING REVENUES</b>						
Federal grants and contracts	-	18,267,809	18,267,809	-	18,267,809	14,483,581
State grants and contracts	(49,345)	3,333,347	3,284,002	-	3,284,002	1,428,565
Private grants	474,604	133,140	607,744	-	607,744	451,671
Sales and services of educational activities	94,929	-	94,929	-	94,929	80,026
Other operating revenues	1,787,522	-	1,787,522	-	1,787,522	2,352,431
<b>TOTAL OTHER OPERATING REVENUES</b>	<u>2,307,710</u>	<u>21,734,296</u>	<u>24,042,006</u>	<u>-</u>	<u>24,042,006</u>	<u>18,796,274</u>
<b>AUXILIARY ENTERPRISES</b>						
Residential life	-	-	-	423,184	423,184	200,119
Scholarship allowances and discounts	-	-	-	(316,744)	(316,744)	(173,220)
Net Residential Life	-	-	-	106,440	106,440	26,899
Bookstore	-	-	-	144,996	144,996	167,782
Scholarship allowances and discounts	-	-	-	-	-	-
Net Bookstore	-	-	-	144,996	144,996	167,782
<b>TOTAL NET AUXILIARY ENTERPRISE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,436</u>	<u>251,436</u>	<u>194,681</u>
<b>TOTAL OPERATING REVENUES</b>	<u>\$ 26,301,556</u>	<u>\$ 16,792,660</u>	<u>\$ 43,094,216</u>	<u>\$ (681,157)</u>	<u>\$ 42,413,059</u>	<u>\$ 39,835,437</u>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.033, \$487,569 and \$504,204 for years ended August 31, 2022 and 2021 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, 2022**  
**(With Memorandum Totals For the Year Ended August 31, 2021)**

	OPERATING EXPENSE				2022	2021
	SALARIES AND WAGES	BENEFITS		OTHER EXPENSE		
		STATE	LOCAL			
<b>UNRESTRICTED EDUCATIONAL ACTIVITIES</b>						
Instruction	\$ 12,828,945	\$ -	\$ 2,090,834	0 \$ 2,681,361	\$ 17,601,140	\$ 16,297,238
Research	-	-	-	-	-	-
Public service	240,158	-	39,140	236,001	515,299	559,723
Academic support	1,655,112	-	269,746	1,736,674	3,661,532	3,508,678
Student services	3,523,330	-	574,224	313,287	4,410,841	3,937,621
Institutional support	5,034,252	-	698,552	5,495,834	11,228,638	9,319,615
Operation and maintenance of plant	650,992	-	123,342	4,020,409	4,794,743	3,513,320
Scholarship and fellowships	-	-	-	-	-	-
<b>TOTAL UNRESTRICTED EDUCATIONAL ACTIVITIES</b>	<u>23,932,789</u>	<u>-</u>	<u>3,795,838</u>	<u>14,483,566</u>	<u>42,212,193</u>	<u>37,136,195</u>
<b>RESTRICTED EDUCATIONAL ACTIVITIES</b>						
Instruction	162,824	1,852,720	-	1,480,193	3,495,737	4,748,160
Research	-	-	-	-	-	-
Public service	376,744	115,461	-	288,660	780,865	883,027
Academic support	28,517	236,345	-	20,118	284,980	522,631
Student services	488,436	581,624	-	5,298,841	6,368,901	5,644,588
Institutional support	558,423	759,316	-	-	1,317,739	1,430,390
Operation and maintenance of plant	-	-	-	114,651	114,651	117,750
Scholarship and fellowships	94,568	-	-	9,284,565	9,379,133	7,281,257
<b>TOTAL RESTRICTED EDUCATIONAL ACTIVITIES</b>	<u>1,709,512</u>	<u>3,545,466</u>	<u>-</u>	<u>16,487,028</u>	<u>21,742,006</u>	<u>20,627,803</u>
<b>AUXILIARY ENTERPRISES</b>	<u>30,382</u>	<u>-</u>	<u>6,064</u>	<u>757,775</u>	<u>794,221</u>	<u>548,969</u>
<b>DEPRECIATION EXPENSE</b>						
Buildings and other real estate improvements	-	-	-	-	2,485,635	2,375,034
Equipment and furniture	-	-	-	-	1,304,206	1,339,248
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 25,672,683</u>	<u>\$ 3,545,466</u>	<u>\$ 3,801,902</u>	<u>\$ 31,728,369</u>	<u>\$ 68,538,261</u> (Exhibit 2)	<u>\$ 62,027,249</u> (Exhibit 2)

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2022**  
**(With Memorandum Totals for the Year Ended August 31, 2021)**

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>AUXILIARY ENTERPRISES</u>	<u>2022</u>	<u>2021</u>
<b>NON-OPERATING REVENUES</b>					
State Appropriations:					
Education and general state support	\$ 11,421,474	\$ -	\$ -	\$ 11,421,474	\$ 11,726,714
State group insurance	-	1,878,307	-	1,878,307	2,036,696
State retirement matching	-	743,652	-	743,652	2,040,636
Other	-	-	-	-	-
Total State Appropriations	<u>11,421,474</u>	<u>2,621,959</u>	<u>-</u>	<u>14,043,433</u>	<u>15,804,046</u>
Maintenance ad valorem taxes	3,472,468	-	-	3,472,468	3,126,713
Debt service ad valorem taxes	-	1,028,477	-	1,028,477	1,084,751
Federal Revenue, non-operating	-	9,617,544	-	9,617,544	9,508,659
Gifts	-	-	-	-	-
Investment income	189,455	9,865	-	199,320	64,055
Gain on disposal of capital assets	188,118	-	-	188,118	1,724,542
Insurance Proceeds	-	-	-	-	4,226,238
Other non-operating revenues	15,036	-	-	15,036	15,040
<b>TOTAL NON-OPERATING REVENUES</b>	<u>15,286,551</u>	<u>13,277,845</u>	<u>-</u>	<u>28,564,396</u>	<u>35,554,044</u>
<b>NON-OPERATING EXPENSES</b>					
Interest on capital related debt	-	1,283,548	-	1,283,548	1,271,489
Loss on disposal of capital assets	-	-	-	-	-
Other non-operating expenses	-	53,256	-	53,256	3,800
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>-</u>	<u>1,336,804</u>	<u>-</u>	<u>1,336,804</u>	<u>1,275,289</u>
<b>NET NON-OPERATING REVENUES</b>	<u>\$ 15,286,551</u>	<u>\$ 11,941,041</u>	<u>\$ -</u>	<u>\$ 27,227,592</u> (Exhibit 2)	<u>\$ 34,278,755</u> (Exhibit 2)



**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

Schedule E

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH DISBURSEMENTS & EXPENDITURES
U.S. Department of Education		
Direct Programs:		
*SEOG	84.007	\$ 477,800
*Federal College Work-Study Program	84.033	120,199
*Federal Pell Grant Program	84.063	9,019,545
*Direct Student Loans	84.268	9,887,307
Total Financial Assistance Cluster		<u>19,504,851</u>
Student Support Services (TRIO)	84.042A	<u>463,913</u>
Coronavirus Aid, Relief, and Economic Security (CARES) Act Collin County Community College Education Stabilization Fund	84.425	227,151
Texas Higher Education Coordinating Board GEER Funds	84.425C	132,183
Geer Funds	84.425C	1,780,821
University of North Texas GEER Funds	84.425C	104,396
Cares Act Higher Education Emergency Relief Fund	84.425E	14,298,788
Pass-through From:		
Collin County Community College COVID 19-CARES Student Portion	84.425E	175,700
Total Coronavirus Aid Relief and Economic Security (CARES)		<u>16,719,039</u>
Texas Higher Education Coordinating Board Carl Perkins-Career & Technical Education	84.048A	504,916
Total U.S. Department of Education		<u>37,192,719</u>
U. S. Department of Labor		
Employment Services Wagner/Peyser	17.207	142,304
Pass-through from:		
Texas Workforce Commission WIOA Adult Program	17.258	78,012
Total U.S. Department of Labor		<u>220,316</u>
Small Business Administration		
Pass-through From:		
Dallas County Community College District Small Business Development Grant	59.037	<u>359,625</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 37,772,660</u>
* Cluster Program		

See notes to schedule on following page.

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

Note 1: Federal Financial Assistance Reconciliation:

Federal Grants and Contracts Revenue per Schedule A	\$	18,267,809
Federal Revenue, Non Operating per Schedule C		9,617,544
Add: Direct Student Loans		9,887,307
Total Federal Revenues per Schedule of Federal Awards	\$	37,772,660

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

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

Note 3: Expenditures Not Subject to Single Audit

None

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

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

Note 5: Nonmonetary Federal Assistance Received

None

Note 6: Amounts Passed-Through by the College

None

**NORTH CENTRAL TEXAS COLLEGE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

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	565,206
State Work Study	11838	33,309
CAL Loan	N/A	1,200
CRSM	N/A	21,450
CRCM	N/A	49,735
		<u>670,900</u>
Texas Department of Transportation		
SBI Drug Misuse		2,100
SBI Standing Tall Texans		9,033
SBI Alcohol Misuse		1,928
		<u>13,061</u>
Texas Workforce Commission		
Skills Development Fund-Sally's Beauty	0422SDF001	1,505
Skills Development Fund-Mary Kay	0420SDF002	30,525
Subtotal		<u>32,030</u>
SMP-GSMP Tiny Homes	2922SMP002	11,230
Small Business	2520SSD001	1,595
Total Texas Workforce Commission		<u>44,855</u>
Pass through from:		
Dallas County Community College District		
Small Business Development Grant		104,531
<b>TOTAL STATE ASSISTANCE</b>		<u><u>\$ 833,347</u></u>

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

State Revenues per Schedule of Expenditures of State Awards	\$ 3,284,002
Less State Appropriation	(2,500,000)
Less Reimb of Nursing Shortage	49,345
Total State Revenues per Schedule A	<u><u>\$ 833,347</u></u>

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

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

## **SINGLE AUDIT REPORTS**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the North Central Texas College (College) as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 12, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

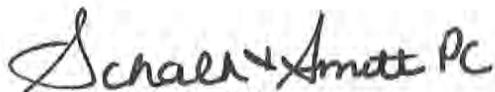
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

**Texas Public Funds Investment Act**

We have performed tests designed to verify the College's compliance with the requirements of the Texas Public Funds Investment Act. During the year ended August 31, 2022, no instances of noncompliance, material or nonmaterial, were found.

### **Purpose of This Report**

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

A handwritten signature in black ink that reads "Schalk & Smith PC". The signature is written in a cursive, flowing style.

Schalk & Smith, P.C.  
Gainesville, Texas  
December 12, 2022



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

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

**Report on Compliance for Each Major Federal and State Program**

We have audited the compliance of North Central Texas College (College) with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Single Audit Circular* that could have a direct and material effect on each of College's major federal and state programs for the year ended August 31, 2022. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2021.

**Report on Internal Control over Compliance**

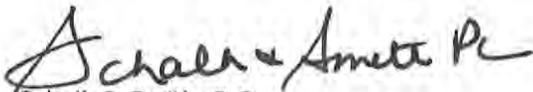
Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the College's internal control over compliance with the types of requirements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

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

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

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

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



Schalk & Smith, P.C.  
Gainesville, Texas  
December 12, 2022

**NORTH CENTRAL TEXAS COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2022**

**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
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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
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Identification of Major Programs:

Federal:

- Financial Aid Cluster CFDA #84.007; 84.033; 84.063; 84.268
- Coronavirus Aid, Relief, and Economic Security (CARES Act)
- COVID-19 CARES Education Stabilization Fund CFDA #84.425
- COVID-19 CARES GEER #84.425C
- COVID-19 CARES Student Portion CFDA #84.425E

State:

- Texas Grants

Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
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Auditee qualified as low-risk auditee?	Yes
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**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, 2022**

NONE