

CISCO COLLEGE DISTRICT  
CISCO, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED  
AUGUST 31, 2017 AND 2016

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CISCO COLLEGE DISTRICT  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016  
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CISCO COLLEGE DISTRICT  
ORGANIZATIONAL DATA  
FOR THE FISCAL YEAR 2016-17

Board of Regents

Officers

Brad Kimbrough	President
Ronnie Ledbetter	Vice-President
Ricky Whatley	Secretary

Members

		Term Expires <u>May 31,</u>
Sarah Adams	Cisco, Texas	2018
Greg Cary	Cisco, Texas	2020
Jerry Conring	Cisco, Texas	2020
Joe Jarvis	Cisco, Texas	2018
Brad Kimbrough	Cisco, Texas	2022
Ronnie Ledbetter	Cisco, Texas	2018
Ricky Whatley	Cisco, Texas	2020
Sharon Wilcoxon	Cisco, Texas	2022
Staci Wilks	Cisco, Texas	2022

Key Officers

Dr. Thad Anglin - President  
Dr. Jerry Dodson - Vice President for Student Services  
Dr. Carol Dupree - Provost, Abilene Educational Center and Chief Academic Officer  
Audra Taylor - Dean of Business Services and Chief Financial Officer

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FINANCIAL SECTION

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## Independent Auditor's Report

### UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Board of Regents  
Cisco College District  
101 College Heights  
Cisco, Texas 76437

#### Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for Cisco College District (the "District") as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### *Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cisco College District as of August 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with account principles generally accepted in the United States of America.

#### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of District's Proportionate Share of the Net Pension Liability (TRS) and Schedule of District Contributions to TRS as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules, the Texas Higher Education Coordinating Board's (the "THECB") required statistical schedules and 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* (Uniform Guidance) listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules, the THECB required statistical schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental schedules, the THECB required statistical schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The supplemental schedules, the THECB required statistical schedules and the schedule of expenditures of federal awards have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated December 15, 2017, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Cameron L. Gulley  
Certified Public Accountant

December 15, 2017

**CISCO COLLEGE**  
101 COLLEGE HEIGHTS  
CISCO, TEXAS 76437  
TELEPHONE: (254) 442-5000  
FAX: (254) 442-5100

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (M,D&A)**

The following discussion of Cisco College's financial report presents our analysis and insight to the College's financial performance for the fiscal year ended August 31, 2017 including some comparative information with the fiscal years ended August 31, 2016 and 2015. Please read it in conjunction with the transmittal letter preceding this report and the College's financial statements, which follow this report.

### **The Basic Financial Statements**

The annual financial report consists of a set of financial statements and reports as required by Government Accounting Standards Board (GASB) Statement No. 34 for a government engaged in Business Type Activities. These basic financial statements appear in Exhibits 1-3 and in the notes to the financial statements. The basic financial statements consist of the following four elements: a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; and the Notes to the Financial Statements. These statements are presented in a government-wide format, which means all of the funds of the College are combined into a single report. A brief explanation of the purpose of each of the components of the basic financial statements is set out below.

The Statement of Net Position shows the combined assets of the College, as well as the combined liabilities. The difference in the total assets and the total liabilities is the net position, which are broken out in its various components. The information shown in this statement is a snapshot of the College's accounts on August 31 of the year indicated. This is important data in determining the viability of the school and in determining the College's overall financial strength.

The Statement of Revenues, Expenses, and Changes in Net Position shows the results of the fiscal year's operations. Revenues and expenses are arranged by their functional classifications so that a year-to-year comparison will show relevant trends. The information in this statement will assist in evaluating the College's performance for the year concluded.

The Statement of Cash Flows shows the sources and uses of cash for the fiscal year. It is divided into several categories: operating activities, non-capital financing activities, capital financing activities, and investing activities. Upon review of the Cash Flow Statement, a person knowledgeable in using this statement can determine an institution's ability to generate future cash flows, and its ability to meet financial obligations.

The Notes to the Financial Statements provide the required disclosures to comply with GASB pronouncements and other relevant information that a user might find helpful in understanding the College's financial statements as a whole.

## Condensed Comparative Financial Information

Table 1 - Net Position			
	Year Ended August 31, 2017	Year Ended August 31, 2016	Year Ended August 31, 2015
Current and Other Assets	\$ 7,718,505	\$ 6,935,899	\$ 8,370,591
Capital Assets	15,748,074	16,121,806	16,478,165
Deferred Resource Outflows	615,049	529,166	418,033
Total Assets and Deferred Resource Outflows	24,081,628	23,586,871	25,266,789
Current Liabilities	5,135,735	4,567,353	5,374,690
Long-term Liabilities	9,028,601	9,657,260	10,004,086
Deferred Resource Inflows	474,517	447,207	718,819
Total Liabilities and Deferred Resource Inflows	14,638,853	14,671,820	16,097,595
Net Position:			
Net Investment in Capital Assets	9,100,703	8,730,870	8,378,232
Restricted	689,396	714,756	761,370
Unrestricted and Expendable	(347,324)	(530,575)	29,592
Total Net Position	\$ 9,442,775	\$ 8,915,051	\$ 9,169,194

Table 2 - Changes in Net Position			
	Year Ended August 31, 2017	Year Ended August 31, 2016	Year Ended August 31, 2015
Operating Revenue:			
Tuition and Fees, Net of Discounts	\$ 3,151,184	\$ 2,728,138	\$ 1,957,737
Federal Grants and Contracts	201,415	213,509	226,997
Auxiliary Enterprises, Net of Discounts	2,137,481	2,150,135	2,564,236
Other Operating Revenues	652,141	1,291,953	1,296,766
Total Operating Revenues	6,142,221	6,383,735	6,045,736
Operating Expenses:			
Instruction	7,749,722	7,280,835	7,277,204
Public Service	7,169	1,330	350
Academic Support	846,210	804,170	982,757
Student Services	1,719,542	1,469,404	1,551,511
Institutional Support	2,636,981	3,856,248	3,569,284
Operating and Maintenance of Plant	1,559,410	1,739,096	1,832,391
Scholarships and fellowships	734,384	686,848	756,376
Auxiliary Enterprises	2,736,281	2,898,625	3,070,850
Depreciation	719,758	747,174	786,508
Total Operating Expenses	18,709,457	19,483,730	19,827,231
Operating Income (Loss)	(12,567,236)	(13,099,995)	(13,781,495)

Table 2 - Changes in Net Position (continued)			
	Year Ended August 31, 2017	Year Ended August 31, 2016	Year Ended August 31, 2015
Non-operating Revenues (Expenses):			
State Appropriations	6,967,496	6,997,686	6,960,206
Maintenance Ad Valorem Taxes	840,683	777,352	710,957
Federal Revenue	5,132,288	5,208,705	6,259,386
Interest on Capital Related Debt	(227,791)	(245,167)	(262,077)
Other Non-operating Revenue (Expense)	382,284	107,276	136,189
Net Non-operating Revenues (Expenses)	13,094,960	12,845,852	13,804,661
Increase (Decrease) in Net Position	527,724	(254,143)	23,166
Net Position - Beginning of Year	8,915,051	9,169,194	11,808,392
Adjustments	0	0	(2,662,364)
Net Position - End of Year	\$ 9,442,775	\$ 8,915,051	\$ 9,169,194

### Analysis of the College's Overall Financial Position and Results of Operations

Table 1 provides a summarization of significant financial data from the Statement of Net Position. Over the last 6 years, Cisco College has had enrollment declines. This year, Cisco College started with an enrollment decline in the fall. Through many efforts across the college, the decline was reduced and Cisco College had an enrollment increase in the summer of 2017. This is reflected in the increase of the Current and Other Assets and the Current Liabilities.

Table 2 provides information concerning the College's results of operations for the past three years. Although Total Operating Revenues have decreased by about \$240,000, the Total Operating Expenses have decreased over \$770,000. This has resulted in an increase of Net Position of \$527,724.

### Significant Capital Asset and Long-Term Debt Activity

Note 3 to the financial statements is a summary of the current fiscal year's capital asset activity. A review of this data shows additions to capital assets of almost \$350,000. These were offset by depreciation expense of \$719,000. Changes to capital assets during the year include land improvements of \$6,000; library books of \$4,000; furniture, machinery, vehicles and other equipment over \$95,000; and an increase to Buildings of \$240,000 which includes the donation of the Kirby Wilks Rodeo Pavilion.

Note 4 to the financial statements is a composite of the College's long-term liabilities for the current and previous fiscal years. During the current year, there was a decrease of \$70,000 for capital leases. A Technology Improvement Plan reflects changes to our model that will facilitate an on-going upgrade to hardware and software programs for the college. As a result, the college is earmarking funds in the budget to cover upgrades and lowering dependency on lease agreements. In addition, the college is aggressively pursuing Title V grants to help offset costs associated with technology. There was a reduction to the Revenue Bonds and Notes for payments made during the year. There were also increases and decreases to the Net Pension Liabilities due to GASB Statement No. 68.

## **Discussion of Other Facts, Decisions, and Conditions**

Cisco College had an increase in enrollment in the summer of 2017. The college implemented several strategies for improvement. One of these strategies was the creation of a *Strategic Enrollment Task Force*. This team worked together to create strategies for the following goals: 1) increase recruiting efforts, 2) set enrollment targets, 3) develop programs and pathways, 4) improve marketing, 5) strengthen advising and mentoring, 6) increase retention / student engagement / student involvement, 7) procure data for analysis, and 8) implement customer service improvements.

Some other efforts to increase enrollment that were started or completed in FY 2017 are: 1) add student athlete summer bridge program, 2) increase number of online course sections, 3) improve early dual-credit admissions/registration process, 4) implement cohort advising model for student athletes, 5) improve dorm occupancy rates, 5) website redesign, 6) improve course scheduling practices, and 7) reduce M&O costs by renegotiating contracts and energy cost savings.

CISCO COLLEGE DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2017 AND AUGUST 31, 2016  
EXHIBIT 1

	Fiscal Year 2017	Fiscal Year 2016
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,680,379	\$ 2,525,933
Accounts receivable (net)	786,173	601,735
Deferred charges	1,504,864	1,078,745
Inventories	860,160	873,661
Prepaid expenses	30,832	27,776
Total Current Assets	5,862,408	5,107,850
Noncurrent Assets		
Restricted cash and cash equivalents	575,538	591,126
Endowment investments	898,148	854,691
Other long-term investments	200,600	198,000
Deferred charges	81,385	83,805
Investments in real estate	100,426	100,426
Capital assets (net)	15,748,074	16,121,806
Total Noncurrent Assets	17,604,171	17,949,854
<b>TOTAL ASSETS</b>	<b>23,466,579</b>	<b>23,057,704</b>
<b>DEFERRED RESOURCE OUTFLOWS</b>		
Deferred resource outflows related to Teacher Retirement System	615,049	529,166
<b>TOTAL DEFERRED RESOURCE OUTFLOWS</b>	<b>615,049</b>	<b>529,166</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	215,376	334,744
Accrued liabilities	252,766	250,830
Funds held for others	51,078	34,103
Unearned revenues	3,920,741	3,242,504
Notes and capital leases payable - current portion	45,774	70,171
Bonds payable - current portion	650,000	635,000
Total Current Liabilities	5,135,735	4,567,352
Noncurrent Liabilities		
Accrued compensated absences	223,064	251,445
Deposits	26,450	26,450
Net pension liability related to Teacher Retirement System	2,827,490	2,731,993
Notes and capital leases payable	11,597	57,372
Bonds payable	5,940,000	6,590,000
Total Noncurrent Liabilities	9,028,601	9,657,260
<b>TOTAL LIABILITIES</b>	<b>14,164,336</b>	<b>14,224,612</b>
<b>DEFERRED RESOURCE INFLOWS</b>		
Deferred resource inflows related to Teacher Retirement System	474,517	447,207
<b>TOTAL DEFERRED RESOURCE INFLOWS</b>	<b>474,517</b>	<b>447,207</b>
<b>NET POSITION</b>		
Net investment in capital assets	9,100,703	8,730,870
Restricted:		
Expendable for:		
Student aid	139,396	164,756
Debt service	550,000	550,000
Unrestricted	(347,324)	(530,575)
<b>TOTAL NET POSITION</b>	<b>\$ 9,442,775</b>	<b>\$ 8,915,051</b>

The accompanying notes are an integral part of this statement.

CISCO COLLEGE DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED AUGUST 31, 2017 AND AUGUST 31, 2016  
EXHIBIT 2

	<u>Fiscal Year</u> 2017	<u>Fiscal Year</u> 2016
<b>OPERATING REVENUES AND EXPENSES</b>		
Operating Revenues		
Tuition and fees (net of discounts of \$5,659,589 and \$5,762,784, respectively)	\$ 3,151,184	\$ 2,728,138
Federal grants and contracts	201,415	213,509
State grants and contracts	427,576	553,518
Nongovernmental grants and contracts	23,003	127,872
Sales and services of educational activities	62,545	69,047
Auxiliary enterprises	2,137,481	2,150,135
General operating revenues (net of discounts of \$0, both years)	139,017	541,516
Total Operating Revenues (Schedule A)	<u>6,142,221</u>	<u>6,383,735</u>
Operating Expenses		
Instruction	7,749,722	7,280,835
Public service	7,169	1,330
Academic support	846,210	804,170
Student services	1,719,542	1,469,404
Institutional support	2,636,981	3,856,248
Operation and maintenance of plant	1,559,410	1,739,096
Scholarships and fellowships	734,384	686,848
Auxiliary enterprises	2,736,281	2,898,625
Depreciation	719,758	747,174
Total Operating Expenses (Schedule B)	<u>18,709,457</u>	<u>19,483,730</u>
Operating Income (Loss)	<u>(12,567,236)</u>	<u>(13,099,995)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	6,967,496	6,997,686
Maintenance ad valorem taxes	840,683	777,352
Federal revenue, non-operating	5,132,288	5,208,705
Gifts	340,617	86,757
Investment income	41,667	20,519
Interest on capital related debt	(227,791)	(245,167)
Gain (loss) on disposal of capital assets	-	-
Net Non-Operating Revenues (Schedule C)	<u>13,094,960</u>	<u>12,845,852</u>
Income Before Extraordinary Items	<u>527,724</u>	<u>(254,143)</u>
<b>EXTRAORDINARY ITEMS:</b>		
Extraordinary items	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>527,724</u>	<u>(254,143)</u>
<b>NET POSITION</b>		
Net position - beginning of year	8,915,051	9,169,194
Prior period adjustment	-	-
Net position - end of year	<u>\$ 9,442,775</u>	<u>\$ 8,915,051</u>

The accompanying notes are an integral part of this statement.



CISCO COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016  
EXHIBIT 3

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 11,135,432	\$ 10,365,839
Receipts of appropriations, grants, and contracts	628,991	671,590
Other receipts	139,017	541,516
Payments to or on behalf of employees	(9,849,805)	(10,084,393)
Payments to suppliers for goods or services	(6,460,165)	(6,858,506)
Payments of scholarships	(5,659,589)	(5,500,735)
Net cash provided (used) by operating activities	<u>(10,066,119)</u>	<u>(10,864,689)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	5,188,771	5,192,082
Ad valorem tax revenues	840,683	775,758
Federal revenue, nonoperating	5,132,288	5,263,169
Gifts and grants (other than capital)	115,617	91,857
Student organization and other agency transactions	(16,975)	4,994
Net cash provided (used) by non-capital financing activities	<u>11,260,384</u>	<u>11,327,860</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest expense paid	(224,819)	(248,048)
Purchases of capital assets	(121,026)	(395,915)
Proceeds from sales of capital assets	-	-
Proceeds from loans and capital leases	-	-
Payments for debt refinancing fees	-	-
Payments on debt and capital leases	(705,172)	(706,114)
Net cash provided (used) by capital and related financing activities	<u>(1,051,017)</u>	<u>(1,350,077)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturity of investments	-	-
Investment earnings	41,667	20,519
Purchases of investments	(46,057)	735
Net cash provided (used) by investing activities	<u>(4,390)</u>	<u>21,254</u>
Increase (decrease) in cash and cash equivalents	138,858	(865,652)
Cash and cash equivalents - September 1	<u>3,117,059</u>	<u>3,982,711</u>
Cash and cash equivalents - August 31	<u>\$ 3,255,917</u>	<u>\$ 3,117,059</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (12,567,236)	\$ (13,099,995)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	719,758	747,174
On-behalf employee benefits paid	1,778,725	1,805,604
Changes in assets and liabilities:		
Receivables (net)	(156,432)	95,310
Deferred charges	(423,699)	262,049
Inventories	13,501	159,787
Other assets	(3,056)	3,784
Net deferred resource outflows	36,924	(579)
Accounts payable	(119,368)	(136,632)
Accrued liabilities	4,908	(14,486)
Deferred revenue	678,237	(662,884)
Deposits	-	-
Compensated absences	(28,381)	(23,821)
Net cash provided (used) by operating activities	<u>\$ (10,066,119)</u>	<u>\$ (10,864,689)</u>

The accompanying notes are an integral part of this statement.

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CISCO COLLEGE DISTRICT  
CISCO, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016

1. Reporting Entity

Cisco College District (the “District”) was established in 1940 in accordance with the laws of the State of Texas to serve the educational needs of Cisco and the surrounding communities. District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While District 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 nine member group, is the level of government which has governance responsibilities over all activities related to the education of students who attend The District. The Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for the fiscal matter concerning the District. The District has two campuses, Cisco and Abilene, which offer a wide variety of general academic and vocational courses in a two year curriculum.

2. Summary of Significant Accounting Policies

Report Guidelines

The significant accounting policies followed by the District 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 District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The District is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

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

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

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

Basis of Accounting

The financial statements of the District 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 and contractual obligation to pay.

Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's board 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 District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

Investments

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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. The governing board has designated public funds investment pools comprised of \$1,049,931 and \$1,106,939 at August 31, 2017 and 2016, respectively, to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

Inventories consist of consumable office supplies, physical plant supplies, book store stock, and food service supplies. Inventories are valued at the lower of cost under the "first-in, first-out" method, or market and are charged to expense when consumed.

Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following useful lives are:

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

### Pensions

The District 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 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 pension, 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 benefit terms. Investments are reported at fair value.

### Unearned Revenues

Tuition and fees of \$3,686,457 and \$2,820,693 and federal, state, and local grants of \$234,284 and \$421,812 have been reported as unearned revenues at August 31, 2017 and 2016, respectively.

### Deferred Inflows

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

### 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 District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations, federal Title IV grant revenues and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

### Characterization of Federal Title IV Grant Revenue

Revenue received for federal Title IV grant programs (i.e. Pell grants) is characterized as non-operating revenue.

### 3. Capitalized Assets

Capital asset activity for the year ended August 31, 2017 was as follows:

	Balance 9/1/16	Increases	Decreases	Balance 8/31/17
Not Depreciated:				
Land	\$ 468,928	\$	\$	\$ 468,928
Construction in Progress	0			0
Subtotal	468,928			468,928
Other Capital Assets:				
Buildings	20,009,997	239,175		20,249,172
Land Improvements	2,168,365	6,850		2,175,215
Library Books	255,667	4,416		260,083
Furn., Machinery, Vehicles, and Other Equip.	4,221,916	95,585		4,317,501
Subtotal	26,655,945	346,026		27,001,971
Accumulated Depreciation:				
Buildings	(6,782,084)	(372,943)		(7,155,027)
Land Improvements	(1,179,570)	(93,725)		(1,273,295)
Library Books	(98,083)	(11,890)		(109,973)
Furn., Machinery, Vehicles, and Other Equip.	(2,943,330)	(241,200)		(3,184,530)
Subtotal	(11,003,067)	(719,758)		(11,722,825)
Net Other Capital Assets	15,652,578	(373,732)		15,279,146
Net Capital Assets	\$ 16,121,806	\$ (373,732)	\$	\$ 15,748,074

Capital asset activity for the year ended August 31, 2016 was as follows:

	Balance 9/1/15	Increases	Decreases	Balance 8/31/16
Not Depreciated:				
Land	\$ 474,028	\$	\$ 5,100	\$ 468,928
Construction in Progress	0			0
Subtotal	474,028		5,100	468,928
Other Capital Assets:				
Buildings	19,971,140	38,857		20,009,997
Land Improvements	2,104,706	63,659		2,168,365
Library Books	249,531	6,136		255,667
Furn., Machinery, Vehicles, and Other Equip.	3,934,652	287,264		4,221,916
Subtotal	26,260,029	395,916		26,655,945
Accumulated Depreciation:				
Buildings	(6,405,955)	(376,129)		(6,782,084)
Land Improvements	(1,084,927)	(94,642)		(1,179,569)
Library Books	(86,392)	(11,691)		(98,083)
Furn., Machinery, Vehicles, and Other Equip.	(2,678,619)	(264,712)		(2,943,331)
Subtotal	(10,255,893)	(747,174)		(11,003,067)
Net Other Capital Assets	16,004,136	(351,558)		15,652,578
Net Capital Assets	\$ 16,478,164	\$ (351,558)	\$ 5,100	\$ 16,121,806

#### 4. Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2017 was as follows:

	Balance 9/1/16	Additions	Reductions	Balance 8/31/17	Current Portion
Leases, Bonds and Notes					
Revenue Bonds and Notes	\$ 7,225,000	\$	\$ 635,000	\$ 6,590,000	\$ 650,000
Capital Leases	127,543		70,172	57,371	45,774
Total Leases, Bonds and Notes	7,352,543		705,172	6,647,371	695,774
Other Liabilities					
Compensated Absences	251,445		28,381	223,064	0
Net Pension Liability	2,731,993	333,232	237,735	2,827,490	0
Other - Deposits	26,450			26,450	0
Total Other Liabilities	3,009,888	333,232	266,116	3,077,004	0
Total Long-Term Liabilities	\$ 10,362,431	\$ 333,232	\$ 971,288	\$ 9,724,375	\$ 695,774

Long-term liability activity for the year ended August 31, 2016 was as follows:

	Balance 9/1/15	Additions	Reductions	Balance 8/31/16	Current Portion
Leases, Bonds and Notes					
Revenue Bonds and Notes	\$ 7,840,000	\$	\$ 615,000	\$ 7,225,000	\$ 635,000
Capital Leases	218,658		91,115	127,543	70,171
Total Leases, Bonds and Notes	8,058,658		706,115	7,352,543	705,171
Other Liabilities					
Compensated Absences	275,266		23,821	251,445	0
Net Pension Liability	2,349,827	611,017	228,851	2,731,993	0
Other - Deposits	26,450			26,450	0
Total Other Liabilities	2,651,543	611,017	252,672	3,009,888	0
Total Long-Term Liabilities	\$ 10,710,201	\$ 611,017	\$ 958,787	\$ 10,362,431	\$ 705,171

On December 6, 2011, the District issued \$8,295,000 in consolidated fund revenue refunding bonds to provide the resources to place in an escrow account for the purpose of generating resources for future debt service payments of \$8,435,000 of consolidated fund revenue and refunding bonds issued in 2002. Interest rates on the debt range from 2.0% - 4.0% and mature on July 1, 2026. As a result, the refunded bonds are considered defeased and the liability has been removed from the financial statements. The reacquisition price exceeded the net carrying amount of the refunded debt by \$186,150 (net of issuance costs and premiums). This advance refunding was undertaken to reduce total debt service payments over the life of the new issue versus the refunded issue by \$1,558,922 and resulted in an economic gain of \$1,372,772.

On May 23, 2013, the District issued \$1,585,000 in consolidated fund revenue refunding bonds to provide the resources to place in an escrow account for the purpose of generating resources for future debt service payments of \$1,500,000 of consolidated fund revenue and refunding bonds issued in 2002. Interest rates on the debt are 1.89% and mature on July 1, 2026. As a result, the refunded bonds are considered defeased and the liability has been removed from the financial statements. The reacquisition price exceeded the net carrying amount of the refunded debt by \$130,729 (net of issuance costs and premiums). This advance refunding was undertaken to reduce total debt service payments over the life of the new issue versus the refunded issue by \$350,060 and resulted in an economic gain of \$219,331.

The District has pledged the following source revenues as security for the bonds: (a) pledged tuition fees totaling the mathematical product of \$15 multiplied by the number of students regularly enrolled at the District for each regular school semester thereof and the product of \$7.50 multiplied by the number of students regularly enrolled in the District for each of the two summer school terms thereof; (b) building use fees; (c) educational service fees meaning the gross collections of a special fee charged and collected from all students enrolled at the District's Abilene Educational Center for the use of facilities; (d) the out-of-district fees; (e) the operating fees for any charges for use of the District's facilities in addition to items (a) through (f); (f) the gross revenues from the Auxiliary Enterprise fund of the District; (g) earnings of the District on all investments lawfully available for this purpose; (h) all monies deposited to the District's revenue and interest and sinking funds for the purpose of the Bonds and all investment income derived from such deposits; (i) all monies deposited to the District's reserve fund for the purpose of the Bonds and all investment income derived from such deposits; (j) and any other income, receipts, or other resources permitted by law with the exception of any revenues appropriated by the State of Texas unless prior approval has been given by the Texas Higher Education Coordinating Board.

In November, 2014, the District entered into a capital lease agreement with First Financial Bank for a period of forty-eight (48) months for the acquisition of computer equipment. Terms of the lease were as follows: lease agreement dated November 20, 2014 payable in 48 monthly installments of \$3,880 at an annual imputed interest rate of 2.15%. Total capitalized cost of the lease totaled \$178,295.

#### 5. Debt and Lease Obligations

Debt service requirements at August 31, 2017 were as follows:

Year Ended August 31,	Bonds Payable		
	Principal	Interest	Total
2018	\$ 650,000	\$ 212,534	\$ 862,534
2019	670,000	194,255	864,255
2020	685,000	175,376	860,376
2021	710,000	156,047	866,047
2022	725,000	136,079	861,079
2023-2026	3,150,000	294,542	3,444,542
	<u>\$ 6,590,000</u>	<u>\$ 1,168,833</u>	<u>\$ 7,758,833</u>

As of August 31, 2017 and 2016, the District was in compliance with all material aspects of the bond indentures.

Obligations under capital leases at August 31, 2017 were as follows:

Year ended August 31,	Total
2018	\$ 46,558
2019	11,639
Total minimum lease payments	58,197
Less: incremental borrowing rate of interest	(826)
Present value of minimum lease payments	<u>\$ 57,371</u>



6. Operating Lease Commitments and Rental Agreement

On July 20, 2016 the District entered into an operating lease with Cisco Independent School District (“CISD”) for use of CISD’s community gym and football stadium. Terms of the lease were for a period of eleven (11) years beginning October 1, 2016 and continuing thereafter at an annual lease payment of \$30,000 in 2017 and \$35,000 thereafter. Following is the remaining lease liability:

Year ended August 31,	Total
2018	\$ 35,000
2019	35,000
2020	35,000
2021	35,000
2022	35,000
2023-2027	175,000
Total	\$ 350,000

7. Authorized Investments

The District is authorized to invest in obligations and instruments as defined in the Public Funds 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.

8. Deposits and Investments

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

	August 31, 2017	August 31, 2016
Bank Deposits		
Demand Deposits	\$ 2,549,966	\$ 2,308,008
Time Deposits	700,000	700,000
Total Bank Deposits	3,249,966	3,008,008
Cash and Cash Equivalents		
Petty Cash on Hand	7,975	8,025
Deposits in Transit	0	0
Money Market Investments	46,793	46,778
Cash Equivalents - Investment Pools	1,049,931	1,106,939
Total Cash and Cash Equivalents	1,104,699	1,161,742
Total Cash and Deposits	\$ 4,354,665	\$ 4,169,750

## Reconciliation of Deposits and Investments to Exhibit 1:

Type of Security	August 31, 2017	August 31, 2016
	Market Value	Market Value
U.S. Government Securities	\$ 0	\$ 0
Total Investments		
Total Cash and Deposits	4,354,665	4,169,750
Total Deposits and Investments	\$ 4,354,665	\$ 4,169,750
Cash and Temp. Investments (Ex. 1)	\$ 2,680,379	\$ 2,525,933
Restricted Cash (Ex. 1)	575,538	591,126
Endowment Investments (Ex. 1)	898,148	854,691
Other Long-Term Investments (Ex. 1)	200,600	198,000
Total Deposits and Investments (Ex. 1)	\$ 4,354,665	\$ 4,169,750

## District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

## District Policies and Legal and Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in compliance with the requirements of the Act and with local policies.

As of August 31, 2017, the District had the following investments and maturities.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1 Year	1-2 Years	2-3 Years	> 3 Years
Certificates of Deposit	\$ 700,000	\$ 550,000	\$ 150,000		
Money Market Deposits	46,793	46,793			
Investment Pools	1,049,931	1,049,931			
Total	\$ 1,796,724	\$ 1,646,724	\$ 150,000		

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2017, the District's investments in U.S. government securities and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This included securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to zero.

## 9. Fair Value of Financial Instruments

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to their fair value measurement of the instrument.

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value hierarchy of investments at August 31, 2017 follows:

	FY 2017			FY 2016
	Level 1	Level 2	Level 3	Total
Investment pools	\$ 1,049,931			\$ 1,049,931
Certificates of deposit	700,000			700,000
Total	\$ 1,749,931			\$ 1,749,931
				\$ 1,806,939

10. Derivatives

None.

11. Property Taxes

Property taxes are levied on October 1 of each year based on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

At August 31:

	FY 2017	FY 2016
Assessed Valuation of the District	\$ 551,760,455	\$ 711,752,970
Less: Exemptions	(1,423,630)	(1,313,280)
Less: Abatements		
Net Assessed Valuation of the District	\$ 550,336,825	\$ 710,439,690

	Year End August 31, 2017			Year End August 31, 2016		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Tax Rate per \$100 valuation authorized	\$ .5000	\$ .5000	\$ 1.000	\$ .5000	\$ .5000	\$ 1.000
Tax Rate per \$100 valuation assessed	\$ .1515	N/A	\$ .1515	\$ .10844	N/A	\$ .10844

Taxes levied for the year ended August 31, 2017 and 2016 totaled \$833,760 and \$770,401, 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.

Taxes Collected	FY 2017	FY 2016
	Current Operations	Current Operations
Current Taxes Collected	\$ 806,255	\$ 761,136
Delinquent Taxes Collected	9,877	7,788
Penalties and Interest Collected	8,407	6,323
Total Collections	\$ 824,539	\$ 775,247

Tax collections for the year ended August 31, 2017 and 2016 were 97.89% and 99.81% of the current tax levies, respectively. 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.

12. Employees' Retirement Plan

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

Teacher Retirement System

**Plan Description.** The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 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 pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	(134,008,637,473)
Net Pension Liability	<u>\$ 37,788,513,014</u>
Net Position as a percentage of Total Pension Liability	78.00%

**Benefits Provided.** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of 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 COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Current fiscal year District contributions	\$ 245,111
Current fiscal year Member contributions	\$ 422,661
2016 measurement year NECE contributions	\$ 129,790

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of 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 including public 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 of an employee’s salary is paid by federal funding sources, a privately sponsored source.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- 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.
- When a school district does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees, and 100% of the state contribution rate for all other employees.

**Actuarial Assumptions.** The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases	3.5% to 9.5% including inflation
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

**Discount Rate.** The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension 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 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.0%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 4,376,002	\$ 2,827,490	\$ 1,514,039

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2017, the District reported a liability of \$2,827,490 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District 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 District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,827,490
State's proportionate share that is associated with the District	1,540,588
<b>Total</b>	<b><u>\$ 4,368,078</u></b>



The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the District's proportion of the collective net pension liability was 0.0074824% which was a decrease of 0.0002463% from its proportion measured as of August 31, 2015.

**Changes Since the Prior Actuarial Valuation.** There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2017, the District recognized pension expense of \$159,876 and revenue of \$159,876 for support provided by the Sate in the Government-Wide Statement of Activities.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experiences	\$ 44,335	\$ 84,427
Changes in actuarial assumptions	86,177	78,374
Differences between projected and actual investment earnings	239,426	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	0	311,716
Total as of August 31, 2016 measurement date	\$ 369,938	\$ 474,517
Contributions paid to TRS subsequent to the measurement date	245,111	
Total as of August 31, 2017 fiscal year end	\$ 615,049	\$ 474,517

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

Year ended August 31,	Pension Expense Amount
2018	\$ (38,063)
2019	\$ (38,063)
2020	\$ 114,654
2021	\$ (49,793)
2022	\$ (81,996)
Thereafter	\$ (11,318)

#### Optional Retirement Plan - Defined Contribution Plan

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

**Funding Policy.** Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.65% and 6.60%, respectively. The District contributes 0.00% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the state for the District was \$148,961 and \$147,911 for fiscal years ended August 31, 2017 and 2016, respectively. This amount includes the portion of expended appropriations made by the state legislature on behalf of the District (totaling \$70,757 and \$70,258 for each fiscal year, respectively).

The total payroll for all District employees was \$8,187,428 and \$8,473,577 for fiscal years 2017 and 2016, respectively. The total payroll of employees covered by the Teacher Retirement System was \$5,489,110 and \$5,374,211, and the total payroll of employee covered by the Optional Retirement Program was \$2,308,224 and \$2,241,075 for fiscal years 2017 and 2016, respectively.

#### 13. Deferred Compensation Program

The District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants.

#### 14. Compensated Absences

Full-time employees earn annual leave from ten (10) days per year for 1-9 years of service to fifteen (15) days per year for 10+ years of service. The District's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with maximum number of days up to the number of days earned in two years. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The District recognized the accrued liability for the unpaid annual leave in the amount of \$223,064 and \$251,445 at August 31, 2017 and 2016. Sick leave, which can be accumulated without limit, is earned at the rate of one day per month. It is paid to an employee who misses work because of illness or to the estate of an employee in the event of his/her death. The District's policy is to recognized the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicated the expenditure for sick leave to be minimal.

#### 15. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not

included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2017 and 2016 for which monies have not been received nor funds expended totaled \$0 and \$0. Of these amounts \$0 and \$0 were from Federal Contract and Grant Awards; \$0 and \$0 were from State Contract and Grant Awards; \$0 and \$0 from Local Contract and Grant Awards; and \$0 and \$0 were from Private Contract and Grant Awards for the fiscal years ended 2017 and 2016, respectively.

16. Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's total contributions for the years ended August 31, 2017 and 2016 were \$607,665 and \$1,232,662, respectively. The cost of providing those benefits was \$888,243 and \$1,164,589 for retirees and active employees for fiscal years 2017 and 2016, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

17. Postemployment Benefits Other Than Pensions

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

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

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

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

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

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

The District's contributions to SRHP for the years ended August 31, 2017, 2016 and 2015 were \$299,110, \$294,635 and \$269,276, respectively, which equaled the required contributions each year.

18. Group "Pooled Risk" Self-Insurance Pool

The District is a participant in the Community Colleges of Texas Insurance Association Self-Insurance Program (the "program"). The purpose of the program is to provide the statutory benefits for the members' employees through self-insurance workers' compensation prescribed by Texas Revised Civil Statutes Annotated Art. 8309h and Texas Government Code Ch. 791 (the "Interlocal Cooperation Act"). All fund members must be members of the Community Colleges of Texas Insurance Association.

The interlocal agreement between the District and the program is for a term beginning September 1, 2016, and ending August 31, 2017. Either party may terminate the agreement upon 60 days written notice.

The required contributions for each fund member is based on the prorated percentage of the members' gross payroll compared to the gross payroll of all fund members. The interlocal agreement states that members will have no joint and several liability beyond the loss fund maximum contribution payable.

The District's loss fund maximum for the period of the contract was \$86,332 and \$49,748 for the years ended August 31, 2017 and 2016, respectively, and stop loss protection up to a limit prescribed by law was purchased for losses above this amount. The board reserved the right in the interlocal agreement to adjust this stop loss provision in the event that the fiscal soundness of the fund would justify such an adjustment and/or result in savings to fund members. All claims are processed and paid by the District through the servicing contractor employed by the fund.

19. Potential Liabilities

The District had potential claims liabilities as a result of workers' compensation claims. Its claims administrator estimated that the total potential claims liability of the District amounted to \$49,748 and \$86,332 as of August 31, 2017 and 2016, respectively. Total claims paid to date as a result of the estimated claims liabilities were \$40,011 and \$11,405 for the same periods, respectively.

20. Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The District had no unrelated business income tax liability for the year ended August 31, 2017 and 2016.

21. Disaggregation of Receivables and Payables Balances

Receivables at August 31, 2017 and 2016 were as follows:

	<u>August 31, 2017</u>	<u>August 31, 2016</u>
Taxes Receivable	\$ 30,819	\$ 14,700
Accounts Receivable	649,044	543,749
Federal Receivable	106,310	43,286
Total	<u>\$ 786,173</u>	<u>\$ 601,735</u>

Payables and Accrued Liabilities at August 31, 2017 and 2016 were as follows:

	<u>August 31, 2017</u>	<u>August 31, 2016</u>
Vendors Payable	\$ 215,376	\$ 334,744
Salaries and Benefits Payable	217,344	212,436
Accrued Interest	35,422	38,394
Total Accounts Payable and Accrued Liabilities	<u>\$ 468,142</u>	<u>\$ 585,574</u>

22. Subsequent Events

Management has evaluated subsequent events through December 18, 2017; the date which the financial statements were available for distribution. There were none noted.

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REQUIRED SUPPLEMENTARY INFORMATION

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CISCO COLLEGE DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2017  
EXHIBIT 4

	Measurement Year Ended August 31,		
	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0074824%	0.0077287%	0.0087971%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,827,490	\$ 2,731,993	\$ 2,349,827
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,540,588	1,479,871	1,349,919
Total	<u>\$ 4,368,078</u>	<u>\$ 4,211,864</u>	<u>\$ 3,699,746</u>
District's Covered Employee Payroll	\$ 5,374,211	\$ 4,211,864	\$ 3,699,746
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	52.61%	64.86%	63.51%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: Only three years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CISCO COLLEGE DISTRICT  
SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2017  
EXHIBIT 5

	Fiscal Year Ended August 31,		
	2017	2016	2015
Contractually Required Contribution	\$ 245,111	\$ 237,735	\$ 228,951
Contribution in Relation to the Contractually Required Contribution	<u>(245,111)</u>	<u>(237,735)</u>	<u>(228,951)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 5,489,110	\$ 5,374,211	\$ 5,177,829
Contributions as a percentage of Covered Employee Payroll	4.47%	4.42%	4.42%

Note: Only three years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CISCO COLLEGE DISTRICT  
CISCO, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2017

*Changes of benefit terms.*

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

*Changes of assumptions.*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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SUPPLEMENTAL SCHEDULES

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CISCO COLLEGE DISTRICT  
SCHEDULE OF OPERATING REVENUES  
YEAR ENDED AUGUST 31, 2017  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)  
SCHEDULE A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals	
					Fiscal Year 2017	Fiscal Year 2016
<b>Tuition</b>						
State-funded courses						
In-district resident tuition	\$ 76,464	\$ -	\$ 76,464	\$ -	\$ 76,464	\$ 62,132
Out-of-district resident tuition	2,391,506	-	2,391,506	-	2,391,506	2,506,090
Non-resident tuition	191,620	-	191,620	-	191,620	175,051
TPEG - credit (set aside)*	171,018	-	171,018	-	171,018	176,283
Non-state funded educational programs	101,490	-	101,490	-	101,490	118,146
<b>Total Tuition</b>	<u>2,932,098</u>	<u>-</u>	<u>2,932,098</u>	<u>-</u>	<u>2,932,098</u>	<u>3,037,702</u>
<b>Fees</b>						
General fee	3,008,667	-	3,008,667	61,567	3,070,234	3,030,547
Student service fee	1,117,935	-	1,117,935	-	1,117,935	975,221
Out-of-district fees	1,563,902	-	1,563,902	-	1,563,902	1,343,964
Laboratory fee	100,246	-	100,246	-	100,246	109,344
Other fees (as needed)	87,925	-	87,925	-	87,925	51,471
<b>Total Fees</b>	<u>5,878,675</u>	<u>-</u>	<u>5,878,675</u>	<u>61,567</u>	<u>5,940,242</u>	<u>5,510,547</u>
<b>Scholarship Allowances and Discounts</b>						
Bad debt allowances	-	-	-	-	-	-
Remissions and exemptions - state	(11,921)	-	(11,921)	-	(11,921)	-
Remissions and exemptions - local	(86,391)	-	(86,391)	-	(86,391)	(128,443)
Title IV federal grants	(5,122,742)	-	(5,122,742)	-	(5,122,742)	(5,201,201)
TPEG awards	(216,235)	-	(216,235)	-	(216,235)	(222,897)
Other state grants	(222,300)	-	(222,300)	-	(222,300)	(210,243)
<b>Total Scholarship Allowances and Discounts</b>	<u>(5,659,589)</u>	<u>-</u>	<u>(5,659,589)</u>	<u>-</u>	<u>(5,659,589)</u>	<u>(5,762,784)</u>
<b>Total Net Tuition and Fees</b>	<u>3,151,184</u>	<u>-</u>	<u>3,151,184</u>	<u>61,567</u>	<u>3,212,751</u>	<u>2,785,465</u>
<b>Other Operating Revenues</b>						
Federal grants and contracts	-	201,415	201,415	-	201,415	213,509
State grants and contracts	-	427,576	427,576	-	427,576	553,518
Local grants and contracts	-	23,003	23,003	-	23,003	127,872
Sales and services of educational activities	62,545	-	62,545	-	62,545	69,047
Investment income (program restricted)	-	-	-	-	-	-
General operating revenues	139,017	-	139,017	-	139,017	541,516
<b>Total Other Operating Revenues</b>	<u>201,562</u>	<u>651,994</u>	<u>853,556</u>	<u>-</u>	<u>853,556</u>	<u>1,505,462</u>
<b>Auxiliary Enterprises</b>						
Bookstore	-	-	-	967,530	967,530	970,111
Food service	-	-	-	664,953	664,953	678,098
Residential life	-	-	-	443,431	443,431	444,599
<b>Total Net Auxiliary Enterprises</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,075,914</u>	<u>2,075,914</u>	<u>2,092,808</u>
<b>Total Operating Revenues</b>	<u>\$ 3,352,746</u>	<u>\$ 651,994</u>	<u>\$ 4,004,740</u>	<u>\$ 2,137,481</u>	<u>\$ 6,142,221</u>	<u>\$ 6,383,735</u>
					(Exhibit 2)	(Exhibit 2)

\* - In accordance with Education Code 56.033, \$171,018 of tuition was set aside for Texas Public Education Grants (TPEG).

CISCO COLLEGE DISTRICT  
STATEMENT OF OPERATING EXPENSES BY OBJECT  
YEAR ENDED AUGUST 31, 2017  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)  
SCHEDULE B

	Salaries And Wages	Benefits		Other Expenses	Totals	
		State	Local		Fiscal Year 2017	Fiscal Year 2016
Unrestricted - Educational and General						
Instruction	\$ 4,735,423	\$ -	\$ 1,080,731	\$ 404,862	\$ 6,221,016	\$ 5,849,742
Research	-	-	-	-	-	-
Public Service	-	-	-	7,169	7,169	1,330
Academic Support	443,645	-	99,373	200,900	743,918	716,606
Student Services	1,030,360	-	230,792	220,817	1,481,969	1,269,242
Institutional Support	1,020,210	-	228,518	1,135,974	2,384,702	3,329,504
Operation and Maintenance of Plant	395,280	-	88,539	984,450	1,468,269	1,673,135
Scholarships and Fellowships	-	-	-	-	-	-
Total Unrestricted	<u>7,624,918</u>	<u>-</u>	<u>1,727,953</u>	<u>2,954,172</u>	<u>12,307,043</u>	<u>12,839,559</u>
Restricted - Educational and General						
Instruction	89,455	1,112,486	-	326,765	1,528,706	1,431,093
Research	-	-	-	-	-	-
Public Service	-	-	-	-	-	-
Academic Support	-	102,292	-	-	102,292	87,564
Student Services	-	237,573	-	-	237,573	200,162
Institutional Support	-	235,233	-	17,046	252,279	526,744
Operation and Maintenance of Plant	-	91,141	-	-	91,141	65,961
Scholarships and Fellowships	-	-	-	734,384	734,384	686,848
Total Restricted	<u>89,455</u>	<u>1,778,725</u>	<u>-</u>	<u>1,078,195</u>	<u>2,946,375</u>	<u>2,998,372</u>
Total Educational and General	<u>7,714,373</u>	<u>1,778,725</u>	<u>1,727,953</u>	<u>4,032,367</u>	<u>15,253,418</u>	<u>15,837,931</u>
Auxiliary Enterprises	339,043	-	75,943	2,321,295	2,736,281	2,898,625
Depreciation Expense - Bldgs and other real est.	-	-	-	466,668	466,668	470,771
Depreciation Expense - Equipment and furn.	-	-	-	253,090	253,090	276,403
Total Operating Expenses	<u>\$ 8,053,416</u>	<u>\$ 1,778,725</u>	<u>\$ 1,803,896</u>	<u>\$ 7,073,420</u>	<u>\$ 18,709,457</u> (Exhibit 2)	<u>\$ 19,483,730</u> (Exhibit 2)



CISCO COLLEGE DISTRICT  
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES  
YEAR ENDED AUGUST 31, 2017  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)  
SCHEDULE C

	Unrestricted	Restricted	Auxiliary Enterprises	Totals	
				Fiscal Year 2017	Fiscal Year 2016
<b>NON-OPERATING REVENUES:</b>					
State Appropriations					
Education and general state support	\$ 5,188,771	\$ -	\$ -	\$ 5,188,771	\$ 5,192,082
State group insurance	-	1,248,736	-	1,248,736	1,232,662
State retirement matching	-	529,989	-	529,989	572,942
Total State Appropriations	<u>5,188,771</u>	<u>1,778,725</u>	<u>-</u>	<u>6,967,496</u>	<u>6,997,686</u>
Maintenance ad valorem taxes	840,683	-	-	840,683	777,352
Federal revenue, non-operating	-	5,132,288	-	5,132,288	5,208,705
Gifts	340,617	-	-	340,617	86,757
Investment income	<u>41,667</u>	<u>-</u>	<u>-</u>	<u>41,667</u>	<u>20,519</u>
Total Non-Operating Revenues	<u>6,411,738</u>	<u>6,911,013</u>	<u>-</u>	<u>13,322,751</u>	<u>13,091,019</u>
<b>NON-OPERATING EXPENSES:</b>					
Interest on capital related debt	227,791	-	-	227,791	245,167
(Gain) / loss on disposal of capital assets	-	-	-	-	-
Total Non-Operating Expenses	<u>227,791</u>	<u>-</u>	<u>-</u>	<u>227,791</u>	<u>245,167</u>
<b>NET NON-OPERATING REVENUES</b>	<u>\$ 6,183,947</u>	<u>\$ 6,911,013</u>	<u>\$ -</u>	<u>\$ 13,094,960</u> (Exhibit 2)	<u>\$ 12,845,852</u> (Exhibit 2)

CISCO COLLEGE DISTRICT  
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
YEAR ENDED AUGUST 31, 2017  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)  
SCHEDULE D

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (1,880,151)	\$ -	\$ -	\$ -	\$ (1,880,151)	\$ (1,880,151)	\$ -
Board Designated	-	-	-	-	-	-	-
Restricted	-	119,539	-	-	119,539	119,539	-
Auxiliary enterprises	-	-	-	-	-	-	-
Loan	-	-	-	-	-	-	-
Endowment:							
Quasi:							
Unrestricted	19,857	-	-	-	19,857	19,857	-
Restricted	-	-	-	-	-	-	-
Endowment							
True	1,532,827	-	-	-	1,532,827	-	1,532,827
Term (per instructions at maturity)	-	-	-	-	-	-	-
Life Income Contracts	-	-	-	-	-	-	-
Annuities	-	-	-	-	-	-	-
Plant:							
Unexpended	-	-	-	-	-	-	-
Renewals	-	-	-	-	-	-	-
Debt Service	-	550,000	-	-	550,000	-	550,000
Investment in Plant	-	-	-	9,100,703	9,100,703	-	9,100,703
Total Net Position, August 31, 2017	\$ (327,467)	\$ 669,539	\$ -	\$ 9,100,703	\$ 9,442,775	\$ (1,740,755)	\$ 11,183,530
Prior Period Adjustment	-	-	-	-	-	-	-
Total Net Position, August 31, 2016	(530,575)	714,756	-	8,730,870	8,915,051	(1,975,996)	10,891,047
Net Increase (Decrease) in Net Position	\$ 203,108	\$ (45,217)	\$ -	\$ 369,833	\$ 527,724	\$ 235,241	\$ 292,483

CISCO COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017  
SCHEDULE E

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Expenditures
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
SEOG	84.007		\$ 70,356
College Work Study	84.033		92,649
Pell Grant	84.063		4,969,283
Total Direct Programs			<u>5,132,288</u>
Passed Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Voc. Ed.	84.048	13426	200,795
Total Passed Through From Texas Higher Education Coordinating Board			<u>200,795</u>
Total U.S. Department of Education			<u>5,333,083</u>
U.S. General Services Administration			
Passed Through From:			
Texas Facilities Commission	39.003	956	620
Total Passed Through From Texas Facilities Commission			<u>620</u>
Total U.S. General Services Administration			<u>620</u>
Total Federal Financial Assistance			<u>\$ 5,333,703</u>
Note 1: Federal Assistance Reconciliation			
Federal Revenues - per Schedule A:			
Federal Grants and Contracts			\$ 201,415
Indirect/Administrative Costs Recoveries			-
Total Federal Revenues Per Schedule A			<u>201,415</u>
Federal Revenues - per Schedule C:			
Federal Grants, Non-Operating			5,132,288
Total Federal Revenues Per Schedule C			<u>5,132,288</u>
Reconciling Items:			
ADD:			
Expenditures Not Subject to a Federal Single Audit			-
Total Pass-Through and Expenditures Per Federal Schedule			<u>\$ 5,333,703</u>

Note 2: Student Loans Processed and Administrative Costs Recovered - Not Included in Schedule

Federal Grantor CFDA Number/Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Proc. & Adm. Costs Recovered
Department of Education			
84.032 Federal Family Educational Loan Program	\$ 3,199,758	-	\$ 3,199,758
Total Department of Education	<u>\$ 3,199,758</u>	<u>-</u>	<u>\$ 3,199,758</u>

Note 3: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the District 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 District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 4: Pass through amounts included in program expenditures:

None.

CISCO COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017  
SCHEDULE F

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Higher Education Coordinating Board		
Texas Education Opportunities Grant	17549	\$ 222,300
Professional Nursing Shortage Reduction Program - Under 70 Program	15888	55,701
Professional Nursing Shortage Reduction Regular Program		142,075
Total Texas Higher Education Coordinating Board		<u>420,076</u>
Texas Office of the Governor		
Implementing the National Incident-Based Reporting System	3267201	7,500
Total Texas Office of the Governor		<u>7,500</u>
Total State Financial Assistance		<u>\$ 427,576</u>
Note 1: State Assistance Reconciliation		
State Revenues - per Schedule A:		
State Financial Assistance per Schedule of Expenditures of State Awards		\$ 427,576
State Financial Assistance Continuing Education Tuition and Fees Included in Exhibit 2 Captioned "Tuition and Fees"		<u>-</u>
Total State Revenues per Schedule A		<u>\$ 427,576</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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## Independent Auditor's Report

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Board of Regents  
Cisco College District  
101 College Heights  
Cisco, Texas 76437

I 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cisco College District (the "District") as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated December 15, 2017.

#### Internal Control Over Financial Reporting

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

My 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 my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cameron L. Gulley  
Certified Public Accountant

December 15, 2017

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CISCO COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2017

Finding	Statement of Condition	Material Weakness?	Questioned Costs
	None reported.		

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CISCO COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Auditor's Results

An unmodified opinion was issued on the general purpose financial statements.

Internal control over financial reporting:

Material weaknesses identified – no.

Significant deficiencies identified that are not considered to be material weaknesses – none reported.

The audit disclosed no noncompliance which is material to the general purpose financial statements.

Internal control over major programs:

Material weaknesses identified – no.

Significant deficiencies identified that are not considered to be material weaknesses – none reported.

An unmodified opinion was issued on compliance for major programs.

The audit disclosed no audit findings which are required to be reported in this schedule under Title 2 U.S. Code of Federal Regulations Part 200, Uniform Guidance.

Major programs are as follows:

84.063 - Federal Pell Grant Program	\$ 4,969,283
84.033 - Federal Work-Study Program	92,649
84.007 - Federal Supplemental Educational Opportunity Grant	70,356
84.032 - Federal Family Education Loans	<u>3,199,758</u>
Total Student Financial Aid Clustered Programs	<u>\$ 8,332,046</u>

The threshold used to distinguish between Type A and Type B federal programs was \$750,000.

The District was classified as a low-risk auditee in the context of the Uniform Guidance.

B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None reported.

C. Findings and Questioned Costs for Federal Awards

None reported.

CISCO COLLEGE DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2017

None required.

FEDERAL AWARDS SECTION

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## Independent Auditor's Report

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents  
Cisco College District  
101 College Heights  
Cisco, Texas 76437

### Report on Compliance for Each Major Federal Program

I have audited Cisco College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cisco College District's major federal programs for the year ended August 31, 2017. Cisco College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

My responsibility is to express an opinion on compliance for each of Cisco College District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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). Those standards and the Uniform Guidance require that I 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 program occurred. An audit includes examining, on a test basis, evidence about Cisco College District's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Cisco College District's compliance.

#### *Opinion on Each Major Federal Program*

In my opinion, Cisco College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

## **Report on Internal Control Over Compliance**

Management of Cisco College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Cisco College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Cisco College District's internal control over compliance.

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

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

I have audited the financial statements of Cisco College District as of and for the year ended August 31, 2017, and have issued my report thereon dated December 15, 2017, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cameron L. Gulley  
Certified Public Accountant

December 15, 2017