CISCO COLLEGE DISTRICT
CISCO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED
AUGUST 31, 2018 AND 2017

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CISCO COLLEGE DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017
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CISCO COLLEGE DISTRICT
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2017-18

Board of Regents

Officers

Brad Kimbrough	President
Ronnie Ledbetter	Vice-President
Ricky Whatley	Secretary

Members

		Term Expires May 31,
Greg Cary	Cisco, Texas	2020
Jerry Conring	Cisco, Texas	2020
Joe Jarvis	Cisco, Texas	2024
Matt Johnson	Cisco, Texas	2024
Brad Kimbrough	Cisco, Texas	2022
Ronnie Ledbetter	Cisco, Texas	2024
Ricky Whatley	Cisco, Texas	2020
Sharon Wilcoxen	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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Cameron L. Gulley
CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 163
Eastland, Texas 76448
(325)669-9795
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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, 2018 and 2017, 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, 2018 and 2017, 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.

Change in Accounting Principle
As discussed in Note 22 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. My opinion is not modified with respect to this matter.

Member: American Institute of Certified Public Accountants - Texas Society of Certified Public Accountants - Government Audit Quality Center

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), Schedule of District Contributions to TRS, Schedule of District's Proportionate Share of the Net OPEB Liability (ERS) and Schedule of District OPEB Contributions to ERS 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 statets 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 3, 2018, 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 3, 2018

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, 2018 including some comparative information with the fiscal years ended August 31, 2017 and 2016. 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, 2018	Year Ended August 31, 2017	Year Ended August 31, 2016
Current and Other Assets	$ 7,289,293	$ 7,718,505	$ 6,935,899
Capital Assets	15,249,063	15,748,074	16,121,806
Deferred Resource Outflows	746,358	615,049	529,166
Total Assets and Deferred Resource Outflows	23,284,714	24,081,628	23,586,871
Current Liabilities	4,131,620	5,135,735	4,567,353
Long-term Liabilities	20,277,799	9,028,601	9,657,260
Deferred Resource Inflows	3,359,042	474,517	447,207
Total Liabilities and Deferred Resource Inflows	27,768,461	14,638,853	14,671,820
Net Position:			
Net Investment in Capital Assets	9,297,465	9,100,703	8,730,870
Restricted	687,487	689,396	714,756
Unrestricted and Expendable	(14,468,699)	(347,324)	(530,575)
Total Net Position	$ (4,483,747)	$ 9,442,775	$ 8,915,051

Table 2 - Changes in Net Position			
	Year Ended August 31, 2018	Year Ended August 31, 2017	Year Ended August 31, 2016
Operating Revenue:			
Tuition and Fees, Net of Discounts	$ 3,004,349	$ 3,151,184	$ 2,728,138
Federal Grants and Contracts	227,455	201,415	213,509
Auxiliary Enterprises Net of Discounts	2,006,043	2,137,481	2,150,135
Other Operating Revenues	863,270	652,141	1,291,953
Total Operating Revenues	6,101,117	6,142,221	6,383,735
Operating Expenses:			
Instruction	8,233,462	7,749,722	7,280,835
Public Service	1,730	7,169	1,330
Academic Support	785,810	846,210	804,170
Student Services	1,793,002	1,719,542	1,469,404
Institutional Support	3,010,248	2,636,981	3,856,248
Operating and Maintenance of Plant	1,609,318	1,559,410	1,739,096
Scholarships and Fellowships	782,651	734,384	686,848
Auxiliary Enterprises	2,935,301	2,736,281	2,898,625
Depreciation	694,083	719,758	747,174
Total Operating Expenses	19,845,605	18,709,457	19,483,730
Operating Income (Loss)	(13,744,488)	(12,567,236)	(13,099,995)

Table 2 - Changes in Net Position (continued)			
	Year Ended August 31, 2018	Year Ended August 31, 2017	Year Ended August 31, 2016
Non-operating Revenues (Expenses):			
State Appropriations	7,254,024	6,967,496	6,997,686
Maintenance Ad Valorem Taxes	917,097	840,683	777,352
Federal Revenue	6,004,700	5,132,288	5,208,705
Interest on Capital Related Debt	(209,888)	(227,791)	(245,167)
Other Non-operating Revenue (Expense)	289,566	382,284	107,276
Net Non-operating Revenues (Expenses)	14,255,499	13,094,960	12,845,852
Increase (Decrease) in Net Position	511,011	527,724	(254,143)
Net Position - Beginning of Year	9,442,775	8,915,051	9,169,194
Adjustments	(14,437,533)	0	0
Net Position - End of Year	$ (4,483,747)	$ 9,442,775	$ 8,915,051

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

Tables 1 and 2 provide summarization of significant financial data from the Statement of Net Position and information concerning the College's results of operations for the past three years. Total Operating Revenues have remained level at $6.1 million. Total Non-operating Revenue has increased in the Federal Revenue because of increased student financial aid. This is a direct impact of the increases in enrollment and semester credit hours. This has resulted in an increase in Net Position by $511,011.

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 over $195,000. These were offset by depreciation expense of $694,000. Changes to capital assets during the year include library books of almost $5,000; furniture, machinery, vehicles and other equipment of $119,000; and an increase to buildings of $70,000.

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 $45,000 for capital leases. There was a reduction to the Revenue Bonds and Notes for payments made during the year. There were also decreases to the Net Pension Liabilities and OPEB Liabilities due to GASB Statement No. 68 and GASB Statement No. 75.

Discussion of Other Facts, Decisions, and Conditions

Last year, Cisco College created a Strategic Enrollment Task Force to focus on increasing enrollment. Since the creation of this task force, the College has experienced a positive enrollment growth pattern including increases in semester credit hour production, online course offerings, semester enrollment and dual credit enrollment.

Some other efforts that the College has used to improve financial strength are: 1) maximizing/leveraging existing resources, 2) maintaining cost control strategies, 3) improving campus facilities, 4) securing external resources from grants and fund raising, 5) improving operating inefficiencies, and 6) increasing tax revenue.

CISCO COLLEGE DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018 AND AUGUST 31, 2017
EXHIBIT 1

	Fiscal Year 2018	Fiscal Year 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,960,734	$ 2,680,379
Accounts receivable (net)	940,741	786,173
Deferred charges	800,337	1,504,864
Inventories	749,062	860,160
Prepaid expenses	37,648	30,832
Total Current Assets	5,488,522	5,862,408
Noncurrent Assets		
Restricted cash and cash equivalents	594,909	575,538
Endowment investments	904,836	898,148
Other long-term investments	200,600	200,600
Deferred charges	-	81,385
Investments in real estate	100,426	100,426
Capital assets (net)	15,249,063	15,748,074
Total Noncurrent Assets	17,049,834	17,604,171
TOTAL ASSETS	22,538,356	23,466,579
DEFERRED RESOURCE OUTFLOWS		
Deferred resource outflows related to Teacher Retirement System	379,612	615,049
Deferred resource outflows related to Employees Retirement System	366,746	-
TOTAL DEFERRED RESOURCE OUTFLOWS	746,358	615,049
LIABILITIES		
Current Liabilities		
Accounts payable	432,936	215,376
Accrued liabilities	293,917	252,766
Funds held for others	59,739	51,078
Unearned revenues	2,663,430	3,920,741
Notes and capital leases payable - current portion	11,598	45,774
Bonds payable - current portion	670,000	650,000
Total Current Liabilities	4,131,620	5,135,735
Noncurrent Liabilities		
Accrued compensated absences	197,924	223,064
Deposits	26,450	26,450
Net pension liability related to Teacher Retirement System	2,391,313	2,827,490
Net OPEB liability related to Employees Retirement System	12,392,112	-
Notes and capital leases payable	-	11,597
Bonds payable	5,270,000	5,940,000
Total Noncurrent Liabilities	20,277,799	9,028,601
TOTAL LIABILITIES	24,409,419	14,164,336
DEFERRED RESOURCE INFLOWS		
Deferred resource inflows related to Teacher Retirement System	619,087	474,517
Deferred resource inflows related to Employees Retirement System	2,739,955	-
TOTAL DEFERRED RESOURCE INFLOWS	3,359,042	474,517
NET POSITION		
Net investment in capital assets	9,297,465	9,100,703
Restricted:		
Expendable for:		
Student aid	137,487	139,396
Debt service	550,000	550,000
Unrestricted	(14,468,699)	(347,324)
TOTAL NET POSITION	$ (4,483,747)	$ 9,442,775

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, 2018 AND AUGUST 31, 2017
EXHIBIT 2

	Fiscal Year 2018	Fiscal Year 2017
OPERATING REVENUES AND EXPENSES		
Operating Revenues		
Tuition and fees (net of discounts of $6,478,390 and $5,659,589, respectively)	$ 3,004,349	$ 3,151,184
Federal grants and contracts	227,455	201,415
State grants and contracts	504,720	427,576
Nongovernmental grants and contracts	20,312	23,003
Sales and services of educational activities	29,279	62,545
Auxiliary enterprises	2,006,043	2,137,481
General operating revenues (net of discounts of $0, both years)	308,959	139,017
Total Operating Revenues (Schedule A)	6,101,117	6,142,221
Operating Expenses		
Instruction	8,233,462	7,749,722
Public service	1,730	7,169
Academic support	785,810	846,210
Student services	1,793,002	1,719,542
Institutional support	3,010,248	2,636,981
Operation and maintenance of plant	1,609,318	1,559,410
Scholarships and fellowships	782,651	734,384
Auxiliary enterprises	2,935,301	2,736,281
Depreciation	694,083	719,758
Total Operating Expenses (Schedule B)	19,845,605	18,709,457
Operating Income (Loss)	(13,744,488)	(12,567,236)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	7,254,024	6,967,496
Maintenance ad valorem taxes	917,097	840,683
Federal revenue, non-operating	6,004,700	5,132,288
Gifts	229,366	340,617
Investment income	60,200	41,667
Interest on capital related debt	(209,888)	(227,791)
Gain (loss) on disposal of capital assets	-	-
Net Non-Operating Revenues (Schedule C)	14,255,499	13,094,960
Income Before Extraordinary Items	511,011	527,724
EXTRAORDINARY ITEMS:		
Extraordinary items	-	-
Increase (Decrease) in Net Position	511,011	527,724
NET POSITION		
Net position - beginning of year	9,442,775	8,915,051
Prior period adjustment	(14,437,533)	-
Net position - end of year	$ (4,483,747)	$ 9,442,775

The accompanying notes are an integral part of this statement.

CISCO COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2018 AND AUGUST 31, 2017
EXHIBIT 3

	Fiscal Year 2018	Fiscal Year 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	$ 10,865,919	$ 11,135,432
Receipts of appropriations, grants, and contracts	731,860	628,991
Other receipts	308,959	139,017
Payments to or on behalf of employees	(11,782,048)	(9,849,805)
Payments to suppliers for goods or services	(6,675,572)	(6,460,165)
Payments of scholarships	(6,478,390)	(5,659,589)
Net cash provided (used) by operating activities	(13,029,272)	(10,066,119)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	7,254,024	5,188,771
Ad valorem tax revenues	899,836	840,683
Federal revenue, nonoperating	6,004,700	5,132,288
Gifts and grants (other than capital)	229,366	115,617
Student organization and other agency transactions	(8,661)	(16,975)
Net cash provided (used) by non-capital financing activities	14,379,265	11,260,384
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest expense paid	(212,934)	(224,819)
Purchases of capital assets	(195,072)	(121,026)
Proceeds from sales of capital assets	-	-
Proceeds from loans and capital leases	-	-
Payments for debt refinancing fees	-	-
Payments on debt and capital leases	(695,773)	(705,172)
Net cash provided (used) by capital and related financing activities	(1,103,779)	(1,051,017)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	-	-
Investment earnings	60,200	41,667
Purchases of investments	(6,688)	(46,057)
Net cash provided (used) by investing activities	53,512	(4,390)
Increase (decrease) in cash and cash equivalents	299,726	138,858
Cash and cash equivalents - September 1	3,255,917	3,117,059
Cash and cash equivalents - August 31	$ 3,555,643	$ 3,255,917
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (13,744,488)	$ (12,567,236)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	694,083	719,758
On-behalf employee benefits paid	2,247,557	1,778,725
Changes in assets and liabilities:		
Receivables (net)	(137,307)	(156,432)
Deferred charges	785,912	(423,699)
Inventories	111,098	13,501
Other assets	(6,816)	(3,056)
Net pension and OPEB liabilities and deferrals	(1,958,617)	36,924
Accounts payable	217,560	(119,368)
Accrued liabilities	44,197	4,908
Deferred revenue	(1,257,311)	678,237
Deposits	-	-
Compensated absences	(25,140)	(28,381)
Net cash provided (used) by operating activities	$ (13,029,272)	$ (10,066,119)

The accompanying notes are an integral part of this statement.

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 $1,061,740 and $1,049,931 at August 31, 2018 and 2017, 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.

Other Postemployment Benefits (OPEB)

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

Unearned Revenues

Tuition and fees of $2.632,536 and $3,686,457 and federal, state, and local grants of $30,894 and $234,284 have been reported as unearned revenues at August 31, 2018 and 2017, respectively.

Deferred Inflows and Outflows

In addition to assets and liabilities, the District is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows and outflows of resources. These separate financial statement elements represent an acquisition or liquidation of net position that applies to a future period(s) and so are not recognized as an inflow of resources (revenue) or outflow of resources (expense) until that time. Governments are permitted only to report deferred inflows and outflows 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, 2018 was as follows:

	Balance 9/1/17	Increases	Decreases	Balance 8/31/18
Not Depreciated:				
Land	$ 468,928			$ 468,928
Construction in Progress	0			0
Subtotal	468,928			468,928
Other Capital Assets:				
Buildings	20,249,172	70,945		20,320,117
Land Improvements	2,175,215			2,175,215
Library Books	260,083	4,973		265,056
Furn., Machinery, Vehicles, and Other Equip.	4,317,501	119,154		4,436,655
Subtotal	27,001,971	195,072		27,197,043
Accumulated Depreciation:				
Buildings	(7,155,027)	(375,751)		(7,530,778)
Land Improvements	(1,273,295)	(93,247)		(1,366,542)
Library Books	(109,973)	(12,113)		(122,086)
Furn., Machinery, Vehicles, and Other Equip.	(3,184,530)	(212,972)		(3,397,502)
Subtotal	(11,722,825)	(694,083)		(12,416,908)
Net Other Capital Assets	15,279,146	(499,011)		14,780,135
Net Capital Assets	$ 15,748,074	$ (499,011)		$ 15,249,063

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

4. Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2018 was as follows:

	(Restated) Balance 9/1/17	Additions	Reductions	Balance 8/31/18	Current Portion
Leases, Bonds and Notes					
Revenue Bonds and Notes	$ 6,590,000		$ 650,000	$ 5,940,000	$ 670,000
Capital Leases	57,371		45,773	11,598	11,598
Total Leases, Bonds and Notes	6,647,371		695,773	5,951,598	681,598
Other Liabilities					
Compensated Absences	223,064		25,140	197,924	0
Net Pension Liability	2,827,490	(191,066)	245,111	2,391,313	0
Net OPEB Liability	14,805,939	(2,072,959)	340,868	12,392,112	0
Other - Deposits	26,450			26,450	0
Total Other Liabilities	17,882,943	(2,264,025)	611,119	15,007,799	0
Total Long-Term Liabilities	$ 24,530,314	$ (2,264,025)	$ 1,306,892	$ 20,959,397	$ 681,598

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

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, 2018 were as follows:

Year Ended August 31,	Bonds Payable Principal	Interest	Total
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	745,000	115,661	860,661
2024-2026	2,405,000	178,881	2,583,881
	$ 5,940,000	$ 956,299	$ 6,896,299

As of August 31, 2018 and 2017, the District was in compliance with all material aspects of the bond indentures.

Obligations under capital leases at August 31, 2018 were as follows:

Year ended August 31,	Total
2019	$ 11,639
Less: incremental borrowing rate of interest	(41)
Present value of minimum lease payments	$ 11,598

6. Operating Lease Commitments and Rental Agreement

The District has numerous agreements that are categorized as operating leases. Future annual lease requirements are as follows:

Year ended August 31,	Total
2019	$ 82,468
2020	82,468
2021	82,468
2022	82,468
2023	78,512
2024-2027	140,000
Total	$ 548,384

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, 2018	August 31, 2017
Bank Deposits		
Demand Deposits	$ 2,844,482	$ 2,549,966
Time Deposits	700,000	700,000
Total Bank Deposits	3,544,482	3,249,966
Cash and Cash Equivalents		
Petty Cash on Hand	7,975	7,975
Money Market Investments	46,882	46,793
Cash Equivalents - Investment Pools	1,061,740	1,049,931
Total Cash and Cash Equivalents	1,116,597	1,104,699
Total Cash and Deposits	$ 4,661,079	$ 4,354,665

Reconciliation of Deposits and Investments to Exhibit 1:

Type of Security	August 31, 2018 Market Value	August 31, 2017 Market Value
U.S. Government Securities	$ 0	$ 0
Total Investments		
Total Cash and Deposits	4,661,079	4,354,665
Total Deposits and Investments	$ 4,661,079	$ 4,354,665
Cash and Temp. Investments (Ex. 1)	$ 2,960,734	$ 2,680,379
Restricted Cash (Ex. 1)	594,909	575,538
Endowment Investments (Ex. 1)	904,836	898,148
Other Long-Term Investments (Ex. 1)	200,600	200,600
Total Deposits and Investments (Ex. 1)	$ 4,661,079	$ 4,354,665

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, 2018, the District had the following investments and maturities.

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1 Year	1-2 Years	2-3 Years	> 3 Years
Certificates of Deposit	$ 700,000	$ 700,000			
Money Market Deposits	46,882	46,882			
Investment Pools	1,061,740	1,061,740			
Total	$ 1,808,622	$ 1,808,622			

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, 2018, 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, 2018 follows:

	FY 2018				FY 2017
	Level 1	Level 2	Level 3	Total	Total
Investment pools	$ 1,061,740			$ 1,061,740	$ 1,049,931
Certificates of deposit	700,000			700,000	700,000
Total	$ 1,761,740			$ 1,761,740	$ 1,749,931

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 2018	FY 2017
Assessed Valuation of the District	$ 457,958,490	$ 551,760,455
Less: Exemptions	(1,605,640)	(1,423,630)
Less: Abatements		
Net Assessed Valuation of the District	$ 456,352,850	$ 550,336,825

	Year End August 31, 2018			Year End August 31, 2017		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Tax Rate per $100 valuation authorized	$ 0.5000	$ 0.5000	$ 1.0000	$ 0.5000	$ 0.5000	$ 1.0000
Tax Rate per 100 valuation assessed	$ 0.2000	N/A	$ 0.2000	$ 0.1515	N/A	$ 0.1515

Taxes levied for the year ended August 31, 2018 and 2017 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 2018 Current Operations	FY 2017 Current Operations
Current Taxes Collected	$ 876,073	$ 806,255
Delinquent Taxes Collected	12,598	9,877
Penalties and Interest Collected	10,438	8,407
Total Collections	$ 899,109	$ 824,539

Tax collections for the year ended August 31, 2018 and 2017 were 97.36% and 97.89% 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. <u>Employees' Retirement Plan</u>

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

Teacher Retirement System - Defined Benefit Plan

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.

Net Pension Liability	Total
Total Pension Liability	$ 179,336,534,819
Less: Plan Fiduciary Net Position	(147,361,922,120)
Net Pension Liability	$ 31,974,612,699
Net Position as a percentage of Total Pension Liability	82.17%

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 grand fathered, 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. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

Contribution Rates		
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Current fiscal year District contributions	$	235,698
Current fiscal year Member contributions	$	412,557
2017 measurement year NECE contributions	$	128,041

Valuation Date	August 31, 2017
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, 2017 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
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%
Stable Value			
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%
Real Return			
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%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

* *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 2017 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	$ 4,031,282	$ 2,391,313	$ 1,025,773

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, the District reported a liability of $2,391,313 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	$ 2,391,313
State's proportionate share that is associated with the District	1,251,800
Total	$ 3,643,113

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At August 31, 2017 the District's proportion of the collective net pension liability was 0.0074787872% which was a decrease of 0.0000036194% from its proportion measured as of August 31, 2016.

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, 2018, the District recognized pension expense of $39,312 and revenue of $95,482 for support provided by the Sate in the Government-Wide Statement of Activities.

At August 31, 2018, 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	$ 34,986	$ 128,960
Changes in actuarial assumptions	108,928	62,359
Differences between projected and actual investment earnings		174,274
Changes in proportion and differences between the District's contributions and the proportionate share of contributions		253,494
Total as of August 31, 2017 measurement date	$ 143,914	$ 619,087
Contributions paid to TRS subsequent to the measurement date	235,698	
Total as of August 31, 2018 fiscal year end	$ 379,612	$ 619,087

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:

Fiscal year ended August 31,	Amount
2019	$ (138,757)
2020	$ 13,887
2021	$ (150,480)
2022	$ (182,667)
2023	$ (14,657)
Thereafter	$ (2,499)

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 6.60% 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 $116,986 and $127,745 for fiscal years ended August 31, 2018 and 2017, respectively. This amount includes the portion of expended appropriations made by the state legislature on behalf of the District (totaling $58,197 and $60,679 for each fiscal year, respectively).

The total payroll for all District employees was $7,907,107 and $8,187,428 for fiscal years 2018 and 2017, respectively. The total payroll of employees covered by the Teacher Retirement System was $5,357,884 and $5,489,110, and the total payroll of employee covered by the Optional Retirement Program was $1,773,080 and $1,935,712 for fiscal years 2018 and 2017, 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 form 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 $197,924 and $223,064 at August 31, 2018 and 2017. 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 2018 and 2017 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 2018 and 2017, 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, 2018 and 2017 were $1,800,429 and $607,665, respectively. The cost of providing those benefits was $3,356,187 and $888,243 for retirees and active employees for fiscal years 2018 and 2017, respectively. 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

State Retiree Health Plan - Defined Benefit Plan

Plan Description. The State Retiree Health Plan (SRHP) is a cost-sharing multiple-employer postemployment health care plan with a special funding situation. This plan covers retired employees of the State, and other entities as specified by the State legislature in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the State Retiree Health Plan are authorized by State law and may be amended by the Texas Legislature.

OPEB Plan Fiduciary Net Position. Detailed information about the Employees Retirement System's (ERS) 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 https://ers.texas.gov/About-ERS/Reports-and-Studies; by writing to ERS at 200 E. 18th Street, Austin, TX, 78701.

Components of the net OPEB liability of the plan as of August 31, 2017 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	$ 34,782,794,493
Less: Plan Fiduciary Net Position	709,782,760
Net OPEB Liability	$ 34,073,011,733
Net Position as a percentage of Total OPEB Liability	2.04%

Benefits Provided. ERS provides postemployment health care, life and dental insurance benefits through the Group Benefits Program in accordance with Chapter 1551, Texas Insurance Code.

The membership of the State Retiree Health Plan includes retirees who retired with at least 10 years of service to eligible entities. These retirees must meet certain age requirements. Surviving spouses and dependents of these retirees are also covered.

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

Employer Contribution Rates Retiree Health and Basic Life Premium Fiscal Year 2017	
	Sept 1, 2016
Retiree	$ 617
Retiree and Spouse	971
Retiree and Children	854
Retiree and Family	1,208

Current fiscal year District contributions	$ 363,077
Current fiscal year Member contributions	$ 0
2017 measurement year NECE contributions	$ 276,031

Actuarial Assumptions. The actuarial calculations reflect a long term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets. The required Schedule of Changes in Net OPEB Liability and Related Ratios immediately following the notes to the financial statements presents the information about the actuarial value of plan assets and the actuarial accrued liability for benefits in fiscal year 2017. Multi-year trend information will be presented when it becomes available.

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percent of Pay, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Discount Rate	3.51%
Projected Annual Salary Increases	2.50% to 9.50%
Annual Healthcare Trend Rates	8.50% for FY 2019, decreasing 0.5% per year to 4.5% for FY 2027 and later years
Inflation Assumption Rate	2.50%
Ad hoc Postemployment Benefit Changes	None

Discount Rate. Because the State Retiree Health Plan does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bond rates. The assumption of the discount rate is summarized below.

Expected investment rate of return	Not applicable because the plan operates on a pay-as-you-go basis
Municipal bond rate (Note A)	3.51%
Year fiduciary net position depleted	2018
Single Discount Rate	3.51%
Note A: The source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.	

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.51%)	Current Single Discount Rate (3.51%)	1% Increase in Discount Rate (4.51%)
District's proportionate share of net OPEB liability	$ 14,792,561	$ 12,392,112	$ 10,532,750

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate. The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ 10,417,678	$ 12,392,112	$ 14,954,056

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of $12,392,112 for its proportionate share of the net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 12,392,112
State's proportionate share that is associated with the District	10,035,001
Total	$ 22,427,113

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0363692900%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The notes to the ERS annual financial report stated that the change in proportion was immaterial and, therefore, disregarded this year.

Changes in Actuarial Assumptions. Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age differences for future retirees and their spouses for select classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations and the revised assumed rate of general inflation. Furthermore, the percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, the proportion of future retirees covering dependent children and the percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.

Lastly, the discount rate assumption was lowered as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher.

Changes in Plan Provisions. The valuation reflects the benefit changes that became effective September 1, 2017. Benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- an increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- elimination of the copayment for virtual visits;
- a reduction in the copayment for Airrosti; and
- for out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for in the FY 2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

High-Cost Plan Excise Tax. Consistent with the prior valuation, the effects of the High-Cost Plan Excise Tax imposed by the ACA under Internal Revenue Code Section 4980I (sometimes referred to as the "Cadillac Tax") have been included in this valuation. The Excise Tax becomes effective in 2020, but the plan is not expected to be subject to the tax until 2060 based on current plan provisions, assumptions and participant demographics. The Net OPEB Liability is increased by the $521 million present value of the estimated Excise Taxes in future years, and the associated increase to the ADC is $19 million.

Medicare Part D. The Medicare Prescription Drug Improvement and Modernization Act of 2003 introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to the basic coverage provided under Medicare Part D (the Retiree Drug Subsidy).

The valuation of future OPEB may not reflect the anticipated receipt of future federal government subsidy payments under the Medicare Part D Prescription Drug Program as required under GASB Technical Bulletin No. 2006-1. The Bulletin requires that Retiree Drug Subsidy payments to an employer be reported by the employer as revenue, rather than being netted against the employer's OPEB cost for prescription drug coverage.

ERS implemented an Employer Group Waiver Plan plus Commercial Wrap (EGWP plus Wrap) on January 1, 2013 in order to provide the plan with the benefit of increased subsidies and discounts available under such an arrangement. The Retiree Drug Subsidy has been significantly reduced as a result of the implementation of the EGWP plus Wrap. The Retiree Drug Subsidies are excluded from this valuation in accordance with GASB Technical Bulletin No. 2006-1.

The projected cost of the EGWP plus Wrap reflects the subsidies which are expected to be provided by the Federal government under Medicare Part D and the discounts expected to be provided by drug manufacturers as required under the ACA.

Variability in Future Actuarial Measurement. Future actuarial measurements may differ significantly from the current measurements due to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- Changes in plan provisions, applicable law or applicable accounting standards.

For the year ended August 31, 2018, the District recognized OPEB expense of $864,822 and revenue of $537,034 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the ERS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual actuarial experience		$ 148,913
Changes in actuarial assumptions		2,591,042
Differences between projected and actual investment earnings	3,669	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions		
Contributions paid to ERS subsequent to the measurement date	363,077	
Total	$ 366,746	$ 2,739,955

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

Year ended August 31,	Amount
2019	$ (616,190)
2020	$ (616,190)
2021	$ (616,190)
2022	$ (616,190)
2023	$ (271,526)
Thereafter	$ 0

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, 2017, and ending August 31, 2018. 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 $48,452 and $86,332 for the years ended August 31, 2018 and 2017, 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 $24,405 and $49,748 as of August 31, 2018 and 2017, respectively. Total claims paid to date as a result of the estimated claims liabilities were $45,808 and $40,011 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, 2018 and 2017.

21. Disaggregation of Receivables and Payables Balances

Receivables at August 31, 2018 and 2017 were as follows:

	August 31, 2018	August 31, 2017
Taxes Receivable	$ 48,529	$ 30,819
Accounts Receivable	397,364	649,044
Federal Receivable	494,848	106,310
Total	$ 940,741	$ 786,173

Payables and Accrued Liabilities at August 31, 2018 and 2017 were as follows:

	August 31, 2018	August 31, 2017
Vendors Payable	$ 432,936	$ 215,376
Salaries and Benefits Payable	261,541	217,344
Accrued Interest	32,376	35,422
Total Accounts Payable and Accrued Liabilities	$ 726,853	$ 468,142

22. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. With GASB 75, the District assumed their proportionate share of the net OPEB liability of the Employees Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled ($14,437,533) which resulted in a restated beginning net position balance of ($4,994,758).

23. Negative Net Position

The effects of GASB 75 discussed above had a dramatic impact on the District's ending net position. Total ending net position without the effect of GASB 75 was $10,281,574. However, recording the accrued liabilities associated with post-employment benefits other than pensions caused ending net position to become ($4,483,747).

24. Subsequent Events

Management has evaluated subsequent events through December 3, 2018; the date which the financial statements were available for distribution. There were none noted.

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 OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018
EXHIBIT 4

	Measurement Year Ended August 31,			
	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0074787872%	0.0074824066%	0.0077287000%	0.0087971000%
District's Proportionate Share of Net Pension Liability (Asset)	$ 2,391,313	$ 2,827,490	$ 2,731,993	$ 2,349,827
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,251,800	1,540,588	1,479,871	1,349,919
Total	$ 3,643,113	$ 4,368,078	$ 4,211,864	$ 3,699,746
District's Covered Payroll	$ 5,489,110	$ 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 Payroll	43.56%	52.61%	64.86%	63.51%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: Only four 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'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018
EXHIBIT 5

	Fiscal Year Ended August 31, 2018	2017	2016	2015
Contractually Required Contribution	$ 235,698	$ 245,111	$ 237,735	$ 228,951
Contribution in Relation to the Contractually Required Contribution	(235,698)	(245,111)	(237,735)	(228,951)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 5,357,884	$ 5,489,110	$ 5,374,211	$ 5,177,829
Contributions as a percentage of Covered Payroll	4.40%	4.47%	4.42%	4.42%

Note: Only four 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'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018
EXHIBIT 6

	Measurement Year Ended August 31, 2017
District's Proportion of the Net OPEB Liability (Asset)	0.0363692900%
District's Proportionate Share of the Net OPEB Liability (Asset)	$ 12,392,112
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	10,035,001
Total	$ 22,427,113
District's Covered Employee Payroll	$ 6,609,009
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Employee Payroll	187.50%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	2.04%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years 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'S OPEB CONTRIBUTIONS
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018
EXHIBIT 7

	Fiscal Year Ended August 31, 2018
Contractually Required Contribution	$ 363,077
Contribution in Relation to the Contractually Required Contribution	(363,077)
Contribution Deficiency (Excess)	$ -
District's Covered Employee Payroll	$ 6,309,879
Contributions as a percentage of Covered Employee Payroll	5.75%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years 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."

Defined Benefit Pension Plan

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.

Other Post-Employment Benefit Plan

Changes of benefit terms.

The valuation reflects the benefit changes that became effective September 1, 2017. Benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- an increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- elimination of the copayment for virtual visits;
- a reduction in the copayment for Airrosti; and
- for out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for in the FY 2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Changes of assumptions.

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age differences for future retirees and their spouses for select classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations and the revised assumed rate of general inflation. Furthermore, the percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence, the proportion of future retirees covering dependent children and the percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.

Lastly, the discount rate assumption was lowered as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher.

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SUPPLEMENTAL SCHEDULES

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CISCO COLLEGE DISTRICT
SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2018
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)
SCHEDULE A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals Fiscal Year 2018	Totals Fiscal Year 2017
Tuition						
State-funded courses						
In-district resident tuition	$ 91,485	$ -	$ 91,485	$ -	$ 91,485	$ 76,464
Out-of-district resident tuition	2,539,734	-	2,539,734	-	2,539,734	2,391,506
Non-resident tuition	139,213	-	139,213	-	139,213	191,620
TPEG - credit (set aside)*	177,128	-	177,128	-	177,128	171,018
Non-state funded educational programs	106,217	-	106,217	-	106,217	101,490
Total Tuition	3,053,777	-	3,053,777	-	3,053,777	2,932,098
Fees						
General fee	3,177,207	-	3,177,207	83,526	3,260,733	3,070,234
Student service fee	1,181,365	-	1,181,365	-	1,181,365	1,117,935
Out-of-district fees	1,889,740	-	1,889,740	-	1,889,740	1,563,902
Laboratory fee	101,244	-	101,244	-	101,244	100,246
Other fees (as needed)	79,406	-	79,406	-	79,406	87,925
Total Fees	6,428,962	-	6,428,962	83,526	6,512,488	5,940,242
Scholarship Allowances and Discounts						
Bad debt allowances	-	-	-	-	-	-
Remissions and exemptions - state	(8,326)	-	(8,326)	-	(8,326)	(11,921)
Remissions and exemptions - local	(74,654)	-	(74,654)	-	(74,654)	(86,391)
Title IV federal grants	(5,994,393)	-	(5,994,393)	-	(5,994,393)	(5,122,742)
TPEG awards	(159,180)	-	(159,180)	-	(159,180)	(216,235)
Other state grants	(241,837)	-	(241,837)	-	(241,837)	(222,300)
Total Scholarship Allowances and Discounts	(6,478,390)	-	(6,478,390)	-	(6,478,390)	(5,659,589)
Total Net Tuition and Fees	3,004,349	-	3,004,349	83,526	3,087,875	3,212,751
Other Operating Revenues						
Federal grants and contracts	-	227,455	227,455	-	227,455	201,415
State grants and contracts	-	504,720	504,720	-	504,720	427,576
Local grants and contracts	-	20,312	20,312	-	20,312	23,003
Sales and services of educational activities	29,279	-	29,279	-	29,279	62,545
Investment income (program restricted)	-	-	-	-	-	-
General operating revenues	308,959	-	308,959	-	308,959	139,017
Total Other Operating Revenues	338,238	752,487	1,090,725	-	1,090,725	853,556
Auxiliary Enterprises						
Bookstore	-	-	-	815,914	815,914	967,530
Food service	-	-	-	668,468	668,468	664,953
Residential life	-	-	-	438,135	438,135	443,431
Total Net Auxiliary Enterprises	-	-	-	1,922,517	1,922,517	2,075,914
Total Operating Revenues	$ 3,342,587	$ 752,487	$ 4,095,074	$ 2,006,043	$ 6,101,117	$ 6,142,221
					(Exhibit 2)	(Exhibit 2)

* - In accordance with Education Code 56.033, $177,128 of tuition was set aside for Texas Public Education Grants (TPEG).

CISCO COLLEGE DISTRICT
STATEMENT OF OPERATING EXPENSES BY OBJECT
YEAR ENDED AUGUST 31, 2018
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)
SCHEDULE B

	Salaries	Benefits		Other	Totals	
	And Wages	State	Local	Expenses	Fiscal Year 2018	Fiscal Year 2017
Unrestricted - Educational and General						
Instruction	$ 4,672,374	$ -	$ 1,214,155	$ 508,306	$ 6,394,835	$ 6,221,016
Research	-	-	-	-	-	-
Public Service	-	-	-	1,730	1,730	7,169
Academic Support	372,097	-	94,731	207,090	673,918	743,918
Student Services	978,388	-	249,085	271,320	1,498,793	1,481,969
Institutional Support	993,619	-	252,962	1,454,571	2,701,152	2,384,702
Operation and Maintenance of Plant	361,006	-	91,907	1,047,848	1,500,761	1,468,269
Scholarships and Fellowships	-	-	-	-	-	-
Total Unrestricted	7,377,484	-	1,902,840	3,490,865	12,771,189	12,307,043
Restricted - Educational and General						
Instruction	96,740	1,434,110	-	307,777	1,838,627	1,528,706
Research	-	-	-	-	-	-
Public Service	-	-	-	-	-	-
Academic Support	-	111,892	-	-	111,892	102,292
Student Services	-	294,209	-	-	294,209	237,573
Institutional Support	-	298,789	-	10,307	309,096	252,279
Operation and Maintenance of Plant	-	108,557	-	-	108,557	91,141
Scholarships and Fellowships	-	-	-	782,651	782,651	734,384
Total Restricted	96,740	2,247,557	-	1,100,735	3,445,032	2,946,375
Total Educational and General	7,474,224	2,247,557	1,902,840	4,591,600	16,216,221	15,253,418
Auxiliary Enterprises	357,171	-	90,931	2,487,199	2,935,301	2,736,281
Depreciation Expense - Bldgs and other real est.	-	-	-	468,997	468,997	466,668
Depreciation Expense - Equipment and furn.	-	-	-	225,086	225,086	253,090
Total Operating Expenses	$ 7,831,395	$ 2,247,557	$ 1,993,771	$ 7,772,882	$ 19,845,605	$ 18,709,457
					(Exhibit 2)	(Exhibit 2)

CISCO COLLEGE DISTRICT
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
YEAR ENDED AUGUST 31, 2018
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)
SCHEDULE C

	Unrestricted	Restricted	Auxiliary Enterprises	Totals Fiscal Year 2018	Totals Fiscal Year 2017
NON-OPERATING REVENUES:					
State Appropriations					
Education and general state support	$ 4,998,521	$ -	$ -	$ 4,998,521	$ 5,188,771
State group insurance	-	1,800,429	-	1,800,429	1,248,736
State retirement matching	-	455,074	-	455,074	529,989
Total State Appropriations	4,998,521	2,255,503	-	7,254,024	6,967,496
Maintenance ad valorem taxes	917,097	-	-	917,097	840,683
Federal revenue, non-operating	-	6,004,700	-	6,004,700	5,132,288
Gifts	229,366	-	-	229,366	340,617
Investment income	60,200	-	-	60,200	41,667
Total Non-Operating Revenues	6,205,184	8,260,203	-	14,465,387	13,322,751
NON-OPERATING EXPENSES:					
Interest on capital related debt	209,888	-	-	209,888	227,791
(Gain) / loss on disposal of capital assets	-	-	-	-	-
Total Non-Operating Expenses	209,888	-	-	209,888	227,791
NET NON-OPERATING REVENUES	$ 5,995,296	$ 8,260,203	$ -	$ 14,255,499	$ 13,094,960
				(Exhibit 2)	(Exhibit 2)

CISCO COLLEGE DISTRICT
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
YEAR ENDED AUGUST 31, 2018
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)
SCHEDULE D

	Detail by Source					Available for Current Operations	
		Restricted		Capital Assets			
	Unrestricted	Expendable	Non-Expendable	Net of Depreciation and Related Debt	Total	Yes	No
Current:							
Unrestricted	$ (16,003,931)	$ -	$ -	$ -	$ (16,003,931)	$ 1,392,178	$ (17,396,109)
Board Designated	-	-	-	-	-	-	-
Restricted	-	137,487	-	-	137,487	137,487	-
Auxiliary enterprises	-	-	-	-	-	-	-
Loan	-	-	-	-	-	-	-
Endowment:							
Quasi:	-	-	-	-	-	-	-
Unrestricted	(0)	-	-	-	(0)	(0)	-
Restricted	-	-	-	-	-	-	-
Endowment							
True	1,535,232	-	-	-	1,535,232	-	1,535,232
Term (per instructions at maturity)	-	-	-	-	-	-	-
Life Income Contracts	-	-	-	-	-	-	-
Annuities	-	-	-	-	-	-	-
Plant:							
Unexpended	-	-	-	-	-	-	-
Renewals	-	-	-	-	-	-	-
Debt Service	-	550,000	-	-	550,000	-	550,000
Investment in Plant	-	-	-	9,297,465	9,297,465	-	9,297,465
Total Net Position, August 31, 2018	$ (14,468,699)	$ 687,487	$ -	$ 9,297,465	$ (4,483,747)	$ 1,529,665	$ (6,013,412)
Prior Period Adjustment	-	-	-	-	-	-	-
Total Net Position, August 31, 2017	(327,467)	669,539	-	9,100,703	9,442,775	(1,740,755)	11,183,530
Net Increase (Decrease) in Net Position	$ (14,141,232)	$ 17,948	$ -	$ 196,762	$ (13,926,522)	$ 3,270,420	$ (17,196,942)

CISCO COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018
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		$	74,611
College Work Study	84.033			67,844
Pell Grant	84.063			5,862,246
Total Direct Programs				6,004,700
Passed Through From:				
Texas Higher Education Coordinating Board				
Carl Perkins Voc. Ed.	84.048	13426		227,455
Total Passed Through From Texas Higher Education Coordinating Board				227,455
Total U.S. Department of Education				6,232,155
Total Federal Financial Assistance			$	6,232,155

Note 1: Federal Assistance Reconciliation

Federal Revenues - per Schedule A:		
Federal Grants and Contracts	$	227,455
Indirect/Administrative Costs Recoveries		-
Total Federal Revenues Per Schedule A		227,455
Federal Revenues - per Schedule C:		
Federal Grants, Non-Operating		6,004,700
Total Federal Revenues Per Schedule C		6,004,700
Reconciling Items:		
ADD:		
Expenditures Not Subject to a Federal Single Audit		-
Total Pass-Through and Expenditures Per Federal Schedule	$	6,232,155

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	$	3,199,758	-	$	3,199,758

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, 2018
SCHEDULE F

Grantor Agency/Program Title	Grant Contract Number		Expenditures
Texas Higher Education Coordinating Board			
Texas Education Opportunities Grant	19339	$	241,958
Professional Nursing Shortage Reduction Program - Under 70 Program	15888		90,000
Professional Nursing Shortage Reduction Program - Under 70 Program	20213		39,046
Educational Achievement	19324		12,195
Professional Nursing Shortage Reduction Regular Program			121,521
Total Texas Higher Education Coordinating Board			504,720
Total State Financial Assistance		$	504,720

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A:		
State Financial Assistance per Schedule of Expenditures of State Awards	$	504,720
State Financial Assistance Continuing Education Tuition and Fees Included in Exhibit 2 Captioned "Tuition and Fees"		-
Total State Revenues per Schedule A	$	504,720

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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Cameron L. Gulley
CERTIFIED PUBLIC ACCOUNTANT

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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, 2018 and 2017, 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 3, 2018.

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 3, 2018

Member: American Institute of Certified Public Accountants - Texas Society of Certified Public Accountants - Government Audit Quality Center

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CISCO COLLEGE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018

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	$ 5,862,246
84.033 - Federal Work-Study Program	67,844
84.007 - Federal Supplemental Educational Opportunity Grant	74,611
84.032 - Federal Family Education Loans	3,199,758
Total Student Financial Aid Clustered Programs	$ 9,204,459

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, 2018

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, 2018. 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, 2018.

Member: American Institute of Certified Public Accountants - Texas Society of Certified Public Accountants - Government Audit Quality Center

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, 2018, and have issued my report thereon dated December 3, 2018, 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 3, 2018