

***NORTHEAST TEXAS COMMUNITY COLLEGE  
AND  
NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED  
AUGUST 31, 2004 AND 2003***

**PREPARED BY:**

**ADMINISTRATIVE SERVICES DEPARTMENT  
NORTHEAST TEXAS COMMUNITY COLLEGE**

**MOUNT PLEASANT, TEXAS**

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## NORTHEAST TEXAS COMMUNITY COLLEGE

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P.O. Box 1307

• Mount Pleasant, Texas 75456-1307

• 903-572-1911

• Fax 903-572-6712

### *Office of the President*

December 8, 2004

To the Members of the Board of Trustees, Taxpayers of Camp, Morris, and Titus Counties, and to the Citizens of the Northeast Texas Community College Service area:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year 2004. A discussion and analysis of the College's financial statements provide an overview of its financial activities for the fiscal year just ended.

This year is the third year the College implemented the new financial statement presentation and reporting changes established by the Governmental Accounting Standards Board (GASB). Through the Texas Higher Education Coordinating Board various financial officers of the 50 community college districts provided the leadership in complying with the new GASB 34 and 35 mandated reports. Comparative data are now available in relation for the past three years of financial statements and schedules.

Once again, the College has experienced a successful year in terms of quality and quantity. We continue to experience record enrollment increases. We now exceed 2,500 credit students, an increase of over 25 percent in three years.

Our students and employees continue to earn state and national awards. These awards validate our excellent reputation, which encourages more area citizens to take advantage of a stellar faculty and staff and a very comprehensive curriculum for a relatively small college.

Our friends continue to provide financial resources to help us achieve our ambitions and very comprehensive mission. These gifts amount to over \$1.25 million during the past two fiscal years.

The College thanks our district taxpayers for approving an \$18 million bond issue. Over \$11 million are being used to construct four new buildings. They include university and health sciences, criminal justice, Pittsburg outreach center, and industrial technology facilities for new and expanded instructional programs. These programs will provide additional educational and career opportunities for the good people of northeast Texas. Additional bond proceeds will be spent to purchase additional land for future generations and provide for at least two new facilities.

NTCC is, indeed, a miracle on FM 1735 and is fast becoming the "College of Choice in Northeast Texas".

Sincerely,

Charles B. Florio, Ph.D.  
President



# NORTHEAST TEXAS COMMUNITY COLLEGE

P.O. Box 1307 • Mount Pleasant, Texas 75456-1307 • 903-572-1911 • Fax 903-572-6712

Transmittal Letter

*December 21, 2004*

*To President Florio, Members of the Board of Trustees, and Citizens of Northeast Texas Community College:*

*The comprehensive annual financial report of Northeast Texas Community College District (College) for the fiscal year ended August 31, 2004, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Northeast Texas Community College. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included.*

## **COMPARATIVE FINANCIAL STATEMENTS**

The 2004 audit report contains comparative data for the last two fiscal periods to ensure that financial information will be available at a glance to financial statement users. Following the auditor's report the College has included A Management's Discussion and Analysis which provide summary information and a brief economic forecast in three segments:

1. A brief discussion of the basic financial statements,
2. Condensed comparative financial information, and
3. Analysis of the college's overall financial position and results of operations.

Segment 2, *Condensed comparative financial information* contains the following required elements:

- a. Total assets, distinguishing between capital and other assets
- b. Total liabilities, distinguishing between long-term liabilities and other liabilities
- c. Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts
- d. Operating revenue by major source
- e. Operating expenses by function
- f. Non-operating revenues and expenses
- g. Income before other revenues, expenses, gains, and losses
- h. Capital contributions

- i. Contributions to temporary and permanent endowments
- j. Other contributions
- k. Special and extraordinary items
- l. Changes in net assets
- m. Ending net assets

We hope this Comprehensive Annual Financial Report (CAFR) presentation will help the reader better understand the overall financial status of the College as of August 31, 2004.

The comprehensive annual financial report is presented in four sections:

***Introductory section*** includes the President's Letter, this transmittal letter, the College's principal officials and an organization chart.

***The Financial section*** includes the report of independent accountants, the management discussion and analysis, the basic financial statements, notes to financial statements and required supplemental information, and supplemental financial information.

***The Statistical section*** includes selected unaudited financial and demographic information, generally presented on a multi-year basis.

***The Single Audit section*** includes the annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, Non-Profit Organizations and the Uniform Grants Management Standards* issued by the State of Texas. Information related to this single audit, including the schedule of federal and state financial assistance and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit section of this report.

## MISSION, VISION, AND STANDARDS

### *Mission of NTCC*

***Northeast Texas Community College exists to give students an affordable and superior education. The College strives to enhance access to higher education and offer programs that support personal, cultural, and economic development. It resolves to provide open admissions, equal opportunity, and wide-ranging educational service in the community.***

### **NTCC as the College of Choice**

- We, the trustees, staff and administrators, have dedicated ourselves to providing excellence in service in support of our faculty and students.
- We provide our students the warmth and caring that embodies an idyllic East Texas family life, a campus home away from home.
- We challenge our students to commit themselves in their endeavor to make a positive difference; in their family and in the community to which they belong.
- We support our faculty members with superior instructional and technological equipment and materials to enhance their academic teaching.
- We concentrate on teaching our students self-responsibility and accountability in the choices that THEY make.
- We build our students' strength and integrity when faced with life's day-to-day challenges through encouraging words and appropriate actions.
- We excel in offering quality teaching and resulting education through continued training and self-education.



## **NTCC as the College for Learning**

- As the College of choice, we provide programs that lead to associate degrees or certificates to ANYONE who craves to learn.
- We provide vocational programs leading directly to employment in semi-skilled and skilled occupations.
- We offer continuing adult education programs for occupational upgrading and cultural awareness.
- We promote the integration of physical, mental, and emotional wellness as an important aspect of student development.

## **NTCC as the College Standard for Commerce**

- We continue to reach out to increase articulation with other area school districts and higher education institutions.
- We acknowledge external changes and challenges identified by business, public agencies, and research data to train and prepare our students for employment.
- We continue to strengthen and develop student life-long research skills for the continuous accumulation of knowledge and skills.

## **ORGANIZATION OF COLLEGE**

Northeast Texas Community College District was established as a public community college in an election held in Camp County, Morris County, and Titus County, Texas, in 1984. The District operates as a community college district under the laws of the State of Texas. The District is governed by a seven-member Board of Trustees elected at-large by place.

Northeast Texas Community College's campus is located approximately six miles southeast of Mt. Pleasant, Titus County, Texas. Classes are offered at alternate sites in Camp, Morris, Franklin, Red River, Titus, Upshur, and Wood Counties. The College provides associate, vocational, and continuing education courses.

## **ECONOMIC CONDITION AND OUTLOOK**

Northeast Texas Community College is situated in northeast Texas. The taxing district of the College includes the counties of Camp, Morris, and Titus. Each of these counties has provided an increasing

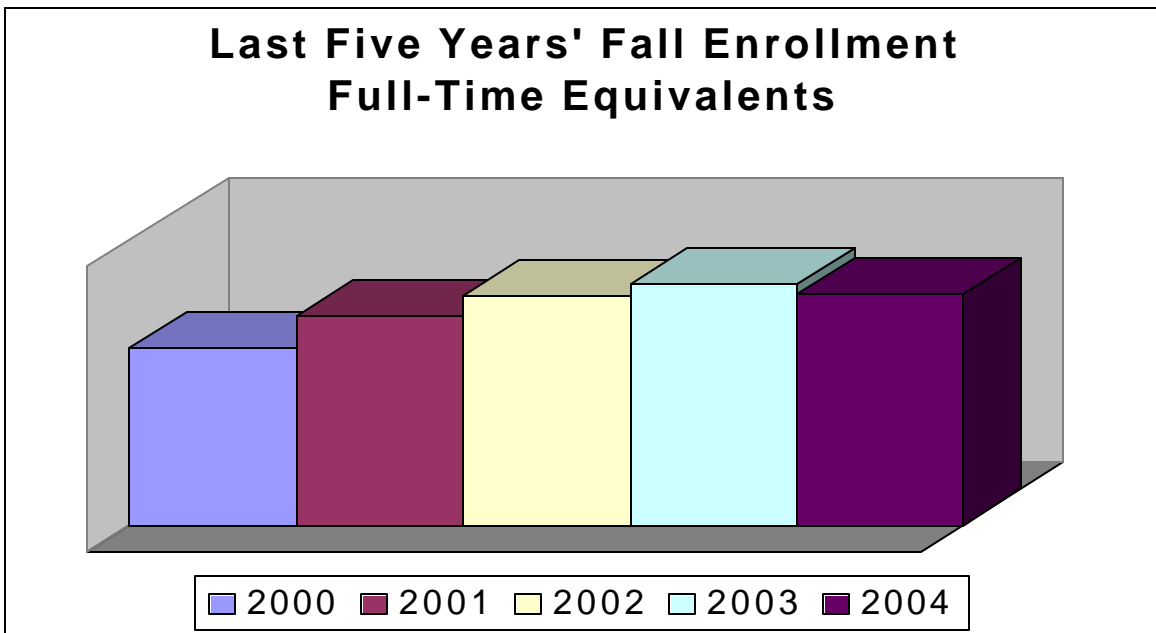
tax base for the last three years. The three-county certified tax appraisals have increased 13 percent in the last three years and 9.1 percent in the last year. The largest cities in the three counties are Mount Pleasant, Pittsburg, and Daingerfield. These cities are also the county seats of their respective counties.

The diverse economic base of Titus County has a positive impact on employment while providing the entire area with a growing, stable economic foundation. Titus County boasts two electric power-generating plants, which supply electricity to major Texas metropolitan areas. In addition to producing electricity, poultry growing and processing, lignite coal mining, sulphur processing, timber harvesting, agri-business manufacturing, utility trailer building along with the fabrication and construction of home decorative items contribute to the local tax base. Other factors contributing to our growth are the accredited 165-bed Titus Regional Medical Center staffed with over 50 doctors of varying specialties; banking; retail establishments; local, state, and federal government offices; and Northeast Texas Community College, which is centrally located in the district with an enrollment of approximately 2,500 credit students each semester, and has customized staff and training capabilities to serve the training needs of our local businesses and industry. Recent additions to the tax base include Lowe’s Home Improvement Store, Golden Gals Praline Company, and Home Depot. A La Quinta motel is under construction and will add \$6 million to the Titus County tax base. Also, Priefert Manufacturing has announced a 160,000 square feet addition to their manufacturing business which will employ 55 persons by summer 2007. Camp County is experiencing significant growth through expansion of the Pilgrim’s Pride Corporation.

The unemployment rate averages less than 4%. The positive economic growth can be attributed to our industrial, civic, education, and government leaders. The growth of Northeast Texas Community College is fueled by industrial and residential growth of the surrounding counties.

The following table illustrates enrollments over the last five years using fall figures:

	<b><u>Fall 2000</u></b>	<b><u>Fall 2001</u></b>	<b><u>Fall 2002</u></b>	<b><u>Fall 2003</u></b>	<b><u>Fall 2004</u></b>
<u>Enrollment</u>					
Students in Credit Courses	1,990	2,203	2,423	2,509	2,473
Full-time Equivalents	1,418	1,640	1,816	1,920	1,880
<b><u>Total Credit Hours</u></b>	<b>18,721</b>	<b>22,002</b>	<b>24,141</b>	<b>25,394</b>	<b>24,287</b>
Students in Continuing Education Courses	280	329	368	542	381



### MAJOR INITIATIVES

During the past year, the college has continued to increase educational opportunities for citizens in the service area of the college. Programs and services have been expanded. Three new campus facilities will be completed in the spring 2005 and construction is scheduled to begin on a major new outreach center in Pittsburg, slated to begin operations in fall, 2005.

**Enrollment.** NTCC continues to show strong enrollment growth. Credit enrollment in the summer and fall 2004 base year is up 7% over the same period for the last base year in 2002. Major enrollment growth areas are especially notable in the areas of Distance Education (+20%) and the Teacher Preparation program partnered with TAMU-Texarkana, (+18%), comparing fall 2004 enrollment data with fall 2003.

**New Programs.** New programs that began in the fall, 2004 include an Associate of Applied Science program in Dental Hygiene, which enrolled its first 14 students, a new Electrical Occupations certificate program, and a new A.S degree in Forensic Science. Feasibility studies for new programs in Administrative Medical Assistant, Medical Laboratory Technician, Physical Therapy Technician, and Radiology Technician have been successfully completed and are planned for implementation in the near future. A new program in Auto Body repair will be implemented in the fall, 2005 as well as a new Associate of Arts in Teaching (A.A.T.) degree.

**New Facilities.** In the spring, 2005 three new facilities on the NTCC campus will be completed. The new Dental Hygiene program, along with the Nursing, EMS, and University Teacher Preparation programs, will move into the newly completed University and Health Sciences center. The Criminal

Justice program will occupy the new Criminal Justice building that will house a state of the art firing range. The Industrial Technology Regional Center will also open in the spring, 2005 and will house the Automotive, Diesel, and Auto Body Repair programs. The groundbreaking ceremony for the Pittsburg Hanson-Sewell Outreach Center is slated for January, 2005 and the completion of the facility is scheduled for August, 2005.

**New Services.** In March, 2004 NTCC was awarded a grant to establish G-Force or “Go Centers at the Chapel Hill and Pittsburg High Schools. These centers are designed to assist high school students and their parents to understand the importance of pursuing higher education and how to prepare for it academically and financially. Through the TEA SENSR Grant, NTCC received funding to implement the “Science Road Show.” This program brings college-level chemistry and physics faculty into area schools to show students of all ages that science courses are exciting, fun, and rewarding.

**Title III.** The second year of a Title III Strengthening Institutions Grant has been successfully completed. The first year resulted in the enhancement of computer labs, the development of a Faculty Innovation Center, the upgrading of the Academic Skills Center, and the employment of an Instructional Technologist. The second year of Title III has seen the development of a free student email program, a new Basic Skills lab housed in the LRC, and several faculty training initiatives related to Campus Connect online registration, online grade entry, and the use of technology to enhance teaching and learning. Fourteen classrooms have been enhanced and equipped with digital projectors and several new initiatives in the area of student services have been implemented, such as an early alert program, online registration, access to student grades online, and a new online orientation option for new students.

## **GENERAL FINANCIAL REPORTING**

The College is considered to be a “*special purpose, primary government engaged only in business-type activities*” (BTA). The financial statements are presented in a single column entity-wide format.

The College maintains its accounts and prepares its financial statements in accordance with accounting principles generally accepted in the United States (GAAP) as set forth by Governmental and Financial Accounting Boards (GASB and FASB), Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

The College’s financial statements are prepared using the economic resources Measurement Focus and Basis of Accounting (MFBA). This provides more useful information about the long-term effects of short-term decisions, primarily by including the cost of consuming the capital assets used in providing services. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record-keeping requirements of these entities, the College is not a component unit of any other governmental entity.

**Internal Control:** The College has initiated documentation of the day-to-day paperwork process in the

business and payroll offices by use of flow charts. These charts basically show that major functions are crosschecked and done by different staff for internal control. The threshold for capital equipment is \$5,000. Renovations and additions to existing structures are capitalized if the value of the addition or renovation exceeds \$50,000. Assets purchased above the threshold amount are tagged and recorded as capital assets. Assets valued at less than \$5,000 but that have a useful life of at least three years are also tagged regardless of cost. These controls are designed to provide reasonable, but not absolute, assurance that adequate controls are in place. Additionally, these internal structures are set-up to protect the assets of the College, prevent loss from theft or misuse and to provide that adequate accounting data are available in the preparation of financial statements.

***Budgeting Controls.*** The implementation of the Direct Purchasing System (DPS) module of the POISE System during the summer and fall of 2003 restricts any requisition from being initiated by department users without the availability of a line item budget. Budget transfers have to be initiated and approved by College administrators. Outstanding purchase orders lapse at year-end. Departments are notified early in the fiscal year about the year-end process for planning and control. These budgetary controls ensure compliance with the legal provisions in the annual appropriated budget that was approved by the College's Board of Trustees.

## **DEBT ADMINISTRATION**

As of August 31, 2004, the College had the following bonds and notes payable:

1991 Series Limited Tax General Obligation Bonds (Dated August 15, 1991) were issued to defease \$2,175,000 of the 1986 Series Limited Tax General Obligation Bonds. The bonds are secured by the same ad valorem taxes that secure the 1986 Series. On August 31, 2004, \$0 of these bonds was outstanding.

1992 Series Dormitory Revenue Bonds (Dated September 15, 1992) were issued to partially fund the construction of an on-campus dormitory facility. The bonds are secured by and payable solely from a first lien on the property and the pledge of dormitory revenues. On August 31, 2004, \$460,000 of these bonds was outstanding.

1994 Series Dormitory System Revenue Bonds (Dated July 1, 1994) were issued to fund the expansion of the on-campus dormitory facility. The bonds are secured by and payable solely from a first lien on the property and the pledge of dormitory revenues. On August 31, 2004, \$370,000 of these bonds was outstanding.

1994 Series Tuition and Building Use Fee Refunding and Revenue Bonds (Dated September 1, 1994) were issued, in part, to refund and restructure the College's outstanding 1990 Series Tuition and Building Use Fee Revenue Bonds, and in part, to construct, improve, enlarge, equip, and maintain property, buildings and facilities of the College. The bonds are secured by and payable solely from a lien on the property and the pledge of certain revenues of the College, including building use fees and certain pledged tuition charges. The reported outstanding balance of the

bonds is \$1,190,000 on August 31, 2004.

1994 Series Limited Tax Refunding Bonds (Dated September, 28, 1994) were issued to refund a portion of the College's outstanding 1986 Compound Interest Bonds and to pay the

costs related to the issuance of the bonds. The notes are secured with the proceeds of a continuing, direct ad valorem tax levied, within the limitations prescribed by law, against all taxable property within the District. The accreted value of the bonds plus unamortized bond premium on August 31, 2004 is approximately \$3,360,474.

2003 Series Limited Tax Obligation Bonds were issued in April 2003 to fund the construction of a University and Health Science Facility, a Criminal Justice facility and an Industrial Technology Building. The bonds are secured by ad valorem taxes collected annually by the college through tax levies. Construction of the three new buildings is scheduled to begin in January 2004. Classes will be held in the new facilities for the first time beginning fall, 2004. The reported outstanding balance of the bonds is \$10,969,193 on August 31, 2004.

#### Notes Payable

The College has a 5% note payable to a bank dated March 8, 2001, secured by a vehicle. The note provides for payment of principal and interest by October 1, 2004. The balance of the note as of August 31, 2004 was \$0.

The College has a 4.74% note payable to a bank dated March 25, 2001, secured by real estate. The note provides for payment of principal and interest by March 24, 2006. The balance of the note on August 31, 2004 was approximately \$100,663.

The College has a 4% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due on demand but if no demand is made, the balance of principal and interest is due in three installments of \$3,225. The balance of the note as of August 31, 2004 was \$9,245.

The College has a 4% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due on demand but if no demand is made, the balance of principal and interest is due in three installments of \$4,649. The balance of the note as of August 31, 2004 was \$13,327

The College has a 4% note payable to a bank dated September 23, 2003, secured by a vehicle. The note is due on demand but if no demand is made, the balance of principal and interest is due in three installments of \$4,533. The balance of the note as of August 31, 2004 was \$12,533.

The College has a 4% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due on demand but if no demand is made, the balance of principal and interest is due in three installments of \$4,033. The balance of the note as of August 31, 2004 was \$11,563.

The College has a 4% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due on demand but if no demand is made, the balance of principal and interest is due in three installments of \$8,207. The balance of the note as of August 31, 2004 was \$23,530.

The College has a 3.95% note payable to a bank dated March 18, 2004. The note is due on demand but if no demand is made, the balance of principal and interest is due in four installments of \$25,000 with the balance due March 18, 2009. The balance of the note as of August 31, 2004 was \$175,000.

A \$300,000 line of credit with a bank was available for the College use during 2003-04. The College did not access line of credit in 2003-04.

### CASH MANAGEMENT

Temporarily available cash during the year was invested with Lone Star investment Pool administered by the Texas Association of School Boards. The average yield on investments was 2.0 percent.

The College's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The College did not have any investments that are required to be categorized in "Credit Risk Categories" in compliance with GASB Statement Number Three.

### RISK MANAGEMENT

The College has developed a complete insurance program to protect against the risk inherent with the operation of a college and a public entity. This includes various policies protecting public officials, administrators, instructional personnel, law enforcement personnel, automobile liability, building and content liability, injuries in building premises, on the job, and other policies. These policies are underwritten by nationally known and rated insurers. Efforts are routinely made to make all employees aware of policies, regulations, and matters related to safety to help minimize exposure to the risks associated with College operations.

### INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The accounting firm of Wilf and Henderson, PC from Texarkana, Texas was selected by the College's Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133.

### AWARDS AND ACHIEVEMENTS

For the *seventh* consecutive year, the Government Finance Officers Association of the United States and Canada awarded the College and its Foundation the Certificate of Achievement for Excellence in Financial Reporting. The college received this prestigious award because its comprehensive annual

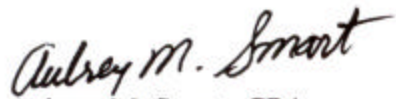
financial reports achieve the highest standards in government accounting and financial reporting. Although the certificate was presented to the college, it was earned primarily by the staff of the Administrative Services department.



## ACKNOWLEDGMENTS

The preparation of the comprehensive annual financial report on a timely basis was made possible by the hard work and diligence of many college employees. Particularly, we commend the staff in the Business Office, under the controllership of Ms. Jaci Merritt, who worked many long days and nights. We would also like to thank David Moore and the accounting firm of Wilf & Henderson, PC, for their assistance and timely completion of the audit.

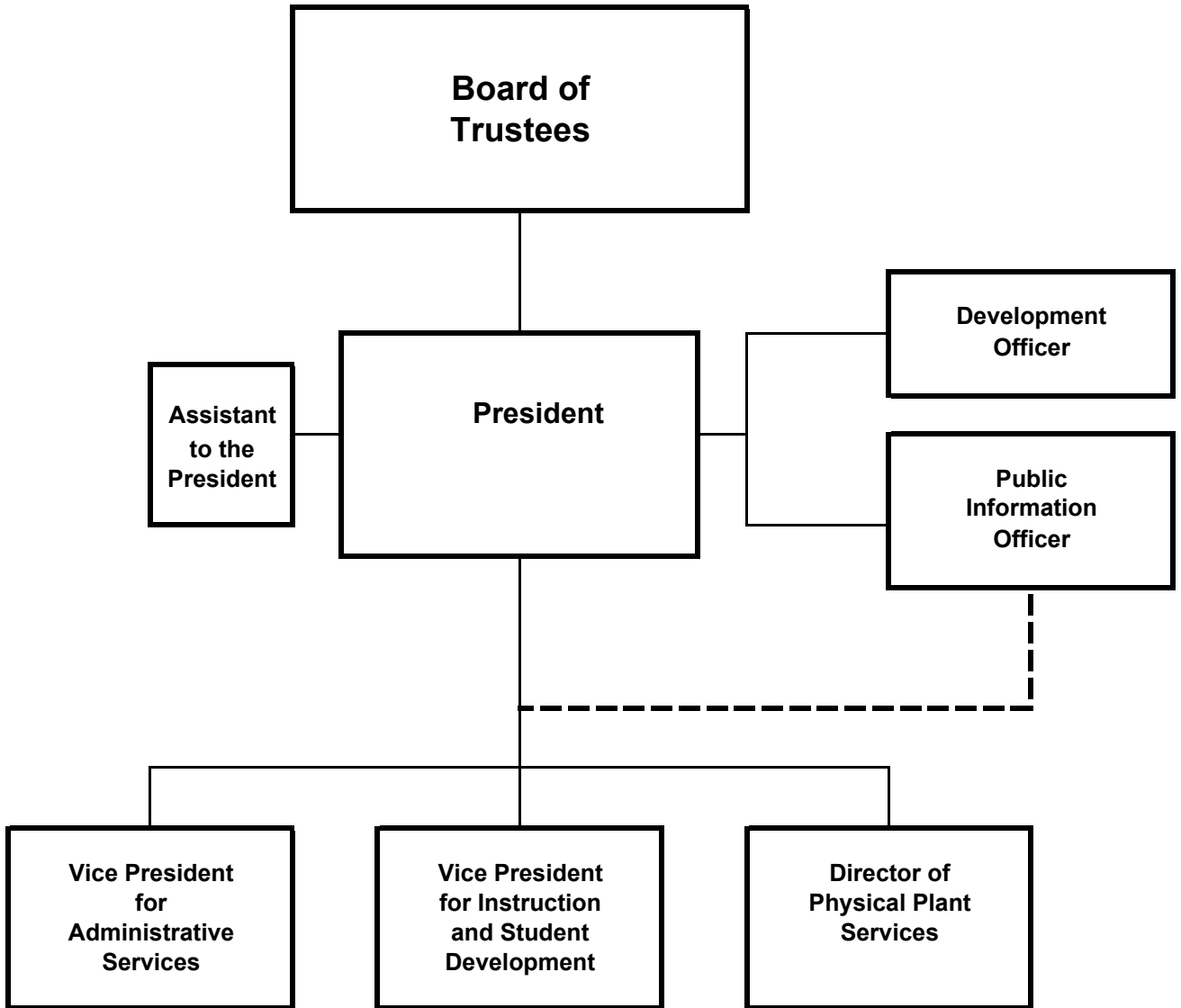
Respectfully submitted,



Aubrey M. Smart, CPA  
Vice President for Administrative Services

**Northeast Texas Community College**

**Organizational Chart**



# Northeast Texas Community College Mt. Pleasant, Texas

## Board of Trustees

Mr. John Bryan	Board President
Mr. Jerry Massey	Board Vice President
Dr. Dan McCauley	Board Secretary
Mr. Chuck Johns	
Mr. Bill Priefert	
Mrs. Latrel McCallum	
Mr. Sid Greer	

## Deans' Council Members

Dr. Charles B. Florio	President
Dr. Ron Clinton	Interim, Vice President for Instruction and Student Development
Mr. Aubrey Smart	Vice President for Administrative Services
Mr. Larry Smith	Director of Plant Services
Dr. Jonathan McCullough	Development Officer
Dr. Judy Traylor	Associate Vice President for Outreach Services
Ms. Jeri Thornton	Dean of Enrollment Management
Mr. Kevin Rose	Dean of Workforce Education
Dr. Mary Hearn	Director of Instruction
Mrs. Mindy Nobles	Director of Instruction
Ms. Pat Tallant	Public Information Director
Mrs. Kim Matthews	Human Resource Director
Mrs. Karen Andrews	Assistant to the President

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Northeast Texas Community  
College & Northeast Texas  
Community College Foundation

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Enos*

Executive Director

***INDEPENDENT AUDITORS' REPORT***

*Independent Auditors' Report*

*December 1, 2004*

*Board of Trustees  
Northeast Texas Community College and  
Northeast Texas Community College Foundation  
Mt. Pleasant, Texas*

*Members of the Board:*

We have audited the statements of net assets of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of August 31, 2004 and 2003, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of Northeast Texas Community College and Northeast Texas Community College Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 and *Uniform Grant Management Standards* issued by the State of Texas. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Texas Community College and Northeast Texas Community College Foundation as of August 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2004 on our consideration of Northeast Texas Community College and Northeast Texas Community College Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's Discussion and Analysis information on pages 3 through 11 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation taken as a whole. The accompanying Schedules of Expenditures of Federal Awards and State Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and Uniform Grant Management Standards*, and are not a required part of the financial statements. The Supplemental Schedules are likewise presented for purposes of additional analysis and are not a part of the financial statements. These additional schedules, except for the Statistical Supplemental Section which is marked unaudited and on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.



**WILF & HENDERSON, P. C.**  
**Certified Public Accountants**

**Texarkana, Texas**

***MANAGEMENT'S DISCUSSION AND ANALYSIS***



## **Management's Discussion and Analysis (MD&A)**

This section of Northeast Texas Community College's Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial activity during fiscal years ending 2003 and 2004. Since this management's discussion and analysis is designed to focus on current activities, resulting change, decisions or conditions of facts, please read it in conjunction with the transmittal letters (pages ii-xii), the College's basic financial statements (pages 12-14) and the footnotes (pages 15-39). The College endeavors to present an objective and easily readable analysis of the overall financial activities to students and the public. Responsibility for the completeness and fairness of this information rests with the College.

### **Using This Annual Report**

Management Discussion & Analysis (MD&A) compares the current year to the prior year based on information presented in the financial statements.

### **College Foundation as a Discrete Component Unit**

The College is considered to be a special purpose primary government according to the definition of GASB 14, and therefore, the College is the prime focus for this financial presentation. However, the Northeast Texas Community College Foundation is organized for the exclusive support of the Northeast Texas Community College. For this reason, the College's Foundation is included in this report, albeit as a discrete component. Any management discussion relating to the College's Foundation is considered for its significance in articulating the College's Comprehensive Annual Financial Report.

### **Statement of Net Assets (Balance Sheet)**

Prior to 2002, the College used the Balance Sheet format in presenting separately the financial statements of individual funds where Assets equal Liabilities and Fund Balance. For 2004 and 2003, the report shows the Statement of Net Assets format where the assets less liabilities equal Net Assets.

**Statement of Net Assets**

	2004	2003
<b><u>Assets</u></b>		
Current	\$ 10,082,830	\$ 13,488,375
Capital Assets	19,137,889	14,307,454
Other Non-Current	494,323	912,825
Total Assets	\$ 29,715,042	\$ 28,708,654
<b><u>Liabilities</u></b>		
Current	4,648,468	4,064,788
Non-Current	16,724,386	16,826,618
Total Liabilities	21,372,854	20,891,406
<b><u>Net Assets</u></b>	<b>\$ 8,342,188</b>	<b>\$ 7,817,248</b>

The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers a fiscal snapshot of the College for the current fiscal year ended. The Statement of Net Assets combines and consolidates current financial resources (short-term spendable resources) with capital assets. It presents end-of-year data concerning:

- Assets (current and non-current),
- Liabilities (current and non-current), and
- Net Assets.

The definition of current assets means the ability of the College to pay obligations out of the proceeds of current operations. The total assets include the College's capital assets (net of depreciation). The capital assets include buildings, facilities and other improvements, furniture, machinery, vehicles and other equipment, and telecommunications and peripheral equipment. In determining the net capital assets, the College went into considerable detail in identifying the historical costs and the net accumulated depreciation of each asset category based on its useful life and residual values. In following the above guidelines, the College can provide more useful information about the long-term effects of short-term decisions, primarily by including the cost of consuming the capital assets used in providing services.

Net assets are divided into three major categories:

- ✓ The first asset category, invested in capital assets and reserve for debt service, provides the College's equity in property, plant and equipment.
- ✓ The next asset category is restricted net assets, which is divided into two categories, permanent and temporary. Restricted permanent is maintained only in the College's Foundation, is non-expendable and used only for investment

purposes. Temporary restricted assets are maintained both by the College and the Foundation and are used for purposes determined by donors and/or external entities.

- ✓ The third asset category is the unrestricted assets and is available to both the College and the Foundation for any lawful purpose.

As of August 31, 2004, the College's net assets are \$8,342,188. As of August 31, 2003, the College's net assets were \$7,817,248. From the data presented, readers of the Statement of Net Assets are able to determine the Net Assets available to continue the operations of the institution. They are also able to determine how much the College owes vendors, investors and lending institutions.

### **Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets focus on both the gross costs and the net costs of College activities that are supported mainly by state appropriation, property taxes, tuition and fees, and other revenues. The outcome of the total activities presented in the Statement of Revenues, Expenses, and Changes in Net Assets influenced the above Statement of Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are **not** provided. For example, Ad Valorem taxes for maintenance and operations of the College and for payment of general obligation bonds are non-operating revenues because there is no direct correlation between these revenues and the goods and services that the College provides.

**Statement of Revenues, Expenses, and Changes in Net Assets  
For the Years Ended August 31, 2004 and 2003**

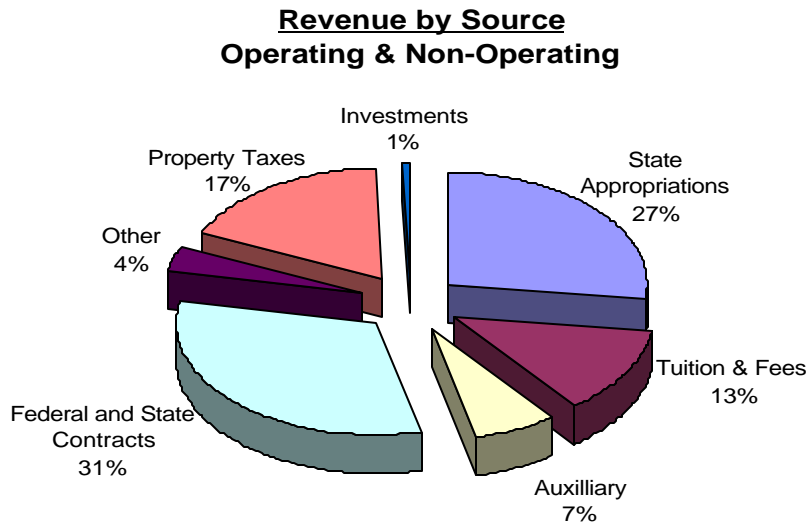
	<u>2004</u>	<u>2003</u>
<b>SUMMARY OF REVENUES AND EXPENSES</b>		
Total, Operating Revenues	\$9,434,380	\$8,932,555
Total, Operating Expenses	<u>15,386,363</u>	<u>15,294,496</u>
Total, Operating Income (Loss)	(5,951,083)	(6,361,941)
Net Non-Operating Revenues	6,476,923	6,571,933
Income (Loss) Before Other Revenues, Expenses, Gains, Losses	524,940	209,992
Other revenues, expenses, gains or losses	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets for FY ending 2004 & 2003	524,940	209,992
Net Assets at Beginning of Year	<u>7,817,248</u>	<u>7,607,256</u>
<b>Net Assets - End of Year</b>	<b><u><u>\$ 8,342,188</u></u></b>	<b><u><u>\$7,817,248</u></u></b>

**Operating and Non-Operating Revenues**

In an effort to further expand and enhance the interpretation of the College's financial reports, we recapped the *operating and non-operating revenues* to show, *graphically*, the significance of revenue sources and how it relates to the overall revenue representation:

## Revenues: Operating and Non-Operating

	Fiscal Year Ending 2004	Fiscal Year Ending 2003
<b>Operating Revenues:</b>		
Tuition and Fees (net of grant and scholarship allowances)	\$2,169,998	\$1,832,136
Federal Grants and contracts	4,974,343	4,646,712
State grants and contracts	501,634	880,839
Non-Governmental grants and contracts	111,093	84,557
Sales and services of educational activities	28,069	29,804
Auxiliary enterprises (net of grant and scholarship allowances)	1,162,895	1,085,242
Other operating revenues	486,348	373,265
Total, Operating Revenues	9,434,380	8,932,555
<b>Net Non-Operating Revenues:</b>		
State Allocations	4,603,402	4,406,873
Property Taxes	2,958,441	2,869,618
Investment and Other Income	112,891	41,997
Total, Non-Operating Revenues	7,674,734	7,318,488
<b>Total Revenues, Operating and Non-Operating</b>	<b>\$17,109,114</b>	<b>\$16,251,043</b>



Significant fiscal influences include the following:

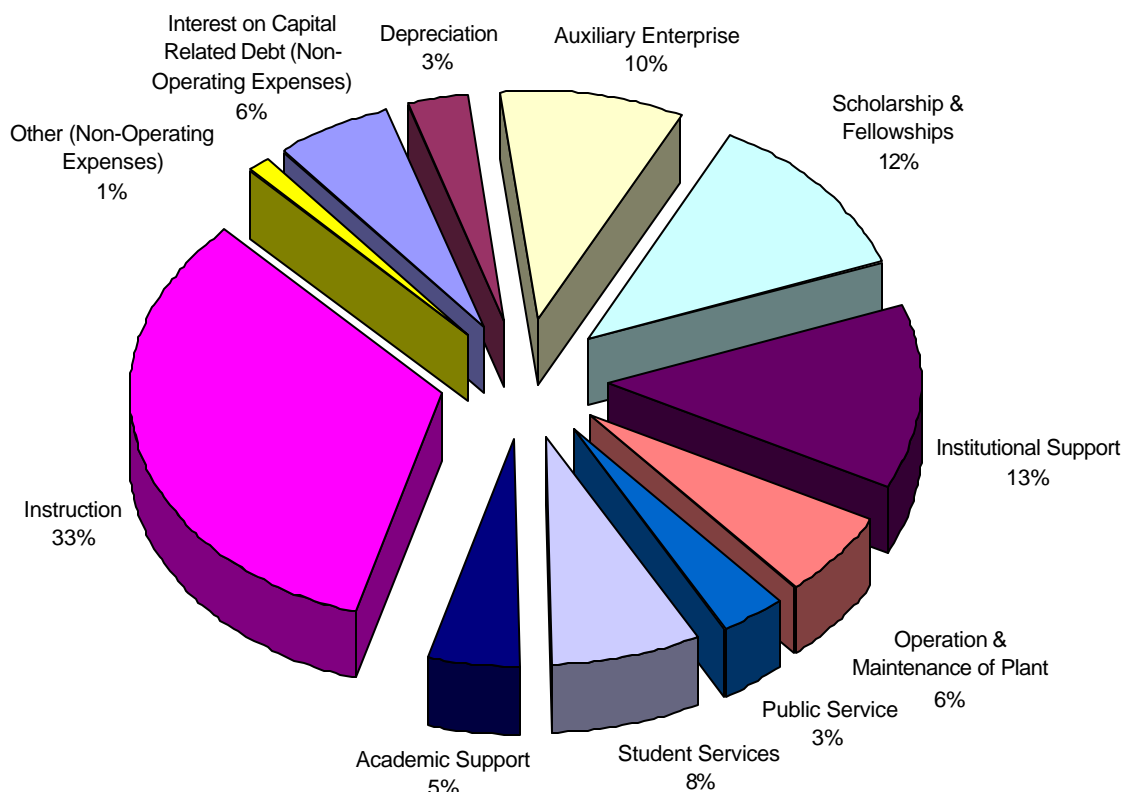
- Tuition and fees provided an increase of \$337,862 due to enrollment increase.
- Truck Driving had a decrease of \$98,843 in revenues attributable to a decrease in Truck Driving enrollment.
- Additional federal and contracts were received in the amount of \$327,631. Most of these are for students who require some support and guidance in pursuing their college careers but are unable to do so for financial reasons.
- State grants and contracts decreased by \$379,205.
- Net revenue from Auxiliary Operations increased by \$77,653. Again, this increase was the result of enrollment growth.
- The Northeast Texas Community College Foundation, as a component of the College, contributed a total of \$213,566 in scholarships for 382 students.

Additionally, the same methodology is being presented for the *operating and non-operating expenses* to illustrate the use of the College's resources:

**Expenses: Operating and Non-Operating**

	<u>Fiscal Year</u> <u>Ending 2004</u>	<u>Fiscal Year</u> <u>Ending 2003</u>
Operating Expenses:		
Instruction	\$5,536,415	\$ 6,006,220
Public Service	546,000	466,683
Academic Support	800,439	827,786
Student Services	1,275,110	1,120,841
Institutional Support	2,137,074	2,040,704
Operation and Maintenance of Plant	1,043,060	1,026,326
Scholarship & Fellowships	1,977,687	1,879,617
Auxiliary Enterprise	1,589,001	1,492,701
Depreciation	481,577	433,618
Total, Operating Expenses	15,386,363	15,294,496
Non-Operating Expenses:		
Interest on Capital Related Debt (Non-Operating Expenses)	1,035,407	715,108
Other (Non-Operating Expenses)	162,404	31,447
Total, Non-Operating Expenses	1,197,811	746,555
<b>Total Expenses, Operating and Non-Operating</b>	<b>\$16,584,174</b>	<b>\$16,041,051</b>

**Expenses by Source**  
**Operating & Non-Operating**



Significant changes in expenditures include the following:

- Auxiliary-Residence Hall expenses increased by \$96,300 to repair and renovate students' residences and to purchase new furniture.
- Capital Assets increased by \$4,830,435 due to work in progress of the University and Health Sciences center, the Criminal Justice building, and the Industrial Technology Regional Center. At the same time, depreciation in the amount of \$481,577 was expensed this year.
- Interest on Capital Related Debt (Non-Operating Expenses) increased by \$320,299 or 45 percent from 2003 to 2004. This was largely due to the 2003 bond sale to finance construction beginning in 2004. Readers desiring more detailed information on long-term debt activity should refer to Note 7 (Bonds and Notes Payable) in the notes to the financial statements.

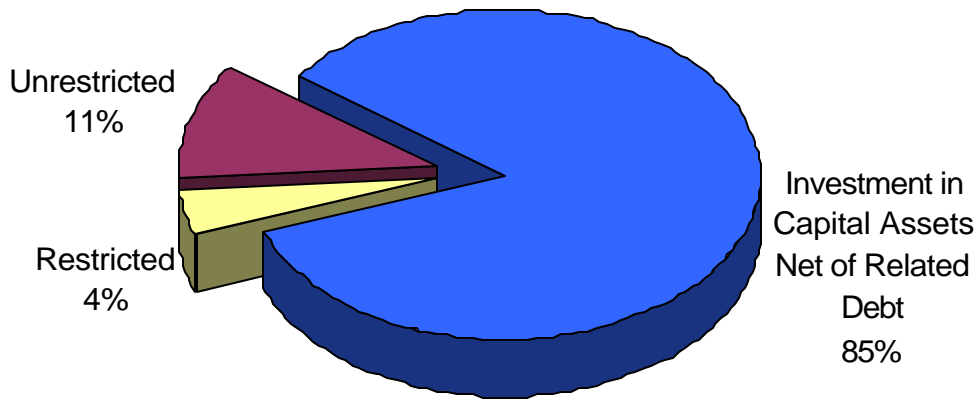
**Analysis of Net Assets**

Total Net Assets of \$8,342,188 is comprised of the investment in capital assets net of related debt (\$7,030,951), expendable student aid (Note 15) of \$2,925 and reserve for debt service of \$359,171. The debt service reserve is set-aside in the event the pledge

revenues in interest and sinking fund are not sufficient to pay the debt service payment in the future. The unrestricted net of \$949,141 is the year-to-date net of current and non-current revenues and expenses.

	<u>Fiscal Year</u> <u>Ending 2004</u>	<u>Fiscal Year</u> <u>Ending 2003</u>
<b>ANALYSIS OF NET ASSETS</b>		
Investment in Capital Assets, Net of Related Debt	\$7,030,951	\$6,934,610
Restricted for: Expendable student aid and debt service	362,096	401,032
Unrestricted	<u>949,141</u>	<u>481,606</u>
Total Net Assets	<u><u>\$8,342,188</u></u>	<u><u>\$7,817,248</u></u>

### Net Assets



### Statement of Cash Flows

The final statement presented by the Northeast Texas Community College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts:

*Part 1* deals with operating cash flows and shows the net cash used in the operating activities of the institution. The bulk of receipts from students and other



customers, appropriations, grants and contracts, and other proceeds help the College cover its payments for payroll, scholarships, loans, and other cash payments.

*Part 2* shows the cash flow from non-capital and related financing activities. Part of the ad-valorem local tax revenues pays for maintenance and operations of the College and the rest is for the settlement of general obligation bonds (note 7).

*Part 3* reflects the cash flows from capital and related financing activities. It shows payments made on expenses and interest on capital related debt, purchase of capital assets and payments on capital debt and leases.

*Part 4* shows the cash flows from investing activities where proceeds from sale and purchase of investments including investment earnings are reflected.

*Part 5* reconciles the net cash used in the operating income or loss that is reflected on the Statement of Net Assets under the line item 'Cash and Cash Equivalents'.

### **Economic Condition and Outlook**

Continued growth both in enrollment and financial resources is expected for the next 3-5 years. Enrollment continues to increase, the district tax base is strengthening, and the college is expanding instructional programs through a capital expansion program. Construction of three new buildings will be completed by fall 2005. Once these new facilities and programs are completed, additional expansion is planned for the college.

***FINANCIAL STATEMENTS***

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**EXHIBIT 1**  
**STATEMENTS OF NET ASSETS**  
**August 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	\$ 5,303,996	\$ 8,367,701
Short-term investments (Note 5)	2,809,178	2,272,000
Accounts receivable (net of allowance for doubtful accounts of \$257,210, 2004 and \$218,048, 2003) (Note 21)	1,238,513	2,079,566
Inventories	359,457	276,651
Prepaid expense	98,047	114,774
Deferred charges	148,217	140,441
Deposits	21,371	21,371
Due from component unit	104,051	215,871
<b>Total Current Assets</b>	<b><u>10,082,830</u></b>	<b><u>13,488,375</u></b>
<b>Noncurrent Assets</b>		
Notes receivable (net of allowance for doubtful accounts of \$66,708 2004 and \$56,820 2003)	24,302	21,316
Long - term investments (Note 5)		407,395
Deferred charges	411,166	425,259
Other assets	58,855	58,855
Capital assets, net of accumulated depreciation (Note 3)	19,137,889	14,307,454
<b>Total Noncurrent Assets</b>	<b><u>19,632,212</u></b>	<b><u>15,220,279</u></b>
<b>Total Assets</b>	<b><u>29,715,042</u></b>	<b><u>28,708,654</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable (Note 21)	1,001,075	298,717
Accrued liabilities (Note 21)	161,602	208,835
Accrued compensated absences (Note 11)	51,323	36,820
Deposits payable	94,981	94,284
Funds held for others	71,544	64,393
Deferred revenues	1,729,060	1,746,513
Note payable - current portion (Note 7)	45,903	163,486
Unamortized premium - current portion (Note 7)	270,824	265,199
Bonds payable - current portion (Note 7)	1,222,156	1,186,541
<b>Total Current Liabilities</b>	<b><u>4,648,468</u></b>	<b><u>4,064,788</u></b>
<b>Noncurrent Liabilities</b>		
Unamortized premium (Note 7)	580,363	851,865
Bonds payable (Note 7)	15,844,065	15,974,753
Notes payable (Note 7)	299,958	
<b>Total Noncurrent Liabilities</b>	<b><u>16,724,386</u></b>	<b><u>16,826,618</u></b>
<b>Total Liabilities</b>	<b><u>21,372,854</u></b>	<b><u>20,891,406</u></b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	7,030,951	6,934,610
Restricted for		
Expendable		
Student Aid	2,925	2,789
Debt service	359,171	398,243
Temporarily		
Unrestricted	949,141	481,606
<b>Total Net Assets</b>	<b><u>\$ 8,342,188</u></b>	<b><u>\$ 7,817,248</u></b>

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

**NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.**  
**COMPONENT UNIT**  
**STATEMENTS OF NET ASSETS**  
**August 31, 2004 and 2003**

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	\$ 3,710	\$ 11,778
Investments (Note 5)	982,474	776,478
Accounts receivable (Note 21)	222,394	190,216
<b>Total Current Assets</b>	<b>1,208,578</b>	<b>978,472</b>
<b>Noncurrent Assets</b>		
Long - term investments (Note 5)	126,057	117,694
Property, plant, and equipment, net of accumulated depreciation (Note 3)	99,670	60,238
Other assets	23,100	23,100
<b>Total Noncurrent Assets</b>	<b>248,827</b>	<b>201,032</b>
 <b>Total Assets</b>	 <b>1,457,405</b>	 <b>1,179,504</b>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable (Note 21)		54
Deferred revenue	30,230	
Due to Northeast Texas Community College	104,051	215,871
<b>Total Current Liabilities</b>	<b>134,281</b>	<b>215,925</b>
 <b>Total Liabilities</b>	 <b>134,281</b>	 <b>215,925</b>
 <b>Net assets:</b>		
Restricted		
Nonexpendable:		
Permanently	929,226	673,636
Expendable:		
Temporarily	171,838	151,967
Unrestricted	222,060	137,976
<b>Total Net Assets</b>	<b>\$ 1,323,124</b>	<b>\$ 963,579</b>

**The accompanying notes are an integral part of these financial statements.**

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**EXHIBIT 2**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Years Ended August 31, 2004 and 2003**

<b>REVENUES</b>	<b>2004</b>	<b>2003</b>
<b>Operating Revenues</b>		
Tuition and fees (net of grant and scholarship allowances of \$1,445,116, 2004 and \$1,276,863, 2003)	\$ 2,169,998	\$ 1,832,136
Federal grants and contracts	4,974,343	4,646,712
State grants and contracts	501,634	880,839
Non-Governmental grants and contracts	111,093	84,557
Sales and services of educational activities	28,069	29,804
Auxiliary enterprises (net of grant and scholarship allowances of \$521,322, 2004 and \$434,939, 2003)	1,162,895	1,085,242
Other operating revenues	486,348	373,265
<b>Total Operating Revenues (Schedule A)</b>	<b>9,434,380</b>	<b>8,932,555</b>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	5,536,415	6,006,220
Public service	546,000	466,683
Academic support	800,439	827,786
Student services	1,275,110	1,120,841
Institutional support	2,137,074	2,040,704
Operation and maintenance of plant	1,043,060	1,026,326
Scholarships and fellowships	1,977,687	1,879,617
Auxiliary enterprises	1,589,001	1,492,701
Depreciation	481,577	433,618
<b>Total Operating Expenses (Schedule B)</b>	<b>15,386,363</b>	<b>15,294,496</b>
<b>Operating Income (Loss)</b>	<b>(5,951,983)</b>	<b>(6,361,941)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State allocations	4,603,402	4,406,873
Ad-valorem taxes		
Taxes for maintenance & operations	1,889,661	1,780,556
Taxes on general obligations bonds	1,068,780	1,089,062
Investment income (net of investment expenses)	112,891	41,997
Gain (Loss) on disposal of capital assets	(125,001)	(23,649)
Interest on capital related debt	(1,035,407)	(715,108)
Other non - operating expenses	(37,403)	(7,798)
<b>Net non-operating revenues</b>	<b>6,476,923</b>	<b>6,571,933</b>
<b>Income Before Other Revenues, Expenses, Gains, Losses</b>	<b>524,940</b>	<b>209,992</b>
<b>OTHER REVENUES, (EXPENSES), GAINS, (LOSSES)</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net Assets</b>	<b>524,940</b>	<b>209,992</b>
<b>Net Assets - Beginning of Year</b>	<b>7,817,248</b>	<b>7,607,256</b>
<b>Net Assets - End of Year</b>	<b>\$ 8,342,188</b>	<b>\$ 7,817,248</b>

The accompanying "Notes to the Financial Statement" are an integral part of this statement.

**NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.**  
**COMPONENT UNIT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Years Ended August 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Federal Grants and Contracts	\$ 387,341	\$ 484,742
State Grants and Contracts	508,137	399,658
Local Grants and Contracts	98,383	148,551
<b>Total Operating Revenues</b>	<u><b>993,861</b></u>	<u><b>1,032,951</b></u>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Public Service	1,066,743	1,154,474
Scholarships	290,861	265,825
Depreciation	2,757	1,757
<b>Total Operating Expenses</b>	<u><b>1,360,361</b></u>	<u><b>1,422,056</b></u>
<b>Operating Income (Loss)</b>	<u><b>(366,500)</b></u>	<u><b>(389,105)</b></u>
<b>Non-Operating Revenues (Expenses)</b>		
Investment income	17,739	17,510
<b>Net non-operating revenues</b>	<u><b>17,739</b></u>	<u><b>17,510</b></u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, Losses</b>	<u><b>(348,761)</b></u>	<u><b>(371,595)</b></u>
<b>OTHER REVENUES, (EXPENSES), GAINS, LOSSES</b>		
Additions to Endowments	656,138	322,644
Increase (Decrease) in Fair Value of Investment	65,566	55,854
Realized gain (loss) on Investments	(13,398)	3,397
<b>Total Other Revenues, Expenses, Gains, Losses</b>	<u><b>708,306</b></u>	<u><b>381,895</b></u>
<b>Increase (Decrease) in Net Assets</b>	<b>359,545</b>	<b>10,300</b>
<b>Net Assets - Beginning of Year</b>	<u><b>963,579</b></u>	<u><b>953,279</b></u>
<b>Net Assets - End of Year</b>	<u><b>\$ 1,323,124</b></u>	<u><b>\$ 963,579</b></u>

The accompanying notes are an integral part of these financial statements.

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**EXHIBIT 3**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from students and other customers	\$ 3,438,564	\$ 2,639,646
Receipts of grants and contracts for operating activities	6,335,158	4,676,065
Loans to students and employees	(2,986)	1,930
Other receipts	490,575	352,902
Payments to or on behalf of employees	(8,505,511)	(8,638,832)
Payments to suppliers for goods or services	(3,677,254)	(4,032,446)
Payments of scholarships	(1,977,687)	(1,879,617)
<b>Net cash provided (used) by operating activities</b>	<u><b>(3,899,141)</b></u>	<u><b>(6,880,352)</b></u>
<b>Cash Flows From Noncapital Financing Activities</b>		
State allocations	4,603,402	4,406,873
Ad valorem tax revenues	2,958,441	2,869,618
<b>Net cash provided (used) by non-capital financing activities</b>	<u><b>7,561,843</b></u>	<u><b>7,276,491</b></u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Receipts from issuance of capital debt		10,826,651
Receipts from note payable		51,238
Interest and other expense on capital related debt	(382,415)	(580,251)
Purchases of capital assets	(5,191,814)	(486,185)
Payments on capital debt and leases	(1,135,286)	(703,427)
<b>Net cash provided (used) by capital and related financing activities</b>	<u><b>(6,709,515)</b></u>	<u><b>9,108,026</b></u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale and maturity of investments	2,272,000	974,576
Investment earnings	112,891	41,997
Purchases of investments	(2,401,783)	(2,372,000)
<b>Net cash provided (used) by investing activities</b>	<u><b>(16,892)</b></u>	<u><b>(1,355,427)</b></u>
<b>Increase (Decrease) in cash and cash equivalents</b>	<u><b>(3,063,705)</b></u>	<u><b>8,148,738</b></u>
<b>Cash and cash equivalents - September 1,</b>	<u><b>8,367,701</b></u>	<u><b>218,963</b></u>
<b>Cash and cash equivalents - August 31,</b>	<u><u><b>\$ 5,303,996</b></u></u>	<u><u><b>\$ 8,367,701</b></u></u>
<b>Noncash investing, capital, and financing activities</b>		
Note payable to purchase capital assets	\$ 245,198	\$ 0
Disposal of assets	\$ (125,001)	\$ 23,649
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (5,951,983)	\$ (6,361,941)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	481,577	433,618
Changes in assets and liabilities		
Receivables, net	841,053	(1,192,487)
Inventories	(82,806)	57,485
Due from component unit	111,820	97,019
Prepaid expense	16,727	25,832
Deferred charges	6,317	(454,745)
Accounts payable	702,358	80,777
Accrued liabilities	(11,613)	32,508
Deferred revenue	(17,453)	383,290
Deposits held for others	7,151	3,777
Deposits payable	697	12,585
Loans to students and employees	(2,986)	1,930
<b>Net cash provided (used) by operating activities</b>	<u><u><b>\$ (3,899,141)</b></u></u>	<u><u><b>\$ (6,880,352)</b></u></u>

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

**NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.**  
**COMPONENT UNIT**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from grants and contracts for operating activities	\$ 991,913	\$ 1,181,340
Payments of scholarships and support of college	(402,681)	(425,682)
Payments on grants and contract costs	<u>(1,066,797)</u>	<u>(1,083,838)</u>
<b>Net cash provided (used) by operating activities</b>	<u>(477,565)</u>	<u>(328,180)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Additions to permanent and term endowment	<u>623,949</u>	<u>324,138</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>623,949</u>	<u>324,138</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
<b>Net cash flows provided (used) by capital and related financing activities</b>	<u>-</u>	<u>-</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	481,419	581,937
Investment income	17,739	17,510
Purchase of capital assets	(10,000)	
Purchase of investments	<u>(643,610)</u>	<u>(600,461)</u>
<b>Net cash provided (used) by investing activities</b>	<u>(154,452)</u>	<u>(1,014)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,068)</b>	<b>(5,056)</b>
<b>Cash and cash equivalents at beginning of year</b>	<u>11,778</u>	<u>16,834</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 3,710</u>	<u>\$ 11,778</u>
<b>Reconciliation of operating loss to net cash used by by operating activities</b>		
Operating loss	\$ (366,500)	\$ (389,105)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	2,757	6,865
Disposal of assets		2,850
Change in assets and liabilities		
Unconditional promises to give		
Accounts receivable	(32,178)	148,389
Due to college	(111,820)	(97,019)
Deferred revenue	30,230	
Accounts payable	<u>(54)</u>	<u>(160)</u>
<b>Net cash provided by operating activities</b>	<u>\$ (477,565)</u>	<u>\$ (328,180)</u>

The accompanying notes are an integral part of these financial statements.



**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 1 - Reporting Entity**

Northeast Texas Community College (the College) was formed in January, 1984, within a voter approved tax district encompassing Camp, Morris, and Titus Counties in Northeast Texas, in accordance with the laws of the State of Texas. A seven member Board of Trustees elected at large from the three counties serves as the oversight unit. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

In defining the College's reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The following is a brief summary of the potential component unit addressed in defining the College's reporting entity.

Northeast Texas Community College Foundation – The Foundation is organized for the exclusive support of Northeast Texas Community College. The Foundation is a twenty three member board and the College Board of Trustees are members of the Board of Directors of the Foundation.

**Note 2 - Summary of Significant Accounting Policies**

**Reporting Guidelines**

The significant accounting polices followed by Northeast Texas Community College and Northeast Texas Community College Foundation (the College) in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

**Tuition Discounting**

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

Title IV, HEA Program Funds: Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the college and recorded as restricted revenue. When funds are awarded to students and used for tuition and fees the amounts are recorded as revenue, and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other tuition discounts: The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount is recorded as a tuition discount.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 2 - Summary of Significant Accounting Policies- (continued)**

**Basis of Accounting**

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

Encumbrance Accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Current Funds. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

**Budgetary data**

The College is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The official college budget prepared on the accrual basis of accounting is adopted by the Board of Trustees. Copies of the adopted budget were filed with Texas Higher Education Coordinating Board, Governor's Office of Budget and Planning, Legislative Budget Board, Legislative Reference Library, Morris County Clerk's office, Titus County Clerk's office, and Camp County Clerk's office.

**Cash and cash equivalents**

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

**Inventories**

Inventories consist of bookstore stock. Inventories are stated at lower of cost or market using the first-in, first-out (FIFO) method and are charged to expense as consumed.

**Deferred Revenue and Expenditure**

Unrestricted revenue on fall tuition and fees charged prior to the end of the fiscal year and unrestricted expenditures related to the fall semester are deferred to provide for reporting revenue and expenditures within the fiscal year in which the program is predominately conducted.

**Bond Premiums and Discounts**

Bond premiums and discounts are being amortized over the life of the bonds based on the interest method.

**State Retirement and Insurance Contributions**

The State of Texas contributes to the retirement plan and insurance program. State contributions are reported as income and staff benefits as expenditures in accordance with *Governmental Accounting Standards*.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 2 - Summary of Significant Accounting Policies – (continued)**

**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. Actual results could differ from those estimates.

**Investments**

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

**Operating and Non-Operating Revenues and Expenses**

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state allocations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

**Capital Assets**

Capital assets are recorded 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 estimated useful life in excess of one year. Renovations of \$50,000 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, generally 50 years for buildings, 20 years for land improvements, 10 years for furniture, machinery, vehicles and other equipment and 5 years for telecommunications and peripheral equipment.

Library books are capitalized but not depreciated. Library books will be written off as the books are removed from service.

**Prior Period Restatement**

In the current statements, state allocations are reported as non-operating revenue. In prior years, state allocations have been reported as operating revenue. In the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows, state allocations for year ended August 31, 2003 have been restated as non-operating revenues.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 3 – Capital Assets**

Capital assets activity for the year ended August 31, 2004 was as follows:

	For the Year Ended August 31, 2004			
	Balance August 31, 2003	Increases	Decreases	Balance August 31, 2004
<b><u>Not Depreciated:</u></b>				
Land	\$ 691,961	\$ 272,659	\$ 12,100	\$ 952,520
Library Books	955,113	44,785	95,703	904,195
Construction in Process	0	4,889,746		4,889,746
Subtotal	\$ 1,647,074	\$ 5,207,190	\$ 107,803	\$ 6,746,461
<b><u>Other Capital Assets:</u></b>				
Buildings	16,741,551			16,741,551
Furniture, Machinery, Vehicles, and other Equipment	1,148,398	229,252	121,810	1,255,840
Telecommunications and Peripheral Equipment	493,526	22,670		516,196
Subtotal	\$ 18,383,475	\$ 251,922	\$ 121,810	\$ 18,513,587
<b><u>Accumulated Depreciation:</u></b>				
Buildings	4,722,293	333,701		5,055,994
Furniture, Machinery, Vehicles and Other Equipment	763,883	77,199	82,512	758,570
Telecommunications and Peripheral Equipment	236,919	70,676		307,595
Subtotal	\$ 5,723,095	\$ 481,576	\$ 82,512	\$ 6,122,159
Net Other Capital Assets	\$ 12,660,380	\$ (229,654)	\$ 39,298	\$ 12,391,428
<b>Net Capital Assets</b>	<b>\$ 14,307,454</b>	<b>\$ 4,977,536</b>	<b>\$ 147,101</b>	<b>\$ 19,137,889</b>

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 3 – Capital Assets- (continued)**

**Foundation**

	For the Year Ended August 31, 2004			
	Balance August 31, 2003	Increases	Decreases	Balance August 31, 2004
<u>Not Depreciated:</u>				
Land	\$ 53,210	\$ 22,190	\$	\$ 75,400
Piano		10,000		10,000
Subtotal	\$ 53,210	\$ 32,190	\$ 0	\$ 85,400
<u>Other Capital Assets:</u>				
Furniture, Machinery, Vehicles, and other Equipment	59,875	10,000	51,090	18,785
Subtotal	\$ 59,875	\$ 10,000	\$ 51,090	\$ 18,785
<u>Accumulated Depreciation:</u>				
Furniture, Machinery, Vehicles and Other Equipment	52,847	2,758	51,090	4,515
Subtotal	\$ 52,847	\$ 2,758	\$ 51,090	\$ 4,515
Net Other Capital Assets	\$ 7,028	\$ 7,242	\$ 0	\$ 14,270
<b>Net Capital Assets</b>	<b>\$ 60,238</b>	<b>\$ 39,432</b>	<b>\$ 0</b>	<b>\$ 99,670</b>

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 3 – Capital Assets- (continued)**

Capital assets activity for the year ended August 31, 2003 was as follows:

	For the Year Ended August 31, 2003			
	Balance August 31, 2002	Increases	Decreases	Balance August 31, 2003
<b><u>Not Depreciated:</u></b>				
Land	\$ 489,506	\$ 202,455	\$	\$ 691,961
Library Books	930,031	48,731	23,649	955,113
Construction in Process	0			0
Subtotal	<u>\$ 1,419,537</u>	<u>\$ 251,186</u>	<u>\$ 23,649</u>	<u>\$ 1,647,074</u>
<b><u>Other Capital Assets:</u></b>				
Buildings	16,670,840	70,711		16,741,551
Furniture, Machinery, Vehicles, and other Equipment	1,136,098	12,300		1,148,398
Telecommunications and Peripheral Equipment	341,538	151,988		493,526
Subtotal	<u>\$ 18,148,476</u>	<u>\$ 234,999</u>	<u>\$ 0</u>	<u>\$ 18,383,475</u>
<b><u>Accumulated Depreciation:</u></b>				
Buildings	4,388,592	333,701		4,722,293
Furniture, Machinery, Vehicles and Other Equipment	700,286	63,597		763,883
Telecommunications and Peripheral Equipment	200,599	36,320		236,919
Subtotal	<u>\$ 5,289,477</u>	<u>\$ 433,618</u>	<u>\$ 0</u>	<u>\$ 5,723,095</u>
Net Other Capital Assets	<u>\$ 12,858,999</u>	<u>\$ (198,619)</u>	<u>\$ 0</u>	<u>\$ 12,660,380</u>
<b>Net Capital Assets</b>	<b><u>\$ 14,278,536</u></b>	<b><u>\$ 52,567</u></b>	<b><u>\$ 23,649</u></b>	<b><u>\$ 14,307,454</u></b>

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 3 – Capital Assets-(continued)**

**Foundation**

	For the Year Ended August 31, 2003			
	Balance August 31, 2002	Increases	Decreases	Balance August 31, 2003
<u>Not Depreciated:</u>				
Land	\$ 53,210	\$	\$	\$ 53,210
Subtotal	\$ 53,210	\$ 0	\$ 0	\$ 53,210
<u>Other Capital Assets:</u>				
Furniture, Machinery, Vehicles, and other Equipment	59,875			59,875
Subtotal	\$ 59,875	\$ 0	\$ 0	\$ 59,875
<u>Accumulated Depreciation:</u>				
Furniture, Machinery, Vehicles and Other Equipment	45,982	6,865		52,847
Subtotal	\$ 45,982	\$ 6,865	\$ 0	\$ 52,847
Net Other Capital Assets	\$ 13,893	\$ (6,865)	\$ 0	\$ 7,028
<b>Net Capital Assets</b>	<b>\$ 67,103</b>	<b>\$ (6,865)</b>	<b>\$ 0</b>	<b>\$ 60,238</b>

The College is engaged in a construction contract to build campus additions in the amounts of \$9,252,100 and is to be paid with bond proceeds from the 2003 Tax Bond Issue. As of August 31, 2004, \$4,901,065 has been expended and reported as construction in progress.

**Note 4 - Authorized Investments**

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

**Note 5 - Deposits and Investments**

At August 31, 2004 the carrying amount of the College's and the Foundation's deposits was \$1,924,569 and \$3,660, respectively and total bank balances equaled \$1,723,977 and \$2,885, respectively. Bank balances of \$602,885 are covered by federal depository insurance and \$1,123,977 was covered by collateral pledged not in the College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College, but not in college's name (Category 3).

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 5 - Deposits and Investments-( continued)**

Deposits are carried at cost plus accrued interest. The carrying amounts of deposits are reported on the Statement of Net Assets as “Cash and Cash Equivalents”. The balances at August 31, 2004, are as follows:

	<u>College's Carrying Amount</u>	<u>Foundation's Carrying Amount</u>	<u>Bank Balance</u>
Bank Deposits			
Insured Demand Deposits	\$ 100,000	\$ 3,660	\$ 102,885
Insured Timed Deposits	500,000		500,000
Uninsured, Collateral held by College's Agent not in College's Name (Category 3)	1,324,569		1,123,977
Cash and Cash Equivalents on Hand	<u>6,750</u>	<u>50</u>	
<b>Total Cash and Deposits</b>	<b><u>\$ 1,931,319</u></b>	<b><u>\$ 3,710</u></b>	<b><u>\$ 1,726,862</u></b>

At August 31, 2003 the carrying amount of the College’s and the Foundation’s deposits was \$4,826,252 and \$11,728, respectively and total bank balances equaled \$5,070,794 and \$11,700, respectively. Bank balances of \$2,583,728 are covered by federal depository insurance and \$2,498,766 was covered by collateral not in the college’s name. The collateral was held in the safekeeping departments of banks which act as agents for the College, but not in College’s name (Category 3).

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as “Cash and Cash Equivalents”. The balances at August 31, 2003, are as follows:

	<u>College's Carrying Amount</u>	<u>Foundation's Carrying Amount</u>	<u>Bank Balance</u>
Bank Deposits			
Insured Demand Deposits	\$ 100,000	\$ 11,728	\$ 111,728
Insured Timed Deposits	2,472,000		2,472,000
Uninsured, Collateral held by College's Agent not in College's Name (Category 3)	2,254,252		2,498,766
Cash and Cash Equivalents on Hand	<u>7,298</u>	<u>50</u>	
<b>Total Cash and Deposits</b>	<b><u>\$ 4,833,550</u></b>	<b><u>\$ 11,778</u></b>	<b><u>\$ 5,082,494</u></b>



**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 5 - Deposits and Investments- (continued)**

**Cash and Cash Equivalents**

To comply with the reporting requirements of GASB Statement No. 3, Deposits, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, Northeast Texas Community College and Northeast Texas Community College Foundation's deposits and investments are categorized under "Investment Categories" to give an indication of credit risk assumed by Northeast Texas Community College and Northeast Texas Community College Foundation at year end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note. The following categories of credit risk are included:

- Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3: Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.

**Investments**

To comply with the reporting requirements of GASB Statement No. 3, *Investments (Including Repurchase Agreements) and Reserve Repurchase Agreements*, the College's cash and investments are categorized under "Investment Categories" to give an indication of credit risk assumed by the College at year end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the fair value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

The following categories of Investments are included:

- Category 1: Investments that are insured or registered, or securities held by the College or its agent in the College's name.
- Category 2: Uninsured and unregistered investments for which the securities held by the counter party's trust department or agent in the College's name.
- Category 3: Uninsured and unregistered investments for which the securities held by the counter party's or by its trust department or agent but not in the College's name.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 5 - Deposits and Investments- (continued)**

Categorized Investments at August 31, 2004 are as follows:

Primary Institution

	<u>Maturities</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
US Treasury Bond	11/30/2004	\$ 204,223	\$ 204,223
US Treasury Bond	12/31/2004	228,071	228,071
US Treasury Bond	1/31/2005	189,911	189,911
US Treasury Bond	2/28/2005	151,810	151,810
US Treasury Bond	3/31/2005	230,747	230,747
Federal Home Loan Banks	12/15/2004	200,188	200,188
Federal Home Loan Banks	4/15/2004	229,468	229,468
Federal Home Loan Banks	2/15/2005	189,986	189,986
Federal Home Loan Banks	1/15/2005	225,016	225,016
Federal National Mtg Assn	3/15/2005	146,489	146,489
Total Category 3		<u>\$ 1,995,909</u>	<u>\$ 1,995,909</u>

Uncategorized Investments at August 31, 2004, are as follows:

Primary Institution

<u>Type of Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Investment Pool	\$ 1,603,851	\$ 1,603,851
Mutual Fund	<u>2,582,095</u>	<u>2,582,095</u>
Total Uncategorized Investments	<u>\$ 4,185,946</u>	<u>\$ 4,185,946</u>

Foundation

<u>Type of Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Mutual Funds	<u>\$ 1,108,531</u>	<u>\$ 1,108,531</u>
Total Investments	<u>\$ 1,108,531</u>	<u>\$ 1,108,531</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 5 - Deposits and Investments- (continued)**

The fair value of the College's position in the investment pool is the same as the value of the pool shares. The investment pool is established pursuant to the *Public Funds Investment Act*, Chapter 2256 of the Texas Government Code. The investment pool is not regulated but is audited annually.

The following is a reconciliation of deposits and investments for August 31, 2004 between the above balances and Exhibit 1:

Above Balances

	<u>Primary Institution</u>	<u>Foundation</u>
Cash and Deposits	\$ 1,931,319	\$ 3,710
Investments	6,181,855	1,108,531
Total	<u>\$ 8,113,174</u>	<u>\$ 1,112,241</u>

Amount Per Exhibit 1

Cash and Deposits	\$ 5,303,996	\$ 3,710
Short-term Investments	2,809,178	982,474
Long-term Investments		126,057
Total	<u>\$ 8,113,174</u>	<u>\$ 1,112,241</u>

The College did not invest in securities other than those shown above during 2004, nor did any losses result from default on investment transactions.

Investments are carried at estimated fair value as determined by quoted market prices. Changes in fair value of investments are reported as net increases or decrease in fair values of investments on the financial statements. The net decrease in the fair value of investments as of August 31, 2004, in the foundation was \$23,216.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 5 - Deposits and Investments- (continued)**

Uncategorized Investments at August 31, 2003, are as follows:

Primary Institution

<u>Type of Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Investment Pool	\$ 3,572,182	\$ 3,572,182
Mutual Fund	<u>2,641,364</u>	<u>2,641,364</u>
Total Uncategorized Investments	<u>\$ 6,213,546</u>	<u>\$ 6,213,546</u>

Foundation

<u>Type of Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Mutual Funds	\$ <u>894,172</u>	\$ <u>894,172</u>
Total Investments	<u>\$ 894,172</u>	<u>\$ 894,172</u>

The fair value of the College's position in the investment pool is the same as the value of the pool shares. The investment pool is established pursuant to the *Public Funds Investment Act*, Chapter 2256 of the Texas Government Code. The investment pool is not regulated but is audited annually.

The following is a reconciliation of deposits and investments for August 31, 2003 between the above balances and Exhibit 1:

Above Balances

	<u>Primary Institution</u>	<u>Foundation</u>
Cash and Deposits	\$ 4,833,550	\$ 11,778
Investments	<u>6,213,546</u>	<u>894,172</u>
Total	<u>\$ 11,047,096</u>	<u>\$ 905,950</u>

Amount Per Exhibit 1

Cash and Deposits	\$ 8,367,701	\$ 11,778
Short-term Investments	2,272,000	776,478
Long-term Investments	<u>407,395</u>	<u>117,694</u>
Total	<u>\$ 11,047,096</u>	<u>\$ 905,950</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 5 - Deposits and Investments- (continued)**

The College did not invest in securities other than those shown above during 2003, nor did any losses result from default on investment transactions.

Investments are carried at estimated fair value as determined by quoted market prices. Changes in fair value of investments are reported as net increases or decrease in fair values of investments on the financial statements. The net decrease in the fair value of investments as of August 31, 2003, for all funds was \$88,781.

**Note 6 – Derivatives**

The College had no derivatives at August 31, 2004 or 2003.

**Note 7 – Bonds and Notes Payable**

	Balance August 31, 2003	Increases	Decreases	Balance August 31, 2004	Current Portion
Leases, bonds, and notes					
Revenue bonds	\$ 2,240,000		\$ 220,000	\$ 2,020,000	\$ 235,000
General obligation bonds	14,921,293	921,594	796,666	15,046,221	987,156
Unamortized Premium	1,117,064		265,877	851,187	270,824
Notes Payable	163,486	245,198	62,823	345,861	45,903
Total long-term obligations	<u>\$ 18,441,843</u>	<u>\$ 1,166,792</u>	<u>\$ 1,345,366</u>	<u>\$ 18,263,269</u>	<u>\$ 1,538,883</u>

	Balance August 31, 2002	Increases	Decreases	Balance August 31, 2003	Current Portion
Leases, bonds, and notes					
Revenue bonds	\$ 2,450,000		\$ 210,000	\$ 2,240,000	\$ 220,000
General obligation bonds	4,181,692	11,457,893	718,292	14,921,293	966,541
Unamortized Premium	1,353,263		236,199	1,117,064	265,199
Notes Payable	123,869	51,246	11,629	163,486	163,486
Total long-term obligations	<u>\$ 8,108,824</u>	<u>\$ 11,509,139</u>	<u>\$ 1,176,120</u>	<u>\$ 18,441,843</u>	<u>\$ 1,615,226</u>

**1991 Series Limited Tax General Obligation Bonds (Dated August 15, 1991):**

1991 Series Limited Tax General Obligation Bonds of \$2,175,000 were issued to defease \$2,175,000 of the 1986 Series Limited Tax General Obligation Bonds. The bonds are secured by the same ad valorem taxes that secure the 1986 Series. The 1991 bonds mature in 2001 through 2004 and bear interest of 6.65%. All bonds authorized were issued at the date of issue and at August 31, 2004 and 2003, \$0 and \$770,000 of these bonds were outstanding.

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**Note 7 – Bonds and Notes Payable-(continued)**

1992 Series Dormitory System Revenue Bonds (Dated September 15, 1992):

1992 Series Dormitory System Revenue Bonds of \$810,000 were issued to partially fund the construction of an on-campus dormitory facility. The bonds bear interest from 3.35% to 7% and mature through 2012. The bonds are secured by and payable solely from a first lien on that property and the pledge of dormitory revenues. All bonds authorized were issued at the date of issue and at August 31, 2004 and 2003, \$460,000 and \$500,000, respectively, of these bonds were outstanding.

1994 Series Dormitory System Revenue Bonds (Dated July 1, 1994):

1994 Series Dormitory System Revenue Bonds of \$550,000 were issued to fund the expansion of the on-campus dormitory facility. The bonds bear interest from 4.00% to 6.75% and mature through 2015. The bonds are secured by and payable solely from a first lien on the property and the pledge of dormitory revenues. All bonds authorized were issued at the date of issue and at August 31, 2004 and 2003, \$370,000 and \$390,000, respectively, of these bonds were outstanding.

1994 Series Tuition and Building Use Fee Refunding and Revenue Bonds (Dated September 1, 1994):

1994 Series Tuition and Building Use Fee Refunding and Revenue Bonds of \$2,355,000 were issued, in part, to refund and restructure the College's outstanding 1990 Series Tuition and Building Use Fee Revenue Bonds, and, in part, to construct, improve, enlarge, equip and maintain property, buildings and facilities of the College. The bonds bear interest from 5% to 6.6% and mature through 2010. The bonds are secured by and payable solely from a lien on the property and the pledge of certain revenues of the College, including building use fee and certain pledged tuition charges. The College received bond proceeds of \$500,000 (net of refunding and restructuring requirements, bond issue costs and accrued interest) to be used for construction as discussed above. All bonds authorized have been issued, and at August 31, 2004 and 2003, \$1,190,000 and \$1,350,000, respectively, of these bonds were outstanding.

1994 Series Limited Tax Refunding Bonds (Dated September 28, 1994):

1994 Series Limited Tax Refunding Bonds of \$6,050,000 (maturity value) were issued to refund a portion of the College's outstanding 1986 Compound Interest Bonds and to pay the costs related to the issuance of the bonds. The bonds bear interest from 18.18% to 20.23% (effective rate of 5.55% to 6.15% considering bond premium) and mature through 2009. The bonds are secured with the proceeds of a continuing, direct ad valorem tax levied, within the limitations prescribed by law, against all taxable property within the District. All proceeds from the bonds were placed in escrow for the defeasance of the 1986 Series. All bonds authorized were issued at the date of issue. The accreted value of the bonds plus unamortized bond premium represents the carrying value of the bonds of \$3,360,474 and \$2,998,544 at August 31, 2004 and 2003, respectively.

2003 Series Limited Tax Bonds

The bonds were issued for the construction and equipment of campus buildings in the district and the purchase of necessary sites. At an election on November 5, 2002, the voters approved the issuance of up to \$18,000,000 in bonds. These bonds represent the first installment of bonds issued under the authority granted at the November 5, 2002 election.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 7 – Bonds and Note Payable-(continued)**

**2003 Series Limited Tax Bonds-(continued)**

The bonds were issued in part as Current Interest Bonds and in part as Capital Appreciation Bonds.

The Current Interest Bonds bear interest from 2.50% to 3.50% and mature on April 1, each year beginning April 1, 2004 and ending April 1, 2009. At August 31, 2004 and 2003, \$310,000 and \$335,000, respectively, of these bonds were outstanding.

The Capital Appreciation Bonds mature beginning April 1, 2010 and ending April 1, 2033. Interest is payable only at maturity and will accrue at a rate equal to the yield to maturity and will compound semiannually on each April and October. The bonds bear interest from 3.79% to 5.85%.

Bonds outstanding at August 31, 2004 and 2003, under this issue totaled \$10,969,193 and \$10,994,193, respectively. The accreted value of the bonds at August 31, 2004 and 2003 totaled \$11,375,747 and \$10,817,749, respectively.

**Notes Payable**

The College has a 5.0% note payable to a bank dated March 8, 2001, secured by a vehicle. The note was due by October 1, 2003. The balance of the note at August 31, 2004 and 2003 was \$0 and \$8,151, respectively.

The College has a 4.74% note payable to a bank dated March 25, 2001, secured by real estate. The note is payable in monthly installments of \$729, with the balance due March 24, 2006. The balance of the note at August 31, 2004 and 2003 was \$100,663 and \$104,089, respectively.

The College has a 4.0% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due in three annual installments of \$3,225. The balance of the note at August 31, 2004 was \$9,245.

The College has a 4.0% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due in three annual installments of \$4,649. The balance of the note at August 31, 2004 was \$13,327.

The College has a 4.0% note payable to a bank dated September 23, 2003, secured by a vehicle. The note is due in three annual installments of \$4,533. The balance of the note at August 31, 2004 was \$12,533.

The College has a 4.0% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due in three annual installments of \$4,033. The balance of the note at August 31, 2004 was \$11,563.

The College has a 4.0% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due in three annual installments of \$8,207. The balance of the note at August 31, 2004 was \$23,530.

The College has an unsecured 3.95% note payable to a bank dated March 18, 2004. The note is due in four annual installments of \$25,000 with the balance of \$102,143 due March 18, 2009. The balance of the note at August 31, 2004 was \$175,000.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 7 – Bonds and Note Payable-(continued)**

**Tax Bonds**

Tax bonds and revenue bonds are due in annual installments varying from \$25,000 to \$1,115,000 with interest rates from 2.50% to 14.5% and the final installment due in 2033. The principal and interest expense for the next five years and beyond for the undefeased tax obligation bonds are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2005	987,156 (A)	122,607	1,109,763
2006	834,577 (A)	289,310	1,123,887
2007	706,922 (A)	425,466	1,132,388
2008	611,286 (A)	534,301	1,145,587
2009	530,533 (A)	627,617	1,158,150
2010-2014	3,711,806 (A)	1,383,194	5,095,000
2015-2019	2,854,630 (A)	2,495,370	5,350,000
2020-2024	2,140,040 (A)	3,479,961	5,620,001
2025-2029	1,623,580 (A)	4,286,420	5,910,000
2030-2033	1,045,691 (A)	3,909,351	4,955,042
	\$ 15,046,221	\$ 17,553,597	\$ 32,599,818

(A) Compound Interest Bonds and Tax Refunding Bonds are stated at their current accreted value.

In 2004 and 2003, interest cost of \$613,639 and \$545,143, respectively, were incurred on the 1994 Series LTD Tax Refunding Bonds. Premium amortization on the 1994 Series LTD Tax Refunding Bonds was \$265,877 and \$236,198 for 2004 and 2003.

The orders authorizing the issuance of the tax obligation bonds require the Board of Trustees to annually levy ad valorem taxes which will be sufficient to raise and produce the money required to pay the interest and principal of the bonds as they mature. The tax collections that are restricted for payment of the bond principal and interest are to be deposited into the Retirement of Indebtedness Fund.

**Revenue Bonds**

Debt service requirements for the revenue bonds are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2005	235,000	130,035	365,035
2006	250,000	115,180	365,180
2007	270,000	98,975	368,975
2008	290,000	81,387	371,387
2009	305,000	62,230	367,230
2010-2014	630,000	83,559	713,559
2015-2018	40,000	1,350	41,350
	\$ 2,020,000	\$ 572,716	\$ 2,592,716



**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 7 – Bonds and Note Payable-(continued)**

**Notes Payable**

Debt service requirements for the notes payable are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2005	\$ 45,903	\$ 12,494	\$ 58,397
2006	138,164	114,255	252,419
2007	43,227	6,403	49,630
2008	20,304	4,696	25,000
2009	98,263	3,881	102,144
Later Years	-	-	-
	<u>\$ 345,861</u>	<u>\$ 141,729</u>	<u>\$ 487,590</u>

**Note 8 – Defeased Debt**

All defeased debt has been retired as of August 31, 2004 and 2003.

**Note 9 – Employees’ Retirement Plan**

**Teacher Retirement System of Texas**

**Plan Description** – The College participates in the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications.

**Funding Policy** – State law provides for fiscal years 2003 and 2004 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or portion of the state’s 6.0% contribution.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 9 – Employees’ Retirement Plan – (continued)**

Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislation to establish a member contribution rate not less than 6.0% of the member’s annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’s 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. The required contributions to the plan, for the current and prior year, in dollars and percentages of participant’s salaries by the State and by the participant are as follows:

<u>Year</u>	<u>Amount</u>	<u>Percentages</u>	
		<u>State</u>	<u>Participant</u>
2004	\$ 435,318	6.0	6.4
2003	\$ 439,645	6.0	6.4
2002	\$ 377,759	6.0	6.4

The Teacher Retirement System does not separately account for each of its component government agencies because it bears sole responsibility for retirement for retirement commitments beyond contributions fixed by the legislature.

**Note 10 - Optional Retirement Program (ORP)**

**Plan Description** – The College also participates in an Optional Retirement Program (ORP) for institutions of higher education. Participation in the Optional Retirement is in lieu of participation in the Teacher Retirement System. It operates primarily under the provisions of the Texas Administrative Code, Sections 25.3(d), (e) and 25.72(c). The Teachers Retirement System of Texas (TRS) is responsible for establishing, amending and administering the plan. The Optional Retirement Program is a cost-sharing, multiple-employer defined contribution plan. The plan provides retirement benefits based on the balance of the participant’s account at the date of termination of the date of retirement. The Optional Retirement Program provides for the purchase of annuity contracts. Since these are individual annuity contracts, the State has no additional or unfunded liabilities for this program. The amount and percentages of participant salaries required to be contributed by the State, participant and College, for the current and prior years, are as outlined as follows:

<u>Year</u>	<u>Amount</u>	<u>Percentages</u>		
		<u>State</u>	<u>Participant</u>	<u>College</u>
2004	\$ 440,309	6.0	6.65	2.5
2003	\$ 408,782	6.0	6.65	2.5
2002	\$ 428,142	6.0	6.65	2.5

\* For participants who were receiving a matching 8.5% prior to September 1995, and were grandfathered in with the College paying the 2.5% difference.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 11 – Compensated Absences**

College employees earn vacation of 5-15 days per year based on years of service and sick leave benefits of 8 hours per month. The amount of vacation allowed to be carried over after August 31, is limited to 40 hours for each employee, which is lost unless, in certain instances, approval is obtained from management to carry over amounts in excess of the 40 hours. The College has accrued \$51,323 and \$36,820 for August 31, 2004 and 2003, respectively, in the financial statements for vacation to be carried over to the next fiscal year. Sick leave can be accumulated up to 480 hours, but cannot be redeemed in pay. Accordingly, no accrual sick leave has been made.

**Note 12 – Discounts**

Scholarship discounts in the amount of \$1,966,438 and \$1,711,802 were recorded for the year ended August 31, 2004 and 2003, respectively.

**Note 13 - Contract and Grant Awards**

Contracts and grant revenues are recognized on Exhibit 2 as funds are actually expended. For contracts and grants awards, funds expended, but not collected, are reported as accounts receivables on Exhibit 1. Contracts and grant awards that are not funded and for which the institution has not performed services are not included in the financial statements. Contracts and grant award funds already committed or funds awarded during fiscal year 2004 and 2003 for the College and Foundation are as follows:

		2004		2003
College				
Federal	\$	1,341,259	\$	556,539
State		-		106,240
Total	\$	1,341,259	\$	662,779
Foundation				
Federal	\$	164,569	\$	178,375
State		506,620		-
Total	\$	671,189	\$	178,375

**Note 14 - Post Retirement Health Care and Life Insurance Benefits**

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the college. Those and similar 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 cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

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**Note 15 – Ad Valorem Property Tax**

Property taxes are levied by October 1 in accordance with the Texas Property tax code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed.

	August 31,	
	2004	2003
Assessed Valuation of the District	\$ 2,930,862,310	\$ 2,841,977,000

	Current Operations	Debt Service	Total
Tax rate authorized per \$100 valuation	\$ 0.0620	\$ 0.0380	\$ 0.1000
Tax rate assessed per \$100 valuation for 2004	\$ 0.0620	\$ 0.0380	\$ 0.1000
Tax rate assessed per \$100 valuation for 2003	\$ 0.0620	\$ 0.0380	\$ 0.1000

	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 1,799,781	\$ 1,029,896	\$ 2,829,677
Delinquent Taxes Collected	39,223	23,041	62,264
Penalties and Interest Collected	29,209	17,641	46,850
Other Tax Related Items	(3,551)	(14,750)	(18,301)
Total Collections	\$ 1,864,662	\$ 1,055,828	\$ 2,920,490

Taxes levied for the years ended August 31, 2004 and 2003 were \$2,930,862 and \$2,841,977, respectively.

Current tax collections for the years ended August 31, 2004 and 2003 were 96.55% and 97.10% of the current tax levy. The use of tax proceeds is restricted to maintenance and operations expenditures or interest and sinking expenditures. Allowances for uncollectible taxes are based upon historical collections of delinquent taxes.

**Note 16 - Concentration of Credit Risks**

The College administers numerous grants and/or contracts funded by the State and Federal governments. Accordingly, a majority of the accounts receivable represents amounts due on contract or grant reimbursements either directly or indirectly from the State and/or Federal government.

**Note 17 – Contributions**

All contributions received by the Foundation are recorded at their estimated fair value at the date of receipt or bequest. The Foundation has recorded as a receivable, all unconditional promises to give in the aggregate of \$10,000 and \$13,350 at August 31, 2004 and 2003, respectively. The receivable is recorded at its net present value discounted at 6% at the date of the pledge.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 18 - Income Taxes**

The College 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 Organizations. The college had no unrelated business income for the years ended August 31, 2004 and 2003.

**Note 19 - Risk Management - Claims and Judgments**

In the normal course of operations the College is exposed to risks of loss from a number of sources including fire and casualty, errors and omissions by board members and employees, and injuries to employees during the course of performing their duties. The College attempts to cover these losses by purchase of insurance. Significant risks are covered by commercial insurance for property and liability programs. There has been no significant reduction in coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. In management's estimation there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

**Note 20 - Health Care Coverage**

During the year ended August 31, 2004 and 2003, employees of the College were covered by a health insurance plan (the Plan). The Plan is funded by the State with all premiums being paid to a licensed insurer. The Plan was authorized by Article 3.51.2, Texas Insurance Code. The State's total contribution for the years ended August 31, 2004 and 2003, amounted to \$585,971 and \$706,957, respectively, and covered an average of 189 and 185, respectively, employees per month.

**Note 21- Disaggregation of Receivables and Payables Balances**

Receivables at August 31, 2004 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 463,364	\$
Taxes Receivable	344,571	
Scholarship and Pledges Receivable		77,622
Contracts and Grants Receivable	615,152	144,772
Other Receivables	72,636	
<b>Subtotal</b>	<b>1,495,723</b>	<b>222,394</b>
Allowance for Doubtful Accounts	(257,210)	-
<b>Total Receivables</b>	<b>\$ 1,238,513</b>	<b>\$ 222,394</b>

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**Note 21- Disaggregation of Receivables and Payables Balances-(continued)**

Payables at August 31, 2004 were as follows:

	<u>College</u>	<u>Foundation</u>
Accounts Payable:		
<b>Vendors Payable</b>	\$ <b>1,001,075</b>	\$
Accrued Liabilities:		
Accrued payroll liabilities	\$ 32,668	\$
Interest payable	128,934	
<b>Total Accrued Liabilities</b>	<b>161,602</b>	
Deposits payable:		
<b>Student housing deposits payable</b>	\$ <b>94,981</b>	\$

Receivables at August 31, 2003 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 511,082	\$
Taxes Receivable	329,179	
Scholarship and Pledges Receivable		86,876
Contracts and Grants Receivable	1,374,015	98,799
Other Receivables	83,338	4,541
<b>Subtotal</b>	<b>2,297,614</b>	<b>190,216</b>
Allowance for Doubtful Accounts	(218,048)	-
<b>Total Receivables</b>	<b>\$ 2,079,566</b>	<b>\$ 190,216</b>

Payables at August 31, 2003 were as follows:

	<u>College</u>	<u>Foundation</u>
Accounts Payable:		
<b>Vendors Payable</b>	\$ <b>298,717</b>	\$ <b>54</b>
Accrued Liabilities:		
Accrued payroll liabilities	\$ 58,784	\$
Interest payable	150,051	
<b>Total Accrued Liabilities</b>	<b>208,835</b>	
Deposits payable:		
<b>Student housing deposit payable</b>	\$ <b>94,284</b>	\$

**Note 22 – Revenue Bond Information**

**Housing Revenue Bonds of 1992 and 1994**

The Housing Revenue Bonds of 1992 and 1994 were issued to build a campus dormitory facility.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 22– Revenue Bond Information – (continued)**

**1994 Series Tuition and Building Use Fee Refunding Bonds**

The 1994 Series Tuition and Building Use Fee Refunding and Revenue Bonds were issued, in part, to refund and restructure the College’s outstanding 1990 Series Tuition and Building Use Fee Revenue Bonds, and, in part, to construct, improve, enlarge, and maintain property, building and facilities of the College.

For year ended August 31, 2004:

	Housing Revenue Bonds of 1992 and 1994	1994 Tuition and Building Use Fee Refunding and Revenue Bond
Condensed Statement of Net Assets		
Assets:		
Current Assets	\$ 66,997	\$ 315,362
Capital Assets, Net	1,543,916	
Total Assets	1,610,913	315,362
Liabilities:		
Current Liabilities	32,525	35,773
Long-Term Liabilities	830,000	1,190,000
Total Liabilities	862,525	1,225,773
Net Assets:		
Invested in Capital Assets, net of related debt	713,916	(1,190,000)
Reserved for Debt Service	34,472	279,589
Total Net Assets (Deficit)	\$ 748,388	\$ (910,411)
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating Revenue	\$ 121,799	\$ 240,000
Operating Expenses		
Depreciation	(40,523)	
Net Operating Income	81,276	240,000
Nonoperating Revenues/(Expenses)	(83,148)	(82,917)
Changes in Net Assets	(1,872)	157,083
Net Assets - Beginning of Year (Deficit)	750,260	(1,067,494)
Net Assets - End of Year (Deficit)	\$ 748,388	\$ (910,411)
Condensed Statement of Cash Flows		
Net cash flows provided by:		
Operating Activities	\$ 121,799	\$ 241,029
Noncapital Financing		
Capital and Related Financing	(120,298)	(246,225)
Investing Activities	(1,501)	3,309
Net Increase (decrease) in cash	0	(1,887)
Cash - Beginning of Year	100	3,618
Cash - End of Year	\$ 100	\$ 1,731

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 22 – Revenue Bond Information – (continued)**

For year ended August 31, 2003:

	Housing Revenue Bonds of 1992 and 1994	1994 Tuition and Building Use Fee Refunding and Revenue Bond
Condensed Statement of Net Assets		
Assets:		
Current Assets	\$ 65,494	\$ 315,181
Capital Assets, Net	1,584,439	
Total Assets	1,649,933	315,181
Liabilities:		
Current Liabilities	9,673	32,675
Long-Term Liabilities	890,000	1,350,000
Total Liabilities	899,673	1,382,675
Net Assets:		
Invested in Capital Assets, net of related debt	694,439	(1,350,000)
Reserved for Debt Service	55,821	282,506
Total Net Assets (Deficit)	\$ 750,260	\$ (1,067,494)
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating Revenue	\$ 120,578	\$ 240,000
Operating Expenses		
Depreciation	(40,523)	
Net Operating Income	80,055	240,000
Nonoperating Revenues/(Expenses)	(59,180)	(90,997)
Changes in Net Assets	20,875	149,003
Net Assets - Beginning of Year (Deficit)	729,385	(1,216,497)
Net Assets - End of Year (Deficit)	\$ 750,260	\$ (1,067,494)
Condensed Statement of Cash Flows		
Net cash flows provided by:		
Operating Activities	\$ 119,149	\$ 243,158
Noncapital Financing		
Capital and Related Financing	(121,348)	(245,951)
Investing Activities	2,199	4,989
Net Increase (decrease) in cash	0	2,196
Cash - Beginning of Year	100	1,422
Cash - End of Year	\$ 100	\$ 3,618



**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2004 AND 2003**

**Note 23 - Commitments and Contingencies**

Litigation – The College may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

Grant Programs – The college participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the college has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2004 may be impaired. In the opinion of the college, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**Note 24 – Northeast Texas Community College Foundation, Inc – Discrete Component Unit**

Northeast Texas Community College Foundation, Inc (the Foundation) was established as a separate nonprofit organization to raise funds to provide student scholarships and assistance in the development and growth of the College. Under Government Standards Board Statement No 39, Determining Whether Certain Organizations are Component Units, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit.

Accordingly, the Foundation financial statements are included in the College’s annual report as a discrete component unit. Complete financial statements of Northeast Texas Community College Foundation, Inc. can be obtained from the administrative office of the Foundation.

***SUPPLEMENTAL SCHEDULES***

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE OF DETAILED OPERATING REVENUES**  
**SCHEDULE A**

*For the Year Ended August 31, 2004 (With Memorandum Totals for the Year Ended August 31, 2003)*

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2004 Total	Memorandum 2003 Total
<b>Tuition</b>						
State funded courses						
In-district resident tuition	\$ 682,356	\$	\$ 682,356	\$	\$ 682,356	\$ 615,547
Out-of-district resident tuition	433,236		433,236		433,236	351,051
TPEG (set aside)*	67,105		67,105		67,105	55,205
Non-resident tuition	86,510		86,510		86,510	74,361
Non-state funded continuing education	298,172		298,172		298,172	328,547
<b>Total Tuition</b>	<b>1,567,379</b>	<b>0</b>	<b>1,567,379</b>	<b>0</b>	<b>1,567,379</b>	<b>1,424,711</b>
<b>Fees</b>						
General fees	1,288,484		1,288,484		1,288,484	1,113,220
Student service fees			0	171,534	171,534	115,030
Out-of-district fees	388,447		388,447		388,447	293,764
Laboratory fees	150,401		150,401		150,401	114,871
Other fees	48,869		48,869		48,869	47,403
<b>Total Fees</b>	<b>1,876,201</b>	<b>0</b>	<b>1,876,201</b>	<b>171,534</b>	<b>2,047,735</b>	<b>1,684,288</b>
<b>Scholarship Allowances and Discounts</b>						
Scholarship allowances	(296,595)		(296,595)		(296,595)	(277,394)
Remissions and exemptions	(22,695)		(22,695)		(22,695)	(18,775)
TPEG allowances	(67,105)		(67,105)		(67,105)	(55,205)
Federal grants to students	(1,058,721)		(1,058,721)		(1,058,721)	(925,489)
<b>Total Scholarship Allowances</b>	<b>(1,445,116)</b>	<b>0</b>	<b>(1,445,116)</b>	<b>0</b>	<b>(1,445,116)</b>	<b>(1,276,863)</b>
<b>Total Net Tuition and Fees</b>	<b>1,998,464</b>	<b>0</b>	<b>1,998,464</b>	<b>171,534</b>	<b>2,169,998</b>	<b>1,832,136</b>
<b>Other Operating Revenues</b>						
Federal grants and contracts	87,575	4,886,768	4,974,343		4,974,343	4,646,712
State grants and contracts		501,634	501,634		501,634	880,839
Nongovernmental grants and contracts		111,093	111,093		111,093	84,557
Sales and services of educational activities	28,069		28,069		28,069	29,804
Other operating revenues	289,966		289,966	196,382	486,348	373,265
<b>Total Other Operating Revenues</b>	<b>405,610</b>	<b>5,499,495</b>	<b>5,905,105</b>	<b>196,382</b>	<b>6,101,487</b>	<b>6,015,177</b>
<b>Auxiliary Enterprises</b>						
Residential life				311,740	311,740	279,948
Less discounts				(49,108)	(49,108)	(40,970)
Bookstore				1,372,477	1,372,477	1,240,233
Less discounts				(472,214)	(472,214)	(393,969)
<b>Total Net Auxiliary Enterprises</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,162,895</b>	<b>1,162,895</b>	<b>1,085,242</b>
<b>Total Operating Revenues (Exh.2)</b>	<b>\$ 2,404,074</b>	<b>\$ 5,499,495</b>	<b>\$ 7,903,569</b>	<b>\$ 1,530,811</b>	<b>\$ 9,434,380</b>	<b>\$ 8,932,555</b>

\*In accordance with Education Code 56.033, \$55,116 and \$55,205 for years August 31, 2004 and 2003, respectively, of tuition was set aside for Texas Public Education Grants(TPEG).

See independent auditors' report.

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE B**  
**SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATIONS**  
**For the Year Ended August 31, 2004 (with Memorandum Totals for the Year Ended August 31, 2003)**

	Operating Expenses					Memorandum Totals 8/31/2003
	Salaries and Wages	Benefits		Other Expenses	Total 8/31/2004	
		State Benefits	Local Benefits			
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ 3,617,396	\$	\$ 206,235	\$ 435,493	\$ 4,259,124	\$ 4,268,121
Public Service	39,973		2,279	79,898	122,150	95,286
Academic Support	563,661		32,135	60,339	656,135	669,903
Student Services	404,772		23,077	95,241	523,090	505,626
Institutional Support	960,091		54,737	969,894	1,984,722	1,744,961
Operation and Maintenance of Plant	439,693		25,068	513,279	978,040	957,891
Scholarships and Fellowships					-	-
<b>Total Unrestricted Educational Activities</b>	<b>\$ 6,025,586</b>	<b>\$ -</b>	<b>\$ 343,531</b>	<b>\$ 2,154,144</b>	<b>\$ 8,523,261</b>	<b>\$ 8,241,788</b>
<b>Restricted - Educational Activities</b>						
Instruction	\$ 460,148	\$ 534,928	\$	\$ 282,215	\$ 1,277,291	\$ 1,738,099
Public Service	199,019	5,911		218,920	423,850	371,397
Academic Support	51,213	83,352		9,739	144,304	157,883
Student Services	303,511	59,856		388,653	752,020	615,215
Institutional Support		141,975		10,377	152,352	295,743
Operation and Maintenance of Plant		65,020			65,020	68,435
Scholarships and Fellowships		-		1,977,687	1,977,687	1,879,617
<b>Total Restricted Educational Activities</b>	<b>\$ 1,013,891</b>	<b>\$ 891,042</b>	<b>\$ -</b>	<b>\$ 2,887,591</b>	<b>\$ 4,792,524</b>	<b>\$ 5,126,389</b>
<b>Total Educational Activities</b>	<b>7,039,477</b>	<b>891,042</b>	<b>343,531</b>	<b>5,041,735</b>	<b>13,315,785</b>	<b>13,368,177</b>
<b>Auxiliary Enterprises</b>	<b>202,289</b>		<b>17,559</b>	<b>1,369,153</b>	<b>1,589,001</b>	<b>1,492,701</b>
<b>Depreciation Expense</b>						
<b>Building &amp; Improvements</b>				<b>333,702</b>	<b>333,702</b>	<b>333,702</b>
<b>Equipment &amp; Furniture</b>				<b>147,875</b>	<b>147,875</b>	<b>99,916</b>
<b>Total</b>	<b>\$ 7,241,766</b>	<b>\$ 891,042</b>	<b>\$ 361,090</b>	<b>\$ 6,892,465</b>	<b>\$ 15,386,363</b>	<b>\$ 15,294,496</b>

See independent auditors' report.

**NORTHEAST TEXAS COMMUNITY COLLEGE**

**SCHEDULE C**

**SCHEDULE OF NON - OPERATING REVENUES AND EXPENSES**

*For the Year Ended August 31, 2004 (With Memorandum totals for the Year Ended August 31, 2003)*

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total</u>	<u>Memorandum Totals 08/31/03</u>
<b>Non - Operating Revenues</b>					
State allocations	\$ 4,603,402	\$	\$	\$ 4,603,402	\$ 4,406,873
Ad-valorem taxes	1,889,661	1,068,780		2,958,441	2,869,618
Investment income		112,891		112,891	41,997
Gain on sale of assets				0	
<b>Total Non - Operating Revenues</b>	<u><b>6,493,063</b></u>	<u><b>1,181,671</b></u>	<u><b>-</b></u>	<u><b>7,674,734</b></u>	<u><b>7,318,488</b></u>
<b>Non - Operating Expenses</b>					
Interest on capital related debt	1,035,407			1,035,407	715,108
Loss on disposal of capital assets	125,001			125,001	23,649
Other non operating expense	37,403			37,403	7,798
<b>Total Non - Operating Expenses</b>	<u><b>1,197,811</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>1,197,811</b></u>	<u><b>746,555</b></u>
<b>Net Non - Operating Revenues</b>	<u><u><b>\$ 5,295,252</b></u></u>	<u><u><b>\$ 1,181,671</b></u></u>	<u><u><b>\$ 0</b></u></u>	<u><u><b>\$ 6,476,923</b></u></u>	<u><u><b>\$ 6,571,933</b></u></u>

See independent auditors' report.

*NORTHEAST TEXAS COMMUNITY COLLEGE*

*SCHEDULE D*

*SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY*

*For the Year Ended August 31, 2004 (With Memorandum totals for the Year Ended August 31, 2003)*

	Detail By Source						
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Available for Current Operations	
		Expendable	Non Expendable			Yes	No
Current							
Unrestricted	\$ 949,141	\$	\$	\$	\$ 949,141	\$ 949,141	\$
Loan		2,925			2,925		2,925
Plant							
Unexpended					0		
Renewals					0		
Investment in plant				7,390,122	7,390,122		7,390,122
<b>Total Net Assets, August 31, 2004</b>	<b>949,141</b>	<b>2,925</b>	<b>0</b>	<b>7,390,122</b>	<b>8,342,188</b>	<b>949,141</b>	<b>7,393,047</b>
<b>Total Net Assets, August 31, 2003</b>	<b>481,606</b>	<b>2,789</b>		<b>7,332,853</b>	<b>7,817,248</b>	<b>481,606</b>	<b>7,335,642</b>
<b>Net Increase (Decrease) in Net Assets</b>	<b>\$ 467,535</b>	<b>\$ 136</b>	<b>\$ 0</b>	<b>\$ 57,269</b>	<b>\$ 524,940</b>	<b>\$ 467,535</b>	<b>\$ 57,405</b>

See independent auditors' report.

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**Schedule E**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Years Ended August 31, 2004 and 2003**

<b>REVENUES</b>	<b>2004</b>	<b>2003</b>
<b>Operating Revenues</b>		
State allocations	\$ 4,603,402	\$ 4,406,873
Tuition and fees (net of grant and scholarship allowances of \$1,445,116, 2004 and \$1,276,863, 2003)	2,169,998	1,832,136
Federal grants and contracts	4,974,343	4,646,712
State grants and contracts	501,634	880,839
Non-Governmental grants and contracts	111,093	84,557
Sales and services of educational activities	28,069	29,804
Auxiliary enterprises (net of grant and scholarship allowances of \$521,322, 2004 and \$434,939, 2003)	1,162,895	1,085,242
Other operating revenues	486,348	373,265
<b>Total Operating Revenues</b>	<b>14,037,782</b>	<b>13,339,428</b>
 <b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	5,536,415	6,006,220
Public service	546,000	466,683
Academic support	800,439	827,786
Student services	1,275,110	1,120,841
Institutional support	2,137,074	2,040,704
Operation and maintenance of plant	1,043,060	1,026,326
Scholarships and fellowships	1,977,687	1,879,617
Auxiliary enterprises	1,589,001	1,492,701
Depreciation	481,577	433,618
<b>Total Operating Expenses</b>	<b>15,386,363</b>	<b>15,294,496</b>
 <b>Operating Income (Loss)</b>	 <b>(1,348,581)</b>	 <b>(1,955,068)</b>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Maintenance ad-valorem taxes		
Taxes for maintenance & operations	1,889,661	1,780,556
Taxes on general obligations bonds	1,068,780	1,089,062
Investment income (net of investment expenses)	112,891	41,997
Gain (Loss) on disposal of capital assets	(125,001)	(23,649)
Interest on capital related debt	(1,035,407)	(715,108)
Other non - operating expenses	(37,403)	(7,798)
<b>Net non-operating revenues</b>	<b>1,873,521</b>	<b>2,165,060</b>
 <b>Income Before Other Revenues, Expenses, Gains, Losses</b>	 <b>524,940</b>	 <b>209,992</b>
 <b>OTHER REVENUES, (EXPENSES), GAINS, (LOSSES)</b>	 <b>-</b>	 <b>-</b>
 <b>Increase (Decrease) in Net Assets</b>	 <b>524,940</b>	 <b>209,992</b>
 <b>Net Assets - Beginning of Year</b>	 <b>7,817,248</b>	 <b>7,607,256</b>
 <b>Net Assets - End of Year</b>	 <b>\$ 8,342,188</b>	 <b>\$ 7,817,248</b>

See independent auditors' report

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE F**  
**BALANCE SHEET**  
**AUGUST 31, 2004**

	Current Funds				Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total						
<b>Assets</b>										
Cash and Cash Equivalents	\$ 359,522	\$ 5,906	\$ 661,010	\$ 1,026,438	\$ 13,257	\$ 4,114,701	\$ 72,688	\$	\$ 76,912	\$ 5,303,996
Short Term Investment				-		2,504,466	304,712			2,809,178
Accounts Receivable	522,725		615,152	1,137,877			100,636			1,238,513
Due From Other Funds	1,813,158			1,813,158		104,268	50,350		49,348	2,017,124
Due From Foundation	104,051			104,051						104,051
Prepaid Expenses	98,047			98,047						98,047
Deferred Charges		148,217		148,217		411,166				559,383
Deposits		21,371		21,371						21,371
Accrued Interest Receivable										-
Student Loans (Net of allowance for doubtful accounts of \$66,708 at 08/31/04)					24,302					24,302
Inventory, at Cost	10,326	349,131		359,457						359,457
Land								952,519		952,519
Buildings						4,961,746		16,670,841		21,632,587
Improvements Other Than Buildings								397,606		397,606
Equipment								251,831		251,831
Library Books								902,888		902,888
Vehicles								600,322		600,322
Telecommunications								522,296		522,296
Accumulated Depreciation								(6,122,160)		(6,122,160)
Other								58,855		58,855
<b>Total Assets</b>	<b>\$ 2,907,829</b>	<b>\$ 524,625</b>	<b>\$ 1,276,162</b>	<b>\$ 4,708,616</b>	<b>\$ 37,559</b>	<b>\$ 12,096,347</b>	<b>\$ 528,386</b>	<b>\$ 14,234,998</b>	<b>\$ 126,260</b>	<b>\$ 31,732,166</b>
<b>Liabilities and Fund Balance</b>										
Accounts Payable	\$ 7,782	\$ 72,637	\$ 8,578	\$ 88,997	\$ 844	\$ 911,234	\$	\$	\$	\$ 1,001,075
Accrued Liabilities	32,668			32,668		4,064	124,870			161,602
Deposits Payable	82,881	12,100		94,981						94,981
Due to Other Funds	167,892	415,684	1,178,870	1,762,446	33,790		44,345	121,827	54,716	2,017,124
Deferred Revenues	1,372,477	267,869	88,714	1,729,060						1,729,060
Accrued Compensated Absences	51,323			51,323						51,323
Bonds Payable						11,685,748		5,380,473		17,066,221
Unamortized Premium							851,187			851,187
Notes Payable								345,861		345,861
Funds Held in Custody for Others									71,544	71,544
<b>Total Liabilities</b>	<b>\$ 1,715,023</b>	<b>\$ 768,290</b>	<b>\$ 1,276,162</b>	<b>\$ 3,759,475</b>	<b>\$ 34,634</b>	<b>\$ 12,601,046</b>	<b>\$ 1,020,402</b>	<b>\$ 5,848,161</b>	<b>\$ 126,260</b>	<b>\$ 23,389,978</b>
<b>Fund Balances</b>										
Net Investment in Plant	\$	\$	\$	\$	\$	\$	(851,187)	8,386,837	\$	7,535,650
Reserved for Debt Service							359,171			359,171
Restricted										
Student Aid										
Temporarily					2,925	(504,699)				(501,774)
Permanently										
Unrestricted	1,192,806	(243,665)	-	949,141						949,141
<b>Total Fund Balance</b>	<b>\$ 1,192,806</b>	<b>\$ (243,665)</b>	<b>\$ -</b>	<b>\$ 949,141</b>	<b>\$ 2,925</b>	<b>\$ (504,699)</b>	<b>\$ (492,016)</b>	<b>\$ 8,386,837</b>	<b>\$ -</b>	<b>\$ 8,342,188</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,907,829</b>	<b>\$ 524,625</b>	<b>\$ 1,276,162</b>	<b>\$ 4,708,616</b>	<b>\$ 37,559</b>	<b>\$ 12,096,347</b>	<b>\$ 528,386</b>	<b>\$ 14,234,998</b>	<b>\$ 126,260</b>	<b>\$ 31,732,166</b>

See independent auditors report.



**NORTHEAST TEXAS COMMUNITY COLLEGE  
SCHEDULE G  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED AUGUST 31, 2004**

	Current Funds				Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total					
Revenues and Other Addition:									
Unrestricted Current Funds Revenue	\$ 9,361,411	\$ 2,052,133	\$ -	\$ 11,413,544	\$ -	\$ -	\$ -	\$ -	\$ 11,413,544
State Appropriations - Restricted			882,943	882,943					882,943
Federal Grants and Contracts			4,979,305	4,979,305					4,979,305
State Grants and Contracts			496,672	496,672					496,672
Local Gifts, Grants and Contracts			111,093	111,093					111,093
Taxes for Debt Retirement			-	-			1,068,780		1,068,780
Interest / Endowment Income			-	-	136	106,299			106,435
Net Decreases in Bonds Payable			-	-		25,000	368,639	990,000	1,383,639
Net Decreases in Notes Payable			-	-				62,823	62,823
Investment Income			-	-			6,456		6,456
Other Revenues			-	-					-
Total Revenue and Other Addition:	<u>9,361,411</u>	<u>2,052,133</u>	<u>6,470,013</u>	<u>17,883,557</u>	<u>136</u>	<u>131,299</u>	<u>1,443,875</u>	<u>1,052,823</u>	<u>20,511,690</u>
Expenditures and Other Deduction:									
Expenditures	8,523,261	1,885,596	6,364,468	16,773,325					16,773,325
Indirect Cost Recovered			87,575	87,575					87,575
Net Increase in Bonds Payable			-	-					-
Retirement of Indebtedness - Bond			-	-			1,015,000	368,639	1,383,639
Retirement of Indebtedness - Note			-	-		51,246	11,577		62,823
Interest on Indebtedness			-	-		497,367	538,040		1,035,407
Depreciation Expense			-	-				481,577	481,577
Other Expenditures			-	-		8,782	31,641	121,981	162,404
	<u>8,523,261</u>	<u>1,885,596</u>	<u>6,452,043</u>	<u>16,860,900</u>	<u>-</u>	<u>557,395</u>	<u>1,596,258</u>	<u>972,197</u>	<u>19,986,750</u>
Transfers - Additions (Deductions)									
Mandatory Transfers:									
Retirement of Indebtedness				-					-
Building Use Fees	(200,000)			(200,000)			200,000		-
Tuition Use Fees	(40,000)			(40,000)			40,000		-
Revenue Bond		(121,799)		(121,799)			121,799		-
Contractual Obligations	(51,121)			(51,121)			17,389	33,732	-
TPEG to Restricted				-					-
Non - Mandatory Transfers				-					-
Capital Outlay	(113,452)	(10,780)	(17,970)	(142,202)				142,202	-
Total Transfers - Additions (Deductions)	<u>(404,573)</u>	<u>(132,579)</u>	<u>(17,970)</u>	<u>(555,122)</u>	<u>-</u>	<u>-</u>	<u>379,188</u>	<u>175,934</u>	<u>-</u>
Net Increase (Decrease) for Year	<u>433,577</u>	<u>33,958</u>	<u>-</u>	<u>467,535</u>	<u>136</u>	<u>(426,096)</u>	<u>226,805</u>	<u>256,560</u>	<u>524,940</u>
Fund Balance (Deficit) as Previously Reported	759,229	(277,623)	-	481,606	2,789	(78,603)	(718,821)	8,130,277	7,817,248
				-					-
Fund Balance (Deficit) Restated	<u>759,229</u>	<u>(277,623)</u>	<u>-</u>	<u>481,606</u>	<u>2,789</u>	<u>(78,603)</u>	<u>(718,821)</u>	<u>8,130,277</u>	<u>7,817,248</u>
Fund Balance (Deficit) August 31,	\$ <u>1,192,806</u>	\$ <u>(243,665)</u>	\$ <u>-</u>	\$ <u>949,141</u>	\$ <u>2,925</u>	\$ <u>(504,699)</u>	\$ <u>(492,016)</u>	\$ <u>8,386,837</u>	\$ <u>8,342,188</u>

See independent auditors report

***STATISTICAL SUPPLEMENT  
(UNAUDITED)***

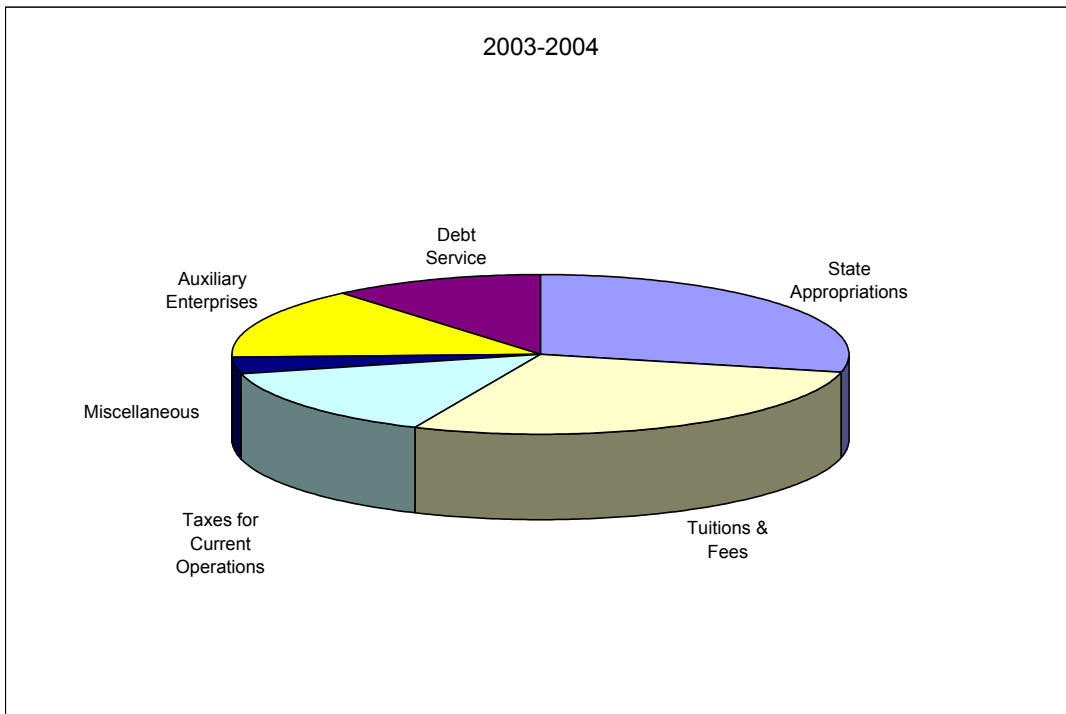
NORTHEAST TEXAS COMMUNITY COLLEGE  
 REVENUES BY SOURCE (1)  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Table 1

Fiscal Year	State Appropriations	Tuitions & Fees	Taxes for Current Operations	Interest & Investment	Miscellaneous	Auxiliary Enterprises	Debt Service	Totals
1994-1995	3,139,886	2,006,320	1,333,265	13,556	283,314	1,186,127	826,865	8,789,333
1995-1996	3,340,638	2,023,921	1,157,350	10,529	250,485	1,166,311	977,516	8,926,750
1996-1997	3,485,683	2,031,283	1,129,678	15,075	235,192	1,061,895	996,119	8,954,925
1997-1998	3,457,025	2,237,532	1,209,561	25,154	202,159	1,207,442	1,029,755	9,368,628
1998-1999	3,594,984	2,219,705	1,253,717	19,875	698,769	1,298,564	1,034,621	10,120,235
1999-2000	3,813,429	1,952,985	1,284,251	36,148	324,361	1,452,023	987,600	9,850,797
2000-2001	3,942,917	2,128,008	1,527,133	47,915	264,309	1,529,552	1,069,839	10,509,673
2001-2002	3,729,786	2,619,866	1,776,385	19,932	353,255	1,649,401	1,352,816	11,501,441
2002-2003	3,391,954	3,117,856	1,780,556		367,168	1,627,834	1,406,350	11,691,718
2003-2004	3,712,360	3,615,114	1,889,661		405,610	1,880,599	1,443,875	12,947,219

Notes:

(1) Includes Unrestricted Current Funds, Auxiliary Enterprises Funds and Retirement of Indebtedness Plant Fund.



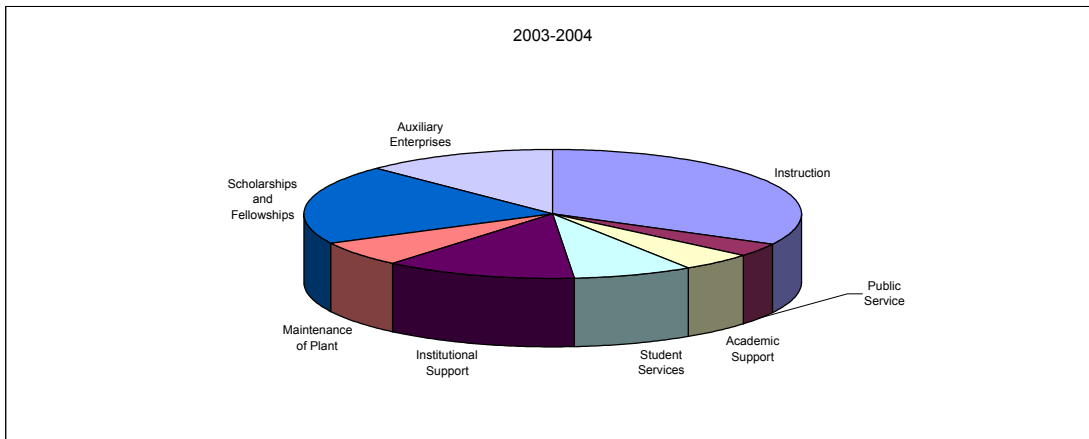
NORTHEAST TEXAS COMMUNITY COLLEGE  
 EXPENDITURES BY FUNCTION (1)  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Table 2

Fiscal Year	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Maintenance of Plant	Staff Benefits (2)	Scholarships and Fellowships (3)	Restricted Funds (4)	Auxiliary Enterprises	Totals
1994-1995	3,942,646	1,304,289	976,201	982,307	1,112,502	959,724		1,421,731		952,390	11,651,790
1995-1996	3,987,429	1,044,401	735,502	857,314	1,114,183	868,246		1,147,061		1,210,644	10,964,780
1996-1997	4,581,162	452,155	600,266	642,857	1,258,911	905,072		1,452,040		1,042,506	10,934,969
1997-1998	4,804,988	209,448	766,113	657,613	1,348,877	827,774		1,607,857		1,156,125	11,378,795
1998-1999	4,550,494	238,212	1,074,304	667,971	1,867,177	797,751		1,957,556		1,246,356	12,399,821
1999-2000	4,765,584	170,454	792,407	764,396	1,317,921	830,332		1,803,109		1,394,288	11,838,491
2000-2001	5,052,367	205,737	835,653	727,297	1,686,475	951,229		2,183,550		1,559,598	13,201,906
2001-2002	5,644,694	250,416	911,078	1,022,857	1,857,087	1,089,447		2,864,689		1,608,502	15,248,770
2002-2003	6,006,220	574,619	827,786	1,012,905	2,040,704	1,026,326		3,137,705		1,872,435	16,498,700
2003-2004	5,536,415	546,000	800,439	1,275,110	2,137,074	1,043,060		3,400,108		2,081,978	16,820,184

Notes:

- (1) Includes Unrestricted and Restricted Current Funds and Auxiliary Enterprises Funds
- (2) Staff benefits for fiscal years 1989 through 1991 were not allocated by function.
- (3) Scholarships and Fellowships for fiscal years 1989 through 1991 were included in Restricted Funds.
- (4) Restricted funds for fiscal years 1989 through 1991 were not allocated by function.



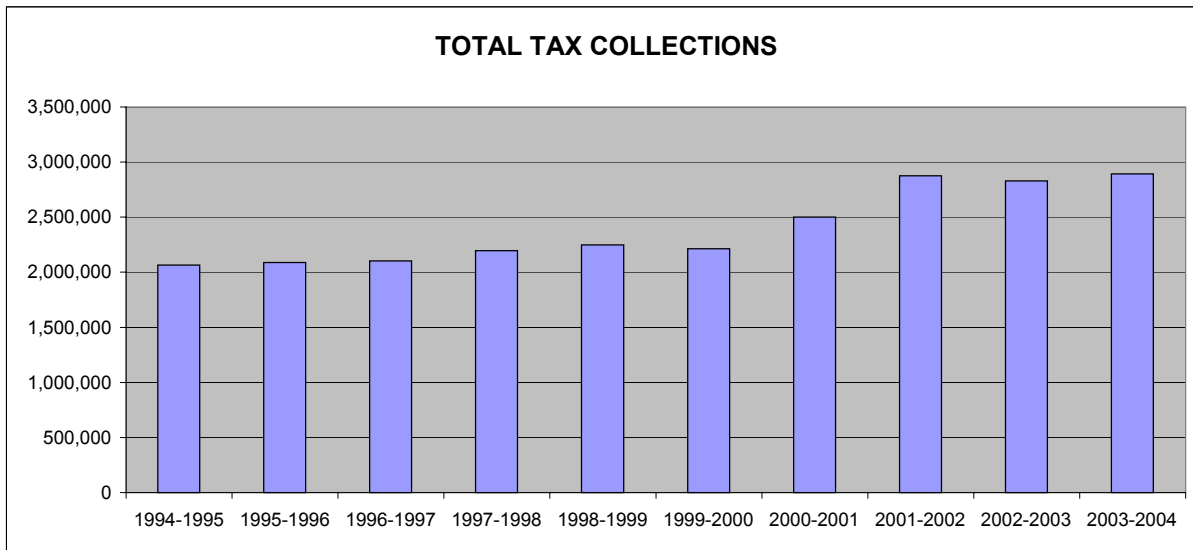
NORTHEAST TEXAS COMMUNITY COLLEGE  
PROPERTY TAX LEVIES & COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Table 3

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
1994-1995	2,082,964	2,004,590	96.2%	59,110	2,063,700	99.1%	269,278	12.9%
1995-1996	2,097,431	2,032,274	96.9%	57,371	2,089,645	99.6%	297,630	14.2%
1996-1997	2,122,029	2,043,924	96.3%	58,150	2,102,074	99.1%	291,260	13.7%
1997-1998	2,208,034	2,133,404	96.6%	63,424	2,196,828	99.5%	295,854	13.4%
1998-1999	2,270,047	2,187,181	96.3%	61,864	2,249,045	99.1%	303,397	13.4%
1999-2000	2,233,598	2,155,908	96.5%	58,596	2,214,504	99.1%	309,677	13.9%
2000-2001	2,561,528	2,429,664	94.9%	70,806	2,500,470	97.6%	311,554	12.2%
2001-2002	2,896,876	2,808,865	97.0%	67,919	2,876,784	99.3%	311,873	10.8%
2002-2003	2,841,977	2,758,410	97.1%	71,674	2,830,084	99.6%	323,548	11.4%
2003-2004	2,930,862	2,829,677	96.5%	62,264	2,891,941	98.7%	338,941	11.6%

Notes:

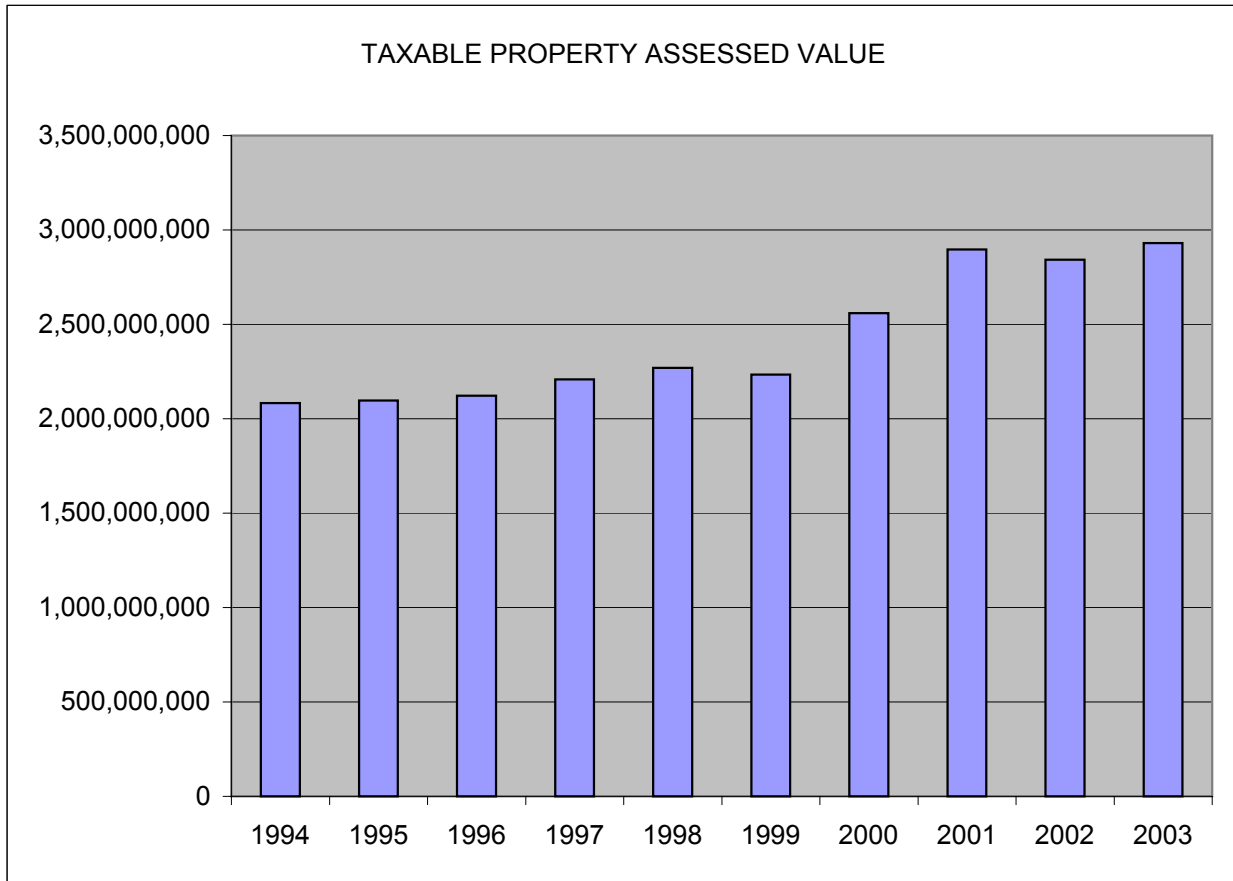
(1) Includes Unrestricted Current Funds, Auxiliary Enterprises Funds and Retirement of Indebtedness Plant Fund.



NORTHEAST TEXAS COMMUNITY COLLEGE  
NET ASSESSED & ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN TAX ROLL YEARS  
AND CURRENT TAX ROLL YEAR  
(UNAUDITED)

Table 4

Tax Role Year	Taxable Property			Estimated Value	Ratio of Taxable/ Estimated
	Assessed Valuation	Less: Exemptions	Taxable Value		
1994	2,082,963,000		2,082,963,000	2,082,963,000	100.0%
1995	2,097,431,470		2,097,431,470	2,097,431,470	100.0%
1996	2,122,029,110		2,122,029,110	2,122,029,110	100.0%
1997	2,208,034,621		2,208,034,621	2,208,034,621	100.0%
1998	2,270,047,040		2,270,047,040	2,270,047,040	100.0%
1999	2,233,597,902		2,233,597,902	2,233,597,902	100.0%
2000	2,559,351,510		2,559,351,510	2,559,351,510	100.0%
2001	2,896,573,799		2,896,573,799	2,896,573,799	100.0%
2002	2,841,977,000		2,841,977,000	2,841,977,000	100.0%
2003	2,930,862,310		2,930,862,310	2,930,862,310	100.0%



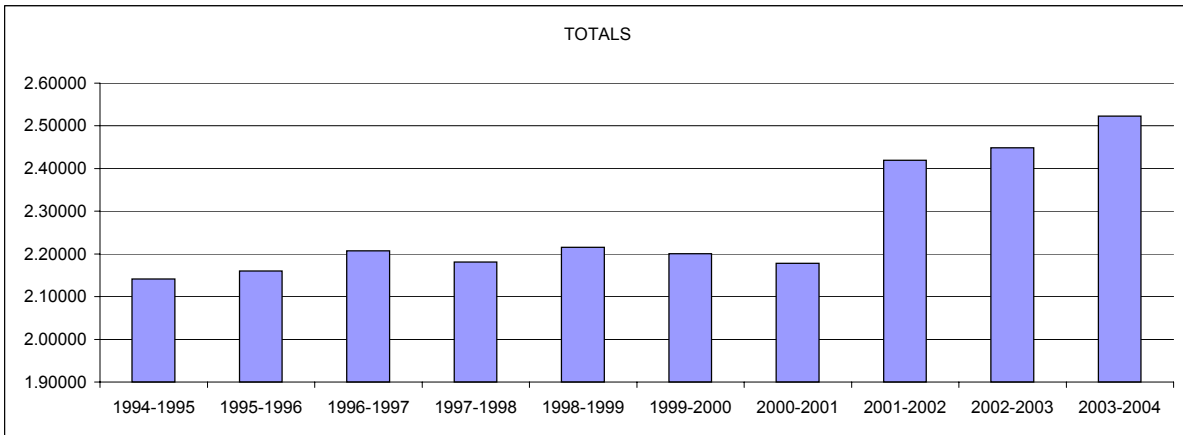
NORTHEAST TEXAS COMMUNITY COLLEGE  
 PROPERTY TAX RATES - DIRECT & OVERLAPPING  
 (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEAR  
 (UNAUDITED)

Table 5

Fiscal Year	College		Total	Counties (Average)	Cities (Average)	Independent School Districts (Average)	(1) CED's (Average)	Hospitals (Average)	Totals
	Current Operations	Debt Service							
1994-1995	0.06330	0.03670	0.10000	0.29943	0.41571	1.20727		0.11889	2.14130
1995-1996	0.05480	0.04520	0.10000	0.29553	0.41507	1.23246		0.11670	2.15976
1996-1997	0.05344	0.04577	0.09921	0.30547	0.40768	1.27894		0.11585	2.20715
1997-1998	0.05450	0.04499	0.09949	0.25276	0.40273	1.31011		0.11585	2.18094
1998-1999	0.05545	0.04455	0.10000	0.25276	0.39229	1.35469		0.11585	2.21559
1999-2000	0.05725	0.04275	0.10000	0.26111	0.38861	1.33508		0.11558	2.20038
2000-2001	0.05950	0.04050	0.10000	0.25407	0.39660	1.34360		0.08406	2.17833
2001-2002	0.06200	0.03800	0.10000	0.27008	0.41944	1.54297		0.08674	2.41923
2002-2003	0.06200	0.03800	0.10000	0.28615	0.43046	1.54553		0.08678	2.44892
2003-2004	0.06200	0.03800	0.10000	0.28865	0.43046	1.54553		0.15808	2.52273

Notes:

(1) The County Education District was Created by the State Legislature in 1991 and subsequently dissolved by the State Supreme Court in 1993 as unconstitutional.



NORTHEAST TEXAS COMMUNITY COLLEGE  
 RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPTA  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

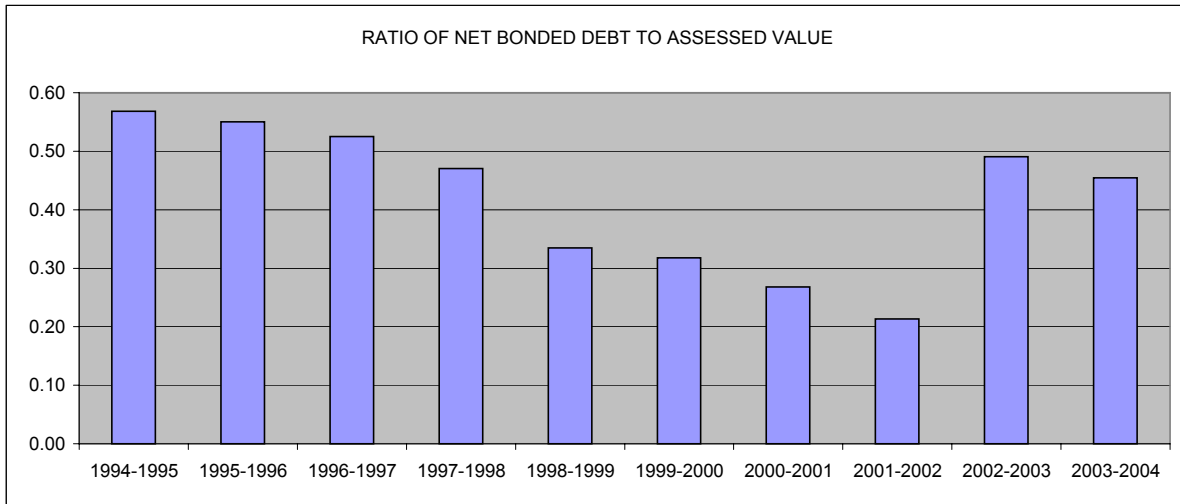
Table 6

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Available Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1994-1995	48,032	2,082,963,000	12,226,242	391,771	11,834,471	0.57	246.39
1995-1996	48,365	2,097,431,470	11,857,746	320,143	11,537,603	0.55	238.55
1996-1997	48,770	2,122,029,110	11,430,477	292,943	11,137,534	0.52	228.37
1997-1998	49,389	2,208,034,621	10,933,336	546,265	10,387,071	0.47	210.31
1998-1999	49,742	2,270,047,040	8,168,553	565,966	7,602,587	0.33	152.84
1999-2000	50,552	2,233,597,902	7,637,991	535,127	7,102,864	0.32	140.51
2000-2001	50,311	2,559,351,510	7,258,113	397,346	6,860,767	0.27	136.37
2001-2002	53,431	2,896,873,799	6,631,692	450,709	6,180,983	0.21	115.68
2002-2003	53,962	2,928,009,970	14,921,293	553,752	14,367,541	0.49	266.25
2003-2004	54,143	3,195,487,961	15,046,221	528,386	14,517,835	0.45	268.14

Notes:

(1) Based on Population Estimates and Projections Program  
 Texas State Data Center for Camp, Morris, and Titus Counties.

(2) Based on information provided by county tax appraisers of  
 Camp, Morris, and Titus Counties.





Camp County

	Type of Business	2003 Assessed Valuation
Pilgrim's Pride Corp (Distribution)	Poultry Processing	\$33,098,680
Pilgrim's Pride - Feed Mill	Poultry Processing	\$19,499,320
Pilgrim's Pride - Farms	Poultry Processing	\$8,305,300
Enbridge (Old Sulphur River)	Gas Manufacturing	\$6,316,440
Southwestern Bell Telephone Co	Utility	\$6,243,990
Pilgrim's Pride -Corporations	Poultry Processing	\$6,189,260
Lonnie A. Pilgrim	Chairman, Prigrim's Corp	\$5,465,140
AEP Southwestern Elec Power Co	Utility	\$4,836,930
Eagle Oil & Gas Co	Oil & Gas Producer	\$4,429,750
Eastex Crude Company	Oil & Gas Producer	\$3,723,440
		<u>\$98,108,250</u>

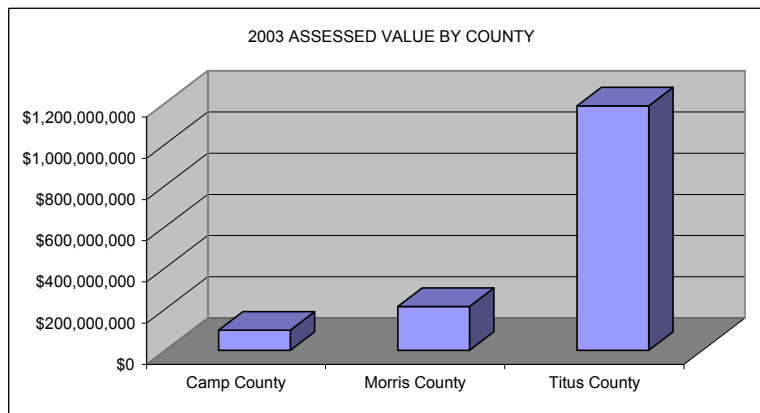
Morris County

	Type of Business	2003 Assessed Valuation
Lone Star Steel	Steel Foundry	\$144,217,840
AEP Southwestern Elec Power Co	Utility	\$14,592,870
Scot Industries	Industrial	\$12,018,220
Texas Tubular	Pipe & Supply	\$10,926,980
Atlas Roofing Corp.	Roofing	\$10,384,750
Red Man Pipe & Supply	Pipe & Supply	\$4,709,710
T&N Railroad	Railroad	\$4,453,400
Tamko Naples, Inc.	Industrial	\$4,282,010
Wilson Industries, Inc	Pipe & Supply	\$3,921,790
Brookshire Grocery Co	Grocery	\$3,771,970
		<u>\$213,279,540</u>

Titus County

	Type of Business	2003 Assessed Valuation
TXU Generation Company LP	Utility	\$809,352,520
AEP/SWEPCO	Utility	\$212,594,150
Pilgrim's Pride Corp.	Poultry Processing	\$28,385,490
BLC Corporation	Utility	\$27,239,240
TXU Mining Company LP	Mining	\$24,740,040
AEP/Southwestern Elec Power Co	Utility	\$24,285,280
Pilgrim's Pride Corp.	Poultry Processing	\$16,666,430
AEP/SWEPCO	Utility	\$15,595,200
Centerpoint Energy	Utility	\$14,706,630
TXU Mining Company LP	Mining	\$14,303,560
		<u>\$1,187,868,540</u>

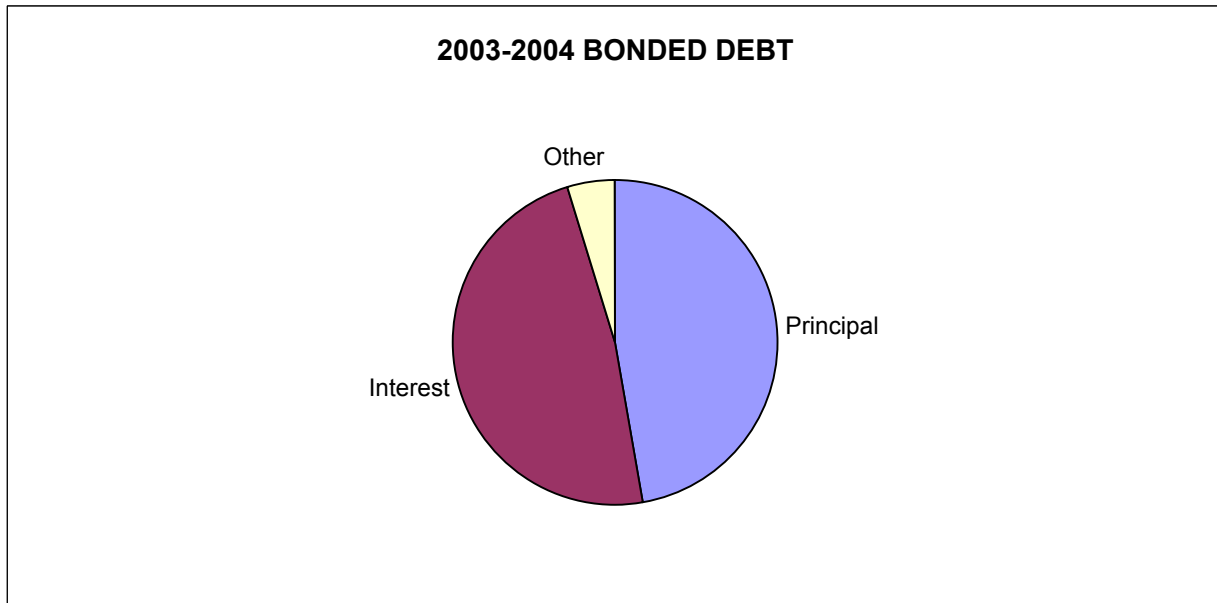
Source: Camp, Morris, Titus County Appraisal Districts



NORTHEAST TEXAS COMMUNITY COLLEGE  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL  
 BONDED DEBT TOTAL GENERAL EXPENDITURES  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Table 8

Fiscal Year	Principal	Interest	Other	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1994-1995	760,000	932,238	10,477	1,702,715	11,651,790	14.6%
1995-1996	1,047,571	1,034,485		2,082,056	10,964,780	19.0%
1996-1997	1,063,294	963,917	1,848	2,029,059	10,934,969	18.6%
1997-1998	1,073,525	897,956	1,834	1,973,315	11,378,795	17.3%
1998-1999	1,065,000	249,031	28,892	1,342,923	12,399,821	10.8%
1999-2000	1,035,000	153,888	33,645	1,222,533	11,838,491	10.3%
2000-2001	1,040,000	107,244	57,377	1,204,621	13,201,906	9.1%
2001-2002	875,000	577,929	39,932	1,492,861	15,248,770	9.8%
2002-2003	935,000	715,108	19,427	1,669,535	16,498,700	10.1%
2002-2003	1,015,000	1,035,407	103,246	2,153,653	16,820,184	12.8%



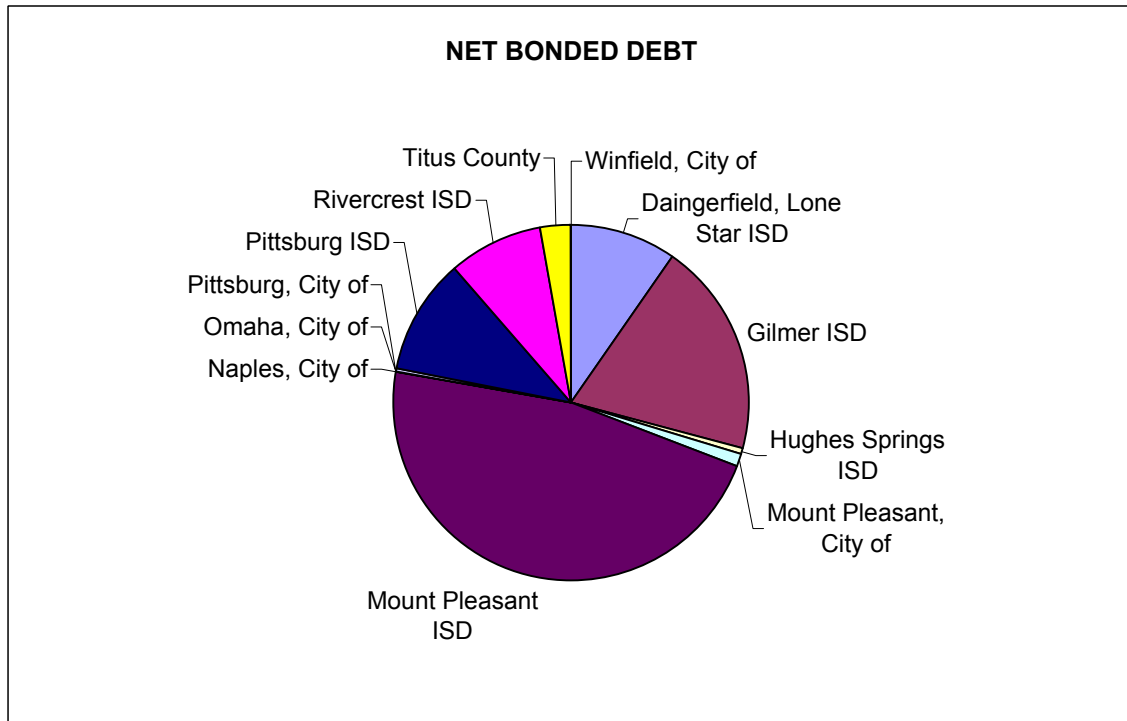
Northeast Texas Community College  
 Computation of Direct and Overlapping Banded Debt (1)  
 August 31, 2004  
 (Unaudited)

Table 9

Taxing Body	Net Bonded Debt			Amount Overlapping
	Amount	As of	% Overlapping	
Daingerfield, City of	0	10/31/04	0	0
Daingerfield, Lone Star ISD	9,270,000	10/31/04	100.00%	9,270,000
Gilmer ISD	18,985,000	10/31/04	0.74%	140,489
Hughes Springs ISD	435,000	10/31/04	10.32%	44,892
Mount Pleasant, City of	991,636		100.00%	991,636
Mount Pleasant ISD	45,390,342	10/31/04	100.00%	45,390,343
Naples, City of	95,000	10/31/04	100.00%	95,000
Omaha, City of	51,000		100.00%	51,000
Pittsburg, City of	265,278		100.00%	265,278
Pittsburg ISD	10,081,205		100.00%	10,081,205
Rivercrest ISD	8,432,365		38.80%	3,271,758
Titus County	2,567,967		100.00%	2,567,967
Titus County Hosp Dist	12,860,000		100.00%	12,860,000
Winfield, City of	38,000	10/31/04	100.00%	38,000
<b>Total Net Debt Overlapping</b>				<b>85,067,568</b>
College District	14,517,835	8/31/04	100.00%	14,517,835
<b>Total Direct and Overlapping Debt</b>				<b>99,585,403</b>

Source: Texas Municipal League - Latest Data Available

\* Gross Debt



Credit Student Enrollment - Gender and Attendance (DUPLICATED HEADCOUNT)

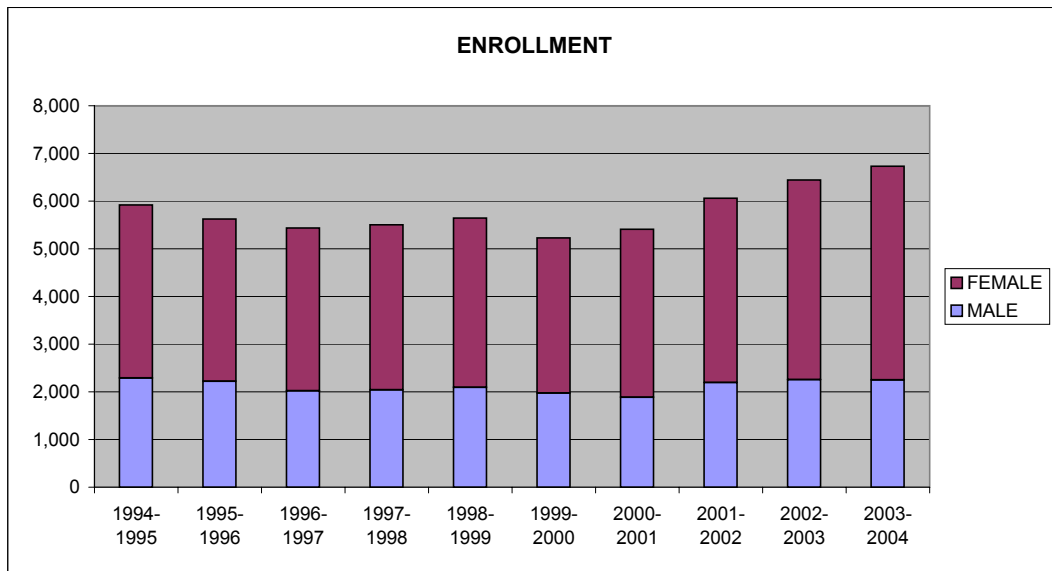
Last Ten Fiscal Years

(Unaudited)

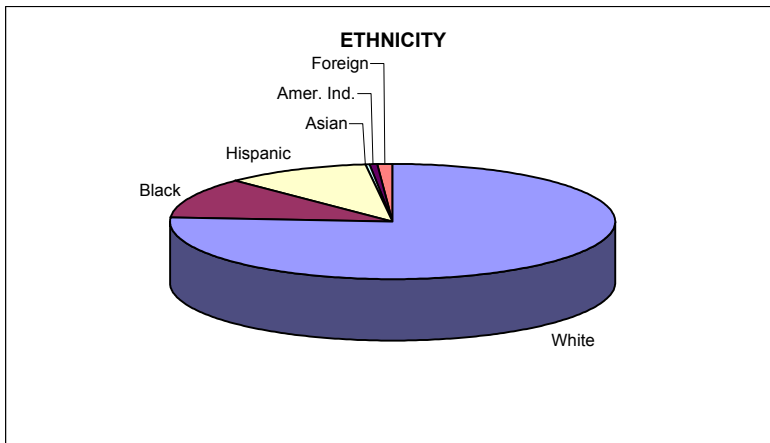
Fiscal Year	Total Student Enrollment	Gender			
		Male	%	Female	%
1994-1995	5,919	2,291	39%	3,628	61%
1995-1996	5,626	2,224	40%	3,402	60%
1996-1997	5,433	2,023	37%	3,410	63%
1997-1998	5,505	2,037	37%	3,468	63%
1998-1999	5,642	2,096	37%	3,546	63%
1999-2000	5,226	1,970	38%	3,256	62%
2000-2001	5,412	1,889	35%	3,523	65%
2001-2002	6,062	2,192	36%	3,870	64%
2002-2003	6,441	2,253	35%	4,188	65%
2003-2004	6,729	2,247	33%	4,482	67%
<b>Ten Year Total</b>	<b>57,995</b>	<b>21,222</b>		<b>36,773</b>	

Fiscal Year	Total Student Enrollment	Attendance			
		Full-Time	%	Part-Time	%
1994-1995	5,919	2,650	45%	3,269	55%
1995-1996	5,626	2,475	44%	3,151	56%
1996-1997	5,433	2,523	46%	2,910	54%
1997-1998	5,505	2,481	45%	3,024	55%
1998-1999	5,642	2,762	49%	2,880	51%
1999-2000	5,226	2,620	50%	2,606	50%
2000-2001	5,412	2,499	46%	2,913	54%
2001-2002	6,062	2,925	48%	3,137	52%
2002-2003	6,441	3,151	49%	3,290	51%
2003-2004	6,729	3,364	50%	3,365	50%
<b>Ten Year Total</b>	<b>57,995</b>	<b>27,450</b>		<b>30,545</b>	

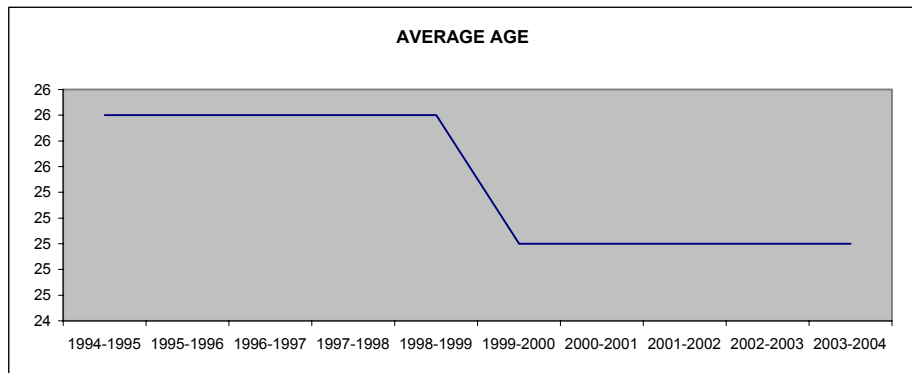
source: Fall, Minimester, Spring, Intersession, Summer I, Summer II Registrar's enrollment reports



Fiscal Year	Total Student Enrollment	Ethnicity					
		White	Black	Hispanic	Asian	Amer. Ind.	Foreign
1994-1995	5,919	5,068	448	365	9	28	1
1995-1996	5,626	4,896	407	280	12	28	3
1996-1997	5,433	4,697	426	261	14	33	2
1997-1998	5,505	4,651	478	313	19	40	4
1998-1999	5,642	4,694	562	320	19	44	3
1999-2000	5,226	4,402	475	293	27	29	0
2000-2001	5,412	4,355	600	404	26	22	5
2001-2002	6,062	4,804	671	502	34	31	20
2002-2003	6,441	5,042	709	556	36	47	51
2003-2004	3,729	5,126	770	696	27	43	67
<b>Ten Year Total</b>	<b>54,995</b>	<b>47,735</b>	<b>5,546</b>	<b>3,990</b>	<b>223</b>	<b>345</b>	<b>156</b>
<b>Percent</b>		<b>87%</b>	<b>10%</b>	<b>7%</b>	<b>&lt;1%</b>	<b>1%</b>	<b>&lt;1%</b>



Fiscal Year	Average Age
1994-1995	26
1995-1996	26
1996-1997	26
1997-1998	26
1998-1999	26
1999-2000	25
2000-2001	25
2001-2002	25
2002-2003	25
2003-2004	25



source: Fall, Minimester, Spring, Intersession, Summer I, Summer II Registrar's enrollment reports

Northeast Texas Community College

Demographic Statistics

Table 12

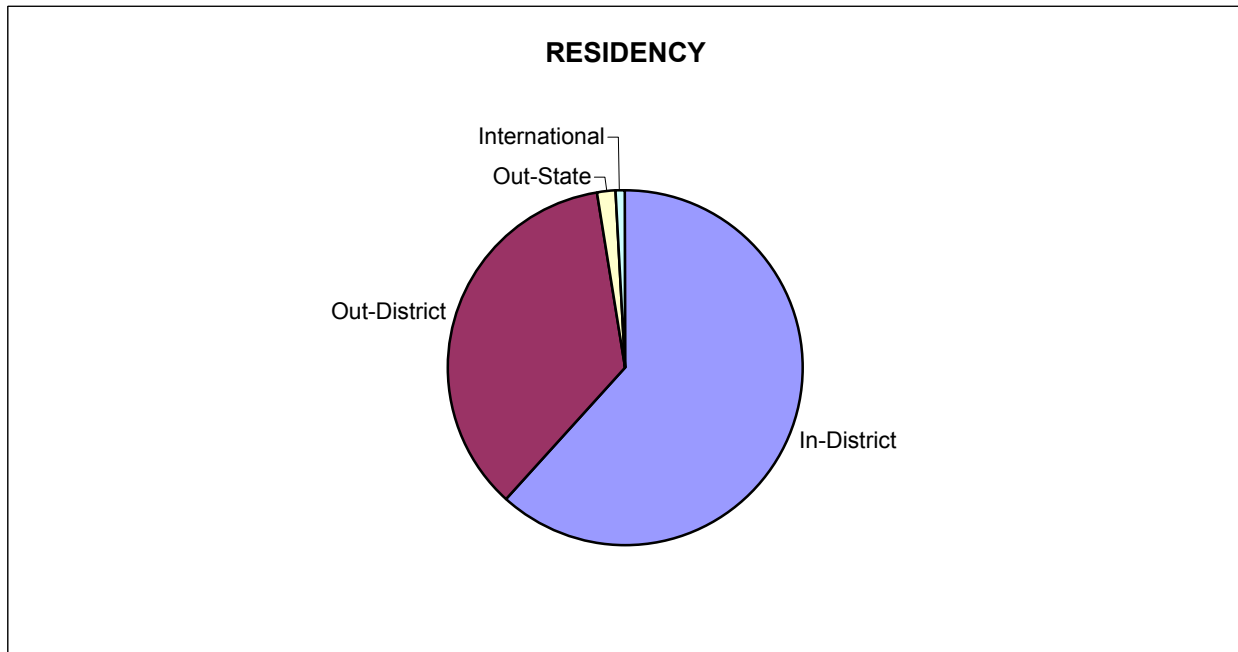
Student Statistics - Residency (DUPLICATED HEADCOUNT)

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Total Student Enrollment	Residency			
		In-District	Out-District	Out-State	International
1994-1995	5,919	3,606	2,233	63	17
1995-1996	5,626	3,301	2,247	69	9
1996-1997	5,433	3,345	1,995	84	9
1997-1998	5,505	3,375	2,049	76	5
1998-1999	5,642	3,365	2,190	68	19
1999-2000	5,226	3,101	2,049	48	28
2000-2001	5,412	3,394	1,924	51	43
2001-2002	6,062	3,793	2,159	78	32
2002-2003	6,441	4,026	2,270	107	38
2003-2004	6,729	4,158	2,397	119	55
<b>Ten Year Total</b>	<b>57,995</b>	<b>35,464</b>	<b>21,513</b>	<b>763</b>	<b>255</b>

source: Fall, Minimester, Spring, Intersession, Summer I, Summer II Registrar's enrollment reports



Northeast Texas Community College  
 Demographic Statistics - Unemployment Rates  
 Last Ten Fiscal Years  
 (Unaudited)

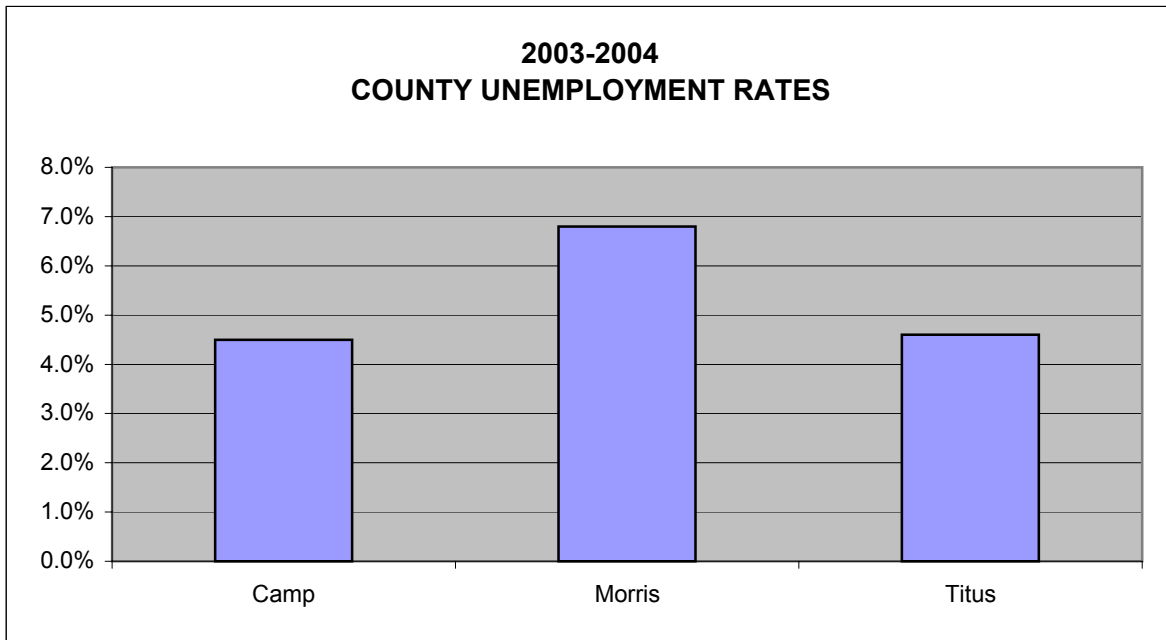
Table 13

Fiscal Year	Population(1)	County Unemployment Rate			National Unemployment Rate(3)
		Camp County(2)	Morris County(2)	Titus County(2)	
1993-1994	47,962	7.9%	12.2%	8.1%	6.31%
1994-1995	48,032	8.9%	9.7%	8.3%	5.52%
1995-1996	48,365	8.1%	9.9%	7.9%	5.52%
1996-1997	48,770	7.8%	8.1%	7.3%	5.13%
1997-1998	49,389	6.9%	8.2%	6.5%	5.40%
1998-1999	49,742	8.1%	12.7%	6.5%	3.80%
1999-2000	50,552	6.6%	11.0%	5.7%	4.10%
2000-2001	50,311	5.3%	7.2%	4.2%	4.00%
2001-2002	53,431	5.2%	7.0%	3.9%	4.80%
2002-2003	53,962	6.4%	9.7%	4.9%	5.80%
2003-2004	54,143	4.5%	6.8%	4.6%	5.40%

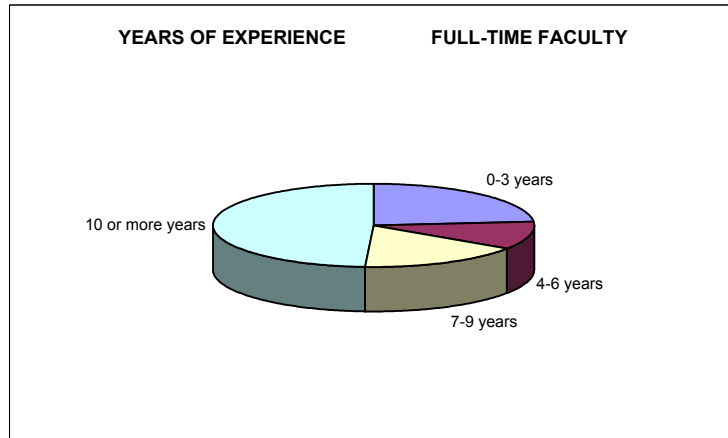
(1) Texas State Data Center - TAMU

(2) Labor Market Information Department - Texas Workforce Commission

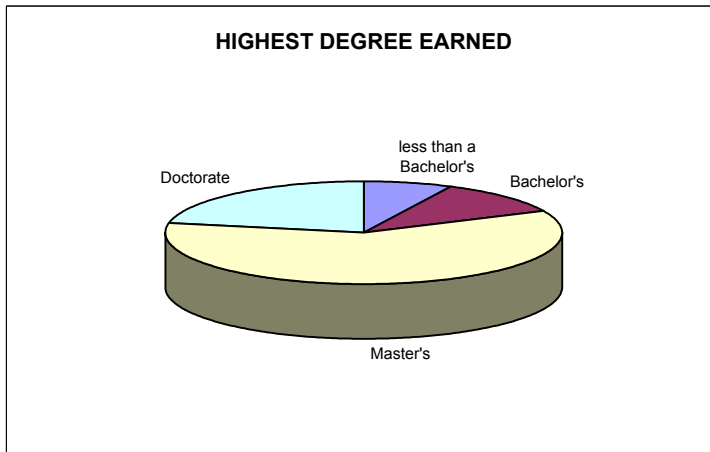
(3) US Department of Labor - Bureau of Labor Statistics



<u>Years of Experience at Northeast Texas Community College</u>	<u>Number of Full-Time Faculty</u>	<u>Percentage of Total</u>
0-3 years	13	24%
4-6 years	6	11%
7-9 years	9	16%
10 or more years	27	49%
	<u>55</u>	<u>100%</u>



<u>Highest Degree Earned</u>	<u>Number of Full-Time Faculty</u>	<u>Percentage of Total</u>
less than a Bachelor's	4	7%
Bachelor's	6	11%
Master's	33	60%
Doctorate	12	22%
	<u>55</u>	<u>100%</u>





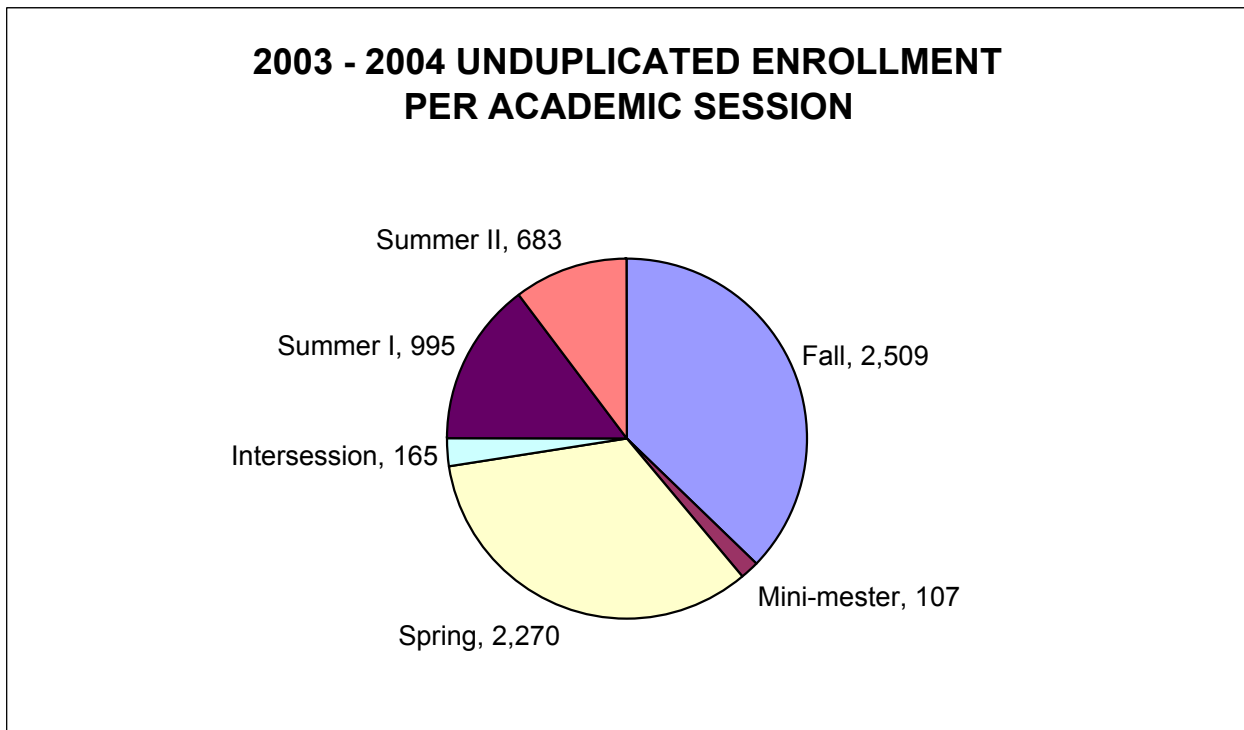
Northeast Texas Community College  
 Headcount Enrollment  
 Last Ten Fiscal Years  
 (Unaudited)

Table 15

Fiscal Year	Total Student Enrollment(A)	Unduplicated per Academic Session					
		Fall	Mini-mester	Spring	Intersession	Summer I	Summer II
1994-1995	5,919	2,291		2,150	190	742	546
1995-1996	5,626	2,137		1,952	234	740	563
1996-1997	5,433	2,062	80	1,906	171	674	540
1997-1998	5,505	2,027	89	1,883	146	723	637
1998-1999	5,642	2,045	92	2,049	217	724	515
1999-2000	5,226	1,956	133	1,763	175	692	507
2000-2001	5,412	1,990	142	1,896	146	731	507
2001-2002	6,062	2,203	157	2,048	200	882	572
2002-2003	6,441	2,423	115	2,322	174	823	584
2003-2004	6,729	2,509	107	2,270	165	995	683

(A) Duplicated Headcount

source: Fall, Minimester, Spring, Intersession, Summer I, Summer II Registrar's enrollment reports



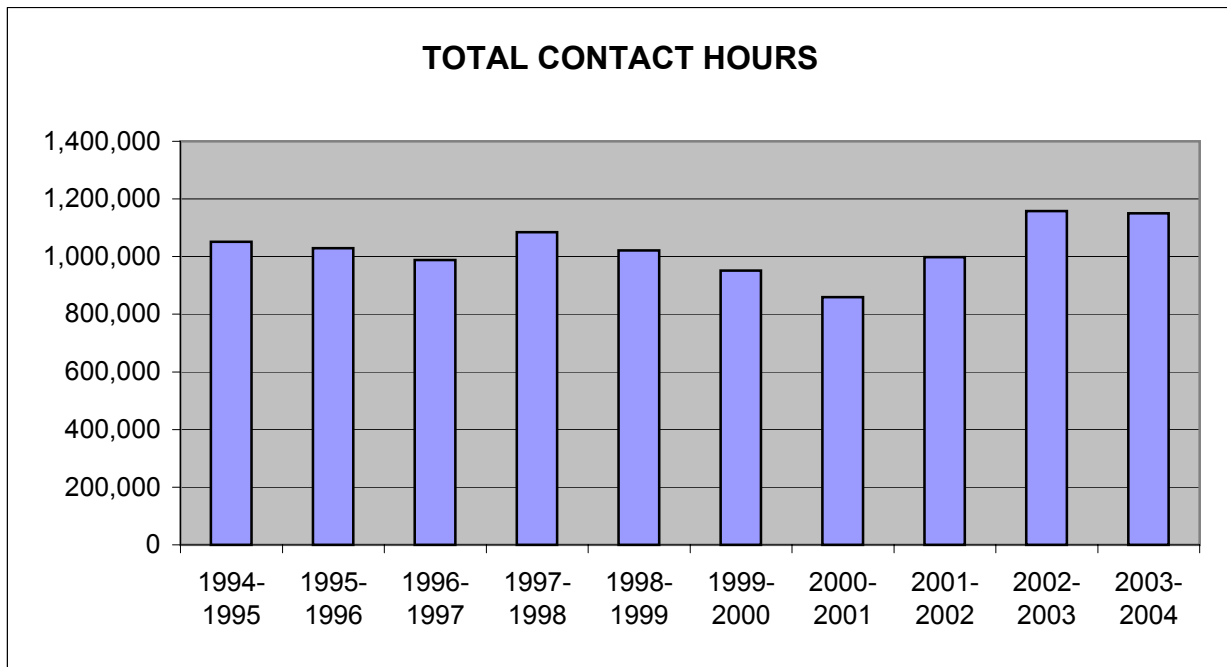
Northeast Texas Community College  
 Contact Hour Information  
 Last Ten Fiscal Years  
 (Unaudited)

Table 16

Fiscal Year	Academic	Workforce	Total
1993-1994			1,020,507
1994-1995			1,051,123
1995-1996			1,028,674
1996-1997	576,832	411,124	987,956
1997-1998	686,936	398,080	1,085,016
1998-1999	612,016	409,175	1,021,191
1999-2000	639,276	312,020	951,296
2000-2001	603,712	255,986	859,698
2001-2002	700,992	297,176	998,168
2002-2003	741,104	416,922	1,158,026
2003-2004	882,220	268,128	1,150,348

Note: Split between academic contact hours and vocational contact hours not available for fiscal years 1993-1994 through 1995-1996.

source: OIE POISE report



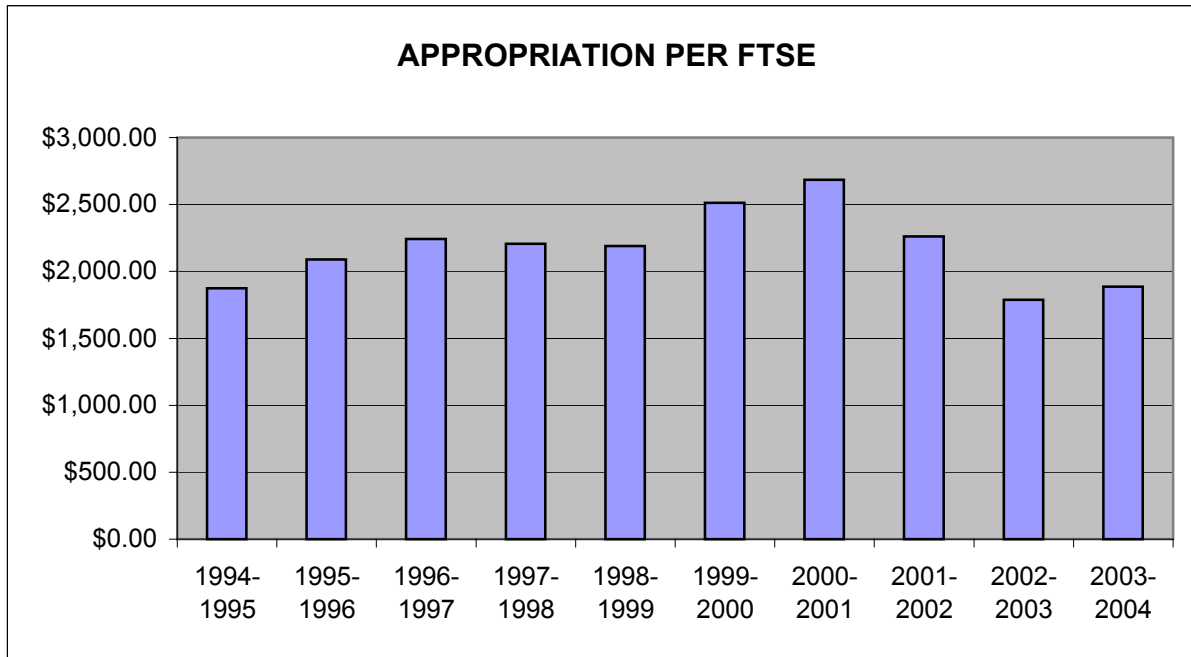
Northeast Texas Community College  
 State Appropriation per Full-Time Student Equivalent (1)  
 Last Ten Fiscal Years  
 (Unaudited)

Table 17

Fiscal Year	State Appropriation	Full-Time Student Equivalent	Appropriation per FTSE
1993-1994	\$3,151,761	1,572.45	\$2,004.36
1994-1995	\$3,139,886	1,675.28	\$1,874.25
1995-1996	\$3,340,638	1,598.60	\$2,089.73
1996-1997	\$3,485,683	1,554.47	\$2,242.36
1997-1998	\$3,457,025	1,566.81	\$2,206.41
1998-1999	\$3,594,984	1,642.60	\$2,188.59
1999-2000	\$3,813,429	1,518.56	\$2,511.21
2000-2001	\$3,942,917	1,457.56	\$2,685.17
2001-2002	\$3,729,786	1,649.94	\$2,260.56
2002-2003	\$3,371,943	1,886.89	\$1,787.04
2003-2004	\$3,712,360	1,968.64	\$1,885.75

(1) Current Unrestricted Funds Only

source: OIE POISE report for FTSE



***FEDERAL FINANCIAL ASSISTANCE INFORMATION***

**Independent Auditors' Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

*December 1, 2004*

***Board of Trustees  
Northeast Texas Community College and  
Northeast Texas Community College Foundation  
Mt. Pleasant, Texas***

***Members of the Board:***

We have audited the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation as of and for the year ended August 31, 2004, and have issued our report thereon dated December 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Uniform Grant Management Standards*.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Northeast Texas Community College and Northeast Texas Community College Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the administration of Northeast Texas Community College in a separate letter dated December 1, 2004

This report is intended for the information of management, the Board of Trustees, the Texas Higher Education Coordinating Board, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Wilf & Henderson, P.C." in a cursive script.

**WILF & HENDERSON, P.C.**  
**Certified Public Accountants**

**Independent Auditors' Report on Compliance with  
Requirements Applicable to each Major Program and Internal Control  
over Compliance in Accordance with OMB Circular A-133**

*December 1, 2004*

***Board of Trustees  
Northeast Texas Community College and  
Northeast Texas Community College Foundation  
Mt. Pleasant, Texas***

***Members of the Board:***

**Compliance**

We have audited the compliance of Northeast Texas Community College and Northeast Texas Community College Foundation with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2004. Northeast Texas Community College and Northeast Texas Community College Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northeast Texas Community College and Northeast Texas Community College Foundation's management. Our responsibility is to express an opinion on Northeast Texas Community College and Northeast Texas Community College Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Texas Community College and Northeast Texas Community College Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Northeast Texas Community College and Northeast Texas Community College Foundation's compliance with those requirements.

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2004.

**Internal Control over Compliance**

The management of Northeast Texas Community College and Northeast Texas Community College Foundation Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northeast Texas Community College and Northeast Texas Community College Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations we consider to be material weaknesses.

This report is intended for the information of management, the Board of Trustees, the Texas Higher Education Coordinating Board, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**WILF & HENDERSON, P. C.**  
**Certified Public Accountants**



**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2004*  
Page 1 of 2

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Pass Through Disbursements and Expenditures</u>
<b>U.S. Department of Education</b>			
Direct Programs:			
Federal Supplemental Educational Opportunity Grants	* 84.007A		\$ 36,886
Title III	* 84.031A		366,266
Federal Work-Study Program	* 84.033A		67,195
Gear Up	84.334A		329,874
TRIO - Upward Bound	84.047A		232,671
STEP	84.215	(A)	224,289
Federal Pell Grant Program	* 84.063P		3,142,897
Passed Through			
Texas Higher Education Coordinating Board			
Vocational Education - Allocated	84.048	44234	193,056
An Academy for Part - Time Teachers	84.243	41105	63,048
Texas Education Agency			
Adult Basic Education	84.002A		101,678
EL Civics	84.002A		99,836
Adult Education / Corrections	84.002A		42,240
Teacher Training	84.002A		2,799
EL Civics professional Development	84.002A		4,402
<b>Total U.S. Department of Education</b>			<b><u><u>4,907,137</u></u></b>
<b>U.S. Department of Labor</b>			
Pass Through From Texas Education Commission			
WIA Youth Pass	17.259		46,109
Pass Through From Texas Higher Education Coordinating Board			
First Generation College Student	17.267		27,365
Go Center	17.267		1,430
<b>Total U.S. Department of Labor</b>			<b><u><u>74,904</u></u></b>
<b>Federal Maritime Commission</b>			
<b>Pass Through From East Texas Council of Governments</b>	<b>33.558</b>		<b><u><u>40,984</u></u></b>
National Endowment for the Arts			
Pass - Through From			
Texas Commissions on the Arts			
<b>Promotion of the Arts</b>	<b>45.025</b>		<b><u><u>9,452</u></u></b>
<b>National Science Foundation</b>	<b>47.076</b>		<b><u><u>44,338</u></u></b>
U. S. Small Business Administration			
<b>Small Business Development Center</b>	<b>59.037</b>		<b><u><u>59,475</u></u></b>
U.S. Department of Health and Human Services			
Pass - Through From			
Texas Education Agency			
Temporary Assist to Needy Families	93.558		62,342
Temporary Assist to Needy Families	* 93.558	(A)	163,052
<b>Total U.S. Department of Health and Human Services</b>			<b><u><u>225,394</u></u></b>
<b>Total Federal Financial Assistance</b>			<b><u><u>\$ 5,361,684</u></u></b>

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2004*  
*Page 2 of 2*

**Note 1: Federal Assistance Reconciliation**

<b>Federal Grants and Contracts Revenue - Per Schedule A - College</b>	\$ 4,974,343
<b>Federal Grants and Contracts Revenue - Foundation</b>	\$ <u>387,341</u>
<b>Total Federal Revenues per Schedule of Expenditures of Federal Awards</b>	\$ <u><u>5,361,684</u></u>

**Note 2: Significant Accounting Policies**

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

\* Major Program

(A) Denotes federal financial assistance program for the Component Unit - Northeast Texas Community College Foundation.

**See independent auditors' report.**

**NORTHEAST TEXAS COMMUNITY COLLEGE  
 FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2004**

**A: Summary of Audit Results**

*Financial Statements*

The auditor's report expresses an unqualified opinion on the financial statements of Northeast Texas Community College.

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ yes      X   no
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ yes      X   no
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

The auditor's report on compliance for the major federal awards programs for Northeast Texas Community College expresses an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes      X   no

The programs tested as major programs include:

Student Financial Aid

Federal Supplemental Educational Opportunity Grants	CFDA # 84.007A
Federal Work-Study Program	CFDA # 84.033A
Federal Pell Grant Program	CFDA # 84.063P

Title III	CFDA # 84.033A
Communities in Schools	CFDA # 93.5588

Dollar threshold used to distinguish between

Type A and B programs:                                 \$ 300,000

Auditee qualified as low-risk auditee?               X   yes    \_\_\_\_\_ no

**B: Findings - Financial Statements Audit**

None

**C : Findings and Questioned Costs - Major Federal Award Programs Audit**

None

***NORTHEAST TEXAS COMMUNITY COLLEGE  
FEDERAL SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED AUGUST 31, 2004***

**Prior year audit disclosed no findings or questioned costs.**

***STATE FINANCIAL ASSISTANCE INFORMATION***

**Independent Auditors' Report on Compliance with  
Requirements Applicable to each Major State Program and Internal Control  
over Compliance in Accordance with State of Texas Single Audit Circular**

***December 1, 2004***

***Board of Trustees  
Northeast Texas Community College and  
Northeast Texas Community College Foundation  
Mt. Pleasant, Texas***

***Members of the Board:***

**Compliance**

We have audited the compliance of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. with the types of compliance requirements described in the *Uniform Grant Management Standards* issued by the State of Texas that are applicable to each of its major state programs for the year ended August 31, 2004. Northeast Texas Community College and Northeast Community College Foundation, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying state grants schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s management. Our responsibility is to express an opinion on Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Uniform Grant Management Standards*. Those standards and the State of Texas *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with those requirements.

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended August 31, 2003. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with *Uniform Grant Management Standards*.

**Internal Control over Compliance**

The management of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations we consider to be material weaknesses.

This report is intended for the information of management, the Audit Committee, the Board of Trustees, the Texas Higher Education Coordinating Board, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**WILF & HENDERSON, P. C.**  
**Certified Public Accountants**

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended August 31, 2004**  
**Page 1 of 2**

<u>Grantor/Program/Title</u>	<u>Grant Contract Number</u>	<u>Pass Through Disbursements and Expenditures</u>
Texas Workforce Commission		
TWC #0704SDF000		\$ 71,141
First Generation College Student		4,962
Pass - Through From - Northeast Texas Workforce Development Board		
TXU Skills Enhancement		10,005
Cypress Basin Hospice Skills Development		5,700
Pediatric Clinic		9,475
<b>Total Texas Workforce Commission</b>		<b>101,283</b>
<b>Upper East TX Prep/ School - to - Work If I Had A Hammer</b>		<b>7,284</b>
Texas Education Agency		
Adult Basis Education	4010001321080028	21,431
Temporary Assist to Needy Families		5,575
State Engineering & Science Recruitment Fund (SENSR)	40220017110001	24,501
Communities in School	*	508,137
<b>Total Texas Education Agency</b>	(A)	<b>559,644</b>
<b>U.S. Small Business Administration SBDC State</b>		<b>32,445</b>
<b>Texas Health &amp; Human Services Commission Summer Food Program</b>		<b>7,251</b>
<b>Texas Department of Criminal Justice Catalyst</b>		<b>11,047</b>
Telecommunications Infrastructure Fund Board		
TIFB # 6795		12,372
Pass Through Pittsburg ISD		
Camp Net		10,000
<b>Total Telecommunications Infrastructure Fund Board</b>		<b>22,372</b>
Texas Higher Education Coordinating Board		
Texas Grant Program	N/A	131,918
Texas Grant II	N/A	48,563
<b>Total Texas Higher Education Coordinating Board</b>		<b>180,481</b>
<b>TPEG</b>		<b>67,105</b>
<b>Texas College Workstudy</b>		<b>11,410</b>
<b>Texas Guarantee Student Loan Corporation</b>		<b>4,400</b>
<b>Virtual College of Texas</b>		<b>5,049</b>
<b>Total State Financial Assistance</b>		<b>\$ 1,009,771</b>

\* - Major Program



**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
*For the Year Ended August 31, 2004*  
 Page 2 of 2

**Note 1: Significant Accounting Policies**

The accompanying schedule of expenditures of state awards has been prepared on the accrual basis of accounting. The expenditures included in the schedule are reported for the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the college for the purposes of the award. The expenditures reported may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The college has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**Note 2: State Financial Assistance Reconciliation**

	<u>Expenditures</u>
State Grants and Contracts - College per Schedule A	\$ 501,634
State Grants and Contracts - - Foundation	<u>508,137</u>
<b>Total State Financial Assistance</b>	<b>\$ <u><u>1,009,771</u></u></b>

(A) Denotes federal financial assistance program for the Component Unit  
 Northeast Texas Community College Foundation

**See independent auditors' report.**

**NORTHEAST TEXAS COMMUNITY COLLEGE  
STATE GRANTS SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2004**

**A: Summary of Audit Results**

*Financial Statements*

The auditor's report expresses an unqualified opinion on the financial statements of Northeast Texas Community College.

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ yes      X   no
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

*State Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ yes      X   no
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

The auditor's report on compliance for the major state awards programs for Northeast Texas Community College expresses an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of State of Texas Single Audit Circular? \_\_\_\_\_ yes      X   no

The programs tested as major programs include:

Communities in School Grant contract number

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

Auditee qualified as low-risk auditee?   x   yes    \_\_\_\_\_ no

**B: Findings - Financial Statements Audit**

None

**C : Findings and Questioned Costs - Major State Award Programs Audit**

None

***NORTHEAST TEXAS COMMUNITY COLLEGE  
STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED AUGUST 31, 2004***

**There was no prior year findings.**