

***NORTHEAST TEXAS COMMUNITY COLLEGE
AND
NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
AUGUST 31, 2006 AND 2005***

PREPARED BY:

**ADMINISTRATIVE SERVICES DEPARTMENT
NORTHEAST TEXAS COMMUNITY COLLEGE**

MOUNT PLEASANT, TEXAS

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NORTHEAST TEXAS COMMUNITY COLLEGE

P.O. Box 1307 • Mount Pleasant, Texas 75456-1307 • 903-434-8100 • Fax 903-572-6712

Office of the President

December 14, 2006

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 2006. A discussion and analysis of the College's financial statements provide an overview of its financial activities and condition for the fiscal year ending August 31, 2006.

Once again, the College has experienced a successful year. We continue to experience strong credit enrollment with over 2,400 students enrolled in Fall 2006. Our outreach services and continuing education programs improved the lives of over 6,000 people of all ages this past year.

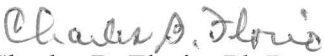
Our students and employees continue to earn state and national awards. These awards validate our excellent reputation as an award-winning college which encourages more area citizens to take advantage of a stellar faculty and staff.

Our friends continue to provide financial resources to help us achieve our ambitions and very comprehensive mission. These gifts amount to over \$1.67 million during the past two fiscal years. Recent gifts are funding the expansion of our Hanson-Sewell Center in Pittsburg.

The College successfully completed a \$4.49 million Revenue Financing Systems Refunding and Improvement Bond issuance in April of this year. These funds have been used to lower our interest rate on prior revenue debt and to purchase additional land within our physical plant master plan for our main campus. The remaining funds will be used to construct a regulation lighted soccer field and track and supporting facilities on the main campus.

NTCC continues to be 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

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Transmittal Letter

December 14, 2006

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, 2006, 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 2006 audit report contains comparative data for the last two fiscal periods. According to GASB, *this ensures that financial information will be available at a glance to financial statement users.* A Management's Discussion and Analysis is provided below 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 term 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, 2006.

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 17.2 percent in the last three years and 4.3 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 2,400 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 a new corporate headquarters for Pilgrims Pride, Inc.

The unemployment rate in our three counties range from 4.1% to 5.3% while the national average was 5.1%. 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:

	<u>Fall 2002</u>	<u>Fall 2003</u>	<u>Fall 2004</u>	<u>Fall 2005</u>	<u>Fall 2006</u>
<u>Enrollment</u>					
Students in Credit Courses	2,423	2,509	2,473	2,507	2,409
Full-time Equivalents	1,816	1,920	1,880	1,874	1,804
<u>Total Credit Hours</u>	24,141	25,394	24,287	23,928	22,857
Students in Continuing Education Courses	368	542	381	202	302

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 on-campus facilities were completed in the spring of 2005 and a major new outreach center in Pittsburg began operations in fall of 2005.

Enrollment. NTCC continues to show strong enrollment. Credit enrollment in the summer and fall 2006 year is relatively flat when compared to the same period for the year in 2005. Management believes this is due primarily to the increase in the cost of gasoline, as the main campus is situated in a primarily rural area, and the majority of our students commute long distances to reach our campus. In addition, unemployment remains low in the tri-county area.

New Programs. New programs that began in Fall, 2005 include an Associate of Applied Science program for Medical Assistant, two certificate programs for Administrative Medical Assistant, and an Associate of Applied Science program for Medical Laboratory Technician. A new program in Auto Body repair was implemented in Fall, 2005 as well as a new Associate of Arts in Teaching (A.A.T.) degree. A joint program with Texas A&M University – Texarkana that includes a teaching certificate in 4th – 8th grade science and 8th – 12th grade composite science was implemented in Fall 2006. We began offering a certificate in culinary arts in Fall 2006 and in Spring 2007 a Radiologic Technology program will be launched.

New Facilities. The Pittsburg Hanson-Sewell Outreach Center was completed in September, 2005. The school used funds from a Rural Utilities Grant to install distance education computers in the Hanson-Sewell Center. NTCC was also awarded two grants to assist in the building of the Hanson-Sewell Center from the Meadows foundation and the U.S.D.A.

Title III. The fourth 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 saw 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 were enhanced and equipped with digital projectors and several new initiatives in the area of student services were implemented, such as an early alert program, online registration, access to student grades online, and a new online orientation option for new students. The third year of Title III included the purchase of computer equipment to create a writing skills lab, a reading skills lab, a physics lab and to enhance the testing center. Server upgrades were implemented for both the student information system and the student email system. Laptops, document cameras and projectors were purchased for use for training via the Faculty Innovation Center. Equipment upgrades were also made available as needed for NTCC faculty. Several courses were developed for the Business Administration Fast Track Program as well. This fourth year of Title III included the addition of a computer lab and wireless technology in our University Health Sciences building, purchase of additional equipment for use in instruction and for support functions, funding of a student satisfaction survey and purchase of software for instructional, tutoring and admissions and business office enhancements.

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. 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

In April of 2006, the college completed a \$4.4 million, 4% debt issuance in the form of a Revenue Financing System Refunding and Improvement Bonds. Of the proceeds, \$1.7 million was used to refund the College's Series 1992 and 1994 Dormitory System Revenue Bonds and the Series 1994 Tuition and Building Use Fee Revenue and Refunding Bonds which all carried higher interest rates. \$2.6 million of the proceeds were set aside into a construction fund. These funds will be used to purchase land adjacent to the main campus and the Hanson-Sewell Outreach Center, to construct parking space at that center, additional athletic facilities and expand the college farm facilities on the main campus. The remaining proceeds were used for debt issuance costs and debt service.

The College has \$ 19,444,218 of outstanding Tax and Revenue bonds with stated interest rates that range from 2.5% to 14.5%. The bonds require the Board of Trustees to annually levy ad valorem taxes and tuition, fee and other revenues which will be sufficient to raise and produce the money required to pay interest and principal on the bonds as they mature.

The College has various other notes payable totaling \$375,902 with interest rates ranging from 3.95% to 4.55 % and primarily secured by vehicles and equipment used in the daily operations of the College.

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 4.5% 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 ninth 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.

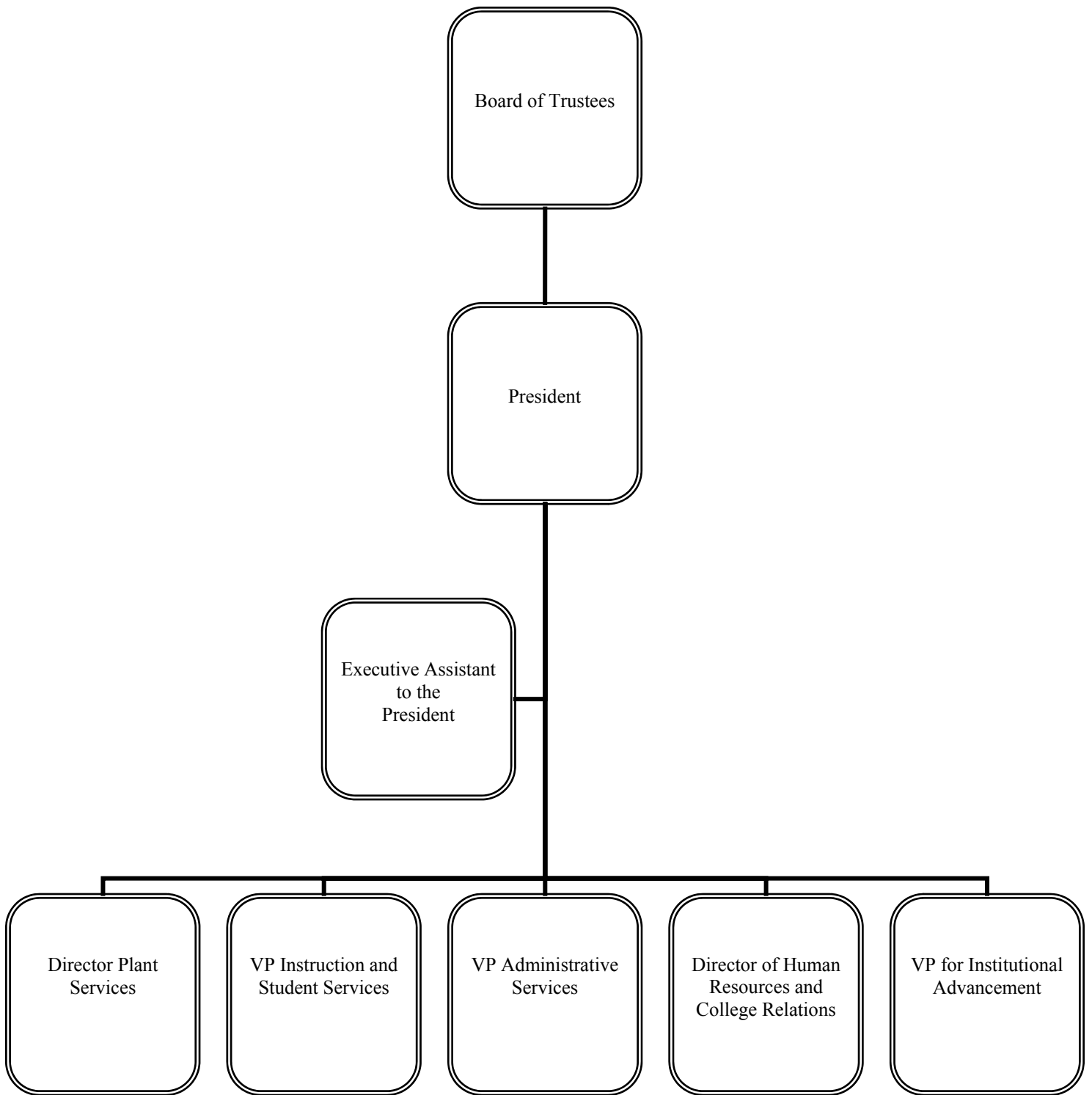
ACKNOWLEDGMENTS

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,



M. Beth Thompson, CPA
Vice President for Administrative Services



Northeast Texas Community College
Mt. Pleasant, Texas

Board of Trustees

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

Deans' Council Members

Dr. Charles Florio	President
Dr. Herbert Riedel	Vice President for Instruction and Student Development
Ms. M. Beth Thompson	Vice President for Administrative Services
Mr. Larry Smith	Director of Plant Services
Dr. Jonathan McCullough	Vice President for Institutional Advancement
Dr. Judy Traylor	Associate Vice President for Outreach Services
Ms. Jeri Thornton	Dean of Enrollment Management
Dr. Mary Hearron	Director of Instruction
Ms. Jodi Weber	Director of Marketing and Public Relations
Mr. Jim Swann	Director of Instruction
Mr. Russell Kunz	Dean of Business, Technology and Continuing Education
Ms. Betty Brock	Dean of Allied Health
Ms. Pat Tallant	Executive Assistant to the President

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, 2005

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.



President

Executive Director

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

December 1, 2006

*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, 2006 and 2005, 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, 2006 and 2005, 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, 2006 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 audits.

Board of Trustees
Page 2
December 1, 2006

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 2004, 2005 and 2006. 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-vii), the College's basic financial statements (pages 10-12) and the footnotes (pages 13-33). 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 previous year and the previous year to the preceding 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)

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

Statement of Net Assets For the Years Ended August 31, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Assets</u>			
Current	\$ 6,412,600	\$ 3,719,764	\$ 10,082,830
Net Capital Assets	24,715,933	24,867,189	18,777,891
Other Non-Current	<u>568,266</u>	<u>487,510</u>	<u>494,323</u>
Total Assets	\$ 31,696,759	\$ 29,074,463	\$ 29,355,044
<u>Liabilities</u>			
Current	4,175,160	4,109,929	4,137,799
Non-Current	<u>18,716,585</u>	<u>16,786,868</u>	<u>17,235,055</u>
Total Liabilities	22,891,745	20,896,797	21,372,854
<u>Net Assets</u>	<u>\$ 8,805,014</u>	<u>\$ 8,177,666</u>	<u>\$ 7,982,190</u>

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, 2006, 2005 and 2004, the College's net assets were \$ 8,805,014, \$8,177,666 and 7,982,190 respectively. 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, 2006, 2005 and 2004**

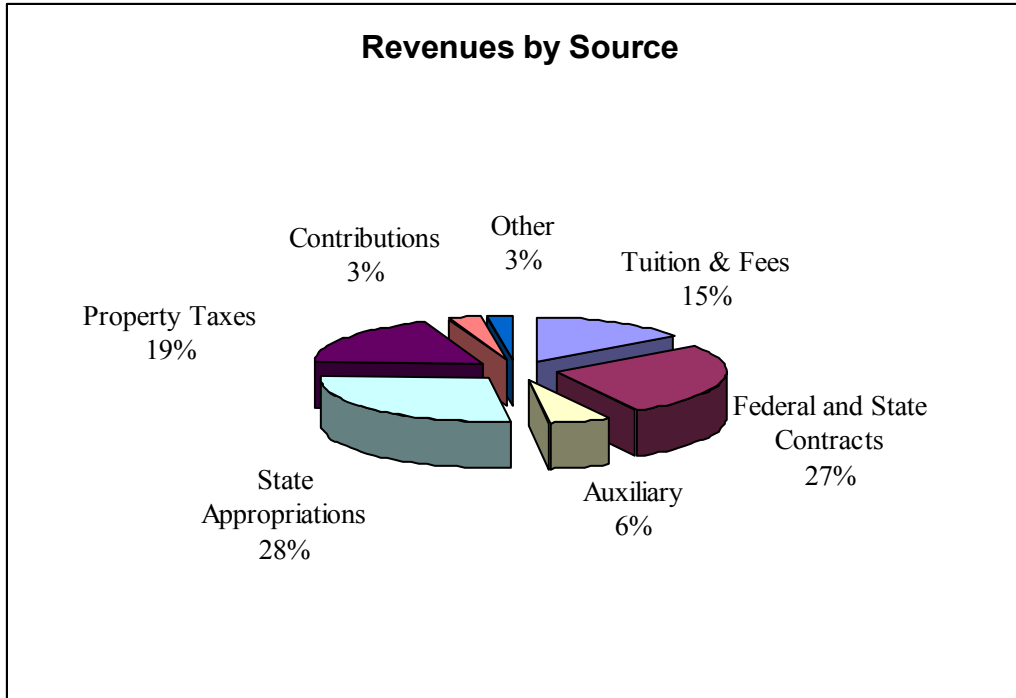
	<u>2006</u>	<u>2005</u>	<u>2004</u>
SUMMARY OF REVENUES AND EXPENSES			
Total, Operating Revenues	\$ 9,090,311	\$ 9,647,126	\$ 9,434,380
Total, Operating Expenses	<u>16,234,872</u>	<u>16,387,428</u>	<u>15,456,808</u>
Total, Operating (Loss)	(7,144,561)	(6,740,302)	(6,022,428)
Net Non-Operating Revenues	7,771,909	6,935,778	6,572,626
Increase (Decrease) in Net Assets	627,348	195,476	550,198
Net Assets at Beginning of Year	<u>8,177,666</u>	<u>7,982,190</u>	<u>7,431,992</u>
Net Assets - End of Year	<u>\$ 8,805,014</u>	<u>\$ 8,177,666</u>	<u>\$ 7,982,190</u>

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
For the Years Ended August 31, 2006, 2005 and 2004**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues:			
Net tuition and fees	\$ 2,672,106	\$ 2,167,101	\$ 2,169,998
Federal grants and contracts	4,341,657	5,101,887	4,974,343
State grants and contracts	574,001	604,566	501,634
Non-governmental grants and contracts	99,802	113,586	111,093
Sales and services of educational activities	23,052	36,350	28,069
Net auxiliary enterprises	1,039,537	1,191,216	1,162,895
Other operating revenues	<u>340,156</u>	<u>432,420</u>	<u>486,348</u>
Total, Operating Revenues	<u>9,090,311</u>	<u>9,647,126</u>	<u>9,434,380</u>
Net Non-Operating Revenues:			
State appropriations	4,998,581	4,607,933	4,603,402
Property taxes	3,345,281	3,204,204	2,958,441
Investment and other Income	57,019	55,906	112,891
Gain on sale of assets	-	4,100	-
Contributions	<u>467,589</u>	<u>-</u>	<u>-</u>
Total, Non-Operating Revenues	<u>8,868,470</u>	<u>7,872,143</u>	<u>7,674,734</u>
Total Revenues, Operating and Non-Operating	<u>\$ 17,958,781</u>	<u>\$17,515,169</u>	<u>\$17,109,114</u>



In comparing the fiscal periods ended August 31, 2006 and 2005:

- Net tuition and fee revenues increased \$505,005 due to an increase in amounts charged.
- Federal grants decreased by \$760,230 primarily as a result of decreases in Pell grants of \$429,922 and timing of spending of Title III funds. The decrease in Pell grants was a result of changes in the formulas used by the government to determine eligibility and the grant amount awarded to each individual.
- The Northeast Texas Community College Foundation, as a component of the College, contributed a total of \$227,124 in scholarships for 389 students.
- Net revenue from Auxiliary Operations decreased by 151,679 primarily as a result of decreased sales in the College store as competition from internet discount sales of textbooks increased.
- Property tax revenues increased \$141,077 primarily as a result of increases in the taxable value of properties in the tri-county area.
- Contributions in the amount of \$467,589 were received this year through the foundation to offset the cost of building the Hansen-Sewell Center as well as an in-kind contribution of stables on the main campus.

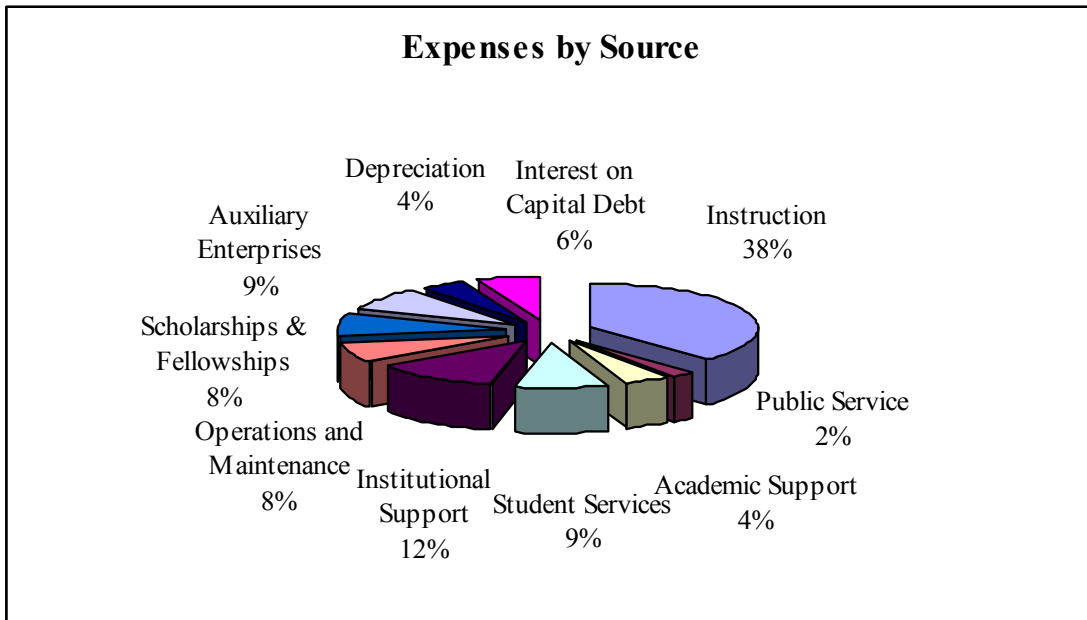
In comparing the fiscal periods ended August 31, 2005 and 2004

- Net tuition and fee revenues remained relatively flat due to a flat enrollment that management believes is a result of the increase in gasoline costs and ongoing low unemployment in the area.
- Additional federal grants and contracts were received in the amount of \$127,544. 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 increased by \$102,932.
- The Northeast Texas Community College Foundation, as a component of the College, contributed a total of \$173,130 in scholarships for 355 students.
- Property tax revenues increased \$245,763 primarily as a result of increases in the taxable value of properties in the tri-county area.
- Investment and other income decreased by \$56,985 as funds held for construction were expended in the latter part of 2004.

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
For the Years Ended August 31, 2006, 2005 and 2004**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Expenses:			
Instruction	\$ 6,561,461	\$ 6,075,398	\$ 5,536,415
Public service	376,344	713,536	546,000
Academic support	759,418	790,797	800,439
Student services	1,523,805	1,376,129	1,275,110
Institutional support	2,078,964	2,073,787	2,137,074
Operation and maintenance of plant	1,366,895	1,129,971	1,043,060
Scholarship & fellowships	1,340,710	1,986,483	1,977,687
Auxiliary enterprise	1,505,817	1,642,882	1,589,001
Depreciation	721,458	598,445	552,022
Total, Operating Expenses	16,234,872	16,387,428	15,456,808
Non-Operating Expenses:			
Interest on capital related debt	1,078,410	908,905	1,035,407
Other non-operating expenses	18,151	27,460	37,403
Total, non-operating expenses	1,096,561	932,265	1,102,108
Total Expenses, Operating and Non-Operating	\$ 17,331,433	\$ 17,319,693	\$ 16,558,916



In comparing the fiscal periods ended August 31, 2006 and 2005:

- Instruction expense increased \$486,063 primarily as a result of increased salary cost for new positions as well as salary increases.
- Operations and maintenance of plant expense increased by \$236,924 as a result of a full year of operation of new buildings as well as increases in heating and cooling costs resulting from higher fuel prices.
- Scholarships and fellowships decreased \$645,773. Pell grants decreased \$429,922 as a result of changes in the formulas used by the government to determine eligibility and the grant amount awarded to each individual.
- Auxiliary enterprises expense decreased \$137,035 as a result of decreased textbook sales as previously discussed.
- Interest on Capital Related Debt increased by \$169,505 due discontinuation of capitalization of interest on building projects during construction as construction was completed in fiscal year ended 2005.
- Depreciation expense increased \$123,013 as a result of first year depreciation on new buildings put into service in early fiscal year ended 2006.

In comparing the fiscal periods ended August 31, 2005 and 2004:

- Instruction expense increased by \$538,983 primarily as a result of increased salary cost for positions filled for new programs being offered.
- Operations and maintenance of plant expense increased by \$86,911 as a result of opening of the University and Health Sciences center, the Criminal Justice building, the Industrial Technology Regional Center and the Hansen-Sewell center.
- Capital Assets increased by \$6,089,298 due to the completion of the four new facilities. At the same time, depreciation in the amount of \$598,445 was expensed this year.
- Interest on Capital Related Debt decreased by \$126,502 or 12.2% percent from 2004 to 2005. This was largely due to the capitalization of interest on building projects during construction.

Analysis of Net Assets

Total Net Assets of \$ 8,805,014 is comprised of the investment in capital assets net of related debt of \$7,219,657, and reserve for debt service of \$608,270. 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 \$977,087 is the inception-to-date net of current and non-current revenues and expenses.

Net Assets For the Years Ended August 31, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Investment in Capital Assets, Net of Related Debt	\$ 7,219,657	\$ 6,868,646	\$ 6,670,953
Restricted for: Expendable student aid and debt service	608,270	401,710	362,096
Unrestricted	<u>977,087</u>	<u>907,310</u>	<u>949,141</u>
Total Net Assets	<u><u>\$ 8,805,014</u></u>	<u><u>\$ 8,177,666</u></u>	<u><u>\$ 7,982,190</u></u>

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'.

Financial Condition and Outlook

Although the College did experience a decrease in operating revenues over prior year, this was offset by a reduction in operating expenses as well as an increase in non-operating revenues. The College's unrestricted net assets increased by \$69,777 while the prior year's unrestricted net assets decreased by \$41,832.

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 four new buildings was completed in the fall 2005 and additional expansion is planned for the college.

FINANCIAL STATEMENTS

NORTHEAST TEXAS COMMUNITY COLLEGE
EXHIBIT 1
STATEMENTS OF NET ASSETS
August 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	\$ 2,153,893	\$ 1,324,772
Short-term investments (Note 5)	2,215,397	263,573
Accounts receivable (Note 21)	1,024,692	1,287,415
Inventories	359,404	356,366
Prepaid expense	139,202	140,192
Deferred charges	218,154	152,550
Due from component unit	301,858	194,896
Total Current Assets	<u>6,412,600</u>	<u>3,719,764</u>
Noncurrent Assets		
Notes receivable (net of allowance for doubtful accounts of \$70,428, 2006 and \$70,428, 2005)	9,563	17,834
Long-term investments (Note 5)		14,106
Deferred charges	501,473	396,715
Other assets	57,190	58,855
Capital assets, net of accumulated depreciation (Note 3)	24,715,933	24,867,189
Total Noncurrent Assets	<u>25,284,159</u>	<u>25,354,699</u>
Total Assets	<u>31,696,759</u>	<u>29,074,463</u>
LIABILITIES		
Current Liabilities		
Accounts payable (Note 21)	422,339	341,512
Accrued liabilities (Note 21)	178,525	136,361
Accrued compensated absences (Note 11)	46,186	59,575
Deposits payable (Note 21)	63,308	45,376
Funds held for others	103,168	66,024
Deferred revenues	1,905,684	2,144,674
Note payable - current portion (Note 7)	118,774	211,628
Unamortized premium - current portion (Note 7)	230,090	270,824
Bonds payable - current portion (Note 7)	1,107,086	833,955
Total Current Liabilities	<u>4,175,160</u>	<u>4,109,929</u>
Noncurrent Liabilities		
Unamortized premium (Note 7)	122,325	309,539
Bonds payable (Note 7)	18,337,132	16,101,627
Notes payable (Note 7)	257,128	375,702
Total Noncurrent Liabilities	<u>18,716,585</u>	<u>16,786,868</u>
Total Liabilities	<u>22,891,745</u>	<u>20,896,797</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,219,657	6,868,646
Restricted for		
Expendable		
Student Aid	-	-
Debt service	607,662	401,710
Temporarily	608	
Unrestricted	977,087	907,310
Total Net Assets	<u>\$ 8,805,014</u>	<u>\$ 8,177,666</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 NET ASSETS
August 31, 2006 and 2005

ASSETS	2006	2005
Current Assets		
Cash and cash equivalents (Note 5)	\$ 393,157	\$ 92,280
Investments (Note 5)	1,013,659	1,297,682
Accounts receivable (Note 21)	476,718	495,524
Total Current Assets	<u>1,883,534</u>	<u>1,885,486</u>
Noncurrent Assets		
Long - term investments (Note 5)	306,814	115,000
Property, plant, and equipment, net of accumulated depreciation (Note 3)	162,431	167,338
Other assets	41,250	23,100
Total Noncurrent Assets	<u>510,495</u>	<u>305,438</u>
 Total Assets	 <u>2,394,029</u>	 <u>2,190,924</u>
 LIABILITIES		
Current Liabilities		
Accounts payable (Note 21)	638	901
Deferred revenue	133,960	31,371
Due to Northeast Texas Community College	301,858	194,896
Total Current Liabilities	<u>436,456</u>	<u>227,168</u>
 Total Liabilities	 <u>436,456</u>	 <u>227,168</u>
 Net assets:		
Restricted		
Nonexpendable:		
Permanently	1,069,232	1,010,237
Expendable:		
Temporarily	705,362	796,129
Unrestricted	182,979	157,390
Total Net Assets	\$ <u>1,957,573</u>	\$ <u>1,963,756</u>

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, 2006 and 2005

REVENUES	2006	2005
Operating Revenues		
Tuition and fees (net of grant and scholarship allowances of \$ 1,619,650, 2006 and \$1,419,676, 2005)	\$ 2,672,106	\$ 2,167,101
Federal grants and contracts	4,341,657	5,101,887
State grants and contracts	574,001	604,566
Non-Governmental grants and contracts	99,802	113,586
Sales and services of educational activities	23,052	36,350
Auxiliary enterprises (net of grant and scholarship allowances of \$492,910, 2006 and \$528,615, 2005)	1,039,537	1,191,216
Other operating revenues	340,156	432,420
Total Operating Revenues (Schedule A)	9,090,311	9,647,126
EXPENSES		
Operating Expenses		
Instruction	6,561,461	6,075,398
Public service	376,344	713,536
Academic support	759,418	790,797
Student services	1,523,805	1,376,129
Institutional support	2,078,964	2,073,787
Operation and maintenance of plant	1,366,895	1,129,971
Scholarships and fellowships	1,340,710	1,986,483
Auxiliary enterprises	1,505,817	1,642,882
Depreciation	721,458	598,445
Total Operating Expenses (Schedule B)	16,234,872	16,387,428
Operating Income (Loss)	(7,144,561)	(6,740,302)
NON-OPERATING REVENUES (EXPENSES)		
State allocations	4,998,581	4,607,933
Ad-valorem taxes		
Taxes for maintenance & operations	2,171,008	2,077,925
Taxes on general obligations bonds	1,174,273	1,126,279
Investment income (net of investment expenses)	57,019	55,906
Contributions	467,589	
Gain on sale of assets		4,100
Interest on capital related debt	(1,078,410)	(908,905)
Other non - operating expenses	(18,151)	(27,460)
Net non-operating revenues	7,771,909	6,935,778
Increase (Decrease) in Net Assets	627,348	195,476
Net Assets - Beginning of Year	8,177,666	7,982,190
Net Assets - End of Year	\$ 8,805,014	\$ 8,177,666

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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Operating Revenues		
Federal Grants and Contracts	\$ 508,543	\$ 533,999
State Grants and Contracts	588,655	506,620
Local Grants and Contracts	160,777	113,971
Total Operating Revenues	<u>1,257,975</u>	<u>1,154,590</u>
EXPENSES		
Operating Expenses		
Public Service	1,737,347	1,178,891
Scholarships	273,951	339,134
Depreciation	4,907	3,832
Total Operating Expenses	<u>2,016,205</u>	<u>1,521,857</u>
Operating Income (Loss)	<u>(758,230)</u>	<u>(367,267)</u>
Non-Operating Revenues (Expenses)		
Investment income	32,060	19,313
Net non-operating revenues	<u>32,060</u>	<u>19,313</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses	<u>(726,170)</u>	<u>(347,954)</u>
OTHER REVENUES, (EXPENSES), GAINS, LOSSES		
Additions to Endowments	323,592	305,745
Gains on investments	65,003	126,721
Contributions	331,392	556,120
Total Other Revenues, Expenses, Gains, Losses	<u>719,987</u>	<u>988,586</u>
Increase (Decrease) in Net Assets	<u>(6,183)</u>	<u>640,632</u>
Net Assets - Beginning of Year	<u>1,963,756</u>	<u>1,323,124</u>
Net Assets - End of Year	<u>\$ 1,957,573</u>	<u>\$ 1,963,756</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Receipts from students and other customers	\$ 3,567,187	\$ 3,660,604
Receipts of grants and contracts for operating activities	5,121,484	5,874,295
Loans to students and employees	8,271	6,468
Other receipts	420,870	489,057
Payments to or on behalf of employees	(8,021,200)	(8,129,383)
Payments to suppliers for goods or services	(5,114,272)	(5,590,528)
Payments of scholarships	(1,340,710)	(1,986,483)
Net cash provided (used) by operating activities	<u>(5,358,370)</u>	<u>(5,675,970)</u>
Cash Flows From Noncapital Financing Activities		
State allocations	3,965,869	3,705,647
Ad valorem tax revenues	3,345,281	3,204,204
Net cash provided (used) by non-capital financing activities	<u>7,311,150</u>	<u>6,909,851</u>
Cash Flows From Financing Activities		
Interest and other expense on capital related debt	(660,606)	(372,321)
Purchases of capital assets	(422,613)	(6,319,756)
Proceed from sale of assets		4,100
Contributions received in aid of construction	320,000	
Proceeds on issuance of capital debt	2,621,486	
Payments on capital debt and leases	(1,101,227)	(1,112,533)
Net cash provided (used) by capital and related financing activities	<u>757,040</u>	<u>(7,800,510)</u>
Cash Flows From Investing Activities		
Proceeds from sale and maturity of investments		2,531,499
Investment earnings	57,019	55,906
Purchases of investments	(1,937,718)	
Net cash provided (used) by investing activities	<u>(1,880,699)</u>	<u>2,587,405</u>
Increase (Decrease) in cash and cash equivalents	829,121	(3,979,224)
Cash and cash equivalents - September 1,	<u>1,324,772</u>	<u>5,303,996</u>
Cash and cash equivalents - August 31,	<u>\$ 2,153,893</u>	<u>\$ 1,324,772</u>
Noncash investing, capital, and financing activities		
Note payable to purchase capital assets	\$ _____	\$ 367,987
Capital debt incurred refunding existing bonds payable	\$ 1,749,196	\$ _____
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (7,144,561)	\$ (6,740,302)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	721,458	598,445
Staff benefits paid directly by state	1,032,712	902,286
Changes in assets and liabilities		
Receivables, net	262,723	(48,902)
Inventories	(3,038)	3,091
Prepaid expense	990	(42,145)
Due from component unit	(106,962)	(90,845)
Other assets	1,665	21,371
Deferred charges	(4,503)	10,118
Accounts payable	80,827	(659,563)
Accrued liabilities	(24,038)	3,519
Deposits payable	17,932	(49,605)
Funds held for others	37,144	(5,520)
Deferred revenue	(238,990)	415,614
Loans to students and employees	8,271	6,468
Net cash provided (used) by operating activities	<u>\$ (5,358,370)</u>	<u>\$ (5,675,970)</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Receipts from grants and contracts for operating activities	\$ 1,263,039	\$ 1,018,036
Payments of scholarships and support of college	(166,989)	(248,288)
Payments on grants and contract costs	<u>(1,590,021)</u>	<u>(1,177,990)</u>
Net cash provided (used) by operating activities	<u>(493,971)</u>	<u>(408,242)</u>
Cash Flows From Noncapital Financing Activities		
Additions to permanent and term endowment and other contributions	<u>601,576</u>	<u>666,430</u>
Net cash provided (used) by noncapital financing activities	<u>601,576</u>	<u>666,430</u>
Cash Flows From Capital and Related Financing Activities:		
Net cash flows provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	169,692	93,890
Investment income	32,060	19,313
Purchase of capital assets	-	(11,501)
Purchase of investments	<u>(8,480)</u>	<u>(271,320)</u>
Net cash provided (used) by investing activities	<u>193,272</u>	<u>(169,618)</u>
Net increase (decrease) in cash and cash equivalents	300,877	88,570
Cash and cash equivalents at beginning of year	<u>92,280</u>	<u>3,710</u>
Cash and cash equivalents at end of year	<u>\$ 393,157</u>	<u>\$ 92,280</u>
Noncash investing, capital, and financing activities		
Contribution of investment	<u>\$ 4,000</u>	<u>\$</u>
Inkind contributions	<u>165,739</u>	<u>60,000</u>
Reconciliation of operating loss to net cash used by by operating activities		
Operating loss	\$ (758,230)	\$ (367,267)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Non-cash transfer to Northeast Texas Community College	147,589	
Depreciation	4,907	3,832
Change in assets and liabilities		
Accounts receivable	(97,525)	(137,695)
Due to college	106,962	90,846
Deferred revenue	102,589	1,141
Accounts payable	<u>(263)</u>	<u>901</u>
Net cash provided by operating activities	<u>\$ (493,971)</u>	<u>\$ (408,242)</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, 2006 AND 2005***

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 thirty-two member board and the members of 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 policies followed by Northeast Texas Community College (the College) and Northeast Texas Community College Foundation 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. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

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 by December 1.

Cash and cash equivalents

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

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*.

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.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

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

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, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment and 5 years for telecommunications and peripheral equipment.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

Note 3 – Capital Assets

Capital assets activity for the year ended August 31, 2006 was as follows:

	For the Year Ended August 31, 2006			
	Balance August 31, 2005	Increases	Decreases	Balance August 31, 2006
<u>Not Depreciated:</u>				
Land	\$ 1,009,520	\$ 270,258		\$ 1,279,778
Construction in Process	759,828		759,828	0
Subtotal	<u>\$ 1,769,348</u>	<u>\$ 270,258</u>	<u>\$ 759,828</u>	<u>\$ 1,279,778</u>
<u>Other Capital Assets:</u>				
Buildings	27,130,639	980,878		28,111,517
Furniture, Machinery, Vehicles, and other Equipment	1,255,840	28,877		1,284,717
Library Books	878,941	39,820	8,752	910,009
Telecommunications and Peripheral Equipment	858,001	10,197		868,198
Subtotal	<u>\$ 30,123,421</u>	<u>\$ 1,059,772</u>	<u>\$ 8,752</u>	<u>\$ 31,174,441</u>
<u>Accumulated Depreciation:</u>				
Buildings	5,389,695	448,290		5,837,985
Furniture, Machinery, Vehicles and Other Equipment	850,877	74,074		924,951
Library Books	377,849	74,768	8,752	443,865
Telecommunications and Peripheral Equipment	407,159	124,326		531,485
Subtotal	<u>\$ 7,025,580</u>	<u>\$ 721,458</u>	<u>\$ 8,752</u>	<u>\$ 7,738,286</u>
Net Other Capital Assets	<u>\$ 23,097,841</u>	<u>\$ 338,314</u>	<u>\$ 0</u>	<u>\$ 23,436,155</u>
Net Capital Assets	<u>\$ 24,867,189</u>	<u>\$ 608,572</u>	<u>\$ 759,828</u>	<u>\$ 24,715,933</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

Note 3 – Capital Assets- (continued)

Foundation

	For the Year Ended August 31, 2006			
	Balance August 31, 2005	Increases	Decreases	Balance August 31, 2006
<u>Not Depreciated:</u>				
Land	\$ 135,400	\$	\$	\$ 135,400
Piano	21,500		21,500	0
Subtotal	\$ 156,900	\$ 0	\$ 0	\$ 135,400
<u>Other Capital Assets:</u>				
Furniture, Machinery, Vehicles, and other Equipment	18,785	21,500		40,285
Subtotal	\$ 18,785	\$ 21,500	\$ 0	\$ 40,285
<u>Accumulated Depreciation:</u>				
Furniture, Machinery, Vehicles and Other Equipment	8,347	4,907		13,254
Subtotal	\$ 8,347	\$ 4,907	\$ 0	\$ 13,254
Net Other Capital Assets	\$ 10,438	\$ 16,593	\$ 0	\$ 27,031
Net Capital Assets	\$ 167,338	\$ 16,593	\$ 0	\$ 162,431

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

Note 3 – Capital Assets- (continued)

Capital assets activity for the year ended August 31, 2005 was as follows:

	<u>Balance</u> <u>August 31, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>August 31, 2005</u>
<u>Not Depreciated:</u>				
Land	\$ 952,520	\$ 57,000	\$	\$ 1,009,520
Construction in Process	4,889,746	6,259,170	10,389,088	759,828
Subtotal	<u>\$ 5,842,266</u>	<u>\$ 6,316,170</u>	<u>\$ 10,389,088</u>	<u>\$ 1,769,348</u>
<u>Other Capital Assets:</u>				
Buildings	16,741,551	10,389,088		27,130,639
Furniture, Machinery, Vehicles, and other Equipment	1,255,840			1,255,840
Library Books	904,195	29,768	55,022	878,941
Telecommunications and Peripheral Equipment	516,196	341,805		858,001
Subtotal	<u>\$ 19,417,782</u>	<u>\$ 10,760,661</u>	<u>\$ 55,022</u>	<u>\$ 30,123,421</u>
<u>Accumulated Depreciation:</u>				
Buildings	5,055,995	333,701		5,389,696
Furniture, Machinery, Vehicles and Other Equipment	758,569	92,307		850,876
Library Books	359,998	72,873	55,022	377,849
Telecommunications and Peripheral Equipment	307,595	99,564		407,159
Subtotal	<u>\$ 6,482,157</u>	<u>\$ 598,445</u>	<u>\$ 55,022</u>	<u>\$ 7,025,580</u>
Net Other Capital Assets	<u>\$ 12,935,625</u>	<u>\$ 10,162,216</u>	<u>\$ 0</u>	<u>\$ 23,097,841</u>
Net Capital Assets	<u><u>\$ 18,777,891</u></u>	<u><u>\$ 16,478,386</u></u>	<u><u>\$ 10,389,088</u></u>	<u><u>\$ 24,867,189</u></u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

Note 3 – Capital Assets-(continued)

Foundation

	For the Year Ended August 31, 2005			
	Balance August 31, 2004	Increases	Decreases	Balance August 31, 2005
<u>Not Depreciated:</u>				
Land	\$ 75,400	\$ 60,000	\$	\$ 135,400
Piano	10,000	11,500		21,500
Subtotal	\$ 85,400	\$ 71,500	\$ 0	\$ 156,900
<u>Other Capital Assets:</u>				
Furniture, Machinery, Vehicles, and other Equipment	18,785			18,785
Subtotal	\$ 18,785	\$ 0	\$ 0	\$ 18,785
<u>Accumulated Depreciation:</u>				
Furniture, Machinery, Vehicles and Other Equipment	4,515	3,832		8,347
Subtotal	\$ 4,515	\$ 3,832	\$ 0	\$ 8,347
Net Other Capital Assets	\$ 14,270	\$ (3,832)	\$ 0	\$ 10,438
Net Capital Assets	\$ 99,670	\$ 67,668	\$ 0	\$ 167,338

At August 31, 2005, the College was engaged in a construction contract to build an off-campus facility in the amount of \$1,092,639 and was to be paid with bond proceeds from the 2003 Tax Bond Issue and cash donations. At August 31, 2005, \$759,828 had been expended and reported as construction in progress. At August 31, 2006, the facility is completed and there is no 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.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

Note 5 - Deposits and Investments

Cash and Deposits included on Exhibit 1, Statement of Net Assets, consist of the items reported below:

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 853,336	\$ 629,026
Time Deposits	961,161	277,679
Petty Cash on Hand	<u>6,750</u>	<u>6,750</u>
Total Cash and Deposits	<u>\$ 1,821,247</u>	<u>\$ 913,455</u>

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	<u>Fair Value August 31, 2006</u>	<u>Fair Value August 31, 2005</u>
U.S. Treasury Notes	\$ 1,254,235	\$
Investment Pool	872,144	688,996
Mutual Fund	<u>421,664</u>	<u></u>
Total	2,548,043	688,996
Total Cash and Deposits	<u>1,821,247</u>	<u>913,455</u>
Total Deposits and Investments	<u>\$ 4,369,290</u>	<u>\$ 1,602,451</u>
Cash and Temporary Investments (Exhibit 1)	\$ 2,153,893	\$ 1,324,772
Investments (Exhibit 1)	<u>2,215,397</u>	<u>277,679</u>
Total Deposits and Investments	<u>\$ 4,369,290</u>	<u>\$ 1,602,451</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

Note 5 - Deposits and Investments- (continued)

Cash and Deposits for Northeast Texas Community College Foundation, Inc. reported on Exhibit 1 consist of the following:

	<u>August 31, 2006</u>	<u>August 31, 2005</u>
Cash and Cash Equivalents		
Demand Deposits	\$ 199,834	92,230
Time Deposits	125,000	
Petty Cash	50	50
Total Cash and Deposits	\$ 324,884	\$ 92,280

Investments for Northeast Texas Community College Foundation reported on Exhibit 1 are as follows:

<u>Type of Security</u>	<u>Fair Value</u> <u>August 31, 2006</u>	<u>Fair Value</u> <u>August 31, 2005</u>
Mutual Funds	\$ 1,388,746	\$ 1,412,682
Total Investments	1,388,746	1,412,682
Total Cash and Deposits	324,884	92,280
Total Deposits and Investments	<u>\$ 1,713,630</u>	<u>\$ 1,504,962</u>
Cash and Temporary Investments	\$ 393,157	\$ 92,280
Investments	1,320,473	1,412,682
Total Deposits and Investments	\$ 1,713,630	\$ 1,504,962

As of August 31, 2006 the College had the following investments and maturities:

<u>Investment Type</u>	Credit Rating	Market Value	Investment Maturities (in years)		
			Less than 1	1-2	2-3
Certificates of Deposit	N/A	\$ 961,161	\$ 961,161		
U.S. Treasury Notes		1,254,235	1,254,235		
AIM Treasury Cash Management		421,664	421,664		
Investment Pool	AAA	872,144	872,144		
Total Market Value		<u>\$ 3,509,204</u>	<u>\$ 3,509,204</u>	-	

Interest Rate Risk: In accordance with state law and Northeast Texas Community College policy, the College does not purchase any investments with maturities greater than 10 years.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

Note 5 - Deposits and Investments- (continued)

Credit Risk: In accordance with state law and Northeast Texas Community College policy, funds may be invested in obligations of the United States or its agencies, direct obligations of the State of Texas or its agencies, obligations of political subdivisions rated not less than A by a national investment rating firm, certificates of deposit, and other instruments and obligations authorized by statute.

Concentration of Credit Risk: The College does not place a limit on the amount that may be invested in any one issuer. More than 5% of the College's investments are in investment pools (25%), in certificates of deposit (27%), in U.S. Treasuries (36%), and Mutual Funds (12%).

Custodial Credit Risk: At August 31, 2006, the College had money on deposit at eight banks. The carrying amount of the College's and the Foundation's bank deposits was \$1,814,497 and \$324,834 and total bank balances equaled \$2,048,791 and \$305,696. Bank balances of \$900,000 are covered by federal depository insurance and \$1,148,791 was covered by collateral pledged in Northeast Texas Community College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College.

At August 31, 2005 the carrying amount of the College's and the Foundation's deposits was \$906,705 and \$92,230, respectively and total bank balances equaled \$1,694,225 and \$87,030, respectively. Bank balances of \$200,000 are covered by federal depository insurance and \$1,494,225 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.

Note 6 – Derivatives

The College had no derivatives at August 31, 2006 or 2005.

Note 7 – Bonds and Notes Payable

Long-term liability activity for the year ended August 31, 2006 was a follows:

	Balance August 31, 2005	Increases	Decreases	Balance August 31, 2006	Current Portion
Leases, bonds, and notes					
Revenue bonds	\$ 1,785,000	\$ 4,490,000	2,005,000	\$ 4,270,000	\$ 95,000
General obligation bonds	15,150,582	607,591	583,955	15,174,218	1,012,086
Unamortized Premium	580,363		227,948	352,415	230,090
Notes Payable	587,330		211,428	375,902	118,774
Total long-term obligations	\$ <u>18,103,275</u>	\$ <u>5,097,591</u>	\$ <u>3,028,331</u>	\$ <u>20,172,535</u>	\$ <u>1,455,950</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

Note 7 – Bonds and Note Payable-(continued)

Long-term liability activity for the year ended August 31, 2005 was as follows:

	Balance August 31, 2004	Increases	Decreases	Balance August 31, 2005	Current Portion
Leases, bonds, and notes					
Revenue bonds	\$ 2,020,000	\$	235,000	\$ 1,785,000	\$ 250,000
General obligation bonds	15,046,221	580,848	476,487	15,150,582	583,955
Unamortized Premium	851,187		270,824	580,363	270,824
Notes Payable	345,861	367,987	126,518	587,330	211,628
Total long-term obligations	\$ <u>18,263,269</u>	\$ <u>948,835</u>	\$ <u>1,108,829</u>	\$ <u>18,103,275</u>	\$ <u>1,316,407</u>

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, 2006 and 2005, \$ 0 and \$415,000, respectively, of these bonds were outstanding. Proceeds of the 2006 Revenue Financing System Refunding and Improvement Bonds in the amount of \$371,477 was placed in escrow to pay these bonds. Matured coupons unredeemed at August 31, 2006 total \$85,000. Funds are held in escrow to pay this amount when the coupons are redeemed.

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, 2006 and 2005, \$0 and \$350,000, respectively, of these bonds were outstanding. Proceeds of the 2006 Revenue Financing System Refunding and Improvement Bonds in the amount of \$335,752 was placed in escrow to pay these bonds. Matured coupons unredeemed at August 31, 2006 total \$95,000. Funds are held in escrow to pay this amount when the coupons are redeemed.

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, 2006 and 2005, \$0 and \$1,020,000, respectively, of these bonds were outstanding. Proceeds of the 2006 Revenue Financing System Refunding and Improvement Bonds in the amount of \$1,041,968 was placed in escrow to pay these bonds.

Note 7 – Bonds and Note Payable-(continued)

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

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 \$2,386,575 and \$2,920,530 at August 31, 2006 and 2005, 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.

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, 2006 and 2005, \$225,000 and \$275,000, 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, 2006 and 2005, under this issue totaled \$10,884,193 and \$10,934,193, respectively. The accreted value of the bonds at August 31, 2006 and 2005 totaled \$12,562,644 and \$11,955,052, respectively.

2006 Series Revenue Financing System Refunding and Improvement Bonds

During the year, the College issued \$4,490,000 revenue Financing System Refunding and Improvement Bonds with an average coupon (interest) rate of 4.19%. The proceeds were used to advance refund \$365,000 of the 1992 Series Dormitory System Revenue Bonds, \$330,000 of the 1994 series Dormitory System Revenue Bonds, and \$1,020,000 of the 1994 Series Tuition and Building Use Fee Revenue Refunding and Revenue Bonds. These bonds had an average coupon (interest) rate of 6.25%.

The net proceeds of the bond issue was \$4,513,746. Funds placed in escrow for advance refunding of the above bonds was \$1,749,197. Proceeds in the amount of \$2,600,000 was deposited into the construction fund. Proceeds in the amount of \$21,486 was deposited into debt service fund. The balance of \$143,063 was withheld for underwriter fees and other issuance cost.

Note 7 – Bonds and Note Payable-(continued)

2006 Series Revenue Financing System Refunding and Improvement Bonds-(continued)

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

As a result, all three bonds issues listed above are considered defeased and the liability for the bonds has been removed from the obligations of the college. The advanced refunding reduced the total debt service over the next five years by \$498,524. The advanced refunding reduced the total debt service over the remaining term of the defeased debt, ten years, by \$1,728. The economic gain resulting from this refunding transaction, calculated on a present value basis is \$98,906.

Notes Payable

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, 2006 and 2005 was \$0 and \$96,609, 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, 2006 and 2005 was \$3,118 and \$6,108, 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 \$4,649. The balance of the note at August 31, 2006 and 2005 was \$4,496 and \$8,808, respectively.

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, 2006 and 2005 was \$4,357 and \$8,543, 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 \$4,033. The balance of the note at August 31, 2006 and 2005 was \$ 3,900 and \$7,640, 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 \$8,207. The balance of the note at August 31, 2006 and 2005 was \$7,936 and \$15,547, respectively.

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, 2006 and 2005 was \$ 138,144 and \$156,913 respectively.

The College has a 4.00% note payable to a bank dated September 15, 2004, secured by a vehicle. The note is due in 4 annual installments of \$18,569. The balance of the note at August 31, 2006 and 2005 was \$35,050 and \$51,622 respectively.

The College has a 4.55% note payable to a vendor dated March 10, 2005, secured by equipment. The note is due in five annual installments of \$62,448. The balance of the note at August 31, 2006 and 2005 was \$178,900 and \$235,539 respectively.

Note 7 – Bonds and Note Payable-(continued)

Tax Bonds

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

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 defeased tax obligation bonds are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2007	\$ 1,012,086 (A)	\$ 120,302	\$ 1,132,388
2008	861,769 (A)	283,818	1,145,587
2009	737,720 (A)	420,430	1,158,150
2010	874,142 (A)	125,858	1,000,000
2011	836,686 (A)	168,314	1,005,000
2012-2016	3,684,519 (A)	1,515,481	5,200,000
2017-2021	2,828,434 (A)	2,626,566	5,455,000
2022-2026	2,134,615 (A)	3,600,385	5,735,000
2027-2031	1,648,438 (A)	4,381,561	6,029,999
2032-2033	555,809 (A)	1,944,192	2,500,001
	\$ 15,174,218	\$ 15,186,907	\$ 30,361,125

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

In 2005 and 2004, interest cost of \$531,047 and \$625,056, respectively, were incurred on the 1994 Series LTD Tax Refunding Bonds. Premium amortization on the 1994 Series LTD Tax Refunding Bonds was \$230,090 and \$270,824 for 2006 and 2005.

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
2007	\$ 95,000	\$ 253,790	\$ 348,790
2008	175,000	168,365	343,365
2009	185,000	161,165	346,165
2010	190,000	153,665	343,665
2011	200,000	145,865	345,865
2012 -2016	950,000	605,325	1,555,325
2017 - 2021	660,000	455,925	1,115,925
2022 - 2026	810,000	306,452	1,116,452
2027 -2031	1,005,000	113,743	1,118,743
	\$ 4,270,000	\$ 2,364,295	\$ 6,634,295

Note 7 – Bonds and Note Payable-(continued)

**NORTHEAST TEXAS COMMUNITY COLLEGE
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Notes Payable

Debt service requirements for the notes payable are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2007	\$ 118,774	\$ 11,888	\$ 130,662
2008	97,813	8,204	106,017
2009	159,315	5,276	164,591
Later Years	-	-	-
	<u>\$ 375,902</u>	<u>\$ 25,368</u>	<u>\$ 401,270</u>

Note 8 – Defeased Debt

All defeased debt has been retired as of August 31, 2006 and 2005.

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, under the TRS Publications.

Funding Policy – State law provides for fiscal years 2006 and 2005 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.

Note 9 – Employees’ Retirement Plan (cont’d)

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 legislature to establish a member

**NORTHEAST TEXAS COMMUNITY COLLEGE
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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>
2006	\$ 503,925	6.0	6.4
2005	\$ 461,277	6.0	6.4
2004	\$ 435,318	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 commitments beyond contributions fixed by the legislature. The total payroll of employees covered by the Teacher Retirement System was \$4,060,923 and \$3,719,978 for years ended August 31, 2006 and 2005 respectively.

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 or 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>
2006	\$ 551,061	6.0	6.65	2.5
2005	\$ 515,433	6.0	6.65	2.5
2004	\$ 440,309	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.

The retirement expense to the State for the College was \$341,500 and \$316,323 for the fiscal years ended August 31, 2006 and 2005, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College and are recognized as revenue and expenditure during the period.

Note 10 - Optional Retirement Program (ORP) (cont'd)

**NORTHEAST TEXAS COMMUNITY COLLEGE
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The total payroll for all College employees was \$7,997,162 and \$7,590,922 for the years ended August 31, 2006 and 2005, respectively, and the total payroll of employees covered by the Optional Retirement System was \$3,912,438 and \$3,651,709 for years ended August 31, 2006 and 2005, respectively.

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 December 31 of that year unless, in certain instances, approval is obtained from management to carry over amounts in excess of the 40 hours. The College has accrued \$46,186 and \$59,575 for August 31, 2006 and 2005, 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 \$2,112,560 and \$1,948,291 were recorded for the year ended August 31, 2006 and 2005, 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 2006 and 2005 for the College and Foundation are as follows:

	2006	2005
College		
Federal	\$ 523,168	\$ 1,325,198
State	89,360	100,574
Total	\$ 612,528	\$ 1,425,772
Foundation		
Federal	\$ 158,040	\$ 149,765
State	588,765	576,569
Total	\$ 746,805	\$ 726,334

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

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
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AUGUST 31, 2006 AND 2005**

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.

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. A lien can be imposed on properties as early as one year of delinquency after all collections efforts have been exhausted.

	August 31,	
	2006	2005
Assessed Valuation of the District	\$ 3,331,968,407	\$ 3,195,566,951

	Current Operations	Debt Service	Total
Tax rate authorized per \$100 valuation	\$ 0.0639	\$ 0.0323	\$ 0.0962
Tax rate assessed per \$100 valuation for 2006	\$ 0.0639	\$ 0.0323	\$ 0.0962
Tax rate assessed per \$100 valuation for 2005	\$ 0.0642	\$ 0.0349	\$ 0.0991

	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 2,143,355	1,083,132	\$ 3,226,487
Delinquent Taxes Collected	55,621	28,108	83,729
Penalties and Interest Collected	39,203	19,811	59,014
Total Collections	\$ 2,238,179	\$ 1,131,051	\$ 3,369,230

Taxes levied for the years ended August 31, 2006 and 2005 were \$3,350,890 and \$3,168,754, respectively excluding any penalty and interest assessed.

Current tax collections for the years ended August 31, 2006 and 2005 were 96.30% 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

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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 \$29,777 and \$141,869 at August 31, 2006 and 2005, respectively. The receivable is recorded at its net present value discounted at 6% at the date of the pledge.

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, 2006 and 2005.

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, 2006 and 2005, 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, 2006 and 2005, amounted to \$691,211 and \$585,962, respectively, and covered an average of 198 and 194, respectively, employees per month. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

Note 21- Disaggregation of Receivables and Payables Balances

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006 AND 2005**

Receivables at August 31, 2006 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 456,480	\$
Taxes Receivable	312,080	
Scholarship and Pledges Receivable		96,726
Contracts and Grants Receivable	482,242	379,992
Bond Cost Receivable	29,231	
Other Receivables	84,498	
Subtotal	1,364,531	476,718
Allowance for Doubtful Accounts	(339,839)	-
Total Receivables	\$ 1,024,692	\$ 476,718

Payables at August 31, 2006 were as follows:

	<u>College</u>	<u>Foundation</u>
Accounts Payable:		
Vendors Payable	\$ 422,339	\$ 638
Accrued Liabilities:		
Accrued payroll liabilities	\$ 17,286	\$
Interest payable	161,239	
Total Accrued Liabilities	178,525	
Deposits payable:		
Student housing deposits payable	\$ 63,308	\$

Receivables at August 31, 2005 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 590,272	\$
Taxes Receivable	345,515	
Scholarship and Pledges Receivable		213,057
Contracts and Grants Receivable	560,234	282,467
Other Receivables	52,174	
Subtotal	1,548,195	495,524
Allowance for Doubtful Accounts	(260,780)	-
Total Receivables	\$ 1,287,415	\$ 495,524

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

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
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Payables at August 31, 2005 were as follows:

	College	Foundation
Accounts Payable:		
Vendors Payable	\$ 341,512	\$ 901
Accrued Liabilities:		
Accrued payroll liabilities	\$ 27,932	\$
Interest payable	108,429	
Total Accrued Liabilities	136,361	
Deposits payable:		
Student housing deposits payable	\$ 45,376	\$

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, 2006 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, 2006 (With Totals for the Year Ended August 31, 2005)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2006 Total	2005 Total
Tuition						
State funded courses						
In-district resident tuition	\$ 796,848	\$	\$ 796,848	\$	\$ 796,848	\$ 644,795
Out-of-district resident tuition	528,025		528,025		528,025	427,548
TPEG (set aside)*	56,129		56,129		56,129	55,489
Non-resident tuition	161,399		161,399		161,399	85,154
Non-state funded continuing education	255,389		255,389		255,389	280,343
Total Tuition	1,797,790	0	1,797,790	0	1,797,790	1,493,329
Fees						
General fees	1,432,290		1,432,290		1,432,290	1,416,720
Student service fees			0	211,817	211,817	50,887
Out-of-district fees	508,468		508,468		508,468	386,830
Laboratory fees	205,634		205,634		205,634	151,564
Other fees	135,757		135,757		135,757	87,447
Total Fees	2,282,149	0	2,282,149	211,817	2,493,966	2,093,448
Scholarship Allowances and Discounts						
Scholarship allowances	(352,340)		(352,340)		(352,340)	(342,091)
Remissions and exemptions	(58,120)		(58,120)		(58,120)	(50,613)
TPEG allowances	(56,129)		(56,129)		(56,129)	(55,489)
Federal grants to students	(1,153,061)		(1,153,061)		(1,153,061)	(971,483)
Total Scholarship Allowances	(1,619,650)	0	(1,619,650)	0	(1,619,650)	(1,419,676)
Total Net Tuition and Fees	2,460,289	0	2,460,289	211,817	2,672,106	2,167,101
Other Operating Revenues						
Federal grants and contracts	51,340	4,290,317	4,341,657		4,341,657	5,101,887
State grants and contracts		574,001	574,001		574,001	604,566
Nongovernmental grants and contracts		99,802	99,802		99,802	113,586
Sales and services of educational activities	23,052		23,052		23,052	36,350
Other operating revenues	143,472		143,472	196,684	340,156	432,420
Total Other Operating Revenues	217,864	4,964,120	5,181,984	196,684	5,378,668	6,288,809
Auxiliary Enterprises						
Residential life				295,523	295,523	314,283
Less discounts				(55,846)	(55,846)	(65,482)
Bookstore				1,236,924	1,236,924	1,405,548
Less discounts				(437,064)	(437,064)	(463,133)
Total Net Auxiliary Enterprises	0	0	0	1,039,537	1,039,537	1,191,216
Total Operating Revenues (Exh.2)	\$ 2,678,153	\$ 4,964,120	\$ 7,642,273	\$ 1,448,038	\$ 9,090,311	\$ 9,647,126

*In accordance with Education Code 56.033, \$56,129 and \$55,489 for years August 31, 2006 and 2005, 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, 2006 (with Totals for the Year Ended August 31, 2005)

	Operating Expenses					Totals 8/31/2005
	Salaries and Wages	Benefits		Other Expenses	Total 8/31/2006	
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 4,337,069		279,100	481,742	\$ 5,097,911	\$ 4,668,182
Public Service	47,978		3,087	103,973	155,038	127,066
Academic Support	567,072		36,492	66,716	670,280	700,548
Student Services	430,654		27,714	84,774	543,142	535,961
Institutional Support	963,758		62,020	906,234	1,932,012	1,935,157
Operation and Maintenance of Plant	426,328		27,435	848,126	1,301,889	1,066,887
Scholarships and Fellowships			-		-	-
Total Unrestricted Educational Activities	\$ 6,772,859	\$ -	\$ 435,848	\$ 2,491,565	\$ 9,700,272	\$ 9,033,801
Restricted - Educational Activities						
Instruction	\$ 544,156	\$ 661,307		\$ 258,087	\$ 1,463,550	\$ 1,407,216
Public Service	62,160	7,316		151,830	221,306	586,470
Academic Support		86,466		2,672	89,138	90,249
Student Services	400,595	65,665		514,403	980,663	840,168
Institutional Support		146,952			146,952	138,630
Operation and Maintenance of Plant		65,006			65,006	63,084
Scholarships and Fellowships		-		1,340,710	1,340,710	1,986,483
Total Restricted Educational Activities	\$ 1,006,911	\$ 1,032,712	\$ -	\$ 2,267,702	\$ 4,307,325	\$ 5,112,300
Total Educational Activities	7,779,770	1,032,712	435,848	4,759,267	14,007,597	14,146,101
Auxiliary Enterprises	217,392		21,441	1,266,984	1,505,817	1,642,882
Depreciation Expense						
Building & Improvements					448,290	333,701
Equipment & Furniture					198,400	191,871
Library Books					74,768	72,873
Total	\$ 7,997,162	\$ 1,032,712	\$ 457,289	\$ 6,026,251	\$ 16,234,872	\$ 16,387,428

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE C
SCHEDULE OF NON - OPERATING REVENUES AND EXPENSES
For the Year Ended August 31, 2006 (With totals for the Year Ended August 31, 2005)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total</u>	<u>Totals 08/31/05</u>
Non - Operating Revenues					
State allocations	\$ 3,965,870	1,032,711		\$ 4,998,581	\$ 4,607,933
Ad-valorem taxes	2,171,008	1,174,273		3,345,281	3,204,204
Investment income		57,019		57,019	55,906
Gain on disposal of assets					4,100
Contributions		467,589		467,589	
Total Non - Operating Revenues	<u>6,136,878</u>	<u>2,731,592</u>	<u>-</u>	<u>8,868,470</u>	<u>7,872,143</u>
Non - Operating Expenses					
Interest on capital related debt	1,078,410			1,078,410	908,905
Loss on disposal of capital assets				-	-
Other non operating expense	18,151			18,151	27,460
Total Non - Operating Expenses	<u>1,096,561</u>	<u>0</u>	<u>0</u>	<u>1,096,561</u>	<u>936,365</u>
Net Non - Operating Revenues	<u>\$ 5,040,317</u>	<u>\$ 2,731,592</u>	<u>\$ 0</u>	<u>\$ 7,771,909</u>	<u>\$ 6,935,778</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, 2006 (With totals for the Year Ended August 31, 2005)

	Detail By Source						
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Available for Current Operations	
		Expendable	Non Expendable			Yes	No
Current							
Unrestricted	\$ 977,087	\$	\$	\$	\$ 977,087	\$ 977,087	\$
Loan		608			608		608
Plant							
Unexpended					-		
Renewals					-		
Investment in plant		607,662		7,219,657	7,827,319		7,827,319
Total Net Assets, August 31, 2006	977,087	608,270	0	7,219,657	8,805,014	977,087	7,827,927
Total Net Assets, August 31, 2005	907,310	401,710		6,868,646	8,177,666	907,310	7,270,356
Net Increase (Decrease) in Net Assets	\$ 69,777	\$ 206,560	\$ 0	\$ 351,011	\$ 627,348	\$ 69,777	\$ 557,571

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE E
BALANCE SHEET
AUGUST 31, 2006

	Current Funds				Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total						
Assets										
Cash and Cash Equivalents	\$ 853,741	3,888	582,763	\$ 1,440,392	\$ 14,183	407,514	\$ 163,687		128,117	\$ 2,153,893
Investments				-		1,953,236	262,161			2,215,397
Accounts Receivable	424,490		482,242	906,732		29,231	88,729			1,024,692
Due From Other Funds	1,542,770			1,542,770			158,400		135,824	1,836,994
Due From Foundation	301,858			301,858						301,858
Prepaid Expenses	111,148	16,455		127,603		11,599				139,202
Deferred Charges		218,154		218,154			179,048	322,425		719,627
Deposits				-						-
Accrued Interest Receivable										-
Student Loans (Net of allowance)					9,563					9,563
Inventory, at Cost	8,454	350,950		359,404						359,404
Land								1,279,777		1,279,777
Buildings								28,111,518		28,111,518
Improvements Other Than Buildings								397,606		397,606
Equipment								290,905		290,905
Library Books								909,993		909,993
Vehicles								600,322		600,322
Telecommunications								864,101		864,101
Accumulated Depreciation								(7,738,289)		(7,738,289)
Other								57,190		57,190
Total Assets	\$ 3,242,461	\$ 589,447	\$ 1,065,005	\$ 4,896,913	\$ 23,746	\$ 2,401,580	\$ 852,025	\$ 25,095,548	\$ 263,941	\$ 33,533,753
Liabilities and Fund Balance										
Accounts Payable	\$ 222,935	171,900	25,722	\$ 420,557	\$ 844				\$ 938	\$ 422,339
Accrued Liabilities	17,286			17,286			161,239			178,525
Deposits Payable	38,808	24,500		63,308						63,308
Due to Other Funds		416,990	1,049,815	1,466,805	22,294	53,109	83,124	51,827	159,835	1,836,994
Deferred Revenues	1,573,672	342,544	(10,532)	1,905,684						1,905,684
Accrued Compensated Absences	46,186			46,186						46,186
Bonds Payable								19,444,218		19,444,218
Unamortized Premium							352,415			352,415
Notes Payable								375,902		375,902
Funds Held in Custody for Others									103,168	103,168
Total Liabilities	\$ 1,898,887	\$ 955,934	\$ 1,065,005	\$ 3,919,826	\$ 23,138	\$ 53,109	\$ 596,778	\$ 19,871,947	\$ 263,941	\$ 24,728,739
Fund Balances										
Net Investment in Plant	\$	\$	\$	\$	\$	2,348,471	(352,415)	5,223,601	\$	7,219,657
Reserved for Debt Service							607,662			607,662
Restricted										
Student Aid										
Temporarily					608					608
Permanently										
Unrestricted	1,343,574	(366,487)	-	977,087						977,087
Total Fund Balance	\$ 1,343,574	\$ (366,487)	\$ -	\$ 977,087	\$ 608	\$ 2,348,471	\$ 255,247	\$ 5,223,601	\$ -	\$ 8,805,014
Total Liabilities and Fund Balance	\$ 3,242,461	\$ 589,447	\$ 1,065,005	\$ 4,896,913	\$ 23,746	\$ 2,401,580	\$ 852,025	\$ 25,095,548	\$ 263,941	\$ 33,533,753

See independent auditors report.

**NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE F
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 2006**

	Current Funds				Loan Funds	Unexpended	Retirement of Indebtedness	Investmen in Plant	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total					
Revenues and Other Addition:									
Unrestricted Current Funds Revenue	\$ 10,476,522	\$ 2,041,013		\$ 12,517,535	\$	\$	\$	\$	\$ 12,517,535
State Appropriations - Restrictec			1,032,711	1,032,711					1,032,711
Federal Grants and Contract:			4,341,657	4,341,657					4,341,657
State Grants and Contracts			574,001	574,001					574,001
Local Gifts, Grants and Contract:			99,802	99,802					99,802
Taxes for Debt Retirement			-	-			1,174,274		1,174,274
Interest / Endowment Incom			-	-	608	24,235			24,843
Net Decreases in Bonds Payable			-	-				873,955	873,955
Net Decreases in Notes Payable			-	-				227,272	227,272
Investment Incom			-	-			32,176		32,176
Other Revenues			-	-		320,000		147,589	467,589
Total Revenue and Other Addition	<u>10,476,522</u>	<u>2,041,013</u>	<u>6,048,171</u>	<u>18,565,706</u>	<u>608</u>	<u>344,235</u>	<u>1,206,450</u>	<u>1,248,816</u>	<u>21,365,815</u>
Expenditures and Other Deduction:									
Expenditures	9,901,125	1,869,926	5,996,831	17,767,882					17,767,882
Indirect Cost Recovered			51,340	51,340					51,340
Retirement of Indebtedness - Bond			-	-			873,955		873,955
Retirement of Indebtedness - Note:			-	-			227,272		227,272
Interest on Indebtednes:			-	-			1,062,565	15,845	1,078,410
Depreciation Expense			-	-				721,458	721,458
Other Expenditures			-	-			3,023	15,127	18,150
	<u>9,901,125</u>	<u>1,869,926</u>	<u>6,048,171</u>	<u>17,819,222</u>	<u>-</u>	<u>-</u>	<u>2,166,815</u>	<u>752,430</u>	<u>20,738,467</u>
Transfers - Additions (Deductions)									
Mandatory Transfers:									
Retirement of Indebtednes:				-					-
Building Use Fees:	(204,253)			(204,253)			204,253		-
Tuition Use Fees:	(41,835)			(41,835)			41,835		-
Revenue Bond		(108,155)		(108,155)			108,155		-
Contractual Obligation:	(230,442)	-		(230,442)		(68,443)	983,484	(684,599)	-
TPEG to Restricted				-					-
Non - Mandatory Transfers				-					-
Capital Outlay	(81,070)	(10,952)		(92,022)		(1,090,421)		1,182,443	-
Other				-		3,544,652	56,539	(3,601,191)	-
Total Transfers - Additions (Deductions)	<u>(557,600)</u>	<u>(119,107)</u>	<u>-</u>	<u>(676,707)</u>	<u>-</u>	<u>2,385,788</u>	<u>1,394,266</u>	<u>(3,103,347)</u>	<u>-</u>
Net Increase (Decrease) for Year	<u>17,797</u>	<u>51,980</u>	<u>-</u>	<u>69,777</u>	<u>608</u>	<u>2,730,023</u>	<u>433,901</u>	<u>(2,606,961)</u>	<u>627,348</u>
Fund Balance (Deficit)	<u>1,325,777</u>	<u>(418,467)</u>		<u>907,310</u>		<u>(381,552)</u>	<u>(178,654)</u>	<u>7,830,562</u>	<u>8,177,666</u>
Fund Balance (Deficit) August 31,	\$ <u>1,343,574</u>	\$ <u>(366,487)</u>	\$ <u>-</u>	\$ <u>977,087</u>	\$ <u>608</u>	\$ <u>2,348,471</u>	\$ <u>255,247</u>	\$ <u>5,223,601</u>	\$ <u>8,805,014</u>

See independent auditors report

***STATISTICAL SUPPLEMENT
(UNAUDITED)***

Northeast Texas Community College
Statistical Supplement 1
Net Assets by Component
Fiscal Years 2002 to 2006
(unaudited)

	For the Fiscal Year Ended August 31,				
	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$7,219,657	\$6,868,646	\$6,670,953	\$6,934,610	\$6,228,567
Restricted - expendable	608,270	401,710	362,096	401,032	397,966
Restricted - nonexpendable	-	-	-	-	-
Unrestricted	997,087	907,310	949,141	481,606	980,723
Total primary government net assets	\$ 8,825,014	\$ 8,177,666	\$ 7,982,190	\$ 7,817,248	\$ 7,607,256
Change in Net Assets	\$ 647,348	\$ 195,476	\$ 164,942	\$ 209,992	

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

Northeast Texas Community College
Statistical Supplement 2
Revenues by Source
Fiscal Years 2002 to 2006
(unaudited)

		For the Year Ended August 31,				
		2006	2005	2004	2003	2002
Tuition and Fees (Net of Discounts)		\$2,672,106	\$2,167,101	\$2,169,998	\$1,832,136	\$1,667,829
Governmental Grants and Contracts						
Federal Grants and Contracts		4,341,657	5,101,887	4,974,343	4,646,712	3,451,925
State Grants and Contracts		574,001	604,566	501,634	880,839	678,046
Non-Governmental Grants and Contracts		99,802	113,586	111,093	84,557	352,932
Sales and services of educational activities		23,052	36,350	28,069	29,804	28,950
Auxiliary enterprises		1,039,537	1,191,216	1,162,895	1,085,242	1,033,968
Other Operating Revenues		340,156	432,420	486,348	373,265	381,867
	Total Operating Revenues	<u>9,090,311</u>	<u>9,647,126</u>	<u>9,434,380</u>	<u>8,932,555</u>	<u>7,595,517</u>
State Appropriations		4,998,581	4,607,933	4,603,402	4,406,873	4,939,116
Ad Valorem Taxes		3,345,281	3,204,174	2,958,441	2,869,618	2,865,136
Investment income		57,019	55,906	112,891	41,997	17,398
Contributions		467,589	-	-	-	-
Gain on disposal of capital assets		-	4,100	-	-	-
	Total Non-Operating Revenues	<u>8,868,470</u>	<u>7,872,113</u>	<u>7,674,734</u>	<u>7,318,488</u>	<u>7,821,650</u>
Total Revenues		<u>\$ 17,958,781</u>	<u>\$ 17,519,239</u>	<u>\$ 17,109,114</u>	<u>\$ 16,251,043</u>	<u>\$ 15,417,167</u>

		For the Year Ended August 31,				
		(amounts expressed in thousands)				
		2006	2005	2004	2003	2002
Tuition and fees (net of discounts)		14.88%	12.37%	12.68%	11.27%	10.82%
Governmental grants and contracts						
Federal grants and contracts		24.18%	29.12%	29.07%	28.59%	22.39%
State grants and contracts		3.20%	3.45%	2.93%	5.42%	4.40%
Non-governmental grants and contracts		0.56%	0.65%	0.65%	0.52%	2.29%
Sales and services of educational activities		0.13%	0.21%	0.16%	0.18%	0.19%
Auxiliary enterprises		5.79%	6.80%	6.80%	6.68%	6.71%
Other operating revenues		1.89%	2.47%	2.84%	2.30%	2.48%
	Total Operating Revenues	<u>50.62%</u>	<u>55.07%</u>	<u>55.14%</u>	<u>54.97%</u>	<u>49.27%</u>
State appropriations		27.83%	26.30%	26.91%	27.12%	32.04%
Ad valorem taxes		18.63%	18.29%	17.29%	17.66%	18.58%
Investment income		0.32%	0.32%	0.66%	0.26%	0.11%
Contributions		2.60%	0.00%	0.00%	0.00%	0.00%
Gain on disposal of capital assets		0.00%	0.02%	0.00%	0.00%	0.00%
	Total Non-Operating Revenues	<u>49.38%</u>	<u>44.93%</u>	<u>44.86%</u>	<u>45.03%</u>	<u>50.73%</u>
Total Revenues		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

Northeast Texas Community College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2002 to 2006
(unaudited)

For the Fiscal Year Ended August 31,					
	2006	2005	2004	2003	2002
Instruction	\$6,561,461	\$6,075,398	\$5,536,415	\$6,006,220	\$5,644,694
Public service	376,344	713,536	546,000	574,619	250,416
Academic support	759,418	790,797	800,439	827,786	911,078
Student services	1,523,805	1,376,129	1,275,110	1,012,905	1,022,857
Institutional support	2,078,964	2,073,787	2,137,074	2,040,704	1,857,087
Operation and maintenance of plant	1,366,895	1,129,971	1,043,060	1,026,326	1,089,447
Scholarships and fellowships	1,340,710	1,986,483	1,977,687	1,879,617	1,669,417
Auxiliary enterprises	1,505,817	1,642,882	1,589,001	1,492,701	1,340,793
Depreciation	721,458	598,445	552,022	433,618	388,007
Total Operating Expenses	16,234,872	16,387,428	15,456,808	15,294,496	14,173,796
Interest on capital related debt	1,078,410	908,905	1,035,407	715,108	577,929
Loss on disposal of fixed assets	-	-	29,298	23,649	-
Other non-operating expenses	18,151	27,460	37,403	7,798	4,526
Total Non-Operating Expenses	1,096,561	936,365	1,102,108	746,555	582,455
Total Expenses	\$ 17,331,433	\$ 17,323,793	\$ 16,558,916	\$ 16,041,051	\$ 14,756,251

For the Fiscal Year Ended August 31,					
	2006	2005	2004	2003	2002
Instruction	37.86%	35.07%	33.43%	37.44%	38.25%
Public service	2.17%	4.12%	3.30%	3.58%	1.70%
Academic support	4.38%	4.56%	4.83%	5.16%	6.17%
Student services	8.79%	7.94%	7.70%	6.31%	6.93%
Institutional support	12.00%	11.97%	12.91%	12.72%	12.59%
Operation and maintenance of plant	7.89%	6.52%	6.30%	6.40%	7.38%
Scholarships and fellowships	7.74%	11.47%	11.94%	11.72%	11.31%
Auxiliary enterprises	8.69%	9.48%	9.60%	9.31%	9.09%
Depreciation	4.16%	3.45%	3.33%	2.70%	2.63%
Total Operating Expenses	93.67%	94.59%	93.34%	95.35%	96.05%
Interest on capital related debt	6.22%	5.25%	6.25%	4.46%	3.92%
Loss on disposal of fixed assets	0.00%	0.00%	0.18%	0.15%	0.00%
Other non-operating expenses	0.10%	0.16%	0.23%	0.05%	0.03%
Total Non-Operating Expenses	6.33%	5.41%	6.66%	4.65%	3.95%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2006 are available.

Northeast Texas Community College
 Statistical Supplement 4
 Tuition and Fees
 Last Ten Academic Years
 (unaudited)

Resident
Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Registration Fee (per student)	In-District Tuition	Out-of- District Tuition	General Service Fee	Technology Fee	Building Use Fee	Student Services Fee/Act	Cost for 12 SCH In- District	Cost for 12 SCH Out-of- District	Increase from Prior Year In- District	Increase from Prior Year Out-of- District
2005	\$ 15	\$ 27	\$ 53	\$ 30	\$ -	\$ -	\$ -	\$ 699	\$ 1,011	25.95%	29.12%
2004	15	21	40	24	-	-	-	555	783	0.00%	0.00%
2003	15	21	40	24	-	-	-	555	783	15.63%	18.64%
2002	12	18	33	21	-	-	-	480	660	0.00%	0.00%
2001	12	18	33	21	-	-	-	480	660	11.63%	17.44%
2000	10	17	28	18	-	-	-	430	562	12.57%	11.95%
1999	10	15	25	-	3	11	2	382	502	0.00%	0.00%
1998	10	15	25	-	3	11	2	382	502	10.40%	7.73%
1997	10	15	25	-	-	11	2	346	466	0.00%	0.00%
1996	10	15	25	-	-	11	2	346	466		

Non - Resident
Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Registration Fee (per student)	Non-Resident Tuition Out of State	General Service Fee	Technology Fee	Building Use Fee	Student Services Fee/Act	Cost for 12 SCH Out of State	Increase from Prior Year Out of State
2005	\$ 15	\$ 95	\$ 30	\$ -	\$ -	\$ -	\$ 1,515	67.77%
2004	15	50	24	-	-	-	903	0.00%
2003	15	50	24	-	-	-	903	15.77%
2002	12	43	21	-	-	-	780	0.00%
2001	12	43	21	-	-	-	780	6.85%
2000	10	42	18	-	-	-	730	3.40%
1999	10	42	-	3	11	2	706	0.00%
1998	10	42	-	3	11	2	706	5.37%
1997	10	42	-	-	11	2	670	0.00%
1996	10	42	-	-	11	2	670	

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees.

Northeast Texas Community College
Statistical Supplement 5
Taxable Assessed Value of Property
Last Ten Fiscal Years
(unaudited)

Direct Rate

<u>Tax Roll Year</u>	<u>Taxable Assessed Value (TAV)</u>	<u>Maintenance & Operations (a)</u>	<u>Debt Service (a)</u>	<u>Total (a)</u>
2005	\$ 3,331,968	0.063920	0.032310	0.096230
2004	3,195,566	0.064180	0.034880	0.099060
2003	2,927,359	0.063900	0.036100	0.100000
2002	2,841,977	0.062000	0.038000	0.100000
2001	2,896,573	0.061700	0.038300	0.100000
2000	2,559,351	0.059500	0.040500	0.100000
1999	2,233,597	0.057250	0.042750	0.100000
1998	2,270,047	0.055450	0.044550	0.100000
1997	2,208,034	0.054500	0.044990	0.099490
1996	2,122,029	0.053440	0.045770	0.099210

Source: Local Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

Northeast Texas Community College
 Statistical Supplement 6
 State Appropriation per FTSE and Contact Hour
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			State Appropriation per Contact Hour
		FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	
2005-06	\$ 3,965,870	1,730	2,292	798,352	263,710	1,062,062	\$ 3.73
2004-05	3,705,648	1,879	1,972	852,288	261,766	1,114,054	3.33
2003-04	3,712,360	1,968	1,886	882,220	268,128	1,150,348	3.23
2002-03	3,371,943	1,886	1,788	741,104	416,922	1,158,026	2.91
2001-02	3,729,786	1,649	2,262	700,992	297,176	998,168	3.74
2000-01	3,942,917	1,457	2,706	603,712	255,986	859,698	4.59
1999-00	3,813,429	1,518	2,512	639,276	312,020	951,296	4.01
1998-99	3,594,984	1,642	2,189	612,016	409,175	1,021,191	3.52
1997-98	3,457,025	1,566	2,208	686,936	398,080	1,085,016	3.19
1996-97	3,485,683	1,554	2,243	576,832	411,124	987,956	3.53

Notes:

FTSE is defined as the number of full time students plus total hours taken by part time students divided by 12.

- (a) Source CBM001
- (b) Source CBM00A

Sample Community College
Statistical Supplement 7
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
 (unaudited)

Fiscal Year	District Direct Rates			Overlapping Rates (a)			
	Maintenance & Operations	Debt Service	Total	Counties (Average)	Cities (Average)	School Districts (Average)	Hospitals (Average)
2005-06	\$ 0.063920	0.032310	\$ 0.096230	\$ 0.293484	0.477783	1.505700	0.148400
2004-05	0.064180	0.034880	0.099060	0.297950	0.434030	1.550930	0.158080
2003-04	0.063900	0.036100	0.100000	0.288650	0.430460	1.545530	1.580800
2002-03	0.062000	0.038000	0.100000	0.286150	0.430460	1.545530	0.086780
2001-02	0.061700	0.038300	0.100000	0.270080	0.419440	1.542970	0.086740
2000-01	0.059500	0.040500	0.100000	0.254070	0.396600	1.343600	0.084060
1999-00	0.057250	0.042750	0.100000	0.261110	0.388610	1.335080	0.115580
1998-99	0.055450	0.044550	0.100000	0.252760	0.392290	1.354690	0.115850
1997-98	0.054500	0.044990	0.099490	0.252760	0.402730	1.310110	0.115850
1996-97	0.053440	0.045770	0.099210	0.305470	0.407680	1.278940	0.115850

Source: Local County Appraisal Districts

Notes: per \$100 of Taxable Assessed Value

(a) Includes levies for maintenance & operations and debt service costs

**Northeast Texas Community College
Statistical Supplement 8
Principal Taxpayers
Last Ten Tax Years
(unaudited)**

		Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)										
Taxpayer	Type of Business	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	
TXU Generation Company LP	Utility	890,287	\$ 809,353	\$ 809,353	\$ 673,600	\$ 635,392	\$ 695,931	\$ 260,468	\$ 236,842	\$ 256,430	\$ 264,698	
AEP/SWEPCO	Utility	213,971	212,594	212,594	263,234	272,489	329,564	231,757	236,324	278,233	307,289	
Lone Star Steel	Steel Foundry	203,780	155,655	144,218	147,456	153,510	190,075	190,055	239,872	211,747	172,554	
Pilgrim's Pride Corp Camp Co.	Poultry Processing	47,748	36,500	33,099	33,099	23,068	85,612	73,237	45,685	45,535	33,233	
Pilgrim's Pride Corp. Titus Co.	Poultry Processing	31,089	28,385	28,385	69,960	74,114	67,960	62,476	63,751	64,128	56,231	
Pilgrim's Pride Corp.	Poultry Processing	28,359	-	-	-	-	-	-	-	-	-	
Cinco Pipe & Supply	Pipe & Supply	26,565	-	-	-	-	-	-	-	-	-	
TXU Mining Company LP	Mining	22,596	24,740	24,740	-	20,670	23,058	28,589	28,622	50,963	24,139	
Pilgrim's Pride Corp. Titus Co.	Feed Mill	21,942	-	19,499	19,499	18,709	-	-	-	-	-	
BLC Corporation	Utility	18,400	27,239	27,239	24,723	-	28,781	28,652	25,937	26,218	-	
AEP/SWEPCO	Utility	-	24,285	24,285	37,496	21,559	-	-	-	-	-	
Pilgrim's Pride Corp.	Poultry Processing	-	16,666	16,666	-	-	-	-	-	-	-	
AEP/Southwestern Elec Power Co	Utility	-	15,595	-	13,819	-	-	-	-	-	-	
Oncor Electric	Utility	-	-	-	15,910	18,054	-	-	-	-	-	
TXU Mining Company LP	Mining	-	-	-	-	16,792	18,945	16,166	16,955	-	18,616	
Southwestern Bell	Utility	-	-	-	-	-	14,128	-	-	14,913	-	
Sooner Pipe and Supply	Pipe & Supply	-	-	-	-	-	15,953	-	-	-	-	
Voest Alpine	Mining Equipment	-	-	-	-	-	-	18,926	18,336	19,746	21,157	
Houston Power and Light	Utility	-	-	-	-	-	-	14,600	14,998	15,984	15,856	
Bankers Life	Mining	-	-	-	-	-	-	-	-	-	26,041	
Totals		\$ 1,504,737	\$ 1,351,014	\$ 1,340,079	\$ 1,298,797	\$ 1,254,358	\$ 1,470,008	\$ 924,925	\$ 927,321	\$ 983,897	\$ 939,815	
Total Taxable Assessed Value		\$ 3,331,968	\$ 3,195,566	\$ 2,927,359	\$ 2,841,977	\$ 2,896,573	\$ 2,559,351	\$ 2,233,597	\$ 2,270,047	\$ 2,208,034	\$ 2,122,029	

		% of Taxable Assessed Value (TAV) by Tax Year										
Taxpayer	Type of Business	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	
TXU Generation Company LP	Utility	26.72%	25.33%	27.65%	23.70%	21.94%	27.19%	11.66%	10.43%	11.61%	12.47%	
AEP/SWEPCO	Utility	6.42%	6.65%	7.26%	9.26%	9.41%	12.88%	10.38%	10.41%	12.60%	14.48%	
Lone Star Steel	Steel Foundry	6.12%	4.87%	4.93%	5.19%	5.30%	7.43%	8.51%	10.57%	9.59%	8.13%	
Pilgrim's Pride Corp Camp Co.	Poultry Processing	1.43%	1.14%	1.13%	1.16%	0.80%	3.35%	3.28%	2.01%	2.06%	1.57%	
Pilgrim's Pride Corp. Titus Co.	Poultry Processing	0.93%	0.89%	0.97%	2.46%	2.56%	2.66%	2.80%	2.81%	2.90%	2.65%	
Pilgrim's Pride Corp.	Poultry Processing	0.85%	-	-	-	-	-	-	-	-	-	
Cinco Pipe & Supply	Pipe & Supply	0.80%	-	-	-	-	-	-	-	-	-	
TXU Mining Company LP	Mining	0.68%	0.77%	0.85%	0.00%	0.71%	0.90%	1.28%	1.26%	2.31%	1.14%	
Pilgrim's Pride Corp. Titus Co.	Feed Mill	0.66%	-	0.67%	0.69%	0.65%	-	-	-	-	-	
BLC Corporation	Utility	0.55%	0.85%	0.93%	0.87%	0.00%	1.12%	1.28%	1.14%	1.19%	-	
AEP/SWEPCO	Utility	-	0.76%	0.83%	1.32%	0.74%	-	-	-	-	-	
Pilgrim's Pride Corp.	Poultry Processing	-	0.52%	0.57%	-	-	-	-	-	-	-	
AEP/Southwestern Elec Power Co	Utility	-	0.49%	-	0.49%	-	-	-	-	-	-	
Oncor Electric	Utility	-	-	-	0.56%	0.62%	-	-	-	-	-	
TXU Mining Company LP	Mining	-	-	-	-	0.58%	0.74%	0.72%	0.75%	-	0.88%	
Southwestern Bell	Utility	-	-	-	-	-	0.55%	-	-	0.68%	-	
Sooner Pipe and Supply	Pipe & Supply	-	-	-	-	-	0.62%	-	-	-	-	
Voest Alpine	Mining Equipment	-	-	-	-	-	-	0.85%	0.81%	0.89%	1.00%	
Houston Power and Light	Utility	-	-	-	-	-	-	0.65%	0.66%	0.72%	0.75%	
Bankers Life	Mining	-	-	-	-	-	-	-	-	-	1.23%	
Totals		45.16%	42.28%	41.94%	45.70%	43.30%	57.44%	41.41%	40.85%	44.56%	44.29%	

Source: Local County Appraisal District

Northeast Texas Community College
Statistical Supplement 9
Property Tax Levies and Collections
Last Ten Tax Years
(unaudited)
(amounts expressed in thousands)

Fiscal Year	Total Tax Levy (a)	Collections - Current Levy (b)	Percentage	Current Collections of Prior Levies (b)	Total Collections (c)	Percentage of Current Levy
2005-06	\$ 3,350,890	\$ 3,226,487	96.3%	\$ 83,729	3,310,216	98.8%
2004-05	3,168,754	3,075,793	97.1%	75,974	3,151,767	99.5%
2003-04	2,930,862	2,829,677	96.5%	62,264	2,891,941	98.7%
2002-03	2,841,977	2,758,410	97.1%	71,674	2,830,084	99.6%
2001-02	2,896,876	2,808,865	97.0%	67,919	2,876,784	99.3%
2000-01	2,561,528	2,429,664	94.9%	70,806	2,500,470	97.6%
1999-00	2,233,598	2,155,908	96.5%	58,596	2,214,504	99.1%
1998-99	2,270,047	2,187,181	96.3%	61,864	2,249,045	99.1%
1997-98	2,208,034	2,133,404	96.6%	63,424	2,196,828	99.5%
1996-97	2,122,029	2,043,924	96.3%	58,150	2,102,074	99.1%

Source: Local Tax Assessor/Collector and District records.
(a) As of August 31st
(b) Property tax only - does not include penalties and interest
(c) Ties to sum of M&O and Debt Service taxes on Exhibit 2

Northeast Texas Community College
Statistical Supplement 10
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)

	For the Fiscal Year Ended August 31 (amounts expressed in thousands)									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Bonded Debt										
General obligation bonds	\$ 15,174,218	\$ 15,150,582	\$ 15,046,221	\$ 14,921,293	\$ 4,181,692	\$ 4,613,113	\$ 4,802,991	\$ 6,979,436	\$ 7,762,372	\$ 8,094,513
Other Debt										
Revenue bonds	\$ 4,270,000	\$ 1,785,000	\$ 2,020,000	\$ 2,240,000	\$ 2,450,000	\$ 2,645,000	\$ 2,835,000	\$ 3,002,428	\$ 3,170,964	\$ 3,335,964
Notes	375,902	587,330	345,861	163,486	123,869	159,274	77,822	82,934	37,847	9,085
Total Outstanding Debt	\$ 19,820,120	\$ 17,522,912	\$ 17,412,082	\$ 17,324,779	\$ 6,755,561	\$ 7,417,387	\$ 7,715,813	\$ 10,064,798	\$ 10,971,183	\$ 11,439,562

General Bonded Debt Ratios

Per Capita	\$ 274	\$ 280	\$ 279	\$ 279	\$ 83	\$ 91	\$ 97	\$ 141	\$ 159	\$ 167
Per Student	\$ 2,240	\$ 2,195	\$ 2,205	\$ 2,287	\$ 681	\$ 852	\$ 919	\$ 1,237	\$ 1,410	\$ 1,490
As a percentage of Taxable Assessed Value	0.46%	0.47%	0.51%	0.53%	0.14%	0.18%	0.22%	0.31%	0.35%	0.38%

Total Outstanding Debt Ratios

Per Capita	\$ 358.44	\$ 323.64	\$ 322.67	\$ 324.25	\$ 134.28	\$ 146.73	\$ 155.12	\$ 203.79	\$ 224.96	\$ 236.53
Per Student	2,926	2,539	2,552	2,656	1,100	1,371	1,476	1,784	1,993	2,106
As a percentage of Taxable Assessed Value	0.59%	0.55%	0.59%	0.61%	0.23%	0.29%	0.35%	0.44%	0.50%	0.54%

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time-equivalent enrollment.

Northeast Texas Community College
Statistical Supplement 11
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

	For the Fiscal Year Ended August 31									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Taxable Assessed Value	\$ 3,331,968,407	\$ 3,195,566,951	\$ 2,927,359,577	\$ 2,902,438,634	\$ 2,935,538,359	\$ 2,559,351,510	\$ 2,233,597,902	\$ 2,270,047,040	\$ 2,208,034,621	\$ 2,122,029,110
General Obligation Bonds										
Statutory Tax Levy Limit for Debt Service	3,331,968	3,195,567	2,927,360	2,902,439	2,935,538	2,559,352	2,233,598	2,270,047	2,208,035	2,122,029
Less: Funds Restricted for Repayment of General Obligation Bonds										
Total Net General Obligation Debt	3,331,968	3,195,567	2,927,360	2,902,439	2,935,538	2,559,352	2,233,598	2,270,047	2,208,035	2,122,029
Current Year Debt Service Requirements	1,132,388	1,126,279	1,068,780	1,089,062	1,088,751	1,039,477	959,001	1,007,281	998,087	967,366
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 2,199,580	\$ 2,069,288	\$ 1,858,580	\$ 1,813,377	\$ 1,846,787	\$ 1,519,875	\$ 1,274,597	\$ 1,262,766	\$ 1,209,948	\$ 1,154,663
Net Current Requirements as a % of Statutory Limit	33.99%	35.25%	36.51%	37.52%	37.09%	40.61%	42.94%	44.37%	45.20%	45.59%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

Northeast Texas Community College
Statistical Supplement 12
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Revenue Bonds

Fiscal Year	Pledged Revenues							Debt Service Requirements (\$000 omitted)			
	Tuition and Fees	Dorm Fees	Other Fees	Continuing Education	Bookstore Revenues	Other Revenues	Total	Principal	Interest	Total	Coverage Ratio
2005-06	\$ 2,538,175	\$ 295,523	\$ 341,391	\$ 255,389	\$ 1,236,924	\$ 363,208	\$ 5,030,610	\$ 250,000	\$ 115,180	365,180	13.78
2004-05	2,167,101	248,801	-	-	-	-	2,415,902	235,000	130,005	365,005	6.62
2003-04	2,169,998	262,632	-	-	-	-	2,432,630	220,000	143,735	363,735	6.69
2002-03	1,862,136	238,978	-	-	-	-	2,101,114	210,000	156,465	366,465	5.73
2001-02	1,667,829	228,026	-	-	-	-	1,895,855	198,000	168,233	366,233	5.18
2000-01	1,614,164	136,019	-	-	-	-	1,750,183	190,000	175,546	365,546	4.79
1999-00	1,482,207	131,309	-	-	-	-	1,613,516	185,000	189,879	374,879	4.30
1998-99	1,710,351	123,095	-	-	-	-	1,833,446	170,000	199,623	369,623	4.96
1997-98	1,720,415	122,903	-	-	-	-	1,843,318	165,000	208,508	373,508	4.94
1996-97	1,717,388	129,732	-	-	-	-	1,847,120	160,000	216,775	376,775	4.90

Northeast Texas Community college
Statistical Supplement 13
Demographic and Economic Statistics - Taxing District
Last Ten Fiscal Years
(unaudited)

Calendar Year	District Population (1)	District Personal Income (2) (a) (thousands of dollars)	District Personal Income Per Capita (a)	County Unemployment Rate			National Unemployment Rate (4)
				Camp County (3)	Morris County (3)	Titus County (3)	
2005	55,296	\$ 1,386,710	\$ 25,078	5.0%	5.3%	4.1%	5.1%
2004	54,143	-	-	4.5%	6.8%	4.6%	5.4%
2003	53,962	-	-	6.4%	9.7%	4.9%	5.8%
2002	53,431	-	-	5.2%	7.0%	3.9%	4.8%
2001	50,311	-	-	5.3%	7.2%	4.2%	4.0%
2000	50,552	-	-	6.6%	11.0%	5.7%	4.1%
1999	49,742	-	-	8.1%	12.7%	6.5%	3.8%
1998	49,389	-	-	6.9%	8.2%	6.5%	5.4%
1997	48,770	-	-	7.8%	8.1%	7.3%	5.1%
1996	48,365	-	-	8.1%	9.9%	7.9%	5.5%

Sources:

- (1) Population from Texas State Data Center - TAMU
- (2) Personal income from U.S. bureau of Economic Analysis.
- (3) Unemployment rate from Texas Workforce Commission
- (4) National Unemployment rate from Bureau of Labor Statistics

Notes:

- (a) This institution previously did not present this information and chose to implement prospectively.

**Sample Community College
 Statistical Supplement 14
 Faculty, Staff, and Administrators Statistics
 Last Five Fiscal Years
 (unaudited)**

	Fiscal Year				
	2006	2005	2004	2003	2002
Faculty					
Full-Time	58	53	53	55	51
Part-Time	96	75	113	90	108
Total	154	128	166	145	159
Percent					
Full-Time	37.7%	41.4%	31.9%	37.9%	32.1%
Part-Time	62.3%	58.6%	68.1%	62.1%	67.9%
Staff and Administrators					
Full-Time	134	127	125	129	114
Part-Time	57	44	12	9	21
Total	191	171	137	138	135
Percent					
Full-Time	70.2%	74.3%	91.2%	93.5%	84.4%
Part-Time	29.8%	25.7%	8.8%	6.5%	15.6%
FTSE per Full-time Faculty	30	35	37	34	32
FTSE per Full-Time Staff Member	13	15	16	15	14
Average Annual Faculty Salary	\$46,491	\$44,206	\$ 44,107	\$42,780	\$42,185

Northeast Texas Community College
Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(unaudited)

Student Classification	Fiscal 2006		Fiscal 2005		Fiscal 2004		Fiscal 2003		Fiscal 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	4,687	69.20%	5,130	74.33%	4,558	66.80%	4,660	71.44%	4,255	69.29%
Softmore	1,371	20.24%	1,151	16.68%	1,366	20.02%	1,229	18.84%	1,209	19.69%
Unclassified	662	9.77%	581	8.42%	887	13.00%	597	9.15%	635	10.34%
Associate Degree	19	0.28%	15	0.22%	2	0.03%	6	0.09%	19	0.31%
Baccalaureate or above	34	0.50%	25	0.36%	10	0.15%	31	0.48%	23	0.37%
Total	6,773	100.00%	6,902	100.00%	6,823	100.00%	6,523	100.00%	6,141	100.00%

Semester Hour Load	Fiscal 2006		Fiscal 2005		Fiscal 2004		Fiscal 2003		Fiscal 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	164	2.42%	141	2.04%	108	1.58%	120	1.84%	148	2.41%
3-5 semester hours	2,307	34.06%	2,317	33.57%	2,168	31.77%	2,181	33.44%	2,213	36.04%
6-8 Semester hours	1,507	22.25%	1,447	20.96%	1,454	21.31%	1,269	19.45%	1,160	18.89%
9-11 semester hours	651	9.61%	654	9.48%	598	8.76%	545	8.36%	489	7.96%
12-14 semester hours	1,647	24.32%	1,791	25.95%	1,820	26.67%	1,626	24.93%	1,397	22.75%
15-17 semester hours	383	5.65%	410	5.94%	511	7.49%	589	9.03%	560	9.12%
18 & over	114	1.68%	142	2.06%	164	2.40%	193	2.96%	174	2.83%
Total	6,773	100.00%	6,902	100.00%	6,823	100.00%	6,523	100.00%	6,141	100.00%

Average course load	8.5	8.7	9.0	8.9	8.7
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Tuition Status	Fiscal 2006		Fiscal 2005		Fiscal 2004		Fiscal 2003		Fiscal 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
In-District	3,972	58.64%	4,086	59.20%	4,125	60.46%	4,040	61.93%	3,800	61.88%
Out-of-District	2,417	35.69%	2,478	35.90%	2,415	35.39%	2,256	34.59%	2,190	35.66%
Nonresident	162	2.39%	158	2.29%	143	2.10%	146	2.24%	114	1.86%
Tuition Exemption for Texas Resident	45	0.66%	44	0.64%	42	0.62%	27	0.41%	14	0.23%
Foreign Classified In-Dist Resident	92	1.36%	53	0.77%	40	0.59%	21	0.32%	12	0.20%
Foreign Classified Out-of-Dist Resident	9	0.13%	5	0.07%	6	0.09%	0	0.00%	0	0.00%
Foreign Pending In-Dist Resident	66	0.97%	71	1.03%	45	0.66%	28	0.43%	8	0.13%
Foreign Pending Out-of-Dist Resident	0	0.00%	7	0.10%	7	0.10%	5	0.08%	3	0.05%
Visiting Student Due To Natural Disaster	10	0.15%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total	6,773	100.00%	6,902	100.00%	6,823	100.00%	6,523	100.00%	6,141	100.00%

Source: CBM004 and CBM00A reports submitted to the State of Texas Coordinating Board

Northeast Texas Community College
Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)

Gender	Fiscal 2006		Fiscal 2005		Fiscal 2004		Fiscal 2003		Fiscal 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	4,273	63.09%	4,492	65.08%	4,512	66.13%	4,211	64.56%	3,891	63.36%
Male	2,500	36.91%	2,410	34.92%	2,311	33.87%	2,312	35.44%	2,250	36.64%
Total	6,773	100.00%	6,902	100.00%	6,823	100.00%	6,523	100.00%	6,141	100.00%

Ethnic Origin	Fiscal 2006		Fiscal 2005		Fiscal 2004		Fiscal 2003		Fiscal 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	4,992	73.70%	5,136	74.41%	5,199	76.20%	5,107	78.29%	4,876	79.40%
African American	635	9.38%	736	10.66%	773	11.33%	713	10.93%	676	11.01%
Hispanic	951	14.04%	862	12.49%	710	10.41%	568	8.71%	505	8.22%
Asian	51	0.75%	34	0.49%	27	0.40%	36	0.55%	34	0.55%
Native American	34	0.50%	28	0.41%	44	0.64%	47	0.72%	31	0.50%
Foreign	110	1.62%	106	1.54%	70	1.03%	52	0.80%	19	0.31%
Total	6,773	100.00%	6,902	100.00%	6,823	100.00%	6,523	100.00%	6,141	100.00%

Age	Fiscal 2006		Fiscal 2005		Fiscal 2004		Fiscal 2003		Fiscal 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	380	5.61%	390	5.65%	351	5.14%	361	5.53%	361	5.88%
18 -21	3,148	46.48%	3,208	46.48%	3,050	44.70%	2,898	44.43%	2,806	45.69%
22 - 24	890	13.14%	884	12.81%	895	13.12%	836	12.82%	709	11.55%
25-30	824	12.17%	839	12.16%	869	12.74%	831	12.74%	760	12.38%
31-35	513	7.57%	554	8.03%	617	9.04%	510	7.82%	456	7.43%
36-50	788	11.63%	826	11.97%	866	12.69%	883	13.54%	854	13.91%
51 & over	230	3.40%	201	2.91%	175	2.56%	204	3.13%	195	3.18%
Total	6,773	100.00%	6,902	100.00%	6,823	100.00%	6,523	100.00%	6,141	100.00%

Average Age	26	25	26	26
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Source: CBM004 and CBM00A reports submitted to the State of Texas Coordinating Board

**Northeast Texas Community College
Statistical Supplement 17
Schedule of Capital Asset Information
Fiscal Years 2002 to 2006**

	Fiscal Year				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Academic buildings	10	6	6	6	6
Square footage	182,786	102,863	102,863	102,863	102,863
Libraries	1	1	1	1	1
Square footage	15,087	15,087	15,087	15,087	15,087
Number of Volumes (in thousands) (a)	33,574	-	-	-	-
Auditoriums	1	1	1	1	1
Square footage	26,129	26,129	26,129	26,129	26,129
Administrative and support buildings	1	1	1	1	1
Square footage	11,673	11,673	11,673	11,673	11,673
Dormitories	1	1	1	1	1
Square footage	26,304	26,304	26,304	26,304	26,304
Number of Beds	112	112	112	112	112
Dining Facilities	1	1	1	1	1
Square footage	16,149	16,149	16,149	16,149	16,149
Athletic Facilities	2	2	2	2	2
Square footage	10,158	10,158	10,158	10,158	10,158
Fitness Center	1	1	1	1	1
Tennis Court	1	1	1	1	1
Baseball Field	1	1	1	1	1
Softball Field	1	1	1	1	1
Rodeo Arena	1	1	1	1	1
Barns and Stables	6	5	5	5	5
Plant facilities	2	2	2	2	2
Square footage	6,660	6,660	6,660	6,660	6,660
Transportation					
Cars (a)	4	-	-	-	-
Light Trucks/Vans (a)	14	-	-	-	-
Buses (a)	2	-	-	-	-
Semi Tractors (a)	2	-	-	-	-

Notes:

(a) This institution previously did not present this information and chose to implement prospectively.

Northeast Texas Community College
Statistical Supplement 18
Principal Employers
Current Fiscal Year
(unaudited)

Employer	Approximate Percentage	
	Number of Employees	of Total Employment
Pilgrim's Pride	4,000	5.27%
Lone Star Steel	1000+	1.32%
Mt. Pleasant ISD	940	1.24%
Titus Regional Medical Center	400	0.53%
Texas Utilities	400	0.53%
Wal-Mart Supercenter	400	0.53%
Priefert Manufacturing	450	0.59%
Northeast Texas Community College	340	0.45%
Big Tex Trailer World, Inc.	300	0.40%
Diamond C Trailers	300	0.40%
City of Mt. Pleasant	150	0.20%
Total	<u>7,680</u>	<u>11.43%</u>

Source:

Mount Pleasant Industrial Foundation, City of Pittsburg and Texas Workf

Note:

This institution previously did not present this schedule and chose to implement prospectively.

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, 2006

***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, 2006, and have issued our report thereon dated December 1, 2006. 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*, issued by the State of Texas.

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, 2006.

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, 2006

***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, 2006. 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, 2006.

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.

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

WILF & HENDERSON, P. C.
Certified Public Accountants

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE G
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2006
Page 1 of 2

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantors Number	Pass Through Disbursements and Expenditures
U.S. Department of Education			
Direct Programs:			
Federal Supplemental Educational Opportunity Grants Title III	* 84.007A 84.031A		\$ 50,508 273,314
Federal Work-Study Program	* 84.033A		80,905
Gear Up	* 84.334A		392,103
TRIO - Upward Bound	84.047A		242,290
STEP	84.215 (A)		241,724
Federal Pell Grant Program	* 84.063P		2,531,072
LEAP	84.069A		4,197
SLEAP	84.069B		7,315
Passed Through			
Texas Higher Education Coordinating Board Vocational Education - Allocated	84.048	44234	211,457
Vocational Education- Teacher Excellence	84.048		22,000
Vocational Education-Tech Prep	84.243		0
Upper East Texas Tech Prep	84.243		3,670
Texas Education Agency Adult Basic Education	84.002A		140,095
EL Civics	84.002A		106,160
Marshall Community College - Dual Credit	84.243		22,500
Total U.S. Department of Education			<u><u>4,329,310</u></u>
U.S. Department of Agriculture	10.226 (A)		<u><u>1,452</u></u>
Pass through Arbor Education & Training	17.259		<u><u>15,000</u></u>
U.S. Department of Labor			
Pass Through From East Texas Workforce Board First Generation	17.269		2,982
Pass Through From Texas Higher Education Coordinating Board First Generation College Student	17.267		49,388
Total U.S. Department of Labor			<u><u>52,370</u></u>
Federal Maritime Commission			
Pass Through From East Texas Council of Governments	33.558		<u><u>48,983</u></u>
National Endowment for the Arts			
Pass - Through From Texas Commissions on the Arts Promotion of the Arts	45.025		<u><u>5,325</u></u>
National Science Foundation	47.076		<u><u>41,423</u></u>
U. S. Small Business Administration			
Small Business Development Center	59.037		<u><u>58,931</u></u>
U.S. Department of Health and Human Services			
Pass - Through From Texas Education Agency Temporary Assist to Needy Families	93.558		32,039
Temporary Assist to Needy Families	* 93.558 (A)		149,765
MCP Grant	93.616 (A)		115,602
Total U.S. Department of Health and Human Services			<u><u>297,406</u></u>
Total Federal Financial Assistance			\$ <u><u>4,850,200</u></u>

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2006
 Page 2 of 2

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - Per Schedule A - College	\$ 4,341,657
Add: Cost of Capital Asset Acquisitions	-
Federal Grants and Contracts Revenue - Foundation	<u>508,543</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 4,850,200</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, 2006**

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

Gear Up CFDA # 84.334A

Communities in Schools CFDA # 93.558

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, 2006***

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, 2006

***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, 2006. 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, 2006. 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 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 H
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2006
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		\$ 140,203
TWC #00705WIN004		50,059
Total Texas Workforce Commission		<u>190,262</u>
Texas Education Agency		
Adult Basis Education		24,418
Temporary Assist to Needy Families		4,956
State Engineering & Science Recruitment Fund (SENSR)		61,763
High School Completion		12,250
Communities in School	* (A)	588,655
Total Texas Education Agency		<u>692,042</u>
U.S. Small Business Administration		
SBDC State		<u>27,992</u>
Texas Higher Education Coordinating Board		
Texas Grant Program	N/A	144,511
Texas Grant II	N/A	36,856
Total Texas Higher Education Coordinating Board		<u>181,367</u>
TPEG		<u>56,128</u>
Texas College Workstudy		<u>14,865</u>
Total State Financial Assistance		\$ <u><u>1,162,656</u></u>

* - Major Program

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended August 31, 2006

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

State Grants and Contracts - College per Schedule A	\$	<u>574,001</u>
State Grants and Contracts - - Foundation		<u>588,655</u>
Total State Financial Assistance	\$	<u><u>1,162,656</u></u>

(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, 2006**

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, 2006***

There was no prior year findings.