

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND
NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION*

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED

AUGUST 31, 2014 AND 2013

PREPARED BY:

*ADMINISTRATIVE SERVICES DEPARTMENT
NORTHEAST TEXAS COMMUNITY COLLEGE*

MOUNT PLEASANT, TEXAS

C O N T E N T S

	Page
INTRODUCTORY SECTION	
Organizational Data	i
 FINANCIAL SECTION	
<u>Independent Auditors' Report</u>	
Independent Auditors' Report on Financial Statements	1 - 2
 <u>Management's Discussion and Analysis</u>	
Management's Discussion and Analysis (required supplementary information)	3 - 10
 <u>Financial Statements</u>	
Exhibit 1 Statements of Net Position	11-12
Exhibit 2 Statements of Revenues, Expenses, and Changes In Net Position	13-14
Exhibit 3 Statements of Cash Flows	15-16
Notes to Financial Statements	17- 38
 <u>Supplemental Schedules</u>	
Schedule A Schedule of Detailed Operating Revenues	39
Schedule B Schedule of Operating Expenses by Functional and Natural Classifications	40
Schedule C Schedule of Non – Operating Revenues and Expenses	41

Supplemental Schedules Continued)

Schedule D	Schedule of Net Position by Source and Availability	42
Schedule E	Balance Sheet	43
Schedule F	Statement of Changes in Fund Balance	44

FEDERAL FINANCIAL ASSISTANCE INFORMATION

	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	45-46
	Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	47-49
Schedule G	Schedule of Expenditures of Federal Awards	50-51
	Schedule of Findings and Questioned Costs	52-57
	Summary Schedule of Prior Audit Findings	58

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	59-61
Schedule H	Schedule of Expenditures of State Awards	62-63
	State Grants Schedule of Findings and Questioned Costs	64-65
	Summary Schedule of Prior Audit Findings	66

Northeast Texas Community College
Mt. Pleasant, Texas
Organizational Data
For the Fiscal Year 2014

Board of Trustees

Officers

Dr. Dan McCauley-Mount Pleasant, TX	(2012-2018)	Board Chairman
Mr. Chuck Johns, Pittsburg, TX	(2014-2020)	Board Vice Chairman
Mr. Sid Greer-Daingerfield, TX	(2012-2018)	Board Secretary

Members

Mr. Robin Sharp, Mount Pleasant, TX	(2014-2020)
Mr. Jerry Webster, Pittsburg, TX	(2014-2016)
Mr. John Bryan, Naples, TX	(2014-2020)
Gov. Bill Ratliff, Mount Pleasant, TX	(2014-2016)

Principal Administrative Officers

Dr. Brad Johnson	President
Dr. Ron Clinton	Executive Vice President for Instruction
Dr. Johnny Moore	Interim Vice President for Student and Outreach Services
Dr. Jonathan McCullough	Vice President for Institutional Advancement
Ms. M. Beth Thompson	Vice President for Administrative Services

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

December 12, 2014

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

Members of the Board:

Report on the Financial Statements

We have audited the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of August 31, 2014 and 2013, and the related notes to the financial statements for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 Grants 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriated to provide a basis for our audit opinions.

Opinions

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, Inc. as of August 31, 2014 and 2013, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2014, the College adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis information on pages 3-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation Inc. taken as a whole. The accompanying Schedule 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 *State of Texas 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 required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. These additional schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of Northeast Texas Community College and Northeast Texas Community College Foundation Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Wilf & Henderson, P.C.

WILF & HENDERSON, P. C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A)

This section of Northeast Texas Community College's Annual Financial Report presents management's discussion and analysis of the College's financial activity during fiscal years ending 2012, 2013, and 2014. Since this management's discussion and analysis is designed to focus on current activities, resulting change, decisions or conditions of facts, please read it in conjunction with the College's basic financial statements (pages 11-16) and the footnotes (pages 17-38). 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 Annual Financial Report.

Statement of Net Position (Balance Sheet)

The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers a fiscal snapshot of the College for the current fiscal year ended. The Statement of Net Position 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 Position.

For the Years Ended August 31, 2014, 2013, and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Assets</u>			
Current	\$ 5,739,728	\$ 5,627,936	\$ 7,003,229
Net Capital Assets	34,845,575	35,594,029	36,330,720
Other Non-Current	<u>2,013,725</u>	<u>2,021,716</u>	<u>1,839,522</u>
Total Assets	<u>42,599,028</u>	<u>43,243,681</u>	<u>45,173,471</u>
Deferred Outflows of Resources	737,407	821,693	-
<u>Liabilities</u>			
Current	4,536,331	4,405,444	5,447,652
Non-Current	<u>22,596,940</u>	<u>23,949,814</u>	<u>24,612,457</u>
Total Liabilities	<u>27,133,271</u>	<u>28,355,258</u>	<u>30,060,109</u>
<u>Net Position</u>	<u>\$ 16,203,164</u>	<u>\$ 15,710,116</u>	<u>\$ 15,113,362</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 Position is 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, 2014, 2013, and 2012, the College's net positions were \$16,203,164, \$15,710,116, and, \$15,113,362 respectively. From the data presented, readers of the Statement of Net Position 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 Position

The Statement of Revenues, Expenses, and Changes in Net Position 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 Position influenced the above Statement of Net Position. The purpose of the statement is to present the revenues earned by the institution, both operating and non-operating, and the expenses incurred by the institution, operating and non-operating, and any other revenues, expenses, gains and losses earned or incurred 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 Position
For the Years Ended August 31, 2014, 2013, and 2012

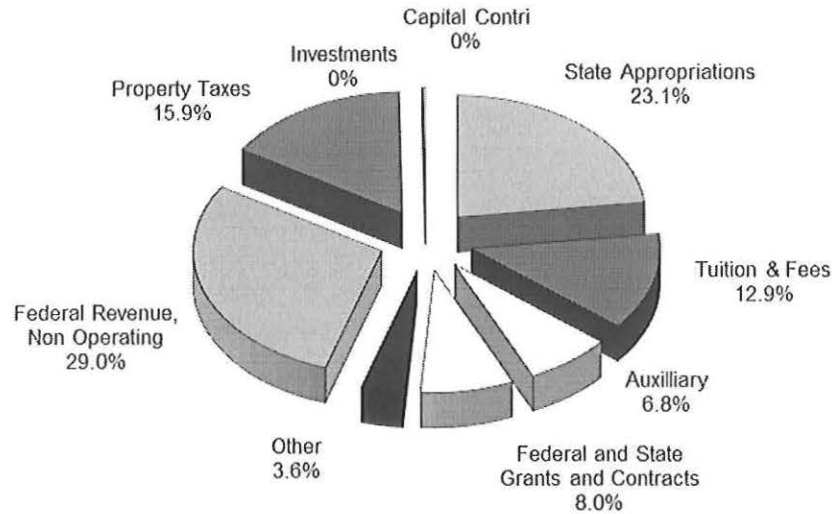
	<u>2014</u>	<u>2013</u>	<u>2012</u>
SUMMARY OF REVENUES AND EXPENSES			
Total, Operating Revenues	\$ 7,878,075	\$ 7,415,652	\$ 7,229,053
Total, Operating Expenses	<u>24,448,234</u>	<u>23,439,863</u>	<u>22,800,260</u>
Total, Operating (Loss)	(16,570,159)	(16,024,211)	(15,571,207)
Net Non-Operating Revenues	16,822,354	16,145,812	16,435,836
Capital Contributions	<u>240,853</u>	<u>475,153</u>	<u>857,545</u>
Increase (Decrease) in Net Position	493,048	596,754	1,722,174
Net Position at Beginning of Year	<u>15,710,116</u>	<u>15,113,362</u>	<u>13,391,188</u>
Net Position - End of Year	<u><u>\$ 16,203,164</u></u>	<u><u>\$ 15,710,116</u></u>	<u><u>\$ 15,113,362</u></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:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues:			
Net tuition and fees	\$ 3,349,945	\$ 3,107,885	\$ 2,899,761
Federal grants and contracts	1,177,391	1,246,586	1,467,176
State grants and contracts	700,426	656,819	669,743
Non-governmental grants and contracts	163,286	113,737	142,309
Sales and services of educational activities	69,257	65,647	75,154
Net auxiliary enterprises	1,886,159	1,646,465	1,425,999
Other operating revenues	<u>531,611</u>	<u>578,513</u>	<u>548,911</u>
Total, Operating Revenues	<u>7,878,075</u>	<u>7,415,652</u>	<u>7,229,053</u>
Net Non-Operating Revenues:			
State appropriations	5,993,883	5,264,858	5,026,300
Property taxes	4,143,309	4,349,493	4,574,382
Federal revenue, non-operating	7,535,412	7,551,073	8,071,822
Investment and other Income	<u>12,014</u>	<u>11,975</u>	<u>6,735</u>
Total, Non-Operating Revenues	<u>17,684,618</u>	<u>17,177,399</u>	<u>17,679,239</u>
Capital Contributions	<u>240,853</u>	<u>475,153</u>	<u>857,545</u>
Total Revenues, Operating and Non-Operating	<u><u>\$ 25,803,546</u></u>	<u><u>\$ 25,068,204</u></u>	<u><u>\$ 25,765,837</u></u>

**Revenue by Source
Operating & Non-Operating**



In comparing the fiscal periods ended August 31, 2014 and 2013:

- Net Tuition and fee revenues increased \$242,060 or 7.8% as a result of increased tuition and fees of \$398,094 due to increased fee structures, and an increase in scholarship allowances in the amount of \$156,034 primarily as a result of increased allowances in Federal assistance to students.
- The Northeast Texas Community College Foundation, as a component of the College, contributed a total of \$251,915 in scholarships for 307 students.
- Net Auxiliary enterprises increased \$239,694 or 14.6% due to increased occupancy in the dorms resulting in an increase of \$116,075, an increase in bookstore sales of \$38,858 and a decrease in scholarships and allowances of \$84,761.
- State appropriations increased \$729,025 or 13.8% as a result of increased general appropriations of \$377,191 and a \$302,844 increase in benefit appropriations.
- Property tax revenues decreased \$206,184 or 4.7% as a result of reductions in property values.

In comparing the fiscal periods ended August 31, 2013 and 2012:

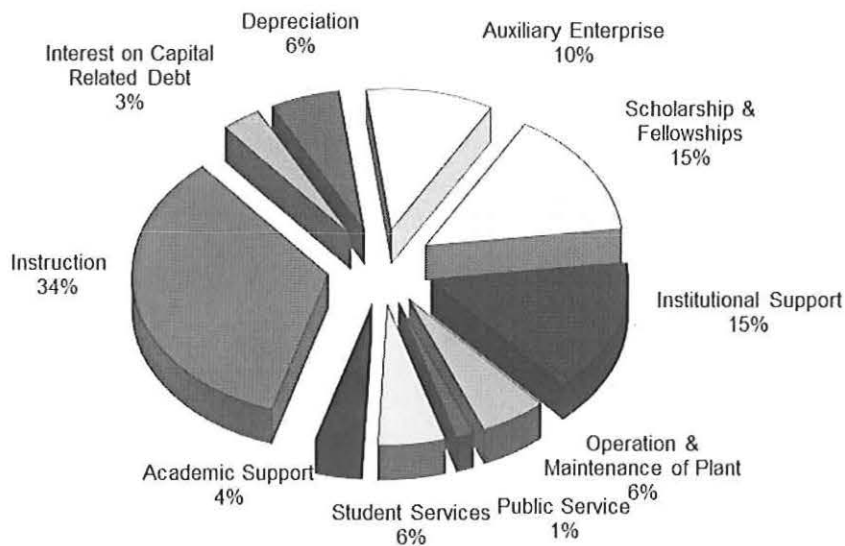
- Net Tuition and fee revenues increased \$208,124 or 7.2% as a result of increased tuition and fees of \$169,992 due to increased fee structures, a decrease in scholarship allowances in the amount of \$154,040 as fewer state funds were available net of an increase in bad debt reserve of \$120,533.
- The Northeast Texas Community College Foundation, as a component of the College, contributed a total of \$212,423 in scholarships for 304 students.
- Net Auxiliary enterprises increased \$220,466 or 15.5% due to increased occupancy in the dorms resulting in an increase of \$99,450, a decrease in bookstore sales of \$31,312 and a decrease in scholarships and allowances of \$152,239.
- State appropriations increased \$238,558 or 4.7% as a result of a mid-biennium re-allocation of state funds for community colleges based on enrollment growth in the year ended August 31, 2012 and a \$35,706 increase in benefit appropriations.
- Property tax revenues decreased \$224,889 or 4.9% as a result of reductions in property values.
- Federal revenue non-operating decreased \$520,749 or 6.5% primarily as a result of decreased Pell benefits.

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, 2014, 2013, and 2012**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Expenses:			
Instruction	\$ 8,639,365	\$ 8,603,594	\$ 8,369,000
Public service	377,181	393,962	408,761
Academic support	999,981	980,263	833,158
Student services	1,418,474	1,349,029	1,292,790
Institutional support	3,941,582	3,380,688	3,264,824
Operation and maintenance of plant	1,413,608	1,328,508	1,277,409
Scholarship & fellowships	3,463,624	3,316,530	3,462,673
Auxiliary enterprise	2,703,879	2,612,191	2,512,559
Depreciation	1,490,540	1,475,098	1,379,086
Total, Operating Expenses	<u>24,448,234</u>	<u>23,439,863</u>	<u>22,800,260</u>
Non-Operating Expenses:			
Interest on capital related debt	848,605	934,422	1,012,178
Bond Issue Costs		86,579	151,104
(Gain) Loss on disposal of capital assets	-	-	45,508
Other non-operating expenses	13,659	10,586	34,613
Total, non-operating expenses	<u>862,264</u>	<u>1,031,587</u>	<u>1,243,403</u>
Total Expenses, Operating and Non-Operating	<u>\$ 25,310,498</u>	<u>\$ 24,471,450</u>	<u>\$ 24,043,663</u>

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



In comparing the fiscal periods ended August 31, 2014 and 2013:

- Student services increased \$69,445 or 5.1% primarily due to increased positions, fewer open positions and a 1% salary increase.
- Institutional support increased \$560,894 or 16.6% primarily due to \$292,921 of costs associated with the implementation of a new student information and financial system, \$115,632 for the use of a marketing firm to assist in branding the college, and an increase in salaries of \$71,651 as a result of absorbing the cost of positions previously paid by the Title III grant as well as the costs of a 1% salary increase.
- Operation of maintenance and plant increased \$85,100 or 6.4% due to increased utility costs of \$27,802 and increased general maintenance and repairs of equipment and buildings.
- Scholarships and Fellowships increased \$147,094 or 4.4% due to increases in state funded grants.
- Auxiliary enterprise expense increased \$91,688 or 3.5% increased cost of sales due to more new books and general merchandise sales.

In comparing the fiscal periods ended August 31, 2013 and 2012:

- Overall, benefits costs paid by the College increased \$468,134 primarily as a result of retirement expense, due to an agreement with the State to pay an additional portion of retirement costs for active employees. See note 20 to the financial statements for further discussion.
- Instructional expense increased \$234,594 or 2.8% primarily due to increased cost of benefits of \$317,916 offset by lower cost of instruction of \$97,500 due to a skills development grant that ended in fiscal 2012.
- Academic support increased \$147,105 or 17.7% primarily due to increased cost of benefits of \$53,214 and increased salaries of 75,351 due primarily to the staffing of a Distance Education department.
- Student services increased \$56,239 or 4.4% primarily due to increased cost of benefits of \$46,996 and increased salaries of \$34,755 reflecting salary increases offset by decreased other expenses of \$25,912.
- Institutional support increased \$115,864 or 3.5% primarily due to increased cost of benefits of \$62,060, \$60,709 of costs to engage a consultant to assist the College in developing a strategic plan, \$80,011 due to increased cost of core software and internet access, net of a decrease in payroll costs of \$91,520 primarily due to reductions in three positions.
- Operation of maintenance and plant increased \$51,099 or 4.0% primarily due to increased cost of benefits of \$17,516, \$11,124 in increased salaries due to raises, and an increase in utility cost of \$28,402.
- Scholarships and fellowships decreased \$146,143 or 4.2% primarily as a result of decreased Pell awards due to a decline in enrollment for the Spring 2013.
- Auxiliary enterprise expense increased \$99,632 or 4.0% as a result of \$24,316 in increased salary cost due to salary increases and addition of women's soccer coach, and an increase of \$71,629 primarily due to increased travel expenses and uniforms for all sports.
- Depreciation expense increased \$96,012 or 7.0% as a result of a full year of depreciation for prior year additions and one half year of depreciation for assets added during the year.

Analysis of Net Position

Total Net Position of \$16,203,164 is comprised of the investment in capital assets net of related debt of \$11,716,678, reserve for debt service of \$869,573, and unrestricted net position of \$3,616,912. The debt service reserve is set-aside in the event the pledged revenues in interest and sinking fund are not sufficient to pay the debt service payment in the future. The unrestricted net position is the inception-to-date net of current and non-current revenues and expenses.

For the Years Ended August 31, 2014, 2013, and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Investment in Capital Assets, Net of Related Debt	\$ 11,716,678	\$ 11,275,253	\$ 10,759,171
Restricted for debt service	869,573	805,415	826,539
Temporarily Restricted	-	-	-
Unrestricted	<u>3,616,913</u>	<u>3,629,448</u>	<u>3,527,652</u>
Total Net Position	<u>\$ 16,203,164</u>	<u>\$ 15,710,116</u>	<u>\$ 15,113,362</u>

Long Term Debt

In the fiscal period ended August 31, 2014, the college issued \$86,000 in equipment financing notes for the purchase of a college bus.

In the fiscal period ended August 31, 2013, the college issued \$2,138,638 in Limited Tax Refunding Bonds to be used to advance refund the remaining 2003 Series Limited Tax Bonds.

In the fiscal period ended August 31, 2012, the college issued \$5,741,765 in Limited Tax Refunding Bonds to be used to advance refund a portion of the 2003 Series Limited Tax Bonds.

The College has revenue bonds, general obligation bonds, and other notes payable for which contractual payments have been made in the fiscal periods ended August 31, 2014 and 2013.

See note 7- Bonds and Notes Payable of the financial statements for further information about long-term debt activity.

Capital Assets

In the fiscal period ended August 31, 2014, the College expended approximately \$232,000 in Federal grant funds to purchase equipment for use in our workforce education programs and computer system. The College also expended approximately \$201,000 to remodel half of the College's original dorms.

In the fiscal period ended August 31, 2013, the College expended approximately \$296,700 in Federal and State grant funds to purchase equipment for use in our workforce education programs. The foundation expended approximately \$148,400 to make additional improvements to the College's performing arts facilities and matching funds for the above state grant.

In the fiscal period ended August 31, 2012, the College expended approximately \$473,000 in Federal and State grant funds to purchase equipment for use in our workforce education programs. The foundation expended approximately \$384,600 to complete the equipment and construction for the new building for use in workforce instruction. In addition these funds were used to make improvements to the College's agriculture and performing arts facilities.

See note 6-Capital Assets of the financial statements for further information about capital asset activity.

On April 21, 2014, Standard & Poor's affirmed the College's Revenue Financing debt rating at BBB. On January 16, 2013, Standard & Poor's rated the College's General Obligation Financing debt at A. Management does not believe it has any debt limitations that may affect the financing of planned facilities or services.

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 8).

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

Unrestricted fund balance has remained stable in the current year. The College is in the process of implementing a new student and financial information system with funding coming from unrestricted fund balance. Management estimates this will lead to a reduction in unrestricted fund balance of approximately \$500,000 in the next fiscal period. Given the current economic climate, we anticipate ongoing minimal earnings of interest on our temporary investments. We also anticipate no increase in collected tax revenues over the next two to three years as a result of flattened appraisal values as a result of economic conditions coupled with the college's having reached its tax rate cap of .10 per \$100 valuation. We also expect no significant increases in state funding. We anticipate adjusting our ongoing operating spending to compensate for these reduced revenues. The college experienced a 2% decline in enrollment in the Fall of 2014 and does not anticipate significant growth in enrollment levels in the next few years.

FINANCIAL STATEMENTS

NORTHEAST TEXAS COMMUNITY COLLEGE
EXHIBIT 1
STATEMENTS OF NET POSITION
August 31, 2014 and 2013

	<u>2014</u>	<u>(Restated) 2013</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 3,278,062	\$ 3,226,369
Accounts receivable (Note 11)	1,600,287	1,453,745
Inventories	453,237	596,439
Prepaid expense	408,142	212,130
Due from component unit	-	139,253
Total Current Assets	<u>5,739,728</u>	<u>5,627,936</u>
Noncurrent Assets		
Restricted cash and cash equivalents (Note 4)	347,792	394,770
Unrestricted long-term investments (Note 4)	510,852	505,122
Restricted long-term investments (Note 4)	1,001,901	974,437
Notes receivable (net of allowance for doubtful accounts of \$78,172 in 2014 and 2013)	-	-
Prepaid bond insurance	99,519	110,246
Other assets	53,661	37,141
Capital assets, net of accumulated depreciation (Note 7)	34,845,575	35,594,029
Total Noncurrent Assets	<u>36,859,300</u>	<u>37,615,745</u>
Total Assets	<u>42,599,028</u>	<u>43,243,681</u>
Deferred Outflows of Resources		
Deferred charge on bond refunding (Note 6)	<u>737,407</u>	<u>821,693</u>
LIABILITIES		
Current Liabilities		
Accounts payable (Note 11)	642,279	609,679
Accrued liabilities (Note 11)	247,596	267,699
Accrued compensated absences (Note 10)	96,512	105,199
Deposits payable (Note 11)	172,180	166,312
Funds held for others	81,833	119,474
Unearned revenues	1,855,801	1,735,223
Due to component unit	1,406	-
Notes and leases payable - current portion (Note 8)	161,654	91,430
Bonds payable - current portion (Note 8)	1,277,070	1,310,428
Total Current Liabilities	<u>4,536,331</u>	<u>4,405,444</u>
Noncurrent Liabilities		
Bonds payable (Note 8)	21,380,421	22,455,482
Premium on Bonds Payable	343,500	395,204
Notes and leases payable (Note 8)	873,019	1,099,128
Total Noncurrent Liabilities	<u>22,596,940</u>	<u>23,949,814</u>
Total Liabilities	<u>27,133,271</u>	<u>28,355,258</u>
NET POSITION		
Invested in capital assets, net of related debt	11,716,678	11,275,253
Restricted for		
Expendable		
Debt service	869,573	805,415
Unrestricted	3,616,913	3,629,448
Total Net Position	<u>\$ 16,203,164</u>	<u>\$ 15,710,116</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 FINANCIAL POSITION
August 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents (Note 4)	\$ 898,170	\$ 351,217
Accounts receivable (Note 11)	252,280	453,527
Due from Northeast Texas Community College	1,406	-
Other assets	28,800	28,800
Total Current Assets	<u>1,180,656</u>	<u>833,544</u>
Noncurrent Assets		
Long - term investments (Note 4)	2,883,265	2,725,497
Property, plant, and equipment, net of accumulated depreciation (Note 7)	492,313	493,411
Other assets	38,700	67,500
Total Noncurrent Assets	<u>3,414,278</u>	<u>3,286,408</u>
 Total Assets	 <u><u>4,594,934</u></u>	 <u><u>4,119,952</u></u>
 LIABILITIES		
Current Liabilities		
Accounts payable (Note 11)	5,820	6,046
Deferred revenue	131,037	67,268
Due to Northeast Texas Community College	-	139,253
Total Current Liabilities	<u>136,857</u>	<u>212,567</u>
 Total Liabilities	 <u><u>136,857</u></u>	 <u><u>212,567</u></u>
 Net Position		
Restricted		
Nonexpendable:		
Permanently	2,625,607	2,225,960
Expendable:		
Temporarily	1,208,008	1,105,443
Unrestricted	624,462	575,982
Total Net Assets	<u><u>\$ 4,458,077</u></u>	<u><u>\$ 3,907,385</u></u>

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

NORTHEAST TEXAS COMMUNITY COLLEGE
EXHIBIT 2
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended August 31, 2014 and 2013

	2014	(Restated) 2013
REVENUES		
Operating Revenues		
Tuition and fees (net of grant and scholarship allowances of \$4,391,474, 2014 and \$4,235,440, 2013)	\$ 3,349,945	\$ 3,107,885
Federal grants and contracts	1,177,391	1,246,586
State grants and contracts	700,426	656,819
Non-Governmental grants and contracts	163,286	113,737
Sales and services of educational activities	69,257	65,647
Auxiliary enterprises (net of grant and scholarship allowances of \$1,241,507, 2014 and \$1,326,268, 2013)	1,886,159	1,646,465
Other operating revenues	531,611	578,513
Total Operating Revenues (Schedule A)	7,878,075	7,415,652
EXPENSES		
Operating Expenses		
Instruction	8,639,365	8,603,594
Public service	377,181	393,962
Academic support	999,981	980,263
Student services	1,418,474	1,349,029
Institutional support	3,941,582	3,380,688
Operation and maintenance of plant	1,413,608	1,328,508
Scholarships and fellowships	3,463,624	3,316,530
Auxiliary enterprises	2,703,879	2,612,191
Depreciation	1,490,540	1,475,098
Total Operating Expenses (Schedule B)	24,448,234	23,439,863
Operating Income (Loss)	(16,570,159)	(16,024,211)
NON-OPERATING REVENUES (EXPENSES)		
State allocations	5,993,883	5,264,858
Ad-valorem taxes		
Taxes for maintenance & operations	3,011,059	3,223,844
Taxes on general obligations bonds	1,132,250	1,125,649
Federal revenue, non operating	7,535,412	7,551,073
Investment income (net of investment expenses)	12,014	11,975
Interest on capital related debt	(848,605)	(934,422)
Cost of bond issuance	-	(86,579)
Other non - operating expenses	(13,659)	(10,586)
Net non-operating revenues (Schedule C)	16,822,354	16,145,812
Capital Contributions		
Component Unit	8,415	148,409
Federal grants capital contributions	232,438	87,507
State grants capital contributions	-	239,237
	240,853	475,153
Increase (Decrease) in Net Position	493,048	596,754
Net Position - Beginning of Year (Restate Note 1)	15,710,116	15,113,362
Net Position - End of Year	\$ 16,203,164	\$ 15,710,116

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF ACTIVITIES
For the Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Operating Revenues		
Federal Grants and Contracts	\$ 442,251	\$ 543,406
State Grants and Contracts	492,737	355,165
Local Grants and Contracts	635,561	510,970
Total Operating Revenues	<u>1,570,549</u>	<u>1,409,541</u>
EXPENSES		
Operating Expenses		
Public Service	1,876,821	1,934,700
Scholarships	251,915	212,423
Depreciation	10,892	30,713
Total Operating Expenses	<u>2,139,628</u>	<u>2,177,836</u>
Operating (Loss)	<u>(569,079)</u>	<u>(768,295)</u>
Non-Operating Revenues		
Investment income	175,326	75,198
Net non-operating revenues	<u>175,326</u>	<u>75,198</u>
(Loss) Before Other Revenues, Expenses, Gains, Losses	<u>(393,753)</u>	<u>(693,097)</u>
OTHER REVENUES, (EXPENSES), GAINS, LOSSES		
Additions to Endowments	109,406	42,525
Gains on investments	273,223	165,815
Loss on disposal of assets	(8,606)	-
Contributions	570,422	430,514
Total Other Revenues, Expenses, Gains, Losses	<u>944,445</u>	<u>638,854</u>
Increase (Decrease) in Net Assets	<u>550,692</u>	<u>(54,243)</u>
Net Position - Beginning of Year	<u>3,907,385</u>	<u>3,961,628</u>
Net Position - End of Year	<u>\$ 4,458,077</u>	<u>\$ 3,907,385</u>

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

NORTHEAST TEXAS COMMUNITY COLLEGE
EXHIBIT 3
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Receipts from students and other customers	\$ 5,187,375	\$ 3,839,109
Receipts of grants and contracts for operating activities	2,073,315	2,170,709
Other receipts	603,149	650,240
Payments to or on behalf of employees	(8,370,044)	(8,156,718)
Payments to suppliers for goods or services	(10,804,116)	(10,162,815)
Payments of scholarships	(3,463,624)	(3,316,530)
Net cash provided (used) by operating activities	<u>(14,773,945)</u>	<u>(14,976,005)</u>
Cash Flows From Noncapital Financing Activities		
State allocations	5,723,317	4,996,295
Federal revenues	7,535,412	7,551,073
Ad valorem tax revenues	4,131,583	4,335,574
Net cash provided (used) by non-capital financing activities	<u>17,390,312</u>	<u>16,882,942</u>
Cash Flows From Capital and Related Financing Activities		
Interest and other expense on capital related debt	(637,493)	(836,961)
Purchases of capital assets	(733,673)	(589,998)
Capital contributions	232,438	326,744
Proceeds on issuance of capital debt	86,000	-
Payments on capital debt and leases	(1,537,744)	(1,414,663)
Net cash provided (used) by capital and related financing activities	<u>(2,590,472)</u>	<u>(2,514,878)</u>
Cash Flows From Investing Activities		
Investment earnings	12,014	11,975
Purchases of investments	(33,194)	(753,363)
Net cash provided (used) by investing activities	<u>(21,180)</u>	<u>(741,388)</u>
Increase (Decrease) in cash and cash equivalents	<u>4,715</u>	<u>(1,349,329)</u>
Cash and cash equivalents - September 1,	<u>3,621,139</u>	<u>4,970,468</u>
Cash and cash equivalents - August 31,	<u>\$ 3,625,854</u>	<u>\$ 3,621,139</u>
Noncash investing, capital, and financing activities		
Contributions of Capital Assets	8,415	148,409
Proceeds from refunding bond issue (see note 8)	-	3,912,171
Funds deposited with escrow agent for bond refunding (see note 8)	-	(3,912,171)
Total Noncash investing, capital, and financing activities	<u>\$ 8,415</u>	<u>\$ 148,409</u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income (loss)	\$ (16,570,159)	\$ (16,024,211)
Adjustments to reconcile operating income to net cash provided		
by operating activities:		
Depreciation expense	1,490,540	1,475,098
Payments made directly by state for benefits	270,566	268,563
Bad debts	(26,969)	120,533
Changes in assets and liabilities		
Receivables, net	(107,845)	(99,501)
Inventories	143,202	647
Prepaid expense	(196,012)	145,793
Due from component unit	140,659	152,204
Other assets	(16,520)	2,383
Accounts payable	32,600	(228,809)
Accrued liabilities	(22,812)	(25,356)
Deposits payable	5,868	21,170
Funds held for others	(37,641)	(7,894)
Deferred revenue	120,578	(776,625)
Net cash provided (used) by operating activities	<u>\$ (14,773,945)</u>	<u>\$ (14,976,005)</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Receipts from grants and contracts for operating activities	\$ 1,434,558	\$ 1,443,505
Payments of scholarships and support of college	(392,574)	(364,627)
Payments on grants and contract costs	<u>(1,423,247)</u>	<u>(1,517,309)</u>
Net cash provided (used) by operating activities	<u>(381,263)</u>	<u>(438,431)</u>
Cash Flows From Noncapital Financing Activities		
Additions to permanent and term endowment and other contributions	<u>645,849</u>	<u>347,645</u>
Net cash provided (used) by noncapital financing activities	<u>645,849</u>	<u>347,645</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	714,280	-
Investment income (loss)	175,326	75,198
Purchase of capital assets	(8,415)	(172,011)
Purchase of investments	<u>(598,824)</u>	<u>(238,465)</u>
Net cash provided (used) by investing activities	<u>282,367</u>	<u>(335,278)</u>
Net increase (decrease) in cash and cash equivalents	546,953	(426,064)
Cash and cash equivalents at beginning of year	<u>351,217</u>	<u>777,281</u>
Cash and cash equivalents at end of year	<u>\$ 898,170</u>	<u>\$ 351,217</u>
Noncash investing, capital, and financing activities		
Inkind contributions	<u>\$ 434,985</u>	<u>\$ 346,798</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (569,079)	\$ (768,295)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	10,892	30,713
Non cash transfer to college	8,415	148,409
Amortization and expense of inkind contributions	44,378	58,193
Change in assets and liabilities		
Accounts receivable	201,247	292,536
Due to college	(140,659)	(152,204)
Deferred revenue	63,769	(37,167)
Accounts payable	<u>(226)</u>	<u>(10,616)</u>
Net cash provided (used) by operating activities	<u>\$ (381,263)</u>	<u>\$ (438,431)</u>

The accompanying Notes to the Financial Statements are an integral part of these financial statements.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

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 is reported as a special-purpose government engaged in business-type activities. The College implemented GASB 65, *Items Previously Reported as Assets and Liabilities*, in the current year. This statement requires all bond issuance costs to be recorded as expenses in the year the bonds were issued, classified items that are consumption of net assets applicable to a futures reporting period as deferred resource outflows, and classified items that are acquisition of net assets applicable to a futures reporting period as deferred resource inflows. This statement required the prior year to be restated to reflect this change.

Tuition Discounting

Texas Public Education Grants: Certain tuition amounts are required to be set aside for use as scholarships for 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. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

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.

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013*

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

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.

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.

Budgetary data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1. The budget for the year ended August 31, 2014 was adopted by the Board of Trustees on August 27, 2013.

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.

Restricted cash

The College's restricted cash consists of cash not available for operations, such as cash reserves for bond requirements.

Deferred Inflows

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt.

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. Noncurrent investments include investments that are current, but not available for operations.

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013*

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

Inventories

Inventories consist of consumable office supplies, physical plant supplies and 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.

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.

Unearned Revenue and Expenditure

Tuition and Fees of \$1,545,834 and \$1,465,984 and federal, state and local grants of \$309,967 and \$269,239 have been reported as unearned revenues at August 31, 2014 and 2013, respectively.

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.

Operating and Non-Operating Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business type activity (BTA) and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state allocations, Title IV federal revenue, and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of food service is not performed by the College.

Characterization of Title IV Grant Revenue

In response to guidance provided by the Government Accounting Standards Board (GASB) as questions/answer 7.72.10 in the Implementation Guide, revenue received for federal Title IV grant programs, (i.e. Pell grants) is now characterized as non operating revenue as opposed to operating revenue.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

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

Prior Year Restatements and Reclassifications

The effects of GASB No. 65, *Items Previously Reported as Assets and Liabilities*, on Northeast Texas Community College annual financial statements were as follows:

The college was required to reclassify refunded debt the difference between the reacquisition price and the net carrying amount of the old debt as a deferred outflow of resources or a deferred inflow of resources and recognize this as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

	2014	2013
Deferred Resources of Outflows		
"Deferred charge on bond refunding"	\$ 737,407	\$ 821,693

The college was required to restate capitalized bond issuance costs, net of accumulated amortization from previous years as a change in accounting principle and deduct it from the beginning net position

Beginning net position, September 1, 2012		\$ 15,395,321
Less deduction of capitalized bond costs, per GASBS #65		(281,959)
Beginning net position, September 1, 2012, as restated		15,113,362
2013 Increase in net position as originally stated	\$ 683,333	
Less deduction of 2013 capitalized bond costs, per GASBS #65	(86,579)	596,754
Ending net position, August 31, 2013, as restated		\$ 15,710,116

Subsequent Events

Management has evaluated subsequent events through the date of this report which is the date the financial were available to be issued which was December 12, 2014.

Note 3 - 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, 2014 AND 2013*

Note 4 - Deposits and Investments

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

	<u>2014</u>	<u>2013</u>
Cash and Deposits		
Demand Deposits	\$ 1,766,115	\$ 1,762,051
Time Deposits	1,512,751	1,479,558
Petty Cash	10,202	10,205
Total Cash and Deposits	<u>\$ 3,289,068</u>	<u>\$ 3,251,814</u>

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	<u>Fair Value August 31, 2014</u>	<u>Fair Value August 31, 2013</u>
Investment Pool	\$ 1,849,539	\$ 1,848,884
Total	1,849,539	1,848,884
Total Cash and Deposits	3,289,068	3,251,814
Total Deposits and Investments	<u>\$ 5,138,607</u>	<u>\$ 5,100,698</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 3,278,062	\$ 3,226,369
Restricted Cash and Cash Equivalents (Exhibit 1)	347,792	394,770
Investments (Exhibit 1)	510,852	505,122
Restricted Investments (Exhibit 1)	1,001,901	974,437
Total Deposits and Investments	<u>\$ 5,138,607</u>	<u>\$ 5,100,698</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 4 - Deposits and Investments – (continued)

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

	<u>2014</u>	<u>2013</u>
Demand Deposits	\$ 268,295	\$ 28,845
Time Deposits	-	400,000
Total Cash and Deposits	\$ 268,295	\$ 428,845

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Fair Value August 31, 2014	Fair Value August 31, 2013
U.S. Government Agencies	\$ 73,191	\$ 74,534
Corporate Bond/Notes	31,138	42,626
Mutual Funds	3,408,811	2,530,709
Total Investments	3,513,140	2,647,869
Total Cash and Deposits	268,295	428,845
Total Deposits and Investments	\$ 3,781,435	\$ 3,076,714
Cash and Cash Equivalents	\$ 898,170	\$ 351,217
Long-term Investments	2,883,265	2,725,497
Total Deposits and Investments	\$ 3,781,435	\$ 3,076,714

As of August 31, 2014 the College had the following investments and maturities:

Investment Type	Credit Rating	Market Value	Investment Maturities (in years)		
			Less than 1	1-2	2-3
Certificates of Deposit	N/A	\$ 1,512,751	\$ -	\$ 1,512,751	\$ -
Investment Pool	AAA	1,849,539	1,849,539	-	-
Total Market Value		\$ 3,362,290	\$ 1,849,539	1,512,751	-

As of August 31, 2014 the Foundation had the following investments and maturities:

Investment Type	Credit Rating	Market Value	Investment Maturities (in years)			
			No Maturity	Less than 1	1-2	2-3
Investco Treasury Cash Management	AAA	629,875	-	629,875	-	-
US Gov't Agencies	AAA	73,191	-	-	-	73,191
Corporate Bonds/Notes	AAA/AA	10,563	-	-	-	10,563
Corporate Bonds/Notes	A/BBB	20,575	-	-	-	20,575
Mutual Funds	N/A	2,778,936	2,778,936	-	-	-
Total Market Value		\$ 3,513,140	\$ 2,778,936	\$ 629,875	\$ -	\$ 104,329

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013*

Note 4 - Deposits and Investments – (continued)

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.

Credit Risk: In accordance with state law and the College’s investment policy, investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A.

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 (55.6%) and in certificates of deposit (45.4%).

Custodial Credit Risk: At August 31, 2014, the College had money on deposit at 2 banks. The carrying amount of the College’s and the Foundation’s bank deposits was \$3,278,866 and \$268,295 and total bank balances equaled \$3,621,635 and \$268,295. Bank balances of \$504,473 are covered by federal depository insurance and \$3,385,457 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.

Note 5 – Derivatives

The College had no derivatives at August 31, 2014 or 2013.

Note 6 – Deferred Outflows of Resources

The college was required to reclassify refunded debt the difference between the reacquisition price and the net carrying amount of the old debt as a deferred outflow of resources or a deferred inflow of resources and recognize this as a component of interest expense in a systematic and rational manner over the remaining life of the old debt of the life on the new debt, whichever is shorter.

	Balance August 31, 2013	Increases	Decreases	Balance August 31, 2014
Deferred charge on bond refunding	\$ 821,693	\$ -	\$ 84,286	\$ 737,407
	Balance August 31, 2012	Increases	Decreases	Balance August 31, 2013
Deferred charge on bond refunding	\$ 585,157	\$ 256,618	\$ 20,082	\$ 821,693

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 7– Capital Assets

Capital assets activity for the year ended August 31, 2014 was as follows:

	For the Year Ended August 31, 2014			
	Balance August 31, 2013	Increases	Decreases	
<u>Not Depreciated:</u>				
Land	\$ 1,438,209	\$ -	\$ -	\$ 1,438,209
Construction in Process	-	-	-	-
Subtotal	<u>\$ 1,438,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,438,209</u>
<u>Other Capital Assets:</u>				
Buildings	41,277,797	209,041	-	41,486,838
Equipment Purchased with Capital Lease	342,348	-	-	342,348
Furniture, Machinery, Vehicles, and other Equipment	3,989,651	278,917	-	4,268,568
Library Books	929,243	20,582	98,500	851,325
Telecommunications and Peripheral Equipment	1,525,456	233,546	-	1,759,002
Subtotal	<u>\$ 48,064,495</u>	<u>\$ 742,086</u>	<u>\$ 98,500</u>	<u>\$ 48,708,081</u>
<u>Accumulated Depreciation:</u>				
Buildings	10,276,696	916,869	-	11,193,565
Equipment Purchased with Capital Lease	223,697	43,094	-	266,791
Furniture, Machinery, Vehicles and Other Equipment	1,568,876	348,271	-	1,917,147
Library Books	722,326	41,751	98,500	665,577
Telecommunications and Peripheral Equipment	1,117,080	140,555	-	1,257,635
Subtotal	<u>\$ 13,908,675</u>	<u>\$ 1,490,540</u>	<u>\$ 98,500</u>	<u>\$ 15,300,715</u>
Net Other Capital Assets	<u>\$ 34,155,820</u>	<u>\$ (748,454)</u>	<u>\$ -</u>	<u>\$ 33,407,366</u>
Net Capital Assets	<u>\$ 35,594,029</u>	<u>\$ (748,454)</u>	<u>\$ -</u>	<u>\$ 34,845,575</u>

The college is committed to implementing a new computer system for approximately \$750,000. As of August 31, 2014, the college had spent approximately \$230,000.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 7 – Capital Assets – (continued)

Foundation

	For the Year Ended August 31, 2014			
	Balance August 31, 2013	Increases	Decreases	Balance August 31, 2014
<u>Not Depreciated:</u>				
Land	\$ 140,400	\$ -	\$ -	\$ 140,400
Works of Art, Antiques	174,836	18,400	-	193,236
Subtotal	<u>\$ 315,236</u>	<u>\$ 18,400</u>	<u>\$ -</u>	<u>\$ 333,636</u>
<u>Other Capital Assets:</u>				
Buildings	196,024	-	-	196,024
Furniture, Machinery, Vehicles, and other Equipment	171,410	-	19,125	152,285
Telecommunications and Peripheral Equipment	75,087	-	-	75,087
Subtotal	<u>\$ 442,521</u>	<u>\$ -</u>	<u>\$ 19,125</u>	<u>\$ 423,396</u>
<u>Accumulated Depreciation:</u>				
Buildings	38,180	6,942	-	45,122
Furniture, Machinery, Vehicles and Other Equipment	151,079	3,950	10,519	144,510
Telecommunications and Peripheral Equipment	75,087	0	-	75,087
Subtotal	<u>\$ 264,346</u>	<u>\$ 10,892</u>	<u>\$ 10,519</u>	<u>\$ 264,719</u>
Net Other Capital Assets	<u>\$ 178,175</u>	<u>\$ (10,892)</u>	<u>\$ 8,606</u>	<u>\$ 158,677</u>
Net Capital Assets	<u>\$ 493,411</u>	<u>\$ 7,508</u>	<u>\$ 8,606</u>	<u>\$ 492,313</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 7 – Capital Assets – (continued)

Capital assets activity for the year ended August 31, 2013 was as follows:

	For the Year Ended August 31, 2013			Balance August 31, 2013
	Balance August 31, 2012	Increases	Decreases	
Not Depreciated:				
Land	\$ 1,438,209	\$ -	\$ -	\$ 1,438,209
Construction in Process	80,730		80,730	-
Subtotal	<u>\$ 1,518,939</u>	<u>\$ -</u>	<u>\$ 80,730</u>	<u>\$ 1,438,209</u>
Other Capital Assets:				
Buildings	40,976,411	301,386	-	41,277,797
Equipment Purchased with Capital Lease	342,348	-	-	342,348
Furniture, Machinery, Vehicles, and other Equipment	3,498,720	527,149	36,218	3,989,651
Library Books	945,978	17,765	34,500	929,243
Telecommunications and Peripheral Equipment	1,525,456			1,525,456
Subtotal	<u>\$ 47,288,913</u>	<u>\$ 846,300</u>	<u>\$ 70,718</u>	<u>\$ 48,064,495</u>
Accumulated Depreciation:				
Buildings	9,371,199	905,497	-	10,276,696
Equipment Purchased with Capital Lease	169,027	54,670	-	223,697
Furniture, Machinery, Vehicles and Other Equipment	1,247,402	330,529	9,055	1,568,876
Library Books	715,075	41,751	34,500	722,326
Telecommunications and Peripheral Equipment	974,429	142,651		1,117,080
Subtotal	<u>\$ 12,477,132</u>	<u>\$ 1,475,098</u>	<u>\$ 43,555</u>	<u>\$ 13,908,675</u>
Net Other Capital Assets	<u>\$ 34,811,781</u>	<u>\$ (628,798)</u>	<u>\$ 27,163</u>	<u>\$ 34,155,820</u>
Net Capital Assets	<u>\$ 36,330,720</u>	<u>\$ (628,798)</u>	<u>\$ 107,893</u>	<u>\$ 35,594,029</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 7 – Capital Assets – (continued)
Foundation

	For the Year Ended August 31, 2013			Balance August 31, 2013
	Balance August 31, 2012	Increases	Decreases	
<u>Not Depreciated:</u>				
Land	\$ 140,400	\$ -	\$ -	\$ 140,400
Works of Art, Antiques	151,233	23,603	-	174,836
Subtotal	<u>\$ 291,633</u>	<u>\$ 23,603</u>	<u>\$ -</u>	<u>\$ 315,236</u>
<u>Other Capital Assets:</u>				
Buildings	196,024	-	-	196,024
Furniture, Machinery, Vehicles, and other Equipment	171,410	-	-	171,410
Telecommunications and Peripheral Equipment	75,087	-	-	75,087
Subtotal	<u>\$ 442,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,521</u>
<u>Accumulated Depreciation:</u>				
Buildings	31,238	6,942	-	38,180
Furniture, Machinery, Vehicles and Other Equipment	134,818	16,261	-	151,079
Telecommunications and Peripheral Equipment	67,577	7,510	-	75,087
Subtotal	<u>\$ 233,633</u>	<u>\$ 30,713</u>	<u>\$ -</u>	<u>\$ 264,346</u>
Net Other Capital Assets	<u>\$ 208,888</u>	<u>\$ (30,713)</u>	<u>\$ -</u>	<u>\$ 178,175</u>
Net Capital Assets	<u><u>\$ 500,521</u></u>	<u><u>\$ (7,110)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 493,411</u></u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 8 – Bonds and Notes Payable

Long-term liability activity for the year ended August 31, 2014 was as follows:

	<u>Balance August 31, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2014</u>	<u>Current Portion</u>
Leases, bonds, and notes					
Revenue bonds	\$ 8,972,000	\$ -	\$ 386,000	\$ 8,586,000	\$ 343,000
General obligation bonds	14,793,910	187,440	909,859	14,071,491	934,070
Notes payable	1,190,558	86,000	241,885	1,034,673	161,654
Leases payable	-	-	-	-	-
Total long-term obligations	<u>\$ 24,956,468</u>	<u>\$ 273,440</u>	<u>\$ 1,537,744</u>	<u>\$ 23,692,164</u>	<u>\$ 1,438,724</u>

Long-term liability activity for the year ended August 31, 2013 was as follows:

	<u>Balance August 31, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2013</u>	<u>Current Portion</u>
Leases, bonds, and notes					
Revenue bonds	\$ 9,347,000	\$ -	\$ 375,000	\$ 8,972,000	\$ 386,000
General obligation bonds	15,280,447	4,060,570	4,547,107	14,793,910	924,428
Notes payable	1,457,172	-	266,614	1,190,558	91,430
Leases payable	49,976	-	49,976	-	-
Total long-term obligations	<u>\$ 26,134,595</u>	<u>\$ 4,060,570</u>	<u>\$ 5,238,697</u>	<u>\$ 24,956,468</u>	<u>\$ 1,401,858</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 8 – Bonds and Notes Payable-(continued)

General Obligation Bonds

The 2010 Series Limited Tax Bonds are due in annual installments varying from \$405,401 to \$894,900. The 2012 Series Limited Tax Refunding Bonds are due in annual installments varying from \$31,582 to \$1,130,200 with interest rates from 1.08% to 2.4%. The 2013 Series Limited Tax Refunding Bonds are due in annual installments from \$ 530,000 to \$1,130,000 with interest rates from 3.03% to 3.38%. Of the original \$18,000,000 authorized bonds, there were un-issued but approved bonds totaling \$5,534,837 at August 31, 2014 and 2013. The principal and interest expense for the next five years and beyond for the tax obligation bonds are as follows:

<u>Years Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 934,070 (A)	\$ 206,210	\$ 1,140,280
2016	929,747 (A)	219,990	1,149,737
2017	924,188 (A)	235,949	1,160,137
2018	914,458 (A)	256,005	1,170,463
2019	902,341 (A)	277,392	1,179,733
2020-2024	5,198,396 (A)	843,299	6,041,695
2025-2029	3,714,291 (A)	1,776,090	5,490,381
2030-2034	381,000 (A)	68,653	449,653
2035-2036	173,000 (A)	6,491	179,491
	<u>\$ 14,071,491</u>	<u>\$ 3,890,079</u>	<u>\$ 17,961,570</u>

(A) 2012 and 2013 Series Limited Tax Refunding Bonds are stated at their current accreted value.

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.

General information related to bonds payable is summarized below:

Limited Tax Bonds, Series 2010

To construct and equip Wellness Center

Issued September 15, 2010

Total issued \$1,471,000

Source of revenue for debt service is ad valorem taxes

Outstanding principal balance at August 31, 2014 and 2013 is \$1,356,000 and \$1,396,000, respectively

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 8 – Bonds and Notes Payable-(continued)

General Obligation Bonds-(continued)

Limited Tax Refunding Bonds, Series 2012

To advance refund a portion of the 2003 Series Limited Tax Bonds

Issued January 20, 2012

Total authorized and issued \$9,293,154

Source of revenue for debt service is ad valorem taxes

Outstanding accredited principal balance at August 31, 2014 and 2013 was \$8,609,804 and \$9,419,878

Limited Tax Refunding Bonds, Series 2013

To advance refund the remaining 2003 Series Limited Tax Bonds

Issued January 25, 2013

Total Authorized and Issued \$3,912,171

Source of revenue for debt service is ad valorem taxes

Outstanding accredited principal balance at August 31, 2014 and 2013 was \$4,105,687 and \$3,978,032

Revenue Bonds

The 2006 Revenue Financing System Refunding and Improvement Bonds are due in annual installments varying from \$221,465 to \$287,165 with interest rates from 4.00% to 4.375%. The 2010 Revenue Financing System Bonds are due in annual installments varying from \$398,661 to \$402,629 with a 4.09% interest rate.

Debt service requirements for the revenue bonds are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2015	\$ 343,000	\$ 346,604	\$ 689,604
2016	295,000	333,689	628,689
2017	302,000	321,589	623,589
2018	314,000	309,102	623,102
2019	327,000	296,108	623,108
2020-2024	1,864,000	1,263,484	3,127,484
2025-2029	2,281,000	837,470	3,118,470
2030-2034	2,094,000	351,262	2,445,262
2035-2036	766,000	31,657	797,657
	\$ 8,586,000	\$ 4,090,965	\$ 12,676,965

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 8 – Bonds and Notes Payable-(continued)

Revenue- continued

Revenue Financing System Refunding and Improvement Bonds, Series 2006
To advance refund 1992 Series Dormitory System Revenue Bonds
Issued April 5, 2006
Total Authorized and issued \$4,490,000
Source of revenue for debt services is dorm fees
Outstanding principal balance at August 31, 2014 and 2013 was \$2,770,000 and \$2,995,000, respectively

Revenue Financing System Bonds, Series 2010
To construct and equip dorm building
Issued September 30, 2010
Total Authorized and issued, \$6,132,000
Source of revenue for debt service is dorm fees
Outstanding principal balance at August 31, 2014 and 2013 was \$5,816,000 and \$5,977,000

Notes Payable

The College entered into a 4.34% maintenance tax note payable dated April 27, 2010 to a bank in the amount of \$1,100,000. The note is due in 30 semi-annual payments of \$50,129. The balance of the note at August 31, 2014 and 2013 was \$866,065 and \$926,299 respectively.

The College entered into a Time Warrant payable to a bank on March 1, 2011 in the amount of \$500,000 with interest at 3.75%. The warrant is due in 9 semi-annual payments of \$22,029 with a final payment of \$385,635 on March 1, 2016. The balance of the note at August 31, 2014 and 2013 was \$82,608 and \$264,259, respectively.

The College entered into a financing agreement payable to a bank to purchase a bus on November 25, 2013 in the amount of \$86,000. The loan is due in 5 annual payments \$18,726, including interest at 2.88%. The balance of the note at August 31, 2014 was \$86,000.

Debt service requirements for the notes payable are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2015	161,654	\$ 41,529	\$ 203,183
2016	82,215	36,768	118,983
2017	85,703	33,280	118,983
2018	89,246	29,737	118,983
2019	92,877	26,045	118,922
2020-2024	426,519	74,768	501,287
2025	96,459	3,223	99,682
	\$ 1,034,673	\$ 245,350	\$ 1,280,023

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013*

Note 9 – Employee’s Retirement Plan

Plan Description. The College contributes to 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 credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the 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 heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal 2014, 6.4% for fiscal years 2013 and 2012 and a state contribution rate of 6.8% for fiscal year 2014, 6.4% for fiscal year 2013, and 6.0% for 2012. Senate Bill (S.B.) 1812, effective September 1, 2013, limits the amount of the state’s contribution to 50% of eligible employees in the reporting district.

The state has also established an optional retirement program for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. The College contributes 2.5% percent for employees who were participating in the optional retirement program prior to September 1, 1995 and .24% for all others. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. The retirement expense of the State for the College was \$270,566, \$268,563, and \$257,135 for the fiscal years ended August 31, 2014, 2013, and 2012 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for the College employees was \$10,591,444, \$10,354,147, and \$10,211,443 for fiscal years 2014, 2013, and 2012 respectively. The total payroll of employees covered by the Teacher Retirement System was \$5,711,655, \$5,842,639, and \$5,221,399 and the total payroll of employees covered by the Optional Retirement Program was \$3,140,757, \$3,344,413, and \$3,521,018 for fiscal years 2014, 2013, and 2012, respectively.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 10 – Compensable Absences

Full time College employees earn vacation of 5-15 days per year based on years of service and sick leave benefits of 8 hours per month. Employees required to take all of their vacation by the anniversary date of their employment. The College has accrued \$96,512 and \$105,199 for August 31, 2014 and 2013, respectively, in the financial statements for vacation to be carried over to the next fiscal year. Administration believes that all of the accrued vacation will be taken or paid out in the next fiscal year. Sick leave can be accumulated up to 480 hours, but cannot be redeemed in pay. Accordingly, no accrual for sick leave has been made.

Note 11 - Disaggregation of Receivables and Payables Balances

Receivables at August 31, 2014 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 1,327,592	-
Taxes Receivable	403,109	-
Scholarship and Pledges Receivable	-	193,350
Contracts and Grants Receivable	670,638	58,930
Other Receivables	8,035	-
Subtotal	2,409,374	252,280
Allowance for Doubtful Accounts	809,087	-
Total Receivables	\$ 1,600,287	\$ 252,280

Payables at August 31, 2014 were as follows:

	<u>College</u>	<u>Foundation</u>
Accounts Payable:		
Vendors Payable	\$ 642,279	\$ 5,820
Accrued Liabilities:		
Accrued payroll liabilities	\$ 35,757	\$ -
Interest payable	211,839	-
Total Accrued Liabilities	247,596	-
Deposits payable:		
Student deposits payable	\$ 172,180	\$ -

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013*

Note 11 - Disaggregation of Receivables and Payables Balances - (continued)

Receivables at August 31, 2013 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 1,185,254	-
Taxes Receivable	391,383	-
Scholarship and Pledges Receivable	-	350,568
State Appropriations	-	-
Contracts and Grants Receivable	702,848	102,959
Other Receivables	10,316	-
Subtotal	2,289,801	453,527
Allowance for Doubtful Accounts	836,056	-
Total Receivables	\$ 1,453,745	\$ 453,527

Payables at August 31, 2013 were as follows:

	<u>College</u>	<u>Foundation</u>
Accounts Payable:		
Vendors Payable	\$ 609,679	\$ 6,046
Accrued Liabilities:		
Accrued payroll liabilities	\$ 6,447	\$ -
Interest payable	261,252	-
Total Accrued Liabilities	267,699	-
Deposits payable:		
Student deposits payable	\$ 166,312	\$ -

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 12 - Contract and Grant Awards

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

Contracts and grant award funds already committed or funds awarded during fiscal year 2014 and 2013 for the College and Foundation are as follows:

	2014	2013
College		
Federal	\$ 1,011,205	\$ 1,193,753
State	449,663	12,478
Total	\$ 1,460,868	\$ 1,206,231
Foundation		
Federal	\$ 136,261	\$ -
State	493,233	629,493
Total	\$ 629,494	\$ 629,493

Note 13 – Self-Insured Plans

The College self-insures for coverage in the areas of workers' compensation and unemployment compensation. These plans are on a pay-as-you-go basis, in which no assets are set aside. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations. The College accrued \$32,503 and \$4,194 as estimated future payments for the years ended August 31, 2014 and 2013 respectively.

Note 14 - Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the college. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per insured was \$252 and \$226 for the years ended August 31, 2014 and 2013 respectively and totaled \$775,183 for 2014, and \$472,339 for 2013. The state's cost of providing benefits for 38 and 37 retirees was \$242,980 and \$216,533 for the years ended August 31, 2014 and 2013 respectively. Senate Bill 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

Note 15 – Ad Valorem Tax

The College's *ad valorem* property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College taxing district.

	<u>2014</u>	<u>2013</u>
Assessed Valuation	\$ 4,862,758,145	\$ 4,993,593,240
Less Exemptions and Reductions	786,889,617	649,985,784
Net Taxable Assessed Value	<u>\$ 4,075,868,528</u>	<u>\$ 4,343,607,456</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate authorized per \$100 valuation	\$ N/A	\$ N/A	\$ 0.1000
Tax rate assessed per \$100 valuation for 2014	\$ 0.0727	\$ 0.0273	\$ 0.1000
Tax rate assessed per \$100 valuation for 2013	\$ 0.0741	\$ 0.0259	\$ 0.1000

Taxes levied for the years ended August 31, 2014 and 2013 were \$4,075,869 and \$4,343,607 respectively excluding any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Tax collections for the year ended August 31, 2014 and 2013 are as follows:

	<u>2014</u>			<u>2013</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Taxes	\$ 2,897,861	\$ 1,088,193	\$ 3,986,054	\$ 3,142,999	\$ 1,097,421	\$ 4,240,420
Delinquent Taxes	43,323	16,268	59,591	49,079	17,137	66,216
Penalties and Interest	51,148	19,207	70,355	44,191	15,430	59,621
Other Fees	4,285	1,609	5,894	6,222	2,173	8,395
Total Collections	<u>\$ 2,996,617</u>	<u>\$ 1,125,277</u>	<u>\$ 4,121,894</u>	<u>\$ 3,242,491</u>	<u>\$ 1,132,161</u>	<u>\$ 4,374,652</u>

Current tax levy collections for the years ended August 31, 2014 and 2013 were 97.7% and 97.6%, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance and operations and/or general obligation debt service.

Note 16 - 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, 2014 and 2013.

***NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013***

Note 17 – Northeast Texas Community College Foundation, Inc. – Discrete Component Unit

Northeast Texas Community College Foundation, Inc. (the Foundation) was established in 1984 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.

Note 18 - 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 19 - 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, 2014 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 20 – Postemployment Benefits Other than Pensions

Plan Description: Northeast Texas Community College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013*

Note 20 – Postemployment Benefits Other than Pensions – (continued)

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

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

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

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

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

The College's contributions to SRHP for the years ended August 31, 2014, 2013, and 2012 were \$785,131 \$940,687, and \$889,168 respectively which equaled the required contributions each year.

Note 21 - Contingencies

Texas Constitution article 16, section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system," referring to the State's Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP). During the 2011 legislative session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the State's contribution to TRS/ORP on behalf of community colleges to only six percent of each district's unrestricted general revenue appropriation for each year of the biennium state budget. The college had calculated that as of August 31, 2012 the contribution that had not been paid to TRS on behalf of college employees was estimated to be \$213,290.

In August 2013, a negotiation committee for the Texas Community Colleges negotiated future benefits with a special committee of the Texas Legislature. As a part of those negotiations, an agreement was reached on the past unpaid balances mentioned above as well as the shortfall for 2013. As a result, the college remitted an additional \$447,220 to TRS of which \$213,216 related to fiscal 2012.

Note 22- Subsequent Event

In November 2014, the College took two propositions to the voters in its district for their consideration. Proposition 1 requested that interest and sinking taxes be moved out from under the current 10 cent cap and applying the cap to maintenance and operations tax only. Proposition 2 asked the voters to approve \$19.9 million in general obligation bond for use in repairs, rehabilitation and modernization of the main campus. The voters approved Proposition 2 but did not approve Proposition 1. The College does not plan on issuing the general obligation bonds without being able to make revisions to the tax cap in order to have the funds to repay the bonds. The College will take a proposition to the voters again in May 2015 but has not determined the tax structure is will be requesting.

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*SUPPLEMENTAL SCHEDULES
REQUIRED BY TEXAS HIGHER EDUCATION
COORDINATING BOARD*

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE OF DETAILED OPERATING REVENUES
SCHEDULE A

For the Year Ended August 31, 2014 (With Memorandum Totals for the Year Ended August 31, 2013)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2014 Total	Memorandum 2013 Total
Tuition						
State funded courses						
In-district resident tuition	\$ 1,300,268	\$	\$ 1,300,268	\$	\$ 1,300,268	\$ 1,195,075
Out-of-district resident tuition	1,025,220		1,025,220		1,025,220	926,064
TPEG (set aside)*	147,447		147,447		147,447	148,656
Non-resident tuition	403,226		403,226		403,226	463,757
State funded continuing education	24,368		24,368		24,368	48,643
Non-state funded continuing education	112,375		112,375		112,375	87,711
Total Tuition	3,012,904	-	3,012,904	-	3,012,904	2,869,906
Fees						
General fees	2,689,427		2,689,427		2,689,427	2,518,729
Student service fees				209,002	209,002	203,551
Out-of-district fees	1,304,826		1,304,826		1,304,826	1,178,628
Laboratory fees	421,055		421,055		421,055	455,428
Other fees	104,205		104,205		104,205	117,083
Total Fees	4,519,513	-	4,519,513	209,002	4,728,515	4,473,419
Scholarship Allowances and Discounts						
Scholarship allowances	(481,634)		(481,634)		(481,634)	(439,964)
Remissions and exemptions	(199,481)		(199,481)		(199,481)	(162,455)
TPEG allowances	(147,447)		(147,447)		(147,447)	(148,656)
Federal grants to students	(3,562,912)		(3,562,912)		(3,562,912)	(3,484,365)
Total Scholarship Allowances	(4,391,474)	-	(4,391,474)	-	(4,391,474)	(4,235,440)
Total Net Tuition and Fees	3,140,943	-	3,140,943	209,002	3,349,945	3,107,885
Other Operating Revenues						
Federal grants and contracts	31,519	1,145,872	1,177,391		1,177,391	1,246,586
State grants and contracts		700,426	700,426		700,426	656,819
Nongovernmental grants and contracts		163,286	163,286		163,286	113,737
Sales and services of educational activities	69,257		69,257		69,257	65,647
Other operating revenues	382,221		382,221	149,390	531,611	578,513
Total Other Operating Revenues	482,997	2,009,584	2,492,581	149,390	2,641,971	2,661,302
Auxiliary Enterprises						
Residential life				1,288,892	1,288,892	1,172,817
Less discounts				(240,603)	(240,603)	(231,944)
Bookstore				1,838,774	1,838,774	1,799,916
Less discounts				(1,000,904)	(1,000,904)	(1,094,324)
Total Net Auxiliary Enterprises	-	-	-	1,886,159	1,886,159	1,646,465
Total Operating Revenues (Exh.2)	\$ 3,623,940	\$ 2,009,584	\$ 5,633,524	\$ 2,244,551	\$ 7,878,075	\$ 7,415,652

*In accordance with Education Code 56.033, \$147,447 and \$148,656 for years August 31, 2014 and 2013, 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, 2014 (with Memorandum Totals for the Year Ended August 31, 2013)

	Operating Expenses				Total 8/31/2014	Memorandum Total 8/31/2013
	Salaries and Wages	State Benefits	Local Benefits	Other Expenses		
Unrestricted - Educational Activities						
Instruction	\$ 6,023,216		942,879	496,379	\$ 7,462,474	\$ 7,441,580
Public Service	64,493		10,096	102,877	177,466	175,732
Academic Support	705,112		110,379	105,915	921,406	924,312
Student Services	821,496		128,598	168,793	1,118,887	1,055,854
Institutional Support	1,481,907		231,979	1,616,513	3,330,399	2,944,359
Operation and Maintenance of Plant	288,088		45,098	1,048,319	1,381,505	1,305,409
Scholarships and Fellowships			-	-	-	-
Total Unrestricted Educational Activities	\$ 9,384,312	\$ -	\$ 1,469,029	\$ 3,538,796	\$ 14,392,137	\$ 13,847,246
Restricted - Educational Activities						
Instruction	\$ 325,050	\$ 671,203	\$ -	\$ 180,638	\$ 1,176,891	\$ 1,162,014
Public Service	135,867	7,187	-	56,661	199,715	218,230
Academic Support	-	78,575	-	-	78,575	55,951
Student Services	116,522	91,544	-	91,521	299,587	293,175
Institutional Support	171,178	165,138	-	274,867	611,183	436,329
Operation and Maintenance of Plant	-	32,103	-	-	32,103	23,099
Scholarships and Fellowships				3,463,624	3,463,624	3,316,530
Total Restricted Educational Activities	\$ 748,617	\$ 1,045,750	\$ -	\$ 4,067,311	\$ 5,861,678	\$ 5,505,328
Total Educational Activities	10,132,929	1,045,750	1,469,029	7,606,107	20,253,815	19,352,574
Auxiliary Enterprises	458,515		43,966	2,201,398	2,703,879	2,612,191
Depreciation Expense						
Building & Improvements					916,869	905,497
Equipment & Furniture					531,920	527,850
Library Books					41,751	41,751
Total	\$ 10,591,444	\$ 1,045,750	\$ 1,512,995	\$ 9,807,505	\$ 24,448,234	\$ 23,439,863

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
 SCHEDULE C
 SCHEDULE OF NON - OPERATING REVENUES AND EXPENSES
 For the Year Ended August 31, 2014 (With Memorandum totals for the Year Ended August 31, 2013)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total 8/31/2014</u>	<u>(Restated) Memorandum Total 8/31/2013</u>
Non - Operating Revenues					
State appropriations:					
Education and general state support	\$ 4,862,118			\$ 4,862,118	4,484,927
State group insurance		775,183		775,183	472,339
State retirement matching		270,566		270,566	268,563
Professional nursing shortage reduction		86,016		86,016	39,029
Ad-valorem taxes	3,011,059	1,132,250		4,143,309	4,349,493
Federal revenue, non operating		7,535,412		7,535,412	7,551,073
Investment income		12,014		12,014	11,975
Total Non - Operating Revenues	<u>7,873,177</u>	<u>9,811,441</u>	<u>-</u>	<u>17,684,618</u>	<u>17,177,399</u>
Non - Operating Expenses					
Interest on capital related debt	848,605			848,605	934,422
Cost of bond issuance	-			-	86,579
Other non operating expense	13,659			13,659	10,586
Total Non - Operating Expenses	<u>862,264</u>	<u>-</u>	<u>-</u>	<u>862,264</u>	<u>1,031,587</u>
Net Non - Operating Revenues	<u>\$ 7,010,913</u>	<u>\$ 9,811,441</u>	<u>\$ -</u>	<u>\$ 16,822,354</u>	<u>\$ 16,145,812</u>

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
 SCHEDULE D
 SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
 For the Year Ended August 31, 2014 (With Memorandum totals for the Year Ended August 31, 2013)

	Detail By Source							(Restated) Memorandum Total 8/31/2013
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total 8/31/2014	Available for Current Operations		
		Expendable	Unexpended Bond Proceeds			Yes	No	
Current								
Unrestricted	\$ 3,106,061	\$	\$	\$	\$ 3,106,061	\$ 3,106,061		3,124,326
Board Designated Reserve	510,852				510,852	510,852		505,122
Plant								
Investment in plant		869,573		11,716,678	12,586,251		12,586,251	12,080,668
Total Net Assets, August 31, 2014	3,616,913	869,573	0	11,716,678	16,203,164	3,616,913	12,586,251	15,710,116
Total Net Assets, August 31, 2013 (Restated)	3,629,448	805,415	0	11,275,253	15,710,116	3,629,448	12,080,668	15,113,362
Net Increase (Decrease) in Net Assets	\$ (12,535)	\$ 64,158	\$ 0	\$ 441,425	\$ 493,048	\$ (12,535)	\$ 505,583	596,754

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE E
BALANCE SHEET
AUGUST 31, 2014

	Current Funds				Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total						
Assets										
Cash and Cash Equivalents	\$ 3,265,878	9,371	2,813	\$ 3,278,062	\$ 15,659	161	\$ 221,924	\$	110,048	\$ 3,625,854
Long term investments	510,852			510,852		164,635	837,266			1,512,753
Short Term Investments				-						-
Accounts Receivable	838,331	2,800	670,638	1,511,769	-		88,518			1,600,287
Due From Other Funds	-	774,773		774,773		73,551	252,688		26,581	1,127,593
Due From Foundation	-			-						-
Prepaid Expenses	408,142			408,142						408,142
Prepaid Insurance				-				99,519		99,519
Inventory, at Cost	17,432	435,805		453,237						453,237
Land				-				1,438,209		1,438,209
Buildings and Improvements				-				38,003,023		38,003,023
Improvements Other Than Buildings				-				3,616,954		3,616,954
Equipment				-				3,366,651		3,366,651
Library Books				-				851,321		851,321
Vehicles				-				860,784		860,784
Telecommunications				-				2,009,349		2,009,349
Accumulated Depreciation				-				(15,300,716)		(15,300,716)
Other				-				53,661		53,661
Total Assets	\$ 5,040,635	\$ 1,222,749	\$ 673,451	\$ 6,936,835	\$ 15,659	\$ 238,347	\$ 1,400,396	\$ 34,998,755	\$ 136,629	\$ 43,726,621
Deferred Outflows of Resources										
Deferred charge on refunding								737,407		737,407
Liabilities and Fund Balance										
Accounts Payable	\$ 294,801	314,793	29,051	\$ 638,645	\$ 844				\$ 2,790	\$ 642,279
Accrued Liabilities	38,058			38,058			187,323	22,215		247,596
Deposits Payable	112,940	59,240		172,180						172,180
Due to Other Funds	184,082		333,238	517,320	14,815			543,452	52,006	1,127,593
Due to Foundation	1,406			1,406						1,406
Deferred Revenues	1,185,450	359,189	311,162	1,855,801						1,855,801
Accrued Compensated Absences	96,512			96,512						96,512
Bonds Payable				-				22,657,491		22,657,491
Unamortized Premium/Discount				-			343,500			343,500
Notes Payable				-				1,034,673		1,034,673
Funds Held in Custody for Others				-					81,833	81,833
Total Liabilities	\$ 1,913,249	\$ 733,222	\$ 673,451	\$ 3,319,922	\$ 15,659	\$ -	\$ 530,823	\$ 24,257,831	\$ 136,629	\$ 28,260,864
Fund Balances										
Net Investment in Plant						238,347		11,478,331		11,716,678
Reserved for Debt Service							869,573			869,573
Restricted										-
Student Aid										-
Temporarily										-
Permanently										-
Unrestricted	3,127,386	489,527	-	3,616,913						3,616,913
Total Fund Balance	\$ 3,127,386	\$ 489,527	\$ -	\$ 3,616,913	\$ -	\$ 238,347	\$ 869,573	\$ 11,478,331	\$ -	\$ 16,203,164
Total Liabilities and Fund Balance	\$ 5,040,635	\$ 1,222,749	\$ 673,451	\$ 6,936,835	\$ 15,659	\$ 238,347	\$ 1,400,396	\$ 35,736,162	\$ 136,629	\$ 44,464,028

See independent auditors report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE F
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 2014

	Current Funds				Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total					
Revenues and Other Additions									
Unrestricted Current Funds Revenues	\$ 15,635,872	3,560,095		\$ 19,195,967	\$	\$	\$	\$	\$ 19,195,967
State Appropriations - Restricted			1,045,749	1,045,749					1,045,749
Federal grants and Contracts			8,945,241	8,945,241					8,945,241
State grants and Contracts			786,442	786,442					786,442
Local gifts, grants and Contracts			163,286	163,286					163,286
Taxes for Debt Retirement			-	-			1,132,250		1,132,250
Interest / Endowment Income			-	-					-
Net Decrease in Bonds Payable			-	-				1,094,859	1,094,859
Net Decrease in Notes Payable			-	-				294,184	294,184
Investment Income (Loss)			-	-	-	1,847	10,167		12,014
Other Revenues			-	-				8,415	8,415
Total Revenue and Other Additions	<u>15,635,872</u>	<u>3,560,095</u>	<u>10,940,718</u>	<u>30,136,685</u>	<u>-</u>	<u>1,847</u>	<u>1,142,417</u>	<u>1,397,458</u>	<u>32,678,407</u>
Expenditures and Other Deductions									
Expenditures	14,528,408	3,206,824	10,676,761	28,411,993					28,411,993
Indirect Cost Recovered			31,519	31,519					31,519
Retirement of Indebtedness - Bonds			-	-			1,094,859		1,094,859
Retirement of Indebtedness - Notes			-	-			294,184		294,184
Interest on Indebtedness			-	-			714,239	134,366	848,605
Depreciation Expense			-	-				1,490,540	1,490,540
Other Expenditures			-	-			2,933	10,726	13,659
	<u>14,528,408</u>	<u>3,206,824</u>	<u>10,708,280</u>	<u>28,443,512</u>	<u>-</u>	<u>-</u>	<u>2,106,215</u>	<u>1,635,632</u>	<u>32,185,359</u>
Transfers - Additions (Deductions)									
Mandatory Transfers:									
Retirement of Indebtedness				-					-
Building Use Fees				-					-
Tuition Use Fees				-					-
Revenue Bond	(747,332)			(747,332)			747,332		-
Contractual Obligations	(294,184)		-	(294,184)		-	280,624	13,560	-
TPEG to Restricted				-					-
Non - Mandatory Transfers:									
Capital Outlay	(132,531)	(299,223)	(232,438)	(664,192)		-		664,192	-
Other				-					-
Total Transfers - Additions (Deductions)	<u>(1,174,047)</u>	<u>(299,223)</u>	<u>(232,438)</u>	<u>(1,705,708)</u>	<u>-</u>	<u>-</u>	<u>1,027,956</u>	<u>677,752</u>	<u>-</u>
Net Increase (Decrease) for Year	<u>(66,583)</u>	<u>54,048</u>	<u>-</u>	<u>(12,535)</u>	<u>-</u>	<u>1,847</u>	<u>64,158</u>	<u>439,578</u>	<u>493,048</u>
Fund Balance (Deficit) August 31, 2013	\$ <u>3,193,969</u>	\$ <u>435,479</u>	\$ <u>-</u>	\$ <u>3,629,448</u>	\$ <u>-</u>	\$ <u>236,500</u>	\$ <u>805,415</u>	\$ <u>11,038,753</u>	\$ <u>15,710,116</u>
Fund Balance (Deficit) August 31, 2014	\$ <u>3,127,386</u>	\$ <u>489,527</u>	\$ <u>-</u>	\$ <u>3,616,913</u>	\$ <u>-</u>	\$ <u>238,347</u>	\$ <u>869,573</u>	\$ <u>11,478,331</u>	\$ <u>16,203,164</u>

See independent auditors report.

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FEDERAL FINANCIAL ASSISTANCE INFORMATION

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

December 12, 2014

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

Members of the Board:

We have audited, 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, the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of August 31, 2014 and 2013, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards* or *Uniform Grant Management Standards*.

Purpose of this Report

This report is intended solely for the information and use 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.

Wulf & Henderson, P.C.

WILF & HENDERSON, P.C.
Certified Public Accountants

**Independent Auditors' Report on Compliance for each Major Program and on Internal Control
over Compliance Required by OMB Circular A-133**

December 12, 2014

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

Members of the Board:

Report on Compliance for Each Major Federal Programs

We have audited the compliance of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned cost.

Management's Responsibility

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

Auditors' Responsibility

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 of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 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, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance.

Opinion on Each Major Federal Program

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 federal programs for the year ended August 31, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2014-1, 2014-2, 2014-3 and 2014-5. Our opinion on each major federal program is not modified with respect to these matters.

Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s response to the noncompliance identified in our audit is described in the accompanying schedule of findings and questioned costs. Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 the types of compliance requirements referred to above. 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 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, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over compliance that we consider to be a significant deficiencies as described in the accompanying schedule of findings and questioned cost as item 2014-1 through 2014-5.

Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s response and, accordingly, we express no opinion on the response.

Board of Trustees
Page 3
December 12, 2014

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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, 2014
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			
<u>Direct Programs</u>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	* 84.007A		\$ 71,790
Federal Work-Study Program	* 84.033A		115,284
Federal Pell Grant Program	* 84.063P		7,420,128
Direct Loans	* 84.268		5,136,177
Total Student Financial Assistance Cluster			<u>12,743,379</u>
TRIO - Upward Bound	84.047A		<u>224,749</u>
21st Century Community Learning Centers	84.287	(A)	<u>303,492</u>
Title III	* 84.031		<u>441,335</u>
<u>Passed Through Texas Education Agency</u>			
Adult Basic Education	84.002A	41000901/41001001	175,408
EL Civics	84.002A	41000908/41001008	112,613
Total Passed Through Texas Education Agency			<u>288,021</u>
<u>Passed Through Texas Workforce Commission</u>			
Adult Basic Education	84.002A		1,702
Regions VI Training	84.002A		2,500
			<u>4,202</u>
<u>Passed Through Texas Higher Education Coordinating Board</u>			
Vocational Education - Allocated	84.048		216,387
Nursing and Allied Health	84.372		466
Total Passed Through Texas Higher Education Coordinating Board			<u>216,853</u>
Total U.S. Department of Education			\$ <u>14,222,031</u>
U.S. Department of Commerce			
<u>Passed Through Economic Development Association</u>			
Economic Adjustment Assistance	11.307		4,364
Total U.S. Department of Commerce			\$ <u>4,364</u>
U.S. Department of Health and Human Services			
<u>Passed Through Texas Education Agency</u>			
Temporary Assist to Needy Families	93.558	(A)	<u>138,759</u>
<u>Passed Through Workforce Solutions of East Texas</u>			
Temporary Assist to Needy Families	93.558		<u>44,884</u>
<u>Passed Through Texas Workforce Solutions</u>			
Temporary Assist to Needy Families	93.558		<u>12,465</u>
Total U.S. Department of Health and Human Services			\$ <u>196,108</u>
U.S. Small Business Administration	59.037		<u>101,166</u>
Total Federal Financial Assistance			\$ <u>14,523,669</u>

NORTHEAST TEXAS COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2014
 Page 2 of 2

Note 1: Federal Financial Assistance Reconciliation

Federal Grants and Contracts Revenue - Per Schedule A - College	\$ 1,177,391
Federal Grants and Contracts Revenue - Per Schedule C - College	7,535,412
Federal Grant Capital Contributions - Per Exhibit 2 - College	232,438
Direct Loans	5,136,177
Federal Grants and Contracts Revenue - Foundation	<u>442,251</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$ <u>14,523,669</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.

Note 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor CFDA Number/Program Name	New Loans Processed	Administrative Cost Recovered	Total
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US Department of Education

All direct loans processed are included in the schedule.

* 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
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014**

A: Summary of Audit Results

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes 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 no

The programs tested as major programs include:

Student Financial Aid Cluster	
Federal Supplemental Educational Opportunity Grants	CFDA #84.007A
Federal Work-Study Program	CFDA #84.033A
Federal Pell Grant Program	CFDA #84.063P
Direct Loans	CFDA #84.268
 Title III	 CFDA #84.031

Dollar threshold used to distinguish between Type A and B programs: \$ 435,710

Auditee qualified as low-risk auditee? yes no

B: Findings – Financial Statements Audit

None

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014**

C. Findings and Questioned Costs – Major Federal Award Programs Audit (cont’d)
Department of Education

2014- 1 Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268 Grant period – Year ended August 31, 2014

Eligibility

Type of Finding – Significant Deficiency

Criteria:

Students must be in compliance with the College’s satisfactory academic progress policy in order to qualify for Title IV Student Financial Assistance. The college established their policy based on Title IV requirements.

Condition:

One student, out of a sample of sixty, received Title IV Student Financial Assistance and was not in compliance with the college’s satisfactory academic progress policy.

Cause:

The college implemented controls in effect to ensure all students complied with the satisfactory academic progress policy. However, the error arose prior to the implementation of the controls.

Effect:

A total of \$2,823 was disbursed from Title IV funds to this one student that was not in compliance with the policy. A projection of this error to the population would result in likely questioned cost in excess of the \$10,000 required threshold.

Population and Sample Size:

	Number	Dollars	Questioned Cost
Population	2188	12,652,451	
Sample	60	325,497	
Not in Compliance	1		2,823

Recommendation:

We recommend that Northeast Texas Community College utilize the controls that have been implemented to ensure Title IV disbursements are made only to students in compliance with the college’s satisfactory academic progress policy.

Response:

We agree with the finding as it is a continuation of the finding from 2011-2012 audit. 2011-12 Response: The SAP report functionality in POISE did not appear to be operating correctly from our first encounter with the program. As the semesters progressed, we continued using the POISE functionality and worked with ESP Tulsa to attempt to learn why students weren’t always being placed on warning or suspension as they should be while simultaneously running various reports to identify students not captured in the POISE report. During the summer of 2012, with the help of Chris Schumacher, the problem with POISE was identified and corrected. When the Federal terminology regarding SAP changed in 2011, requiring code changes in the POISE program, a link was broken and resulted in inaccurate SAP statuses. Once the problem was identified, we were able to correct the program and can now rely on the report to process Warning and Suspension statuses accurately. Implementation of Jenzabar and PowerFAIDS should help significantly.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014**

2014- 2 Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268 Grant period – Year ended August 31, 2014

**Special Tests and Provisions
Type of Finding – Significant Deficiency**

Criteria:

Students are not permitted to work in Federal Work Study (FWS) positions during scheduled class times unless an individual class is canceled or if the instructor has excused the student from attending for a particular day. These exemptions must be documented.

Condition:

Two students, out of a sample of sixty, received FWS and worked during their scheduled class time with no documentation of an exemption. One of the above two students was also erroneously paid for 12 hours in which she didn't work.

Cause:

Supervisors were not monitoring the times worked by their FWS students.

Effect:

The college paid students with FWS during prohibited work hours.

Population and Sample Size:

Total Title IV

	Number	Dollars	Questioned Cost
Population	2188	12,652,451	
Sample	60	325,497	
Not in Compliance	2		249

Total FWS

	Number	Dollars	Questioned Cost
Population	85	116,127	
Sample	3	1,439	
Not in Compliance	2		249

Recommendation:

We recommend supervisors review and sign off on workstudy student hours to ensure FWS is used to paid students only for appropriate time.

Response:

We agree with the finding. Individual supervisors were found to have allowed students to work during class times without proper documentation. The supervisor acknowledged that she allowed students to make changes to their work schedules. Supervisor also inadvertently entered student's time as 5:00AM instead of 5:00PM, causing student to be compensated for 12 hours that were not actually worked.

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014*

C. Findings and Questioned Costs – Major Federal Award Programs Audit (cont'd)
Department of Education

2014- 3 **Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A,
84.063P, 84.268 Grant period – Year ended August 31, 2014**

Eligibility

Type of Finding – Significant Deficiency

Criteria:

The Federal Supplemental Education Opportunity Grant (FSEOG) federal policy states that FSEOG should be given first to students who receive Pell and who have the lowest expected family contribution (EFC). Colleges should follow the federal policy and their own internal policy for awarding FSEOG.

Condition:

Seven students, out of a population eighty-five, received FSEOG in excess of the internal policy. Two students received FSEOG funds while not receiving Pell. Twenty-four Pell recipients received FSEOG but did not have the lowest EFC, while some Pell recipients having lower EFC received no FSEOG.

Cause:

The college did not have controls in effect to ensure compliance will federal and internal policies.

Effect:

A total of \$2,412 was disbursed from FSEOG funds to students that did not receive Pell. A total of \$3,094 was disbursed from FSEOG funds to students over the internal policy. And a total of \$16,078 was disbursed to Pell recipients who did not have the lowest EFC.

Recommendation:

We recommend that Northeast Texas Community College implement management controls to ensure FSEOG policies are followed.

Response:

We agree with the finding. Internal FSEOG policy was reviewed after prior year audit. The intention was that the limit be \$1,000 per semester, but policy was written as \$1,000 per year. The policy was updated for the 2014-2015 year to change the limit from year to sememster.

The awarding of students with EFC's greater than zero was an oversight of regulation. Students did have need, but not a zero EFC.

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014*

C. Findings and Questioned Costs – Major Federal Award Programs Audit (cont'd)
Department of Education

2014- 4 **Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A,
84.063P, 84.268 Grant period – Year ended August 31, 2014**

Reporting
Type of Finding – Significant Deficiency

Criteria:

Colleges are required to incorporate an income grid on the Fiscal Operations Report and Application to Participate (FISAP) which includes all enrolled students who apply for financial aid to be included in the appropriate income category.

Condition:

Three students, out of a sample of sixty, were not included on the income grid on the FISAP.

Cause:

The income grid information is pulled from codes in the system. The code for certain classes were not included in the original format, therefore students with only these types of classes were omitted from the income grid.

Effect:

The income grid included in the FISAP was incomplete.

Recommendation:

We recommend that Northeast Texas Community College implement procedures to ensure all students who applied for financial aid are included in the income grid.

Response:

We agree with the finding. We rely on the data from the POISE report but found that students were excluded in some instances. Implementation of Jenzabar and PowerFAIDS should help significantly.

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014*

C. Findings and Questioned Costs – Major Federal Award Programs Audit (cont’d)
Department of Education

2014-5 **Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268 Grant period – Year ended August 31, 2014**

Special Tests and Provisions

Type of Finding – Significant Deficiency

Criteria:

The college must verify taxable income and certain non taxable income along with other items such as household size on students selected for verification. These verification documents must be retained by the college.

Condition:

On two students, selected for verification, the college did not correctly adhere to the verification procedures to correct misinformation. On one student, selected for verification, the college did not retain the verification documents.

Cause:

The college did not have proper controls in effect to ensure all appropriate changes were made to the students’ information nor to ensure the verification documents were retained.

Effect:

The effective family contribution was recalculated with the correct information on the two students and was determined that the grant award would not have changed. The questioned costs is on the one student whose documents were not available for review is considered to be his entire award.

Population and Sample Size:

	Number	Dollars	Questioned Cost
Population	2188	12,652,451	
Sample	60	325,497	
Not in Compliance	3		2,823

Recommendation:

We recommend that Northeast Texas Community College implement management controls to ensure the verifications are completed in accordance with program requirements.

Response:

We agree with the finding, but stress that the changes were insignificant (approximately \$154 on one and the selection of SNAP benefits on another) and neither changed award amounts. Though verification documentation wasn’t readily available for one, system notations made it clear that they were received and verification was completed for student.

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SUMMARY SCHEDULE PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2014*

Findings and Questioned Costs – Major Federal Award Programs Audit (cont'd)
Department of Education

2013- 1 **Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A,
84.063P, 84.268 Grant period – Year ended August 31, 2013**

Eligibility

Type of Finding – Significant Deficiency

Description:

Northeast Texas Community College disbursed Federal Student Aid to one student who was ineligible for the award because the student was not in compliance with the satisfactory academic progress policy.

Questioned Costs:

A total of \$2,775 was disbursed from Pell to one ineligible student.

Corrective Action:

Northeast Texas Community College implemented management controls to ensure Title IV disbursements are made only to students in compliance with the college's satisfactory academic progress policy. The college returned the questioned costs of \$2,775.

Status:

Current year testing revealed a similar finding.

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STATE FINANCIAL ASSISTANCE INFORMATION

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

December 12, 2014

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

Members of the Board:

Report on Compliance for Each Major State Programs

We have audited the compliance of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s with the types of compliance requirements described in the *Uniform Grant Management Standards* issued by the State of Texas that could have a direct and material effect on each of its major state programs for the year ended August 31, 2014. Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned cost.

Management's Responsibility

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

Auditors' Responsibility

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 of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Uniform Grant Management Standards* issued by the State of Texas. Those standards and *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 federal 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 on compliance for each major state program. However, our audit does not provide a legal determination of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance.

Opinion on Each Major State Program

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, 2014.

Report on Internal Control over Compliance

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 the types of compliance requirements referred to above. 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 *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned cost as item 2014-1.

Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s response to the noncompliance identified in our audit is described in the accompanying schedule of findings and questioned costs. Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Trustees
Page 3
December 12, 2014

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements *Uniform Grant Management* Standards issued by the State of Texas. Accordingly, this report is not suitable for any other purpose.

Wilf & Henderson, P.C.

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, 2014
 Page 1 of 2

<u>Grantor/Program/Title</u>	<u>Grant Contract Number</u>	<u>Pass Through Disbursements and Expenditures</u>
Texas Education Agency		
Adult Basic Education		\$ 46,463
Temporary Assist to Needy Families	(A) 0710580171200011	492,737
Total Texas Education Agency		<u>539,200</u>
U.S. Small Business Administration		
SBDC State		<u>82,651</u>
Texas Higher Education Coordinating Board		
Texas Grant Program *	N/A	297,536
Texas Grant II *	N/A	195,583
Nursing Shortage		86,016
Statewide Data Project		2,000
Texas Guaranteed Student Loan		13,250
Total Texas Higher Education Coordinating Board		<u>594,385</u>
Texas College Workstudy		<u>60,680</u>
Texas Workforce Commission		
Skills Development Fund	0713SSD000	<u>2,263</u>
Total State Financial Assistance		<u>\$ 1,279,179</u>

* Major Program

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

*NORTHEAST TEXAS COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For the Year Ended August 31, 2014
 Page 2 of 2*

Note 1: Significant Accounting Policies

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

Note 2: State Financial Assistance Reconciliation

	<u>Expenditures</u>
State Grants and Contracts Revenue - Per Schedule A - College	\$ 700,426
State Grants and Contracts Revenue - Per Schedule C - College	86,016
State Grants and Contracts - Foundation	<u>492,737</u>
 Total State Financial Assistance	 \$ <u><u>1,279,179</u></u>

See independent auditors' report.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
STATE GRANTS SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014**

A: Summary of Audit Results

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies 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
- Significant deficiencies identified that are not considered to be material weaknesses? _____ X yes _____ none reported

The auditor's report on compliance for the major state awards programs for Northeast Texas Community College and Northeast Texas Community College Foundation, Inc 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:

	<u>Grant Project Number</u>
Texas Grant	N/A
Texas Grant II	N/A

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

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
STATE GRANTS SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014*

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

2014- 1 Texas Grant II

Eligibility

Type of Finding – Significant Deficiency

Criteria:

Students receiving an initial Texas Grant II grant must comply with several requirements including being within the first 30 hours of an associate’s degree or program and have registered for selective service if applicable.

Condition:

Three students, out of a sample of sixty, received a Texas Grant II and did not follow the above criteria.

Cause:

The students’ admission applications were processed incorrectly.

Effect:

A total of \$1,920 was disbursed from Texas Grant II funds to these students. A projection of this error to the population would result in likely questioned cost less than the \$10,000 required threshold.

Population and Sample Size:

	Number	Dollars	Questioned Cost
Population	208	199,003	
Sample	60	53,520	
Not in Compliance	3		1,920

Recommendation:

We recommend that Northeast Texas Community College implement management controls to ensure Texas Grant II disbursements are made only to eligible students.

Response:

We agree with the finding. Selection of students for awards is extremely cumbersome in POISE. Implementation of Jenzabar should help significantly.

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2014*

Prior year audit disclosed no findings or questioned costs.