

*NORTHEAST TEXAS COMMUNITY COLLEGE  
AND  
NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED  
AUGUST 31, 2017 AND 2016*

*PREPARED BY:  
ADMINISTRATIVE SERVICES DEPARTMENT  
NORTHEAST TEXAS COMMUNITY COLLEGE  
MOUNT PLEASANT, TEXAS*

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Northeast Texas Community College  
Mt. Pleasant, Texas  
Organizational Data  
For the Fiscal Year 2017

**Board of Trustees**

**Officers**

Dr. Dan McCauley – Mt. 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 - Mt. Pleasant, TX	(2014-2020)
Mr. Jerry Webster – Pittsburg, TX	(2016-2022)
Gov. Bill Ratliff – Mt. Pleasant, TX	(2016-2022)
Ms. Sondra Fowler – Mt. Pleasant, TX	(2016-2018)

**Principal Administrative Officers**

Dr. Ron Clinton	President
Open	Executive Vice President for Instruction
Dr. Jon McCullough	Vice President for Advancement
Dr. Josh Stewart	Vice President for Student and Outreach Services
Mr. Jeff Chambers	Vice President for Administrative Services



*INDEPENDENT AUDITORS' REPORT*

*Independent Auditors' Report*

*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 accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's and the Foundation's basic financial statements, as listed in the table of contents.

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

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

**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. 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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, 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, 2017, and 2016, 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.

**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 4-11, schedule of College's share of net pension liability page 46, and schedule of College's contributions page 47 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 financial statements that collectively comprise Northeast Texas Community College and Northeast Texas Community College Foundation Inc. basic financial statements.

The introductory section and supplemental schedules other section, presented on pages 53 -54, are presented for purposes of analysis and are not a required part of the basic financial statements.

The supplemental schedules required by Texas Higher Education Coordinating Board section, presented on pages 49 – 52, are presented for purposes of additional analysis as required by the board and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, pages 60 – 61, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements.

The schedule of expenditures of state awards, pages 76-77, is presented for purposes of additional analysis as required by *State of Texas Single Audit Circular* and is not a required part of the financial statements.

The supplemental schedules other section, supplemental schedules required by Texas Higher Education Coordinating Board section, schedule of expenditures of federal awards, and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedules referenced to in this paragraph are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the introductory section.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 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* in considering Northeast Texas Community College and Northeast Texas Community College Foundation Inc.'s internal control over financial reporting and compliance.

*Wilf & Henderson, P.C.*

**WILF & HENDERSON, P. C.**

**Certified Public Accountants**

**Texarkana, Texas**

**December 7, 2017**

*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 2015, 2016, and 2017. 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 12-17) and the footnotes (pages 18-45). 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.

Current	\$ 3,648,616	\$ 4,795,562	\$ 4,734,577
Net Capital Assets	50,833,180	38,088,405	35,253,296
Other Non-Current	<u>5,296,632</u>	<u>18,233,790</u>	<u>11,435,344</u>
Total Assets	<u>59,778,428</u>	<u>61,117,757</u>	<u>51,423,217</u>
Deferred Outflows of Resources	1,358,819	1,309,895	1,221,999
<b><u>Liabilities</u></b>			
Current	4,754,726	5,190,307	4,427,407
Non-Current	<u>43,802,478</u>	<u>44,285,516</u>	<u>34,593,052</u>
Total Liabilities	<u>48,557,204</u>	<u>49,475,823</u>	<u>39,020,459</u>
Deferred Inflows	<u>644,562</u>	<u>576,521</u>	<u>966,861</u>
<b><u>Net Position</u></b>	<b><u>\$ 11,935,481</u></b>	<b><u>\$ 12,375,308</u></b>	<b><u>\$ 12,657,896</u></b>

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, 2017, 2016, and 2015, the College's net positions were 11,935,481, 12,375,308, and 12,657,876 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, 2017, 2016, and 2015**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>SUMMARY OF REVENUES AND EXPENSES</b>			
Total, Operating Revenues	\$ 8,429,799	\$ 7,965,596	\$ 6,836,392
Total, Operating Expenses	<u>23,759,354</u>	<u>23,433,599</u>	<u>24,068,363</u>
Total, Operating (Loss)	(15,329,555)	(15,468,003)	(17,231,971)
Net Non-Operating Revenues	14,799,095	14,781,287	16,412,281
Capital Contributions	<u>90,633</u>	<u>404,148</u>	<u>855,463</u>
Increase (Decrease) in Net Position	(439,827)	(282,568)	35,773
Net Position at Beginning of Year	12,375,308	12,657,876	16,203,164
Cumulative Effect of Change in Accounting Principal	<u>-</u>	<u>-</u>	<u>(3,581,061)</u>
Net Position at Beginning of Year Restated	<u>12,375,308</u>	<u>12,657,876</u>	<u>12,622,103</u>
Net Position - End of Year	<u><u>\$ 11,935,481</u></u>	<u><u>\$ 12,375,308</u></u>	<u><u>\$ 12,657,876</u></u>

**Operating and Non-Operating Revenues**

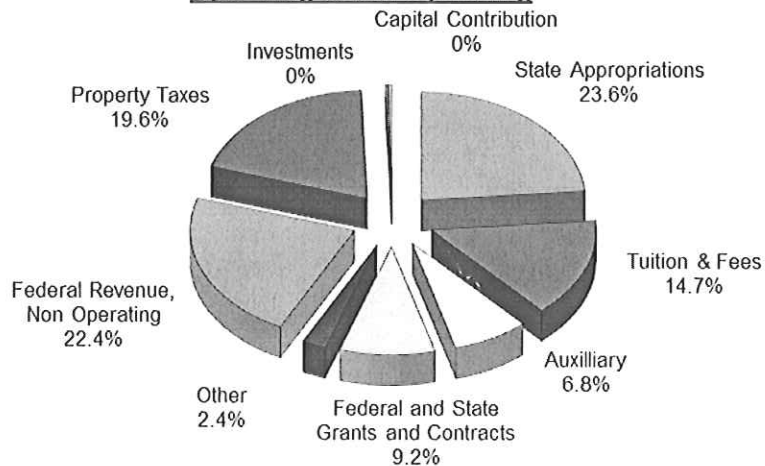
In an effort to further expand and enhance the interpretation of the College's financial reports, we recapped the operating and non-operating revenues to show, graphically, the significance of revenue sources and how it relates to the overall revenue representation:

**Revenues: Operating and Non-Operating**  
**For the Years Ended August 31, 2017, 2016 and 2015**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Net tuition and fees	\$ 3,672,906	\$ 2,737,823	\$ 2,426,403
Federal grants and contracts	1,505,550	1,330,502	736,490
State grants and contracts	800,477	1,038,294	1,149,284
Non-governmental grants and contracts	16,360	54,988	133,752
Sales and services of educational activities	56,243	64,768	73,192
Net auxiliary enterprises	1,849,169	2,171,511	1,846,109
Other operating revenues	<u>529,094</u>	<u>567,708</u>	<u>380,150</u>
Total, Operating Revenues	<u>8,429,799</u>	<u>7,965,596</u>	<u>6,745,380</u>
Net Non-Operating Revenues:			
State appropriations	5,887,875	5,789,210	6,136,960
Property taxes	4,880,384	5,039,877	4,099,335
Federal revenue, non-operating	5,585,373	5,438,200	6,958,730
Investment and other Income	<u>60,006</u>	<u>40,723</u>	<u>5,831</u>
Total, Non-Operating Revenues	<u>16,413,638</u>	<u>16,308,010</u>	<u>17,200,856</u>
Capital Contributions	<u>90,633</u>	<u>404,148</u>	<u>855,463</u>
Total Revenues, Operating and Non-Operating	<u><u>\$ 24,934,070</u></u>	<u><u>\$ 24,677,754</u></u>	<u><u>\$ 24,801,699</u></u>



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



In comparing the fiscal periods ended August 31, 2017 and 2016:

- Gross Tuition and fee revenues increased \$930,524 or 12.44%. This is a result of increases in total enrollment (7%) and increase in cost per hour (5%), primarily.
- Net Auxiliary Enterprises decreased \$322,342 or 14.84% primarily as a result of lower than anticipated housing occupancy.
- Federal Grants and Contracts increased \$175,048 or 13.16% primarily as a result of reductions in Federal Grants being used for capital projects as noted in the decrease in Capital Contributions of \$166,346.
- State Grants and Contracts decreased \$237,817 or 22.90% primarily as a result of a decrease in awards from the Texas Workforce Commission in the amount of \$228,077.
- State Allocations increased \$98,665 or 1.7% as a result of increase in State health care appropriations.
- Federal Revenue Non Operating increased \$147,173 or 2.71% as a result of increase student awards due to increased enrollment and award calculations for student Pell awards.

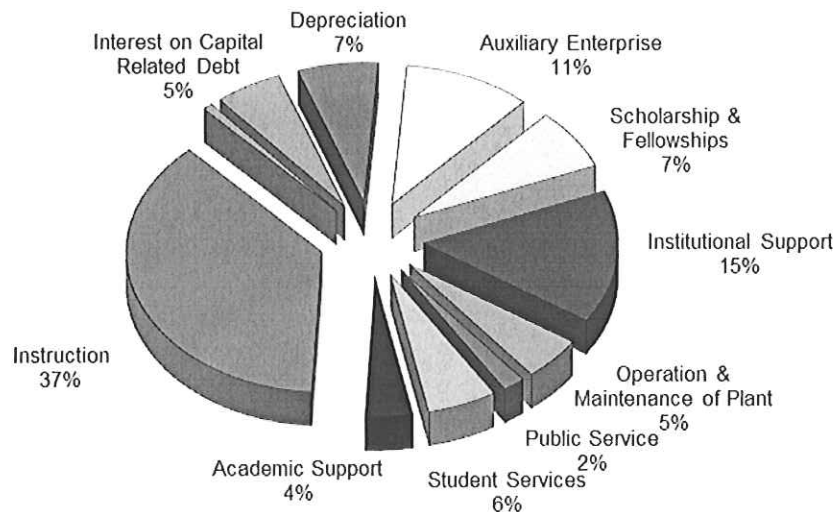
In comparing the fiscal periods ended August 31, 2016 and 2015:

- Net Tuition and fee revenues increased \$311,420 or 12.83%. This is a result of several factors. Tuition and fees for credit students decreased \$497,244 or 7.24% as a result of decrease in total enrollment in both the Fall and Spring semesters. Dual credit tuition increased in the amount of \$222,268 due to increased enrollment and contact hours. An increase of \$208,412 in Continuing Education is primarily the result of Skills Development grant for two local industries.
- Federal Grants and Contracts increased \$594,012 or 80.65% primarily as a result of reductions in Federal Grants being used for capital projects as noted in the decrease in Capital Contributions of \$451,315.
- State Grants and Contracts decreased \$111,020 or 9.66% primarily as a result of a decrease in Texas Grant II award in the amount of \$99,731, a decrease in the Nursing Shortage Award in the amount of \$50,050, the absence of the JET Grant from previous year of \$294,776, however increases in awards from the Texas Workforce Commission in the amount of \$285,776.
- State Allocations decreased \$347,750 or 5.67% as a result of decreased State appropriations.
- Federal Revenue Non Operating decreased \$1,520,530 or 21.85% as a result of decreased student awards due to changes in eligibility criteria and award calculations for student Pell awards.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Expenses:			
Instruction	\$ 9,446,560	\$ 8,953,353	\$ 9,170,271
Public service	466,753	451,117	423,775
Academic support	1,019,202	1,046,609	1,011,106
Student services	1,449,265	1,369,017	1,487,879
Institutional support	3,913,322	3,961,799	3,802,405
Operation and maintenance of plant	1,256,531	1,252,811	1,330,866
Scholarship & fellowships	1,801,773	1,976,389	2,581,859
Auxiliary enterprise	2,685,759	2,697,422	2,544,775
Depreciation	1,720,189	1,725,082	1,581,675
Total, Operating Expenses	<u>23,759,354</u>	<u>23,433,599</u>	<u>23,934,611</u>
Non-Operating Expenses:			
Interest on capital related debt	1,412,741	1,278,230	812,408
Bond Issue Costs		-	-
(Gain) Loss on disposal of capital assets	(3,845)	-	62,540
Other non-operating expenses	205,647	248,493	163,627
Total, non-operating expenses	<u>1,614,543</u>	<u>1,526,723</u>	<u>1,038,575</u>
Total Expenses, Operating and Non-Operating	<u>\$ 25,373,897</u>	<u>\$ 24,960,322</u>	<u>\$ 24,973,186</u>

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



In comparing the fiscal periods ended August 31, 2017 and 2016:

- Instruction increased \$493,207 or 5.51% as a result of increases in positions, adjunct, and overload payments and instructional salaries paid through grants to accommodate the increase in student enrollment.
- Institutional Support decreased \$48,477 or 1.22% primarily as a result of a decrease in the number of positions.
- Scholarships and Fellowships decreased 1.22% primarily as a result of decreased awards of scholarships through TWC programs of \$182,008 and a decrease in the Texas Educational Opportunity Grant awards in the amount of \$76,368.
- Other Non-Operating expenses increased \$42,846 as a result of increases in bond principle and interest.

In comparing the fiscal periods ended August 31, 2016 and 2015:

- Instruction decreased \$216,918 or 2.36% primarily as a result of closing of the Dental Hygiene program and re-allocation of faculty in off-campus sites.
- Institutional Support increased \$159,394 or 4.19
- % primarily as a result of increases in salary, benefits, and other expenditures related to operating of the Title V grant.
- Scholarships and Fellowships decreased \$605,470 or 23.45% primarily as a result of decreased awards of Pell and Loans due to changes in eligibility rules and caps on lifetime awards and decrease in the Texas Educational Opportunity Grant awards in the amount of \$99,731.
- Auxiliary Enterprises increased \$152,647 or 6.00% primarily as a result of a change in the benefits reported from previous years.
- Other Non-Operating expenses increased \$84,866 as a result of expending bond fees for Limited Tax Bonds issued in 2016.

### Analysis of Net Position

Total Net Position of \$11,935,481 is comprised of the investment in capital assets net of related debt of \$12,741,506, reserve for debt service of (\$141,058), and unrestricted net position of (\$664,967). 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.

#### Net Position For the Years Ended August 31, 2017, 2016, and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Investment in Capital Assets, Net of Related Debt	\$ 12,056,500	\$ 12,211,792	\$ 12,552,653
Restricted for debt service	543,948	911,352	1,153,477
Temporarily Restricted	-	-	-
Unrestricted	<u>(664,967)</u>	<u>(747,836)</u>	<u>(1,048,254)</u>
Total Net Position	<u>\$ 11,935,481</u>	<u>\$ 12,375,308</u>	<u>\$ 12,657,876</u>

### Long Term Debt

In the fiscal period ended August 31, 2017, the college issued \$560,000 in Maintenance Tax Notes for energy retrofit projects.

In the fiscal period ended August 31, 2017, the college issued \$1,225,000 in Limited Tax Refunding Bonds to be used to advance refund the remaining 2010 Series Limited Tax Bonds.

In the fiscal period ended August 31, 2017, the college issued \$5,545,000 in Revenue Financing System Refunding Bonds to be used to advance refund a portion of the 2010 Series Revenue Bonds.

In the fiscal period ended August 31, 2016, the college issued \$9,960,000 in limited tax bonds to finance repairs and renovations of the main campus and issued \$2,540,000 in revenue bonds to be used to advance refund the remaining 2006 Revenue Bonds.

In the fiscal period ended August 31, 2015, the college issued \$9,470,000 in limited tax bonds to finance repairs and renovations of the main campus.

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, 2017 and 2016.

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, 2017, the College expended \$83,310 in Federal grant funds to purchase equipment for use in our workforce education programs. The College also expended approximately 13,000,000 in bond funds for the repair and renovation of the main campus.

In the fiscal period ended August 31, 2016, the College expended approximately \$250,000 in Federal grant funds to purchase equipment for use in our workforce education programs. The College also expended approximately 5,000,000 in bond funds for the repair and renovation of the main campus.

In the fiscal period ended August 31, 2015, the College expended approximately \$779,000 in Federal grant funds to purchase equipment for use in our workforce education programs. The College also expended \$293,000 in bond funds for the design phase of the main campus repair and renovation project.

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.

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

On April 26, 2016 Standard & Poor's affirmed the College's Revenue Financing debt rating at BBB and rated the College's General Obligation Financing debt at AA. 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 7).

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

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

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

### **Financial Condition and Outlook**

Unrestricted fund balance increased in the current year by \$82,869. The College does not anticipate significant increases in fund balance in the near future. Given the current economic climate, we anticipate ongoing minimal earnings of interest on our temporary investments. We also anticipate no increase in operating maintenance and operations tax revenues over the next two to three years as a result of declines in appraisal values as a result of economic conditions. 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 flat enrollment in the Fall of 2017, compared to Fall 2016, 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, 2017 and 2016**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	\$ 1,472,408	\$ 2,305,443
Accounts receivable (Note 13)	1,444,057	1,799,895
Inventories	344,787	412,443
Prepaid expense	213,450	259,938
Due from component unit	173,914	17,843
<b>Total Current Assets</b>	<b>3,648,616</b>	<b>4,795,562</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 4)	3,681,361	16,474,676
Unrestricted long-term investments (Note 4)	519,234	515,717
Restricted long-term investments (Note 4)	869,734	1,028,864
Notes receivable (net of allowance for doubtful accounts of \$77,952 in 2017 and 2016)	-	-
Prepaid bond insurance	184,663	172,893
Other assets	41,640	41,640
Capital assets, net of accumulated depreciation (Note 7)	50,833,180	38,088,405
<b>Total Noncurrent Assets</b>	<b>56,129,812</b>	<b>56,322,195</b>
<b>Total Assets</b>	<b>59,778,428</b>	<b>61,117,757</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows pension related (Note 10)	832,572	722,660
Deferred charge on bond refunding (Note 6)	526,247	587,235
<b>Total Deferred Outflows of Resources</b>	<b>1,358,819</b>	<b>1,309,895</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable (Note 13)	991,854	1,024,266
Accrued liabilities (Note 13)	532,867	894,442
Accrued compensated absences (Note 12)	109,577	151,168
Deposits payable (Note 13)	178,731	156,808
Funds held for others	97,096	94,282
Unearned revenues	1,395,658	1,506,778
Notes and leases payable - current portion (Note 8 and 9)	114,246	85,703
Bonds payable - current portion (Note 8 and 9)	1,334,697	1,276,860
<b>Total Current Liabilities</b>	<b>4,754,726</b>	<b>5,190,307</b>
<b>Noncurrent Liabilities</b>		
Bonds payable (Note 8 and 9)	37,803,656	38,712,033
Premium on Bonds Payable	1,043,154	1,148,419
Notes and leases payable (Note 8 and 9)	1,150,952	706,631
Net pension liability (Note 8 and 10)	3,804,716	3,718,433
<b>Total Noncurrent Liabilities</b>	<b>43,802,478</b>	<b>44,285,516</b>
<b>Total Liabilities</b>	<b>48,557,204</b>	<b>49,475,823</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows pension related (Note 10)	644,562	576,521
<b>Total Deferred Outflows of Resources</b>	<b>644,562</b>	<b>576,521</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	12,056,500	12,211,792
Restricted for		
Expendable	-	-
Debt service	543,948	911,352
Unrestricted	(664,967)	(747,836)
<b>Total Net Position</b>	<b>\$ 11,935,481</b>	<b>\$ 12,375,308</b>

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

**NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.**  
**COMPONENT UNIT**  
**EXHIBIT 1A**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2017 and 2016**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	\$ 894,051	\$ 999,175
Accounts receivable (Note 13)	16,837	1,007
<b>Total Current Assets</b>	<b>910,888</b>	<b>1,000,182</b>
<b>Noncurrent Assets</b>		
Long - term investments (Note 4)	4,289,457	3,206,190
Property, plant, and equipment, net of accumulated depreciation (Note 7)	797,728	560,330
Other assets	32,291	31,882
<b>Total Noncurrent Assets</b>	<b>5,119,476</b>	<b>3,798,402</b>
<b>Total Assets</b>	<b>6,030,364</b>	<b>4,798,584</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Deferred revenue	126,432	111,449
Due to Northeast Texas Community College	173,914	17,843
<b>Total Current Liabilities</b>	<b>300,346</b>	<b>129,292</b>
<b>Total Liabilities</b>	<b>300,346</b>	<b>129,292</b>
<b>Net Position</b>		
Restricted		
Nonexpendable:		
Permanently	4,155,608	3,285,354
Expendable:		
Temporarily	853,379	903,546
Unrestricted	721,031	480,392
<b>Total Net Assets</b>	<b>\$ 5,730,018</b>	<b>\$ 4,669,292</b>

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, 2017 and 2016**

<b>REVENUES</b>	<b>2017</b>	<b>2016</b>
<b>Operating Revenues</b>		
Tuition and fees (net of allowances and discounts of \$4,740,492, 2017 and \$4,745,051, 2016)	\$ 3,672,906	\$ 2,737,823
Federal grants and contracts	1,505,550	1,330,502
State grants and contracts	800,477	1,038,294
Non-Governmental grants and contracts	16,360	54,988
Sales and services of educational activities	56,243	64,768
Auxiliary enterprises (net of discounts of \$857,940, 2016 and \$835,907, 2016 )	1,849,169	2,171,511
Other operating revenues	529,094	567,710
<b>Total Operating Revenues (Schedule A)</b>	<b>8,429,799</b>	<b>7,965,596</b>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	9,446,560	8,953,353
Public service	466,753	451,117
Academic support	1,019,202	1,046,609
Student services	1,449,265	1,369,017
Institutional support	3,913,322	3,961,799
Operation and maintenance of plant	1,256,531	1,252,811
Scholarships and fellowships	1,801,773	1,976,389
Auxiliary enterprises	2,685,759	2,697,422
Depreciation	1,720,189	1,725,082
<b>Total Operating Expenses (Schedule B)</b>	<b>23,759,354</b>	<b>23,433,599</b>
<b>Operating Income (Loss)</b>	<b>(15,329,555)</b>	<b>(15,468,003)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State allocations	5,887,875	5,789,210
Ad-valorem taxes		
Taxes for maintenance & operations	3,000,685	3,710,237
Taxes on general obligations bonds	1,879,699	1,329,640
Federal revenue, non operating	5,585,373	5,438,200
Investment income (net of investment expenses)	60,006	40,723
Interest on capital related debt	(1,412,741)	(1,278,230)
Gain (Loss) on disposal of fixed assets	3,845	-
Other non - operating expenses	(205,647)	(248,493)
<b>Net non-operating revenues (Schedule C)</b>	<b>14,799,095</b>	<b>14,781,287</b>
<b>Capital Contributions</b>		
Component Unit	7,323	154,492
Federal grants capital contributions	83,310	249,656
	<b>90,633</b>	<b>404,148</b>
<b>Increase (Decrease) in Net Position</b>	<b>(439,827)</b>	<b>(282,568)</b>
<b>Net Position - Beginning of Year</b>	<b>12,375,308</b>	<b>12,657,876</b>
<b>Net Position - End of Year</b>	<b>\$ 11,935,481</b>	<b>\$ 12,375,308</b>

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

**NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.**  
**COMPONENT UNIT**  
**EXHIBIT 2A**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended August 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Operating Revenues		
Federal Grants and Contracts	\$ 141,702	\$ 141,723
State Grants and Contracts	562,458	562,459
Local Grants and Contracts	842,237	908,068
<b>Total Operating Revenues</b>	<u>1,546,397</u>	<u>1,612,250</u>
<b>EXPENSES</b>		
Operating Expenses		
Public Service	1,812,112	1,989,272
Scholarships	305,830	281,236
Depreciation	12,605	10,748
<b>Total Operating Expenses</b>	<u>2,130,547</u>	<u>2,281,256</u>
<b>Operating (Loss)</b>	<u>(584,150)</u>	<u>(669,006)</u>
<b>Non-Operating Revenues</b>		
Investment income	134,698	149,929
<b>Net non-operating revenues</b>	<u>134,698</u>	<u>149,929</u>
<b>(Loss) Before Other Revenues, Expenses, Gains, Losses</b>	<u>(449,452)</u>	<u>(519,077)</u>
<b>OTHER REVENUES, (EXPENSES), GAINS, LOSSES</b>		
Additions to Endowments	565,198	621,623
Gains (loss) on investments	291,586	78,834
Loss on disposal of assets	-	-
Contributions	653,394	461,021
<b>Total Other Revenues, Expenses, Gains, Losses</b>	<u>1,510,178</u>	<u>1,161,478</u>
<b>Increase (Decrease) in Net Position</b>	1,060,726	642,401
<b>Net Position - Beginning of Year</b>	<u>4,669,292</u>	<u>4,026,891</u>
<b>Net Position - End of Year</b>	<u>\$ 5,730,018</u>	<u>\$ 4,669,292</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, 2017 and 2016*

	<b>2017</b>	<b>2016</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from students and other customers	\$ 5,671,778	\$ 5,590,933
Receipts of grants and contracts for operating activities	2,422,251	2,528,711
Other receipts	585,337	632,478
Payments to or on behalf of employees	(8,914,307)	(9,021,745)
Payments to suppliers for goods or services	(11,504,167)	(9,917,719)
Payments of scholarships	(1,801,773)	(2,105,894)
<b>Net cash provided (used) by operating activities</b>	<b>(13,540,881)</b>	<b>(12,293,236)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
State allocations	5,608,903	5,511,623
Federal revenues	5,585,373	5,438,200
Ad valorem tax revenues	4,875,535	5,000,846
<b>Net cash provided (used) by non-capital financing activities</b>	<b>16,069,811</b>	<b>15,950,669</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Interest and other expense on capital related debt	(1,097,322)	(900,071)
Purchases of capital assets	(14,473,389)	(4,405,699)
Capital contributions	83,310	249,656
Proceeds from sale of fixed assets	19,593	23,000
Proceeds on issuance of capital debt	529,000	10,322,631
Payments on capital debt and leases	(1,432,091)	(1,479,313)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(16,370,899)</b>	<b>3,810,204</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale and maturities of investments	155,613	
Investment earnings	60,006	40,723
Purchases of investments	-	(601,550)
<b>Net cash provided (used) by investing activities</b>	<b>215,619</b>	<b>(560,827)</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>(13,626,350)</b>	<b>6,906,810</b>
<b>Cash and cash equivalents - September 1,</b>	<b>18,780,119</b>	<b>11,873,309</b>
<b>Cash and cash equivalents - August 31,</b>	<b>\$ 5,153,769</b>	<b>\$ 18,780,119</b>
<b>Noncash investing, capital, and financing activities</b>		
Contributions of Capital Assets	7,323	154,492
Capital Debt Refunding	6,520,000	2,475,000
Bond issuance cost paid out of bond proceeds	241,956	241,691
<b>Total Noncash investing, capital, and financing activities</b>	<b>\$ 6,769,279</b>	<b>\$ 2,871,183</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (15,329,555)	\$ (15,468,003)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,720,189	1,725,082
Payments made directly by state for benefits	278,972	277,587
Bad debts	334,833	486,271
Changes in assets and liabilities		
Receivables, net	25,854	(643,479)
Inventories	67,656	185,285
Prepaid expense	46,488	45,159
Due from component unit	(156,071)	647,512
Other assets	-	(4,500)
Accounts payable	(32,412)	148,053
Accrued liabilities	(454,864)	(25,369)
Deposits payable	21,923	(3,650)
Funds held for others	2,814	(1,706)
Pension Related	44,412	10,564
Deferred revenue	(111,120)	327,958
<b>Net cash provided (used) by operating activities</b>	<b>\$ (13,540,881)</b>	<b>\$ (12,293,236)</b>

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

*NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.*  
**COMPONENT UNIT**  
**STATEMENTS OF CASH FLOWS**  
*For the Years Ended August 31, 2017 and 2016*

	<u>2017</u>	<u>2106</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from grants and contracts for operating activities	\$ 1,021,326	\$ 1,107,581
Payments of scholarships and support of college	(149,759)	(928,748)
Payments on grants and contract costs	(1,243,795)	(1,157,337)
Net cash provided (used) by operating activities	<u>(372,228)</u>	<u>(978,504)</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Additions to permanent and term endowment and other contributions	930,662	1,025,490
Net cash provided (used) by noncapital financing activities	<u>930,662</u>	<u>1,025,490</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	1,612,107	631,588
Investment income (loss)	134,698	149,929
Purchase of capital assets	-	(73,900)
Purchase of investments	(2,410,362)	(804,930)
Net cash provided (used) by investing activities	<u>(663,557)</u>	<u>(97,313)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(105,123)</b>	<b>(50,327)</b>
<b>Cash and cash equivalents at beginning of year</b>	<u><b>999,174</b></u>	<u><b>1,049,501</b></u>
<b>Cash and cash equivalents at end of year</b>	<u><b>\$ 894,051</b></u>	<u><b>\$ 999,174</b></u>
<b>Noncash investing, capital, and financing activities</b>		
Inkind contributions	<u><b>\$ 812,154</b></u>	<u><b>\$ 665,593</b></u>
<b>Reconciliation of operating loss to net cash used by by operating activities</b>		
Operating loss	\$ (584,150)	\$ (669,006)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	12,605	10,748
Non cash transfer to college	7,323	154,492
Amortization and expense of inkind contributions	36,770	69,004
Change in assets and liabilities		
Accounts receivable	(15,830)	84,555
Due to college	156,071	(647,512)
Deferred revenue	14,983	19,215
Accounts payable	-	-
Net cash provided (used) by operating activities	<u><b>\$ (372,228)</b></u>	<u><b>\$ (978,504)</b></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, 2017 AND 2016**

**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.

**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.

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.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016**

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

**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, 2017 was adopted by the Board of Trustees on August 30, 2016.

**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. A typical deferred inflow for community colleges is pension related.

**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 and pension related.

**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.

**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.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016**

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

**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 \$1,233,702 and \$1,245,207 and federal, state and local grants of \$161,956 and \$261,571 have been reported as unearned revenues at August 31, 2017 and 2016, 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.

**Pensions**

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



**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016**

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

**Prior Year Restatements and Reclassifications**

Certain reclassifications have been made to the prior year to conform with the current year presentation.

**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 7, 2017.

**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.

**Note 4 - Deposits and Investments**

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

	<u>2017</u>	<u>2016</u>
Cash and Deposits		
Demand Deposits	\$ 1,640,317	\$ 8,313,959
Time Deposits	1,388,969	1,544,581
Petty Cash	10,237	10,237
<b>Total Cash and Deposits</b>	<b><u>\$ 3,039,523</u></b>	<b><u>\$ 9,868,777</u></b>

**Reconciliation of Deposits and Investments to Exhibit 1**

Type of Security	<u>Fair Value August 31, 2017</u>	<u>Fair Value August 31, 2016</u>
Investment Pool	\$ 3,503,214	\$ 10,455,923
Total	3,503,214	10,455,923
Total Cash and Deposits	3,039,523	9,868,777
<b>Total Deposits and Investments</b>	<b><u>\$ 6,542,737</u></b>	<b><u>\$ 20,324,700</u></b>
 Cash and Cash Equivalents (Exhibit 1)	 \$ 1,472,408	 \$ 2,305,443
Restricted Cash and Cash Equivalents (Exhibit 1)	3,681,361	16,474,676
Investments (Exhibit 1)	519,234	515,717
Restricted Investments (Exhibit 1)	869,734	1,028,864
<b>Total Deposits and Investments</b>	<b><u>\$ 6,542,737</u></b>	<b><u>\$ 20,324,700</u></b>



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**Note 4 - Deposits and Investments – (continued)**

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

	2017	2016
Demand Deposits	\$ 680,167	\$ 128,308
<b>Total Cash and Deposits</b>	<b>\$ 680,167</b>	<b>\$ 128,308</b>

**Reconciliation of Deposits and Investments to Exhibit 1**

Type of Security	Fair Value August 31, 2017	Fair Value August 31, 2016
U.S. Government Agencies	\$ 353,660	\$ 68,302
Corporate Bond/Notes	1,110,084	952,077
Mutual Funds	3,039,597	3,056,678
<b>Total Investments</b>	<b>4,503,341</b>	<b>4,077,057</b>
Total Cash and Deposits	680,167	128,308
<b>Total Deposits and Investments</b>	<b>\$ 5,183,508</b>	<b>\$ 4,205,365</b>
 Cash and Cash Equivalents	 \$ 894,051	 \$ 999,175
Long-term Investments	4,289,457	3,206,190
<b>Total Deposits and Investments</b>	<b>\$ 5,183,508</b>	<b>\$ 4,205,365</b>

As of August 31, 2017 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	\$ 1,388,969		\$ 1,388,969	\$ -
Investment Pool	AAA	3,503,214	3,503,214	-	-
<b>Total Market Value</b>		<b>\$ 4,892,183</b>	<b>\$ 3,503,214</b>	<b>1,388,969</b>	<b>-</b>

As of August 31, 2017 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	213,884		213,884	-	-
US Gov't Agencies	AAA	139,776			-	139,776
Corporate Bonds/Notes	AA	1,110,084			-	1,110,084
Mutual Funds	N/A	3,039,597	3,039,597		-	-
<b>Total Market Value</b>		<b>\$ 4,503,341</b>	<b>\$3,039,597</b>	<b>\$ 213,884</b>	<b>\$ -</b>	<b>\$ 1,249,860</b>

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**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 (71.6%) and in certificates of deposit (28.4%).

**Custodial Credit Risk:** At August 31, 2017, the College had money on deposit at two banks. The carrying amount of the College's and the Foundation's bank deposits was \$3,029,586 and \$680,167 and total bank balances equaled \$3,620,832 and \$680,167. Bank balances of \$515,601 are covered by federal depository insurance and \$3,785,398 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.

**Fair Value of investments:** Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets that the government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for identical assets, and Level 3 inputs are unobservable inputs for the assets. All investments are valued using Level 1 inputs.

**Note 5 – Derivatives**

The College had no derivatives at August 31, 2017 or 2016.

**Note 6 – Deferred Outflows of Resources Bond Refunding**

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, 2016	Increases	Decreases	Balance August 31, 2017
Deferred charge on bond refunding	\$ 587,235	\$ 20,324	\$ 81,312	\$ 526,247
	Balance August 31, 2015	Increases	Decreases	Balance August 31, 2016
Deferred charge on bond refunding	\$ 656,190	\$ -	\$ 68,955	\$ 587,235

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 7– Capital Assets**

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

	For the Year Ended August 31, 2017			
	Balance August 31, 2016	Increases	Decreases	Balance August 31, 2017
<u>Not Depreciated:</u>				
Land	\$ 1,438,209	\$ -	\$ -	\$ 1,438,209
Construction in Process	4,275,302	13,158,143		17,433,445
Subtotal	<u>\$ 5,713,511</u>	<u>\$ 13,158,143</u>	<u>\$ -</u>	<u>\$ 18,871,654</u>
<u>Other Capital Assets:</u>				
Buildings	41,570,055	1,083,837		42,653,892
Equipment Purchased with Capital Lease	342,348			342,348
Furniture, Machinery, Vehicles, and other Equipment	5,267,074	168,417	132,554	5,302,937
Library Books	720,370	20,947	28,344	712,973
Telecommunications and Peripheral Equipment	2,791,039			2,791,039
Subtotal	<u>\$ 50,690,886</u>	<u>\$ 1,273,201</u>	<u>\$ 160,898</u>	<u>\$ 51,803,189</u>
<u>Accumulated Depreciation:</u>				
Buildings	13,043,375	943,077	61,057	13,925,395
Equipment Purchased with Capital Lease	289,448	4,600		294,048
Furniture, Machinery, Vehicles and Other Equipment	2,683,628	429,012	105,117	3,007,523
Library Books	557,058	27,886	28,344	556,600
Telecommunications and Peripheral Equipment	1,742,483	315,614		2,058,097
Subtotal	<u>\$ 18,315,992</u>	<u>\$ 1,720,189</u>	<u>\$ 194,518</u>	<u>\$ 19,841,663</u>
Net Other Capital Assets	<u>\$ 32,374,894</u>	<u>\$ (446,988)</u>	<u>\$ (33,620)</u>	<u>\$ 31,961,526</u>
<b>Net Capital Assets</b>	<u><b>\$ 38,088,405</b></u>	<u><b>\$ 12,711,155</b></u>	<u><b>\$ (33,620)</b></u>	<u><b>\$ 50,833,180</b></u>

The college has committed to a rehabilitation and rejuvenation project for the original campus buildings in the total amount of \$19.9 million. As of August 31, 2017 the college had expended \$18,289,766 toward this project.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 7 – Capital Assets – (continued)**

**Foundation**

	For the Year Ended August 31, 2017			
	Balance August 31, 2016	Increases	Decreases	Balance August 31, 2017
<u>Not Depreciated:</u>				
Land	\$ 202,670	\$ 250,000	\$ -	\$ 452,670
Works of Art, Antiques	193,236		-	193,236
Subtotal	<u>\$ 395,906</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 645,906</u>
<u>Other Capital Assets:</u>				
Buildings	196,024	-	-	196,024
Furniture, Machinery, Vehicles, and other Equipment	178,597			178,597
Telecommunications and Peripheral Equipment	75,087	-	-	75,087
Subtotal	<u>\$ 449,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,708</u>
<u>Accumulated Depreciation:</u>				
Buildings	59,006	6,942	-	65,948
Furniture, Machinery, Vehicles and Other Equipment	151,191	5,660		156,851
Telecommunications and Peripheral Equipment	75,087	-	-	75,087
Subtotal	<u>\$ 285,284</u>	<u>\$ 12,602</u>	<u>\$ -</u>	<u>\$ 297,886</u>
Net Other Capital Assets	<u>\$ 164,424</u>	<u>\$ (12,602)</u>	<u>\$ -</u>	<u>\$ 151,822</u>
<b>Net Capital Assets</b>	<b><u>\$ 560,330</u></b>	<b><u>\$ 237,398</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 797,728</u></b>

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
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**Note 7 – Capital Assets – (continued)**

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

	For the Year Ended August 31, 2016			
	Balance August 31, 2015	Increases	Decreases	Balance August 31, 2016
<u>Not Depreciated:</u>				
Land	\$ 1,438,209	\$ -	\$ -	\$ 1,438,209
Construction in Process	564,561	3,913,577	202,836	4,275,302
Subtotal	<u>\$ 2,002,770</u>	<u>\$ 3,913,577</u>	<u>\$ 202,836</u>	<u>\$ 5,713,511</u>
<u>Other Capital Assets:</u>				
Buildings	41,540,467	29,588	-	41,570,055
Equipment Purchased with Capital Lease	342,348	-	-	342,348
Furniture, Machinery, Vehicles, and other Equipment	4,659,072	613,502	5,500	5,267,074
Library Books	859,499	20,146	159,275	720,370
Telecommunications and Peripheral Equipment	2,604,824	186,215		2,791,039
Subtotal	<u>\$ 50,006,210</u>	<u>\$ 849,451</u>	<u>\$ 164,775</u>	<u>\$ 50,690,886</u>
<u>Accumulated Depreciation:</u>				
Buildings	12,116,590	926,785	-	13,043,375
Equipment Purchased with Capital Lease	284,848	4,600	-	289,448
Furniture, Machinery, Vehicles and Other Equipment	2,271,384	417,744	5,500	2,683,628
Library Books	686,599	29,734	159,275	557,058
Telecommunications and Peripheral Equipment	1,396,263	346,220		1,742,483
Subtotal	<u>\$ 16,755,684</u>	<u>\$ 1,725,083</u>	<u>\$ 164,775</u>	<u>\$ 18,315,992</u>
Net Other Capital Assets	<u>\$ 33,250,526</u>	<u>\$ (875,632)</u>	<u>\$ -</u>	<u>\$ 32,374,894</u>
<b>Net Capital Assets</b>	<b><u>\$ 35,253,296</u></b>	<b><u>\$ 3,037,945</u></b>	<b><u>\$ 202,836</u></b>	<b><u>\$ 38,088,405</u></b>

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016**

**Note 7 – Capital Assets – (continued)**  
**Foundation**

	For the Year Ended August 31, 2016			
	Balance August 31, 2015	Increases	Decreases	Balance August 31, 2016
<u>Not Depreciated:</u>				
Land	\$ 202,670		\$ -	\$ 202,670
Works of Art, Antiques	193,236		-	193,236
Construction in Progress	106,907		106,907	-
Subtotal	<u>\$ 502,813</u>	<u>\$ -</u>	<u>\$ 106,907</u>	<u>\$ 395,906</u>
<u>Other Capital Assets:</u>				
Buildings	196,024	-	-	196,024
Furniture, Machinery, Vehicles, and other Equipment	152,285	26,312		178,597
Telecommunications and Peripheral Equipment	75,087	-	-	75,087
Subtotal	<u>\$ 423,396</u>	<u>\$ 26,312</u>	<u>\$ -</u>	<u>\$ 449,708</u>
<u>Accumulated Depreciation:</u>				
Buildings	52,064	6,942	-	59,006
Furniture, Machinery, Vehicles and Other Equipment	147,385	3,806		151,191
Telecommunications and Peripheral Equipment	75,087	0	-	75,087
Subtotal	<u>\$ 274,536</u>	<u>\$ 10,748</u>	<u>\$ -</u>	<u>\$ 285,284</u>
Net Other Capital Assets	<u>\$ 148,860</u>	<u>\$ 15,564</u>	<u>\$ -</u>	<u>\$ 164,424</u>
 Net Capital Assets	 <u>\$ 651,673</u>	 <u>\$ 15,564</u>	 <u>\$ 106,907</u>	 <u>\$ 560,330</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 8 – Noncurrent Liabilities**

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

	Balance August 31, 2016	Increases	Decreases	Balance August 31, 2017	Current Portion
Leases, bonds, and notes					
Revenue bonds	\$ 7,983,000	\$ 5,545,000	\$ 5,613,000	\$ 7,915,000	\$ 320,000
General obligation bonds	32,005,893	1,365,366	2,147,906	31,223,353	1,014,697
Notes payable	792,334	560,000	87,136	1,265,198	114,246
Net pension liability	3,718,433	86,283		3,804,716	N/A
<b>Total long-term obligations</b>	<b><u>\$ 44,499,660</u></b>	<b><u>\$ 7,556,649</u></b>	<b><u>\$ 7,848,042</u></b>	<b><u>\$ 44,208,267</u></b>	<b><u>\$ 1,448,943</u></b>

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

	Balance August 31, 2015	Increases	Decreases	Balance August 31, 2016	Current Portion
Leases, bonds, and notes					
Revenue bonds	\$ 8,243,000	\$ 2,540,000	\$ 2,800,000	\$ 7,983,000	\$ 322,000
General obligation bonds	22,802,929	10,098,107	895,143	32,005,893	1,124,443
Notes payable	873,295		80,961	792,334	85,703
Net pension liability	3,160,678	869,235	311,480	3,718,433	N/A
<b>Total long-term obligations</b>	<b><u>\$ 35,079,902</u></b>	<b><u>\$ 13,507,342</u></b>	<b><u>\$ 4,087,584</u></b>	<b><u>\$ 44,499,660</u></b>	<b><u>\$ 1,532,146</u></b>

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 9 – Bonds and Notes Payable**

**General Obligation Bonds**

The 2010 Series Limited Tax Bonds were due in annual installments varying from \$405,401 to \$894,900. They were refunded in 2017. 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 bonds authorized by the November 5, 2002 election, there were un-issued but approved bonds totaling \$5,534,837 at August 31, 2016 and 2015. The 2015 Series Limited Tax Bonds are due in annual installments varying from \$35,122 to \$1,055,600 with interest rates from 4% to 4.25%. The 2016 Series Limited Tax Bonds are due in annual installments varying from \$75,000 to \$1,955,000. The 2016 refunding bonds are due in annual installments varying from \$5,000 to \$90,000 with interest rates from 1.69% to 3.22%. The principal and interest expense for the next five years and beyond for the tax obligation bonds are as follows:

<b>Years Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2018	\$ 1,014,697 (A)	\$ 1,183,168	\$ 2,197,865
2019	989,852 (A)	1,043,070	2,032,922
2020	1,015,000 (A)	997,975	2,012,975
2021	1,080,000 (A)	932,600	2,012,600
2022	1,110,000 (A)	900,125	2,010,125
2023-2027	5,026,804 (A)	5,032,796	10,059,600
2028-2032	5,287,000 (A)	4,214,253	9,501,253
2033-2037	7,500,000 (A)	2,355,388	9,855,388
2038-2041	8,200,000 (A)	679,356	8,879,356
	<b>\$ 31,223,353</b>	<b>\$ 17,338,731</b>	<b>\$ 48,562,084</b>

(A) 2012, 2013, and 2016(a) 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, 2017 and 2016 is \$0 and \$1,273,000 respectively



***NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 9 – 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, 2017 and 2016 was \$6,054,549 and \$6,929,455, respectively.

The economic gain resulting from the refunding transaction was \$1,948,388

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, 2017 and 2016 was \$4,513,804 and \$4,373,438, respectively.

The economic gain resulting from the refunding transaction was \$1,791,192

Limited Tax Bonds, Series 2015

To construct and equip school buildings

Issued August 11, 2015

Total authorized and issued \$9,470,000

Source of revenue for debt service is ad valorem taxes

Outstanding principal balance at August 31, 2017 and 2016 is \$9,470,000 and \$9,470,000, respectively.

Limited Tax Bonds, Series 2016

To construct and equip school buildings

Issued May 24, 2016

Total authorized 10,430,000 and issued \$9,960,000

Source of revenue for debt service is ad valorem taxes

Outstanding principal balance at August 31, 2017 and 2016 is \$9,960,000 and \$9,960,000, respectively.

Limited Tax Refunding Bonds, Series 2016 A

To advance refund the 2010 Series Limited Tax Bonds

Issued December 8, 2016

Total authorized and issued \$1,225,000

Source of revenue for debt service is ad valorem taxes

Outstanding principal balance at August 31, 2017 and 2016 is \$1,225,000 and \$0, respectively.

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**Note 9 – Bonds and Notes Payable-(continued)**

**Revenue Bonds**

The 2010 Revenue Financing System Bonds were due in annual installments varying from \$398,661 to \$402,629 with a 4.09% interest rate. These bonds were refunded in 2017. The 2016 Revenue Financing System Refunding and Improvement Bonds, Series 2016 are due in annual installments varying from \$140,000 to \$205,000. The 2016 Revenue Financing System Bonds are due in annual installments of \$180,000 to \$560,000 with interest at 2%.

Debt service requirements for the revenue bonds are as follows:

<b>Years Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2018	320,000	\$ 254,038	\$ 574,038
2019	325,000	247,588	572,588
2020	330,000	241,038	571,038
2021	340,000	233,413	573,413
2022	350,000	224,613	574,613
2023-2027	1,900,000	960,747	2,860,747
2028-2032	2,235,000	627,459	2,862,459
2033-2036	2,115,000	173,498	2,288,498
	<u><u>\$ 7,915,000</u></u>	<u><u>\$ 2,962,394</u></u>	<u><u>\$ 10,877,394</u></u>

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, 2017 and 2016 was \$0 and \$5,473,000, respectively. This was refunded by the 2016 (A) bond issue.

Revenue Financing System Refunding and Improvement Bonds, Series 2016

To advance refund 2006 Revenue Bonds, which refunded 1992 Series Dormitory System Revenue Bonds

Issued May 24, 2016

Total Authorized and issued \$2,540,000

Sources of revenue for debt service is dorm fees

Outstanding principal balance at August 31, 2017 and 2016 was \$2,370,000 and \$2,510,000, respectively

The economic gain resulting from the refunding transaction was \$204,988

**NORTHEAST TEXAS COMMUNITY COLLEGE  
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**Note 9 – Bonds and Notes Payable-(continued)**

Revenue Financing System Refunding and Improvement Bonds, Series 2016 A  
To advance refund 2010 Revenue Bonds  
Issued December 8, 2016  
Total Authorized and issued \$5,545,000  
Sources of revenue for debt service is dorm fees  
Outstanding principal balance at August 31, 2017 and 2016 was \$5,545,000 and \$0,  
respectively  
The economic gain resulting from the refunding transaction was \$232,086.

**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, 2017 and 2016 was \$669,266 and \$737,848, 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, 2017 and 2016 was \$35,836 and \$54,486, respectively

The College entered into a 3.95% maintenance tax note payable dated December 12, 2016 to a bank in the amount of \$560,000. The note is due in 15 semi-annual payments of \$45,000 to \$50,000. The balance of the note at August 31, 2017 and 2016 was \$560,000 and \$0, respectively.

Debt service requirements for the notes payable are as follows:

<b>Years Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2018	114,246	50,345	\$ 164,591
2019	122,973	41,857	164,830
2020	108,002	37,468	145,470
2021	116,530	33,115	149,645
2022	120,157	28,438	148,595
2023-2027	468,290	72,170	540,460
2038-2032	215,000	18,756	233,756
	<u>\$ 1,265,198</u>	<u>\$ 282,149</u>	<u>\$ 1,547,347</u>

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**Note 10 – Defined Benefit Pension Plan**

**Plan Description.** Northeast Texas Community College participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

**Benefits Provided.** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

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**Note 10 – Defined Benefit Pension Plan-(continued)**

	<b>Contribution Rates</b>	
	<b>2016</b>	<b>2017</b>
Member (Employees)	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employer (District)	6.8%	6.8%
Member Contributions		597,482
State of Texas On-Behalf Contributions		185,288
College Contributions		334,778

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

The district's contributions to the TRS pension plan in 2017 were \$334,778 as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2017 were \$185,288.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Public junior colleges or junior college district are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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**Note 10 – Defined Benefit Pension Plan-(continued)**

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions	
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Last year ending August 31 in the 2016 to 2115	
Projection period (100 years)	2115
Inflation	2.5%
Salary Increases	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

Actuarial methods and assumptions were updated based on a study of actual experience for the four-year periods ending August 31, 2014, and adopted September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

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

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

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**Note 10 – Defined Benefit Pension Plan-(continued)**

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
<b>Global Equity</b>			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<u>100.0%</u>		<u>8.7%</u>

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

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



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**Note 10 – Defined Benefit Pension Plan-(continued)**

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
College's proportionate share of the net pension liability	\$ <u>5,888,418</u>	\$ <u>3,804,716</u>	\$ <u>2,037,315</u>

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At August 31, 2017, the college reported a liability of \$3,804,716 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the college. The amount recognized by the college as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the college were as follows:

College proportionate share of the collective net pension liability	\$ 3,804,716
State's proportionate share that is associated with the College	<u>2,199,339</u>
Total	<u><u>\$ 6,004,055</u></u>

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

At August 31, 2016 the employer's proportion of the collective net pension liability was .01000684% which was a decrease of -.0004509% from its proportion measured as of August 31, 2015.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2017, the college recognized pension expense of \$192,869 and revenue of \$180,781 for support provided by the State.

For the year ended August 31, 2016, the college recognized pension expense of \$180,781 and revenue of \$180,781 for support provided by the State.



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**Note 10 – Defined Benefit Pension Plan-(continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 59,657	\$ 113,607
Changes in actuarial assumptions	115,961	105,462
Difference between projected and actual investment earnings	322,176	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	425,493
Total as of August 31, 2016 measurement date	497,794	644,562
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	334,778	-
Total	\$ 832,572	\$ 644,562

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

Year ended August 31:	
2018	\$ (51,539)
2019	(51,539)
2020	153,960
2021	(67,328)
2022	(111,131)
Thereafter	(19,191)
	\$ (146,768)

**Note 11 – Defined Contribution Pension Plan**

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

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**Note 11 – Defined Contribution Pension Plan-continued**

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, for both the define benefit plan and the define contribution plan, was \$278,972, \$277,587, and \$296,545 for the fiscal years ended August 31, 2017, 2016, and 2015 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 \$10,863,353, \$10,678,432, and \$10,987,243 for fiscal years 2017, 2016, and 2015 respectively. The total payroll of employees covered by the Teacher Retirement System was \$7,759,509, \$7,385,543, and \$7,268,137 and the total payroll of employees covered by the Optional Retirement Program was \$2,746,507, \$3,229,952, and \$3,291,093 for fiscal years 2017, 2016, and 2015, respectively.

**Note 12 – 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 are required to take all of their vacation by the anniversary date of their employment. The College has accrued \$109,577 and \$151,168 for August 31, 2017 and 2016, 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 13 - Disaggregation of Receivables and Payables Balances**

Receivables at August 31, 2017 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 2,177,057	-
Taxes Receivable	1,125,700	-
Scholarship and Pledges Receivable		-
Contracts and Grants Receivable	395,489	16,837
Other Receivables	120,359	-
<b>Subtotal</b>	<b>3,818,605</b>	<b>16,837</b>
Allowance for Doubtful Accounts	2,374,548	-
<b>Total Receivables</b>	<b>\$ 1,444,057</b>	<b>\$ 16,837</b>

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**Note 13 - Disaggregation of Receivables and Payables Balances-continued**

Payables at August 31, 2017 were as follows:

	<u>College</u>	<u>Foundation</u>
Accounts Payable:		
<b>Vendors Payable</b>	<b>\$ 991,854</b>	<b>\$ -</b>
Accrued Liabilities:		
Accrued payroll liabilities	\$ 16,727	\$ -
Interest payable	516,140	-
<b>Total Accrued Liabilities</b>	<b>532,867</b>	<b>-</b>
Deposits payable:		
<b>Student deposits payable</b>	<b>\$ 178,731</b>	<b>\$ -</b>

Receivables at August 31, 2016 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 2,552,373	-
Taxes Receivable	791,091	-
Scholarship and Pledges Receivable		1,007
Contracts and Grants Receivable	495,349	
Other Receivables	80,350	-
<b>Subtotal</b>	<b>3,919,163</b>	<b>1,007</b>
Allowance for Doubtful Accounts	2,119,268	-
<b>Total Receivables</b>	<b>\$ 1,799,895</b>	<b>\$ 1,007</b>

Payables at August 31, 2016 were as follows:

	<u>College</u>	<u>Foundation</u>
Accounts Payable:		
<b>Vendors Payable</b>	<b>\$ 1,024,266</b>	<b>\$ -</b>
Accrued Liabilities:		
Accrued payroll liabilities	\$ 20,683	\$ -
Payable to Department of Education	409,317	
Interest payable	464,442	-
<b>Total Accrued Liabilities</b>	<b>894,442</b>	<b>-</b>
Deposits payable:		
<b>Student deposits payable</b>	<b>\$ 156,808</b>	<b>\$ -</b>

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**Note 14 - 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 2017 and 2016 for the College and Foundation are as follows:

	<u>2017</u>	<u>2016</u>
College		
Federal	\$ 1,211,836	\$ 1,056,417
State	71,812	40,284
Total	<u>\$ 1,283,648</u>	<u>\$ 1,096,701</u>
Foundation		
Federal	\$ 130,945	\$ 141,706
State	563,010	562,458
Total	<u>\$ 693,955</u>	<u>\$ 704,164</u>

**Note 15 – 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. Management has determined the liability to be less than \$15,000.

**Note 16 - 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 \$309 and \$288 for the years ended August 31, 2017 and 2016 respectively and totaled \$900,390 for 2017, and \$746,537 for 2016. The state's cost of providing benefits for 66 and 58 retirees was \$203,801 and \$166,836 for the years ended August 31, 2017 and 2016 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.

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**Note 17 – 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>2017</u>	<u>2016</u>
Assessed Valuation	\$ 4,013,768,218	\$ 4,772,177,902
Less Exemptions and Reductions	13,818,999	653,485,240
Net Taxable Assessed Value	<u>\$ 3,999,949,219</u>	<u>\$ 4,118,692,662</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate authorized per \$100 valuation	\$ N/A	\$ N/A	\$ 0.1300
Tax rate assessed per \$100 valuation for 2017	\$ 0.0799	\$ 0.0501	\$ 0.1300
Tax rate assessed per \$100 valuation for 2016	\$ 0.0957	\$ 0.0343	\$ 0.1300

Taxes levied for the years ended August 31, 2017 and 2016 were \$5,199,934 and \$5,354,300 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, 2017 and 2016 are as follows:

	<u>2017</u>			<u>2016</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	\$ 2,916,843	\$ 1,828,118	\$4,744,961	\$ 3,577,790	\$ 1,282,322	\$ 4,860,112
Delinquent Taxes	35,046	22,221	57,267	55,581	18,860	74,441
Penalties and Interest	43,164	27,552	70,716	46,491	12,884	59,375
Other Fees	2,171	1,808	3,979	2,338	4,675	7,013
Total Collections	<u>\$ 2,997,224</u>	<u>\$ 1,879,699</u>	<u>\$4,876,923</u>	<u>\$ 3,682,200</u>	<u>\$ 1,318,741</u>	<u>\$ 5,000,941</u>

Current tax levy collections for the years ended August 31, 2017 and 2016 were 91.25% and 90.77%, 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 18 - Income Taxes**

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

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**Note 19 – 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 20 - 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 21 - 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, 2016 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 22 – 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.

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**Note 22 – 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, 2017, 2016, and 2015 were \$900,390, \$746,537, and \$832,004 respectively which equaled the required contributions each year.

**Note 23 -TC<sup>3</sup> Consortium**

The purpose of this strategic partnership with 5 community colleges is to utilize a common Student Information System to facilitate a growing number of 'shared services' in a manner that reduces administrative overhead and supports growth without an increase in administrative costs. The members include Northeast Texas Community College, Texarkana College, Kilgore College, Paris Junior College, and Angelina College. TC<sup>3</sup> members have formally adopted an interlocal agreement, appointed officers, and secured private start-up funding as well as a special-item appropriation from the state of Texas for \$2.5M.



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**Note 24—Tax Abatement**

Northeast Texas Community College has entered into property tax abatement agreements with local businesses under the State of Texas Property Tax Abatement Act, Tax Code Chapter 312. Under the Act, localities may grant property tax abatements of all or a part of an increase in the value of business' real property and/or tangible personal property for attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the service area of Northeast Texas Community College.

For the fiscal year ended August 31, 2017, Northeast Texas Community College abated property taxes totaling \$27,889 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 90 percent property tax abatement to a manufacturer for construction of new manufacturing and parking facilities. The abatement amounted to \$15,352.
- A 90 percent property tax reduction for a manufacturer to equip facilities. The abatement amounted to \$12,537.

**Note 25-Pending Lawsuits and Claims**

As of August 31, 2017 there is one lawsuit pending against the College. In the opinion of College administration, the potential loss on this claim will be covered by insurance.



*REQUIRED SUPPLEMENTAL INFORMATION*

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE 1**  
**SCHEDULE OF COLLEGE'S SHARE OF NET PENSION LIABILITY**  
*For the Year Ended August 31, 2017*

	Measurement Year Ended August 31,		
	2016	2015	2014
Colleges Proportion Share of Net Pension Liability	1.00684000%	0.01051930%	0.01183270%
College's Proportionate Share of Collective Net Pension Liability	\$ 3,804,716	\$ 3,718,433	\$ 3,160,678
State's Proportionate Share of Collective Net Pension Liability	2,199,339	2,194,512	1,782,893
Associated with College	\$ 6,004,055	\$ 5,912,945	\$ 4,943,571
College Covered Payroll Amount	\$ 7,385,543	\$ 7,268,137	\$ 6,869,697
Ratio of College's Proportionate of Net Pension Liability to College's Covered Payroll	51.52%	51.16%	46.01%
TRS Net Position as Percentage of Total Pension Liability	78.00%	78.43%	83.25%

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

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE  
SCHEDULE 2  
SCHEDULE OF COLLEGE'S CONTRIBUTIONS  
For the Year Ended August 31, 2017

For the Year Ending August 31	2017	2016	2015
Legally Required Contribution	\$ 334,778	\$ 319,900	\$ 311,480
Actual Contributions	334,778	319,900	311,480
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
College Covered Payroll Amount	\$ 7,759,509	\$ 7,385,543	\$ 7,268,137
Ratio of College's Actual Contributions to Covered Payroll	4.31%	4.33%	4.29%

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

See independent auditors' report.

*NORTHEAST TEXAS COMMUNITY COLLEGE*  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*For the Year Ended August 31, 2017*

Changes of Benefit Terms

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

Changes of Assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

inact on the results of the actuarial valuation and the related pension liability.

See independent auditors' report.

***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, 2017 (With Memorandum Totals for the Year Ended August 31, 2016)*

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2017 Total	Memorandum 2016 Total
<b>Tuition</b>						
State funded courses						
In-district resident tuition	\$ 1,533,432	\$	\$ 1,533,432	\$	\$ 1,533,432	\$ 1,350,829
Out-of-district resident tuition	914,451		914,451		914,451	842,750
TPEG (set aside)*	174,187		174,187		174,187	129,505
Non-resident tuition	697,359		697,359		697,359	537,880
State funded continuing education	277,338		277,338		277,338	317,181
Non-state funded continuing education	65,054		65,054		65,054	86,397
<b>Total Tuition</b>	<b>3,661,821</b>	<b>-</b>	<b>3,661,821</b>	<b>-</b>	<b>3,661,821</b>	<b>3,264,542</b>
<b>Fees</b>						
General fees	2,939,644		2,939,644		2,939,644	2,501,672
Out-of-district fees	1,491,998		1,491,998		1,491,998	1,375,012
Laboratory fees	222,191		222,191		222,191	209,131
Other fees	97,744		97,744		97,744	132,517
<b>Total Fees</b>	<b>4,751,577</b>	<b>-</b>	<b>4,751,577</b>	<b>-</b>	<b>4,751,577</b>	<b>4,218,332</b>
<b>Allowances and Discounts</b>						
Bad debt allowance	(334,833)		(334,833)		(334,833)	(486,271)
Scholarship allowances	(534,523)		(534,523)		(534,523)	(528,257)
Remissions and exemptions	(258,094)		(258,094)		(258,094)	(164,990)
TPEG allowances	(151,478)		(151,478)		(151,478)	(129,505)
Federal and state grants to students	(3,461,564)		(3,461,564)		(3,461,564)	(3,436,028)
<b>Total Allowances and Discounts</b>	<b>(4,740,492)</b>	<b>-</b>	<b>(4,740,492)</b>	<b>-</b>	<b>(4,740,492)</b>	<b>(4,745,051)</b>
<b>Total Net Tuition and Fees</b>	<b>3,672,906</b>	<b>-</b>	<b>3,672,906</b>	<b>-</b>	<b>3,672,906</b>	<b>2,737,823</b>
<b>Other Operating Revenues</b>						
Federal grants and contracts	41,718	1,463,832	1,505,550		1,505,550	1,330,502
State grants and contracts		800,477	800,477		800,477	1,038,294
Nongovernmental grants and contracts		16,360	16,360		16,360	54,988
Sales and services of educational activities	56,243		56,243		56,243	64,768
Other operating revenues	394,893		394,893	134,201	529,094	567,710
<b>Total Other Operating Revenues</b>	<b>492,854</b>	<b>2,280,669</b>	<b>2,773,523</b>	<b>134,201</b>	<b>2,907,724</b>	<b>3,056,262</b>
<b>Auxiliary Enterprises</b>						
Residential life				1,194,457	1,194,457	1,364,444
Less discounts				(179,163)	(179,163)	(157,898)
Bookstore				1,512,652	1,512,652	1,642,974
Less discounts				(678,777)	(678,777)	(678,009)
<b>Total Net Auxiliary Enterprises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,849,169</b>	<b>1,849,169</b>	<b>2,171,511</b>
<b>Total Operating Revenues (Exh.2)</b>	<b>\$ 4,165,760</b>	<b>\$ 2,280,669</b>	<b>\$ 6,446,429</b>	<b>\$ 1,983,370</b>	<b>\$ 8,429,799</b>	<b>\$ 7,965,596</b>

\*In accordance with Education Code 56.033, \$174,187 and \$129,505 for years August 31, 2017 and 2016, 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, 2017 (with Memorandum Totals for the Year Ended August 31, 2016)

	Operating Expenses					Memorandum Total 8/31/2016
	Salaries and Wages	Benefits State Benefits	Local Benefits	Other Expenses	Total 8/31/2017	
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ 6,090,918		1,197,767	571,144	\$ 7,859,829	\$ 7,548,436
Public Service	63,726		12,532	107,516	183,774	187,500
Academic Support	704,742		138,586	88,193	931,521	960,438
Student Services	781,760		153,732	184,351	1,119,843	1,045,036
Institutional Support	1,578,652		310,439	1,272,104	3,161,195	3,289,584
Operation and Maintenance of Plant	259,457		51,022	913,772	1,224,251	1,226,194
Scholarships and Fellowships					-	-
<b>Total Unrestricted Educational Activities</b>	<b>\$ 9,479,255</b>	<b>\$ -</b>	<b>\$ 1,864,078</b>	<b>\$ 3,137,080</b>	<b>\$ 14,480,413</b>	<b>\$ 14,257,188</b>
<b>Restricted - Educational Activities</b>						
Instruction	\$ 341,256	\$ 757,802		\$ 487,673	\$ 1,586,731	\$ 1,404,917
Public Service	194,963	7,928		80,088	282,979	263,617
Academic Support		87,681			87,681	86,171
Student Services	127,877	97,263		104,282	329,422	323,981
Institutional Support	294,096	196,408		261,623	752,127	672,215
Operation and Maintenance of Plant	-	32,280			32,280	26,617
Scholarships and Fellowships				1,801,773	1,801,773	1,976,389
<b>Total Restricted Educational Activities</b>	<b>\$ 958,192</b>	<b>\$ 1,179,362</b>	<b>\$ -</b>	<b>\$ 2,735,439</b>	<b>\$ 4,872,993</b>	<b>\$ 4,753,907</b>
<b>Total Educational Activities</b>	<b>10,437,447</b>	<b>1,179,362</b>	<b>1,864,078</b>	<b>5,872,519</b>	<b>19,353,406</b>	<b>19,011,095</b>
<b>Auxiliary Enterprises</b>	<b>425,906</b>	<b>-</b>	<b>144,662</b>	<b>2,115,191</b>	<b>2,685,759</b>	<b>2,697,422</b>
<b>Depreciation Expense</b>						
Building & Improvements					943,077	926,785
Equipment & Furniture					749,226	768,563
Library Books					27,886	29,734
<b>Total</b>	<b>\$ 10,863,353</b>	<b>\$ 1,179,362</b>	<b>\$ 2,008,740</b>	<b>\$ 7,987,710</b>	<b>\$ 23,759,354</b>	<b>\$ 23,433,599</b>

See independent auditors' report.

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE C**  
**SCHEDULE OF NON - OPERATING REVENUES AND EXPENSES**  
*For the Year Ended August 31, 2017 (With Memorandum totals for the Year Ended August 31, 2016)*

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total 8/31/2017</u>	<u>Memorandum Total 8/31/2016</u>
<b>Non - Operating Revenues</b>					
State appropriations:					
Education and general state support	\$ 4,575,565			\$ 4,575,565	4,570,075
State group insurance		900,390		900,390	840,151
State retirement matching		278,972		278,972	277,587
Professional nursing shortage reduction		132,948		132,948	101,397
Ad-valorem taxes	3,000,685	1,879,699		4,880,384	5,039,877
Federal revenue, non operating		5,585,373		5,585,373	5,438,200
Investment income		60,006		60,006	40,723
Contribution from Foundation				-	0
<b>Total Non - Operating Revenues</b>	<u>7,576,250</u>	<u>8,837,388</u>	<u>-</u>	<u>16,413,638</u>	<u>16,308,010</u>
<b>Non - Operating Expenses</b>					
Interest on capital related debt	1,412,741			1,412,741	1,278,230
(Gain) Loss on disposal of fixed assets	(3,845)			(3,845)	-
Other non operating expense	205,647			205,647	248,493
<b>Total Non - Operating Expenses</b>	<u>1,614,543</u>	<u>-</u>	<u>-</u>	<u>1,614,543</u>	<u>1,526,723</u>
<b>Net Non - Operating Revenues</b>	<u>\$ 5,961,707</u>	<u>\$ 8,837,388</u>	<u>\$ -</u>	<u>\$ 14,799,095</u>	<u>\$ 14,781,287</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, 2017 (With Memorandum totals for the Year Ended August 31, 2016)

	Detail By Source														
	Restricted			Capital Assets Net of Depreciation & Related Debt	Total 8/31/2017	Available for Current Operations		Memorandum Total 8/31/2016							
	Unrestricted	Expendable	Non Expendable			Yes	No								
Current															
Unrestricted	\$	(1,180,684)	\$	\$	\$	(1,180,684)	\$	2,624,032	(3,804,716)	(1,263,553)					
Board Designated Reserve		515,717				515,717		515,717		515,717					
Plant															
Investment in plant				543,948	12,056,500	12,600,448		12,600,448		13,123,144					
Total Net Assets, August 31, 2017		(664,967)	0	543,948	12,056,500	11,935,481	3,139,749	8,795,732		12,375,308					
Total Net Assets, August 31, 2016		(747,836)		911,352	12,211,792	12,375,308	2,112,424	10,262,884		12,657,876					
Net Increase (Decrease) in Net Assets	\$	82,869	\$	0	\$	(367,404)	\$	(155,292)	\$	(439,827)	\$	1,027,325	\$	(1,467,152)	(282,568)

See independent auditors' report.

***SUPPLEMENTAL SCHEDULES OTHER***

NORTHEAST TEXAS COMMUNITY COLLEGE  
SCHEDULE E  
BALANCE SHEET  
AUGUST 31, 2017

	Current Funds					Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total							
Assets											
Cash and Cash Equivalents	\$ 1,438,530	8,753	\$ 5,125	\$ 1,472,408	\$ 15,815	\$ 405,619	\$ 3,132,359	\$ 869,754		\$ 127,568	\$ 5,153,769
Long term investments	519,234		-	519,234							1,388,968
Short Term Investments	912,703	11,412	395,485	1,319,600			124,457				1,444,057
Accounts Receivable	1,673,914	164,789		1,838,703			936,460			22,966	2,798,129
Due From Other Funds	173,914			173,914							173,914
Due From Foundation	213,450			213,450							213,450
Prepaid Expenses											184,663
Prepaid Insurance											
Inventory, at Cost	18,156	326,651		344,787							344,787
Land											1,438,209
Buildings and Improvements											38,016,757
Improvements Other Than Buildings											21,444,798
Equipment											5,280,440
Library Books											712,959
Vehicles											771,105
Telecommunications											3,011,384
Accumulated Depreciation											(19,842,472)
Other											41,640
Total Assets	\$ 4,969,881	\$ 511,605	\$ 400,610	\$ 5,882,096	\$ 15,815	\$ 405,619	\$ 5,247,673	\$ 869,754	\$ 50,874,820	\$ 150,534	\$ 62,576,557
Deferred Outflows of Resources											
Deferred outflows pension related	\$ 832,572			\$ 832,572	\$	\$	\$			\$	\$ 832,572
Deferred charge on refunding											526,247
Total Deferred Outflows of Resources	\$ 832,572			\$ 832,572	\$	\$	\$			\$	\$ 1,358,819
Total Assets and Deferred Outflows	\$ 5,802,453	\$ 511,605	\$ 400,610	\$ 6,714,668	\$ 15,815	\$ 405,619	\$ 5,247,673		\$ 51,401,067	\$ 150,534	\$ 63,935,376
Liabilities and Fund Balance											
Accounts Payable	\$ 947,661	43,349		\$ 991,010	\$ 844	\$	\$			\$	\$ 991,854
Accrued Liabilities	16,727			16,727			\$ 516,140				532,867
Deposits Payable	93,491	85,240		178,731							178,731
Due to Other Funds			238,654	238,654	14,971		2,491,066			53,438	2,798,129
Deferred Revenues	1,146,301	87,401	161,956	1,395,658							1,395,658
Accrued Compensated Absences	109,577			109,577							109,577
Bonds Payable											39,138,353
Unamortized Premium/Discount											1,043,154
Notes Payable											1,041,309
Net Pension Liability											1,265,198
Funds Held in Custody for Others	3,804,716			3,804,716							3,804,716
Total Liabilities	\$ 6,118,473	\$ 215,990	\$ 400,610	\$ 6,735,073	\$ 15,815	\$ 223,889	\$ 4,885,455		\$ 59,344,567	\$ 150,534	\$ 61,355,333
Deferred Inflows of Resources											
Deferred inflows pension related	644,562			644,562							644,562
Total Deferred Inflows of Resources	644,562			644,562							
Fund Balances											
Net Investment in Plant											
Reserved for Debt Service											
Unrestricted	(960,582)	295,615		(664,967)		181,730	362,218		12,056,500		11,935,481
Total Fund Balance	\$ (960,582)	\$ 295,615	\$	\$ (664,967)	\$	\$	\$ 362,218	\$	\$ 12,056,500	\$	\$ 11,935,481
Total Liabilities, Fund Balance and Deferred Inflows	\$ 5,802,453	\$ 511,605	\$ 400,610	\$ 6,714,668	\$ 15,815	\$ 405,619	\$ 5,247,673		\$ 51,401,067	\$ 150,534	\$ 63,935,376

See independent auditors report.

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE F**  
**STATEMENT OF CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

	Current Funds								
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total	Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Total
Revenues and Other Additions									
Unrestricted Current Funds Revenues	\$ 16,116,515	2,901,000	\$ 1,179,362	\$ 19,017,515	\$ -	\$ -	\$ -	\$ -	\$ 19,017,515
State Appropriations - Restricted			1,179,362	1,179,362					1,179,362
Federal grants and Contracts			7,174,233	7,174,233					7,174,233
State grants and Contracts			933,423	933,423					933,423
Local gifts, grants and Contracts			190,547	190,547				7,323	197,870
Taxes for Debt Retirement			-	-			1,879,699		1,879,699
Interest / Endowment Income			-	-					-
Net Decrease in Bonds Payable			-	-		8,068	51,938	842,683	842,683
Investment Income (Loss)			-	-					60,006
Other Revenues								3,844	3,844
Total Revenue and Other Additions	16,116,515	2,901,000	9,477,565	28,495,080	-	8,068	1,931,637	853,850	31,288,635
Expenditures and Other Deductions									
Expenditures									
Indirect Cost Recovered	14,911,839	3,241,116	9,352,537	27,505,492					27,505,492
Retirement of Indebtedness - Bonds			41,718	41,718					41,718
Interest on Indebtedness			-	-			842,683		842,683
Depreciation Expense			-	-			1,290,714	122,027	1,412,741
Other Expenditures			-	-			1,720,189	1,720,189	1,720,189
							204,643	996	205,639
	14,911,839	3,241,116	9,394,255	27,547,210	-	-	2,338,040	1,843,212	31,728,462
Transfers - Additions (Deductions)									
Mandatory Transfers:									
Retirement of Indebtedness				-					-
Building Use Fees				-					-
Tuition Use Fees	(549,785)			(549,785)			549,785		-
Revenue Bond				-					-
Contractual Obligations	(118,983)			(118,983)				118,983	-
TPEG to Restricted				-					-
Non - Mandatory Transfers:									
Capital Outlay	(82,873)	(30,050)	(83,310)	(196,233)					-
Other				-					-
									-
Total Transfers - Additions (Deductions)	(751,641)	(30,050)	(83,310)	(865,001)	-	10,417	(529,271)	518,854	-
						10,417	20,514	834,070	-
Net Increase (Decrease) for Year	453,035	(370,166)	-	82,869	-	18,485	(385,889)	(155,292)	(439,827)
Fund Balance (Deficit) August 31, 2016	\$ (1,413,617)	\$ 665,781	\$ -	\$ (747,836)	\$ -	\$ 163,245	\$ 748,107	\$ 12,211,792	\$ 12,375,308
Fund Balance (Deficit) August 31, 2017	\$ (960,582)	\$ 295,615	\$ -	\$ (664,967)	\$ -	\$ 181,730	\$ 362,218	\$ 12,056,500	\$ 11,935,481

See independent auditors report.

*FEDERAL FINANCIAL ASSISTANCE INFORMATION*

**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**

***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, the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. basic financial statements, and have issued our report thereon dated December 7, 2017.

**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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. 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.

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 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 that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. 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.

**Texas Public Funds Investment Act**

We have also performed test designed to verify the College's compliance with the requirements of the Texas Public Funds Investment Act. During the year ended August 31, 2017, no instances of noncompliance were found.

**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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilf & Henderson, P.C.*

**WILF & HENDERSON, P.C.**  
**Certified Public Accountants**  
**Texarkana, Texas**  
**December 7, 2017**

**Independent Auditors' Report on Compliance for each Major Program and on Internal Control  
over Compliance Required by The Uniform Guidance**

***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 Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s major federal programs for the year ended August 31, 2017. 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements Federal Programs* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-004. 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 corrective action for audit finding and question cost. 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 programs to determine the auditing procedures that are appropriate for the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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. 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 a material weakness or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 significant deficiencies as described in the accompanying schedule of findings and questioned cost as items 2017-001 through 2017-005 that we considered to be significant deficiencies.

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 corrective action for audit finding and question cost. 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.

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 of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Wilf & Henderson, P.C.*

**WILF & HENDERSON, P. C.**  
**Certified Public Accountants**  
**Texarkana, Texas**  
**December 7, 2017**

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE G**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2017**  
**Page 1 of 2**

<b>Federal Grantor/Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantors Number</b>	<b>Pass Through Disbursements and Expenditures</b>
<b>U.S. Department of Education</b>			
<u>Direct Programs</u>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	* 84.007A		\$ 68,243
Federal Work-Study Program	* 84.033A		79,692
Federal Pell Grant Program	* 84.063P		5,517,130
Direct Loans	* 84.268		3,420,272
Total Student Financial Assistance Cluster			9,085,337
TRIO - Upward Bound	84.047A		248,741
Title IV	* 84.031S		555,719
<u>Passed Through Texas Workforce Commission</u>			
Passed through Tyler Junior College			
Adult Education and Family Leave Act (AEFLA)-TJC	84.002A	0816AEL002	19,338
Adult Education and Family Leave Act (AEFLA)-TJC	84.002A	0816AEL001	11,479
Adult Education and Family Leave Act (AEFLA)-TJC	84.002A	2916AEL010	44,503
Passed through Paris Junior College			
Adult Education and Family Leave Act (AEFLA)	84.002A	0716AEL004	182,951
Adult Education and Family Leave Act (AEFLA)	84.002A	0716AEL001	21,529
Total Passed Through Texas Workforce Commission			279,800
<u>Passed Through Texas Higher Education Coordinating Board</u>			
Vocational Education - Allocated	84.048		228,888
Total Passed Through Texas Higher Education Coordinating Board			228,888
<b>Total U.S. Department of Education</b>			<b>\$ 10,398,485</b>
<b>U.S. Department of Health and Human Services</b>			
<u>Passed Through Texas Education Agency</u>			
Temporary Assist to Needy Families	* 93.558 (A)		141,702
<u>Passed Through Workforce Solutions of East Texas</u>			
Temporary Assist to Needy Families	* 93.558		31,958
<u>Passed Through Texas Workforce Solutions</u>			
<u>Passed through Paris Junior College</u>			
Temporary Assist to Needy Families	* 93.558		4,435
<u>Passed through Tyler Junior College</u>			
Temporary Assist to Needy Families	* 93.558		1,565
Total passed through Texas Workforce Solutions			6,000
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 179,660</b>
<b>U.S. Small Business Administration</b>	59.037		<b>158,062</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 10,736,207</b>

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2017*  
Page 2 of 2

**Note 1: Federal Financial Assistance Reconciliation**

Federal Grants and Contracts Revenue - Per Schedule A - College	\$	1,505,550
Federal Grants and Contracts Revenue - Per Schedule C - College		5,585,373
Federal Grant Capital Contributions - Per Exhibit 2 - College		83,310
Direct Loans		3,420,272
Federal Grants and Contracts Revenue - Foundation		<u>141,702</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$	<u><u>10,736,207</u></u>

**Note 2: Significant Accounting Policies**

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

**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, 2017**

**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    ☒ none reported
- 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 2 CFR section 200.516(a)?

☒ 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 V	CFDA #84.031S
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Temporary Assist to Needy Families	CFDA #93.558
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Dollar threshold used to distinguish between Type A and B programs:    \$ 750,000

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, 2017***

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

**2017- 001      Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268 Grant period – Year ended August 31, 2017**

**Special Tests-Enrollment Reporting**

**Type of Finding – Significant Deficiency over Compliance**

**Criteria:**

Under 34 CFR 682.610, the college is required to report to the Secretary of the Department of Education when a student who has received a loan ceases to be enrolled on at least a half-time basis. The method for this reporting is the National Student Loan Data System (NSLDS). Per the NSLDS Enrollment Reporting Guide, enrollment information must be reported within 30 days whenever attendance changes for students unless a roster will be submitted within 60 days.

**Condition:**

During our testing of this compliance requirement, we noted that the students enrolled in the Fall 2016 semester were not reported timely to NSLDS.

This is a continuation of a prior year finding 2016-01.

After the prior year finding was discussed with management, procedures were implemented to correct this issue. A review of data reported subsequent to procedures being implemented revealed no errors.

**Cause:**

The college did not have procedures in place for the Fall of 2016 semester to ensure the enrollment reports were being submitted to NSLDS timely.

**Effect:**

Lenders would not be able to correctly assess when students should begin their grace period or enter loan repayment.

**Recommendation:**

We recommend that Northeast Texas Community College continue procedures implemented in the Fall of 2016 to regularly review system generated reports to ensure accurate and timely reporting.

**View of Responsible Officials:**

The College agrees with the finding. The registrar's office implemented a corrective action plan in November 2016 to ensure the timeliness of National Student Loan Data System (NSLDS) reporting.

***NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2017***

**2017- 002      Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268 Grant period – Year ended August 31, 2017**

**Special Tests and Provisions**

**Type of Finding – Significant Deficiency Over Compliance**

**Criteria:**

Colleges are required to return to the Department of Education any unearned Title IV money within 45 days after the date of determination that the student withdrew. The date of determination for official withdrawals is the date the student notified the college of withdrawing. The college is required to determine if a student unofficially withdraws within 30 days of the end of the enrollment period.

**Condition:**

During our testing of this compliance requirement, we reviewed 60 students subject to the return to Title IV calculation out of a population of 290. Of the 60 selected, 35 students were determined to have earned their financial aid and therefore, had no return to Title IV monies. Of the other 25 students tested, the college did not return the Title IV money within the 45 days on 4 students. All monies were returned.

This is a continuation of a prior year finding 2016-2.

After the prior year finding was discussed with management, procedures were implemented to correct this problem.

The 4 students in this finding were before the new procedures were implemented and no errors were found after the procedure was implemented.

**Cause:**

The college's procedures for timely return to Title IV calculations were not being consistently followed.

**Effect:**

The college was not making the required return to Title IV in a timely manner.

**Recommendation:**

We recommend that Northeast Texas Community College continue procedures implemented to regularly review return to Title IV calculations to ensure they are being submitted accurately and timely.

**View of Responsible Officials:**

The College agrees with the finding. The Financial Aid office implemented a corrective action plan in November 2016 to ensure the accuracy and timeliness of Return to Title IV calculations.

***NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2017***

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

**2017-3      Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A,  
84.063P, 84.268 Grant period – Year ended August 31, 2017**

**Eligibility**

**Type of Finding – Significant Deficiency over Compliance**

**Criteria:**

The Department of Education (DOE) selects certain Title IV students for verification. The verification process required the college to obtain supporting document, such as tax returns, to verify the accuracy of the information reported on Title IV financial aid application.

**Condition:**

During our testing of this compliance requirement, we reviewed 60 students, of which 26 were selected by the DOE to be verified. Of these 26, the college did not verify all required information on four students.

Projection of this error is not likely to exceed \$25,000.

**Cause:**

The college did not have proper controls in effect to ensure all items included in the verification process were verified properly.

**Effect:**

Because verification was not completed properly, Title IV awards could be awarded incorrectly.

**Recommendation:**

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

**Views of Responsible Officials:**

The college agrees with the finding and they have contacted their third party vendor about increasing their review of the verifications.



***NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2017***

**2017- 004      Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268 Grant period – Year ended August 31, 2017**

**Special Tests and Provisions**

**Type of Finding – Significant Deficiency Over Compliance**

**Criteria:**

Colleges must notify students or parents no earlier than 30 days before or 30 days after a student's account is credited with a Direct Loan, so that there is sufficient time for the student or parent to cancel all or a portion of the loan.

**Condition:**

During our testing of this compliance requirement, we reviewed 60 students who received a direct loan. Out of the 60 selected, 3 students or parents did not receive the notification timely.

**Cause:**

The college did not have procedures in place to ensure all notifications were sent timely.

**Effect:**

The students' or parents' did not have appropriate opportunity to cancel the loan if they choose to do so.

**Recommendation:**

We recommend that Northeast Texas Community College implement procedures to regularly review direct loan notifications.

**View of Responsible Officials:**

The College agrees with the finding. The college's plan is to train new staff in this area.

***NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2017***

**2017- 005      Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268 Grant period – Year ended August 31, 2017**

**Eligibility**

**Type of Finding – Significant Deficiency Over Compliance**

**Criteria:**

Direct loans are to be awarded at a predetermined maximum limit per year according to dependency status and number of cumulative hours the student had earned.

**Condition:**

During our testing of this compliance requirement, we reviewed 60 students who received a direct loan. Out of the 60 selected, 1 student was awarded an amount based on independent status. The correct status was dependent.

Projection of this error is not likely to exceed \$25,000.

**Cause:**

The college did not have controls in place to determine proper student status.

**Effect:**

Student direct loan award amount could be calculated incorrectly.

**Recommendation:**

We recommend that Northeast Texas Community College implement procedures to review student status and direct loan awards.

**View of Responsible Officials:**

The college agrees with this finding. Loan awards are processed manually; therefore, subject to human error. The college is creating exception reports in an effort to detect processing errors.

## **Corrective Action Plan**

December 7, 2017

Northeast Texas Community College respectfully submits the following corrective action plan for the year ended August 31, 2017.

Name and address of independent public accounting firm:

Wilf & Henderson, P.C.  
1430 College Drive  
Texarkana, TX 75505

Audit Period: September 1, 2016 to August 31, 2017

The findings from the August 31, 2017 schedule of findings and question costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **Findings – Federal Award Programs Audits**

2017 - Student Financial Assistance Cluster – CFDA

001 Nos. 84.007A, 84.033A, 84.063P, 84.268

Significant Deficiency Over Compliance

**Recommendation:** We recommend that Northeast Texas Community College continue procedures implemented in the Fall of 2016 to regularly review system generated reports to ensure accurate and timely reporting.

**Action Taken:** The Registrar's office implemented a corrective action plan in November 2016 after it was discovered that a table in the student information software was resetting a key reporting field to blank values each time an upgrade was performed. The lack of values caused errors in reporting beginning in September 2016 that could only be resolved manually. Once the problem with reporting was identified, the database IT team created a stored procedure that insured the values would remain at the time of future upgrades. There have been no issues in subsequent reporting periods and NSLDS has been notified of changes in student enrollment in a timely manner.

2017 - Student Financial Assistance Cluster – CFDA

002 Nos. 84.007A, 84.033A, 84.063P, 84.268

Significant Deficiency Over Compliance

**Recommendation:** We recommend that Northeast Texas Community College continue implementing procedures to regularly review return to Title IV calculations to ensure they are being submitted accurately and timely.

**Action Taken:** There was specific coding in the Grade Table for in our Student Information System that had to be updated to exclude 'W' grades from part-time/full-time status. The change was made immediately upon discovery after consultation with a subject-matter expert from Jenzabar. The Registrar's Office began monitoring student status by checking each subsequent report for a given semester to make sure that withdrawn students have a valid status change.

2017 - Student Financial Assistance Cluster – CFDA

003 Nos. 84.007A, 84.033A, 84.063P, 84.268

Significant Deficiency over Compliance

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

**Action Taken:** The majority of verifications are completed by ProEd Services. ProEd Services will increase their secondary review process of verified files in an attempt to detect and correct errors and/or omissions. Of note, three of the four errors did not result in a change to student' EFC. One error caused the EFC to change by \$98.

2017 - Student Financial Assistance Cluster – CFDA

004 Nos. 84.007A, 84.033A, 84.063P, 84.268

Significant Deficiency over Compliance

**Recommendation:** We recommend that Northeast Texas Community College implement procedures to regularly review direct loan notifications.

**Action Taken:** The three late notifications (13-20 days late) were a result of the Director of Financial Aid being on medical leave during November 2016. Additional staff has now been trained in this area.

2017 - Student Financial Assistance Cluster – CFDA

005 Nos. 84.007A, 84.033A, 84.063P, 84.268

Significant Deficiency over Compliance

**Recommendation:** We recommend that Northeast Texas Community College implement procedures to review student status and direct loan awards.

**Action Taken:** Management agrees with this finding. Loan awards are processed manually; therefore, subject to human error. Exception reports will be created to better detect processing errors.

Questions regarding this plan should be directed to Jeff Chambers at 903-434-8106.

Sincerely yours,



Dr. Ron Clinton, Interim President  
Northeast Texas Community College

FEDERAL SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDED AUGUST 31, 2016

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

Department of Education

2016- 001      Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A,  
84.063P, 84.268 Grant period – Year ended August 31, 2016

Eligibility

Type of Finding – Significant Deficiency and Non Compliance

Condition:

During our testing of this compliance requirement, we noted that ten out of ten judgmentally selected students tested had not been reported to the NSLDS within thirty days as of their last date that attendance was verified.

Recommendation:

We recommend that Northeast Texas Community College implement procedures to regularly review system generated reports to ensure accurate reporting.

Current Status:

The College implemented effective controls and no similar instances have been found since December of 2016.

2016- 002      Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A,  
84.063P, 84.268 Grant period – Year ended August 31, 2016

Eligibility

Type of Finding – Significant Deficiency and Non Compliance

Condition:

During our testing of this compliance requirement, we reviewed 63 students subject to the return to Title IV calculation out of a population of 185. Of the 63 selected, 24 students were in attendance for 60% of the period of enrollment and therefore, had no return to Title IV monies. Of the other 39 students tested, 10 were official withdrawals and 29 were unofficial withdrawals. On 23 of the unofficial withdrawals, the college did not make the determination of withdraw within the 30 days, 6 were determined timely. Of the 39 students, the college did not return the Title IV money within the 45 days on 6 students. Of the 39 students, all money was returned to the Department of Education.

**Recommendation:**

We recommend that Northeast Texas Community College implement procedures to regularly review return to Title IV calculations to ensure they are being submitted timely.

**Current Status:**

The College implemented system and management controls as soon as the issue was identified and no similar instances have been found.

*STATE FINANCIAL ASSISTANCE INFORMATION*



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

***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 State of Texas Single Audit Circular, *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, 2017. 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 state program occurred. An audit includes examining, on a test basis, evidence about Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 Programs***

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended August 31, 2017.

**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 each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program 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 noncompliance 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 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 in charge of 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

*Board of Trustees*

*Page 3*

*December 7, 2017*

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**

**Texarkana, Texas**

**December 7, 2017**

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**SCHEDULE H**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended August 31, 2017**  
**Page 1 of 2**

<u>Grantor/Program/Title</u>	<u>Grant Contract Number</u>	<u>Pass Through Disbursements and Expenditures</u>
<b>Texas Education Agency</b>		
Temporary Assist to Needy Families *	(A) 0710580171200011	\$ 562,458
<b>Total Texas Education Agency</b>		<u>562,458</u>
<b>U.S. Small Business Administration</b>		
SBDC State		<u>116,989</u>
<b>Texas Higher Education Coordinating Board</b>		
Texas Grant II *	N/A	407,475
Nursing Shortage		132,948
<b>Total Texas Higher Education Coordinating Board</b>		<u>540,423</u>
<b>Texas College Workstudy</b>		<u>58,829</u>
<b>Texas Workforce Commission</b>		
Skills Development Fund	0714SDF001	67,782
Skills Development Fund	0715SDF001	30,536
Skills For Small Business Program	0715SSD003	10,987
High Demand Job Training Program	0715HJT000	43,564
Passed through Tyler Junior College		
State AEFLA	0816AEL002	36,909
Passed through Paris Junior College		
State AEFLA	0714AEL000	27,406
<b>Total Texas Wokforce Commission</b>		<u>217,184</u>
<b>Total State Financial Assistance</b>		<u>\$ 1,495,883</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, 2017*  
*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	\$ 800,477
State Grants and Contracts Revenue - Per Schedule C - College	132,948
State Grants and Contracts - Foundation	<u>562,458</u>
 Total State Financial Assistance	 \$ <u><u>1,495,883</u></u>

See independent auditors' report.

**NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.  
STATE AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2017**

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

*State Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ yes    ☒ none reported
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ 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    ☒ no

The programs tested as major programs include:

	<u>Grant Project Number</u>
Texas Education Agency	
Temporary Assist to Needy Families	(A) 0710580171200011
Texas Grant II	N/A

Dollar threshold used to distinguish between

Type A and B programs:                      \$ 300,000

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

**B: Findings - Financial Statements Audit**

None

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

None

***NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.  
STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED AUGUST 31, 2017***

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