

NORTHEAST TEXAS COMMUNITY COLLEGE
AND
NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
ANNUAL FINANCIAL REPORT
For the Fiscal Years Ended August 31, 2022 and 2021

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 2022

BOARD OF TRUSTEES

		<u>TITLE</u>	<u>TERMS</u>
Mr. Chuck Johns	Pittsburg, Texas	Board Chairman	2020-2026
Mr. Robin Sharp	Mt. Pleasant, Texas	Board Vice Chairman	2020-2026
Ms. Sondra Fowler	Daingerfield, Texas	Board Secretary	2020-2026
Mr. Sid Greer	Daingerfield, Texas	Member	2018-2024
Mr. Chad Elledge	Pittsburg, Texas	Member	2022-2028
Dr. Dan McCauley	Mt. Pleasant, Texas	Member	2018-2024
Ms. Stephanie Thurman	Mt. Pleasant, Texas	Member	2022-2028

PRINCIPAL ADMINISTRATIVE OFFICERS

Dr. Ron Clinton	President
Dr. Jon McCullough	Executive Vice President for Advancement
Dr. Kevin Rose	Senior Vice President for Student Success
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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Northeast Texas Community College (the college) and Northeast Texas Community College Foundation, Inc. (the Foundation), as of and for the year ended August 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Texas Community College and Northeast Texas Community College Foundation, as of August 31, 2022 and 2021, and the changes in financial position, and cash flows, thereof for the years then ended in accordance with accounting principles general accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in according with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* that will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtaining an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of College's share of net pension liability, schedule of College's contributions for pensions, schedule of College's proportionate share of Net OPEB liability, and schedule of College's contributions for OPEB 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 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 audits 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's and the Foundation's basic financial statements. The supplemental schedules required by Texas Higher Education Coordinating Board section are presented for purposes of additional analysis as required by the Coordinating Board and are not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by *State of Texas Single Audit Circular* and is not a required part of the basic financial statements.

The 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022 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.

Lufkin, Texas
December 13, 2022

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS



Management's Discussion and Analysis
August 31, 2022

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 2020, 2021, and 2022. 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 and the footnotes. 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 and 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.

Statement of Net Position
For the Years Ended August 30, 2022, 2021, and 2020

	2022	2021	2020
ASSETS			
Current	\$ 8 090 206	\$ 7 797 501	\$ 6 841 464
Net capital assets	45 211 911	45 990 880	47 475 857
Other non-current	3 255 737	1 798 323	1 773 488
TOTAL ASSETS	56 557 854	55 586 704	56 090 809
Deferred outflows of resources	5 938 498	7 030 371	8 550 044
LIABILITIES			
Current	6 295 390	5 092 585	5 037 384
Noncurrent	55 555 956	57 855 548	57 130 535
TOTAL LIABILITIES	61 851 346	62 948 133	62 167 919
Deferred inflows of resources	4 895 471	4 306 726	6 577 366
TOTAL NET POSITION	\$ (4 250 465)	\$ (4 637 784)	\$ (4 104 432)

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, 2022, 2021 and 2020, the College's net positions were \$(4,250,465), \$(4,637,784), and \$(4,104,432), 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, 2022, 2021, and 2020

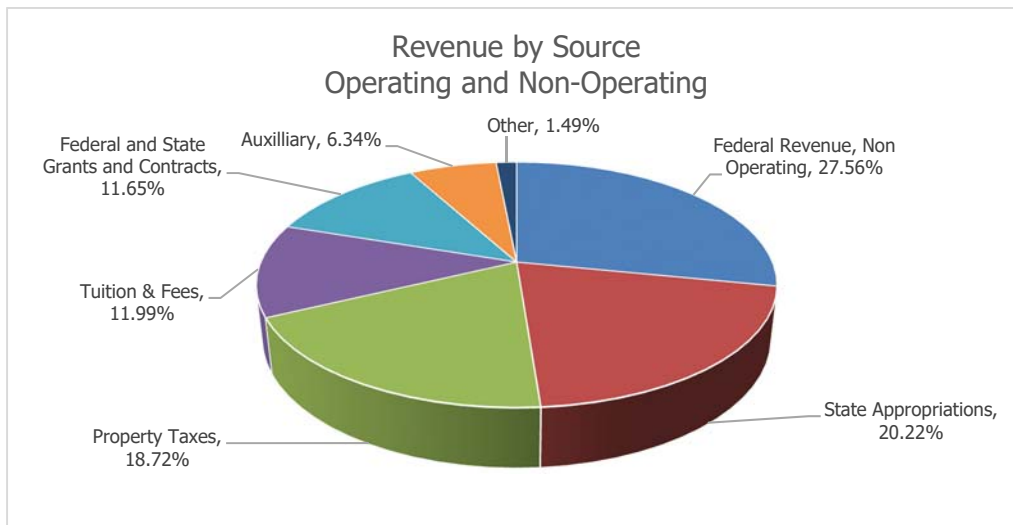
	2022	2021	2020
Summary of Revenues and Expenses:			
Total operating revenues	\$ 10 577 259	\$ 9 650 471	\$ 8 882 411
Total operating expenses	30 238 063	27 682 223	27 455 001
TOTAL OPERATING (LOSS)	(19 660 804)	(18 031 752)	(18 572 590)
Net non-operating revenues and expenses	19 732 528	17 381 725	17 215 201
Capital contributions	315 595	116 675	74 132
INCREASE (DECREASE) IN NET POSITION	387 319	(533 352)	(1 283 257)
Net position at beginning of year	(4 637 784)	(4 104 432)	(2 821 175)
NET POSITION - END OF YEAR	\$ (4 250 465)	\$ (4 637 784)	\$ (4 104 432)

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 presentation:

Revenues: Operating and Non-Operating For the Years Ended August 31, 2022, 2021, and 2020

	2022	2021	2020
Operating Revenues:			
Tuition and fees (net)	\$ 3 790 774	\$ 3 330 960	\$ 3 921 721
Federal grants and contracts	3 680 789	3 318 769	1 920 211
State grants and contracts	456 955	697 941	670 157
Non-governmental grants and contracts	90 166	42 057	6 996
Sales and services of educational activities	83 570	19 304	55 415
Auxiliary enterprises (net)	2 004 506	1 801 862	1 815 622
Other operating revenues	470 499	439 578	492 289
TOTAL OPERATING REVENUES	10 577 259	9 650 471	8 882 411
Net Non-Operating Revenues:			
State appropriations	6 391 501	6 191 080	6 055 153
Property taxes	5 916 516	5 714 534	5 518 120
Federal revenue, non-operating	8 710 084	6 838 503	6 927 260
Investment and other income	(1 295 074)	8 404	20 013
TOTAL NON-OPERATING REVENUES	19 732 528	18 752 521	18 520 546
Capital contributions	315 595	116 675	74 132
TOTAL REVENUES, OPERATING AND NON-OPERATING	\$ 30 625 382	\$ 28 519 667	\$ 27 477 089



In comparing the fiscal periods ended August 31, 2022 and 2021:

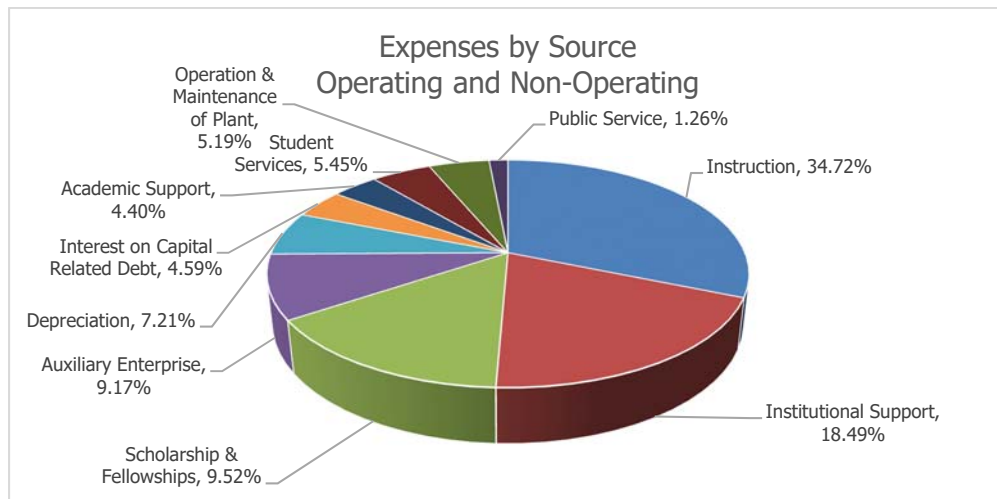
- Net Tuition and fee revenues increased \$459,814 or 13.8%. This was a result of increased enrollment.
- Net Auxiliary Enterprises increased \$202,644 or 11.25% mainly as a result of increased housing occupancy and a increase in Whatley program revenues.
- Federal Grants and Contracts increased \$362,020 or 10.9% primarily as a result of increases in HEERF federal funding.
- State Grants and Contracts decreased \$240,986 or 34.5% largely as a result of decreased awards through the Texas Workforce Commission and Nursing Shortage Reduction Program (NSRP).
- State Allocations increased \$200,421 or 3.2% as a result of need-based supplement increase in State appropriations.
- Federal Revenue Non-Operating increased \$1,871,581 or 27.4% as a result of HEERF federal funding.

In comparing the fiscal periods ended August 31, 2021 and 2020:

- Net Tuition and fee revenues decreased \$590,761 or 15.1%. This was a result of lower enrollment due to the COVID-19 pandemic.
- Net Auxiliary Enterprises decreased \$13,760 or 1.0% mainly as a result of decreased housing occupancy and a decrease in Whatley program revenues, due to the COVID-19 pandemic.
- Federal Grants and Contracts increased \$1,398,558 or 72.8% primarily as a result of increases in HEERF funds used to recover lost revenue for tuition, fees, and housing occupancy.
- State Grants and Contracts decreased \$27,784 or 4.2% largely as a result of decreased awards through the Texas Workforce Commission.
- State Allocations increased \$135,927 or 2.2% as a result of increase in State appropriations for health insurance.
- Federal Revenue Non-Operating decreased \$88,757 or 1.3% as a result of lower enrollment and student awards.

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

	2022	2021	2020
Operating Expenses:			
Instruction	\$ 9 848 046	\$ 10 122 467	\$ 10 127 455
Public service	474 978	325 709	432 143
Academic support	1 175 362	1 281 943	1 444 330
Student services	1 513 208	1 588 169	1 418 974
Institutional support	6 127 989	5 369 440	5 100 946
Operation and maintenance of plant	1 528 151	1 505 563	1 438 835
Scholarship and fellowships	4 728 106	2 752 309	2 789 725
Auxiliary enterprise	2 882 204	2 652 527	2 474 438
Depreciation	1 960 019	2 084 096	2 228 155
TOTAL OPERATING EXPENSES	30 238 063	27 682 223	27 455 001
Non-Operating Expenses:			
Interest on capital related debt	1 289 816	1 328 225	1 357 430
(Gain) loss on disposal of capital assets	2 958	40 539	(55 285)
Other non-operating expenses	2 300	2 032	3 200
TOTAL NON-OPERATING EXPENSES	1 295 074	1 370 796	1 305 345
TOTAL EXPENSES, OPERATING AND NON-OPERATING	\$ 31 533 137	\$ 29 053 019	\$ 28 760 346



In comparing the fiscal periods ended August 31, 2022 and 2021:

- Instruction decreased \$274,421 or 2.7% primarily due to decreased instructional salaries.
- Academic Support decreased \$106,581 or 8.3% as a result of salary savings through restructuring and lower contracted service expenditures.
- Institutional Support increased \$758,550 or 14.1% as a result of an increase expenditures through HEERF federal funds.
- Total other non-operating increased \$268 or 13.1% due to gains on disposal of assets.

In comparing the fiscal periods ended August 31, 2021 and 2020:

- Instruction decreased \$4,988 or 0.05% primarily due to increased allocation for GASB 68 & 75 expenditures.
- Academic Support decreased \$162,387 or 11.24% as a result of two positions unfilled for the prior year being filled in 2020-2021 and increased allocation for GASB 68 & 75 expenditures.
- Institutional Support increased \$268,494 or 5.26% as a result of an increase expenditures due to the Title V Grants increased allocation for GASB 68 & 75 expenditures.
- Total other non-operating decreased \$65,450 or 212% due to gains on disposal of assets and lower interest expense.

Analysis of Net Position

Total Net Position of \$(4,250,465) is comprised of the investment in capital assets net of related debt of \$11,097,070, restricted for debt service of \$580,912, and unrestricted net position of \$(15,928,447). 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, 2022, 2021, and 2020

	2022	2021	2020
Investment in capital assets, net of related debt	\$ 11 097 070	\$ 10 917 861	\$ 11 095 453
Restricted for debt service	580 912	707 416	583 089
Unrestricted	(15 928 447)	(16 263 061)	(15 782 974)
TOTAL NET POSITION	\$ (4 250 465)	\$ (4 637 784)	\$ (4 104 432)

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, 2022 and 2021.

See Note 9 - 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, 2022, the College expended \$295,846 in Federal grant funds to purchase equipment for use in our workforce education program. The College also expended approximately \$167,212 in bond funds for the repair and renovation of the main campus.

In the fiscal period ended August 31, 2021, the College expended \$104,830 in Federal grant funds to purchase equipment for use in our workforce education program. The College also expended approximately \$7,850 in bond funds for the repair and renovation of the main campus.

In the fiscal period ended August 31, 2020, the College expended \$44,023 in Federal grant funds to purchase equipment for use in our workforce education program. The College also expended approximately \$85,000 in bond funds for the repair and renovation of the main campus.

In the fiscal period ended August 31, 2019, the College expended \$316,805 in Federal grant funds to purchase equipment for use in our workforce education programs. The College also expended approximately \$365,000 in bond funds for the repair and renovation of the main campus.

In the fiscal period ended August 31, 2018, the College expended \$63,999 in Federal grant funds to purchase equipment for use in our workforce education programs. The College also expended approximately \$1,400,000 in bond funds for the repair and renovation of the main campus.

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 7 - 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.

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 the 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

Net position increased in fiscal year 2022 by \$387,319 primarily due to increases in federal non-operating revenue. Without the \$690,784 of current year effects of GASB 68 and 75, the College's net position increased by \$1,078,103. The College does not anticipate significant increases in fund balance in the near future. Given the current economic climate, we anticipate ongoing moderate increases in earnings of interest on our temporary investments. We anticipate a modest increase in operating maintenance and operations tax revenues over the next two to three years. Due to recent recommendations from the Commission on Community College Finance, authorized by the 87th Legislative session, we anticipate substantive changes to the current community college state funding model coming out of the 88th Legislature with emphasis on substantial increases in outcomes based funding. We anticipate adjusting our ongoing operating spending to compensate for any changes in revenue. The College also anticipates increased enrollments going forward as the Texas economy begins recovery and increased federal stimulus funding fuels large scale retraining and reskilling initiatives for the area's regional workforce.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact Northeast Texas Community College Business Office, 2886 FM 1735, Chapel Hill Road, Mt. Pleasant, Texas 75455.

FINANCIAL STATEMENTS

NORTHEAST TEXAS COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
For the Years Ended August 31, 2022 and 2021

EXHIBIT 1

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1 199 546	\$ 4 173 066
Investments short-term	2 200 233	699 219
Accounts receivable (net)	2 286 999	2 121 918
Inventories	136 478	142 171
Prepaid expense	585 320	498 499
Due from component unit	1 681 630	162 628
TOTAL CURRENT ASSETS	8 090 206	7 797 501
Noncurrent Assets:		
Restricted cash and cash equivalents	2 196 225	760 133
Short-term investments	941 994	918 815
Prepaid bond insurance	104 218	118 175
Other assets	13 300	1 200
Capital assets, net of accumulated depreciation	45 211 911	45 990 880
TOTAL NONCURRENT ASSETS	48 467 648	47 789 203
TOTAL ASSETS	56 557 854	55 586 704
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	1 911 641	2 432 391
OPEB related	3 850 661	4 356 409
Change on bond refunding	176 196	241 571
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5 938 498	7 030 371
LIABILITIES		
Current Liabilities:		
Accounts payable	1 149 711	788 822
Accrued liabilities	457 974	484 769
Accrued compensable absences	146 196	147 798
Deposits payable	39 950	49 400
Funds held for others	128 703	153 117
Unearned revenues	2 265 889	1 227 588
Notes payable - Current portion	173 956	169 288
Bonds payable - Current portion	1 510 000	1 460 000
Net OPEB liability - Current portion	423 012	611 803
TOTAL CURRENT LIABILITIES	6 295 391	5 092 585
Noncurrent Liabilities:		
Bonds payable	31 526 257	32 871 839
Premium on bonds payable	506 975	576 907
Notes payable	609 999	783 955
Net pension liability	2 752 862	5 893 253
Net OPEB liability	20 159 862	17 729 594
TOTAL NONCURRENT LIABILITIES	55 555 955	57 855 548
TOTAL LIABILITIES	61 851 346	62 948 133
DEFERRED INFLOWS OF RESOURCES		
Pension related	3 230 062	1 032 323
OPEB related	1 665 409	3 274 403
TOTAL DEFERRED INFLOWS OF RESOURCES	4 895 471	4 306 726
NET POSITION		
Invested in capital assets, net of related debt	11 097 070	10 917 861
Restricted:		
Expendable:		
Debt service	580 912	707 416
Unrestricted	(15 928 447)	(16 263 061)
TOTAL NET POSITION (SCHEDULE D)	\$ (4 250 465)	\$ (4 637 784)

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 COMPONENT UNIT
 STATEMENTS OF FINANCIAL POSITION
 August 31, 2022 and 2021

EXHIBIT 1A

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4 476 561	\$ 2 235 345
Accounts receivable	2 279	12 306
TOTAL CURRENT ASSETS	<u>4 478 840</u>	<u>2 247 651</u>
Noncurrent Assets:		
Long-term investments	5 646 177	6 634 658
Property, plant, and equipment, net of accumulated depreciation	821 452	828 989
Other assets	39 199	39 217
TOTAL NONCURRENT ASSETS	<u>6 506 828</u>	<u>7 502 864</u>
TOTAL ASSETS	<u>10 985 668</u>	<u>9 750 515</u>
LIABILITIES		
Current Liabilities:		
Deferred revenue	982 559	722 547
Due to Northeast Texas Community College	1 681 628	162 628
TOTAL CURRENT LIABILITIES	<u>2 664 187</u>	<u>885 175</u>
TOTAL LIABILITIES	<u>2 664 184</u>	<u>885 175</u>
NET POSITION		
With donor restrictions	7 893 516	8 437 375
Without donor restrictions	427 965	427 965
TOTAL NET POSITION	<u>\$ 8 321 481</u>	<u>\$ 8 865 340</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended August 31, 2022 and 2021

EXHIBIT 2

	2022	2021
Operating Revenue:		
Tuition and fees (net allowances and discounts of \$4,617,790 and \$4,566,196)	\$ 3 790 774	\$ 3 330 960
Federal grants and contracts	3 680 789	3 318 769
State grants and contracts	456 955	697 941
Non-governmental grants and contracts	90 166	42 057
Sales and services of educational activities	83 570	19 304
Auxiliary enterprises (net of discounts of \$691,536 and \$742,636)	2 004 506	1 801 862
Other operating revenues	470 499	439 578
TOTAL OPERATING REVENUES (SCHEDULE A)	10 577 259	9 650 471
Operating Expenses:		
Instruction	9 848 046	10 122 467
Public service	474 978	325 709
Academic support	1 175 362	1 281 943
Student services	1 513 208	1 588 169
Institutional support	6 127 989	5 369 440
Operation and maintenance of plant	1 528 151	1 505 563
Scholarships and fellowships	4 728 106	2 752 309
Auxiliary enterprises	2 882 204	2 652 527
Depreciation	1 960 019	2 084 096
TOTAL OPERATING EXPENSES (SCHEDULE B)	30 238 063	27 682 223
OPERATING LOSS	(19 660 804)	(18 031 752)
Non-Operating Revenues (Expenses):		
State allocations	6 391 501	6 191 080
Ad-valorem Taxes:		
Taxes for maintenance and operations	3 881 549	3 622 942
Taxes on general obligations bonds	2 034 967	2 091 592
Federal revenue, non-operating	8 710 084	6 838 503
Investment income (net of investment expenses)	9 501	8 404
Interest on capital related debt	(1 289 816)	(1 328 225)
Gain (loss) on disposal of fixed assets	(2 958)	(40 539)
Other non-operating expenses	(2 300)	(2 032)
TOTAL NON-OPERATING REVENUES (EXPENSES) (SCHEDULE C)	19 732 528	17 381 725
Capital Contributions:		
Component unit	19 749	11 845
Federal grants capital contributions	295 846	104 830
TOTAL CAPITAL CONTRIBUTIONS	315 595	116 675
INCREASE (DECREASE) IN NET POSITION	387 319	(533 352)
Net position - Beginning of year	(4 637 784)	(4 104 432)
NET POSITION - END OF YEAR	\$ (4 250 465)	\$ (4 637 748)

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 COMPONENT UNIT
 STATEMENTS OF ACTIVITIES
 For the Years Ended August 31, 2022 and 2021

EXHIBIT 2A

	2022	2021
Operating Revenue:		
Federal grants and contracts	\$ 131 101	\$ 132 048
State grants and contracts	1 240 785	975 876
Local grants and contracts	1 150 984	1 049 178
TOTAL OPERATING REVENUES	2 522 870	2 157 102
Operating Expenses:		
Public service	2 741 504	2 331 757
Scholarships	364 921	323 132
Depreciation	7 537	7 537
TOTAL OPERATING EXPENSES	3 113 962	2 662 426
OPERATING LOSS	(591 092)	(505 324)
Non-Operating Revenues:		
Investment income	30 599	32 767
TOTAL NON-OPERATING REVENUES (EXPENSES) (SCHEDULE C)	30 599	32 767
(LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES	(560 493)	(472 557)
Other Revenues, (Expenses), Gains, Losses:		
Additions to endowments	392 265	482 055
Gains (loss) on investments	(1 202 627)	593 366
Contributions	826 996	1 128 838
TOTAL OTHER REVENUES, (EXPENSES), GAINS, LOSSES	16 634	2 204 229
INCREASE (DECREASE) IN NET POSITION	(543 859)	1 731 672
Net position - Beginning of year	8 865 340	7 133 668
NET POSITION - END OF YEAR	\$ 8 321 481	\$ 8 865 340

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

NORTHEAST TEXAS COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2022 and 2021

EXHIBIT 3

	2022	2021
Cash Flows from Operating Activities:		
Receipts from students and other customers	\$ 11 480 174	\$ 6 969 660
Receipts from grants and contracts	4 507 858	4 318 461
Other receipts	470 501	439 578
Payments to or on behalf of employees	(10 959 908)	(9 973 313)
Payments to suppliers for goods or services	(18 398 530)	(14 087 201)
Payments of scholarships	(4 728 106)	(2 752 309)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(17 628 011)	(15 085 125)
Cash Flows from Noncapital Financing Activities:		
State allocations	6 111 553	5 931 386
Federal revenues	8 710 084	6 838 503
Ad valorem tax revenues	5 916 516	5 714 534
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	20 738 153	18 484 423
Cash Flows from Capital and Related Financing Activities:		
Interest and other expense on capital related debt	(1 594 411)	(1 480 057)
Purchase of capital assets	(553 222)	(553 222)
Capital contributions	315 595	116 675
Proceeds from sale of fixed assets	(2 958)	(40 539)
Proceeds from issuance of debt	164 418	309 296
Payments on capital debt and leases	(1 460 000)	(1 536 452)
Other non-operating expense	(2 300)	(2 032)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(3 132 878)	(3 186 331)
Cash Flows from Investing Activities:		
Investment earnings	9 501	8 404
Purchase of investments	(1 524 193)	(77 902)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1 514 692)	(69 498)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1 537 428)	143 470
Cash and cash equivalents - September 1	4 933 199	4 789 729
CASH AND CASH EQUIVALENTS - AUGUST 31	\$ 3 395 771	\$ 4 933 199
Non-Cash investing, Capital, and Financing Activities:		
Contributions of capital assets	\$ 19 749	\$ 11 845
TOTAL NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	\$ 19 749	\$ 11 845
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (19 660 804)	\$ (18 031 752)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	1 960 019	2 084 096
Payments made directly by state for benefits	(627 828)	(45 897)
Bad debts	279 948	259 694
Changes in Assets and Liabilities:		
Receivables, net	(165 081)	(690 965)
Inventories	5 693	(15 069)
Prepaid expense	(72 864)	(149 658)
Due from component unit	(1 519 002)	55 752
Other assets	(12 100)	40 440
Accounts payable	360 889	228 867
Accrued liabilities	(28 397)	(30 093)
Deposits payable	(9 450)	(89 181)
Funds held for others	(24 414)	13 563
Pension and OPEB related	847 079	1 528 889
Deferred revenue	1 038 301	(243 810)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (17 628 011)	\$ (15 085 125)

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 COMPONENT UNIT
 STATEMENTS OF CASH FLOWS
 For the Years Ended August 31, 2022 and 2021

EXHIBIT 3A

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Receipts from grants and contracts	\$ 2 311 578	\$ 1 911 684
Payments of scholarships	1 154 099	(376 798)
Payments of grants and contract costs	<u>(2 260 175)</u>	<u>(1 885 422)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1 205 502</u>	<u>(350 536)</u>
Cash Flows from Noncapital Financing Activities:		
Additions to permanent and term endowment and other contributions	<u>1 219 261</u>	<u>1 030 408</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1 219 261</u>	<u>1 030 408</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	369 414	429 365
Investment income (loss)	(183 291)	323 009
Purchase of capital assets	-	(359 800)
Purchase of investments	<u>(369 670)</u>	<u>(429 365)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(183 547)</u>	<u>(36 791)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2 241 216	643 081
Cash and cash equivalents - September 1	<u>2 235 345</u>	<u>1 592 264</u>
CASH AND CASH EQUIVALENTS - AUGUST 31	<u>\$ 4 476 561</u>	<u>\$ 2 235 345</u>
Non-Cash investing, Capital, and Financing Activities:		
In-kind contributions	<u>\$ 467 409</u>	<u>\$ 433 201</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating income (loss)	\$ (591 092)	\$ (505 324)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	7 537	7 537
Changes in Assets and Liabilities:		
Accounts receivable	10 027	6 081
Other assets	18	2 088
Due to college	1 519 002	(55 754)
Deferred revenue	<u>260 010</u>	<u>194 836</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1 205 502</u>	<u>\$ (350 536)</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

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 and Northeast Texas Community College Foundation in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities (BTA).

Tuition Discounting

Texas Public Education Grants (TPEG) - Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code Sed. §56.033). 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.

Title IV, Higher Education Act (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.

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 the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Cash and Cash Equivalents

The 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.

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows of Resources

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/or charges relating pension benefits.

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 of greater than one year at the time of purchase. Non-current investments include investments that are current but not available for operations.

Inventories

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

Deferred Inflows of Resources

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 or OPEB related.

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.

Other Post-Employment Benefits

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

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 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.

Unearned Revenues and Expenditure

Tuition and fees of \$1,369,093 and \$866,269 and federal, state, and local grants of \$896,796 and \$361,319, have been reported as unearned revenues at August 31, 2022 and 2021, respectively.

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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 appropriations, 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.

Pending Pronouncements

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This is accomplished by postponing the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for reporting periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement Nos. 83, 84, 88, 89, 90, 91, 92, 93, and Implementation Guide Nos. 2017-3, 2018-1, 2019-1, and 2019-2.

The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87 and Implementation Guide No. 2019-3. This statement is effective immediately and all pending pronouncement effective dates are reflective of this requirements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The objective of this statement is to (1) define a SBITA; (2) establish that SBITA results in a right-to-use subscription (intangible) asset and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments; and (4) require note disclosures regarding a SBITA. The statement provides an exception for short-term SBITAs with a maximum contract term of 12 months. Subscription payments for short-term SBITAs should be recognized as outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The College has not yet determined the impact this statement will have on the financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statement No. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this statement are the following: (1) increase consistency and comparability in the reporting of fiduciary component units where the potential component unit does not have a governing board and the primary government performs those duties; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and other employee benefit plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of reporting defined contribution plans, defined contribution OPEB plans, or other employee benefit plans that are administered through trusts are effective immediately. The requirements related to reporting on fiduciary component units and 457 plans are effective for reporting periods beginning after June 15, 2021. The College has not yet determined the impact this statement will have on the financial statements.

Prior Period Adjustment and Reclassifications

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

NOTE 3 - AUTHORIZED INVESTMENTS

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2022 and 2021

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	AUGUST 31,	
	2022	2021
Demand deposits	\$ 1 888 918	\$ 2 333 151
Time deposits	3 142 227	1 618 022
Petty cash	10 050	10 050
TOTAL CASH AND DEPOSITS	\$ 5 041 195	\$ 3 961 223

Cash and Deposits Reconciliation of Deposits and Investments to Exhibit 1

TYPE OF SECURITY	FAIR VALUE AUGUST 31,	
	2022	2021
Investment pool	\$ 1 496 803	\$ 2 590 010
TOTAL	1 496 803	2 590 010
TOTAL CASH AND DEPOSITS	5 041 195	3 961 223
TOTAL DEPOSITS AND INVESTMENTS	\$ 6 537 998	\$ 6 551 233
Cash and cash equivalents (Exhibit 1)	\$ 1 199 546	\$ 4 173 066
Restricted cash and equivalents (Exhibit 1)	2 196 225	760 133
Investments (Exhibit 1)	2 200 233	699 208
Restricted investments (Exhibit 1)	941 994	918 815
TOTAL DEPOSITS AND INVESTMENTS	\$ 6 537 998	\$ 6 551 233

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

	AUGUST 31,	
	2022	2021
Demand deposits	\$ 4 476 561	\$ 2 235 345
TOTAL CASH AND DEPOSITS	\$ 4 476 561	\$ 2 235 345

Reconciliation of Deposits and Investments to Exhibit 1A

TYPE OF SECURITY	FAIR VALUE AUGUST 31,	
	2022	2021
U. S. government agencies	\$ -	\$ 1 047 705
Corporate bond/note	3 040 569	1 636 381
Mutual funds	2 605 609	3 951 572
TOTAL INVESTMENTS	5 646 177	6 634 658
Total cash and deposits	4 476 561	2 235 345
TOTAL DEPOSITS AND INVESTMENTS	\$ 10 122 738	\$ 8 870 003
Cash and cash equivalents	\$ 4 476 561	\$ 2 235 345
Long-term investments	5 646 177	6 634 658
TOTAL DEPOSITS AND INVESTMENTS	\$ 10 122 738	\$ 8 870 003

As of August 31, 2022, 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 Deposits		\$ 3 142 227	\$ 3 142 227	\$ -	\$ -
Investment Pool	N/A	1 496 803	1 496 803	-	-
TOTAL MARKET VALUE	AAA	\$ 4 639 030	\$ 4 639 030	\$ -	\$ -

As of August 31, 2022, the Foundation had the following investments and maturities:

Investment Type	CREDIT RATING	MARKET VALUE	NO MATURITY	INVESTMENT MATURITIES (IN YEARS)		
				LESS THAN 1	1-2	2-3
Mutual Funds	N/A	\$ 5 646 177	\$ 5 646 177	\$ -	\$ -	\$ -
TOTAL MARKET VALUE		\$ 5 646 177	\$ 5 646 177	\$ -	\$ -	\$ -

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2022 and 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - CONTINUED

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, as well.

Concentration of Credit Risk - The College does not place a limit on the amount that may be invested in any one issuer. More than 47% of the College's investments are in investment pools (62.0%) and certificates of deposit (38.0%).

Custodial Credit Risk - At August 31, 2022 and 2021, the College had money on deposit at two banks. The carrying amount of the College's and the Foundation's bank deposits was \$7,862,281 and \$4,568,410, and total bank balances equaled \$8,337,383 and \$4,922,370, respectively. Bank balances of \$506,945 are covered by federal depository insurance and \$7,830,438 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.

Distributions from endowment investments are required to be spent for the purposes for which the endowment was established. Scholarship distributions are made pursuant to the investment policy. The policy for distribution of investment income designates an annual spending rate of no more than 5% as applied to a 36 month moving average of market value less current year contributions as measured at August 31 of each year.

NOTE 5 - DERIVATIVES

The College had no derivatives at August 31, 2022 or 2021.

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, 2021	INCREASES	DECREASES	BALANCE AUGUST 31, 2022
Deferred charge on bond refunding	\$ 241 571	\$ -	\$ 65 375	\$ 176 196
	BALANCE AUGUST 31, 2020	INCREASES	DECREASES	BALANCE AUGUST 31, 2021
Deferred charge on bond refunding	\$ 308 992	\$ -	\$ 67 421	\$ 241 571

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2022 and 2021

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2022 was as follows:

	BALANCE AUGUST 31, 2021	INCREASES	DECREASES	BALANCE AUGUST 31, 2022
Not Depreciated:				
Land	\$ 1 748 209	\$ -	\$ -	\$ 1 748 209
Construction in progress	214 548	22 808	(208 548)	28 808
TOTAL NOT DEPRECIATED	1 962 757	22 808	(208 548)	1 777 017
Other Capital Assets:				
Buildings	52 701 425	799 525	(7 567)	53 493 383
Equipment purchased with capital lease	250 348	-	-	250 348
Furniture, machinery, vehicles and other equipment	8 353 442	88 459	(30 173)	8 411 728
Library books	678 484	16 312	(82 119)	612 677
Telecommunications and peripheral equipment	3 744 744	183 254	-	3 927 998
TOTAL OTHER CAPITAL ASSETS	65 728 443	1 087 550	(119 859)	66 696 134
Accumulated Depreciation:				
Buildings	12 034 103	1 206 198	(291 019)	12 929 283
Equipment purchased with capital lease	250 348	-	-	250 348
Furniture, machinery, vehicles and other equipment	5 488 094	526 858	(25 962)	5 988 990
Library books	534 510	20 217	(82 119)	472 608
Telecommunications and peripheral equipment	3 393 265	206 746	-	3 600 011
TOTAL ACCUMULATED DEPRECIATION	21 700 320	1 960 019	(399 100)	23 261 240
NET OTHER CAPITAL ASSETS	44 028 123	(872 469)	(518 959)	43 434 894
NET CAPITAL ASSETS	\$ 45 990 880	\$ (849 661)	\$ 70 694	\$ 45 211 911

Foundation

	BALANCE AUGUST 31, 2021	INCREASES	DECREASES	BALANCE AUGUST 31, 2022
Not Depreciated:				
Land	\$ 205 480	\$ -	\$ -	\$ 205 480
Works of art, antiques	461 034	-	-	461 034
TOTAL NOT DEPRECIATED	666 514	-	-	666 514
Other Capital Assets:				
Biggers Mural	112 611	-	-	112 611
Buildings	95 300	-	-	95 300
TOTAL OTHER CAPITAL ASSETS	207 911	-	-	207 911
Accumulated Depreciation:				
Biggers Mural	19 707	5 631	-	25 338
Buildings	25 729	1 906	-	27 635
TOTAL ACCUMULATED DEPRECIATION	45 436	7 537	-	52 973
NET OTHER CAPITAL ASSETS	162 475	7 537	-	154 938
NET CAPITAL ASSETS	\$ 828 989	\$ (7 537)	\$ -	\$ 821 452

NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2022 and 2021

NOTE 7 - CAPITAL ASSETS - CONTINUED

Capital assets activity for the year ended August 31, 2021 was as follows:

	BALANCE AUGUST 31, 2020	INCREASES	DECREASES	BALANCE AUGUST 31, 2021
Not Depreciated:				
Land	\$ 1 748 209	\$ -	\$ -	\$ 1 748 209
Construction in progress	6 500	208 048	-	214 548
TOTAL NOT DEPRECIATED	1 754 709	208 048	-	1 962 757
Other Capital Assets:				
Buildings	52 472 747	242 631	13 953	52 701 425
Equipment purchased with capital lease	342 348	-	92 000	250 348
Furniture, machinery, vehicles and other equipment	8 326 040	67 620	40 218	8 353 442
Library books	660 549	19 903	1 968	678 484
Telecommunications and peripheral equipment	3 729 724	15 020	-	3 744 744
TOTAL OTHER CAPITAL ASSETS	65 531 408	345 174	148 139	65 728 443
Accumulated Depreciation:				
Buildings	10 943 093	1 190 803	99 793	12 034 103
Equipment purchased with capital lease	307 848	-	57 500	250 348
Furniture, machinery, vehicles and other equipment	4 854 107	668 787	34 800	5 488 094
Library books	517 489	18 964	1 943	534 510
Telecommunications and peripheral equipment	3 187 723	205 542	-	3 393 265
TOTAL ACCUMULATED DEPRECIATION	19 810 260	2 084 096	194 036	21 700 320
NET OTHER CAPITAL ASSETS	45 721 148	(1 738 922)	(45 897)	44 028 123
NET CAPITAL ASSETS	\$ 47 475 857	\$ (1 530 874)	\$ (45 897)	\$ 45 990 880

Foundation

	BALANCE AUGUST 31, 2020	INCREASES	DECREASES	BALANCE AUGUST 31, 2021
Not Depreciated:				
Land	\$ 205 480	\$ -	\$ -	\$ 205 480
Works of art, antiques	101 234	359 800	-	461 034
TOTAL NOT DEPRECIATED	306 714	359 800	-	666 514
Other Capital Assets:				
Biggers Mural	112 611	-	-	112 611
Buildings	95 300	-	-	95 300
TOTAL OTHER CAPITAL ASSETS	207 911	-	-	207 944
Accumulated Depreciation:				
Biggers Mural	14 076	5 631	-	19 707
Buildings	23 823	1 906	-	25 729
TOTAL ACCUMULATED DEPRECIATION	37 899	7 537	-	45 436
NET OTHER CAPITAL ASSETS	170 012	(7 537)	-	162 475
NET CAPITAL ASSETS	\$ 476 726	\$ 352 263	\$ -	\$ 828 989

NOTE 8 - NONCURRENT LIABILITIES

Long-term liability activity for the year ended August 31, 2022 was as follows:

	BALANCE AUGUST 31, 2021	INCREASES	DECREASES	BALANCE AUGUST 31, 2022	CURRENT PORTION
Leases, Bonds, and Notes:					
Revenue bonds	\$ 6 600 000	\$ -	\$ 350 000	\$ 6 250 000	\$ 355 000
General obligation bonds	27 731 839	164 418	1 110 000	26 786 257	1 155 000
Notes payable	953 243	-	169 288	783 955	173 955
Net pension liability	5 893 253	-	3 140 391	2 752 862	-
Net OPEB liability	17 729 594	2 853 280	-	20 582 874	423 012
TOTAL LONG-TERM OBLIGATIONS	\$ 58 907 929	\$ 3 017 698	\$ 4 769 679	\$ 57 156 018	\$ 2 106 967

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2022 and 2021

NOTE 8 - NONCURRENT LIABILITIES - CONTINUED

Long-term liability activity for the year ended August 31, 2021 was as follows:

	BALANCE AUGUST 31, 2020	INCREASES	DECREASES	BALANCE AUGUST 31, 2021	CURRENT PORTION
Leases, Bonds, and Notes:					
Revenue bonds	\$ 6 940 000	\$ -	\$ 340 000	\$ 6 600 000	\$ 350 000
General obligation bonds	28 652 543	159 296	1 080 000	27 731 839	1 110 000
Notes payable	919 695	150 000	116 452	953 243	169 288
Net pension liability	5 340 834	552 419	-	5 893 253	-
Net OPEB liability	16 681 381	1 048 213	-	17 729 594	611 803
TOTAL LONG-TERM OBLIGATIONS	<u>\$ 58 534 453</u>	<u>\$ 1 909 928</u>	<u>\$ 1 536 452</u>	<u>\$ 58 907 929</u>	<u>\$ 2 241 091</u>

NOTE 9 - BONDS AND NOTES PAYABLE

General Obligation Bonds

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 \$5,518,457 at August 31, 2022 and 2021. 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:

YEARS ENDING AUGUST 31,	PRINCIPAL		INTEREST	TOTAL REQUIREMENTS
2023	\$ 1 155 000 (A)	\$	856 600	\$ 2 011 600
2024	1 129 377 (A)		881 698	2 011 075
2025	1 093 309 (A)		918 291	2 011 600
2026	1 064 431 (A)		949 544	2 013 975
2027	1 028 873 (A)		982 477	2 011 350
2028-2032	6 015 849 (A)		4 050 404	10 066 253
2033-2037	7 720 000 (A)		2 355 388	10 075 388
2038-2041	7 579 418 (A)		679 356	8 258 774
TOTAL	<u>\$ 26 786 257</u>	\$	<u>11 673 758</u>	<u>\$ 38 460 015</u>

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.

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NOTE 9 - BONDS AND NOTES PAYABLE - CONTINUED

General information related to bonds payable is summarized below:

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 principal balance at August 31, 2021 and 2020 was \$2,285,000 and \$3,275,000, 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, 2021 and 2020 was \$5,121,839 and \$4,962,543, 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, 2021 and 2020 was \$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 and issued \$9,960,000
Source of revenue for debt service is ad valorem taxes
Outstanding principal balance at August 31, 2021 and 2020 was \$9,710,000 and \$9,755,000, 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, 2021 and 2020 was \$1,145,000 and \$1,190,000, respectively.

Revenue Bonds

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(A) 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:

YEARS ENDING AUGUST 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2023	\$ 355 000	\$ 214 813	\$ 569 813
2024	370 000	203 938	573 938
2025	380 000	192 688	572 688
2026	390 000	181 137	571 137
2027	405 000	168 172	573 172
2028-2032	2 235 000	627 459	2 862 459
2033-2036	2 115 000	173 500	2 288 500
TOTAL	\$ 6 250 000	\$ 1 761 707	\$ 8 011 707

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 \$2,510,000
Sources of revenue for debt service is dorm fees.
Outstanding principal balance at August 31, 2021 and 2020 was \$1,780,000 and \$1,935,000, respectively.
The economic gain resulting from the refunding transaction was \$204,988.

Revenue Financing System Refunding and Improvement Bonds, Series 2016A

To advance refund 2010 Revenue Bonds
Issued December 8, 2016
Total authorized and issued \$5,545,000
Source of revenue for debt service is dorm fees.
Outstanding principal balance at August 31, 2021 and 2020 was \$4,820,000 and \$5,005,000, respectively.
The economic gain resulting from the refunding transaction was \$232,086.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE 9 - BONDS AND NOTES PAYABLE - CONTINUED

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, 2022 and 2021 was \$278,086 and \$363,243, respectively.

The College entered into a 3.95% maintenance tax note dated December 12, 2016 to a bank in the amount of \$560,000. The note is due in 15 annual payments of \$45,000 to \$50,000. The balance of the note at August 31, 2022 and 2021 was \$374,725 and \$475,000, respectively.

The College entered into a 1.79% note payable dated January 4, 2021 to a bank in the amount of \$150,000. The note is due in three annual payments of \$51,816 beginning January 4, 2022.

Debt service requirements for the notes payable are as follows:

YEARS ENDING AUGUST 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2023	\$ 173 956	\$ 25 405	\$ 199 361
2024	178 744	19 566	198 310
2025	136 255	13 335	149 590
2026	40 000	8 913	48 913
2027	40 000	7 713	47 713
2028-2032	215 000	18 756	233 756
TOTAL	\$ <u>783 955</u>	\$ <u>93 688</u>	\$ <u>877 643</u>

NOTE 10 - DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position - Detailed information about TRS's fiduciary net position is available in a separately-issued 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 members (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 employees who are grandfathered, where 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 cost of living adjustments (COLA). 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.

NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2022 and 2021

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2021 through 2025.

	CONTRIBUTION RATES	
	2022	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity	7.5%	7.5%
Employers	7.5%	7.5%
Employer Contributions - 2022	\$ 501 077	
Member Contributions - 2022	\$ 806 398	
NECE On-behalf Contributions - 2021	\$ 259 298	

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective 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 2022 were \$501,077, as reported in the Schedule of the District's Contributions in the Required Supplementary Information section of these financial statements. Estimated state of Texas on-behalf contributions for 2022 were \$259,298.

- 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 districts 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 sources, 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 employees; and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.
- 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.

Actuarial Assumptions:

The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.33%
Payroll Growth Rate	3.00%
Salary Increases Including Inflation	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

*Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2022 and 2021

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED

The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the system's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. 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. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2021 was developed using a roll-forward method from the August 31, 2020 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2021.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate remained unchanged at 7.25 percent as of August 31, 2021.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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 7.25 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 2.63 percent. 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 these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 TRS' target asset allocation as of August 31, 2021, are summarized below:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION*</u>	<u>LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN</u>	<u>EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**</u>
Global Equity			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	-%	-%	-%
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	(0.30)%	-%
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	-%	-%	-%
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			(0.79)%
Total	<u>100%</u>		<u>7.25%</u>

* Target allocations are based on the FY2016 policy model.

** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED

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 (7.25%) in measuring the 2021 Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (6.25%)	DISCOUNT RATE (7.25%)	1% INCREASE IN DISCOUNT RATE (8.25%)
College's proportionate share of the net pension liability	\$ 6 015 593	\$ 2 752 932	\$ 105 923

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2022, the College reported a liability of \$2,752,932 for its proportionate share of 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:

District's proportionate share of the collective net pension liability	\$ 2 752 932
State's proportionate share that is associated with the District	1 547 377
TOTAL	\$ 4 300 309

The net pension liability was measured as of August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021, the College's proportion of the collective net pension liability was 0.0108%, which was an increase (decrease) of (0.0002) from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2022, the College recognized pension expense of \$6,186 and revenue of \$6,186 for support provided by the State.

For the year ended August 31, 2021, the College recognized pension expense of \$405,803 and revenue of \$405,803 for support provided by the State.

At August 31, 2022, 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	\$ 4 607	\$ 193 809
Changes in actuarial assumptions	974 256	424 191
Difference between projected and actual investment earnings	170 992	2 479 290
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	260 709	132 772
Contributions paid to TRS subsequent to the measurement date	501 077	-
TOTAL	\$ 1 911 641	\$ 3 230 062

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2023	\$ (316 292)
2024	\$ (306 514)
2025	\$ (509 697)
2026	\$ (660 630)
2027	\$ (17 804)
Thereafter	\$ (9 709)

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NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN

Plan Description - 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.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. The College contributes 5.2% for employees who were participating in the optional retirement program prior to September 1, 1995 and 3.3% 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. Senate Bill (SB) 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense of the state for the College, for both the defined benefit plan and the defined contribution plan, was \$259,298, \$259,694, and \$333,237 for the fiscal years ended August 31, 2022, 2021, and 2020, respectively. This amount represents the portion of expended appropriations made by the Texas Legislature on behalf of the College.

The total payroll for the College employees was \$11,805,184, \$11,502,202, and \$11,766,650 for fiscal years 2022, 2021, and 2020, respectively. The total payroll of employees covered by the TRS was \$11,762,626, \$9,613,833, and \$9,534,215 and the total payroll of employees covered by the Optional Retirement Program was \$2,177,421, \$2,325,865, and \$2,325,864 for fiscal years 2022, 2021, and 2020, respectively.

NOTE 12 - DEFERRED COMPENSATION PROGRAM

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. Both a 403(b) plan and a 457(b) plan are available. These plans are funded by employee contributions such that the System is not liable for the diminution in value or loss of all or part of the participating employees' deferred amounts or investment income due to market conditions or the failure, insolvency, or bankruptcy of a qualified vendor.

The total number of NTCC employees participating in these plans at August 31, 2022 and 2021 were 15 and 17, respectively. During fiscal years ended August 31, 2022 and 2021, NTCC employee contributions amounting to \$136,955 and \$210,667, respectively, were invested in the plans.

NOTE 13 - COMPENSABLE ABSENCES

Full-time College employees earn vacation of 5 to 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 \$146,196 and \$147,798 for August 31, 2022 and 2021, 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 14 - HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per insured was \$312.41 and \$312.41 for the years ended August 31, 2022 and 2021, respectively, and totaled \$734,476 for 2022 and \$781,816 for 2021. The cost of providing those benefits for 80 retirees in the year ended fiscal year 2022 was \$408,681 (retirees benefits for 78 retirees cost \$392,959 in fiscal year 2021). For 210 active employees, the cost of providing benefits was \$1,362,657 for the fiscal year ended 2022 (active employee benefits for 215 employees cost \$1,562,032 for the fiscal year 2021).

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NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

(SB 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to the 50 percent of eligible employees in the reporting district.)

A. Plan Description

The College participates in a cost-sharing, multiple-employer defined benefit, other postemployment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

B. OPEB Plan Fiduciary Net Positions

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Annual Financial Report (AFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/AboutERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

C. Benefits Provided

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

D. Contributions

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. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

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

Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium				
	2021		2020	
Retiree*	\$	625	\$	625
Retiree and Spouse	\$	1 341	\$	1 341
Retiree* and Children	\$	1 104	\$	1 104
Retiree and Family	\$	1 820	\$	1 820

**or surviving spouse*

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NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - CONTINUED

Contributions to the GBP plan by source is summarized in the following table.

	<u>Contribution Rates</u>	
	2021	2022
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Employer Contributions - 2022	\$ 166 478	
Member Contributions - 2022	\$ 22 484	
NECE On-behalf Contributions - 2021	\$ 110 401	

Source: ERS FY20 Comprehensive Annual Financial Report

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021
Methods and Assumptions:	
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Last Experience Study	<i>State Agency Members: 5-year period from September 1, 2014 to August 31, 2019</i> <i>Higher Education Members: 7-year period from September 1, 2010 to August 31, 2017</i>
Actuarial Assumptions:	
Discount Rate	2.20%
Projected Annual Salary Increase	2.30 to 9.05%, including inflation
Annual Healthcare Trend Rate	<u>HealthSelect</u> 8.80% for FY22, 5.25% for FY23, 5.00% for FY24, 4.75% for FY25, 4.60% for FY26, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY29 and later years
	<u>HealthSelect Medicare Advantage</u> (53.30)% for FY22, 0.00% for FY23, 66.67% for FY24, 24.00% for FY25, 4.60% for FY26, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY29 and alter years
	<u>Pharmacy</u> 10.00% for FY22 and FY23, decreasing 100 basis points per year to 5.00% for FY28 and 4.30% for FY29 and later years
Inflation Assumption Rate	2.30%
Ad hoc Postemployment Benefit Changes	None
Mortality Rate	<u>State Agency Members</u> <ul style="list-style-type: none"> • <i>Service Retirees, Survivors and other Inactive Members (Regular, Elected, CPO/CO and JRS I and II Employee Classes):</i> 2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2020. • <i>Disability Retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes):</i> 2020 State Retirees of Texas Mortality table with a 3 year set forward for males and females with minimum rates at all ages of 3.0% for males and 2.5% for females, respectively, and Ultimate MP Projection Scale projected from the year 2020. • <i>Active Members:</i> Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP Projection scale from the year 2010. <u>Higher Education Members</u> <ul style="list-style-type: none"> • <i>Service Retirees, Survivors and other Inactive Members:</i> Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018. • <i>Disability Retirees:</i> Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members. • <i>Active Members:</i> Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Many of the actuarial assumptions used in this valuation have been updated based on the results of actuarial experience studies recently adopted by Teacher Retirement System (TRS) trustees for higher education members.

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NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - CONTINUED

Investment Policy. The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

F. Discount Rate

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.97%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.20%, which amounted to a decrease of 0.79%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.2%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.2%)	Current Single Discount Rate (2.2%)	1% Increase in Discount Rate (3.2%)
College's proportionate share of the net OPEB liability	\$ 24 514 986	\$ 20 582 874	\$ 17 506 587

H. Healthcare Trend Rate Sensitivity Analysis.

The initial healthcare trend rate is (8.5%) and the ultimate rate is (4.5%). The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (4.5%) in measuring the net OPEB liability.

	1% Decrease in Healthcare Trend Rate (3.5%)	Current Single Healthcare Trend Rate (4.5%)	1% Increase in Healthcare Trend Rate (5.5%)
College's proportionate share of the net OPEB liability	\$ 17 235 736	\$ 20 582 874	\$ 24 968 226

I. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2022, the College reported a liability of \$20,582,874 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the College. The amount recognized by the College as its proportionate share of the Net OPEB Liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the College were as follows:

College's proportionate share of the collective net OPEB liability	\$ 20 582 874
State's proportionate share that is associated with the College	<u>10 170 227</u>
TOTAL	<u>\$ 30 753 101</u>

The Net OPEB Liability was measured as of August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The College's proportion of the Net OPEB Liability was based on the College's contributions to the OPEB plan relative to the contributions of all other employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021 the College's proportion of the collective Net OPEB Liability was 0.05737306%, which was 0.0018681% higher than the same proportion measured as of August 31, 2020.

For the year ended August 31, 2022, the College recognized OPEB expense of \$124,086 and revenue of \$124,086 for support provided by the State.

For the year ended August 31, 2021, the College recognized OPEB expense of \$110,502 and revenue of \$110,502 for support provided by the State.

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NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - CONTINUED

J. Changes in Actuarial Assumptions

Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follow:

- Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.
- Assumed expenses, assumed per capita health benefit costs, and assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

K. Changes to Term Benefits

The only benefit change for Fiscal Year 2021 for HealthSelect retirees and dependents for whom Medicare is not primary, is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the Fiscal Year 2020 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

High-Cost Plan Excise Tax. Consistent with the prior valuation, the effects of the High-Cost Plan Excise Tax imposed by the ACA under Internal Revenue Code Section 49801 (sometimes referred to as the "Cadillac Tax"), have been included in this valuation. The Excise Tax becomes effective in 2022, but the plan is not expected to be subject to the tax until 2072 based on current plan provisions, assumptions and participant demographics. The Net OPEB Liability is increased by the \$251 million present value of the estimated Excise Taxes in future years and associated increase to the ADC is \$8 million.

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

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

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

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

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

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

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NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - CONTINUED

At August 31, 2021, the College reported its proportionate share of the GBP's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 504 875
Changes in actuarial assumptions	1 409 184	2 272 472
Difference between projected and actual investment earnings	3 645	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2 271 354	(1 131 938)
Contributions paid to ERS subsequent to the measurement date	166 478	-
TOTAL	\$ 3 850 661	\$ 1 665 409

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2023	\$ 491 744
2024	\$ 723 410
2025	\$ 392 957
2026	\$ 278 929
2027	\$ 131 735
Thereafter	\$ -

NOTE 16 - DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables were as follows:

	COLLEGE		FOUNDATION	
	AUGUST 31,		AUGUST 31,	
	2022	2021	2022	2021
Tuition and fees receivable	\$ 2 517 507	\$ 1 935 056	\$ -	\$ -
Taxes receivable	598 002	579 700	-	-
Scholarship and pledges receivable	-	-	-	-
Contracts and grants receivable	1 138 546	1 604 499	2 279	12 306
Other receivables	8 084	7 774	-	-
Allowance for doubtful accounts	(1 975 140)	(2 005 111)	-	-
TOTAL RECEIVABLES	\$ 2 286 999	\$ 2 121 918	\$ 2 279	\$ 12 306

Payables and accrued liabilities were as follows:

	COLLEGE		FOUNDATION	
	AUGUST 31,		AUGUST 31,	
	2022	2021	2022	2021
Accounts Payable:				
Vendors payable	\$ 1 149 711	\$ 788 822	\$ -	\$ -
Accrued Liabilities:				
Accrued payroll liabilities	\$ 16 349	\$ 19 511	\$ -	\$ -
Interest payable	441 625	465 258	-	-
TOTAL ACCRUED LIABILITIES	\$ 457 974	\$ 484 769	\$ -	\$ -
Deposits Payable:				
Student deposits payable	\$ 39 950	\$ 49 400	\$ -	\$ -

NOTE 17 - CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA industry audit guide, *Audits of Colleges and Universities*). Revenues are recognized on Exhibit 2, 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE 17 - CONTRACT AND GRANT AWARDS - CONTINUED

Contracts and grant award funds already committed or funds awarded during fiscal years 2022 and 2021 for the College and Foundation are as follows:

	2022	2021
College:		
Federal	\$ 2 071 031	\$ 2 776 401
State	81 815	149 655
TOTAL	\$ 2 152 846	\$ 2 926 056
Foundation:		
Federal	\$ 132 251	\$ 131 101
State	1 033 725	1 024 738
TOTAL	\$ 1 165 976	\$ 1 155 839

NOTE 18 - 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 \$10,000.

NOTE 19 - 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.

	AUGUST 31,		
	2022	2021	
Assessed valuation of the college	\$ 5 708 431 476	\$ 5 161 146 604	
Less: Exemptions and abatements	1 231 450 077	834 918 158	
NET TAXABLE ASSESSED VALUE	\$ 4 476 981 399	\$ 4 326 228 446	
	CURRENT OPERATIONS	DEBT SERVICE	TOTAL
Tax rate per \$100 valuation - Authorized			\$ 0.1300
Tax rate per \$100 valuation - Assessed:			
FYE August 31, 2022	\$ 0.0851	\$ 0.0450	\$ 0.1300
FYE August 31, 2021	\$ 0.0824	\$ 0.0476	\$ 0.1300

Taxes levied for the year ended August 31, 2022 were \$5,820,076 (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed.

TAX REVENUES - 2022	CURRENT OPERATIONS	DEBT SERVICE	TOTAL
Current taxes	\$ 3 720 468	\$ 1 949 834	\$ 5 670 302
Delinquent taxes	89 148	47 115	136 263
Penalties and interest	69 084	36 512	105 596
Other fees	2 849	1 506	4 355
TOTAL TAX REVENUES	\$ 3 881 549	\$ 2 034 967	\$ 5 916 516

Taxes levied for the year ended August 31, 2021 were \$5,624,097 (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed.

TAX REVENUES - 2021	CURRENT OPERATIONS	DEBT SERVICE	TOTAL
Current taxes	\$ 3 485 806	\$ 2 012 344	\$ 5 498 150
Delinquent taxes	76 239	44 057	120 296
Penalties and interest	58 450	33 776	92 226
Other fees	2 447	1 415	3 862
TOTAL TAX REVENUES	\$ 3 622 942	\$ 2 091 592	\$ 5 714 534

Current tax levy collections for the years ended August 31, 2022 and 2021 were 97.43% and 98.42%, 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.

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NOTE 20 - TAX ABATEMENT

Northeast Texas Community College has upheld county 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 years ended August 31, 2022 and 2021, Northeast Texas Community College did not have any abatement agreements.

NOTE 21 - 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, Etc. Organizations. The College had no unrelated business income for the years ended August 31, 2022 and 2021.

NOTE 22 - NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC. - DISCRETE COMPONENT UNIT

Northeast Texas Community College Foundation, Inc. (the Foundation) was established in 1984 as a separate non-profit 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 23 - 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 not current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for self-funded programs.

NOTE 24 - 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, 2022, 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.

Penalties - in August of 2019, Northeast Texas Community College was notified by the IRS of a proposed penalty for the College's 2017 1098-T information return. The College submitted an appeal outlining sufficient facts supporting a basis for waiver of the proposed penalty for failure to timely file and failure to provide correct TINs for the information reporting filings required by Section 6721 of the IRS Code. The full amount of the proposed penalty was \$150,070. In 2020, the IRS accepted the College's waiver of penalties and interest and this item is closed.

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2022 and 2021

NOTE 25 - TC³ CONSORTIUM

The purpose of this strategic partnership with 7 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. TC³ 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 \$2.375 million.

NOTE 26 - PENDING LAWSUITS AND CLAIMS

As of August 31, 2022, there are no lawsuits pending against the College.

NOTE 27 - SUBSEQUENT EVENTS

Management has considered and reviewed all subsequent events through the date the financial statements were available to be released, which was December 13, 2022.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

For the Fiscal Years Ended
August 31, 2022 and 2021

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 REQUIRED SUPPLEMENTARY SCHEDULE I
 SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TRS net position as a percentage of total pension liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%
The College's proportionate share of collective net pension liability (%)	0.0108%	0.0001%	0.0102743%	0.0144145%	0.0102157%	0.0100684%	0.0105193%	0.0118327%
The College's proportionate share of collective net pension liability (\$)	\$ 2 752 932	\$ 5 893 323	\$ 5 340 834	\$ 5 747 157	\$ 3 266 360	\$ 3 804 716	\$ 3 718 433	\$ 3 160 678
Portion of non-employer contributing entities (NECE) total proportionate share of NPL associated with the College	<u>1 547 377</u>	<u>3 373 878</u>	<u>3 043 321</u>	<u>3 360 848</u>	<u>1 887 439</u>	<u>2 199 339</u>	<u>2 194 512</u>	<u>1 782 893</u>
TOTAL	<u>\$ 4 300 309</u>	<u>\$ 9 267 201</u>	<u>\$ 8 384 155</u>	<u>\$ 9 108 005</u>	<u>\$ 5 153 799</u>	<u>\$ 6 004 055</u>	<u>\$ 5 912 945</u>	<u>\$ 4 943 571</u>
The College's covered payroll amount in the year of measurement	\$ 9 613 833	\$ 9 534 215	\$ 8 390 035	\$ 8 254 074	\$ 7 759 509	\$ 7 385 543	\$ 7 268 137	\$ 6 869 697
Ratio of College's proportionate share of collective NPL/ College's covered payroll amount	28.64%	61.81%	63.66%	69.63%	42.10%	51.52%	51.16%	46.01%

*The amounts presented for each fiscal year were determined as of the measurement date which is August 31 of the prior fiscal year.

**Only seven years of data are 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 supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 REQUIRED SUPPLEMENTARY SCHEDULE II
 SCHEDULE OF THE COLLEGE'S PENSION CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 501 077	\$ 461 449	\$ 454 013	\$ 360 087	\$ 351 746	\$ 334 778	\$ 319 900	\$ 311 480
Actual contributions	<u>(501 077)</u>	<u>(461 449)</u>	<u>(454 013)</u>	<u>(360 087)</u>	<u>(351 746)</u>	<u>(334 778)</u>	<u>(319 900)</u>	<u>(311 480)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The College's covered payroll amount in the current fiscal year	\$ 11 762 626	\$ 9 613 833	\$ 9 534 215	\$ 8 390 035	\$ 8 254 074	\$ 7 759 509	\$ 7 385 543	\$ 7 268 137
Ratio of: actual contributions/College's covered payroll amount	4.26%	4.8%	4.76%	4.29%	4.26%	4.31%	4.33%	4.29%

*Note: GASB 68, Paragraph 81.2b requires that the data in this schedule be presented as of the College's current fiscal year as opposed to the time period covered by the measurement date of the prior fiscal year.

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

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 REQUIRED SUPPLEMENTARY SCHEDULE III
 SCHEDULE OF THE COLLEGE'S SHARE OF NET OPEB LIABILITY
 EMPLOYEES RETIREMENT SYSTEM OF TEXAS
 LAST TEN FISCAL YEARS

College's Proportionate Share of Liability	2021	2020	2019	2018	2017
College's proportion of the OPEBL	0.05737306%	0.0555049%	0.04826415%	0.05109246%	0.03546448%
College's proportionate share of the OPEBL	\$ 20 582 874	\$ 18 341 396	\$ 16 681 382	\$ 15 142 653	\$ 12 083 816
State share of the OPEBL associated with the College	<u>10 170 227</u>	<u>9 365 621</u>	<u>11 406 193</u>	<u>9 285 987</u>	<u>7 490 251</u>
TOTAL	<u>\$ 30 753 101</u>	<u>\$ 21 707 017</u>	<u>\$ 28 087 575</u>	<u>\$ 24 428 640</u>	<u>\$ 19 574 067</u>
College's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 11 365 465	\$ 11 365 440	\$ 10 579 162	\$ 10 644 405	\$ 10 341 867
Proportionate share/covered payroll	181.1%	191.64%	157.68%	142.26%	116.84%
Plan fiduciary net position/total OPEB liability	0.38%	0.32%	0.17%	1.27%	2.04%

College Contributions	2022	2021	2020	2019	2018
Contractually required contribution	\$ 166 478	\$ 392 425	\$ 375 914	\$ 359 717	\$ 340 703
Actual contribution	<u>(166 478)</u>	<u>(392 425)</u>	<u>(375 914)</u>	<u>(359 717)</u>	<u>(340 703)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The College's covered payroll amounts in the current fiscal year	\$ 11 762 625	\$ 11 365 465	\$ 11 365 440	\$ 10 579 162	\$ 10 644 405
Contributions to covered payroll	1.42%	3.45%	3.31%	3.40%	3.20%

* The amounts presented for each fiscal year were determined as of the measurement date which is August 31 of the prior fiscal year.

**Only five years of data are presented in accordance with GASB 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.

A. Notes to Schedules for the TRS Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2020 was developed using a roll-forward method from August 31, 2019.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated on the experience study performed for TRS for the period ending August 31, 2018.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate remained unchanged.
- The long term assumed rate of return changed from 8.0 to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. Notes to Schedule for the ERS OPEB Plan

Other Post-Employment Benefit Plan

Changes of Benefit Terms

Under Q/A #4.107 of GASB's Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, this valuation reflects the benefit changes that will become effective January 1, 2020, since these changes were communicated to plan members in advance of the preparation of this report. The only benefit change for Fiscal Year 2020 for Health Select retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the Fiscal Year 2020 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Changes in Actuarial Assumptions

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

SUPPLEMENTAL FINANCIAL INFORMATION

For the Fiscal Years Ended
August 31, 2022 and 2021

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES
For the Year Ended August 31, 2022
With Memorandum Totals for the Year Ended August 31, 2021

	UNRESTRICTED	RESTRICTED	TOTAL EDUCATIONAL ACTIVITIES	AUXILIARY ENTERPRISES	TOTALS	
					2022	2021
Tuition:						
State Funded Credit Courses:						
In-district resident tuition	\$ 1 612 904	\$ -	\$ 1 612 904	\$ -	\$ 1 612 904	\$ 1 609 618
Out-of-district resident tuition	992 692	-	992 692	-	992 692	906 612
Non-resident tuition	134 229	-	134 229	-	134 229	180 151
TPEG (set aside)*	175 825	-	175 825	-	175 825	119 715
State funded continuing education	221 612	-	221 612	-	221 612	209 259
Non-state funded continuing education	46 554	-	46 554	-	46 554	43 959
TOTAL TUITION	3 183 815	-	3 183 815	-	3 183 815	3 069 314
Fees:						
General institutional service fee	2 812 561	-	2 812 561	-	2 812 561	2 752 597
Out-of-district fees	1 501 508	-	1 501 508	-	1 501 508	1 371 307
Non-resident fees	470 590	-	470 590	-	470 590	320 413
Course fees	359 551	-	359 551	-	359 551	337 133
Other fees	87 369	-	87 369	-	87 369	94 750
TOTAL FEES	5 231 580	-	5 231 580	-	5 231 580	4 876 200
Allowances and Discounts:						
Bad debt allowance	27 525	-	27 525	-	27 525	(52 930)
Scholarship allowances	(629 875)	-	(629 875)	-	(629 875)	(570 599)
Remission and exemptions	(263 539)	-	(263 539)	-	(263 539)	(230 903)
TPEG allowances	(120 294)	-	(120 294)	-	(120 294)	(154 659)
Federal and state grants to students	(3 638 438)	-	(3 638 438)	-	(3 638 438)	(3 605 463)
TOTAL ALLOWANCES AND DISCOUNTS	(4 624 621)	-	(4 624 621)	-	(4 624 621)	(4 614 554)
TOTAL NET TUITION AND FEES	3 790 774	-	3 790 774	-	3 790 774	3 330 960
Other Operating Revenues:						
Federal grants and contracts	34 929	3 645 860	3 681 403	-	3 680 789	3 318 769
State grants and contracts	-	456 955	456 955	-	456 955	697 941
Non-governmental grants and contracts	-	90 166	90 166	-	90 166	42 057
Sales and services of educational activities	83 570	-	83 570	-	83 570	19 304
Other operating revenues	345 357	-	345 357	125 142	470 499	439 578
TOTAL OTHER OPERATING REVENUES	463 856	4 192 981	4 656 837	125 142	4 781 979	4 517 649
Auxiliary Enterprises:						
Residential life	-	-	-	1 251 259	1 251 259	1 022 047
Less discounts	-	-	-	(167 797)	(167 797)	(141 090)
Bookstore	-	-	-	1 444 783	1 444 783	1 456 904
Less discounts	-	-	-	(523 739)	(523 739)	(535 999)
TOTAL NET AUXILIARY ENTERPRISES	-	-	-	2 004 506	2 004 506	1 801 862
TOTAL OPERATING REVENUES	\$ 4 254 630	\$ 4 192 981	\$ 8 447 611	\$ 2 129 648	\$ 10 577 259	\$ 9 650 471

* In accordance with Education Code 56.033, \$175,825 and \$119,715 for years August 31, 2022 and 2021, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE B
SCHEDULE OF OPERATING EXPENSES BY OBJECT
For the Year Ended August 31, 2022
With Memorandum Totals for the Year Ended August 31, 2021

	SALARIES AND WAGES	STATE BENEFITS	LOCAL BENEFITS	OTHER EXPENSES	TOTALS	
					2022	2021
Unrestricted - Educational Activities:						
Instruction	\$ 6 355 149	\$ -	\$ 1 609 369	\$ 5 98 048	\$ 8 562 566	\$ 8 521 755
Public service	37 200	-	9 420	126 001	172 621	102 371
Academic support	692 032	-	175 239	238 736	1 106 017	1 192 630
Student services	812 453	-	205 744	132 434	1 150 631	1 210 955
Institutional support	1 728 336	-	437 681	1 570 677	3 736 694	3 722 399
Operation and maintenance of plant	270 238	-	68 431	1 162 399	1 501 072	1 469 426
TOTAL UNRESTRICTED EDUCATIONAL ACTIVITIES	<u>9 895 408</u>	<u>-</u>	<u>2 505 898</u>	<u>3 828 295</u>	<u>16 229 601</u>	<u>16 219 536</u>
Restricted - Educational Activities:						
Instruction	256 909	636 815	-	391 756	1 285 480	1 600 712
Public service	238 911	3 728	-	59 718	302 489	223 338
Academic support	-	69 345	-	-	69 345	89 313
Student services	142 043	81 411	-	139 123	362 577	377 214
Institutional support	729 382	173 187	-	1 488 726	2 391 295	1 647 041
Operation and maintenance of plant	-	27 079	-	-	27 079	36 137
Scholarships and fellowships	-	-	-	4 728 106	4 728 106	2 752 309
TOTAL RESTRICTED EDUCATIONAL ACTIVITIES	<u>1 367 245</u>	<u>991 565</u>	<u>-</u>	<u>6 807 429</u>	<u>9 166 239</u>	<u>6 726 064</u>
TOTAL EDUCATIONAL ACTIVITIES	11 262 653	991 565	2 505 898	10 635 724	25 395 840	22 945 600
Auxiliary enterprises	544 334	-	174 894	2 197 332	2 882 204	2 652 527
Depreciation Expense:						
Buildings and improvements	-	-	-	-	1 206 198	1 190 803
Equipment and furniture	-	-	-	-	733 604	874 329
Library books	-	-	-	-	20 217	18 964
TOTAL OPERATING EXPENSES	<u>\$ 11 806 987</u>	<u>\$ 991 565</u>	<u>\$ 2 680 792</u>	<u>\$ 12 798 700</u>	<u>\$ 30 238 063</u>	<u>\$ 27 682 223</u>

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE C
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
For the Year Ended August 31, 2022
With Memorandum Totals for the Year Ended August 31, 2021

	UNRESTRICTED	RESTRICTED	AUXILIARY ENTERPRISES	TOTALS	
				2022	2021
Non-Operating Revenues:					
State Appropriations:					
Educational and general state support	\$ 5 399 935	\$ -	\$ -	\$ 5 399 935	\$ 4 968 866
State group insurance	-	7 11 618	-	711 618	962 520
State retirement matching	-	279 948	-	279 948	259 694
Ad-valorem taxes	3 881 549	2 034 967	-	5 916 516	5 714 534
Federal revenue, non-operating	-	8 710 084	-	8 710 084	6 838 506
Investment income	-	9 501	-	9 501	8 404
TOTAL NON-OPERATING REVENUES	9 281 484	11 746 118	-	21 027 602	18 752 521
Non-Operating Expenses:					
Interest on capital related debt	1 289 816	-	-	1 289 816	1 328 225
(Gain) loss on disposal of fixed assets	2 958	-	-	2 958	40 539
Other non-operating expense	2 300	-	-	2 300	2 032
TOTAL NON-OPERATING EXPENSES	1 295 074	-	-	1 295 074	1 370 796
NET NON-OPERATING REVENUES	\$ 7 986 410	\$ 11 746 118	\$ -	\$ 19 732 528	\$ 17 381 725

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE D
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
For the Year Ended August 31, 2022
With Memorandum Totals for the Year Ended August 31, 2021

	DETAIL BY SOURCE					AVAILABLE FOR CURRENT OPERATIONS		MEMORANDUM TOTAL 08/31/2021
	UNRESTRICTED	RESTRICTED		NET INVESTMENT IN CAPITAL ASSETS	TOTAL 08/31/2022	YES	NO	
		EXPENDABLE	NON- EXPENDABLE					
Current:								
Unrestricted	\$ (16 444 164)	\$ -	\$ -	\$ -	\$ (16 444 164)	\$ 6 024 741	\$ (22 468 905)	\$ (16 235 784)
Board designated reserve	515 717	-	-	-	515 717	515 717	-	515 717
Plant:								
Investment in plant	-	580 912	-	11 097 070	11 677 892	-	11 677 982	11 082 283
TOTAL NET POSITION, AUGUST 31, 2022	(15 928 447)	580 912	-	11 097 070	(4 250 465)	6 540 458	(10 790 923)	(4 637 784)
TOTAL NET POSITION, AUGUST 31, 2021	(16 263 061)	707 416	-	10 917 861	(4 637 784)	6 032 509	(10 670 293)	(4 104 432)
NET INCREASE (DECREASE) IN NET POSITION	\$ 334 614	\$ (126 504)	\$ -	\$ 179 209	\$ 387 319	\$ 507 949	\$ (120 630)	\$ (553 352)

See independent auditors' report.

SINGLE AUDIT SECTION

Annual Financial Report

For the Fiscal Years Ended
August 31, 2022 and 2021

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 of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of and for the year ended August 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s basic financial statements, and have issued our report thereon dated December 13, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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 Governmental Auditing Standards.

Public Funds Investment Act Compliance

We performed tests designed to verify Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with the Public Funds Investment Act. The results of our tests disclosed no instances of noncompliance with the Public Funds Investment Act.

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.

Conclusion

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

Lufkin, Texas
December 13, 2022

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE 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 of Trustees:

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

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* and the State of Texas Single Audit Circular, Uniform Grant Management Standards which could have a direct and material effect on each of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s major federal and state programs for the year ended August 31, 2022. Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 federal and state programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal and State Program

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 for Federal Awards* (Uniform Guidance) and the State of Texas Single Audit Circular, issued by the Comptroller General of the United States. Our responsibilities under those standards, the Uniform Guidance and State of Texas Circular are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northeast Texas Community College and Northeast Texas Community College Foundation and to meet our other ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the college and the foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and State Single Audit Circular will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, and the Texas State Single Audit Circular, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Texas State Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

Report on Internal Control over Compliance

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

Our consideration of 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the Texas State Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Conclusion

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


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
December 13, 2022

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 August 31, 2022

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

Material weakness(es) 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 and State Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Uniform Guidance or TSAC? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal or State Program or Cluster*</u>
84.031	Higher Education Institutional Aid
84.425	CARES Act
State	Temporary Assistance to Needy Families

Dollar threshold used to distinguish between Type A and Type B Federal programs: \$750,000

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statements Findings

None

C. Findings and Questioned Costs - Major Federal and State Award Programs Audit

None

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
SCHEDULE E
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROVIDED TO SUBRECIPIENTS	PASS THROUGH DISBURSEMENTS AND EXPENDITURES
U.S. Department of Education:				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007A	P007A196964		\$ 56 462
Federal Work Study Program	84.033A	P033A196964		51 326
Federal Pell Grant Program	84.063P	P063P194174		5 780 771
Direct Loans	84.268	P268K204174		2 135 286
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER				<u>8 023 845</u>
TRIO - Upward Bound	84.047A	P047A170049		<u>289 378</u>
Title V	84.031S	P031S150251	\$ 103 015	<u>1 195 992</u>
TOTAL TITLE V			<u>103 015</u>	<u>1 195 992</u>
Federal CARES ACT Funding - HIS Institutional	84.425			
Federal CARES ACT Funding - CRRSAA	84.425			1 414 792
Federal CARES ACT Funding - ARP	84.425			277 688
Federal CARES ACT Funding - Student portion	84.425E	P425E200150		2 872 850
TOTAL CARES ACT FUNDING				<u>4 565 330</u>
Passed Through Texas Workforce Commission:				
Passed Through Tyler Junior College:				
Adult Education and Family Leave Act (AEFLA)-LCOT	84.002	0818ALA00C		37 345
Adult Education and Family Leave Act (AEFLA)-LCOT	84.002A	0818ALA00B		5 546
Passed Through Paris Junior College:				
Adult Education and Family Leave Act (AEFLA)	84.002A	0818ALA000		177 579
Adult Education and Family Leave Act (AEFLA)	84.002A	0720AEL001		160
TOTAL PASSED THROUGH TEXAS WORKFORCE COMMISSION				<u>220 630</u>
Passed Through Texas Higher Education Coordinating Board:				
Vocational Education - Allocated	84.048	204253		212 543
Educational Stabilization Fund - GEER	84.425C	2020-GE-84425C-25557		5 439
TRUE Grant	84.425C	2020-GE-84425C-25757		123 336
Texas Completion Repayment Grant	84.425C	2020-GE-84425C-26616		4 828
TOTAL PASSED THROUGH TEXAS HIGHER EDUCATION COORDINATING BOARD				<u>346 146</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>14 641 320</u>
U.S. Department of Health and Human Services:				
Passed Through Texas Education Agency:				
Temporary Assist to Needy Families	93.558	(A) 203630027110020		131 101
TOTAL PASSED THROUGH TEXAS EDUCATION AGENCY				<u>131 101</u>
Passed Through Texas Workforce Solutions:				
Passed Through Paris Junior College:				
Temporary Assist to Needy Families	93.558	0718ALA000		16 810
TOTAL PASSED THROUGH TEXAS WORKFORCE SOLUTIONS				<u>16 810</u>
TOTAL U.S. DEPARTMENT OF HEATH AND HUMAN SERVICES				<u>147 911</u>
U.S. Small Business Administration:				
Passed Through Dallas Community College:				
SBDC	59.037	N/A		266 889
TOTAL U.S. SMALL BUSINESS ADMINISTRATION				<u>266 889</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u>103 015</u>	\$ <u>15 056 121</u>

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 SCHEDULE E - CONTINUED
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	PASS THROUGH DISBURSEMENTS AND EXPENDITURES
<u>NOTE 1 - FEDERAL FINANCIAL ASSISTANCE RECONCILIATION</u>	
Revenue - Federal grants and contracts revenue - Per Schedule A - College	\$ 3 680 789
Add: Federal grants and contracts revenue - Per Schedule C - College	8 710 084
TOTAL FEDERAL REVENUES PER SCHEDULE A AND C	12 390 873
Reconciling Items:	
Add: Funds passed through to others	103 015
Add: Federal grant capital contributions - Per Exhibit 2 - College	295 846
Add: Direct loans	2 135 286
Add: Federal grants and contracts revenue - Foundation	131 101
TOTAL FEDERAL REVENUES PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ 15 056 121

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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. Some amounts reported in the schedule may differ from amounts used in the preparation of the basis financial statements. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has agency approved Indirect Recovery Rate it has elected not to use the 10 percent de minimis cost rate as permitted in the UG, section 200.414.

NOTE 3 - STUDENT LOANS PROCESSED AND ADMINISTRATIVE COSTS RECOVERED

FEDERAL GRANTOR CFDA NUMBER/PROGRAM NAME	NEW LOANS PROCESSED	ADMINISTRATIVE COST RECOVERED	TOTAL
U.S. Department of Education: All direct loans processed are included in the schedule.			

NOTE 4 - AMOUNTS PASSED THROUGH BY THE COLLEGE

The following amounts were passed through to the listed sub-recipients by the College:

U.S. Department of Education:	
Title V:	
TAMUT - Texarkana	\$ 103 015
TOTAL AMOUNT PASSED THROUGH BY THE COLLEGE	\$ 103 015

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

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
SCHEDULE F
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2022

GRANTOR/PROGRAM/TITLE	GRANT CONTRACT NUMBER	PASS THROUGH DISBURSEMENTS AND EXPENDITURES
Texas Education Agency: Temporary Assistance to Needy Families TOTAL TEXAS EDUCATION AGENCY	(A) 200958027110020	\$ <u>1 158 606</u> <u>1 158 606</u>
U.S. Small Business Administration: Passed through Dallas Community College: SBDC TOTAL U.S. SMALL BUSINESS ADMINISTRATION	N/A	<u>83 323</u> <u>83 323</u>
Texas Higher Education Coordinating Board: Texas Education Opportunity Grant Nursing Shortage TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD	N/A N/A	279 560 <u>23 165</u> <u>302 725</u>
Texas College Workstudy		<u>16 032</u>
Texas Workforce Commission: Skills Development Fund Passed through Paris Junior College: State AEFLA Professional Development TOTAL TEXAS WORKFORCE COMMISSION	0720COS001 0818ALA00C 0718ALA000	9 884 38 053 <u>6 938</u> <u>54 875</u>
HOGG Foundation Grant: HOGG Foundation Grant TOTAL STATE FINANCIAL ASSISTANCE	(A) WRC-040	<u>82 179</u> \$ <u><u>1 697 740</u></u>

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

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

	EXPENDITURES
State Grants and Contracts Revenue - Per Schedule A - College	\$ <u>456 955</u>
State Grants and Contracts Revenue - Per Schedule C - College	-
State Grants and Contracts - Foundation	<u>1 240 785</u>
TOTAL STATE FINANCIAL ASSISTANCE	\$ <u><u>1 697 740</u></u>

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

None