

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND
NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
AUGUST 31, 2013 AND 2012*

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 2013

Board of Trustees

Officers

Dr. Dan McCauley-Mount Pleasant, TX	(2012-2018)	Board Chairman
Mr. Jerry Massey-Pittsburg, TX	(2010-2016)	Board Vice Chairman
Mr. Sid Greer-Daingerfield, TX	(2012-2018)	Board Secretary

Members

Mr. Bill Priefert, Mount Pleasant, TX	(2008-2014)
Mr. John Bryan, Naples, TX	(2008-2014)
Mr. Chuck Johns, Pittsburg, TX	(2008-2014)
Gov. Bill Ratliff, Mount Pleasant, TX	(2012-2014)

Principal Administrative Officers

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

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

December 12, 2013

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

Members of the Board:

Report on the Financial Statements

We have audited the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of August 31, 2013 and 2012, and the related notes to the financial statements for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Uniform Grants Management Standards issued by the State of Texas. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of August 31, 2013 and 2012, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *State of Texas Uniform Grant Management Standards*, and are not a required part of the financial statements. The Supplemental Schedules are likewise presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. These additional schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of Northeast Texas Community College and Northeast Texas Community College Foundation Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Wilf & Henderson, P.C.
WILF & HENDERSON, P. C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A)

This section of Northeast Texas Community College's Annual Financial Report presents management's discussion and analysis of the College's financial activity during fiscal years ending 2011, 2012, and 2013. Since this management's discussion and analysis is designed to focus on current activities, resulting change, decisions or conditions of facts, please read it in conjunction with the College's basic financial statements (pages 11-16) and the footnotes (pages 17-37). The College endeavors to present an objective and easily readable analysis of the overall financial activities to students and the public. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

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

College Foundation as a Discrete Component Unit

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

Statement of Net Position (Balance Sheet)

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

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

Statement of Net Position For the Years Ended August 31, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Current	\$ 5,627,936	\$ 7,003,229	\$ 6,296,340
Net Capital Assets	35,594,029	36,330,720	36,288,477
Other Non-Current	<u>2,409,438</u>	<u>2,121,481</u>	<u>1,913,485</u>
Total Assets	<u>43,631,403</u>	<u>45,455,430</u>	<u>44,498,302</u>
<u>Liabilities</u>			
Current	4,405,444	5,447,652	5,628,035
Non-Current	<u>23,147,305</u>	<u>24,612,457</u>	<u>25,348,224</u>
Total Liabilities	<u>27,552,749</u>	<u>30,060,109</u>	<u>30,976,259</u>
<u>Net Position</u>	<u>\$ 16,078,654</u>	<u>\$ 15,395,321</u>	<u>\$ 13,522,043</u>

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

Net Position is divided into three major categories:

- ✓ The first asset category, invested in capital assets and reserve for debt service, provides the College's equity in property, plant and equipment.
- ✓ The next asset category is restricted net assets, which is divided into two categories, permanent and temporary. Restricted permanent is maintained only in the College's Foundation, is non-expendable and used only for investment purposes. Temporary restricted assets are maintained both by the College and the Foundation and are used for purposes determined by donors and/or external entities.
- ✓ The third asset category is the unrestricted assets and is available to both the College and the Foundation for any lawful purpose.

As of August 31, 2013, 2012, and 2011, the College's net positions were \$16,078,654, \$15,395,321, and, \$13,522,043 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, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
SUMMARY OF REVENUES AND EXPENSES			
Total, Operating Revenues	\$ 7,415,652	\$ 7,229,053	\$ 7,002,326
Total, Operating Expenses	<u>23,439,863</u>	<u>22,800,260</u>	<u>24,244,467</u>
Total, Operating (Loss)	(16,024,211)	(15,571,207)	(17,242,141)
Net Non-Operating Revenues	16,232,391	16,586,940	17,645,980
Capital Contributions	<u>475,153</u>	<u>857,545</u>	<u>2,078,790</u>
Increase (Decrease) in Net Position	683,333	1,873,278	2,482,629
Net Position at Beginning of Year	<u>15,395,321</u>	<u>13,522,043</u>	<u>11,039,414</u>
Net Position - End of Year	<u>\$ 16,078,654</u>	<u>\$ 15,395,321</u>	<u>\$ 13,522,043</u>

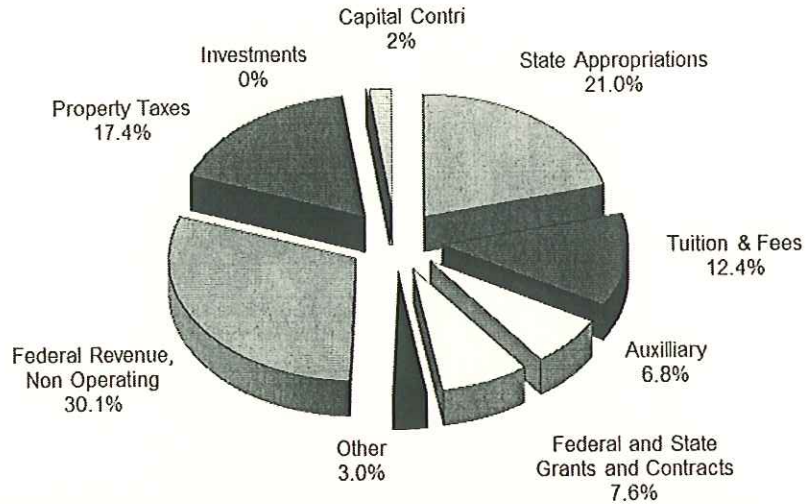
Operating and Non-Operating Revenues

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

Revenues: Operating and Non-Operating
For the Years Ended August 31, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues:			
Net tuition and fees	\$ 3,107,885	\$ 2,899,761	\$ 2,494,140
Federal grants and contracts	1,246,586	1,467,176	1,363,871
State grants and contracts	656,819	669,743	840,004
Non-governmental grants and contracts	113,737	142,309	104,131
Sales and services of educational activities	65,647	75,154	120,592
Net auxiliary enterprises	1,646,465	1,425,999	1,202,538
Other operating revenues	<u>578,513</u>	<u>548,911</u>	<u>519,931</u>
Total, Operating Revenues	<u>7,415,652</u>	<u>7,229,053</u>	<u>6,645,207</u>
Net Non-Operating Revenues:			
State appropriations	5,264,858	5,026,300	5,247,990
Property taxes	4,349,493	4,574,382	4,643,303
Federal revenue, non-operating	7,551,073	8,071,822	8,853,884
Investment and other Income	<u>11,975</u>	<u>6,735</u>	<u>12,086</u>
Total, Non-Operating Revenues	<u>17,177,399</u>	<u>17,679,239</u>	<u>18,757,263</u>
Capital Contributions	<u>475,153</u>	<u>857,545</u>	<u>2,078,790</u>
Total Revenues, Operating and Non-Operating	<u>\$ 25,068,204</u>	<u>\$ 25,765,837</u>	<u>\$ 27,481,260</u>

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



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

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

In comparing the fiscal periods ended August 21, 2012 and 2011:

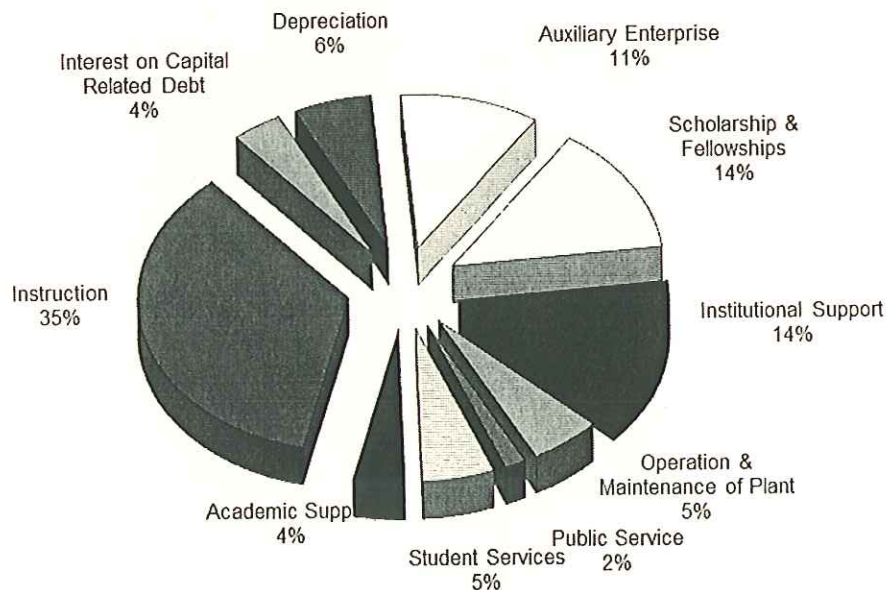
- Net Tuition and fee revenues increased \$405,621 or 16.3% as a result of increased tuition and fees of \$643,701 due to increased fee structures offset by an increase in scholarship allowances in the amount of \$238,080.
- The Northeast Texas Community College Foundation, as a component of the College, contributed a total of \$260,989 in scholarships for 253 students.
- State appropriations decreased \$221,690 or 4.2% primarily as a result of decreased benefits allocations of \$579,077 offset by increased general appropriations of \$357,468 resulting from increased enrollment.
- Property tax revenues decreased \$68,921 or 1.5% primarily as a result of a settlement on property values requiring a refund of past tax receipts in the approximate amount of \$49,100.
- Federal revenue non-operating decreased \$782,062 or 8.8% primarily as a result of decreased Pell benefits.

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

Expenses: Operating and Non-Operating
For the Years Ended August 31, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Expenses:			
Instruction	\$ 8,603,594	\$ 8,369,000	\$ 8,428,098
Public service	393,962	408,761	360,005
Academic support	980,263	833,158	947,280
Student services	1,349,029	1,292,790	1,503,051
Institutional support	3,380,688	3,264,824	3,134,828
Operation and maintenance of plant	1,328,508	1,277,409	1,382,906
Scholarship & fellowships	3,316,530	3,462,673	4,721,044
Auxiliary enterprise	2,612,191	2,512,559	2,323,460
Depreciation	1,475,098	1,379,086	1,086,676
Total, Operating Expenses	<u>23,439,863</u>	<u>22,800,260</u>	<u>23,887,348</u>
Non-Operating Expenses:			
Interest on capital related debt	944,208	1,012,178	1,082,044
(Gain) Loss on disposal of capital assets	-	45,508	(1,029)
Other non-operating expenses	800	34,613	30,268
Total, non-operating expenses	<u>945,008</u>	<u>1,092,299</u>	<u>1,111,283</u>
Total Expenses, Operating and Non-Operating	<u>\$ 24,384,871</u>	<u>\$ 23,892,559</u>	<u>\$ 24,998,631</u>

Expenses by Source
Operating & Non-Operating



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

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

In comparing the fiscal periods ended August 31, 2012 and 2011:

- Overall, benefits costs paid by the state but not paid by the College created a reduction in benefit costs of \$178,343. See note 20 to the financial statements for further discussion.
- Instructional expense decreased \$59,098 or 0.7% primarily due to decreased benefit allocations of \$89,655 offset by increased instructional supplies and restricted capital expenditures of \$33,897.
- Public service increased \$48,756 or 13.5% primarily due to increases in other operating expenditures due to expansion of the SBDC program in the surrounding area.
- Academic support decreased \$114,122 or 12.0% primarily due to decreased benefit allocations of \$28,843 and decreased salaries of \$79,958 due to lapsed salaries for open positions.
- Student services decreased \$210,261 primarily due to decreased restricted salaries of \$200,841 as a result of a grant period ending.
- Institutional support increased \$129,996 or 4.1% primarily due to increased salaries of \$91,959 for the College's Title III grant and an increase of \$54,997 in other operating expenses primarily for software licenses and maintenance and bank fees.
- Operation of maintenance and plant decreased \$105,497 or 7.6% primarily due to decreased salaries of \$47,254 due to outsourcing functions and reorganization within the department and a decrease of \$42,612 in operating expenses as a result of receipt of insurance proceeds for storm damage exceeding the cost of repairs.
- Scholarships and fellowships decreased \$1,258,371 or 26.7% as a result of decreased availability of financial aid awards for both Federal and State sources.
- Auxiliary enterprise expense increased \$189,099 or 8.1% as a result of increased salaries of \$63,524 and operating costs of \$114,116 primarily related to the addition of a new 110 bed dorm.
- Depreciation expense increased \$292,410 or 26.9% as a result of new buildings completed in the prior year being depreciated for a full year in the current period.

Analysis of Net Position

Total Net Position of \$16,078,654 is comprised of the investment in capital assets net of related debt of \$11,643,791, reserve for debt service of \$805,415, and unrestricted net position of \$3,629,448. The debt service reserve is set-aside in the event the pledged revenues in interest and sinking fund are not sufficient to pay the debt service payment in the future. The unrestricted net position is the inception-to-date net of current and non-current revenues and expenses.

For the Years Ended August 31, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Investment in Capital Assets, Net of Related Debt	\$ 11,643,791	\$ 11,041,130	\$ 10,207,345
Restricted for debt service	805,415	826,539	559,076
Temporarily Restricted	-	-	-
Unrestricted	<u>3,629,448</u>	<u>3,527,652</u>	<u>2,755,622</u>
Total Net Position	<u>\$ 16,078,654</u>	<u>\$ 15,395,321</u>	<u>\$ 13,522,043</u>

Long Term Debt

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.

In the fiscal period ended August 31, 2011, the college entered into private placement financing arrangements to fund the building of new student housing with 112 beds and a new physical fitness facility. The college issued \$6,132,000 in Revenue Financing System Revenue Bonds with a fixed interest rate of 4.09% for ten years and a 25 year amortization to finance the student housing project. The college also issued \$1,471,000 in Limited Tax Bonds with a fixed interest rate of 3.72% for ten years and a 25 year amortization to finance the physical fitness facility. The college also entered into a Time Warrant payable to a bank in the amount of \$500,000 for the purchase of an instructional facility. The warrant is due in 9 semi-annual payments of \$22,029 with a final payment of \$385,635 on March 1, 2016.

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, 2013 and 2012.

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

Capital Assets

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

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

In the fiscal period ended August 31, 2011, the College expended approximately \$467,500 in general revenue bonds and \$743,000 in grant funds to complete the construction of the new agriculture instructional facility. The college expended \$5,736,000 in general revenue bonds to construct a 112 bed

dorm facility. The college expended \$1,471,000 in general obligation funds to construct a new physical fitness facility. The college expended \$500,000 in Time Warrant funds to purchase a new building to be used for workforce instruction. The foundation contributed approximately \$608,800 to make capital improvements to this new building.

The College has a commitment to purchase a new bus in the approximate amount of \$107,000 to be delivered in September 2013. The College plans on using a combination of cash and financing to make the purchase. The financing will be in the form of a note with a five year term in the amount of \$86,000.

The College is in the process of evaluating vendors for replacement of their student information and financial system. The College anticipates the cost of this replacement will be less than \$1.5 million and will take approximately 18 months to complete. The College plans on paying for the project with a combination of grants, operating funds and fund balance and may seek financing for a part of the project.

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

On February 12, 2013, Standard & Poor's affirmed the College's Revenue Financing debt rating at BBB. On January 16, 2013, Standard & Poor's rated the College's General Obligation Financing debt at A. Management does not believe it has any debt limitations that may affect the financing of planned facilities or services.

Statement of Cash Flows

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

Part 1 deals with operating cash flows and shows the net cash used in the operating activities of the institution. The bulk of receipts from students and other customers, appropriations, grants and contracts, and other proceeds help the College cover its payments for payroll, scholarships, loans, and other cash payments.

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

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

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

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

Financial Condition and Outlook

The college has been able to increase its unrestricted fund balance approximately \$101,796 in the current year. Given the current economic climate, we anticipate continued downward pressure on our ability to earn interest on our temporary investments. We also anticipate no increase in collected tax revenues over the next two to three years as a result of flattened appraisal values as a result of economic conditions coupled with the college's having reached its tax rate cap of .10 per \$100 valuation. We also expect no increases in state funding as a result of decreased available general state revenues over the next three years. We anticipate adjusting our ongoing operating spending to compensate for these reduced revenues. The college experienced a 3% decline in enrollment in the Fall of 2013 and does not anticipate significant growth in enrollment levels in the next few years.

FINANCIAL STATEMENTS

NORTHEAST TEXAS COMMUNITY COLLEGE
EXHIBIT 1
STATEMENTS OF NET POSITION
August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 3,226,369	\$ 4,295,904
Accounts receivable (Note 10)	1,453,745	1,460,859
Inventories	596,439	597,086
Prepaid expense	212,130	357,923
Due from component unit	139,253	291,457
Total Current Assets	<u>5,627,936</u>	<u>7,003,229</u>
Noncurrent Assets		
Restricted cash and cash equivalents (Note 4)	394,770	674,564
Unrestricted long-term investments (Note 4)	505,122	99,000
Restricted long-term investments (Note 4)	974,437	627,196
Notes receivable (net of allowance for doubtful accounts of \$78,172 in 2013 and \$80,267, 2012)	-	-
Deferred charges	493,676	676,905
Other assets	41,433	43,816
Capital assets, net of accumulated depreciation (Note 6)	<u>35,594,029</u>	<u>36,330,720</u>
Total Noncurrent Assets	<u>38,003,467</u>	<u>38,452,201</u>
Total Assets	<u>43,631,403</u>	<u>45,455,430</u>
LIABILITIES		
Current Liabilities		
Accounts payable (Note 10)	609,679	838,488
Accrued liabilities (Note 10)	267,699	332,455
Accrued compensated absences (Note 9)	105,199	87,380
Deposits payable (Note 10)	166,312	145,142
Funds held for others	119,474	127,368
Deferred revenues	1,735,223	2,511,848
Notes and leases payable - current portion (Note 7)	91,430	133,711
Bonds payable - current portion (Note 7)	<u>1,310,428</u>	<u>1,271,260</u>
Total Current Liabilities	<u>4,405,444</u>	<u>5,447,652</u>
Noncurrent Liabilities		
Bonds payable (Note 7)	21,633,790	22,771,032
Premium on Bonds Payable	414,387	467,988
Notes and leases payable (Note 7)	<u>1,099,128</u>	<u>1,373,437</u>
Total Noncurrent Liabilities	<u>23,147,305</u>	<u>24,612,457</u>
Total Liabilities	<u>27,552,749</u>	<u>30,060,109</u>
NET POSITION		
Invested in capital assets, net of related debt	11,643,791	11,041,130
Restricted for		
Expendable		
Debt service	805,415	826,539
Temporarily	-	-
Unrestricted	<u>3,629,448</u>	<u>3,527,652</u>
Total Net Position	<u>\$ 16,078,654</u>	<u>\$ 15,395,321</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
August 31, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents (Note 4)	\$ 351,217	\$ 777,281
Accounts receivable (Note 10)	453,527	746,063
Other assets	28,800	-
Total Current Assets	<u>833,544</u>	<u>1,523,344</u>
Noncurrent Assets		
Long - term investments (Note 4)	2,725,497	2,321,217
Property, plant, and equipment, net of accumulated depreciation (Note 6)	493,411	500,521
Other assets	67,500	29,100
Total Noncurrent Assets	<u>3,286,408</u>	<u>2,850,838</u>
 Total Assets	 <u><u>4,119,952</u></u>	 <u><u>4,374,182</u></u>
 LIABILITIES		
Current Liabilities		
Accounts payable (Note 10)	6,046	16,662
Deferred revenue	67,268	104,435
Due to Northeast Texas Community College	139,253	291,457
Total Current Liabilities	<u>212,567</u>	<u>412,554</u>
 Total Liabilities	 <u><u>212,567</u></u>	 <u><u>412,554</u></u>
 Net Position		
Restricted		
Nonexpendable:		
Permanently	2,225,960	2,006,794
Expendable:		
Temporarily	1,105,443	1,372,864
Unrestricted	575,982	581,970
Total Net Assets	<u><u>\$ 3,907,385</u></u>	<u><u>\$ 3,961,628</u></u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE
EXHIBIT 2
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended August 31, 2013 and 2012

REVENUES	<u>2013</u>	<u>2012</u>
Operating Revenues		
Tuition and fees (net of grant and scholarship allowances of \$4,235,440, 2013 and \$4,389,480, 2012)	\$ 3,107,885	\$ 2,899,761
Federal grants and contracts	1,246,586	1,467,176
State grants and contracts	656,819	669,743
Non-Governmental grants and contracts	113,737	142,309
Sales and services of educational activities	65,647	75,154
Auxiliary enterprises (net of grant and scholarship allowances of \$1,326,268, 2013 and \$1,478,596, 2012)	1,646,465	1,425,999
Other operating revenues	<u>578,513</u>	<u>548,911</u>
Total Operating Revenues (Schedule A)	<u>7,415,652</u>	<u>7,229,053</u>
 EXPENSES		
Operating Expenses		
Instruction	8,603,594	8,369,000
Public service	393,962	408,761
Academic support	980,263	833,158
Student services	1,349,029	1,292,790
Institutional support	3,380,688	3,264,824
Operation and maintenance of plant	1,328,508	1,277,409
Scholarships and fellowships	3,316,530	3,462,673
Auxiliary enterprises	2,612,191	2,512,559
Depreciation	<u>1,475,098</u>	<u>1,379,086</u>
Total Operating Expenses (Schedule B)	<u>23,439,863</u>	<u>22,800,260</u>
 Operating Income (Loss)	<u>(16,024,211)</u>	<u>(15,571,207)</u>
 NON-OPERATING REVENUES (EXPENSES)		
State allocations	5,264,858	5,026,300
Ad-valorem taxes		
Taxes for maintenance & operations	3,223,844	3,458,064
Taxes on general obligations bonds	1,125,649	1,116,318
Federal revenue, non operating	7,551,073	8,071,822
Investment income (net of investment expenses)	11,975	6,735
Interest on capital related debt	(944,208)	(1,012,178)
Gain (Loss) on disposal of capital assets	-	(45,508)
Other non - operating expenses	<u>(800)</u>	<u>(34,613)</u>
Net non-operating revenues (Schedule C)	<u>16,232,391</u>	<u>16,586,940</u>
 Capital Contributions		
Component Unit	148,409	384,551
Federal contributions in aid of construction	87,507	132,309
State contributions in aid of construction	<u>239,237</u>	<u>340,685</u>
	<u>475,153</u>	<u>857,545</u>
 Increase (Decrease) in Net Position	683,333	1,873,278
 Net Position - Beginning of Year	<u>15,395,321</u>	<u>13,522,043</u>
 Net Position - End of Year	<u><u>\$ 16,078,654</u></u>	<u><u>\$ 15,395,321</u></u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF ACTIVITIES
For the Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Operating Revenues		
Federal Grants and Contracts	\$ 543,406	\$ 809,999
State Grants and Contracts	355,165	376,538
Local Grants and Contracts	510,970	518,055
Total Operating Revenues	<u>1,409,541</u>	<u>1,704,592</u>
EXPENSES		
Operating Expenses		
Public Service	1,934,700	2,334,684
Scholarships	212,423	260,989
Depreciation	30,713	47,622
Total Operating Expenses	<u>2,177,836</u>	<u>2,643,295</u>
Operating (Loss)	<u>(768,295)</u>	<u>(938,703)</u>
Non-Operating Revenues		
Investment income	75,198	94,045
Net non-operating revenues	<u>75,198</u>	<u>94,045</u>
(Loss) Before Other Revenues, Expenses, Gains, Losses	<u>(693,097)</u>	<u>(844,658)</u>
OTHER REVENUES, (EXPENSES), GAINS, LOSSES		
Additions to Endowments	42,525	25,764
Gains on investments	165,815	74,332
Contributions	430,514	1,126,876
Total Other Revenues, Expenses, Gains, Losses	<u>638,854</u>	<u>1,226,972</u>
Increase (Decrease) in Net Assets	<u>(54,243)</u>	<u>382,314</u>
Net Position - Beginning of Year	<u>3,961,628</u>	<u>3,579,314</u>
Net Position - End of Year	<u>\$ 3,907,385</u>	<u>\$ 3,961,628</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE
EXHIBIT 3
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Receipts from students and other customers	\$ 3,839,109	\$ 3,454,368
Receipts of grants and contracts for operating activities	2,170,709	2,814,799
Other receipts	650,240	630,928
Payments to or on behalf of employees	(8,156,718)	(8,441,567)
Payments to suppliers for goods or services	(10,162,815)	(8,810,816)
Payments of scholarships	(3,316,530)	(3,462,673)
Net cash provided (used) by operating activities	<u>(14,976,005)</u>	<u>(13,814,961)</u>
Cash Flows From Noncapital Financing Activities		
State allocations	4,996,295	4,786,161
Federal revenues	7,551,073	8,005,434
Ad valorem tax revenues	4,335,574	4,598,502
Net cash provided (used) by non-capital financing activities	<u>16,882,942</u>	<u>17,390,097</u>
Cash Flows From Capital and Related Financing Activities		
Interest and other expense on capital related debt	(836,961)	(845,336)
Purchases of capital assets	(589,998)	(1,096,057)
Proceed from sale of assets	-	13,772
Capital contributions	326,744	472,994
Proceeds on issuance of capital debt	-	22,894
Payments on capital debt and leases	(1,414,663)	(1,103,973)
Net cash provided (used) by capital and related financing activities	<u>(2,514,878)</u>	<u>(2,535,706)</u>
Cash Flows From Investing Activities		
Investment earnings	11,975	7,235
Purchases of investments	(753,363)	(369,304)
Net cash provided (used) by investing activities	<u>(741,388)</u>	<u>(362,069)</u>
Increase (Decrease) in cash and cash equivalents	<u>(1,349,329)</u>	<u>677,361</u>
Cash and cash equivalents - September 1,	<u>4,970,468</u>	<u>4,293,107</u>
Cash and cash equivalents - August 31,	<u>\$ 3,621,139</u>	<u>\$ 4,970,468</u>
Noncash investing, capital, and financing activities		
Contributions of Capital Assets	148,409	384,551
Proceeds from refunding bond issue (see note 7)	3,912,171	9,807,673
Funds deposited with escrow agent for bond refunding (see note 7)	(3,912,171)	(9,807,673)
Total Noncash investing, capital, and financing activities	<u>\$ 148,409</u>	<u>\$ 384,551</u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income (loss)	\$ (16,024,211)	\$ (15,571,207)
Adjustments to reconcile operating income to net cash provided		
by operating activities:		
Depreciation expense	1,475,098	1,379,086
Staff benefits paid directly by state	268,563	257,135
Bad debts	120,533	50,036
Changes in assets and liabilities		
Receivables, net	(99,501)	46,693
Inventories	647	(54,311)
Prepaid expense	145,793	(13,528)
Due from component unit	152,204	325,888
Other assets	2,383	5,094
Accounts payable	(228,809)	101,598
Accrued liabilities	(25,356)	39,503
Deposits payable	21,170	13,187
Funds held for others	(7,894)	31,552
Deferred revenue	(776,625)	(425,687)
Net cash provided (used) by operating activities	<u>\$ (14,976,005)</u>	<u>\$ (13,814,961)</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Receipts from grants and contracts for operating activities	\$ 1,443,505	\$ 1,150,128
Payments of scholarships and support of college	(364,627)	(586,876)
Payments on grants and contract costs	<u>(1,517,309)</u>	<u>(1,948,321)</u>
Net cash provided (used) by operating activities	<u>(438,431)</u>	<u>(1,385,069)</u>
Cash Flows From Noncapital Financing Activities		
Additions to permanent and term endowment and other contributions	<u>347,645</u>	<u>971,560</u>
Net cash provided (used) by noncapital financing activities	<u>347,645</u>	<u>971,560</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	-	294,134
Investment income (loss)	75,198	94,044
Purchase of capital assets	(172,011)	(384,551)
Purchase of investments	<u>(238,465)</u>	<u>(246,465)</u>
Net cash provided (used) by investing activities	<u>(335,278)</u>	<u>(242,838)</u>
Net increase (decrease) in cash and cash equivalents	(426,064)	(656,347)
Cash and cash equivalents at beginning of year	<u>777,281</u>	<u>1,433,628</u>
Cash and cash equivalents at end of year	\$ <u><u>351,217</u></u>	\$ <u><u>777,281</u></u>
Noncash investing, capital, and financing activities		
Inkind contributions	\$ <u><u>346,798</u></u>	\$ <u><u>181,080</u></u>
Reconciliation of operating loss to net cash used by by operating activities		
Operating loss	\$ (768,295)	\$ (938,703)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	30,713	47,622
Non cash transfer to college	148,409	384,551
Amortization and expense of inkind contributions	58,193	-
Change in assets and liabilities		
Accounts receivable	292,536	(465,743)
Due to college	(152,204)	(325,887)
Deferred revenue	(37,167)	(88,721)
Accounts payable	<u>(10,616)</u>	<u>1,812</u>
Net cash provided (used) by operating activities	\$ <u><u>(438,431)</u></u>	\$ <u><u>(1,385,069)</u></u>

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

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 1 - Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

Reporting Guidelines

The significant accounting policies followed by Northeast Texas Community College (the College) and Northeast Texas Community College Foundation in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities. GASB 63 required changes in name of the balance sheet. What was previously titled the Statement of Net Assets is now titled the Statement of Net Position.

Tuition Discounting

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

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

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

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

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

Basis of Accounting

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

Budgetary data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1. The budget for the year ended August 31, 2013 was adopted by the Board of Trustees on August 24, 2012.

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.

Investments

In accordance with GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase. Noncurrent investments include investments that are current, but not available for operations.

Inventories

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

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.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

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

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.

Deferred Revenue and Expenditure

Tuition and Fees of \$1,465,984 and \$2,292,216 and federal, state and local grants of \$269,239 and \$219,632 have been reported as deferred revenues at August 31, 2013 and 2012, respectively.

Estimates

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

Operating and Non-Operating Revenues and Expenses

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

Characterization of Title IV Grant Revenue

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

Reclassifications

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

Subsequent Events

Management has evaluated subsequent events through the date of this report which is the date the financial were available to be issued which was December 12, 2013.

***NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012***

Note 3 - Authorized Investments

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

Note 4 - Deposits and Investments

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

	<u>2013</u>	<u>2012</u>
Cash and Deposits		
Demand Deposits	\$ 1,762,051	\$ 2,391,893
Time Deposits	1,479,558	1,405,197
Petty Cash	10,205	10,280
Total Cash and Deposits	<u>\$ 3,251,814</u>	<u>\$ 3,807,370</u>

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	<u>Fair Value August 31, 2013</u>	<u>Fair Value August 31, 2012</u>
Investment Pool	\$ 1,848,884	\$ 1,846,846
Mutual Fund	-	42,447
Total	<u>1,848,884</u>	<u>1,889,293</u>
Total Cash and Deposits	<u>3,251,814</u>	<u>3,807,371</u>
Total Deposits and Investments	<u>\$ 5,100,698</u>	<u>\$ 5,696,664</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 3,226,369	\$ 4,295,904
Restricted Cash and Cash Equivalents (Exhibit 1)	394,770	674,564
Investments (Exhibit 1)	505,122	99,000
Restricted Investments (Exhibit 1)	974,437	627,196
Total Deposits and Investments	<u>\$ 5,100,698</u>	<u>\$ 5,696,664</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 4 - Deposits and Investments – (continued)

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

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$ 28,845	\$ 288,407
Time Deposits	400,000	400,000
Total Cash and Deposits	\$ 428,845	\$ 688,407

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Fair Value <u>August 31, 2013</u>	Fair Value <u>August 31, 2012</u>
U.S. Government Agencies	\$ 74,534	\$ 79,098
Corporate Bond/Notes	42,626	43,755
Mutual Funds	2,530,709	2,287,238
Total Investments	2,647,869	2,410,091
Total Cash and Deposits	428,845	688,407
Total Deposits and Investments	\$ 3,076,714	\$ 3,098,498
Cash and Cash Equivalents	\$ 351,217	\$ 777,281
Long-term Investments	2,725,497	2,321,217
Total Deposits and Investments	\$ 3,076,714	\$ 3,098,498

As of August 31, 2013 the College had the following investments and maturities:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Market Value</u>	<u>Investment Maturities (in years)</u>		
			<u>Less than 1</u>	<u>1-2</u>	<u>2-3</u>
Certificates of Deposit	N/A	\$ 1,479,558	\$ -	\$ 1,479,558	\$ -
Investment Pool	AAA	1,848,884	1,848,884	-	-
Total Market Value		\$ 3,328,442	\$ 1,848,884	1,479,558	-

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 4 - Deposits and Investments – (continued)

As of August 31, 2013 the Foundation had the following investments and maturities:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Market Value</u>	<u>Investment Maturities (in years)</u>			
			<u>No Maturity</u>	<u>Less than 1</u>	<u>1-2</u>	<u>2-3</u>
Certificates of Deposit	N/A	\$ 400,000	\$ -	\$ 151,000	\$ 249,000	\$ -
Investco Treasury Cash Management	AAA	171,372	-	171,372	-	-
US Gov't Agencies	AAA	74,534	-	-	-	74,534
Corporate Bonds/Notes	AAA/AA	21,359	-	-	-	21,359
Corporate Bonds/Notes	A/BBB	21,267	-	-	-	21,267
Mutual Funds	N/A	2,359,337	2,359,337	-	-	-
Total Market Value		\$ 3,047,869	\$ 2,359,337	\$ 322,372	\$ 249,000	\$ 117,160

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

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

Concentration of Credit Risk: The College does not place a limit on the amount that may be invested in any one issuer. More than 5% of the College's investments are in investment pools (55.5%) and in certificates of deposit (44.5%).

Custodial Credit Risk: At August 31, 2013, the College had money on deposit at 4 banks. The carrying amount of the College's and the Foundation's bank deposits was \$3,240,462 and \$428,845 and total bank balances equaled \$3,669,254 and \$428,845. Bank balances of \$889,204 are covered by federal depository insurance and \$3,208,895 was covered by collateral pledged in Northeast Texas Community College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College.

Note 5 – Derivatives

The College had no derivatives at August 31, 2013 or 2012.

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 6– Capital Assets

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

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

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 6 – Capital Assets – (continued)

Foundation

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

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 6 – Capital Assets – (continued)

Capital assets activity for the year ended August 31, 2012 was as follows:

	For the Year Ended August 31, 2012			Balance August 31, 2012
	Balance August 31, 2011	Increases	Decreases	
<u>Not Depreciated:</u>				
Land	\$ 1,420,209	\$ 18,000	\$ -	\$ 1,438,209
Construction in Process	644,961	44,536	608,767	80,730
Subtotal	<u>\$ 2,065,170</u>	<u>\$ 62,536</u>	<u>\$ 608,767</u>	<u>\$ 1,518,939</u>
<u>Other Capital Assets:</u>				
Buildings	39,735,507	1,240,904	-	40,976,411
Equipment Purchased with Capital Lease	342,348	-	-	342,348
Furniture, Machinery, Vehicles, and other Equipment	3,197,728	402,809	101,817	3,498,720
Library Books	1,017,822	9,881	81,725	945,978
Telecommunications and Peripheral Equipment	1,164,710	373,246	12,500	1,525,456
Subtotal	<u>\$ 45,458,115</u>	<u>\$ 2,026,840</u>	<u>\$ 196,042</u>	<u>\$ 47,288,913</u>
<u>Accumulated Depreciation:</u>				
Buildings	8,488,598	882,601	-	9,371,199
Equipment Purchased with Capital Lease	114,357	54,670	-	169,027
Furniture, Machinery, Vehicles and Other Equipment	1,011,053	287,636	51,287	1,247,402
Library Books	748,624	48,176	81,725	715,075
Telecommunications and Peripheral Equipment	872,176	106,003	3,750	974,429
Subtotal	<u>\$ 11,234,808</u>	<u>\$ 1,379,086</u>	<u>\$ 136,762</u>	<u>\$ 12,477,132</u>
Net Other Capital Assets	<u>\$ 34,223,307</u>	<u>\$ 647,754</u>	<u>\$ 59,280</u>	<u>\$ 34,811,781</u>
Net Capital Assets	<u>\$ 36,288,477</u>	<u>\$ 710,290</u>	<u>\$ 668,047</u>	<u>\$ 36,330,720</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 6 – Capital Assets – (continued)

Foundation

	For the Year Ended August 31, 2012			Balance August 31, 2012
	Balance August 31, 2011	Increases	Decreases	
<u>Not Depreciated:</u>				
Land	\$ 140,400	\$ -	\$ -	\$ 140,400
Works of Art, Antiques	131,233	20,000	-	151,233
Subtotal	<u>\$ 271,633</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 291,633</u>
<u>Other Capital Assets:</u>				
Buildings	196,024	-	-	196,024
Furniture, Machinery, Vehicles, and other Equipment	171,410	-	-	171,410
Telecommunications and Peripheral Equipment	75,087	-	-	75,087
Subtotal	<u>\$ 442,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,521</u>
<u>Accumulated Depreciation:</u>				
Buildings	24,296	6,942	-	31,238
Furniture, Machinery, Vehicles and Other Equipment	109,155	25,663	-	134,818
Telecommunications and Peripheral Equipment	52,560	15,017	-	67,577
Subtotal	<u>\$ 186,011</u>	<u>\$ 47,622</u>	<u>\$ -</u>	<u>\$ 233,633</u>
Net Other Capital Assets	<u>\$ 256,510</u>	<u>\$ (47,622)</u>	<u>\$ -</u>	<u>\$ 208,888</u>
Net Capital Assets	<u><u>\$ 528,143</u></u>	<u><u>\$ (27,622)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 500,521</u></u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 7 – Bonds and Notes Payable

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

	<u>Balance August 31, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2013</u>	<u>Current Portion</u>
Leases, bonds, and notes					
Revenue bonds	\$ 9,347,000	\$ -	\$ 375,000	\$ 8,972,000	\$ 386,000
General obligation bonds	15,280,447	4,060,570	4,547,107	14,793,910	924,428
Net Reacquisition Price	(585,156)	(256,618)	20,082	(821,692)	
Notes payable	1,457,172	-	266,614	1,190,558	91,430
Leases payable	49,976	-	49,976	-	-
Total long-term obligations	<u>\$ 25,549,439</u>	<u>\$ 3,803,952</u>	<u>\$ 5,258,779</u>	<u>\$ 24,134,776</u>	<u>\$ 1,401,858</u>

Long-term liability activity for the year ended August 31, 2012 was as follows:

	<u>Balance August 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2012</u>	<u>Current Portion</u>
Leases, bonds, and notes					
Revenue bonds	\$ 9,557,000	\$ -	\$ 210,000	\$ 9,347,000	\$ 375,000
General obligation bonds	15,525,279	9,337,340	9,582,172	15,280,447	896,260
Net Reacquisition Price	-	(586,659)	1,503	(585,156)	
Notes payable	1,538,876	-	81,704	1,457,172	83,735
Leases payable	131,926	-	81,950	49,976	49,976
Total long-term obligations	<u>\$ 26,753,081</u>	<u>\$ 8,750,681</u>	<u>\$ 9,957,329</u>	<u>\$ 25,549,439</u>	<u>\$ 1,404,971</u>

2003 Series Limited Tax Bonds

The 2003 Series Limited Tax Bonds were issued for the construction and equipment of campus buildings in the district and the purchase of necessary sites. At an election on November 5, 2002, the voters approved the issuance of up to \$18,000,000 in bonds. These bonds represent the first installment of bonds issued under the authority granted at the November 5, 2002 election. The bonds were issued in part as Current Interest Bonds and in part as Capital Appreciation Bonds. The Capital Appreciation Bonds mature beginning April 1, 2010 and ending April 1, 2033. Interest is payable only at maturity and will accrue at a rate equal to the yield to maturity and will compound semiannually on each April and October. During 2012 the College issued \$5,741,765 Limited Tax Refunding Bonds to be used to advance refund a portion of the 2003 Series Limited Tax Bonds. As a result, the maturities from April 1, 2014 through April 1 2022 of the 2003 Series Limited Tax Bonds were considered defeased and the liability for the bonds was removed from the obligations of the college. During 2013 the College issued \$2,138,637 Limited Tax Refunding Bonds to be used to advance refund the remaining 2003 Series Limited Tax Bonds. As a result, 2003 Series Limited Tax Bonds were considered defeased and the liability for the bonds was removed from the obligations of the college.

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

2010 Series Limited Tax Bonds

The 2010 Series Limited Tax Bonds were issued for the construction and equipment of a campus building in the district. The Bonds bear a fixed interest rate of 3.72% for ten years if not refinanced by October 1, 2020, the rate increases to 15% or the highest rate allowable under Texas. The College anticipates refinancing the remaining issue prior to that date. Bonds outstanding at August 31, 2013 and 2012 totaled \$1,396,000 and \$1,434,000 respectively.

2006 Series Revenue Financing System Refunding and Improvement Bonds

The 2006 Series Revenue Financing System Refunding and Improvement Bonds were issued to advance refund the College's outstanding 1992 Series Dormitory System Revenue Bonds and the outstanding 1994 Series Tuition and Building Use Fee Revenue Refunding and Revenue Bonds, to pay the cost of issuing the bonds and to provide funds for construction on the main campus. The bonds were issued with an average coupon (interest) rate of 4.19%. Bonds outstanding at August 31, 2013 and 2012 under this issue totaled \$2,995,000 and \$3,215,000 respectively.

2010 Series Revenue Financing System Bonds

The 2010 Series Revenue Financing System Bonds were issued for the construction and equipment of a 112 bed dorm building in the district. The Bonds bear a fixed interest rate of 4.09% for ten years if not refinanced by October 1, 2020, the rate increases to 15% or the highest rate allowable under Texas. The College anticipates refinancing the remaining issue prior to that date. Bonds outstanding at August 31, 2013 and 2012 under this issue totaled \$5,977,000 and \$6,132,000 respectively.

2012 Series Limited Tax Refunding Bonds

In 2012 the College issued \$5,741,765 Limited Tax Refunding Bonds to be used to advance refund a portion of the 2003 Series Limited Tax Bonds. The Bonds were sold with an original issue premium of \$4,053,026 and accrued interest of \$12,882. The net proceeds of \$9,543,323 were deposited into a Refunding Escrow Account to be used to advance refund portions of the 2003 Series Limited Tax Bonds in the amount of \$18,828 on April 1, 2012 and \$9,527,494 on April 1, 2013. Proceeds of \$20,984 were deposited in the Interest and Sinking account of the College for Bond payment. Proceeds of \$238,456 were withheld for underwriter fees, cost of issuance and Bond Insurance premiums. Of the Bonds, \$1,516,765 was issued as Capital Appreciation Bonds and \$4,225,000 as Current Interest Bonds. The Capital Appreciation Bonds mature beginning April 1, 2014 and ending April 1, 2019. Interest is payable only at maturity and will accrue at a rate equal to the yield to maturity and will compound semiannually on each April and October. The Capital Appreciation Bonds bear interest from 1.08% to 2.07%. The Current Interest Bonds bear interest from 3.0% to 4.0% with initial yields ranging from 1.77% to 2.40%. As a result, the maturities from April 1, 2014 through April 1 2022 of the 2003 Series Limited Tax Bonds are considered defeased and the liability for the bonds has been removed from the obligations of the college. The advanced refunding reduced the total debt service over the next ten years by \$2,504,800. The economic gain resulting from this refunding transaction, calculated on a present value basis was \$1,948,388.

The accreted value of the Bonds outstanding at August 31, 2013 and 2012 under this issue totaled \$9,419,878 and \$9,337,340 respectively.

**NORTHEAST TEXAS COMMUNITY COLLEGE
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AUGUST 31, 2013 AND 2012**

Note 7 – Bonds and Notes Payable - (continued)

2013 Series Limited Tax Refunding Bonds

In 2013 the College issued \$2,138,638 Limited Tax Refunding Bonds to be used to advance refund the remaining 2003 Series Limited Tax Bonds. The Bonds were sold with an original issue premium of \$1,773,533. The net proceeds of \$3,775,192 were deposited into a Refunding Escrow Account to be used to advance refund the remaining 2003 Series Limited Tax Bonds in the amount of \$2,138,647 on April 1, 2013. Proceeds of \$136,979 were withheld for underwriter fees, cost of issuance and Bond Insurance premiums. The Bonds were issued as Capital Appreciation Bonds and mature beginning April 1, 2024 and ending April 1, 2029. Interest is payable only at maturity and will accrue at a rate equal to the yield to maturity and will compound semiannually on each April and October. The Bonds bear interest from 3.03% to 3.38%. As a result, the maturities from April 1, 2026 through April 1, 2033 of the 2003 Series Limited Tax Bonds are considered defeased and the liability for the bonds has been removed from the obligations of the college. The advanced refunding reduced the total debt service over the next twenty years by \$3,751,091. The economic gain resulting from this refunding transaction, calculated on a present value basis is \$1,791,192.

The accreted value of Bonds outstanding at August 31, 2013 under this issue totaled \$3,978,032.

Notes Payable

The College entered into a 4.25% capital lease payable to a bank dated February 24, 2009 secured by equipment. The lease is due in forty eight monthly installments of \$2,625. The balance of the lease at August 31, 2013 and 2012 was \$0 and \$15,316 respectively.

The College entered into a 4.28% capital lease payable to a bank dated May 12, 2010 secured by equipment. The lease is due in four annual installments of \$36,175. The balance of the lease at August 31, 2013 and 2012 was \$0 and \$34,660 respectively.

The College entered into a 4.34% maintenance tax note payable to a bank on April 27, 2010 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, 2013 and 2012 was \$926,299 and \$983,863 respectively.

The College entered into a Time Warrant payable to a bank on March 1, 2011 in the amount of \$500,000. The warrant is due in 9 semi-annual payments of \$22,029 with a final payment of \$385,635 on March 1, 2016. The balance of the note at August 31, 2013 and 2012 was \$264,259 and \$473,309 respectively.

Tax Bonds

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

**NORTHEAST TEXAS COMMUNITY COLLEGE
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AUGUST 31, 2013 AND 2012**

Note 7 – Bonds and Notes Payable - (continued)

Years Ending August 31,	Principal	Interest	Total Requirements
2014	\$ 924,428 (A)	\$ 206,359	\$ 1,130,787
2015	922,309 (A)	217,971	1,140,280
2016	915,973 (A)	233,764	1,149,737
2017	909,241 (A)	250,896	1,160,137
2018	898,021 (A)	272,442	1,170,463
2019-2023	5,142,906 (A)	861,061	6,003,967
2024-2028	4,144,659 (A)	1,943,309	6,087,968
2029-2033	681,373 (A)	298,192	979,565
2034-2036	255,000 (A)	14,452	269,452
	<u>\$ 14,793,910</u>	<u>\$ 4,298,446</u>	<u>\$ 19,092,356</u>

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

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

Revenue Bonds

Debt service requirements for the revenue bonds are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2014	\$ 386,000	\$ 361,332	\$ 747,332
2015	343,000	346,604	689,604
2016	295,000	333,689	628,689
2017	302,000	321,589	623,589
2018	314,000	309,102	623,102
2019-2023	1,790,000	1,337,932	3,127,932
2024-2028	2,188,000	930,544	3,118,544
2029-2033	2,228,000	441,158	2,669,158
2034-2036	1,126,000	70,348	1,196,348
	<u>\$ 8,972,000</u>	<u>\$ 4,452,298</u>	<u>\$ 13,424,298</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
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Note 7 – Bonds and Notes Payable - (continued)

Notes Payable

Debt service requirements for the notes payable are as follows:

<u>Years Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	91,430	\$ 52,754	\$ 144,184
2015	98,318	45,866	144,184
2016	262,928	41,821	304,749
2017	68,505	31,753	100,258
2018	71,552	28,705	100,257
2019-2023	408,370	92,918	501,288
2024-2025	189,455	10,595	200,050
	<u>\$ 1,190,558</u>	<u>\$ 304,412</u>	<u>\$ 1,494,970</u>

Note 8 – Employee’s Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012, and 2011 and a state contribution rate of 6.4% for fiscal year 2013, 6.0% for 2012 and 6.644% for fiscal years 2011.

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 8 – Employee’s Retirement Plan – (continued)

The state has also established an optional retirement program for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. The College contributes 2.5% percent for employees who were participating in the optional retirement program prior to September 1, 1995 and .24% for all others. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. The retirement expense of the State for the College was \$268,563, \$257,135, and \$513,389 for the fiscal years ended August 31, 2013, 2012, and 2011 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for the College employees was \$10,354,147, \$10,211,443, and \$10,385,135 for fiscal years 2013, 2012, and 2011 respectively. The total payroll of employees covered by the Teacher Retirement System was \$5,842,639, \$5,221,399, and \$5,429,570 and the total payroll of employees covered by the Optional Retirement Program was \$3,344,413, \$3,521,018, and \$3,829,921 for fiscal years 2013, 2012, and 2011, respectively.

Note 9 – Compensable Absences

Full time College employees earn vacation of 5-15 days per year based on years of service and sick leave benefits of 8 hours per month. The amount of vacation allowed to be carried over after August 31, is limited to 40 hours for each employee, which is lost December 31 of that year unless, in certain instances, approval is obtained from management to carry over amounts in excess of the 40 hours. The College has accrued \$105,199 and \$87,380 for August 31, 2013 and 2012, 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 10 - Disaggregation of Receivables and Payables Balances

Receivables at August 31, 2013 were as follows:

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

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 10 - Disaggregation of Receivables and Payables Balances - (continued)

Payables at August 31, 2013 were as follows:

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

Receivables at August 31, 2012 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 926,106	\$ -
Taxes Receivable	377,464	-
Scholarship and Pledges Receivable	-	547,690
State Appropriations	-	-
Contracts and Grants Receivable	856,415	198,373
Other Receivables	16,397	-
Subtotal	<u>2,176,382</u>	<u>746,063</u>
Allowance for Doubtful Accounts	715,523	-
Total Receivables	<u>\$ 1,460,859</u>	<u>\$ 746,063</u>

Payables at August 31, 2012 were as follows:

	<u>College</u>	<u>Foundation</u>
Accounts Payable:		
Vendors Payable	<u>\$ 838,488</u>	<u>\$ 16,662</u>
Accrued Liabilities:		
Accrued payroll liabilities	\$ 95,358	\$ -
Interest payable	237,097	-
Total Accrued Liabilities	<u>332,455</u>	<u>-</u>
Deposits payable:		
Student deposits payable	<u>\$ 145,142</u>	<u>\$ -</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 11 - Contract and Grant Awards

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

Contracts and grant award funds already committed or funds awarded during fiscal year 2013 and 2012 for the College and Foundation are as follows:

	2013	2012
College		
Federal	\$ 1,193,753	\$ 988,163
State	12,478	76,588
Total	\$ 1,206,231	\$ 1,064,751
Foundation		
Federal	\$ -	\$ -
State	629,493	420,000
Total	\$ 629,493	\$ 420,000

Note 12 – Self-Insured Plans

The College self-insures for coverage in the areas of workers' compensation and unemployment compensation. These plans are on a pay-as-you-go basis, in which no assets are set aside. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations. The College accrued \$4,194 and \$8,592 as estimated future payments for the years ended August 31, 2013 and 2012 respectively.

Note 13 - Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the college. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per insured was \$226 and \$216 for the years ended August 31, 2013 and 2012 respectively and totaled \$472,339 for 2013, and \$448,061 for 2012. The state's cost of providing benefits for 37 and 36 retirees was \$216,533 and \$199,760 for the years ended August 31, 2013 and 2012 respectively.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

Note 14 – Ad Valorem Tax

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

	<u>2013</u>	<u>2012</u>
Assessed Valuation	\$ 4,993,593,240	\$ 5,227,687,620
Less Exemptions and Reductions	<u>649,985,784</u>	<u>616,248,620</u>
Net Taxable Assessed Value	<u>\$ 4,343,607,456</u>	<u>\$ 4,611,439,000</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate authorized per \$100 valuation	\$ N/A	\$ N/A	\$ 0.1000
Tax rate assessed per \$100 valuation for 2013	\$ 0.0741	\$ 0.0259	\$ 0.1000
Tax rate assessed per \$100 valuation for 2012	\$ 0.0776	\$ 0.0224	\$ 0.1000

Taxes levied for the years ended August 31, 2013 and 2012 were \$4,343,607 and \$4,611,439 respectively excluding any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	<u>2013</u>			<u>2012</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Taxes	\$ 3,142,999	\$ 1,097,421	\$4,240,420	\$ 3,441,291	\$ 984,465	\$ 4,425,756
Delinquent Taxes	49,079	17,137	66,216	85,650	24,502	110,152
Penalties and Interest	44,191	15,430	59,621	88,010	25,177	113,187
Other Fees	6,222	2,173	8,395	5,577	1,595	7,172
Total Collections	<u>\$ 3,242,491</u>	<u>\$ 1,132,161</u>	<u>\$4,374,652</u>	<u>\$ 3,620,528</u>	<u>\$ 1,035,739</u>	<u>\$ 4,656,267</u>

Current tax levy collections for the years ended August 31, 2013 and 2012 were 97.6% and 96.0%, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance and operations and/or general obligation debt service.

Note 15 - Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable Organizations. The college had no unrelated business income for the years ended August 31, 2013 and 2012.

***NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012***

Note 16 – Northeast Texas Community College Foundation, Inc. – Discrete Component Unit

Northeast Texas Community College Foundation, Inc. (the Foundation) was established in 1984 as a separate nonprofit organization to raise funds to provide student scholarships and assistance in the development and growth of the College. Under Government Standards Board Statement No 39, Determining Whether Certain Organizations are Component Units, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit.

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

Note 17 - Risk Management - Claims and Judgments

In the normal course of operations the College is exposed to risks of loss from a number of sources including fire and casualty, errors and omissions by board members and employees, and injuries to employees during the course of performing their duties.

The College attempts to cover these losses by purchase of insurance. Significant risks are covered by commercial insurance for property and liability programs. There has been no significant reduction in coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

In management's estimation there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

Note 18 - 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, 2013 may be impaired. In the opinion of the college, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note 19 – Postemployment Benefits Other than Pensions

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

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*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012*

Note 19 – Postemployment Benefits Other than Pensions – (continued)

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

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

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

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

The College's contributions to SRHP for the years ended August 31, 2013, 2012, and 2011 were \$940,687, \$889,168, and \$465,151 respectively which equaled the required contributions each year.

Note 20 - Contingencies

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

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

Note 21 – Subsequent Event

Subsequent to year end, the College purchased a bus in the amount of \$107,869 and entered into a note payable with a local bank to finance the purchase. The note payable is in the amount of \$86,000 with an interest rate of 2.88% with payments due annually for five years beginning November 2014.

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*SUPPLEMENTAL SCHEDULES
REQUIRED BY TEXAS HIGHER EDUCATION
COORDINATING BOARD*

NORTHEAST TEXAS COMMUNITY COLLEGE
 SCHEDULE OF DETAILED OPERATING REVENUES
 SCHEDULE A

For the Year Ended August 31, 2013 (With Memorandum Totals for the Year Ended August 31, 2012)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2013 Total	Memorandum 2012 Total
Tuition						
State funded courses						
In-district resident tuition	\$ 1,195,075	\$	\$ 1,195,075	\$	\$ 1,195,075	\$ 1,270,527
Out-of-district resident tuition	926,064		926,064		926,064	871,935
TPEG (set aside)*	148,656		148,656		148,656	143,347
Non-resident tuition	463,757		463,757		463,757	387,281
State funded continuing education	48,643		48,643		48,643	171,352
Non-state funded continuing education	87,711		87,711		87,711	15,130
Total Tuition	2,869,906	-	2,869,906	-	2,869,906	2,859,572
Fees						
General fees	2,518,729		2,518,729		2,518,729	2,509,633
Student service fees				203,551	203,551	214,406
Out-of-district fees	1,178,628		1,178,628		1,178,628	1,109,736
Laboratory fees	455,428		455,428		455,428	463,939
Other fees	117,083		117,083		117,083	131,955
Total Fees	4,269,868	-	4,269,868	203,551	4,473,419	4,429,669
Scholarship Allowances and Discounts						
Scholarship allowances	(439,964)		(439,964)		(439,964)	(414,964)
Remissions and exemptions	(162,455)		(162,455)		(162,455)	(140,341)
TPEG allowances	(148,656)		(148,656)		(148,656)	(143,347)
Federal grants to students	(3,484,365)		(3,484,365)		(3,484,365)	(3,690,828)
Total Scholarship Allowances	(4,235,440)	-	(4,235,440)	-	(4,235,440)	(4,389,480)
Total Net Tuition and Fees	2,904,334	-	2,904,334	203,551	3,107,885	2,899,761
Other Operating Revenues						
Federal grants and contracts	31,642	1,214,944	1,246,586		1,246,586	1,467,176
State grants and contracts		656,819	656,819		656,819	669,743
Nongovernmental grants and contracts		113,737	113,737		113,737	142,309
Sales and services of educational activities	65,647		65,647		65,647	75,154
Other operating revenues	405,930		405,930	172,583	578,513	548,911
Total Other Operating Revenues	503,219	1,985,500	2,488,719	172,583	2,661,302	2,903,293
Auxiliary Enterprises						
Residential life				1,172,817	1,172,817	1,073,367
Less discounts				(231,944)	(231,944)	(200,224)
Bookstore				1,799,916	1,799,916	1,831,228
Less discounts				(1,094,324)	(1,094,324)	(1,278,372)
Total Net Auxiliary Enterprises	-	-	-	1,646,465	1,646,465	1,425,999
Total Operating Revenues (Exh.2)	\$ 3,407,553	\$ 1,985,500	\$ 5,393,053	\$ 2,022,599	\$ 7,415,652	\$ 7,229,053

*In accordance with Education Code 56.033, \$148,656 and \$143,347 for years August 31, 2013 and 2012, respectively, of tuition was set aside for Texas Public Education Grants(TPEG).

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
 SCHEDULE B
 SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATIONS
 For the Year Ended August 31, 2013 (with Memorandum Totals for the Year Ended August 31, 2012)

	Operating Expenses					Memorandum Total 8/31/2012
	Salaries and Wages	Benefits		Other Expenses	Total 8/31/2013	
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 5,846,314		1,134,968	460,298	\$ 7,441,580	\$ 7,125,063
Public Service	61,409		11,922	102,401	175,732	153,759
Academic Support	680,922		132,190	111,200	924,312	785,284
Student Services	736,684		143,015	176,155	1,055,854	933,103
Institutional Support	1,410,256		273,778	1,260,325	2,944,359	2,774,621
Operation and Maintenance of Plant	281,111		54,573	969,725	1,305,409	1,256,065
Scholarships and Fellowships			-	-	-	-
Total Unrestricted Educational Activities	\$ 9,016,696	\$ -	\$ 1,750,446	\$ 3,080,104	\$ 13,847,246	\$ 13,027,895
Restricted - Educational Activities						
Instruction	\$ 329,688	\$ 480,392	\$ -	\$ 351,934	\$ 1,162,014	\$ 1,243,937
Public Service	161,441	5,046	-	51,743	218,230	255,002
Academic Support	-	55,951	-	-	55,951	47,874
Student Services	143,621	60,533	-	89,021	293,175	359,687
Institutional Support	225,933	115,881	-	94,515	436,329	490,203
Operation and Maintenance of Plant	-	23,099	-	-	23,099	21,344
Scholarships and Fellowships				3,316,530	3,316,530	3,462,673
Total Restricted Educational Activities	\$ 860,683	\$ 740,902	\$ -	\$ 3,903,743	\$ 5,505,328	\$ 5,880,720
Total Educational Activities	9,877,379	740,902	1,750,446	6,983,847	19,352,574	18,908,615
Auxiliary Enterprises	476,768		42,761	2,092,662	2,612,191	2,512,559
Depreciation Expense					905,497	882,601
Building & Improvements					527,850	448,309
Equipment & Furniture					41,751	48,176
Library Books						
Total	\$ 10,354,147	\$ 740,902	\$ 1,793,207	\$ 9,076,509	\$ 23,439,863	\$ 22,800,260

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE C
SCHEDULE OF NON - OPERATING REVENUES AND EXPENSES
For the Year Ended August 31, 2013 (With Memorandum totals for the Year Ended August 31, 2012)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total 8/31/2013</u>	<u>Memorandum Total 8/31/2012</u>
Non - Operating Revenues					
State appropriations:					
Education and general state support	\$ 4,484,927			\$ 4,484,927	4,287,181
State group insurance		472,339		472,339	448,061
State retirement matching		268,563		268,563	257,135
Professional nursing shortage reduction		39,029		39,029	33,923
Ad-valorem taxes	3,223,844	1,125,649		4,349,493	4,574,382
Federal revenue, non operating		7,551,073		7,551,073	8,071,822
Investment income		11,975		11,975	6,735
Total Non - Operating Revenues	<u>7,708,771</u>	<u>9,468,628</u>	<u>-</u>	<u>17,177,399</u>	<u>17,679,239</u>
Non - Operating Expenses					
Interest on capital related debt	944,208			944,208	1,012,178
(Gain) loss on disposal of capital assets	-			-	45,508
Other non operating expense	800			800	34,613
Total Non - Operating Expenses	<u>945,008</u>	<u>-</u>	<u>-</u>	<u>945,008</u>	<u>1,092,299</u>
Net Non - Operating Revenues	<u>\$ 6,763,763</u>	<u>\$ 9,468,628</u>	<u>\$ -</u>	<u>\$ 16,232,391</u>	<u>\$ 16,586,940</u>

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE D
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
For the Year Ended August 31, 2013 (With Memorandum totals for the Year Ended August 31, 2012)

	Detail By Source							Memorandum Total 8/31/2012
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total 8/31/2013	Available for Current Operations		
		Expendable	Unexpended Bond Proceeds			Yes	No	
Current								
Unrestricted	\$ 3,124,326	\$	\$	\$	\$ 3,124,326	\$ 3,124,326		3,027,469
Board Designated Reserve	505,122				505,122	505,122		500,183
Plant								
Investment in plant		805,415		11,643,791	12,449,206		12,449,206	11,867,669
Total Net Assets, August 31, 2013	3,629,448	805,415	0	11,643,791	16,078,654	3,629,448	12,449,206	15,395,321
Total Net Assets, August 31, 2012	3,527,652	826,539	0	11,041,130	15,395,321	3,527,652	11,867,669	13,522,043
Net Increase (Decrease) in Net Assets	\$ 101,796	\$ (21,124)	\$ 0	\$ 602,661	\$ 683,333	\$ 101,796	\$ 581,537	1,873,278

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
 SCHEDULE E
 BALANCE SHEET
 AUGUST 31, 2013

	Current Funds				Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total						
Assets										
Cash and Cash Equivalents	\$ 3,215,545	8,211	2,613	\$ 3,226,369	\$ 15,654	\$ 161	\$ 234,129	\$	\$ 144,826	\$ 3,621,139
Long term investments	505,122			505,122		162,788	811,649			1,479,559
Short Term Investments										
Accounts Receivable	665,439	553	702,848	1,368,840		73,551	84,905		42,565	1,453,745
Due From Other Funds	64,712	575,395		640,107			261,015			1,017,238
Due From Foundation	139,253			139,253						139,253
Prepaid Expenses	212,130			212,130						212,130
Deferred Charges							19,185			474,491
Inventory, at Cost	24,006	572,433		596,439						596,439
Land										1,438,209
Buildings and Improvements										38,003,023
Improvements Other Than Buildings										3,372,993
Equipment										3,230,523
Library Books										929,239
Vehicles										752,915
Telecommunications										1,775,803
Accumulated Depreciation										(13,908,676)
Other										41,433
Total Assets	\$ 4,826,207	\$ 1,156,592	\$ 705,461	\$ 6,688,260	\$ 15,654	\$ 236,500	\$ 1,410,883	\$ 36,109,953	\$ 187,391	\$ 44,648,641
Liabilities and Fund Balance										
Accounts Payable	\$ 201,022	362,651	36,675	\$ 600,348	\$ 844	\$	\$ 191,081	\$ 24,435	\$ 8,487	\$ 609,679
Accrued Liabilities	52,183			52,183						267,699
Deposits Payable	110,062	56,250		166,312						166,312
Due to Other Funds			399,547	399,547	14,810			543,451	59,430	1,017,238
Deferred Revenues	1,163,772	302,212	269,239	1,735,223						1,735,223
Accrued Compensated Absences	105,199			105,199						105,199
Bonds Payable								22,944,218		22,944,218
Unamortized Premium										414,387
Notes Payable								1,190,558		1,190,558
Funds Held in Custody for Others									119,474	119,474
Total Liabilities	\$ 1,632,238	\$ 721,113	\$ 705,461	\$ 3,058,812	\$ 15,654	\$	\$ 605,468	\$ 24,702,662	\$ 187,391	\$ 28,569,987
Fund Balances										
Net Investment in Plant										11,643,791
Reserved for Debt Service										805,415
Restricted										
Student Aid										
Temporarily										
Permanently										
Unrestricted	3,193,969	435,479		3,629,448						3,629,448
Total Fund Balance	\$ 3,193,969	\$ 435,479	\$	\$ 3,629,448	\$	\$ 236,500	\$ 805,415	\$ 11,407,291	\$	\$ 16,078,654
Total Liabilities and Fund Balance	\$ 4,826,207	\$ 1,156,592	\$ 705,461	\$ 6,688,260	\$ 15,654	\$ 236,500	\$ 1,410,883	\$ 36,109,953	\$ 187,391	\$ 44,648,641

See independent auditors report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE F
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 2013

	Current Funds				Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total					
Revenues and Other Additions									
Unrestricted Current Funds Revenues	\$ 15,141,514	3,421,052	\$ 740,902	\$ 18,562,566	\$ -	\$ -	\$ -	\$ -	\$ 18,562,566
State Appropriations - Restricted			8,885,166	8,885,166					740,902
Federal grants and Contracts			935,085	935,085					8,885,166
State grants and Contracts			113,737	113,737					935,085
Local gifts, grants and Contracts			-	-			1,125,650		113,737
Taxes for Debt Retirement			-	-					1,125,650
Interest / Endowment Income			-	-					-
Net Decrease in Bonds Payable			-	-				220,000	220,000
Net Decrease in Notes Payable			-	-			10,670	373,914	373,914
Investment Income (Loss)			-	-		1,305			11,975
Other Revenues								148,410	148,410
Total Revenue and Other Additions	<u>15,141,514</u>	<u>3,421,052</u>	<u>10,674,890</u>	<u>29,237,456</u>	<u>-</u>	<u>1,305</u>	<u>1,136,320</u>	<u>742,324</u>	<u>31,117,405</u>
Expenditures and Other Deductions									
Expenditures	13,984,551	3,075,485	10,328,374	27,388,410					27,388,410
Indirect Cost Recovered			31,642	31,642					31,642
Retirement of Indebtedness - Bonds							220,000		220,000
Retirement of Indebtedness - Notes							373,914		373,914
Interest on Indebtedness							676,421	267,787	944,208
Depreciation Expense							800	1,475,098	1,475,098
Other Expenditures									800
	<u>13,984,551</u>	<u>3,075,485</u>	<u>10,360,016</u>	<u>27,420,052</u>	<u>-</u>	<u>-</u>	<u>1,271,135</u>	<u>1,742,885</u>	<u>30,434,072</u>
Transfers - Additions (Deductions)									
Mandatory Transfers:									
Retirement of Indebtedness									
Building Use Fees									
Tuition Use Fees									
Revenue Bond	(751,694)			(751,694)			751,694		
Contractual Obligations	(373,914)			(373,914)			(638,003)	1,011,917	
TPEG to Restricted									
Non - Mandatory Transfers:									
Capital Outlay	(212,506)	(62,620)	(314,874)	(590,000)				590,000	
Other									
Total Transfers - Additions (Deductions)	<u>(1,338,114)</u>	<u>(62,620)</u>	<u>(314,874)</u>	<u>(1,715,608)</u>	<u>-</u>	<u>-</u>	<u>113,691</u>	<u>1,601,917</u>	<u>-</u>
Net Increase (Decrease) for Year	<u>(181,151)</u>	<u>282,947</u>	<u>-</u>	<u>101,796</u>	<u>-</u>	<u>1,305</u>	<u>(21,124)</u>	<u>601,356</u>	<u>683,333</u>
Fund Balance (Deficit) August 31, 2012	<u>3,375,120</u>	<u>152,532</u>	<u>-</u>	<u>3,527,652</u>	<u>\$ -</u>	<u>\$ 235,195</u>	<u>\$ 826,539</u>	<u>\$ 10,805,935</u>	<u>\$ 15,395,321</u>
Fund Balance (Deficit) August 31, 2013	<u>3,193,969</u>	<u>435,479</u>	<u>-</u>	<u>3,629,448</u>	<u>\$ -</u>	<u>\$ 236,500</u>	<u>\$ 805,415</u>	<u>\$ 11,407,291</u>	<u>\$ 16,078,654</u>

See independent auditors report.

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FEDERAL FINANCIAL ASSISTANCE INFORMATION

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December 12, 2013

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

Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Uniform Grant Management Standards*, issued by the State of Texas, the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of August 31, 2013 and 2012, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. in a separate letter dated December 12, 2013.

Purpose of this Report

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

Wilf & Henderson, P.C.

WILF & HENDERSON, P.C.
Certified Public Accountants

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

December 12, 2013

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

Members of the Board:

Report on Compliance for Each Major Federal Programs

We have audited the compliance of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013. Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned cost.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2013-1. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned cost as item 2013-1.

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

Board of Trustees
Page 3
December 12, 2013

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

Wilf & Henderson, P.C.

WILF & HENDERSON, P. C.
Certified Public Accountants

NORTHEAST TEXAS COMMUNITY COLLEGE
 SCHEDULE G
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2013
 Page 1 of 2

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantors Number	Pass Through Disbursements and Expenditures
U.S. Department of Education			
<u>Direct Programs</u>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	* 84.007A		\$ 24,544
Federal Work-Study Program	* 84.033A		100,968
Federal Pell Grant Program	* 84.063P		7,450,107
Direct Loans	* 84.268		5,272,577
Total Student Financial Assistance Cluster			<u>12,848,196</u>
TRIO - Upward Bound	84.047A		<u>242,453</u>
21st Century Community Learning Centers	84.287	(A)	<u>403,076</u>
Title III	84.031		<u>344,013</u>
<u>Passed Through Texas Education Agency</u>			
Adult Basic Education	84.002A		189,548
EL Civics	84.002A		127,822
HCDE Workforce Act	17.267		10,700
Total Passed Through Texas Education Agency			<u>328,070</u>
<u>Passed Through Texas Higher Education Coordinating Board</u>			
Vocational Education - Allocated	84.048		<u>223,430</u>
Total U.S. Department of Education			\$ <u>14,389,238</u>
U.S. Department of Energy			
Biodiesel Fuel Grant	81.087		<u>(700)</u>
U.S. Department of Health and Human Services			
<u>Passed Through Texas Education Agency</u>			
Temporary Assist to Needy Families	* 93.558		12,402
Temporary Assist to Needy Families	* 93.558	(A)	140,331
Total Passed Through Texas Education Agency			<u>152,733</u>
<u>Passed Through Workforce Solutions of East Texas</u>			
Temporary Assist to Needy Families	* 93.558		<u>40,736</u>
Total U.S. Department of Health and Human Services			\$ <u>193,469</u>
U.S. Small Business Administration	59.037		<u>119,142</u>
Total Federal Financial Assistance			\$ <u>14,701,149</u>

NORTHEAST TEXAS COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2013
 Page 2 of 2

Note 1: Federal Financial Assistance Reconciliation

Federal Grants and Contracts Revenue - Per Schedule A - College	\$ 1,246,586
Federal Grants and Contracts Revenue - Per Schedule C - College	7,551,073
Federal Contributions in Aid of Construction - Per Exhibit 2 - College	87,507
Direct Loans	5,272,577
Federal Grants and Contracts Revenue - Foundation	<u>543,406</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$ <u>14,701,149</u>

Note 2: Significant Accounting Policies

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

Note 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor CFDA Number/Program Name	New Loans Processed	Administrative Cost Recovered	Total
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US Department of Education
 All direct loans processed are included in the schedule.

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

See independent auditors' report.

***NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2013***

A: Summary of Audit Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

The programs tested as major programs include:

Student Financial Aid Cluster	
Federal Supplemental Educational Opportunity Grants	CFDA #84.007A
Federal Work-Study Program	CFDA #84.033A
Federal Pell Grant Program	CFDA #84.063P
Direct Loans	CFDA #84.268
Temporary Assist to Needy Families	CFDA #93.558

Dollar threshold used to distinguish between Type A and B programs: \$ 441,034

Auditee qualified as low-risk auditee? X yes _____ no

B: Findings - Financial Statements Audit

None

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2013*

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

2013- 1 **Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268, 84.375, Grant period – Year ended August 31, 2012**

Eligibility

Type of Finding – Significant Deficiency

Criteria:

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

Condition:

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

Cause:

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

Effect:

A total of \$2,775 was disbursed from Title IV funds to these one student that was not in compliance with the policy. A projection of this error to the population would result in likely questioned cost in excess of the \$10,000 required threshold.

Population and Sample Size:

	Number	Dollars	Questioned Cost
Population	2215	12,830,572	
Sample	60	415,187	
Not in Compliance	1		2,775

Recommendation:

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

Response:

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

Update: ESP Tulsa is reassessing the program because the current program logic will potentially miss students that have gaps in enrollment prior to the 2012 program update.

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SUMMARY SCHEDULE PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2013*

Findings and Questioned Costs – Major Federal Award Programs Audit
Department of Education

2012-1 **Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268, 84.375, Grant period – Year ended August 31, 2012**

Description:

Northeast Texas Community College disbursed Federal Student Aid to two students who were ineligible for the award because award exceeded cost of attendance.

Questioned Costs:

A total of \$5,127 was disbursed from Pell to two ineligible students.

Corrective Action:

Northeast Texas Community College implemented management controls to ensure Title IV disbursements are not made in excess of financial need. The college returned the questioned costs of \$5,127.

Status:

Current year testing revealed that prior year corrective actions were successful.

2012- 2 **Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268, 84.375, Grant period – Year ended August 31, 2012**

Description:

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

Questioned Costs:

A total of \$8,961 was disbursed from Pell to two ineligible students.

Corrective Action:

Northeast Texas Community College implemented management controls to ensure Title IV disbursements are made only to students in compliance with the college's satisfactory academic progress policy. The college returned the questioned costs of \$8,961.

Status:

Current year testing revealed a similar finding in the current year. However the incident occurred prior to the college implementing controls as noted in "Corrective Action" above.

*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
FEDERAL SUMMARY SCHEDULE PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2013*

2012-3 Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268, 84.375, Grant period – Year ended August 31, 2012

Description:

Northeast Texas Community College disbursed Federal Student Aid to two students in excess of correct amount because the EFC on these two students were not correct due to ISIR verification not being complete.

Questioned Costs:

Originally, a total of \$800 was determined to be disbursed from Pell to two ineligible students. Subsequent information revealed the questioned costs to be \$200, which is within tolerable limits.

Corrective Action:

Northeast Texas Community College implemented management controls to ensure the verifications are completed in accordance with program requirements. The college returned the adjusted questioned costs of \$200.

Status:

Current year testing revealed that prior year corrective actions were successful.

2012-4 Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A, 84.063P, 84.268, 84.375, Grant period – Year ended August 31, 2012

Description:

Two students' income was increased during the verification process and the changes were not updated correctly on the college's in house system that reports the students EFC, which could cause overawards of Pell.

Questioned Costs:

A total of \$100 was disbursed from Pell to one ineligible students.

Corrective Action:

Northeast Texas Community College implemented management controls to ensure all students are properly awarded financial aid.

Status:

Current year testing revealed that prior year corrective actions were successful.

STATE FINANCIAL ASSISTANCE INFORMATION

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

December 12, 2013

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

Members of the Board:

Report on Compliance for Each Major State Programs

We have audited the compliance of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s with the types of compliance requirements described in the *Uniform Grant Management Standards* issued by the State of Texas that could have a direct and material effect on each of its major state programs for the year ended August 31, 2013. Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned cost.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Uniform Grant Management Standards* issued by the State of Texas. Those standards and *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended August 31, 2013.

Report on Internal Control over Compliance

Management of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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


WILF & HENDERSON, P. C.
Certified Public Accountants

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE H
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2013
Page 1 of 2

<u>Grantor/Program/Title</u>	<u>Grant Contract Number</u>	<u>Pass Through Disbursements and Expenditures</u>
Texas Education Agency		
Adult Basic Education		\$ 42,380
Temporary Assist to Needy Families	* (A)	355,165
Total Texas Education Agency		<u>397,545</u>
 U.S. Small Business Administration		
SBDC State		<u>79,386</u>
 Texas Higher Education Coordinating Board		
Texas Grant Program	N/A	252,436
Texas Grant II	N/A	147,428
Nursing shortage		39,029
Top 10%		10,000
Texas Guaranteed Student Loan		43,400
Total Texas Higher Education Coordinating Board		<u>492,293</u>
 Texas College Workstudy		<u>69,014</u>
 Texas State Comptroller's Office		
Jet Equipment Grant		<u>252,012</u>
 Total State Financial Assistance		\$ <u><u>1,290,250</u></u>

* Major Program

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

*NORTHEAST TEXAS COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For the Year Ended August 31, 2013
 Page 2 of 2*

Note 1: Significant Accounting Policies

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

Note 2: State Financial Assistance Reconciliation

	<u>Expenditures</u>
State Grants and Contracts Revenue - Per Schedule A - College	\$ 656,819
State Grants and Contracts Revenue - Per Schedule C - College	39,029
State Contributions in Aid of Construction - Per Exhibit 2 - College	239,237
State Grants and Contracts - Foundation	<u>355,165</u>
 Total State Financial Assistance	 \$ <u><u>1,290,250</u></u>

See independent auditors' report.

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
STATE GRANTS SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2013**

A: Summary of Audit Results

Financial Statements

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

Internal control over financial reporting:

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

State Awards

Internal control over major programs:

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

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

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

The programs tested as major programs include:

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

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

Auditee qualified as low-risk auditee? x yes _____ no

B: Findings - Financial Statements Audit

None

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

None

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*NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2013*

Prior year audit disclosed no findings or questioned costs.