

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

*ANNUAL FINANCIAL REPORT*

*FOR THE FISCAL YEARS ENDED*

*AUGUST 31, 2015 AND 2014*

*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 2015

Board of Trustees

Officers

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

Members

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

Principal Administrative Officers

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

*INDEPENDENT AUDITORS' REPORT*

*Independent Auditors' Report*

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

*Members of the Board:*

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of and for the years ended August 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's and the Foundation's basic financial statements, as listed in the table of contents.

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

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

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2015 and 2014, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 2 to the financial statements, in 2015, the College adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4-11, schedule of College's share of net pension liability page 46, and schedule of College's contributions page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming opinions on the 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 January 6, 2016 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.

A handwritten signature in black ink that reads "WLF & Henderson, P.C." The signature is written in a cursive style and is placed on a light yellow rectangular background.

W/LF & HENDERSON, P.C.  
Certified Public Accountants  
Texarkana, Texas  
January 6, 2016



*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 2013, 2014, and 2015. Since this management's discussion and analysis is designed to focus on current activities, resulting change, decisions or conditions of facts, please read it in conjunction with the College's basic financial statements (pages 12-17) and the footnotes (pages 18-45). The College endeavors to present an objective and easily readable analysis of the overall financial activities to students and the public. Responsibility for the completeness and fairness of this information rests with the College.

### Using This Annual Report

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

### College Foundation as a Discrete Component Unit

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

### Statement of Net Position (Balance Sheet)

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

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

#### Statement of Net Position For the Years Ended August 31, 2015, 2014, and 2013

	2015	2014	
Current	\$ 4,734,557	\$ 5,739,728	\$ 5,627,936
Net Capital Assets	35,253,296	34,845,575	35,594,029
Other Non-Current	<u>11,435,344</u>	<u>2,013,725</u>	<u>2,021,716</u>
Total Assets	<u>\$ 51,423,197</u>	<u>\$ 42,599,028</u>	<u>\$ 43,243,681</u>
Deferred Outflows of Resources	<u>\$ 1,221,999</u>	<u>\$ 737,407</u>	<u>\$ 821,693</u>
<b>Liabilities</b>			
Current	4,427,407	4,536,331	4,405,444
Non-Current	<u>34,593,052</u>	<u>22,596,940</u>	<u>23,949,814</u>
Total Liabilities	<u>\$ 39,020,459</u>	<u>\$ 27,133,271</u>	<u>\$ 28,355,258</u>
Deferred Inflows	<u>\$ 966,861</u>	<u>\$</u>	<u>\$</u>
<b>Net Position</b>	<u><u>\$ 12,657,876</u></u>	<u><u>\$ 16,203,164</u></u>	<u><u>\$ 15,710,116</u></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, 2015, 2014, and 2013, the College's net positions were 12,657,876, \$16,203,164, and \$15,710,116 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, 2015, 2014, and 2013

	2015	2014	2013
<b>SUMMARY OF REVENUES AND EXPENSES</b>			
Total, Operating Revenues	\$ 7,265,474	\$ 7,728,075	\$ 7,415,652
Total, Operating Expenses	<u>24,497,445</u>	<u>24,353,197</u>	<u>23,439,863</u>
Total, Operating (Loss)	(17,231,971)	(16,625,122)	(16,024,211)
Net Non-Operating Revenues	16,412,281	16,877,317	16,145,812
Capital Contributions	<u>855,463</u>	<u>240,853</u>	<u>475,153</u>
Increase (Decrease) in Net Position	<u>35,773</u>	<u>493,048</u>	<u>596,754</u>
Net Position at Beginning of Year	16,203,164	15,710,116	15,113,362
Cumulative Effect of Change in Accounting Principal	<u>(3,581,061)</u>		
Net Position at Beginning of Year Restated	<u>12,622,103</u>	<u>15,710,116</u>	<u>15,113,362</u>
Net Position - End of Year	<u>\$ 12,657,876</u>	<u>\$ 16,203,164</u>	<u>\$ 15,710,116</u>

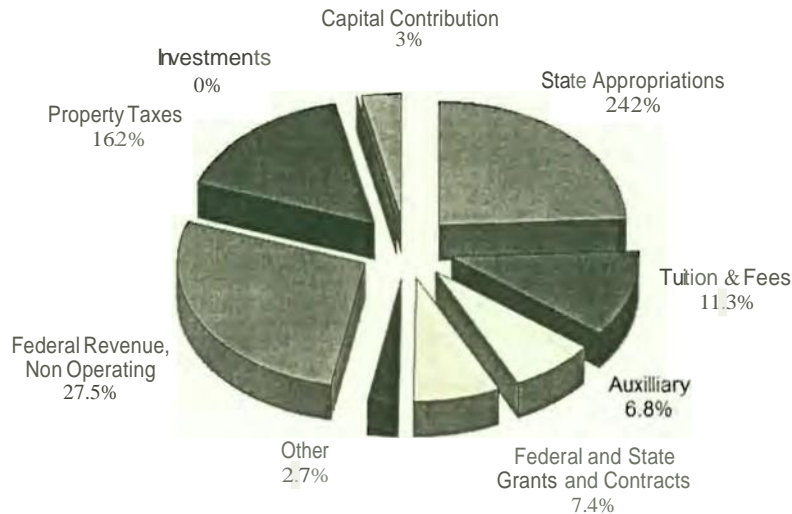
Operating and Non-Operating Revenues

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, 2015, 2014 and 2013

	2015	2014	2013
<b>Operating Revenues:</b>			
Net tuition and fees	\$ 2,855,485	\$ 3,349,945	\$ 3,107,885
Federal grants and contracts	736,490	1,177,391	1,246,586
State grants and contracts	1,149,284	700,426	656,819
Non-governmental grants and contracts	206,944	163,286	113,737
Sales and services of educational activities	91,012	69,257	65,647
Net auxiliary enterprises	1,846,109	1,886,159	1,646,465
Other operating revenues	<u>380,150</u>	<u>381,611</u>	<u>428,513</u>
Total, Operating Revenues	<u>7,265,474</u>	<u>7,728,075</u>	<u>7,265,652</u>
<b>Net Non-Operating Revenues:</b>			
State appropriations	6,136,960	5,993,883	5,264,858
Property taxes	4,099,335	4,143,309	4,349,493
Federal revenue, non-operating	6,958,730	7,440,375	7,551,073
Contribution from Foundation	250,000	150,000	150,000
Investment and other income	<u>5,831</u>	<u>12,014</u>	<u>11,975</u>
Total, Non-Operating Revenues	<u>17,450,856</u>	<u>17,739,581</u>	<u>17,327,399</u>
Capital Contributions	<u>855,463</u>	<u>240,853</u>	<u>475,153</u>
Total Revenues, Operating and Non-Operating	<u>\$ 25,571,793</u>	<u>\$ 25,708,509</u>	<u>\$ 25,068,204</u>

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



Incomparing the fiscal periods ended August 31, 2015 and 2014:

- > Net Tuition and fee revenues decreased \$494,460 or 14.76% as a result of a 7% decrease in students primarily a result of the improved economy and a decrease in contact hours as a result of state mandated reductions in workforce hours to 60 to obtain certification.
- > Federal Grants and Contracts decreased \$440,901 or 37.5% primarily as a result of reductions in Federal Student Financial Assistance Grants and work-study programs in the amount of \$87,789 and reductions in Adult Basic Education Grants in the amount \$74,125. In addition, more Federal Grants were used for capital projects as noted in the increase in Capital Contributions of \$614,610.
- > State Grants and Contracts increased \$448,858 or 64.1% primarily as a result of an increase in the Texas Grant awards in the amount of \$120,130, an increase in the Nursing Shortage Award in the amount of \$65,431, increases in awards from the Texas Workforce Commission in the amount of \$101,664 and the receipt of a Jet Grant in the amount of \$294,776.
- > State Allocations increased \$143,077 or 2.4% as a result of increased State appropriations.
- > Federal Revenue Non Operating decreased \$481,645 or 6.5% as a result of decreased student awards due to changes in eligibility criteria and award calculations for student Pell awards and Loans.

Incomparing the fiscal periods ended August 31, 2014 and 2013:

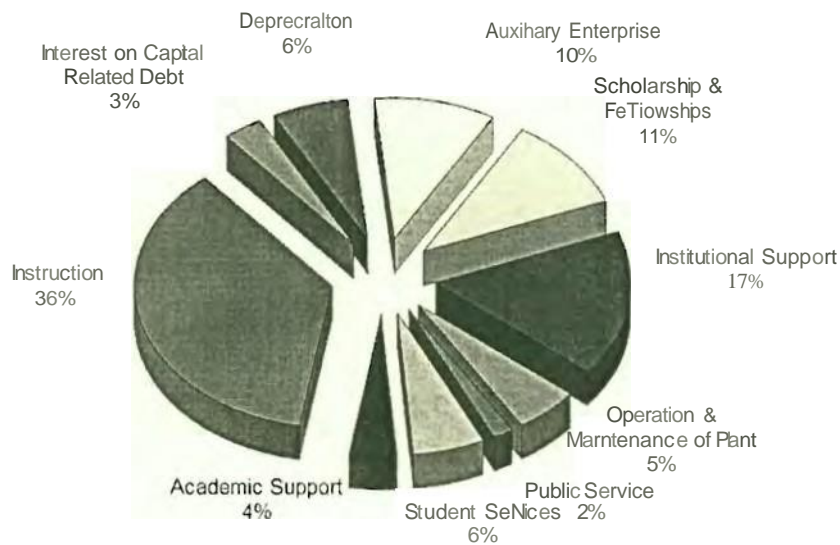
- > Net Tuition and fee revenues increased \$242,060 or 7.8% as a result of increased tuition and fees of 398,094 due to increased fee structures, and an increase in scholarship allowances in the amount of \$156,034 primarily as a result of decreased Federal assistance to students.
- > The Northeast Texas Community College Foundation, as a component of the College, contributed a total of \$251,915 in scholarships for 307 students.
- > Net Auxiliary enterprises increased \$239,694 or 14.6% due to increased occupancy in the dorms resulting in an increase of \$116,075, an increase in bookstore sales of \$38,858 and a decrease in scholarships and allowances of \$84,761.
- > State appropriations increased \$682,038 or 12.9% as a result of increased general appropriations of \$377,191 and a \$302,844 increase in benefit appropriations.
- > Property tax revenues decreased \$206,184 or 4.7% as a result of reductions in property values.

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, 2015, 2014, and 2013

	2015	2014	2013
<b>Operating Expenses:</b>			
Instruction	\$ 9,170,271	\$ 8,639,365	\$ 8,603,594
Public service	423,775	377,181	393,962
Academic support	1,011,106	999,981	980,263
Student services	1,487,879	1,418,474	1,349,029
Institutional support	4,231,487	3,941,582	3,380,688
Operation and maintenance of plant	1,330,866	1,413,608	1,328,508
Scholarship & fellowships	2,715,611	3,368,587	3,316,530
Auxiliary enterprise	2,544,775	2,703,879	2,612,191
Depreciation	<u>1,581,267</u>	<u>1,490,540</u>	<u>1,475,098</u>
<b>Total, Operating Expenses</b>	<b><u>24,497,445</u></b>	<b><u>24,353,197</u></b>	<b><u>23,439,863</u></b>
<b>Non-Operating Expenses:</b>			
Interest on capital related debt	812,408	848,605	934,422
Bond Issue Costs	149,494		86,579
(Gain) Loss on disposal of capital assets	62,540		
Other non-operating expenses	<u>14,133</u>	<u>13,659</u>	<u>10,586</u>
<b>Total, non-operating expenses</b>	<b><u>1,038,575</u></b>	<b><u>862,264</u></b>	<b><u>1,031,587</u></b>
<b>Total Expenses, Operating and Non-Operating</b>	<b><u>\$ 25,536,020</u></b>	<b><u>\$ 25,215,461</u></b>	<b><u>\$ 24,471,450</u></b>

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



In comparing the fiscal periods ended August 31 2015 and 2014:

- )> Instruction increased \$530,906 or 6.2% primarily as a result of a 3% salary increase for full time faculty and an increase of \$100 per course for adjuncts and overload pay.
- )> Institutional Support increased \$289,905 or 7.4% primarily as a result of increased bad debt reserves in the amount of \$446,676. \$119,223 of the reserve increase is a result of aging of student receivables. \$327,453 of the increase is an estimate of the uncollectable amount for return to Title IV amounts resulting from a DOE audit. One time special projects decreased \$242,921, salaries increased \$172,000 as a result of a 3% increase in base salaries and an increase in one position to support the College's new core software systems.
- >- Scholarships and Fellowships decreased \$652,976 or 19.4% primarily as a result of decreased awards of Pell and Loans due to changes in eligibility rules and caps on lifetime awards.
- )> Auxiliary Enterprises decreased \$159,104 or 5.9% primarily as a result of decreased expenditures of non-capital improvements to athletic facilities.
- )> Other Non-Operating expenses increased \$149,968 as a result of expending bond fees for Limited Tax Bonds issued in 2015.

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

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

## Analysis of Net Position

Total Net Position of \$12,657,876 is comprised of the investment in capital assets net of related debt of \$13,422,387, reserve for debt service of \$283,743, and unrestricted net position of \$(1,048,254). The debt service reserve is set-aside in the event the pledged revenues in interest and sinking fund are not sufficient to pay the debt service payment in the future. The unrestricted net position is the inception-to-date net of current and non-current revenues and expenses.

Net Position			
For the Years Ended August 31, 2015, 2014, and 2013			
	2015	2014	2013
Investment in Capital Assets, Net of Related Debt	\$ 13,422,387	\$ 11,716,678	\$ 11,275,253
Restricted for debt service	283,743	869,573	805,415
Temporarily Restricted			
Unrestricted	<u>(1,048,254)</u>	<u>3,616,913</u>	<u>3,629,448</u>
Total Net Position	\$ <u>12,657,876</u>	\$ <u>15,710,116</u>	\$ <u>16,203,164</u>

## Long Term Debt

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

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

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

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, 2015 and 2013.

See note 9- Bonds and Notes Payable of the financial statements for further information about long-term debt activity.

## Capital Assets

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

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

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

See note 7-Capital Assets of the financial statements for further information about capital asset activity.



On July 6, 2015, Standard & Poor's affirmed the College's Revenue Financing debt rating at BBB. On July 2, 2015, 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 9).

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

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

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

#### Financial Condition and Outlook

Unrestricted fund balance decreases in the current year by \$4,665,167. This amount includes a prior period adjustment in the amount of \$3,581,061 to recognize the College's portion of the unfunded liability for retirement benefits under the State's Teacher Retirement Plan. See Note 2 for further information regarding this adjustment. The remainder of the reduction in fund balance is due to onetime expenditures for the College's new software system, increases in reserve for aging student receivables, and the recognition of an estimated uncollectable amount for funds to be returned to the Department of Education under Title TV. These reductions in fund balance are primarily one time reductions. The College does not anticipate significant increases in fund balance in the near future. Given the current economic climate, we anticipate ongoing minimal earnings of interest on our temporary investments. We also anticipate no increase in operating maintenance and operations tax revenues over the next two to three years as a result of flattened appraisal values as a result of economic conditions. We also expect no significant increases in state funding. We anticipate adjusting our ongoing operating spending to compensate for these reduced revenues. The college experienced a 7% decline in enrollment in the Fall of 2015 and does not anticipate significant growth in enrollment levels in the next few years.

*FINANCIAL STATEMENTS*

NORTHEAST TEXAS COMMUNITY COLLEGE  
EXHIBIT I  
STATEMENTS OF NET POSITION  
August 31, 2015 and 2014

ASSETS	2015	2014
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	\$ 1,539,721	\$ 3,278,062
Accounts receivable (Note 13)	1,626,656	1,600,287
Inventories	597,728	453,237
Prepaid expense	305,097	408,142
Due from component unit	665,355	
<b>Total Current Assets</b>	<b>4,734,557</b>	<b>5,739,728</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 4)	10,333,588	347,792
Unrestricted long-term investments (Note 4)	101,554	510,852
Restricted long-term investments (Note 4)	841,477	1,001,901
Notes receivable (net of allowance for doubtful accounts of \$78,172 in 2015 and 2014)		
Prepaid bond insurance	121,585	99,519
Other assets	37,140	53,661
Capital assets, net of accumulated depreciation (Note 7)	35,253,296	34,845,575
<b>Total Noncurrent Assets</b>	<b>46,688,640</b>	<b>36,859,300</b>
<b>Total Assets</b>	<b>\$142,319,7</b>	<b>42,599,028</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows pension related (Note 10)	565,809	
Deferred charge on bond refunding (Note 6)	656,190	737,407
<b>Total Deferred Outflows of Resources</b>	<b>1,221,999</b>	<b>737,407</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable (Note 13)	876,213	642,279
Accrued liabilities (Note 13)	639,691	247,596
Accrued compensated absences (Note 12)	169,275	96,512
Deposits payable (Note 13)	160,458	172,180
Funds held for others	95,988	81,833
Unearned revenues	1,178,820	1,855,801
Due to component unit		1,406
Notes and leases payable - current portion (Note 8 and 9)	82,215	161,654
Bonds payable - current portion (Note 8 and 9)	1,224,747	1,277,070
<b>Total Current Liabilities</b>	<b>4,427,407</b>	<b>4,536,331</b>
<b>Noncurrent Liabilities</b>		
Bonds payable (Note 8 and 9)	29,821,182	21,380,421
Premium on Bonds Payable	820,112	343,500
Notes and leases payable (Note 8 and 9)	791,080	873,019
Net pension liability (Note 8 and 10)	3,160,678	
<b>Total Noncurrent Liabilities</b>	<b>34,593,052</b>	<b>22,596,940</b>
<b>Total Liabilities</b>	<b>39,020,459</b>	<b>27,133,271</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows pension related (Note 10)	966,861	
<b>Total Deferred Outflows of Resources</b>	<b>966,861</b>	
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	13,422,387	11,716,678
Restricted for		
Expendable		
Debt service	283,743	869,573
Unrestricted	(1,048,254)	3,616,913
<b>Total Net Position</b>	<b>\$ 12,657,876</b>	<b>\$ 16,203,164</b>

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

*NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.*  
*COMPONENT UNIT*  
*STATEMENTS OF FINANCIAL POSITION*  
*August 31, 2015 and 2014*

ASSETS	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents (Note 4)	\$ 1,049,501	\$ 898,170
Accounts receivable (Note 13)	85,562	252,280
Due from Northeast Texas Community College		1,406
Other assets	<u>9,600</u>	<u>28,800</u>
Total Current Assets	<u>1,144,663</u>	1,180,656
Noncurrent Assets		
Long - term investments (Note 4)	2,954,014	2,883,265
Property, plant, and equipment, net of accumulated depreciation (Note 7)	651,673	492,313
Other assets	<u>34,130</u>	<u>38,700</u>
Total Noncurrent Assets	<u>3,639,817</u>	3,414,278
 Total Assets	 <u>4,784,480</u>	 <u>4,594,934</u>
LIABILITIES		
Current Liabilities		
Accounts payable (Note 13)		5,820
Deferred revenue	92,234	131,037
Due to Northeast Texas Community College	<u>665,355</u>	<u>        </u>
Total Current Liabilities	<u>757,589</u>	<u>136,857</u>
 Total Liabilities	 <u>757,589</u>	 <u>136,857</u>
Net Position		
Restricted		
Nonexpendable:		
Permanently	2,570,165	2,625,607
Expendable:		
Temporarily	905,015	1,208,008
Unrestricted	<u>551,711</u>	<u>624,462</u>
Total Net Assets	\$ <u>4,026,891</u>	\$ <u>4,458,077</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 CANGES IN NET POSITION  
For the Years Ended August 31, 2015 and 2014

REVENUES	2015	2014
Operating Revenues		
Tuition and fees (net of grant and scholarship allowances of \$4,819,496, 2015 and \$4,391,474, 2014)	\$ 2,855,485	\$ 3,349,945
Federal grants and contracts	736,490	1,177,391
State grants and contracts	1,149,284	700,426
Non-Governmental grants and contracts	206,944	163,286
Sales and services of educational activities	91,012	69,257
Auxiliary enterprises (net of grant and scholarship allowances of \$1,250,406, 2015 and \$1,241,507, 2014)	1,846,109	1,886,159
Other operating revenues	<u>380,150</u>	<u>381,611</u>
Total Operating Revenues (Schedule A)	<u>7,265,474</u>	<u>7,728,075</u>
EXPENSES		
Operating Expenses		
Instruction	9,170,271	8,639,365
Public service	423,775	377,181
Academic support	1,011,106	999,981
Student services	1,487,879	1,418,474
Institutional support	4,231,487	3,941,582
Operation and maintenance of plant	1,330,866	1,413,608
Scholarships and fellowships	2,715,611	3,368,587
Auxiliary enterprises	2,544,775	2,703,879
Depreciation	<u>1,581,675</u>	<u>1,490,540</u>
Total Operating Expenses (Schedule B)	<u>24,497,445</u>	<u>24,353,197</u>
Operating Income (Loss)	<u>(17,231,971)</u>	<u>(16,625,122)</u>
NON-OPERATING REVENUES (EXPENSES)		
State allocations	6,136,960	5,993,883
Ad-valorem taxes		
Taxes for maintenance & operations	2,954,515	3,011,059
Taxes on general obligations bonds	1,144,820	1,132,250
Federal revenue, non operating	6,958,730	7,440,375
Contribution from Foundation	250,000	150,000
Investment income (net of investment expenses)	5,831	12,014
Interest on capital related debt	(812,408)	(848,605)
Loss on disposal of fixed assets	(62,540)	
Other non-operating expenses	<u>(163,627)</u>	<u>{13,659}</u>
Net non-operating revenues (Schedule C)	<u>16,412,281</u>	<u>16,877,317</u>
Capital Contributions		
Component Unit	76,644	8,415
Federal grants capital contributions	<u>778,819</u>	<u>232,438</u>
	855,463	240,853
Increase (Decrease) in Net Position	<u>35,773</u>	<u>493,048</u>
Net Position - Beginning of Year	16,203,164	15,710,116
Cumulative Effect of Change in Accounting Principle (Note 2)	<u>{3,581,061}</u>	
Net Position - Beginning of Year as Restated (Note 2)	12,622,103	15,710,116
Net Position - End of Year	<u>\$ 12,657,876</u>	<u>\$ 16,203,164</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REYEM.JES		
Operating Revenues		
Federal Grants and Contracts	\$ 141,348	\$ 442,251
State Grants and Contracts	517,341	492,737
Local Grants and Contracts	<u>899,956</u>	<u>635,561</u>
Total Operating Revenues	<u>1,558,645</u>	<u>1,570,549</u>
EXPENSES		
Operating Expenses		
Public Service	2,305,772	1,876,821
Scholarships	189,837	251,915
Depreciation	<u>9,817</u>	<u>10,892</u>
Total Operating Expenses	<u>2,505,426</u>	<u>2,139,628</u>
Operating (Loss)	<u>(946,781)</u>	<u>(569,079)</u>
Non-Operating Revenues		
Investment income	<u>172,618</u>	<u>175,326</u>
Net non-operating revenues	<u>172,618</u>	<u>175,326</u>
(Loss) Before Other Revenues, Expenses, Gains, Losses	<u>(774,163)</u>	<u>(393,753)</u>
OTHER REVENUES, (EXPENSES), GAINS, LOSSES		
Additions to Endowments	116,241	109,406
Gains (loss) on investments	(188,945)	273,223
Loss on disposal of assets		(8,606)
Contributions	<u>415,681</u>	<u>570,422</u>
Total Other Revenues, Expenses, Gains, Losses	<u>342,977</u>	<u>944,445</u>
Increase (Decrease) in Net Position	(431,186)	550,692
Net Position - Beginning of Year	4,458,077	3,907,385
Net Position - End of Year	<u>\$ 4,026,891</u>	<u>\$ 4,458,077</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE

EXH1BJT 3

STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2015 and 2014

	2015	2014
<b>Cash Flows From Operating Activities</b>		
Receipts from students and other customers	\$ 3,767,465	\$ 5,187,375
Receipts of grants and contracts for operating activities	2,292,583	2,073,315
Other receipts	479,197	453,149
Payments to or on behalf of employees	(9,180,106)	(8,370,044)
Payments to suppliers for goods or services	(10,731,375)	(10,804,116)
Payments of scholarships	(2,715,611)	(3,368,587)
Net cash provided (used) by operating activities	(16,087,847)	(14,828,908)
<b>Cash Flows From Noncapital Financing Activities</b>		
State allocations	5,845,599	5,723,317
Federal revenues	6,958,730	7,440,375
Ad valorem tax revenues	4,145,212	4,131,583
Contribution from Foundation	250,000	150,000
Net cash provided (used) by non-capital financing activities	17,199,541	17,445,275
<b>Cash Flows From Capital and Related Financing Activities</b>		
Interest and other expense on capital related debt	(627,144)	(637,493)
Purchases of capital assets	(1,998,290)	(733,673)
Capital contributions	778,819	232,438
Proceeds from sale of fixed assets		
Proceeds on issuance of capital debt	9,815,679	86,000
Payments on capital debt and leases	(1,408,856)	(1,537,744)
Net cash provided (used) by capital and related financing activities	6,560,208	(2,590,472)
<b>Cash Flows From Investing Activities</b>		
Investment earnings	5,831	12,014
Purchases of investments	569,722	(3,194)
Net cash provided (used) by investing activities	575,553	(21,180)
Increase (Decrease) in cash and cash equivalents	8,247,455	4,715
Cash and cash equivalents - September 1,	3,625,854	3,621,139
Cash and cash equivalents - August 31,	\$ 11,873,309	\$ 3,625,854
<b>Noncash investing, capital, and financing activities</b>		
Contributions of Capital Assets	76,644	8,415
Bond issuance cost paid out of bond proceeds	182,762	
Total Noncash investing, capital, and financing activities	\$ 259,406	\$ 8,415
<b>Reconciliation of operating income to net cash provided</b>		
by operating activities:		
Operating income (loss)	\$ (17,231,971)	\$ (16,625,122)
Adjustments to reconcile operating income to net cash provided		
by operating activities:		
Depreciation expense	1,581,675	1,490,540
Payments made directly by state for benefits	291,361	270,566
Bad debts	429,082	(26,969)
Changes in assets and liabilities		
Receivables, net	(478,330)	(107,845)
Inventories	(144,491)	143,202
Prepaid expense	103,045	(196,012)
Due from component unit	(666,761)	140,659
Other assets	16,521	(16,520)
Accounts payable	233,934	32,600
Accrued liabilities	471,967	(22,811)
Deposits payable	(1,722)	5,868
Funds held for others	14,155	(37,641)
Pension Related	(19,331)	
Deferred revenue	(676,981)	120,578
Net cash provided (used) by operating activities	\$ (16,087,847)	\$ (14,828,908)

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Receipts from grants and contracts for operating activities	\$ 1,127,794	\$ 1,434,558
Payments of scholarships and support of college	476,924	(392,574)
Payments on grants and contract costs	<u>(1,646,221)</u>	<u>(1,423,247)</u>
Net cash provided (used) by operating activities	<u>(41,503)</u>	<u>(381,263)</u>
Cash Flows From Noncapital Financing Activities		
Additions to permanent and temporary endowment and other contributions	<u>463,461</u>	<u>645,849</u>
Net cash provided (used) by noncapital financing activities	<u>463,461</u>	<u>645,849</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	152,201	714,280
Investment income (loss)	172,618	175,326
Purchase of capital assets	(183,551)	(8,415)
Purchase of investments	<u>(411,895)</u>	<u>(598,824)</u>
Net cash provided (used) by investing activities	<u>(270,627)</u>	<u>282,367</u>
Net increase (decrease) in cash and cash equivalents	151,331	546,953
Cash and cash equivalents at beginning of year	<u>898,170</u>	<u>351,217</u>
Cash and cash equivalents at end of year	\$ <u>1,049,501</u>	\$ <u>898,170</u>
Noncash investing, capital, and financing activities		
In-kind contributions	\$ <u>627,127</u>	\$ <u>434,985</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (946,781)	\$ (569,079)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	9,817	10,892
Non cash transfer to college	76,644	8,415
Amortization and expense of in-kind contributions	29,961	44,378
Change in assets and liabilities		
Accounts receivable	166,718	201,247
Due to college	666,761	(140,659)
Deferred revenue	(38,803)	63,769
Accounts payable	(5,820)	(226)
Net cash provided (used) by operating activities	\$ <u>(41,503)</u>	\$ <u>(381,263)</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, 2015 AND 2014*

Note 1-Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

Reporting Guidelines

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

Tuition Discounting

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

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

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

Basis of Accounting

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

*NORTHEAST TEXAS COTY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014*

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

Budgetary data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1. The budget for the year ended August 31, 2015 was adopted by the Board of Trustees on August 12, 2014.

Cash and cash equivalents

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

Restricted cash

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

Deferred Inflows

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

Deferred Outflows

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

Investments

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

Inventories

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

NORTHEAST TEXAS CO.M.MUNITY COLLEGE  
AND NORTHEAST TEXAS CO.M.MUNITY COLLEGE FOUJVDATION  
NOTES TO FINANCIAL STATE.MENTS  
AUGUST 31, 2015AND 2014

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and estimated useful life in excess of one year. Renovations of \$50,000 to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment and 5 years for telecommunications and peripheral equipment.

Unearned Revenue and Expenditure

Tuition and Fees of \$994,380 and \$1,545,834 and federal, state and local grants of \$184,440 and \$309,967 have been reported as unearned revenues at August 31, 2015 and 2014, respectively.

Estimates

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

Operating and Non-Operating Revenues and Expenses

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

Pensions

For the year ended August 31, 2015 Northeast Texas Community College implemented Governmental Accounting Standards Board (GASH) Number 68 *Accounting and Reporting for Pensions* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* to assume its proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas (TRS) in the current year.

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

**NORTHEAST TEXAS COMMUNITY COLLEGE**  
**AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

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

**Prior Year Restatements and Reclassifications**

During fiscal year 2015, the College adopted GASB Statement No. 68 for Accounting and Reporting for Pensions as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. With GASB 68 and GASB 71, the College must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. A restatement of beginning net position was required to record of the beginning net pension liability and to record deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and beginning of the reporting entity's fiscal year.

Beginning net position as of September 1, 2014, has been restated as follows for the implementation of GASB No.68 and GASB No. 71.

Beginning net position		\$	16,203,164
Prior period adjustment - implementation of GASB 68			
Net pension liability (measurement date as of August 31, 2014)	\$		(3,881,054)
Deferred outflow - college contribution made during FY 2014			299,993
Prior period adjustment - implementation of GASB 68			(3,581,061)
Beginning net position as restated		\$	12,622,103

In accordance with GASB No. 68 the college is restating net position as of September 1, 2014, because the college does not have all of the audited beginning balances to restate the statements for the year ended August 31, 2014.

During fiscal year 2015, the college changed its policy on recognizing Pell and SEOG revenue and scholarship expense for awards posted prior to the fall semester. The college new policy is to recognize revenue and expense in the period of enrollment. In prior years revenue and expense was recognized in the period of the award. Federal revenue, non-operating and scholarship and fellowship expense on Exhibit 2 have each been reduced by \$95,037 from the amount previously reported for the year ended August 31, 2014. This change was necessary due to converting to a new accounting system.

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

**Subsequent Events**

Management has evaluated subsequent events through the date of this report which is the date the financial were available to be issued which was January 06, 2016.

**Note 3 - Authorized Investments**

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

*NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014*

Note 4 - Deposits and Investments

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

	2015	<u>2014</u>
Cash and Deposits		
Demand Deposits	\$ 10,435,432	\$ 1,766,115
Time Deposits	1,520,370	1,512,751
Petty Cash	10,045	10,202
Total Cash and Deposits	<u>\$ 11,965,847</u>	<u>\$ 3,289,068</u>

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Fair Value August 31, 2015	Fair Value <u>August 31, 2014</u>
Investment Pool	\$ 850,493	\$ 1,849,539
Total	<u>850,493</u>	<u>1,849,539</u>
Total Cash and Deposits	<u>11,965,847</u>	<u>3,289,068</u>
Total Deposits and Investments	<u>\$ 12,816,340</u>	<u>\$ 5,138,607</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 1,539,721	\$ 3,278,062
Restricted Cash and Cash Equivalents (Exhibit 1)	10,333,588	347,792
Investments (Exhibit 1)	101,554	510,852
Restricted Investments (Exhibit 1)	<u>841,477</u>	<u>1,001,901</u>
Total Deposits and Investments	<u>\$ 12,816,340</u>	<u>\$ 5,138,607</u>

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

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

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$ 504,786	\$ 268,295
Time Deposits		
Total Cash and Deposits	<u>\$ 504,786</u>	<u>\$ 268,295</u>

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Fair Value	Fair Value
	<u>August 31, 2015</u>	<u>August 31, 2014</u>
U.S. Government Agencies	\$ 70,831	\$ 73,191
Corporate Bond/Notes	10,124	31,138
Mutual Funds	<u>3,417,774</u>	<u>3,408,811</u>
Total Investments	3,498,729	3,513,140
Total Cash and Deposits	<u>504,786</u>	<u>268,295</u>
Total Deposits and Investments	<u>\$ 4,003,515</u>	<u>\$ 3,781,435</u>
Cash and Cash Equivalents	\$ 1,049,501	\$ 898,170
Long-term Investments	<u>2,954,014</u>	<u>2,883,265</u>
Total Deposits and Investments	<u>\$ 4,003,515</u>	<u>\$ 3,781,435</u>

As of August 31, 2015 the College had the following investments and maturities:

Investment Type	Credit Rating	Market Value	Investment Maturities (in years)		
			Less than 1	1-2	2-3
Certificates of Deposit	N/A	\$ 1,520,370	\$	\$ 1,520,370	\$
Investment Pool	AAA	<u>850,493</u>	<u>850,493</u>		
Total Market Value		<u>\$ 2,370,863</u>	<u>\$ 850,493</u>	<u>1,520,370</u>	

As of August 31, 2015 the Foundation had the following investments and maturities:

Investment Type	Credit Rating	Market Value	Investment Maturities (in years)			
			No Maturity	Less than 1	1-2	2-3
Investco Treasury Cash Management	AAA	544,716		544,716		
US Gov't Agencies	AAA	70,831				70,831
Corporate Bonds/Notes	AA	10,124				10,124
Mutual Funds	N/A	<u>2,873,058</u>	<u>2,873,058</u>			
Total Market Value		<u>\$ 3,498,729</u>	<u>\$ 2,873,058</u>	<u>\$ 544,716</u>	<u>\$ -</u>	<u>\$ 80,955</u>

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Note 4- Deposits and Investments - (continued)

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

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

Concentration of Credit Risk: The College does not place a limit on the amount that may be invested in any one issuer. More than 5% of the College's investments are in investment pools (35.8%) and in certificates of deposit (64.2%).

Custodial Credit Risk: At August 31, 2015, the College had money on deposit at two banks. The carrying amount of the College's and the Foundation's bank deposits was \$11,955,802 and \$504,786 and total bank balances equaled \$12,316,579 and \$504,786. Bank balances of \$508,489 are covered by federal depository insurance and \$12,312,876 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, 2015 or 2014.

Note 6-Deferred Outflows of Resources Bond

Refunding

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

	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015
Deferred charge on bond refunding	\$ 737,407	\$	\$ 81,217	\$ 656,190
	=====	=====		=====
	Balance August 31, 2013	Increases	Decreases	Balance August 31, 2014
Deferred charge on bond refunding	\$ 821,693	\$	\$ 84,286	\$ 737,407
	=====	=====		=====

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**Note 7-Capital Assets**

Capital assets activity for the year ended August 31, 2015 was as follows:

	For the Year Ended August 31, 2015			
	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015
<u>Not De12reciated:</u>				
Land	\$ 1,438,209	\$	\$	\$ 1,438,209
Construction in Process		564,561		564,561
Subtotal	<u>\$ 1,438,209</u>	<u>\$ 564,561</u>	<u>\$</u>	<u>\$ 2,002,770</u>
<hr/>				
<u>Other Capital Assets:</u>				
Buildings	41,486,838	53,629		41,540,467
Equipment Purchased with Capital Lease	342,348			342,348
Furniture, Machinery, Vehicles, and other Equipment	4,268,568	465,261	74,757	4,659,072
Library Books	851,325	19,799	11,625	859,499
Telecommunications and Peripheral Equipment	1,759,002	971,686	125,864	2,604,824
Subtotal	<u>\$ 48,708,081</u>	<u>\$ 1,510,375</u>	<u>\$ 212,246</u>	<u>\$ 50,006,210</u>
<hr/>				
<u>Accumulated DeReciation:</u>				
Buildings	11,193,565	923,025		12,116,590
Equipment Purchased with Capital Lease	266,791	18,057		284,848
Furniture, Machinery, Vehicles and Other Equipment	1,917,147	381,213	26,976	2,271,384
Library Books	665,577	32,646	11,624	686,599
Telecommunications and Peripheral Equipment	1,257,635	226,733	88,105	1,396,263
Subtotal	<u>\$ 15,300,715</u>	<u>\$ 1,581,674</u>	<u>\$ 126,705</u>	<u>\$ 16,755,684</u>
Net Other Capital Assets	<u>\$ 33,407,366</u>	<u>\$ (71,299)</u>	<u>\$ 85,541</u>	<u>\$ 33,250,526</u>
Net Capital Assets	<u>\$ 34,845,575</u>	<u>\$ 493,262</u>	<u>\$ 85,541</u>	<u>\$ 35,253,296</u>

The college has committed to a rehabilitation and rejuvenation project for the original campus buildings in the total amount of \$19.9 million. As of August 31, 2015 the college had expended \$292,657 toward this project.



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Note 7 - Capital Assets - (continued)

Foundation

	For the Year Ended August 31, 2015			
	Balance <u>August 31, 2014</u>	Increases	Decreases	Balance <u>August 31, 2015</u>
<u>Not Degreciated:</u>				
Land	\$ 140,400	\$ 62,270	\$	\$ 202,670
Works of Art, Antiques	193,236			193,236
Construction in Progress		106,907		106,907
Subtotal	<u>\$ 333,636</u>	<u>\$ 169,177</u>	<u>\$</u>	<u>\$ 502,813</u>
<u>Other Capital Assets:</u>				
Buildings	196,024			196,024
Furniture, Machinery, Vehicles, and other Equipment	152,285			152,285
Telecommunications and Peripheral Equipment	75,087			75,087
Subtotal	<u>\$ 423,396</u>	<u>\$</u>	<u>\$</u>	<u>\$ 423,396</u>
<u>Accumulated Degreciation:</u>				
Buildings	45,122	6,942		52,064
Furniture, Machinery, Vehicles and Other Equipment	144,510	2,875		147,385
Telecommwlcations and Peripheral Equipment	75,087	0		75,087
Subtotal	<u>\$ 264,719</u>	<u>\$ 9,817</u>	<u>\$</u>	<u>\$ 274,536</u>
Net Other Capital Assets	<u>\$ 158,677</u>	<u>\$ (9,817)</u>	<u>\$</u>	<u>\$ 148,860</u>
Net Capital Assets	<u>\$ 492,313</u>	<u>\$ 159,360</u>	<u>\$</u>	<u>\$ 651,673</u>

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

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

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

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Note 7-Capital Assets – (continued)  
Foundation

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

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Note 8 - Noncurrent Liabilities

Long-term liability activity for the year ended August 31, 2015 was as follows:

	Balance August 31, 2014	Increases	Decreases	Balance August 31, 2015	Current Portion
Leases, bonds, and notes					
Revenue bonds	\$ 8,586,000	\$	\$ 343,000	\$ 8,243,000	\$ 295,000
General obligation bonds	14,071,491	9,635,916	904,478	22,802,929	929,747
Notes payable	1,034,673		161,378	873,295	82,215
Net pension liability		3,160,678		3,160,678	N/A
<b>Total long-term obligations</b>	<b>\$ 23,692,164</b>	<b>\$ 12,796,594</b>	<b>\$ 1,408,856</b>	<b>\$ 35,079,902</b>	<b>\$ 1,306,962</b>

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

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

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Note 9 - Bonds and Notes Payable

General Obligation Bonds

The 2010 Series Limited Tax Bonds are due in annual installments varying from \$405,401 to \$894,900. The 2012 Series Limited Tax Refunding Bonds are due in annual installments varying from \$31,582 to \$1,130,200 with interest rates from 1.08% to 2.4%. The 2013 Series Limited Tax Refunding Bonds are due in annual installments from \$ 530,000 to \$1,130,000 with interest rates from 3.03% to 3.38%. Of the original \$18,000,000 authorized bonds, there were un-issued but approved bonds totaling \$5,534,837 at August 31, 2015 and 2014. The 2015 Series Limited Tax Bonds as due in annual installments varying from \$35,122 to \$1,055,600 with interest rates from 4% to 4.25%. The principal and interest expense for the next five years and beyond for the tax obligation bonds are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2016	\$ 943,742 (A)	\$ 466,023	\$ 1,409,765
2017	939,393 (A)	627,744	1,567,137
2018	931,212 (A)	646,251	1,577,463
2019	920,137 (A)	666,596	1,586,733
2020	999,000 (A)	597,948	1,596,948
2021-2025	5,119,382 (A)	2,982,669	8,102,051
2026-2030	3,987,063 (A)	3,388,674	7,375,737
2031-2035	4,180,000 (A)	1,540,894	5,720,894
2036-2040	4,783,000 (A)	584,362	5,367,362
	<u>\$ 22,802,929</u>	<u>\$ 11,501,161</u>	<u>\$ 34,304,090</u>

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

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

General information related to bonds payable is summarized below:

Limited Tax Bonds, Series 2010

To construct and equip Wellness Center

Issued September 15, 2010

Total issued \$1,471,000

Source of revenue for debt service is ad valorem taxes

Outstanding principal balance at August 31, 2015 and 2014 is \$1,315,000 and \$1,356,000 respectively

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Note 9 - Bonds and Notes Payable-(continued)  
General Obligation Bonds-(continued)

Limited Tax Refunding Bonds, Series 2012

To advance refund a portion of the 2003 Series Limited Tax Bonds  
Issued January 20, 2012  
Total authorized and issued \$9,293,154  
Source of revenue for debt service is ad valorem taxes  
Outstanding accredited principal balance at August 31, 2015 and 2014 was \$7,780,484 and \$8,609,804

Limited Tax Refunding Bonds, Series 2013

To advance refund the remaining 2003 Series Limited Tax Bonds  
Issued January 25, 2013  
Total Authorized and Issued \$3,912,171  
Source of revenue for debt service is ad valorem taxes  
Outstanding accredited principal balance at August 31, 2015 and 2014 was \$4,237,445 and \$4,105,687

Limited Tax Bonds, Series 2015

To construct and equip school buildings  
Issued August 11, 2015  
Total authorized \$19,900,000; issued \$9,470,000  
Source of revenue for debt service is ad valorem taxes  
Outstanding principal balance at August 31, 2015 and 2014 is \$9,470,000 and \$0, respectively

Revenue Bonds

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

Debt service requirements for the revenue bonds are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2016	295,000	\$ 333,689	\$ 628,689
2017	302,000	321,589	623,589
2018	314,000	309,102	623,102
2019	327,000	296,108	623,108
2020	345,000	282,487	627,487
2021-2025	1,940,000	1,185,703	3,125,703
2026-2030	2,377,000	740,091	3,117,091
2031-2035	1,952,000	267,596	2,219,596
2036	391,000	7,996	398,996
	<u>\$ 8,243,000</u>	<u>\$ 3,744,361</u>	<u>\$ 11,987,361</u>

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Note 9 -Bonds and Notes Payable-(continued)

Revenue- continued

Revenue Financing System Refunding and Improvement Bonds, Series 2006

To advance refund 1992 Series Dormitory System Revenue Bonds

Issued April 5, 2006

Total Authorized and issued \$4,490,000

Source of revenue for debt services is dorm fees

Outstanding principal balance at August 31, 2015 and 2014 was \$2,595,000 and \$2,770,000, respectively

Revenue Financing System Bonds, Series 2010

To construct and equip dorm building

Issued September 30, 2010

Total Authorized and issued, \$6,132,000

Source of revenue for debt service is dorm fees

Outstanding principal balance at August 31, 2015 and 2014 was \$5,648,000 and \$5,816,000

Notes Payable

The College entered into a 4.34% maintenance tax note payable dated April 27, 2010 to a bank in the amount of \$1,100,000. The note is due in 30 semi-annual payments of \$50,129. The balance of the note at August 31, 2015 and 2014 was \$803,544 and \$866,065 respectively.

The College entered into a Time Warrant payable to a bank on March 1, 2011 in the amount of \$500,000 with interest at 3.75%. The warrant is due in 9 semi-annual payments of \$22,029 with a final payment of \$385,635 on March 1, 2016. The balance of the note at August 31, 2015 and 2014 was \$0 and \$82,608, respectively.

The College entered into a financing agreement payable to a bank to purchase a bus on November 25, 2013 in the amount of \$86,000. The loan is due in 5 annual payments \$18,726, including interest at 2.88%. The balance of the note at August 31, 2015 and 2014 was \$69,751 and \$86,000, respectively

Debt service requirements for the notes payable are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2016	82,215	36,768	\$ 118,983
2017	85,703	33,280	118,983
2018	89,246	29,737	118,983
2019	92,877	26,045	118,922
2020	78,002	22,256	100,258
2021-2025	445,252	55,735	500,987
	<u>\$ 873,295</u>	<u>\$ 203,821</u>	<u>\$ 1,077,116</u>

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Note 10-Defined Benefit Pension Plan

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

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

*Pension Plan Fiduciary Net Position.* Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

Net Pension Liability

Total Pension Liability	\$159,496,075,886
Less: Plan Fiduciary Net Position	(132,779,243,085)
Net Pension Liability	<u>\$26,716,832,801</u>

Net Position as percentage of Total Pension Liability	83.25%
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*Benefits Provided.* TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.



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Note 10-Defined Benefit Pension Plan-(continued)

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note I of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	Contribution Rates	
	2014	2015
Member (Employees)	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employer (District)	6.8%	6.8%
Member Contributions	439,661	486,966
State of Texas On-Behalf Contributions	168,861	182,755
College Contributions	299,993	311,480

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

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

- ↳ On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- ↳ During a new member's first 90 days of employment
- ↳ When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.
- ↳ When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative, effectively making the state's contribution rate on these earnings 3.40%, and 100% of the state contribution rate of 6.80% for all other employees qualified earnings.

*NORTHEAST TEXAS COMMUNITY COLLEGE  
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AUGUST 31, 2015 AND 2014*

Note 10 - Defined Benefit Pension Plan-(continued)

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

*Actuarial Assumptions.* The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%
<i>*Includes Inflation of 3%</i>	

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

*Discount Rate.* The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

*NORTHEAST TEXAS COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014*

Note 10 - Defined Benefit Pension Plan - (continued)

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

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

*Discount Rate Sensitivity Analysis.* The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability	\$ 5,647,940	\$ 3,160,678	\$ <u><u>1,300,669</u></u>

NORTHEAST TEXAS COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014

Note 10-Defined Benefit Pension Plan-(continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2015, the college reported a liability of \$3,160,678 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the college. The amount recognized by the college as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the college were as follows:

College proportionate share of the collective net pension liability	\$ 3,160,678
State's proportionate share that is associated with the College	1,782,893
Total	\$ 4,943,571

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .00118327%. Since this is the first year of implementation, the College does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

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

For the year ended August 31, 2015, the college recognized pension expense of \$187,939 and revenue of \$187,939 for support provided by the State.

For the year ended August 31, 2014, the college recognized pension expense of \$166,922 and revenue of \$166,922 for support provided by the State.

*NORTHEAST TEXAS COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014*

Note 10 - Defined Benefit Pension Plan - (continued)

At August 31, 2015, the college reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 48,881	\$
Changes in actuarial assumptions	205,448	
Difference between projected and actual investment earnings		966,032
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		829
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	311,480	
Total	\$ 565,809	\$ 966,861

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions as of August 31, 2014 will be recognized in pension expense as follows:

Year ended August 31:			
2015	\$	(198,743)	
2016		(198,743)	
2017		(198,743)	
2018		(198,743)	
2019		42,765	
2020		39,675	
Thereafter	\$	(712,532)	

At August 31, 2015, the College reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$ 254,329	\$ 966,861
Contributions made subsequent to the Measurement Date	311,480	
Reported by District as of August 31, 2015	\$ 565,809	\$ 966,861

*NORTHwAST TEXAS COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS  
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Note 11-Defined Contribution Pension Plan

The state has also established an optional retirement program for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. The College contributes 2.5% percent for employees who were participating in the optional retirement program prior to September 1, 1995 and .24% for all others. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense of the State for the College, for both the define benefit plan and the define contribution plan, was \$296,545, \$270,566, and \$268,563 for the fiscal years ended August 31, 2015, 2014, and 2013 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 \$10,987,243, \$10,591,444, and \$10,354,147 for fiscal years 2015, 2014, and 2013 respectively. The total payroll of employees covered by the Teacher Retirement System was \$7,268,137, \$6,869,697, and \$6,646,853 and the total payroll of employees covered by the Optional Retirement Program was \$3,291,093, \$3,140,757, and \$3,344,413 for fiscal years 2015, 2014, and 2013, respectively.

Note 12-Compensable Absences

Full time College employees earn vacation of 5-15 days per year based on years of service and sick leave benefits of 8 hours per month. Employees are required to take all of their vacation by the anniversary date of their employment. The College has accrued \$169,275 and \$96,512 for August 31, 2015 and 2014, 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.

*NORTHEAST TEXAS COMMUNITY COLLEGE  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014*

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

Receivables at August 31, 2015 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 1,961,742	
Truces Receivable	357,232	
Scholarship and Pledges Receivable		22,007
Contracts and Grants Receivable	470,772	63,555
Other Receivables	75,079	
Subtotal	<u>2,864,825</u>	<u>85,562</u>
Allowance for Doubtful Accounts	1,238,169	
Total Receivables	<u>\$ 1,626,656</u>	<u>\$ 85,562</u>

Payables at August 31, 2015 were as follows:

	<u>College</u>	<u>Foundation</u>
Accounts Payable:		
Vendors Payable	\$ 876,213	\$
Accrued Liabilities:		
Accrued payroll liabilities	\$ 27,941	\$
Payable to Department of Education	409,317	
Interest payable	202,433	
Total Accrued Liabilities	<u>639,691</u>	
Deposits payable:		
Student deposits payable	<u>\$ 160,458</u>	<u>\$</u>

NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014

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

Receivables at August 31, 2014 were as follows:

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

Payables at August 31, 2014 were as follows:

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



*NORTHEAST TEXAS COMMUNITY COLLEGE  
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AUGUST 31, 2015 AND 2014*

**Note 14-Contract and Grant Awards**

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

Contracts and grant award funds already committed or funds awarded during fiscal year 2015 and 2014 for the College and Foundation are as follows:

	2015	2014
College		
Federal	\$ 1,325,487	\$ 1,011,205
State	484,834	449,663
Total	\$ 1,810,321	\$ 1,460,868
Foundation		
Federal	\$ 141,723	\$ 136,261
State	562,469	493,233
Total	\$ 704,192	\$ 629,494

**Note 15-Self-Insured Plans**

The College self-insures for coverage in the areas of workers' compensation and unemployment compensation. These plans are on a pay-as-you-go basis, in which no assets are set aside. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations. The College accrued \$21,609 and \$32,503 as estimated future payments for the years ended August 31, 2015 and 2014 respectively.

**Note 16- Post Retirement Health Care and Life Insurance Benefits**

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the college. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per insured was \$269 and \$252 for the years ended August 31, 2015 and 2014 respectively and totaled \$832,004 for 2015, and \$775,183 for 2014. The state's cost of providing benefits for 43 and 38 retirees was \$146,970 and \$242,980 for the years ended August 31, 2015 and 2014 respectively. Senate Bill 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

*NORTHEAST TEXAS COMMUNITY COLLEGE  
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AUGUST 31, 2015 AND 2014*

Note 17 - *Ad Valorem* Tax

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

	2015	2014
Assessed Valuation	\$ 4,752,456,776	\$ 4,862,758,145
Less Exemptions and Reductions	665,454,345	786,889,617
Net Taxable Assessed Value	\$ 4,087,002,431	\$ 4,075,868,528

	Current Operations	Debt Service	Total
Tax rate authorized per \$100 valuation	\$ <i>N/A</i>	\$ <i>N/A</i>	\$ 0.0995
Tax rate assessed per \$100 valuation for 2015	\$ 0.0722	\$ 0.0273	\$ 0.0995
Tax rate assessed per \$100 valuation for 2014	\$ 0.0741	\$ 0.0259	\$ 0.1000

Taxes levied for the years ended August 31, 2015 and 2014 were \$4,066,567 and \$4,075,869 respectively excluding any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Tax collections for the year ended August 31, 2015 and 2014 are as follows:

	2015			2014		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current Taxes	\$ 2,894,085	\$ 1,088,784	\$3,982,869	\$ 2,897,861	\$ 1,088,193	\$ 3,986,054
Delinquent Taxes	58,935	22,172	81,107	43,323	16,268	59,591
Penalties and Interest	11,865	4,464	16,329	51,148	19,207	70,355
Other Fees	4,242	1,596	5,838	4,285	1,609	5,894
Total Collections	\$ 2,969,127	\$ 1,117,016	\$4,086,143	\$ 2,996,617	\$ 1,125,277	\$ 4,121,894

Current tax levy collections for the years ended August 31, 2015 and 2014 were 97.9% and 97.8%, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance and operations and/or general obligation debt service.

**Note 18 - Income Taxes**

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable Organizations. The college had no unrelated business income for the years ended August 31, 2015 and 2014.

*NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014*

Note 19-Northeast Texas Community College Foundation, Inc.-Discrete Component Unit

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

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

Note 20-Risk Management - Claims and Judgments

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

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

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

Note 21 - Commitments and Contingencies

Litigation -The College may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

Grant Programs -The college participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the college has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2015 may be impaired. In the opinion of the college, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note 22 -Postemployment Benefits Other than Pensions

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

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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014*

**Note 22 - Postemployment Benefits Other than Pensions - (continued)**

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

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

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

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

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

The College's contributions to SRHP for the years ended August 31, 2015, 2014, and 2013 were \$919,883, \$785,131, and \$940,687 respectively which equaled the required contributions each year.

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*REQUIRED SUPPLEMENTAL INFORMATION*

NORTHEAST TEXAS COMMUNITY COLLEGE  
 SCHEDULE I  
 SCHEDULE OF COLLEGE'S SHARE OF NET PENSION LIABILITY  
 For the Year Ended August 31, 2015

For the Year Ending August 31	2015
TRS Net Position as Percentage of Total Pension Liability	<u>83.25%</u>
Colleges Proportion Share of Net Pension Liability	<u>0.01183270%</u>
College's Proportionate Share of Collective Net Pension Liability	\$ 3,160,678
State's Proportionate Share of Collective Net Pension Liability Associated with College	<u>1,782,893</u>
	\$ <u>4,943,571</u>
College Covered Payroll Amount	\$ <u>6,869,697</u>
Ratio of College's Proportionate of Net Pension Liability to College's Covered Payroll	<u>46.0 1%</u>

Note: GASB 68, Paragraph 8I .2, requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014. The data is for the period from September 1, 2013 through August 31, 2014.

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

See independent auditors' report

NORTHEAST TEXAS COMMUNITY COLLEGE  
 SCHEDULE 2  
 SCHEDULE OF COLLEGE'S CONTRIBUTIONS  
 For the Year Ended August 31, 2015

For the Year Ending August 31	2015
Legally Required Contribution	\$ 31 1.480
Actual Contributions	<u>31 1.480</u>
Contribution Deficiency (Excess)	\$----- <u>0</u>
College Covered Payroll Amount	\$ 7,268,137
Ratio of College's Actual Contributions to Covered Payroll	<u>4.29%</u>

Note: GASS 68, Paragraph 81.2, b requires the data in this schedule be presented as of the College's current fiscal year as opposed to the time period covered as of the measurement date of August 31, 2014.

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

See independent auditors' report.



*NORTHEAST TEXAS COMMUNITY COLLEGE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended August 31, 2015*

Changes of Benefit Terms

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

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

See independent auditors' report

*SUPPLEMENTAL SCHEDULES  
REQUIRED BY TEXAS HIGHER EDUCATION  
COORDINATING BOARD*

NORTHEAST TEXAS COMMUNITY COLLEGE  
 SCHEDULE OF DETAILED OPERATING REVENUES  
 SCHEDULE A

For the Year Ended, August 31, 2015 (With Memorandum Totals for the Year Ended August 31, 2014)

	Restricted	Unrestricted	TorI Educational Athletics	Auxiliary Enterprises	ZOIS ToroI	Memorandum 2014 Total
<b>Tuition</b>						
State funded courses						
In-district Resident tuition	\$ 1,202,398	\$	\$ 1,202,398	\$	\$ 1,202,398	\$ 1,300,268
Out-of-district Resident tuition	885,070		885,070		885,070	1,025,120
TPEG (SCI aside)	133,752		133,752		133,752	147,447
Out-of-district Nonresident	479,457		471,457		479,457	403,226
State funded continuing education	00,564		00,564		00,564	24,368
Non-state funded continuing education	54,602		134,602		134,002	111,375
<b>Total Tuition</b>	<b>2,895,843</b>		<b>2,895,843</b>		<b>2,895,843</b>	<b>3,012,904</b>
<b>Fees</b>						
General fees	2,864,692		2,864,692		2,864,692	681,417
Student service fees				154,898	154,898	209,002
Out-of-district fees	1,441,061		1,444,061		1,444,061	1,104,826
Laboratory fees	187,465		167,465		187,465	421,055
Other fees	128,022		128,022		128,022	104,205
<b>Total Fees</b>	<b>4,624,400</b>		<b>4,624,240</b>	<b>154,898</b>	<b>779,138</b>	<b>4,728,515</b>
<b>Scholarship Allowance and Discounts</b>						
Scholarship Allowance	1,577,361		(1,577,361)		(577,361)	(481,614)
Remissions and exemptions	(117,651)		(117,651)		(217,651)	(119,481)
TPEG allowance	113,752		(113,752)		113,752	(147,447)
Federal grants to students	6,732		6,732		13,732	5,629
<b>Total Scholarship Allowance</b>	<b>(481,946)</b>		<b>(481,946)</b>		<b>(481,946)</b>	<b>(391,474)</b>
<b>Total Net Tuition and Fees</b>	<b>2,700,887</b>		<b>2,700,887</b>	<b>154,898</b>	<b>2,855,485</b>	<b>3,349,945</b>
<b>Other Operating Revenues</b>						
Federal grants and contracts	49,504	68,056	736,490		736,490	1,177,391
Swagman and contract		1,149,281	1,149,284		1,149,284	700,416
Continuing education grants		2,944	106,144		206,944	162,810
Sales and miscellaneous activities	10,112		10,112		10,112	69,257
Other operating revenues	210,641		210,641	69,509	380,150	181,611
<b>Total Other Operating Revenues</b>	<b>351,187</b>	<b>2,043,184</b>	<b>2,394,371</b>	<b>169,519</b>	<b>2,563,880</b>	<b>2,491,971</b>
<b>Auxiliary Enterprises</b>						
Residential life				1,69,203	1,369,203	1,286,892
Less discounts				(258,271)	(158,271)	(100,603)
Bookstore				1,717,312	1,717,312	1,838,774
Utilities				(192,135)	(992,135)	(1,000,904)
<b>Total Net Auxiliary Enterprises</b>				<b>1,846,109</b>	<b>1,846,109</b>	<b>1,886,159</b>
<b>Total Operating Revenues (Excl. 2)</b>	<b>\$ 3,051,774</b>	<b>\$ 2,043,184</b>	<b>\$ 5,099,958</b>	<b>\$ 2,170,516</b>	<b>\$ 7,265,474</b>	<b>\$ 7,728,075</b>

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NORTHEAST TEXAS COMMUNITY COLLEGE  
 SCHEDULE B  
 SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATIONS  
 For the Year Ended August 31, 2015 (with Memorandum Totals for the Year Ended August 31, 2014)

	Operative Expenses					Memorandum Total 8/31/2014
	Salaries and Wages	Benefits		Other Expenses	Total 8/31/2015	
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 6,308,921			\$ 7,797,800	\$ 7,462,474	
Public Service	62,057			181,100	177,466	
Academic Support	717,813			929,510	921,406	
Student Services	845,695			1,160,950	1,118,887	
Institutional Support	1,653,911			3,875,500	3,330,399	
Operation and Maintenance of Plant	294,482			1,297,390	1,381,505	
Scholarships and Fellowships						
Total Unrestricted Educational Activities	\$ 9,882,879	\$	\$ 1,655,212	\$ 3,704,182	\$ 13,242,273	\$ 14,392,137
Restricted - Educational Activities						
Instruction	\$ 209,259	\$ 717,121	\$	\$ 446,087	\$ 1,372,467	\$ 1,176,891
Public Service	176,658	7054		58,958	242,670	199,715
Academic Support		81,592			81,592	78,575
Student Services	141,326	96,128		89,470	326,924	299,587
Institutional Support	1,177,885	187,996		50,103	355,984	611,183
Operation and Maintenance of Plant		33,474			33,474	32,103
Scholarships and Fellowships				2,715,611	2,715,611	3,368,587
Total Restricted Educational Activities	\$ 645,128	\$ 1,123,365	\$	\$ 3,360,229	\$ 5,128,722	\$ 5,766,641
Total Educational Activities	\$ 10,528,007	\$ 1,123,365	\$ 1,655,212	\$ 7,064,411	\$ 20,370,995	\$ 20,158,778
Auxiliary Enterprises	459,236		45,102	20,104,370	2,544,775	2,703,879
Depreciation Expense						
Building & Improvements					923,025	916,869
Equipment & Furniture					626,004	531,920
Library Books					32,646	41,751
Total	\$ 10,987,243	\$ 1,123,365	\$ 1,700,314	\$ 9,104,848	\$ 24,497,445	\$ 24,353,197

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE  
 SCHEDULE C

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

For the Year Ended August 31, 2015 (With Memorandum totals for the Year Ended August 31, 2014)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total 8/31/2015</u>	<u>Memorandum Total 8/31/2014</u>
<b>Non-Operating Revenues</b>					
State appropriations:					
Education and general state support	\$ 4,862,118			\$ 4,862,118	4,862,118
State group insurance		832,004		832,004	775,183
State retirement matching		291,361		291,361	270,566
Professional nursing shortage reduction		151,477		151,477	86,016
Ad-valorem taxes	2,954,515	1,144,820		4,099,335	4,143,309
Federal revenue, non operating		6,958,730		6,958,730	7,440,375
Investment income		5,831		5,831	12,014
Contribution from Foundation	250,000			250,000	150,000
<b>Total Non-Operating Revenues</b>	<u>8,066,633</u>	<u>9,384,223</u>		<u>17,450,856</u>	<u>17,739,581</u>
<b>Non-Operating Expenses</b>					
Interest on capital related debt	812,408			812,408	848,605
Loss on disposal of fixed assets	62,540			62,540	
Other non operating expense	<u>163,627</u>			<u>163,627</u>	<u>13,659</u>
<b>Total Non-Operating Expenses</b>	<u>1,038,575</u>			<u>1,038,575</u>	<u>862,264</u>
<b>Net Non-Operating Revenues</b>	<u>\$ 7,028,058</u>	<u>\$ 9,384,223</u>		<u>\$ 16,412,281</u>	<u>\$ 16,877,317</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, 2015 (With Modified 2014 Data for the Year Ended August 31, 2014)

	October 31, 2015								(Restated) Memorandum Term 8/31/2014
	Restricted			Capital, Net of Depreciation & Related Items	Total	Available for Current Operations			
	Unrestricted	Expendable	Non-Expendable			Yes	No		
Current									
Unrestricted	\$ 5,106	\$	\$	\$	(\$9,106)	\$ 1,601	\$ (3,160.678)		(475,000)
Board Designated Reserve	5,106				\$ 1,082	\$ 1,082			\$ 1,082
Plant			283,743	13,412,387	13,706,130		13,706,130		12,886,251
Total Net Assets, August 31, 2015	(1,152,544)	0	283,743	13,412,387	11,657,876	2,112,212	10,545,452		12,622,103
Total Net Assets, August 31, 2014 (Restated)	35,852	86,573		11,716,678	12,621,103	35,852	12,586,251		15,113,362
Net Increase (Decrease) in Assets	\$ 1,084,106	\$ (86,573)	\$ 283,743	\$ 1,705,709	\$ 35,773	\$ 2,076,360	\$ (3,040,799)		\$ 1,991,259

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*SUPPLEMENTAL SCHEDULES*



NORTH/EAST TEXAS COMMUNITY COLLEGE  
 SOJEDULE  
 BALANCE SHEET  
 AUGUST 31, 2015

	Cuneot Fwlds			Total	Loan Funds	Unencumbered	Retirement of Indebtedness	Investment in Plant	Net Position
	Unrestricted	Auxiliary Entitlements	Current Restricted						
Assets									
Cash and Cash Equivalents	\$ 1,522,579	9,007	8,135	\$ 1,539,721		\$	15,666	165,628	\$ 10,025,772
Long-term Investments	101,554			101,554					841,477
Short-term Investments									
Accounts Receivable	1,064,419	11,227	470,771	1,546,417					80,209
Due From Other Funds	437,610	3,000		777,628				73,511	52,110
Due From Foundation	665,355			665,355					
Prepaid Expenses	305,097			305,097					
Prepaid Insurance									121,585
Inventory Cost	22,738	574,990		597,728					
Land									1,438,209
Buildings and Improvements									15,003,023
Equipment Other Than Buildings									4,235,143
Equipment									3,781,942
Library Books									859,485
Vehicles									866,010
Telecommunications									2,825,169
Accumulated Depreciation									(16,755,685)
Other									37,140
Total Assets		\$ 4,119,381	\$ 935,414	\$ 4,789,066	\$ 533,530	\$ 15,666	\$ 1,139,179	\$ 10,999,568	\$ 35,412,021
Deferred Outflows of Resources									
Deferred outflows pension related	\$ 565,809			\$ 565,809					\$ 565,809
Deferred charitable refunding								656,190	656,190
Total Deferred Outflows of Resources	\$ 565,809			\$ 565,809				\$ 656,190	\$ 1,221,999
Total Assets and Deferred Outflows	\$ 4,685,191	\$ 935,414	\$ 4,789,066	\$ 6,099,339	\$ 15,666	\$ 239,179	\$ 10,999,568	\$ 26,068,211	\$ 154,549
Liabilities and Fund Balance									
Accounts Payable	\$ 742,571	37,202	95,517	\$ 875,370	\$ 8,135				\$ 876,211
Accrued Liabilities	437,262			437,262			18,518	18,911	639,691
Deferred OSIS Payable	964,188	64,040		1,604,588					160,458
Due to Other Funds			1,869	198,869	14,823		636,788	22,275	58,561
Due to Foundation									9,116
Deferred Revenues	912,562	81,818	1,444	1,178,820					1,178,520
Accrued Compensation	169,275			169,275					169,275
Bonds Payable							9,075,407	21,970,512	3,104,929
Unamortized Premium Discount							820,112		820,112
Notes Payable								873,295	873,295
Net Pension Liability	3,160,678			3,160,678					3,160,678
Funds Held in Custody for Others									95,988
Total Liabilities	\$ 5,518,766	\$ 183,060	\$ 478,906	\$ 6,180,732	\$ 15,666	\$	\$ 10,715,815	\$ 22,885,003	\$ 154,549
Deferred Inflows of Resources									
Deferred inflows pension related	966,861			966,861					966,861
Total Deferred Inflows of Resources	966,861			966,861					966,861
Fund Balances									
Net Investment in Plant						\$ 239,179		\$ 11,832,008	1,341,387
Reserved for Debt Service							283,743		283,743
Unrestricted	(1,800,436)	751,182	(48,541)	(1,048,154)					(1,048,254)
Total Fund Balance	\$ 1,800,436	\$ 751,182	\$ (48,541)	\$ 1,048,154		\$ 239,179	\$ 283,743	\$ 13,183,108	\$ 12,657,876
Total Liabilities, Fund Balances and Deferred Inflows	\$ 4,685,191	\$ 935,242	\$ -178,906	\$ 6,099,339	\$ 15,666	\$ 239,179	\$ 10,999,568	\$ 26,068,211	\$ 154,549

See independent auditors report.

NORTHEAST TEXAS COMMUNITY COLLEGE  
 SCHEDULE F  
 STATEMENT OF CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED AUGUST 31, 2015

	Current Funds				Loan Funds	Un-allocated	Retirement of Indebtedness	Investment in Plant	Total
	Unrestricted	AUXILIARIES	Current Restricted	Total					
Revenues and Other Additions									
Unrestricted Current Funds Revenues	\$ 15,586,499	3,420,922		\$ 19,007,421	\$	\$	\$	\$	\$ 19,007,421
State Appropriations - Restricted			1,123,365	1,123,365					1,123,365
Federal Grants and Contracts			8,474,039	8,474,039					8,474,039
State Grants and Contracts			1,300,761	1,300,761					1,300,761
Local gifts, grants and Contracts			206,944	206,944					206,944
Taxes for Debt Retirement							1,144,820		1,144,820
Interest / Endowment Income									
Net Decrease in Bonds Payable								103,478	(103,478)
Investment Income (Loss)						832	499		5,831
Other Revenues								76,14	76,644
Total Revenue and Other Additions	15,586,499	3,420,922	11,105,109	30,112,530		832	1,149,819	1,115,122	32,378,303
Expenditures and Other Deductions									
Expenditures	15,292,536	3,064,976	10,276,756	28,634,268					28,634,268
Indirect Cost Recovery			49,534	49,534					49,534
Retirement of Indebtedness - Bonds							1,038,478		1,038,478
Interest on Indebtedness							692,688	19,720	12,408
Depreciation Expense								1,581,675	1,581,675
Other expenditures							15,1826	73,341	226,167
Total Expenditures and Other Deductions	15,292,536	3,064,976	10,326,290	28,683,802			1,883,992	1,774,736	32,342,530
Transfers - Additions (Deductions)									
Land and Buildings; Transfers									
Retirement of Indebtedness									
Building Use Fees									
Tuition Use Fees	(689,601)			(689,601)		689.6			
Revenue Bond									
Contractual Obligations	(184,457)	(187,26)		(371,717)		(408)			
TPEG to Restricted									
Net - Mandatory Transfers									
Capital Outlay	(766,663)	(74,565)	(778,819)	(1,620,047)		(3672)			
Oilier						(136.4)			
Total Transfers - Additions (Deductions)	(1,640,724)	(93,891)	(778,819)	(2,513,434)		1,488.2			
Net Increase (Decrease) for Year	(1,346,761)	261,655	(1,084,106)	(2,169,212)		(585.3)			
Fund Balance (Deficit) August 31, 2014	\$ 3,107,386	\$ 489,527	\$	\$ 3,616,913		\$ 869.5	\$	\$	\$ 3,616,913
Restatement of Fund Balance	(1,581,061)			(1,581,061)					(1,581,061)
Initial Balance (Deficit) August 31, 2014 restated	(453,675)	489,527		35,852		238,347	869,573	11,478,331	12,657,110
Fund Balance (Deficit) August 31, 2015	\$ (1,800,436)	\$ 751,182	\$	\$ (1,049,254)		\$ 239,179	\$ 283,743	\$ 13,183,208	\$ 12,657,876

See independent auditors report

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*FEDERAL FINANCIAL ASSISTANCE INFORMATION*

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

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

*Members of the Board:*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of and for the year ended August 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. basic financial statements, and have issued our report thereon dated January 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying schedule of findings and question costs as 2015-005 that we considered to be a significant deficiency.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which described in the accompanying schedule of findings and questioned costs as item 2015-005.

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.

Purpose of this Report

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

***WJ? !lbtP .***

*WILF & HENDERSON, P.C.*  
Certified Public Accountants  
Texarkana, Texas  
January 6, 2016

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

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

*Members of the Board:*

**Report on Compliance for Each Major Federal Programs**

We have audited Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015. 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, 2015.



*Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-005. 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 programs to determine the auditing procedures that are appropriate for the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 a material weakness or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned cost as items 2015-001 through 2015-005.

Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s responses to the findings identified in our audit are 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 responses and, accordingly, we express no opinion on the responses.

*Board of Trustees*  
*Page 3*  
*January 6, 2016*

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.

*W&H* (VI, *Pt.*

*WILF & HENDERSON, P.C.*  
Certified Public Accountants  
Texarkana, Texas  
January 6, 2016

NORTHEAST TEXAS COMMUNITY COLLEGE  
SCHEDULE G  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2015  
Page 1 of 2

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantors Number	Pass Through Disbursements and Expenditures
<b>U.S. Department of Education</b>			
Direct Programs			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007A		\$ 24,901
Federal Work-Study Program	84.033A		74,384
Federal Pell Grant Program	84.063P		6,933,829
Direct Loans	84.268		4,285,878
Total Student Financial Assistance Cluster			<u>11,318,992</u>
Title ID	84.031		<u>424,206</u>
TRIO - Upward Bound	84.047A		<u>246,254</u>
<b>Passed Through Texas Workforce Commission</b>			
Passed through Tyler Junior College			
Adult Education and Family Leave Act (AEFLA)-TJC	84.002A	0814AEL000	38,657
Passed through Paris Junior College			
Adult Education and Family Leave Act (AEFLA)	84.002A	0714AEL000	57,482
Adult Education and Family Leave Act (AEFLA)	84.002A	0714AEL000	117,756
Total Passed Through Texas Workforce Commission			<u>213,895</u>
<b>Passed Through Texas Higher Education Coordinating Board</b>			
Vocational Education - Allocated	84.048		238,219
Total Passed Through Texas Higher Education Coordinating Board			<u>238,219</u>
<b>Total U.S. Department of Education</b>			<b>\$ <u>12,441,566</u></b>
<b>U.S. Department of Commerce</b>			
Passed Through Economic Development Administration			
Economic Adjustment Assistance	11.307		140,831
<b>Total U.S. Department of Commerce</b>			<b>\$ <u>140,831</u></b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Texas Education Agency			
Temporary Assist to Needy Families	93.558 (A)		141,348
Passed Through Workforce Solutions of East Texas			
Temporary Assist to Needy Families	93.558		31,250
<b>Passed Through Texas Workforce Solutions</b>			
Passed through Paris Junior College			
Temporary Assist to Needy Families	93.558	0714AEL000	16,732
Passed through Tyler Junior College			
Temporary Assist to Needy Families	93.558	0814AEL000	413
Total passed through Texas Workforce Solutions			<u>17,145</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ <u>189,743</u></b>
U.S. Small Business Administration	59.037		<u>129,125</u>
<b>Total Federal Financial Assistance</b>			<b>\$ <u>12,901,265</u></b>

NORTHEAST TEXAS COMMUNITY COLLEGE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended August 31, 2015  
 Page 2 of 2

Note 1: Federal Financial Assistance Reconciliation

Federal Grants and Contracts Revenue - Per Schedule A - College	\$ 736,490
Federal Grants and Contracts Revenue - Per Schedule C - College	6,958,730
Federal Grant Capital Contributions - Per Exhibit 2 - College	778,819
Direct Loans	4,285,878
Federal Grants and Contracts Revenue - Foundation	141,348
	<hr/>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$ <del>12,801,265</del>

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
<hr/>		<hr/>	<hr/>

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, 2015

A: Summary of Audit Results

*Financial Statements*

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

Internal control over financial reporting:

- Material weaknesses identified?  yes  none reported
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

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

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

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

The programs tested as major programs include:

Student Financial Aid Cluster	
Federal Supplemental Educational Opportunity Grants	CFDA #84.007A
Federal Work-Study Program	CFDA #84.033A
Federal Pell Grant Program	CFDA #84.063P
Direct Loans	CFDA #84.268
Upward Bound	CFDA #84.047A

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

Auditee qualified as low-risk auditee?  yes  no

**B: Findings -Financial Statements Audit**

See finding 2015-005 in section C of the Federal Schedule of Findings and Questioned Costs.

NORTHEAST TEXAS COMMUNITY COLLEGE  
 AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
 FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2015

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

2015- 001 Title IV Student Financial Assistance Cluster -CFDA Nos. 84.007A, 84.033A,  
 84.063P, 84.268 Grant period -Year ended August 31, 2015

Eligibility

Type of Finding – Significant Deficiency and Non Compliance

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 should establish their policy based on Title IV requirements.

Condition:

Three students, out of a sample of sixty, received Title IV Student Financial Assistance and were not in compliance with satisfactory academic progress policy.

Cause:

The college implemented controls to ensure all students complied with the satisfactory academic progress policy for any student who attends NTCC for consecutive semesters. However, students with a lapse in attendance or who transfer from another college are not identified in the college's current control process.

Effect:

A total of \$8,956 was disbursed from Title IV funds to these three students that were not in compliance with the Title IV satisfactory academic progress 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	2036	11,321,010	
Sample	60	337,400	
Not in Compliance	3		8,956

Recommendation:

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

Managements' Response:

*We agree with the finding. Poise has correctly calculated SAP statuses for students enrolled in 2011-2012 forward. However, students' enrollments/performance prior to 2011-2012 were not always considered/or students who returned after the program fix in 2011-2012 [Example: Enrolled Fall 2005, Fall 2014, Spring 2015. In some instances, the Fall 2005 performance would not be accurately reflected in calculation. Fall 2014 and Spring 2015 would be classified correctly]. The implementation of EX affords a more robust program/or monitoring SAP.*

Responsible Individual: Linsey Harwell

Anticipated Completion Date: Fiscal Year 2015-2016

*NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2015*

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

Title IV Student Financial Assistance Cluster -CFDA Nos. 84.007A, 84.033A, 84.063P,  
84.268 Grant period -Year ended August 31, 2015

Reporting

Type of Finding -Significant Deficiency and Non Compliance

Criteria:

Colleges are required to promptly notifying the Department of Education and NSLDS of changes in student status in a timely and accurate manner.

Condition:

The enrollment report was not accurately and/or timely reported for the months after May 2015 until October 2015.

Cause:

The college implemented a new computer system which came online in June 2015. The converted student data required massive amount of clean-up before reporting would have been accurate. The college did not get the clean-up completed until the Fall of 2015. The college's third party service provider, who sends the enrollment reports to the NSLDS, sent in the same data as reported on the May report until November 2015. During November 2015, the college submitted corrected enrollment report for summer 2015.

Effect:

Reporting incorrect student enrollment information could have caused some students loans deferral status to be affected. The college completed a substantial amount of deferral forms during the summer, to assist students in maintaining their deferral status.

Recommendation:

We recommend that Northeast Texas Community College implement procedures to ensure the enrollment reporting requirements are met.

Managements' Response:

*We agree with the finding. This was a direct result of the ERP implementation. The delay was due to data conversion issues and report inadequacies. Issues have been addressed/corrected and should not reoccur.*

Responsible Individual: Betsy Gooding

Anticipated Completion Date: Fiscal year 2015-2016

*NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2015*

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

Title IV Student Financial Assistance Cluster -CFDA Nos. 84.007A, 84.033A, 84.063P,  
84.268, Grant period -Year ended August 31, 2015

Special Tests and Provisions

Type of Finding -Significant Deficiency and Non Compliance

**Criteria:**

The College must ensure that exit counseling is conducted either in person, by audiovisual presentation, or by interactive electronic means with each loan borrower before the student borrower ceases at least half-time enrollment at the institution. If a student borrower withdraws without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either electronic means or by mailing written counseling materials to the student borrower's last known address within 30 days of learning that the student failed to complete the required exit counseling.

**Condition:**

Eight students, out of a sample of sixty Title IV students, were identified as not having received exit counseling.

**Cause:**

The college did not have controls in the system to correctly capture all students who should have been contacted for exit counseling.

**Effect:**

The students were not identified as not receiving exit counseling.

**Recommendation:**

We recommend that Northeast Texas Community College implement management controls to ensure all students who are required have exit counseling receive the information to receive exit counseling.

**Managements' Response:**

*We agree with the finding. This was a direct result of the ERP implementation. Report of students dropping below six hours required tweaking to capture all students. Report is now fully functional.*

Responsible Individual: Linsey Harwell

Anticipated Completion Date: Fiscal year 2015-2016



NORTHEAST TEXAS COMMUNITY COLLEGE  
 AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
 FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEARENDED AU GUST 31, 2015

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

Title IV Student Financial Assistance Cluster -CFDA Nos. 84.007A, 84.033A, 84.063P,  
84.268, Grant period -Year ended August 31, 2015

Eligibility

Type of Finding - Significant Deficiency and Non Compliance

Criteria:

Financial resources available to a student cannot exceed the student's cost of attendance. Financial resources include expected family contribution, non -Federal aid, and Federal aid.

Condition:

One student, out of a sample of sixty, received Title JV Student Financial Assistance in excess of their cost of attendance.

Cause:

The college did not properly consider all financial resources when they determined the financial need to be funded by Title JV funds.

Effect:

A total of \$676 was disbursed from Title IV funds in excess of financial need to this student. 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	2036	11,321,010	
Sample	60	337,400	
Not in Compliance			676

Recommendation:

We recommend that Northeast Texas Community College implement management controls to ensure Title JV disbursements are not made in excess of financial need.

Managements' Response:

*We agree with the finding. Managing students' budgets in POJSE was very manual and, at times, required the use of estimates. PowerFAIDS offers robust budget monitoring, and will not allow a student to be over awarded.*

Responsible Individual: Linsey Harwell

Anticipated Completion Date: Fiscal year 20J 5-2016

*NORTHEAST TEXAS COLLEGE COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2015*

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

2015-005 Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A,  
84.063P. 84.268 Grant period -Year ended August 31, 2015

Special Tests and Provisions

Type of Finding -Significant Deficiency and Compliance

Criteria:

Colleges are required to review Title IV awards that were awarded to students who withdrew from all classes in a semester and return the unearned awards to the Department of Education for students who were not enrolled for at least 60% of the semester. The unearned awards are to be returned within 45 days of determining the withdrawal date.

Condition:

Out of a population of 441 students who officially and unofficially withdrew from the college during the year ended August 31, 2015 we selected a sample of 65 students.

The Department of Education performed a program review during the year ended August 31, 2015. This review reported the college was not including in their calculation of the unearned Title IV awards students who unofficially withdrew.

The Department of Education instructed the College to identify the students who unofficially withdrew for the 2014 -2015 and 2013 -2014 school years and to calculate the unearned awards for these students and submit the list to the Department of Education for review. The College calculated \$179,652 as the unearned awards for the 2014-2015 school year.

The College submitted the list, but has not received a response from the Department of Education as of the date of this report.

Nine students out of our sample of 65 were not calculated and reported correctly on the 2014 – 2015 list submitted to the Department of Education. All nine students were unofficial withdrawals.

The calculation on five students was incorrect resulting in under reporting of \$1,803 as the amount of unearned awards to the Department of Education.

The calculation on four students was incorrect resulting in over reporting of \$560 as the amount of unearned awards to the Department of Education.

Cause:

The college did not calculate the unearned awards to return to Title IV accurately and/or timely on all students who completely withdrew from all classes.

Effect:

The college did not correctly calculate and remit timely the amount to return to Title IV. The result is questioned cost of \$180,895 for the year ended August 31, 2015 calculated as follows:

NORTHEAST TEXAS COMMUNITY COLLEGE  
 AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
 FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2015

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

2015- 005 Title IV Student Financial Assistance Cluster – CFDA Nos. 84.007A, 84.033A,  
84.063P, 84.268 Grant period - Year ended August 31, 2015 (cont'd)

Amount to return for 2014 - 2015 per College list submitted to Department of Education	\$ 179,652
Amount under reported per above	1,837
Amount over reported per above	<u>(560)</u>
Questioned cost for year ended August 31, 2015	\$ 180,929

Recommendation:

We recommend that Northeast Texas Community College implement procedures to ensure that all students subject to the return to Title IV calculation be identified, calculated correctly, and timely returned.

Managements' Response:

*We agree with the finding. The new ERP system provides reporting capabilities that allow us to capture all students who complete an official or unofficial withdrawal. Utilizing the new report will ensure all students that receive Title IV aid and complete an official or unofficial withdrawal will be included in the R2T4 calculations. Due to the volume of R2T4 calculations that were performed as a result of the DOE audit (655 accounts), staff members not typically involved in R2T4 process had to step in and assist. As a result, there were minor errors in classifications of some charges and other details.*

Responsible Individual: Linsey Harwell  
 Anticipated Completion Date: Fiscal year 2015-2016

*NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
FEDERAL SUMMARY SCHEDULE PRIOR AUDIT FINDINGS  
YEARENDED AUGUST 31, 2015*

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

2014-1 Title IV Student Financial Assistance Cluster -CFDA Nos. 84.007A,84.033A,  
84.063P, 84.268 Grant period -Year ended August 31.2014

Eligibility  
Type of Finding -Significant Deficiency

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

Questioned Costs:  
A total of \$2,823 was disbursed from Pell to one ineligible student.

Corrective Action:  
Northeast Texas Community College implemented management controls to ensure Title IV disbursements are made only to students in compliance with the college's satisfactory academic progress policy. The college returned the questioned costs of \$2,823.

Status:  
Current year testing revealed a similar finding.

2014-2 Title IV Student Financial Assistance Cluster –CFDA Nos. 84.007A, 84.033A,  
84.063P, 84.268 Grant period – Year ended August 31.2014

Special Tests and Provisions  
Type of Finding -Significant Deficiency

Description:  
Northeast Texas Community College disbursed Federal Work Study to two students who was ineligible for the award because the students worked during class time.

Questioned Costs:  
A total of \$249 was disbursed from Federal Work Study to two ineligible students.

Corrective Action:  
Northeast Texas Community College implemented management controls to ensure Federal Workstudy disbursements are made only to students who work during appropriate work hours. The college returned the questioned costs of \$249.

Status:  
Current year testing revealed no similar finding.

*NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
FEDERAL SUMMARY SCHEDULE PRIOR AUDIT FINDINGS  
YEARENDED AUGUST 31, 2015*

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

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

Eligibility

Type of Finding -Significant Deficiency

Description:

Northeast Texas Community College did not follow the federal policy and their own internal policy for awarding Federal Supplemental Education Opportunity Grant (FSEOG).

Questioned Costs:

A total of \$21,584 was disbursed from FSEOG not within the federal policy and their own internal policy for awarding Federal Supplemental Education Opportunity Grant (FSEOG).

Corrective Action:

Northeast Texas Community College implemented management controls to ensure FSEOG disbursements are made only to appropriate students. who work during appropriate work hours. The college returned the questioned costs of \$21,584.

Status:

Current year testing revealed no similar finding.

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

Reporting

Type of Finding -Significant Deficiency

Description:

Northeast Texas Community College did not accurately complete the income grid on the Fiscal Operations Report and Application to Participate (FISAP).

Corrective Action:

Northeast Texas Community College implemented management controls to ensure all students are included in the income grid on the FISAP.

Status:

Current year testing revealed no similar finding.

*NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION  
FEDERAL SUMMARY SCHEDULE PRIOR AUDIT FINDINGS  
YEARENDED AUGUST 31, 2015*

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

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

Special Tests and Provisions

Type of Finding - Significant Deficiency

**Description:**

Northeast Texas Community College did not accurately verify and/or maintain verification documents on 3 students selected for verification.

**Questioned Costs:**

The questioned costs of \$2,823 is on the one student whose documents were not available for review is considered to be his entire award.

**Corrective Action:**

Northeast Texas Community College implemented management controls to ensure all students selected for verification are accurately verified.

Status: Current year testing revealed no similar finding.

*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

Board of Trustees  
Northeast Texas Community College and  
Northeast Texas Community College Foundation  
Midland, Texas

Members of the Board:

Report on Compliance for Each Major State Programs

We have audited the compliance of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s with the types of compliance requirements described in the State of Texas Single Audit Circular, *Uniform Grant Management Standards* issued by the State of Texas that could have a direct and material effect on each of its major state programs for the year ended August 31, 2015. 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.



*Basis for Qualified Opinion on Texas Grant II*

As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding Texas Grant II as described in finding number 2015-001 for eligibility. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

*Qualified Opinion on Texas Grant II*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Texas Grant II for the year ended August 31, 2015.

*Unqualified Opinion on Each of the Other Major State Programs*

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major state programs for the year ended August 31, 2015.

**Report on Internal Control over Compliance**

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-00I to be material weaknesses.

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.

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.

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.

*114* , *OK, pt.*

*WILF & HENDERSON, P. C.*  
Certified Public Accountants  
Texarkana, Texas  
January 6, 2016

NORTHEAST TEXAS COMMUNITY COLLEGE  
 SCHEDULE H  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 For the Year Ended August 31, 2015  
 Page 1 of 2

Grantor/Program Title	Grant Contract Number	Pass Through Disbursements and Expenditures
Texas Education Agency		
Temporary Assist to Needy Families	(A) 0710580171200011	\$ 517,341
Total Texas Education Agency		<u>517,341</u>
U.S. Small Business Administration		
SBDC State		<u>103,587</u>
Texas Higher Education Coordinating Board		
Texas Grant Program	N/A	29,675
Texas Grant IT	N/A	583,574
Nursing Shortage		<u>151,447</u>
Total Texas Higher Education Coordinating Board		<u>764,696</u>
Texas College Workstudy		<u>33,775</u>
Texas Workforce Commission		
Skills Development Fund	0714SDF001	42,140
Skills For Small Business Program	0715SSD003	8,416
Skills For Small Business Program	0713SSD002	8,898
Passed through Tyler Junior College		
Temporary Assist to Needy Families	0814AELO00	2,000
Professional Development	0814AELO00	4,622
Passed through Paris Junior College		
State AEFLA	0714AELO00	32,455
Professional Development	0714AELO00	<u>5,396</u>
Total Texas Workforce Commission		<u>103,927</u>
Texas State Comptroller		
Jet Grant	5535-14	<u>294,776</u>
Total State Financial Assistance		\$ <del>1,818,102</del>

\* 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, 2015  
 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	\$ 1,149,284
State Grants and Contracts Revenue - Per Schedule C - College	151,477
State Grants and Contracts - Foundation	<u>517,341</u>
Total State Financial Assistance	\$ ===== <del>1,818,102</del>

See independent auditors' report.

*NORTHEAST TEXAS COUNTY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.  
STATE GRANTS SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2015*

**A: Summary of Audit Results**

*Financial Statements*

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

Internal control over financial reporting:

- Material weaknesses identified?  yes  none reported
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*State Awards*

Internal control over major programs:

- Material weaknesses identified?  yes  nonreported
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

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

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

The programs tested as major programs include:

	<u>Grant Project Number</u>
Jet	5535-14
Texas Grant II	N/A

Dollar threshold used to distinguish between

Type A and B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**B: Findings - Financial Statements Audit**

See finding 2015-005 in section C of the Federal Schedule of Findings and Questioned Costs.

NORTHEAST TEXAS COMMUNITY COLLEGE  
 AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.  
 STATE GRANTS SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2015

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

2015- 001 Texas Grant II

Eligibility

Type of Finding -Material weakness and Material Non Compliance

Criteria:

Institutions are required to collect a statement (electronically or on paper) from each TEOG recipient prior to the disbursement of funds confirming eligibility in regards to the controlled substance restrictions of the program. This statement must be retained with the student's records at the institution and be made available if requested in the course of a program review or audit.

Condition:

The college awarded six students, out of a sample of 120, a Texas Grant II and did not follow the above criteria.

Cause:

The students' eligibility statement was not signed by the student and/or retained by the college.

Effect:

A total of \$11,640 was disbursed from Texas Grant II funds to these students. A projection of this error to the population would result in likely questioned cost more than the \$10,000 required threshold.

Population and Sample Size:

	Number	Dollars	Questioned Cost
Population	208	583,555	
Sample	120	211,658	
Not in Compliance	6		11,640

Recommendation:

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

Response:

*We agree with the finding. Selection of students for awards is extremely cumbersome in POSIE. Implementation of PF will help significantly by blocking disbursements when criteria is not met. We do not expect this to be a recurring issue.*

Responsible Individual: Kim Lawrence

Anticipated Completion Date: Fiscal year 2015-2016

*NORTHEAST TEXAS COMMUNITY COLLEGE  
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.  
STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEARENDED AUGUST 31, 2015*

Findings and Questioned Costs - Major State Award Programs Audit

2014- 1 Texas Grant II

Eligibility

Type of Finding -Significant Deficiency

Description:

Northeast Texas Community College disbursed Texas Grant II to 3 students who did not comply with all the requirements of the grant program.

Questioned Costs:

A total of \$1,920 was disbursed from Texas Grant II to 3 ineligible.

Corrective Action:

Northeast Texas Community College implemented management controls to ensure Texas Grant II disbursements are made only to students in compliance with the requirements of the grant.

Status:

Current year testing revealed a similar finding.