

NORTHEAST TEXAS COMMUNITY COLLEGE
AND
NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
ANNUAL FINANCIAL REPORT
For the Fiscal Years Ended August 31, 2021 and 2020

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 2021

BOARD OF TRUSTEES

		<u>TITLE</u>	<u>TERMS</u>
Mr. Chuck Johns	Pittsburg, Texas	Board Chairman	2020-2026
Mr. Robin Sharp	Mt. Pleasant, Texas	Board Vice Chairman	2020-2026
Ms. Sondra Fowler	Daingerfield, Texas	Board Secretary	2020-2026
Mr. Sid Greer	Daingerfield, Texas	Member	2018-2024
Mr. Frankie King	Pittsburg, Texas	Member	2019-2022
Dr. Dan McCauley	Mt. Pleasant, Texas	Member	2018-2024
Ms. Stephanie Thurman	Mt. Pleasant, Texas	Member	2019-2022

PRINCIPAL ADMINISTRATIVE OFFICERS

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

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

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 ("the College") and Northeast Texas Community College Foundation, Inc. ("the Foundation"), as of and for the years ended August 31, 2021 and 2020, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2021 and 2020, 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.

Prior Period Financial Statements

The financial statements of the College as of August 31, 2020, were audited by other auditors whose report dated December 3, 2020, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's and the Foundation's basic financial statements.

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

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021 on our consideration of Northeast Texas Community College and Northeast Texas Community College Foundation Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Northeast Texas Community College and Northeast Texas Community College Foundation Inc.'s internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
December 14, 2021

Management's Discussion and Analysis
August 31, 2021

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 2019, 2020, and 2021. Since this management's discussion and analysis is designed to focus on current activities, resulting change, decisions or conditions of facts, please read it in conjunction with the College's basic financial statements and the footnotes. The College endeavors to present an objective and easily readable analysis of the overall financial activities to students and the public. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

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

College Foundation as a Discrete Component Unit

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

Statement of Net Position (Balance Sheet)

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

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

Statement of Net Position
For the Years Ended August 30, 2021, 2020, and 2019

	2021	2020	2019
ASSETS			
Current	\$ 7 797 501	\$ 6 841 464	\$ 6 711 402
Net capital assets	45 990 880	47 475 857	49 430 676
Other non-current	1 798 323	1 773 488	1 864 267
TOTAL ASSETS	55 586 704	56 090 809	58 006 345
Deferred outflows of resources	7 030 371	8 550 044	8 827 696
LIABILITIES			
Current	5 092 585	5 037 384	5 129 854
Noncurrent	57 855 548	57 130 535	57 788 030
TOTAL LIABILITIES	62 948 133	62 167 919	62 917 884
Deferred inflows of resources	4 306 726	6 577 366	6 737 332
TOTAL NET POSITION	\$ (4 637 784)	\$ (4 104 432)	\$ (2 821 175)

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, 2021, 2020 and 2019, the College's net positions were \$(4,637,784), \$(4,104,432), and \$(2,821,175), 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, 2021, 2020, and 2019

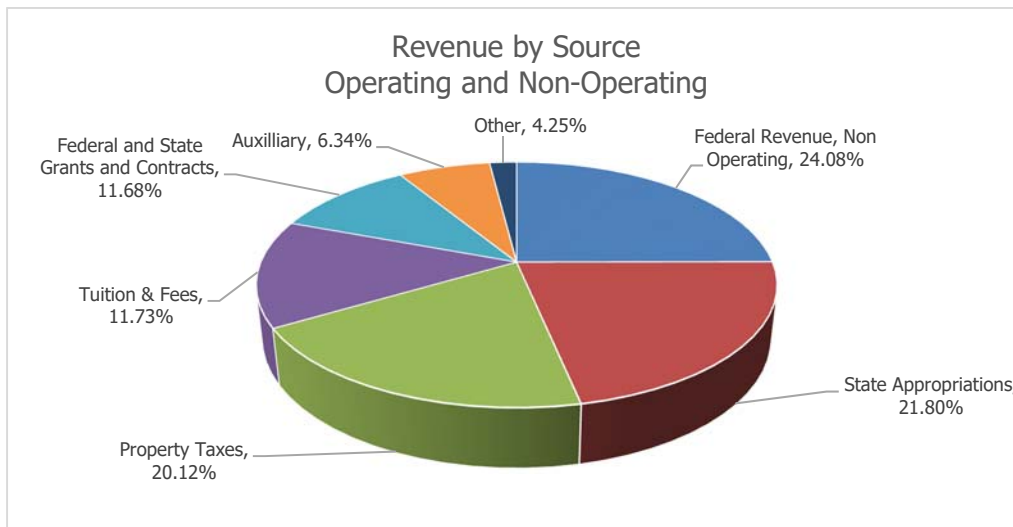
	2021	2020	2019
Summary of Revenues and Expenses:			
Total operating revenues	\$ 9 650 471	\$ 8 882 411	\$ 9 573 528
Total operating expenses	<u>27 682 223</u>	<u>27 455 001</u>	<u>26 303 322</u>
TOTAL OPERATING (LOSS)	(18 031 752)	(18 572 590)	(16 729 794)
Net non-operating revenues and expenses	17 381 725	17 215 201	15 912 314
Capital contributions	<u>116 675</u>	<u>74 132</u>	<u>346 837</u>
INCREASE (DECREASE) IN NET POSITION	(533 352)	(1 283 257)	(470 643)
Net position at beginning of year	<u>(4 104 432)</u>	<u>(2 821 175)</u>	<u>(2 350 532)</u>
NET POSITION - END OF YEAR	\$ <u>(4 637 784)</u>	\$ <u>(4 104 432)</u>	\$ <u>(2 821 175)</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 presentation:

Revenues: Operating and Non-Operating For the Years Ended August 31, 2021, 2020, and 2019

	2021	2020	2019
Operating Revenues:			
Tuition and fees (net)	\$ 3 330 960	\$ 3 921 721	\$ 3 852 180
Federal grants and contracts	3 318 769	1 920 211	2 046 319
State grants and contracts	697 941	670 157	1 148 606
Non-governmental grants and contracts	42 057	6 996	10 119
Sales and services of educational activities	19 304	55 415	39 629
Auxiliary enterprises (net)	1 801 862	1 815 622	1 893 902
Other operating revenues	<u>439 578</u>	<u>492 289</u>	<u>582 773</u>
TOTAL OPERATING REVENUES	<u>9 650 471</u>	<u>8 882 411</u>	<u>9 573 528</u>
Net Non-Operating Revenues:			
State appropriations	6 191 080	6 055 153	5 940 445
Property taxes	5 714 534	5 518 120	5 268 983
Federal revenue, non-operating	6 838 503	6 927 260	6 047 001
Investment and other income	<u>8 404</u>	<u>20 013</u>	<u>49 364</u>
TOTAL NON-OPERATING REVENUES	<u>18 752 521</u>	<u>18 520 546</u>	<u>17 305 793</u>
Capital contributions	<u>116 675</u>	<u>74 132</u>	<u>346 837</u>
TOTAL REVENUES, OPERATING AND NON-OPERATING	\$ <u><u>28 519 667</u></u>	\$ <u><u>27 477 089</u></u>	\$ <u><u>27 226 158</u></u>



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

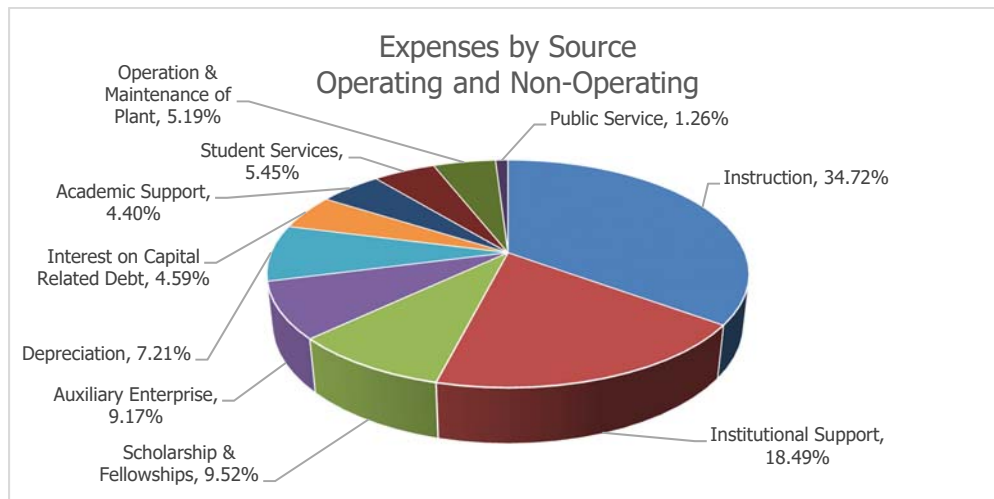
- Net Tuition and fee revenues decreased \$590,761 or 15.06%. This was a result of lower enrollment due to the COVID-19 pandemic.
- Net Auxiliary Enterprises decreased \$13,760 or 0.76% mainly as a result of decreased housing occupancy and a decrease in Whatley program revenues, due to the COVID-19 pandemic.
- Federal Grants and Contracts increased \$1,398,558 or 72.83% primarily as a result of increases in HEERF funds used to recover lost revenue for tuition, fees, and housing occupancy.
- State Grants and Contracts decreased \$27,784 or 4.15% largely as a result of decreased awards through the Texas Workforce Commission.
- State Allocations increased \$135,927 or 2.24% as a result of increase in State appropriations for health insurance.
- Federal Revenue Non-Operating decreased \$88,757 or 1.28% as a result of lower enrollment and student awards.

In comparing the fiscal periods ended August 31, 2020 and 2019:

- Net Tuition and fee revenues increased \$69,541 or 1.81%. This was a result of a \$4 increase in cost per hour.
- Net Auxiliary Enterprises decreased \$78,280 or 4.13% mainly as a result of decreased housing occupancy and a decrease in Whatley program revenues, due to the COVID-19 pandemic.
- Federal Grants and Contracts decreased \$163,847 or 6.81% primarily as a result of decreases in Perkins and Upward Bound Grants.
- State Grants and Contracts decreased \$478,449 or 41.65% largely as a result of a JET Grant in the amount of \$268,000 to upgrade Health Science simulation lab equipment, which was a one-time award to the College in the prior year.
- State Allocations increased \$59,506 or .99% as a result of increase in State appropriations for health insurance.
- Federal Revenue Non-Operating increased \$880,259 or 14.56% as a result of increase student awards and CARES Act Funds.

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

	2021	2020	2019
Operating Expenses:			
Instruction	\$ 10 122 467	\$ 10 127 455	\$ 9 777 151
Public service	325 709	432 143	479 263
Academic support	1 281 943	1 444 330	1 140 629
Student services	1 588 169	1 418 974	1 504 403
Institutional support	5 369 440	5 100 946	4 754 138
Operation and maintenance of plant	1 505 563	1 438 835	1 475 267
Scholarship and fellowships	2 752 309	2 789 725	2 153 075
Auxiliary enterprise	2 652 527	2 474 438	2 714 127
Depreciation	2 084 096	2 228 155	2 305 269
TOTAL OPERATING EXPENSES	27 682 223	27 455 001	26 303 322
Non-Operating Expenses:			
Interest on capital related debt	1 328 225	1 357 430	1 386 093
(Gain) loss on disposal of capital assets	40 539	(55 285)	4 189
Other non-operating expenses	2 032	3 200	3 197
TOTAL NON-OPERATING EXPENSES	1 370 796	1 305 345	1 393 479
TOTAL EXPENSES, OPERATING AND NON-OPERATING	\$ 29 053 019	\$ 28 760 346	\$ 27 696 801



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

- Instruction decreased \$4,988 or 0.05% primarily due to fewer instructional positions, lower adjunct and overload cost, and lower restricted grant salaries.
- Academic Support decreased \$162,387 or 11.24% as a result of not refiling one position from 2020, reallocating one position, and lower other cost for academic support.
- Institutional Support increased \$268,494 or 5.26% as a result of an increase in restricted salary cost from increased grant positions from COVID related support.
- Total other non-operating decreased \$65,450 or 5.03% due to gains on disposal of assets and lower interest expense.

In comparing the fiscal periods ended August 31, 2020 and 2019:

- Instruction increased \$350,304 or 3.58% primarily due to increased allocation for GASB 68 & 75 expenditures.
- Academic Support increased \$303,701 or 26.63% as a result of two positions unfilled for the prior year being filled in 2019-2020 and increased allocation for GASB 68 & 75 expenditures.
- Institutional Support increased \$346,808 or 7.29% as a result of an increase expenditures due to the Title V Grants increased allocation for GASB 68 & 75 expenditures.
- Total other non-operating decreased \$88,134 or 6.32% due to gains on disposal of assets and lower interest expense.

Analysis of Net Position

Total Net Position of \$(4,637,784) is comprised of the investment in capital assets net of related debt of \$10,917,861, restricted for debt service of \$164,422, and unrestricted net position of \$(15,720,067). 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, 2021, 2020, and 2019

	2021	2020	2019
Investment in capital assets, net of related debt	\$ 10 917 861	\$ 11 095 453	\$ 11 733 963
Restricted for debt service	164 422	583 089	531 535
Temporarily restricted	-	-	-
Unrestricted	(15 720 067)	(15 782 974)	(15 086 673)
TOTAL NET POSITION	\$ (4 637 784)	\$ (4 104 432)	\$ (2 821 175)

Long Term Debt

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

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

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

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

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

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

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

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

The College has revenue bonds, general obligation bonds, and other notes payable for which contractual payments have been made in the fiscal periods ended August 31, 2021 and 2020.

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

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

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

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

In the fiscal period ended August 31, 2017, the College expended \$83,310 in Federal grant funds to purchase equipment for use in our workforce education programs. The College also expended approximately \$13,000,000 in bond funds for the repair and renovation of the main campus.

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

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

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

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

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

On April 26, 2016 Standard & Poor's affirmed the College's Revenue Financing debt rating at BBB and rated the college's General Obligation Financing debt at AA. Management does not believe it has any debt limitations that may affect the financing of planned facilities or services.

Statement of Cash Flows

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

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

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

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

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

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

Financial Condition and Outlook

Net position decreased in fiscal year 2021 by \$533,352 primarily due to the current year effect of GASB 68 and 75 (See Note 10 and 15). Without the \$1,394,047 of current year effects of GASB 68 and 75, the College's net position increased by \$860,695. 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 anticipate a modest increase in operating maintenance and operations tax revenues over the next two to three years. We also expect no significant increases in state funding. We anticipate adjusting our ongoing operating spending to compensate for any changes in revenue. In spite of the ongoing pandemic, NTCC experienced a 2.5% enrollment increase during the Fall of 2021, compared to Fall 2020. The College anticipates increased enrollments going forward as the Texas economy begins recovery and increased federal stimulus funding fuels large scale retraining and reskilling initiatives for the area's regional workforce.

Requests for Information

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

FINANCIAL STATEMENTS

NORTHEAST TEXAS COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
For the Years Ended August 31, 2021 and 2020

EXHIBIT 1

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4 173 066	\$ 4 104 110
Investments short-term	699 219	627 608
Accounts receivable (net)	2 121 918	1 430 953
Inventories	142 171	127 102
Prepaid expense	498 499	333 311
Due from component unit	162 628	218 380
TOTAL CURRENT ASSETS	7 797 501	6 841 464
Noncurrent Assets:		
Restricted cash and cash equivalents	760 133	685 619
Short-term investments	918 815	912 524
Prepaid bond insurance	118 175	133 705
Other assets	1 200	41 640
Capital assets, net of accumulated depreciation	45 990 880	47 475 857
TOTAL NONCURRENT ASSETS	47 789 203	49 249 345
TOTAL ASSETS	55 586 704	56 090 809
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	2 432 391	2 536 178
OPEB related	4 356 409	5 704 874
Change on bond refunding	241 571	308 992
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7 030 371	8 550 044
LIABILITIES		
Current Liabilities:		
Accounts payable	788 822	559 955
Accrued liabilities	484 769	500 850
Accrued compensable absences	147 798	161 810
Deposits payable	49 400	138 581
Funds held for others	153 117	139 554
Unearned revenues	1 227 588	1 471 398
Notes payable - Current portion	169 288	116 530
Bonds payable - Current portion	1 460 000	1 420 000
Net OPEB liability - Current portion	611 803	528 706
TOTAL CURRENT LIABILITIES	5 092 585	5 037 384
Noncurrent Liabilities:		
Bonds payable	32 871 839	34 172 543
Premium on bonds payable	576 907	661 318
Notes payable	783 955	803 165
Net pension liability	5 893 253	5 340 834
Net OPEB liability	17 729 594	16 152 675
TOTAL NONCURRENT LIABILITIES	57 855 548	57 130 535
TOTAL LIABILITIES	62 948 133	62 167 919
DEFERRED INFLOWS OF RESOURCES		
Pension related	1 032 323	1 372 217
OPEB related	3 274 403	5 205 149
TOTAL DEFERRED INFLOWS OF RESOURCES	4 306 726	6 577 366
NET POSITION		
Invested in capital assets, net of related debt	10 917 861	11 095 453
Restricted:		
Expendable:		
Debt service	164 422	583 089
Unrestricted	(15 720 067)	(15 782 974)
TOTAL NET POSITION (SCHEDULE D)	\$ (4 637 784)	\$ (4 104 432)

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 COMPONENT UNIT
 STATEMENTS OF FINANCIAL POSITION
 August 31, 2021 and 2020

EXHIBIT 1A

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2 235 345	\$ 1 592 264
Accounts receivable	<u>12 306</u>	<u>18 387</u>
TOTAL CURRENT ASSETS	<u>2 247 651</u>	<u>1 610 651</u>
Noncurrent Assets:		
Long-term investments	6 634 658	5 751 079
Property, plant, and equipment, net of accumulated depreciation	828 989	476 726
Other assets	<u>39 217</u>	<u>41 305</u>
TOTAL NONCURRENT ASSETS	<u>7 502 864</u>	<u>6 269 110</u>
TOTAL ASSETS	<u>9 750 515</u>	<u>7 879 761</u>
LIABILITIES		
Deferred revenue	722 547	527 713
Due to Northeast Texas Community College	<u>162 628</u>	<u>218 380</u>
TOTAL LIABILITIES	<u>885 175</u>	<u>746 093</u>
NET POSITION		
With donor restrictions	8 437 375	6 698 434
Without donor restrictions	<u>427 965</u>	<u>435 234</u>
TOTAL NET ASSETS	<u>\$ 8 865 340</u>	<u>\$ 7 133 668</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended August 31, 2021 and 2020

EXHIBIT 2

	2021	2020
Operating Revenue:		
Tuition and fees (net allowances and discounts of \$4,600,679 - 2021 and \$4,566,196 - 2020)	\$ 3 330 960	\$ 3 921 721
Federal grants and contracts	3 318 769	1 920 211
State grants and contracts	697 941	670 157
Non-governmental grants and contracts	42 057	6 996
Sales and services of educational activities	19 304	55 415
Auxiliary enterprises (net of discounts of \$677,089 - 2021 and \$742,636 - 2020)	1 801 862	1 815 622
Other operating revenues	439 578	492 289
TOTAL OPERATING REVENUES (SCHEDULE A)	9 650 471	8 882 411
Operating Expenses:		
Instruction	10 122 467	10 127 455
Public service	325 709	432 143
Academic support	1 281 943	1 444 330
Student services	1 588 169	1 418 974
Institutional support	5 369 440	5 100 946
Operation and maintenance of plant	1 505 563	1 438 835
Scholarships and fellowships	2 752 309	2 789 725
Auxiliary enterprises	2 652 527	2 474 438
Depreciation	2 084 096	2 228 155
TOTAL OPERATING EXPENSES (SCHEDULE B)	27 682 223	27 455 001
OPERATING LOSS	(18 031 752)	(18 572 590)
Non-Operating Revenues (Expenses):		
State allocations	6 191 080	6 055 153
Ad-valorem Taxes:		
Taxes for maintenance and operations	3 622 942	3 482 782
Taxes on general obligations bonds	2 091 592	2 035 338
Federal revenue, non-operating	6 838 503	6 927 260
Investment income (net of investment expenses)	8 404	20 013
Interest on capital related debt	(1 328 225)	(1 357 430)
Gain (loss) on disposal of fixed assets	(40 539)	55 285
Other non-operating expenses	(2 032)	(3 200)
TOTAL NON-OPERATING REVENUES (EXPENSES) (SCHEDULE C)	17 381 725	17 215 201
Capital Contributions:		
Component unit	11 845	30 109
Federal grants capital contributions	104 830	44 023
TOTAL CAPITAL CONTRIBUTIONS	116 675	74 132
INCREASE (DECREASE) IN NET POSITION	(533 352)	(1 283 257)
Net position - Beginning of year	(4 104 432)	(2 821 175)
NET POSITION - END OF YEAR	\$ (4 637 784)	\$ (4 104 432)

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 COMPONENT UNIT
 STATEMENTS OF ACTIVITIES
 For the Years Ended August 31, 2021 and 2020

EXHIBIT 2A

	<u>2021</u>	<u>2020</u>
Operating Revenue:		
Federal grants and contracts	\$ 132 048	\$ 130 656
State grants and contracts	975 876	1 049 967
Local grants and contracts	<u>1 049 178</u>	<u>788 419</u>
TOTAL OPERATING REVENUES	<u>2 157 102</u>	<u>1 969 042</u>
Operating Expenses:		
Public service	2 331 757	2 193 292
Scholarships	323 132	362 960
Depreciation	<u>7 537</u>	<u>7 537</u>
TOTAL OPERATING EXPENSES	<u>2 662 426</u>	<u>2 563 789</u>
OPERATING LOSS	<u>(505 324)</u>	<u>(594 747)</u>
Non-Operating Revenues:		
Investment income	<u>32 767</u>	<u>166 784</u>
TOTAL NON-OPERATING REVENUES (EXPENSES) (SCHEDULE C)	<u>32 767</u>	<u>166 784</u>
(LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES	<u>(472 557)</u>	<u>(427 963)</u>
Other Revenues, (Expenses), Gains, Losses:		
Additions to endowments	482 055	515 216
Gains (loss) on investments	593 336	323 181
Contributions	<u>1 128 838</u>	<u>398 790</u>
TOTAL OTHER REVENUES, (EXPENSES), GAINS, LOSSES	<u>2 204 229</u>	<u>1 237 187</u>
INCREASE (DECREASE) IN NET POSITION	1 731 672	809 224
Net position - Beginning of year	<u>7 133 668</u>	<u>6 324 444</u>
NET POSITION - END OF YEAR	<u>\$ 8 865 340</u>	<u>\$ 7 133 668</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2021 and 2020

EXHIBIT 3

	2021	2020
Cash Flows from Operating Activities:		
Receipts from students and other customers	\$ 6 969 658	\$ 5 600 095
Receipts from grants and contracts	4 318 461	2 687 847
Other receipts	439 578	547 704
Payments to or on behalf of employees	(9 973 313)	(7 206 064)
Payments to suppliers for goods or services	(14 087 201)	(13 505 200)
Payments of scholarships	(2 752 309)	(2 789 725)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(15 085 124)	(14 665 343)
Cash Flows from Noncapital Financing Activities:		
State allocations	5 931 386	5 721 916
Federal revenues	6 838 503	6 927 260
Ad valorem tax revenues	5 714 534	5 473 354
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	18 484 423	18 122 530
Cash Flows from Capital and Related Financing Activities:		
Interest and other expense on capital related debt	(1 480 057)	(1 265 966)
Purchase of capital assets	(553 222)	(243 227)
Capital contributions	116 675	44 023
Proceeds from sale of fixed assets	(40 539)	55 285
Proceeds from issuance of debt	309 296	-
Payments on capital debt and leases	(1 536 452)	(1 453 270)
Other non-operating expense	(2 032)	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(3 186 331)	(2 863 155)
Cash Flows from Investing Activities:		
Investment earnings	8 404	20 013
Purchase of investments	(77 902)	(107 049)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(69 498)	(87 036)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	143 470	506 996
Cash and cash equivalents - September 1	4 789 729	4 282 733
CASH AND CASH EQUIVALENTS - AUGUST 31	\$ 4 933 199	\$ 4 789 729
Non-Cash investing, Capital, and Financing Activities:		
Contributions of capital assets	\$ 11 845	\$ 30 109
TOTAL NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	\$ 11 845	\$ 30 109
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (18 031 752)	\$ (18 572 590)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	2 084 096	2 228 155
Payments made directly by state for benefits	(45 897)	333 237
Bad debts	259 694	131 519
Changes in Assets and Liabilities:		
Receivables, net	(690 965)	287 721
Inventories	(15 069)	15 382
Prepaid expense	(149 658)	173 278
Due from component unit	55 752	(5 411)
Other assets	40 440	-
Accounts payable	228 867	(54 652)
Accrued liabilities	(30 093)	61 792
Deposits payable	(89 181)	(3 950)
Funds held for others	13 563	25 941
Pension and OPEB related	1 528 889	1 180 240
Deferred revenue	(243 810)	(466 005)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (15 085 124)	\$ (14 665 343)

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 COMPONENT UNIT
 STATEMENTS OF CASH FLOWS
 For the Years Ended August 31, 2021 and 2020

EXHIBIT 3A

	2021	2020
Cash Flows from Operating Activities:		
Receipts from grants and contracts	\$ 1 911 684	\$ 1 812 846
Payments of scholarships	(376 798)	(357 529)
Payments of grants and contract costs	(1 885 422)	(1 734 817)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(350 536)	(279 520)
Cash Flows from Noncapital Financing Activities:		
Additions to permanent and term endowment and other contributions	1 030 408	880 406
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1 030 408	880 406
Cash Flows from Investing Activities:		
Proceeds from sale of investments	429 365	-
Investment income (loss)	323 009	166 783
Purchase of capital assets	(359 800)	(30 109)
Purchase of investments	(429 365)	(166 782)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(36 791)	(30 108)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	643 081	570 778
Cash and cash equivalents - September 1	1 592 264	1 021 486
CASH AND CASH EQUIVALENTS - AUGUST 31	\$ 2 235 345	\$ 1 592 264
Non-Cash investing, Capital, and Financing Activities:		
In-kind contributions	\$ 433 201	\$ 429 016
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating income (loss)	\$ (505 324)	\$ (594 747)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	7 537	7 537
Non-cash transfer to college	-	30 109
Amortization and expense of in-kind contributions	-	32 950
Changes in Assets and Liabilities:		
Accounts receivable	6 081	5 309
Other assets	2 088	-
Due to college	(55 754)	5 411
Deferred revenue	194 836	233 910
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (350 536)	\$ (279 520)

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1 - REPORTING ENTITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants (TPEG) - Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code Sed. §56.033). When funds are awarded to students and used for tuition and fees, the amounts are recorded as revenue, and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

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

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

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

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

Restricted Cash

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows of Resources

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

Investments

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

Inventories

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

Deferred Inflows of Resources

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

Capital Assets

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

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

Other Post-Employment Benefits

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

Pensions

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

Unearned Revenues and Expenditure

Tuition and fees of \$866,269 and \$1,192,653 and federal, state, and local grants of \$361,319 and \$278,745, have been reported as unearned revenues at August 31, 2021 and 2020, respectively.

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates

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

Operating and Non-Operating Revenues and Expenses

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

Pending Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The College has not yet determined the impact this statement will have on the financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics and includes the following: Statement No. 87, Statement No. 73, Statement No. 74, Statement No. 84, and other topics. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The College has not yet determined the impact this statement will have on the financial statements.

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

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

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Prior Period Adjustment and Reclassifications

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

NOTE 3 - AUTHORIZED INVESTMENTS

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	AUGUST 31,	
	2021	2020
Demand deposits	\$ 2 333 151	\$ 2 272 930
Time deposits	1 618 022	1 457 310
Petty cash	10 050	10 850
TOTAL CASH AND DEPOSITS	\$ 3 961 222	\$ 3 741 090

Cash and Deposits Reconciliation of Deposits and Investments to Exhibit 1

TYPE OF SECURITY	FAIR VALUE AUGUST 31,	
	2021	2020
Investment pool	\$ 2 590 010	\$ 2 588 771
TOTAL	2 590 010	2 588 771
TOTAL CASH AND DEPOSITS	3 961 223	3 741 090
TOTAL DEPOSITS AND INVESTMENTS	\$ 6 551 233	\$ 6 329 861
Cash and cash equivalents (Exhibit 1)	\$ 4 187 241	\$ 4 104 110
Restricted cash and equivalents (Exhibit 1)	745 971	685 619
Investments (Exhibit 1)	699 208	627 608
Restricted investments (Exhibit 1)	918 813	912 524
TOTAL DEPOSITS AND INVESTMENTS	\$ 6 551 233	\$ 6 329 861

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

	AUGUST 31,	
	2021	2020
Demand deposits	\$ 2 235 345	\$ 1 592 264
TOTAL CASH AND DEPOSITS	\$ 2 235 345	\$ 1 592 264

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2021 and 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - CONTINUED

Reconciliation of Deposits and Investments to Exhibit 1A

TYPE OF SECURITY	FAIR VALUE AUGUST 31,	
	2021	2020
U. S. government agencies	\$ 1 047 705	\$ 835 273
Corporate bond/note	1 636 381	1 360 942
Mutual funds	3 951 572	3 554 864
TOTAL INVESTMENTS	6 634 658	5 751 079
Total cash and deposits	2 235 345	1 592 264
TOTAL DEPOSITS AND INVESTMENTS	\$ 8 870 003	\$ 7 343 343
Cash and cash equivalents	\$ 2 235 345	\$ 1 592 264
Long-term investments	6 634 658	5 751 079
TOTAL DEPOSITS AND INVESTMENTS	\$ 8 870 003	\$ 7 343 343

As of August 31, 2021, the College had the following investments and maturities:

Investment Type	CREDIT RATING	MARKET VALUE	INVESTMENT MATURITIES (IN YEARS)		
			LESS THAN 1	1-2	2-3
Certificates of Deposits		\$ 1 618 021	\$ 1 467 422	\$ -	\$ 150 599
Investment Pool	N/A	2 590 010	2 590 010	-	-
TOTAL MARKET VALUE	AAA	\$ 4 208 031	\$ 4 057 432	\$ -	\$ 150 599

As of August 31, 2021, the Foundation had the following investments and maturities:

Investment Type	CREDIT RATING	MARKET VALUE	NO MATURITY	INVESTMENT MATURITIES (IN YEARS)		
				LESS THAN 1	1-2	2-3
Mutual Funds	N/A	\$ 6 634 658	\$ 6 634 658	\$ -	\$ -	\$ -
TOTAL MARKET VALUE		\$ 6 634 658	\$ 6 634 658	\$ -	\$ -	\$ -

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, as well.

Concentration of Credit Risk - The College does not place a limit on the amount that may be invested in any one issuer. More than 5% of the College's investments are in investment pools (62.0%) and certificates of deposit (38.0%).

Custodial Credit Risk - At August 31, 2021, the College had money on deposit at two banks. The carrying amount of the College's and the Foundation's bank deposits was \$4,051,264 and \$3,730,231, and total bank balances equaled \$4,468,523 and \$3,986,523, respectively. Bank balances of \$349,878 are covered by federal depository insurance and \$3,701,386 was covered by collateral pledged in Northeast Texas Community College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College.

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

NOTE 5 - DERIVATIVES

The College had no derivatives at August 31, 2021 or 2020.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2021 and 2020

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.

Distributions from endowment investments are required to be spent for the purposes for which the endowment was established. Scholarship distributions are made pursuant to the investment policy. The policy for distribution of investment income designates an annual spending rate of no more than 5% as applied to a 36 month moving average of market value less current year contributions as measured at August 31 of each year. Endowment net position is classified as restricted nonexpendable student aid in the Statement of Net Position except for \$564,708 which is included in unrestricted.

	BALANCE AUGUST 31, 2020	INCREASES	DECREASES	BALANCE AUGUST 31, 2021
Deferred charge on bond refunding	\$ 308 992	\$ -	\$ 67 421	\$ 241 571
	BALANCE AUGUST 31, 2019	INCREASES	DECREASES	BALANCE AUGUST 31, 2020
Deferred charge on bond refunding	\$ 378 844	\$ -	\$ 69 852	\$ 308 992

NOTE 7 - CAPITAL ASSETS

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

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2021 and 2020

NOTE 7 - CAPITAL ASSETS - CONTINUED

Foundation

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

Capital assets activity for the year ended August 31, 2020 was as follows:

	BALANCE AUGUST 31, 2019	INCREASES	DECREASES	BALANCE AUGUST 31, 2020
Not Depreciated:				
Land	\$ 1 748 209	\$ -	\$ -	\$ 1 748 209
Construction in progress	27 474	6 500	27 474	6 500
TOTAL NOT DEPRECIATED	<u>1 775 683</u>	<u>6 500</u>	<u>27 474</u>	<u>1 754 709</u>
Other Capital Assets:				
Buildings	52 460 103	12 644	-	52 472 747
Equipment purchased with capital lease	342 348	-	-	342 348
Furniture, machinery, vehicles and other equipment	8 257 288	107 730	38 978	8 326 040
Library books	646 710	16 894	3 055	660 549
Telecommunications and peripheral equipment	3 626 298	103 426	-	3 729 724
TOTAL OTHER CAPITAL ASSETS	<u>65 332 747</u>	<u>240 694</u>	<u>42 033</u>	<u>65 531 408</u>
Accumulated Depreciation:				
Buildings	9 818 257	1 180 805	55 969	10 943 093
Equipment purchased with capital lease	303 248	4 600	-	307 848
Furniture, machinery, vehicles and other equipment	4 200 701	692 523	39 117	4 854 107
Library books	500 669	19 875	3 055	517 489
Telecommunications and peripheral equipment	2 854 879	332 844	-	3 187 723
TOTAL ACCUMULATED DEPRECIATION	<u>17 677 754</u>	<u>2 230 647</u>	<u>98 141</u>	<u>19 810 260</u>
NET OTHER CAPITAL ASSETS	<u>47 654 993</u>	<u>(1 989 953)</u>	<u>(56 108)</u>	<u>45 721 148</u>
NET CAPITAL ASSETS	<u>\$ 49 430 676</u>	<u>\$ (1 983 453)</u>	<u>\$ (28 634)</u>	<u>\$ 47 475 857</u>

Foundation

	BALANCE AUGUST 31, 2019	INCREASES	DECREASES	BALANCE AUGUST 31, 2020
Not Depreciated:				
Land	\$ 205 480	\$ -	\$ -	\$ 205 480
Works of art, antiques	101 234	-	-	101 234
TOTAL NOT DEPRECIATED	<u>306 714</u>	<u>-</u>	<u>-</u>	<u>306 714</u>
Other Capital Assets:				
Biggers Mural	112 611	-	-	112 611
Buildings	95 300	-	-	95 300
TOTAL OTHER CAPITAL ASSETS	<u>207 911</u>	<u>-</u>	<u>-</u>	<u>207 911</u>
Accumulated Depreciation:				
Biggers Mural	8 445	5 631	-	14 076
Buildings	21 917	1 906	-	23 823
TOTAL ACCUMULATED DEPRECIATION	<u>30 362</u>	<u>7 537</u>	<u>-</u>	<u>37 899</u>
NET OTHER CAPITAL ASSETS	<u>177 549</u>	<u>(7 537)</u>	<u>-</u>	<u>170 012</u>
NET CAPITAL ASSETS	<u>\$ 484 263</u>	<u>\$ (7 537)</u>	<u>\$ -</u>	<u>\$ 476 726</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE 8 - NONCURRENT LIABILITIES

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

	BALANCE AUGUST 31, 2020	INCREASES	DECREASES	BALANCE AUGUST 31, 2021	CURRENT PORTION
Leases, Bonds, and Notes:					
Revenue bonds	\$ 6 940 000	\$ -	\$ 340 000	\$ 6 600 000	\$ 350 000
General obligation bonds	28 652 543	159 296	1 080 000	27 731 839	1 110 000
Notes payable	919 695	150 000	116 452	953 243	169 288
Net pension liability	5 340 834	552 419	-	5 893 253	-
Net OPEB liability	16 681 381	-	-	16 681 381	611 803
TOTAL LONG-TERM OBLIGATIONS	\$ 58 534 453	\$ 861 715	\$ 1 536 452	\$ 57 859 716	\$ 2 241 091

Long-term liability activity for the year ended August 31, 2020 was as follows:

	BALANCE AUGUST 31, 2019	INCREASES	DECREASES	BALANCE AUGUST 31, 2020	CURRENT PORTION
Leases, Bonds, and Notes:					
Revenue bonds	\$ 7 270 000	\$ -	\$ 330 000	\$ 6 940 000	\$ 340 000
General obligation bonds	29 513 205	154 338	1 015 000	28 652 543	1 080 000
Notes payable	1 027 964	-	108 269	919 695	116 530
Net pension liability	5 747 157	-	406 323	5 340 834	-
Net OPEB liability	15 142 652	1 538 729	-	16 681 381	528 706
TOTAL LONG-TERM OBLIGATIONS	\$ 58 700 978	\$ 1 693 067	\$ 1 859 592	\$ 58 534 453	\$ 2 065 236

NOTE 9 - BONDS AND NOTES PAYABLE

General Obligation Bonds

The 2012 Series Limited Tax Refunding Bonds are due in annual installments varying from \$31,582 to \$1,130,200 with interest rates from 1.08% to 2.4%. The 2013 Series Limited Tax Refunding Bonds are due in annual installments from \$530,000 to \$1,130,000 with interest rates from 3.03% to 3.38%. Of the original \$18,000,000 bonds authorized by the November 5, 2002 election, there were un-issued but approved bonds totaling \$5,518,457 at August 31, 2021 and 2020. The 2015 Series Limited Tax Bonds are due in annual installments varying from \$35,122 to \$1,055,600 with interest rates from 4% to 4.25%. The 2016 Series Limited Tax Bonds are due in annual installments varying from \$75,000 to \$1,955,000. The 2016 refunding bonds are due in annual installments varying from \$5,000 to \$90,000 with interest rates from 1.69% to 3.22%. The principal and interest expense for the next five years and beyond for the tax obligation bonds are as follows:

YEARS ENDING AUGUST 31,	PRINCIPAL		INTEREST	TOTAL REQUIREMENTS
2022	\$ 1 110 000	(A)	\$ 900 125	\$ 2 010 125
2023	1 155 000	(A)	856 600	2 011 600
2024	1 129 377	(A)	881 698	2 011 075
2025	1 093 309	(A)	918 291	2 011 600
2026	1 064 431	(A)	949 544	2 013 975
2027-2031	5 684 722	(A)	4 378 639	10 063 361
2032-2036	7 395 000	(A)	2 668 601	10 063 601
2037-2041	9 100 000	(A)	1 020 389	10 120 389
TOTAL	\$ 27 731 839		\$ 12 573 881	\$ 39 940 295

2013 and 2016(A) Series Limited Tax Refunding Bonds are stated at their current accreted value.

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

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NOTE 9 - BONDS AND NOTES PAYABLE - CONTINUED

General information related to bonds payable is summarized below:

Limited Tax Refunding Bonds, Series 2012

To advance refund a portion of the 2003 Series Limited Tax Bonds
Issued January 20, 2012
Total authorized and issued \$9,293,154
Source of revenue for debt service is ad valorem taxes
Outstanding principal balance at August 31, 2021 and 2020 was \$2,285,000 and \$3,275,000, respectively.
The economic gain resulting from the refunding transaction was \$1,948,388

Limited Tax Refunding Bonds, Series 2013

To advance refund the remaining 2003 Series Limited Tax Bonds
Issued January 25, 2013
Total authorized and issued \$3,912,171
Source of revenue for debt service is ad valorem taxes
Outstanding accreted principal balance at August 31, 2021 and 2020 was \$5,121,839 and \$4,962,543, respectively.
The economic gain resulting from the refunding transaction was \$1,791,192

Limited Tax Bonds, Series 2015

To construct and equip school buildings
Issued August 11, 2015
Total authorized and issued \$9,470,000
Source of revenue for debt service is ad valorem taxes
Outstanding principal balance at August 31, 2021 and 2020 was \$9,470,000 and \$9,470,000, respectively.

Limited Tax Bonds, Series 2016

To construct and equip school buildings
Issued May 24, 2016
Total authorized and issued \$9,960,000
Source of revenue for debt service is ad valorem taxes
Outstanding principal balance at August 31, 2021 and 2020 was \$9,710,000 and \$9,755,000, respectively.

Limited Tax Refunding Bonds, Series 2016 A

To advance refund the 2010 Series Limited Tax Bonds
Issued December 8, 2016
Total authorized and issued \$1,225,000
Source of revenue for debt service is ad valorem taxes
Outstanding principal balance at August 31, 2021 and 2020 was \$1,145,000 and \$1,190,000, respectively.

Revenue Bonds

The 2016 Revenue Financing System Refunding and Improvement Bonds, Series 2016 are due in annual installments varying from \$140,000 to \$205,000. The 2016(A) Revenue Financing System Bonds are due in annual installments of \$180,000 to \$560,000 with interest at 2%.

Debt service requirements for the revenue bonds are as follows:

YEARS ENDING AUGUST 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2022	\$ 350 000	\$ 224 613	\$ 574 613
2023	355 000	214 813	569 813
2024	370 000	203 938	573 938
2025	380 000	192 688	572 688
2026	390 000	181 137	571 137
2027-2031	2 160 000	701 431	2 861 431
2032-2036	2 595 000	267 770	2 862 770
TOTAL	\$ 6 600 000	\$ 1 986 390	\$ 8 586 320

Revenue Financing System Refunding and Improvement Bonds, Series 2016

To advance refund 2006 Revenue Bonds, which refunded 1992 Series Dormitory System Revenue Bonds
Issued May 24, 2016
Total authorized and issued \$2,510,000
Sources of revenue for debt service is dorm fees.
Outstanding principal balance at August 31, 2021 and 2020 was \$1,780,000 and \$1,935,000, respectively.
The economic gain resulting from the refunding transaction was \$204,988.

Revenue Financing System Refunding and Improvement Bonds, Series 2016A

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

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NOTE 9 - BONDS AND NOTES PAYABLE - CONTINUED

Notes Payable

The College entered into a 4.34% maintenance tax note payable dated April 27, 2010 to a bank in the amount of \$1,100,000. The note is due in 30 semi-annual payments of \$50,129. The balance of the note at August 31, 2021 and 2020 was \$363,243 and \$444,965, respectively.

The College entered into a 3.95% maintenance tax note dated December 12, 2016 to a bank in the amount of \$560,000. The note is due in 15 annual payments of \$45,000 to \$50,000. The balance of the note at August 31, 2021 and 2020 was \$475,000 and \$475,000, respectively.

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

Debt service requirements for the notes payable are as follows:

YEARS ENDING AUGUST 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2022	\$ 169 288	\$ 31 123	\$ 200 411
2023	173 956	25 405	199 361
2024	178 744	19 566	198 310
2025	136 255	13 335	149 590
2026	40 000	8 913	48 913
2027-2031	210 000	25 681	235 681
2032	45 000	788	45 788
TOTAL	\$ 953 243	\$ 124 811	\$ 1 078 054

NOTE 10 - DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

	CONTRIBUTION RATES	
	2021	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity	7.5%	7.5%
Employers	7.5%	7.5%
Employer Contributions - 2021	\$ 461 449	
Member Contributions - 2021	\$ 740 267	
NECE On-behalf Contributions - 2020	\$ 259 918	

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

The District's contributions to the TRS pension plan in 2021 were \$461,449, as reported in the Schedule of the District's Contributions in the Required Supplementary Information section of these financial statements. Estimated state of Texas on-behalf contributions for 2021 were \$259,918.

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions:

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.33%
Payroll Growth Rate	3.00%
Salary Increases Including Inflation	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

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

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August 31, 2021 and 2020

NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED

The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the system's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.25 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2020, are summarized below:

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

* Target allocations are based on the FY2016 policy model.

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

NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2020 Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (6.25%)	DISCOUNT RATE (7.25%)	1% INCREASE IN DISCOUNT RATE (8.25%)
College's proportionate share of the net pension liability	\$ 9 087 398	\$ 5 893 253	\$ 3 298 206

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

At August 31, 2021, the College reported a liability of \$5,893,253 for its proportionate share of TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

District's proportionate share of the collective net pension liability	\$ 5 893 253
State's proportionate share that is associated with the District	3 373 878
TOTAL	\$ 9 267 131

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020, the College's proportion of the collective net pension liability was 0.011%, which was an increase (decrease) of 0.0007 from its proportion measured as of August 31, 2019.

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

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

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

For the year ended August 31, 2020, the College recognized pension expense of \$256,483 and revenue of \$256,483 for support provided by the State.

At August 31, 2020, 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	\$ 10 761	\$ 164 467
Changes in actuarial assumptions	1 367 461	581 435
Difference between projected and actual investment earnings	262 532	143 227
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	330 198	143 194
Contributions paid to TRS subsequent to the measurement date	461 448	-
TOTAL	\$ 2 432 391	\$ 1 032 323

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NOTE 10 - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2022	\$ 101 596
2023	\$ 340 392
2024	\$ 349 957
2025	\$ 143 306
2026	\$ (10 309)
Thereafter	\$ 13 678

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN

Plan Description - The state has also established an optional retirement program for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. The College contributes 5.2% for employees who were participating in the optional retirement program prior to September 1, 1995 and 3.3% for all others. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. Senate Bill (SB) 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense of the state for the College, for both the defined benefit plan and the defined contribution plan, was \$259,694, \$333,237, and \$283,244 for the fiscal years ended August 31, 2021, 2020, and 2019, respectively. This amount represents the portion of expended appropriations made by the Texas Legislature on behalf of the College.

The total payroll for the College employees was \$11,502,202, \$11,766,650, and \$11,284,120 for fiscal years 2021, 2020, and 2019, respectively. The total payroll of employees covered by the TRS was \$9,613,833, \$9,534,215, and \$8,390,035 and the total payroll of employees covered by the Optional Retirement Program was \$2,325,865, \$2,325,864, and \$2,524,304 for fiscal years 2021, 2020, and 2019, respectively.

NOTE 12 - DEFERRED COMPENSATION PROGRAM

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

The total number of NTCC employees participating in these plans at August 31, 2021 and 2019 were 17 and 18, respectively. During fiscal years ended August 31, 2021 and 2020, NTCC employee contributions amounting to \$210,667 and \$216,149, respectively, were invested in the plans.

NOTE 13 - COMPENSABLE ABSENCES

Full-time College employees earn vacation of 5 to 15 days per year based on years of service and sick leave benefits of 8 hours per month. Employees are required to take all of their vacation by the anniversary date of their employment. The College has accrued \$147,798 and \$161,810 for August 31, 2021 and 2020, respectively, in the financial statements for vacation to be carried over to the next fiscal year. Administration believes that all of the accrued vacation will be taken or paid out in the next fiscal year. Sick leave can be accumulated up to 480 hours but cannot be redeemed in pay. Accordingly, no accrual for sick leave has been made.

NOTE 14 - HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per insured was \$312.41 and \$312.41 for the years ended August 31, 2021 and 2020, respectively, and totaled \$781,816 for 2021 and \$952,408 for 2020. The cost of providing those benefits for 78 retirees in the year ended fiscal year 2021 was \$392,959 (retirees benefits for 71 retirees cost \$375,878 in fiscal year 2020). For 215 active employees, the cost of providing benefits was \$1,562,032 for the fiscal year ended 2021 (active employee benefits for 220 employees cost \$1,904,815 for the fiscal year 2020).

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2021 and 2020

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

A. Plan Description

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

B. OPEB Plan Fiduciary Net Positions

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

C. Benefits Provided

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

D. Contributions

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

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

Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium			
	2020		2019
Retiree*	\$	625	\$ 625
Retiree and Spouse	\$	1 341	\$ 1 341
Retiree* and Children	\$	1 104	\$ 1 104
Retiree and Family	\$	1 820	\$ 1 820

**or surviving spouse*

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

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

	<u>Contribution Rates</u>	
	2020	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Employer Contributions - 2020	\$ 392 425	
Member Contributions - 2020	\$ 731 700	
NECE On-behalf Contributions - 2021	\$ 852 018	

Source: ERS FY20 Comprehensive Annual Financial Report

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions:

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

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) - CONTINUED

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

F. Discount Rate

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

G. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.2%)	Current Single Discount Rate (2.2%)	1% Increase in Discount Rate (3.2%)
College's proportionate share of the net OPEB liability	\$ 21 800 043	\$ 18 341 397	\$ 15 631 857

H. Healthcare Trend Rate Sensitivity Analysis.

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

	1% Decrease in Healthcare Trend Rate (3.5%)	Current Single Healthcare Trend Rate (4.5%)	1% Increase in Healthcare Trend Rate (5.5%)
College's proportionate share of the net OPEB liability	\$ 27 656 183	\$ 18 341 397	\$ 40 108 325

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

At August 31, 2021, the College reported a liability of \$18,341,397 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the College. The amount recognized by the College as its proportionate share of the Net OPEB Liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the College were as follows:

College's proportionate share of the collective net OPEB liability	\$ 18 341 397
State's proportionate share that is associated with the College	9 365 621
TOTAL	\$ 27 707 018

The Net OPEB Liability was measured as of August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The College's proportion of the Net OPEB Liability was based on the College's contributions to the OPEB plan relative to the contributions of all other employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the College's proportion of the collective Net OPEB Liability was 0.05550492%, which was 0.00724077% higher than the same proportion measured as of August 31, 2019.

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

For the year ended August 31, 2020, the College recognized OPEB expense of \$752,771 and revenue of \$752,771 for support provided by the State.

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

J. Changes in Actuarial Assumptions

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

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

K. Changes to Term Benefits

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

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

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

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

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

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

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

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

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

At August 31, 2020, the College reported its proportionate share of the GBP's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 717 341
Changes in actuarial assumptions	1 061 839	3 951 817
Difference between projected and actual investment earnings	5 474	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3 099 607	(1 394 755)
Contributions paid to ERS subsequent to the measurement date	189 489	-
TOTAL	<u>\$ 4 356 409</u>	<u>\$ 3 274 403</u>

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

<u>YEAR ENDED AUGUST 31,</u>		<u>OPEB EXPENSE AMOUNT</u>
2022	\$	(208 727)
2023	\$	317 279
2024	\$	525 875
2025	\$	186 665
2026	\$	71 427
Thereafter	\$	-

NOTE 16 - DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables were as follows:

	<u>COLLEGE</u>		<u>FOUNDATION</u>	
	<u>AUGUST 31,</u>		<u>AUGUST 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Tuition and fees receivable	\$ 1 897 249	\$ 2 294 050	\$ -	\$ -
Taxes receivable	579 700	563 897	-	-
Scholarship and pledges receivable	-	-	-	-
Contracts and grants receivable	1 642 306	515 048	12 306	18 387
Other receivables	7 774	7 805	-	-
Allowance for doubtful accounts	(2 005 111)	(1 949 847)	-	-
TOTAL RECEIVABLES	<u>\$ 2 121 918</u>	<u>\$ 1 430 953</u>	<u>\$ 12 306</u>	<u>\$ 18 387</u>

Payables and accrued liabilities were as follows:

	<u>COLLEGE</u>		<u>FOUNDATION</u>	
	<u>AUGUST 31,</u>		<u>AUGUST 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Accounts Payable:				
Vendors payable	\$ 788 822	\$ 559 955	\$ -	\$ -
Accrued Liabilities:				
Accrued payroll liabilities	\$ 19 511	\$ 19 350	\$ -	\$ -
Interest payable	465 258	481 500	-	-
TOTAL ACCRUED LIABILITIES	<u>\$ 484 769</u>	<u>\$ 500 850</u>	<u>\$ -</u>	<u>\$ -</u>
Deposits Payable:				
Student deposits payable	\$ 49 400	\$ 138 581	\$ -	\$ -

NOTE 17 - CONTRACT AND GRANT AWARDS

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

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NOTE 17 - CONTRACT AND GRANT AWARDS - CONTINUED

Contracts and grant award funds already committed or funds awarded during fiscal years 2021 and 2020 for the College and Foundation are as follows:

	2021	2020
College:		
Federal	\$ 2 776 401	\$ 2 141 256
State	149 655	250 927
TOTAL	\$ 2 926 056	\$ 2 392 183
Foundation:		
Federal	\$ 131 101	\$ 132 048
State	1 024 738	887 148
TOTAL	\$ 1 155 839	\$ 1 019 196

NOTE 18 - SELF INSURED PLANS

The College self-insures for coverage in the areas of workers' compensation and unemployment compensation. These plans are on a pay-as-you-go basis, in which no assets are set aside. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations. Management has determined the liability to be less than \$5,500.

NOTE 19 - AD VALOREM TAX

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

	August 31,		
	2021	2020	
Assessed valuation of the college	\$ 5 161 146 604	\$ 4 977 946 873	
Less: Exemptions and abatements	834 918 158	792 124 237	
NET TAXABLE ASSESSED VALUE	\$ 4 326 228 446	\$ 4 185 822 636	
	CURRENT OPERATIONS	DEBT SERVICE	TOTAL
Tax rate per \$100 valuation - Authorized			\$ 0.1300
Tax rate per \$100 valuation - Assessed:			
FYE August 31, 2021	\$ 0.0824	\$ 0.0476	\$ 0.1300
FYE August 31, 2020	\$ 0.0821	\$ 0.0480	\$ 0.1300

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

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

Taxes levied for the year ended August 31, 2020 were \$5,441,569 (which includes any penalty and interest assessed if applicable).

	CURRENT OPERATIONS	DEBT SERVICE	TOTAL
<u>TAX REVENUES - 2020</u>			
Current taxes	\$ 3 362 598	\$ 1 965 100	\$ 5 327 698
Delinquent taxes	62 587	36 576	99 163
Penalties and interest	53 913	31 507	85 420
Other fees	3 684	2 155	5 839
TOTAL TAX REVENUES	\$ 3 482 782	\$ 2 035 338	\$ 5 518 120

Current tax levy collections for the years ended August 31, 2021 and 2020 were 98.42% and 97.91%, 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.

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2021 and 2020

NOTE 20 - TAX ABATEMENT

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

For the fiscal years ended August 31, 2021 and 2020, Northeast Texas Community College did not have any abatement agreements.

NOTE 21 - INCOME TAXES

The College is exempt from income taxes under Internal Revenue Code Section 115 Income of States, Municipalities, Etc. although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income for the years ended August 31, 2021 and 2020.

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

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

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

NOTE 23 - RISK MANAGEMENT - CLAIMS AND JUDGMENTS

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

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

In management's estimation there are not current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for self-funded programs.

NOTE 24 - COMMITMENTS AND CONTINGENCIES

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

Grant Programs - The College participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the college has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2021, may be impaired. In the opinion of the College, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2021 and 2020

NOTE 25 - TC³ CONSORTIUM

The purpose of this strategic partnership with 7 community colleges is to utilize a common Student Information System to facilitate a growing number of "shared services" in a manner that reduces administrative overhead and supports growth without an increase in administrative costs. The members include Northeast Texas Community College, Texarkana College, Kilgore College, Paris Junior College, and Angelina College. TC³ members have formally adopted an interlocal agreement, appointed officers, and secured private start-up funding as well as a special-item appropriation from the state of Texas for \$2.5 million.

NOTE 26 - PENDING LAWSUITS AND CLAIMS

As of August 31, 2021, there are no lawsuits pending against the College.

NOTE 27 - SUBSEQUENT EVENTS

On March 13, 2020, Texas Governor Greg Abbott declared Texas in a state of disaster as a result of the COVID-19 pandemic. The pandemic will most probably have a significant effect on governmental, non-profit, and private entities. The extent of the effect cannot, at this time, be estimated or qualified.

Management has considered and reviewed all subsequent events through the date the financial statements were available to be released, which was December 14, 2021.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

For the Fiscal Years Ended
August 31, 2021 and 2020

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

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

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

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

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

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

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

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

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

<u>College's Proportionate Share of Liability</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
College's proportion of the OPEBL	0.0659128%	0.04826415%	0.05109246%	0.03546448%
College's proportionate share of the OPEBL	\$ 18 341 396	\$ 16 681 382	\$ 15 142 653	\$ 12 083 816
State share of the OPEBL associated with the College	<u>9 365 621</u>	<u>11 406 193</u>	<u>9 285 987</u>	<u>7 490 251</u>
TOTAL	<u>\$ 27 707 017</u>	<u>\$ 28 087 575</u>	<u>\$ 24 428 640</u>	<u>\$ 19 574 067</u>
College's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 11 365 440	\$ 10 579 162	\$ 10 644 405	\$ 10 341 867
Proportionate share/covered payroll	191.64%	157.68%	142.26%	116.84%
Plan fiduciary net position/total OPEB liability	0.32%	0.17%	1.27%	2.04%
<u>College Contributions</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 392 425	\$ 375 914	\$ 359 717	\$ 340 703
Actual contribution	<u>(392 425)</u>	<u>(375 914)</u>	<u>(359 717)</u>	<u>(340 703)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The College's covered payroll amounts in the current fiscal year	\$ 11 365 465	\$ 11 365 440	\$ 10 579 162	\$ 10 644 405
Contributions to covered payroll	3.45%	3.31%	3.40%	3.20%

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

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

A. Notes to Schedules for the TRS Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

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

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

B. Notes to Schedule for the ERS OPEB Plan

Other Post-Employment Benefit Plan

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

SUPPLEMENTAL FINANCIAL INFORMATION

For the Fiscal Years Ended
August 31, 2021 and 2020

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES
For the Year Ended August 31, 2021
With Memorandum Totals for the Year Ended August 31, 2020

	UNRESTRICTED	RESTRICTED	TOTAL EDUCATIONAL ACTIVITIES	AUXILIARY ENTERPRISES	TOTALS	
					2021	2020
Tuition:						
State Funded Credit Courses:						
In-district resident tuition	\$ 1 609 618	\$ -	\$ 1 609 618	\$ -	\$ 1 609 618	\$ 1 618 462
Out-of-district resident tuition	906 612	-	906 612	-	906 612	995 656
Non-resident tuition	180 151	-	180 151	-	180 151	160 485
TPEG (set aside)*	119 715	-	119 715	-	119 715	158 820
State funded continuing education	209 259	-	209 259	-	209 259	148 831
Non-state funded continuing education	43 959	-	43 959	-	43 959	31 264
TOTAL TUITION	3 069 314	-	3 069 314	-	3 069 314	3 113 518
Fees:						
General institutional service fee	2 752 597	-	2 752 597	-	2 752 597	2 977 529
Out-of-district fees	1 371 307	-	1 371 307	-	1 371 307	1 505 992
Non-resident fees	320 413	-	320 413	-	320 413	429 533
Course fees	337 133	-	337 133	-	337 133	371 660
Other fees	94 750	-	94 750	-	94 750	89 685
TOTAL FEES	4 876 200	-	4 876 200	-	4 876 200	5 374 399
Allowances and Discounts:						
Bad debt allowance	(52 930)	-	(52 930)	-	(52 930)	(65 879)
Scholarship allowances	(570 599)	-	(570 599)	-	(570 599)	(570 929)
Remission and exemptions	(230 903)	-	(230 903)	-	(230 903)	(261 213)
TPEG allowances	(154 659)	-	(154 659)	-	(154 659)	(106 001)
Federal and state grants to students	(3 605 463)	-	(3 605 463)	-	(3 605 463)	(3 562 174)
TOTAL ALLOWANCES AND DISCOUNTS	(4 614 554)	-	(4 614 554)	-	(4 614 554)	(4 566 196)
TOTAL NET TUITION AND FEES	3 330 960	-	3 330 960	-	3 330 960	3 921 721
Other Operating Revenues:						
Federal grants and contracts	26 665	3 292 104	3 318 769	-	3 318 769	1 920 211
State grants and contracts	-	697 941	697 941	-	697 941	670 157
Non-governmental grants and contracts	-	42 057	42 057	-	42 057	6 996
Sales and services of educational activities	19 304	-	19 304	-	19 304	55 415
Other operating revenues	389 434	-	389 434	50 144	439 578	492 284
TOTAL OTHER OPERATING REVENUES	435 403	4 032 102	4 467 505	50 144	4 517 649	3 145 068
Auxiliary Enterprises:						
Residential life	-	-	-	1 022 047	1 022 047	1 165 231
Less discounts	-	-	-	(141 090)	(141 090)	(205 685)
Bookstore	-	-	-	1 456 904	1 456 904	1 393 027
Less discounts	-	-	-	(535 999)	(535 999)	(536 951)
TOTAL NET AUXILIARY ENTERPRISES	-	-	-	1 801 862	1 801 862	1 815 622
TOTAL OPERATING REVENUES	\$ 3 766 363	\$ 4 032 102	\$ 7 798 465	\$ 1 852 006	\$ 9 650 471	\$ 8 882 411

* In accordance with Education Code 56.033, \$119,715 and \$158,820 for years August 31, 2021 and 2020, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE B
SCHEDULE OF OPERATING EXPENSES BY OBJECT
For the Year Ended August 31, 2021
With Memorandum Totals for the Year Ended August 31, 2020

	SALARIES AND WAGES	STATE BENEFITS	LOCAL BENEFITS	OTHER EXPENSES	TOTALS	
					2021	2020
Unrestricted - Educational Activities:						
Instruction	\$ 6 064 095	\$ -	\$ 1 928 196	\$ 529 466	\$ 8 521 757	\$ 8 713 426
Public service	44 924	-	14 284	43 163	102 371	185 213
Academic support	701 400	-	223 023	268 207	1 192 630	1 358 457
Student services	836 633	-	266 023	108 299	1 210 955	1 163 045
Institutional support	1 667 575	-	530 237	1 524 587	3 722 399	3 612 058
Operation and maintenance of plant	283 793	-	90 237	1 095 396	1 469 426	1 404 831
TOTAL UNRESTRICTED EDUCATIONAL ACTIVITIES	<u>9 598 420</u>	<u>-</u>	<u>3 052 000</u>	<u>3 569 118</u>	<u>16 219 538</u>	<u>16 437 030</u>
Restricted - Educational Activities:						
Instruction	264 622	772 170	-	563 919	1 600 711	1 414 029
Public service	171 096	5 720	-	46 522	223 338	246 930
Academic support	-	89 313	-	-	89 313	85 873
Student services	132 044	106 533	-	138 637	377 214	255 929
Institutional support	800 896	212 340	-	633 804	1 647 040	1 488 888
Operation and maintenance of plant	-	36 137	-	-	36 137	34 004
Scholarships and fellowships	-	-	-	2 752 309	2 752 309	2 789 725
TOTAL RESTRICTED EDUCATIONAL ACTIVITIES	<u>1 368 658</u>	<u>1 222 213</u>	<u>-</u>	<u>4 135 191</u>	<u>6 726 062</u>	<u>6 315 378</u>
TOTAL EDUCATIONAL ACTIVITIES	10 967 078	1 222 213	3 052 000	7 704 309	22 945 600	22 752 408
Auxiliary enterprises	535 124	-	183 697	1 933 706	2 652 527	2 474 438
Depreciation Expense:						
Buildings and improvements	-	-	-	-	1 190 803	1 178 314
Equipment and furniture	-	-	-	-	874 329	1 029 966
Library books	-	-	-	-	18 964	19 875
TOTAL OPERATING EXPENSES	<u>\$ 11 502 202</u>	<u>\$ 1 222 213</u>	<u>\$ 3 235 697</u>	<u>\$ 9 638 015</u>	<u>\$ 27 682 223</u>	<u>\$ 27 455 001</u>

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE C
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
For the Year Ended August 31, 2021
With Memorandum Totals for the Year Ended August 31, 2020

	UNRESTRICTED	RESTRICTED	AUXILIARY ENTERPRISES	TOTALS	
				2021	2020
Non-Operating Revenues:					
State Appropriations:					
Educational and general state support	\$ 4 968 866	\$ -	\$ -	\$ 4 968 866	\$ 4 969 145
State group insurance	-	962 520	-	962 520	752 771
State retirement matching	-	259 694	-	259 694	333 237
Ad-valorem taxes	3 622 942	2 091 592	-	5 714 534	5 518 120
Federal revenue, non-operating	-	6 838 503	-	6 838 503	6 927 260
Investment income	-	8 404	-	8 404	20 013
TOTAL NON-OPERATING REVENUES	<u>8 591 808</u>	<u>10 160 713</u>	<u>-</u>	<u>18 752 521</u>	<u>18 520 546</u>
Non-Operating Expenses:					
Interest on capital related debt	1 328 225	-	-	1 328 225	1 357 430
(Gain) loss on disposal of fixed assets	40 539	-	-	40 539	(55 285)
Other non-operating expense	2 032	-	-	2 032	3 200
TOTAL NON-OPERATING EXPENSES	<u>1 370 796</u>	<u>-</u>	<u>-</u>	<u>1 370 796</u>	<u>1 305 345</u>
NET NON-OPERATING REVENUES	<u>\$ 7 221 012</u>	<u>\$ 10 160 713</u>	<u>\$ -</u>	<u>\$ 17 381 725</u>	<u>\$ 17 215 201</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, 2021
With Memorandum Totals for the Year Ended August 31, 2020

	DETAIL BY SOURCE					AVAILABLE FOR CURRENT OPERATIONS		MEMORANDUM TOTAL 08/31/2020
	UNRESTRICTED	RESTRICTED		NET INVESTMENT IN CAPITAL ASSETS	TOTAL 08/31/2021	YES	NO	
		EXPENDABLE	NON- EXPENDABLE					
Current:								
Unrestricted	\$ (16 235 784)	\$ -	\$ -	\$ -	\$ (16 235 784)	\$ 5 516 792	\$ (21 752 576)	\$ (16 298 691)
Board designated reserve	515 717	-	-	-	515 717	515 717	-	515 717
Plant:								
Investment in plant	-	-	164 422	10 917 861	11 082 283	-	11 082 283	-
TOTAL NET POSITION, AUGUST 31, 2021	(15 720 067)	-	164 422	10 917 861	(4 637 784)	6 032 509	(10 670 293)	(4 104 432)
TOTAL NET POSITION, AUGUST 31, 2020	(15 782 974)	-	583 089	11 095 453	(4 104 432)	4 575 555	(8 679 987)	(2 821 175)
NET INCREASE (DECREASE) IN NET POSITION	\$ 62 907	\$ -	\$ (418 667)	\$ (177 592)	\$ (533 352)	\$ 1 456 954	\$ (1 990 306)	\$ (1 283 257)

See independent auditors' report.

SINGLE AUDIT SECTION

Annual Financial Report

For the Fiscal Years Ended
August 31, 2021 and 2020

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of and for the year ended August 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s basic financial statements, and have issued our report thereon dated December 14, 2021.

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 purpose of expressing an opinion on the effectiveness of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards.

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.

Lufkin, Texas
December 14, 2021


CERTIFIED PUBLIC ACCOUNTANTS

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

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, which could have a direct and material effect on each of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s major federal programs for the year ended August 31, 2021. Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, contracts, and the terms and conditions applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance for each of the College's major federal programs 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 audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

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 of compliance, we considered Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and 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 federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on 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.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Conclusion

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

Lufkin, Texas
December 14, 2021


CERTIFIED PUBLIC ACCOUNTANTS

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 August 31, 2021

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

Material weakness(es) identified? Yes None Reported

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal or State Program or Cluster*</u>
84.007A	Federal Supplemental educational Opportunity Grants
84.033A	Federal Work-Study Program
84.063P	Federal Pell Grant Program
84.268	Direct Loans
84.425	CARES Act

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statements Findings

None

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

None

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
SCHEDULE E
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROVIDED TO SUBRECIPIENTS	PASS THROUGH DISBURSEMENTS AND EXPENDITURES
U.S. Department of Education:				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007A	P007A196964		\$ 44 996
Federal Work Study Program	84.033A	P033A196964		85 095
Federal Pell Grant Program	84.063P	P063P194174		5 681 997
Direct Loans	84.268	P268K204174		2 397 686
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER				<u>8 209 774</u>
TRIO - Upward Bound	84.047A	P047A170049		<u>273 389</u>
Title V Co-op	84.031S	P031S170133	\$ 414 079	901 913
Title V HIS	84.031S	P031S190315	-	430 615
Title V	84.031S	P031S150251	-	284 771
TOTAL TITLE V			<u>414 079</u>	<u>1 617 299</u>
Federal CARES ACT Funding - HIS Institutional	84.425			247 858
Federal CARES ACT Funding - CRRSAA	84.425			831 400
Federal CARES ACT Funding - ARP	84.425			86 207
Federal CARES ACT Funding - Student portion	84.425E	P425E200150		783 753
Federal CARES ACT Funding - Institutional portion	84.425F	P425F201077		327 757
TOTAL CARES ACT FUNDING				<u>2 276 975</u>
Passed Through Texas Workforce Commission:				
Passed Through Tyler Junior College:				
Adult Education and Family Leave Act (AEFLA)-LCOT	84.002	0818ALA00C		34 968
Adult Education and Family Leave Act (AEFLA)-LCOT	84.002A	0818ALA00B		19 961
Passed Through Paris Junior College:				
Adult Education and Family Leave Act (AEFLA)	84.002A	0818ALA000		165 584
Adult Education and Family Leave Act (AEFLA)	84.002A	0720AEL001		793
TOTAL PASSED THROUGH TEXAS WORKFORCE COMMISSION				<u>221 306</u>
Passed Through Texas Higher Education Coordinating Board:				
Vocational Education - Allocated	84.048	204253		<u>167 756</u>
TOTAL PASSED THROUGH TEXAS HIGHER EDUCATION COORDINATING BOARD				<u>167 756</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>12 766 499</u>
U.S. Department of Agriculture:				
Passed Through Stephen F. Austin University:				
Kiwi Project	10.170	18-026-19-001		<u>6 000</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>6 000</u>
U.S. Department of Health and Human Services:				
Passed Through Texas Education Agency:				
Temporary Assist to Needy Families	93.558	(A) 203630027110020		<u>132 048</u>
TOTAL PASSED THROUGH HEALTH AND HUMAN SERVICES				<u>132 048</u>
Passed Through Texas Workforce Solutions:				
Passed Through Paris Junior College:				
Temporary Assist to Needy Families	93.558	0718ALA000		<u>17 648</u>
TOTAL PASSED THROUGH TEXAS WORKFORCE SOLUTIONS				<u>17 648</u>
TOTAL U.S. DEPARTMENT OF HEATH AND HUMAN SERVICES				<u>149 696</u>
U.S. Small Business Administration:				
Passed Through Dallas Community College:				
SBDC	59.037	N/A		148 506
SBDC - CARES	59.037	SBAHQ20C0059		135 214
TOTAL U.S. SMALL BUSINESS ADMINISTRATION				<u>283 720</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u>414 079</u>	\$ <u>13 205 915</u>

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 SCHEDULE E
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	PASS THROUGH DISBURSEMENTS AND EXPENDITURES
<u>NOTE 1 - FEDERAL FINANCIAL ASSISTANCE RECONCILIATION</u>	
Revenue - Federal grants and contracts revenue - Per Schedule A - College	\$ 3 318 769
Add: Federal grants and contracts revenue - Per Schedule C - College	6 838 503
TOTAL FEDERAL REVENUES PER SCHEDULE A AND C	10 157 272
Reconciling Items:	
Add: Funds passed through to others	414 079
Add: Federal grant capital contributions - Per Exhibit 2 - College	104 830
Add: Direct loans	2 397 686
Add: Federal grants and contracts revenue - Foundation	132 048
TOTAL FEDERAL REVENUES PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ 13 205 915

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the College for the purposes of the award. The expenditures reported may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. Some amounts reported in the schedule may differ from amounts used in the preparation of the basis financial statements. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has agency approved Indirect Recovery Rate it has elected not to use the 10 percent de minimis cost rate as permitted in the UG, section 200.414.

NOTE 3 - STUDENT LOANS PROCESSED AND ADMINISTRATIVE COSTS RECOVERED

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

NOTE 4 - AMOUNTS PASSED THROUGH BY THE COLLEGE

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

U.S. Department of Education: Title V:	
TAMUT - Texarkana	\$ 414 079
TOTAL AMOUNT PASSED THROUGH BY THE COLLEGE	\$ 414 079

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

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
August 31, 2021

None

STATE FINANCIAL ASSISTANCE INFORMATION

Annual Financial Report

For the Fiscal Years Ended
August 31, 2021 and 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

Members of the Board:

Report on Compliance for Each Major State Program

We have audited the compliance of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. 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, 2021. 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 costs.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended August 31, 2021.

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.'s internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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, material weaknesses may exist that have not been identified.

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

Lufkin, Texas
December 14, 2021


CERTIFIED PUBLIC ACCOUNTANTS

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE E
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2021

GRANTOR/PROGRAM/TITLE	GRANT CONTRACT NUMBER	PASS THROUGH DISBURSEMENTS AND EXPENDITURES
Texas Education Agency:		
Temporary Assistance to Needy Families	(A) 200958027110020	\$ 900 226
TOTAL TEXAS EDUCATION AGENCY		<u>900 226</u>
U.S. Small Business Administration:		
Passed through Dallas Community College:		
SBDC	N/A	69 491
TOTAL U.S. SMALL BUSINESS ADMINISTRATION		<u>69 491</u>
Texas Higher Education Coordinating Board:		
Texas Education Opportunity Grant	N/A	376 362
Nursing Shortage	N/A	89 572
Governor's Emergency Relief (GEER)		29 215
TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD		<u>495 149</u>
Texas College Workstudy		<u>27 288</u>
Texas Workforce Commission:		
Skills Development Fund	0720COS001	50 070
Passed through Paris Junior College:		
State AEFLA	0718ALA000-002	29 197
State AEFLA - LCOT	0818ALA00C	24 521
Professional Development	0718ALA000-002	2 225
TOTAL TEXAS WORKFORCE COMMISSION		<u>106 013</u>
HOGG Foundation Grant:		
HOGG Foundation Grant	(A) WRC-040	75 650
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 1 673 817</u>

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

Note 1 - Significant Accounting Policies

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

Note 2 - State Financial Assistance Reconciliation

	EXPENDITURES
State Grants and Contracts Revenue - Per Schedule A - College	\$ 697 941
State Grants and Contracts Revenue - Per Schedule C - College	-
State Grants and Contracts - Foundation	<u>975 876</u>
TOTAL STATE FINANCIAL ASSISTANCE	<u>\$ 1 673 817</u>

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
STATE AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2021

A. Summary of Auditor's 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 weakness(es) identified?	_____ Yes	_____ No	_X_ None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ No	_X_ None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ No	_X_ No

State Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ No	_X_ None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ No	_X_ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of State of Texas Single Audit Circular?

_____ Yes _X_ No

The programs tested as major programs include:

<u>Grant Project Number</u>	
N/A	Texas Educational Opportunity Grant
(A)0710580171200011	Texas Education Agency: Temporary Assistance to Needy Families

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

Auditee qualified as low-risk auditee? _X_ Yes _____ No

B. Findings - Financial Statements Audit

None

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

None

NORTHEAST TEXAS COMMUNITY COLLEGE
STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
August 31, 2021

Findings and Questioned Costs - Major State Award Programs Audit

None