

NORTHEAST TEXAS COMMUNITY COLLEGE
AND
NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
ANNUAL FINANCIAL REPORT
For the Fiscal Years Ended August 31, 2023 and 2022

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 2023

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. Russell East	Daingerfield, Texas	Member	2023-2024
Mr. Chad Elledge	Pittsburg, Texas	Member	2022-2028
Ms. Stephanie Thurman	Mt. Pleasant, Texas	Member	2022-2028

PRINCIPAL ADMINISTRATIVE OFFICERS

Dr. Ron Clinton	President
Dr. Jon McCullough	Executive Vice President for Advancement
Dr. Kevin Rose	Senior Vice President for Student Success
Ms. Brandi Cave	Controller & Interim CFO

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Northeast Texas Community College (the college) and Northeast Texas Community College Foundation, Inc. (the Foundation), as of and for the year ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Texas Community College and Northeast Texas Community College Foundation, as of August 31, 2023 and 2022, and the changes in financial position, and cash flows, thereof for the years then ended in accordance with accounting principles general accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's and the Foundation's basic financial statements. The supplemental schedules required by Texas Higher Education Coordinating Board section are presented for purposes of additional analysis as required by the Coordinating Board and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by *State of Texas Single Audit Circular* and is not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023 on our consideration of Northeast Texas Community College and Northeast Texas Community College Foundation Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Northeast Texas Community College and Northeast Texas Community College Foundation Inc.'s internal control over financial reporting and compliance.

Lufkin, Texas
December 19, 2023

Axley & Rodde LLP
CERTIFIED PUBLIC ACCOUNTANTS



Management's Discussion and Analysis
August 31, 2023

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 2021, 2022, and 2023. 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 Reported 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), deferred outflows,
- Liabilities (current and non-current), deferred inflows, and
- Net Position.

Statement of Net Position
For the Years Ended August 30, 2023, 2022, and 2021

	2023	2022	2021
ASSETS			
Current	\$ 9 055 905	\$ 8 090 206	\$ 7 797 501
Net capital assets	46 962 457	45 211 911	45 990 880
Other non-current	3 100 759	3 255 737	1 798 323
TOTAL ASSETS	59 119 121	56 557 854	55 586 704
 Deferred outflows of resources	 8 613 682	 5 938 498	 7 030 371
LIABILITIES			
Current	5 882 758	6 295 390	5 092 585
Noncurrent	54 017 384	55 555 956	57 855 548
TOTAL LIABILITIES	59 900 142	61 851 346	62 948 133
 Deferred inflows of resources	 8 566 913	 4 895 471	 4 306 726
 TOTAL NET POSITION	 \$ (734 252)	 \$ (4 250 465)	 \$ (4 637 784)

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, 2023, 2022 and 2021, the College's net positions were \$(734,252), \$(4,250,465), and \$(4,637,784), 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, 2023, 2022, and 2021

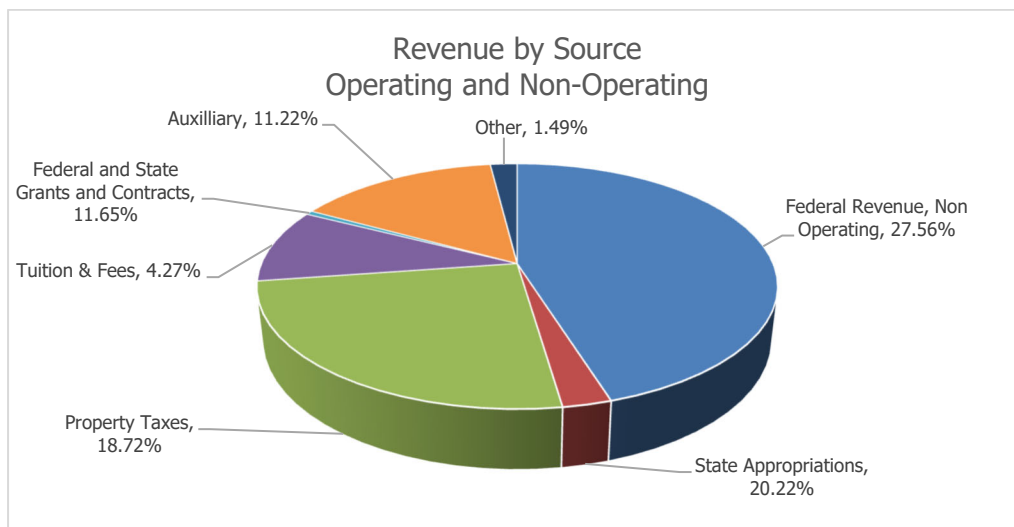
	2023	2022	2021
Summary of Revenues and Expenses:			
Total operating revenues	\$ 11 165 751	\$ 10 577 259	\$ 9 650 471
Total operating expenses	27 707 891	30 238 063	27 682 223
TOTAL OPERATING (LOSS)	(16 542 140)	(19 660 804)	(18 031 752)
Net non-operating revenues and expenses	17 602 573	19 732 528	17 381 725
Capital contributions	2 455 780	315 595	116 675
INCREASE (DECREASE) IN NET POSITION	3 516 213	387 319	(533 352)
Net position at beginning of year	(4 250 465)	(4 637 784)	(4 104 432)
NET POSITION - END OF YEAR	\$ (734 252)	\$ (4 250 465)	\$ (4 637 784)

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, 2023, 2022, and 2021

	2023	2022	2021
Operating Revenues:			
Tuition and fees (net)	\$ 3 952 710	\$ 3 790 774	\$ 3 330 960
Federal grants and contracts	3 667 850	3 680 789	3 318 769
State grants and contracts	500 543	456 955	697 941
Non-governmental grants and contracts	96 718	90 166	42 057
Sales and services of educational activities	64 723	83 570	19 304
Auxiliary enterprises (net)	2 229 455	2 004 506	1 801 862
Other operating revenues	653 752	470 499	439 578
TOTAL OPERATING REVENUES	11 165 751	10 577 259	9 650 471
Net Non-Operating Revenues:			
State appropriations	6 530 257	6 391 501	6 191 080
Property taxes	6 347 747	5 916 516	5 714 534
Federal revenue, non-operating	5 771 712	8 710 084	6 838 503
Investment and other income	39 684	(1 295 074)	8 404
TOTAL NON-OPERATING REVENUES	18 689 400	19 732 528	18 752 521
Capital contributions	2 455 780	315 595	116 675
TOTAL REVENUES, OPERATING AND NON-OPERATING	\$ 32 310 931	\$ 30 625 382	\$ 28 519 667



In comparing the fiscal periods ended August 31, 2023 and 2022:

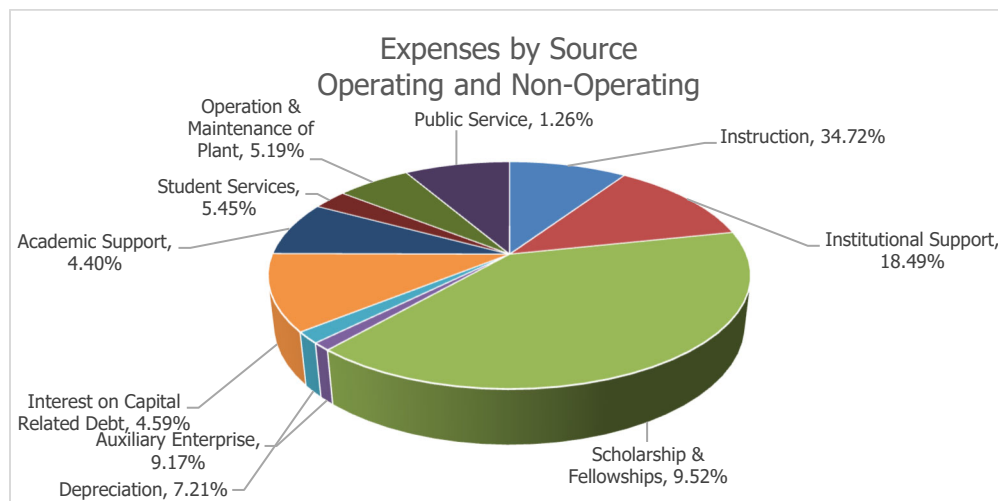
- Net Tuition and fee revenues increased \$161,936 or 4.27%. This was a result of increased enrollment.
- Net Auxiliary Enterprises increased \$224,949 or 11.22% mainly as a result of increased housing occupancy and a increase in Whatley program revenues.
- Federal Grants and Contracts decreased \$12,939 or 0.35% primarily as a result of decreases in HEERF federal funding.
- State Grants and Contracts increased \$43,588 or 9.54% largely as a result of decreased awards through the Texas Workforce Commission and Nursing Shortage Reduction Program (NSRP).
- State Allocations increased \$138,756 or 2.17% as a result of need-based supplement increase in State appropriations.
- Federal Revenue Non-Operating decreased \$2,938,372 or 33.74% as a result of HEERF federal funding.

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

- Net Tuition and fee revenues increased \$459,814 or 13.8%. This was a result of increased enrollment.
- Net Auxiliary Enterprises increased \$202,644 or 11.25% mainly as a result of increased housing occupancy and a increase in Whatley program revenues.
- Federal Grants and Contracts increased \$362,020 or 10.9% primarily as a result of increases in HEERF funds used to recover lost revenue for tuition, fees, and housing occupancy.
- State Grants and Contracts decreased \$240,986 or 34.5% largely as a result of decreased awards through the Texas Workforce Commission and Nursing Shortage Reduction Program (NSRP).
- State Allocations increased \$200,421 or 3.2% as a result of need-based supplement increase in State appropriations.
- Federal Revenue Non-Operating decreased \$2,938,372 or 27.4% as a result of HEERF federal funding.

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

	2023	2022	2021
Operating Expenses:			
Instruction	\$ 11 254 855	\$ 9 848 046	\$ 10 122 467
Public service	414 235	474 978	325 709
Academic support	1 313 664	1 175 362	1 281 943
Student services	1 449 299	1 513 208	1 588 169
Institutional support	4 988 170	6 127 989	5 369 440
Operation and maintenance of plant	1 665 464	1 528 151	1 505 563
Scholarship and fellowships	1 877 049	4 728 106	2 752 309
Auxiliary enterprise	2 833 469	2 882 204	2 652 527
Depreciation	1 911 686	1 960 019	2 084 096
TOTAL OPERATING EXPENSES	27 707 891	30 238 063	27 682 223
Non-Operating Expenses:			
Interest on capital related debt	1 076 722	1 289 816	1 328 225
(Gain) loss on disposal of capital assets	7 205	2 958	40 539
Other non-operating expenses	2 900	2 300	2 032
TOTAL NON-OPERATING EXPENSES	1 086 827	1 295 074	1 370 796
TOTAL EXPENSES, OPERATING AND NON-OPERATING	\$ 28 794 718	\$ 31 533 137	\$ 29 053 019



In comparing the fiscal periods ended August 31, 2023 and 2022:

- Instruction increased \$1,406,809 or 14.29% primarily due to increased instructional salaries.
- Academic Support increased \$138,302 or 11.77% as a result of higher contracted service expenditures.
- Institutional Support decreased \$1,139,819 or 18.60% as a result of a decrease expenditures through HEERF federal funds.
- Total other non-operating increased \$600 or 26.09% due to gains on disposal of assets.

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

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

Analysis of Net Position

Total Net Position of \$(734,252) is comprised of the investment in capital assets net of related debt of \$14,425,763, restricted for debt service of \$603,922, and unrestricted net position of \$(15,763,937). 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, 2023, 2022, and 2021

	2023	2022	2021
Investment in capital assets, net of related debt	\$ 14 425 763	\$ 11 097 070	\$ 10 917 861
Restricted for debt service	603 922	580 912	707 416
Unrestricted	<u>(15 763 937)</u>	<u>(15 928 447)</u>	<u>(16 263 061)</u>
TOTAL NET POSITION	\$ <u>(734 252)</u>	\$ <u>(4 250 465)</u>	\$ <u>(4 637 784)</u>

Long Term Debt

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, 2023 and 2022.

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

Capital Assets

In the fiscal period ended August 31, 2022, the College expended \$295,846 in Federal grant funds to purchase equipment for use in our workforce education program. The College also expended approximately \$167,212 in bond funds for the repair and renovation of the main campus.

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

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 Position under the line item "Cash and Cash Equivalents".

Financial Condition and Outlook

Net position increased in fiscal year 2023 by \$3,516,213 primarily due to decreases in operating expenses. Without the \$6,528,356 of current year effects of GASB 68 and 75, the College's net position increased by \$10,044,569. The College does not anticipate significant increases in fund balance in the near future. Given the current economic climate, we anticipate ongoing moderate increases in earnings of interest on our temporary investments. We anticipate a modest increase in operating maintenance and operations tax revenues over the next two to three years. Due to recent recommendations from the Commission on Community College Finance, authorized by the 87th Legislative session, we anticipate substantive changes to the current community college state funding model coming out of the 88th Legislature with emphasis on substantial increases in outcomes based funding. We anticipate adjusting our ongoing operating spending to compensate for any changes in revenue. The College also anticipates increased enrollments going forward as the Texas economy begins recovery and increased federal stimulus funding fuels large scale retraining and reskilling initiatives for the area's regional workforce.

Requests for Information

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

FINANCIAL STATEMENTS

NORTHEAST TEXAS COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
For the Years Ended August 31, 2023 and 2022

EXHIBIT 1

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1 127 674	\$ 1 199 546
Investments short-term	2 281 731	2 200 233
Accounts receivable (net)	3 938 318	2 286 999
Inventories	138 457	136 478
Prepaid expense	800 234	585 320
Due from component unit	769 491	1 681 630
TOTAL CURRENT ASSETS	<u>9 055 905</u>	<u>8 090 206</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	2 027 637	2 196 225
Short-term investments	966 468	941 994
Prepaid bond insurance	92 479	104 218
Other assets	14 175	13 300
Capital assets, net of accumulated depreciation	46 962 457	45 211 911
TOTAL NONCURRENT ASSETS	<u>50 063 216</u>	<u>48 467 648</u>
TOTAL ASSETS	<u>59 119 121</u>	<u>56 557 854</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	4 477 196	1 911 641
OPEB related	4 023 792	3 850 661
Change on bond refunding	112 694	176 196
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8 613 682</u>	<u>5 938 498</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	1 422 978	1 149 711
Accrued liabilities	494 899	457 974
Accrued compensable absences	140 006	146 196
Deposits payable	31 450	39 950
Funds held for others	131 901	128 703
Unearned revenues	1 618 761	2 265 889
Notes payable - Current portion	178 744	173 956
Bonds payable - Current portion	1 419 377	1 510 000
Net OPEB liability - Current portion	444 642	423 012
TOTAL CURRENT LIABILITIES	<u>5 882 758</u>	<u>6 295 391</u>
Noncurrent Liabilities:		
Bonds payable	30 106 880	31 526 257
Premium on bonds payable	448 296	506 975
Notes payable	431 256	609 999
Net pension liability	6 372 575	2 752 862
Net OPEB liability	16 658 377	20 159 862
TOTAL NONCURRENT LIABILITIES	<u>54 017 384</u>	<u>55 555 955</u>
TOTAL LIABILITIES	<u>59 900 142</u>	<u>61 851 346</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	2 392 780	3 230 062
OPEB related	6 174 133	1 665 409
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8 566 913</u>	<u>4 895 471</u>
NET POSITION		
Invested in capital assets, net of related debt	14 425 763	11 097 070
Restricted:		
Expendable:		
Debt service	603 922	580 912
Unrestricted	(15 763 937)	(15 928 447)
TOTAL NET POSITION (SCHEDULE D)	<u>\$ (734 252)</u>	<u>\$ (4 250 465)</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
 COMPONENT UNIT
 STATEMENTS OF FINANCIAL POSITION
 August 31, 2023 and 2022

EXHIBIT 1A

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4 005 004	\$ 4 476 561
Accounts receivable	<u>7 980</u>	<u>2 279</u>
TOTAL CURRENT ASSETS	<u>4 012 984</u>	<u>4 478 840</u>
Noncurrent Assets:		
Long-term investments	5 991 704	5 646 177
Property, plant, and equipment, net of accumulated depreciation	<u>860 280</u>	<u>821 452</u>
Other assets	<u>39 329</u>	<u>39 199</u>
TOTAL NONCURRENT ASSETS	<u>6 891 313</u>	<u>6 506 828</u>
TOTAL ASSETS	<u>10 904 297</u>	<u>10 985 668</u>
LIABILITIES		
Current Liabilities:		
Deferred revenue	1 003 892	982 559
Due to Northeast Texas Community College	<u>769 491</u>	<u>1 681 628</u>
TOTAL CURRENT LIABILITIES	<u>1 773 383</u>	<u>2 664 187</u>
TOTAL LIABILITIES	<u>1 773 383</u>	<u>2 664 184</u>
NET POSITION		
With donor restrictions	8 702 949	7 893 516
Without donor restrictions	<u>427 965</u>	<u>427 965</u>
TOTAL NET POSITION	<u>\$ 9 130 914</u>	<u>\$ 8 321 481</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, 2023 and 2022

EXHIBIT 2

	2023	2022
Operating Revenue:		
Tuition and fees (net allowances and discounts of \$4,845,996 and \$4,617,790)	\$ 3 952 710	\$ 3 790 774
Federal grants and contracts	3 667 850	3 680 789
State grants and contracts	500 543	456 955
Non-governmental grants and contracts	96 718	90 166
Sales and services of educational activities	64 723	83 570
Auxiliary enterprises (net of discounts of \$712,419 and \$691,536)	2 229 455	2 004 506
Other operating revenues	653 752	470 499
TOTAL OPERATING REVENUES (SCHEDULE A)	<u>11 165 751</u>	<u>10 577 259</u>
Operating Expenses:		
Instruction	11 254 855	9 848 046
Public service	414 235	474 978
Academic support	1 313 664	1 175 362
Student services	1 449 299	1 513 208
Institutional support	4 988 170	6 127 989
Operation and maintenance of plant	1 665 464	1 528 151
Scholarships and fellowships	1 877 049	4 728 106
Auxiliary enterprises	2 833 469	2 882 204
Depreciation	1 911 686	1 960 019
TOTAL OPERATING EXPENSES (SCHEDULE B)	<u>27 707 891</u>	<u>30 238 063</u>
OPERATING LOSS	<u>(16 542 140)</u>	<u>(19 660 804)</u>
Non-Operating Revenues (Expenses):		
State allocations	6 530 257	6 391 501
Ad-valorem Taxes:		
Taxes for maintenance and operations	4 313 936	3 881 549
Taxes on general obligations bonds	2 033 811	2 034 967
Federal revenue, non-operating	5 771 712	8 710 084
Investment income (net of investment expenses)	39 684	9 501
Interest on capital related debt	(1 076 722)	(1 289 816)
Gain (loss) on disposal of fixed assets	(7 205)	(2 958)
Other non-operating expenses	(2 900)	(2 300)
TOTAL NON-OPERATING REVENUES (EXPENSES) (SCHEDULE C)	<u>17 602 573</u>	<u>19 732 528</u>
Capital Contributions:		
Component unit	270 455	19 749
Federal grants capital contributions	2 185 325	295 846
TOTAL CAPITAL CONTRIBUTIONS	<u>2 455 780</u>	<u>315 595</u>
INCREASE (DECREASE) IN NET POSITION	3 516 213	387 319
Net position - Beginning of year	<u>(4 250 465)</u>	<u>(4 637 784)</u>
NET POSITION - END OF YEAR	\$ <u><u>(734 252)</u></u>	\$ <u><u>(4 250 465)</u></u>

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, 2023 and 2022

EXHIBIT 2A

	<u>2023</u>	<u>2022</u>
Operating Revenue:		
Federal grants and contracts	\$ 132 251	\$ 131 101
State grants and contracts	1 244 965	1 240 785
Local grants and contracts	1 404 178	1 150 984
TOTAL OPERATING REVENUES	<u>2 781 394</u>	<u>2 522 870</u>
Operating Expenses:		
Public service	3 142 253	2 741 504
Scholarships	407 887	364 921
Depreciation	8 266	7 537
TOTAL OPERATING EXPENSES	<u>3 558 406</u>	<u>3 113 962</u>
OPERATING LOSS	<u>(777 012)</u>	<u>(591 092)</u>
Non-Operating Revenues:		
Investment income	86 692	30 599
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>86 692</u>	<u>30 599</u>
(LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES	<u>(690 320)</u>	<u>(560 493)</u>
Other Revenues, (Expenses), Gains, Losses:		
Additions to endowments	513 162	392 265
Gains (loss) on investments	147 861	(1 202 627)
Contributions	838 730	826 996
TOTAL OTHER REVENUES, (EXPENSES), GAINS, LOSSES	<u>1 499 753</u>	<u>16 634</u>
INCREASE (DECREASE) IN NET POSITION	809 433	(543 859)
Net position - Beginning of year	<u>8 321 481</u>	<u>8 865 340</u>
NET POSITION - END OF YEAR	\$ <u><u>9 130 914</u></u>	\$ <u><u>8 321 481</u></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, 2023 and 2022

EXHIBIT 3

	2023	2022
Cash Flows from Operating Activities:		
Receipts from students and other customers	\$ 5 825 488	\$ 11 480 174
Receipts from grants and contracts	4 526 889	4 507 858
Other receipts	653 754	470 501
Payments to or on behalf of employees	(10 778 400)	(10 959 908)
Payments to suppliers for goods or services	(14 594 165)	(18 398 530)
Payments of scholarships	(1 877 049)	(4 728 106)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(16 243 483)</u>	<u>(17 628 011)</u>
Cash Flows from Noncapital Financing Activities:		
State allocations	6 268 479	6 111 553
Federal revenues	5 771 712	8 710 084
Ad valorem tax revenues	6 347 747	5 916 516
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>18 387 938</u>	<u>20 738 153</u>
Cash Flows from Capital and Related Financing Activities:		
Interest and other expense on capital related debt	(1 372 858)	(1 594 411)
Purchase of capital assets	(1 881 444)	(553 222)
Capital contributions	2 455 780	315 595
Proceeds from sale of fixed assets	(7 205)	(2 958)
Proceeds from issuance of debt	-	164 418
Payments on capital debt and leases	(1 510 000)	(1 460 000)
Other non-operating expense	(2 900)	(2 300)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(2 318 627)</u>	<u>(3 132 878)</u>
Cash Flows from Investing Activities:		
Investment earnings	39 684	9 501
Purchase of investments	(105 972)	(1 524 193)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(66 288)</u>	<u>(1 514 692)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(240 460)	(1 537 428)
Cash and cash equivalents - September 1	3 395 771	4 933 199
CASH AND CASH EQUIVALENTS - AUGUST 31	<u>\$ 3 155 311</u>	<u>\$ 3 395 771</u>
Non-Cash investing, Capital, and Financing Activities:		
Contributions of capital assets	\$ 270 455	\$ 19 749
TOTAL NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	<u>\$ 270 455</u>	<u>\$ 19 749</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (16 542 140)	\$ (19 660 804)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	1 911 686	1 960 019
Gain (loss) on disposal of assets	(1 780 788)	(627 828)
Bad debts	261 778	279 948
Changes in Assets and Liabilities:		
Receivables, net	(1 651 319)	(165 081)
Inventories	(1 979)	5 693
Prepaid expense	(203 175)	(72 864)
Due from component unit	912 139	(1 519 002)
Other assets	(875)	(12 100)
Accounts payable	273 267	360 889
Accrued liabilities	30 735	(28 397)
Deposits payable	(8 500)	(9 450)
Funds held for others	3 198	(24 414)
Pension and OPEB related	1 199 618	847 079
Deferred revenue	(647 128)	1 038 301
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (16 243 483)</u>	<u>\$ (17 628 011)</u>

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, 2023 and 2022

EXHIBIT 3A

	2023	2022
Cash Flows from Operating Activities:		
Receipts from grants and contracts	\$ 2 138 060	\$ 2 311 578
Payments of scholarships	(1 320 154)	1 154 099
Payments of grants and contract costs	(2 483 287)	(2 260 175)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1 665 381)</u>	<u>1 205 502</u>
Cash Flows from Noncapital Financing Activities:		
Additions to permanent and term endowment and other contributions	<u>1 351 892</u>	<u>1 219 261</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1 351 892</u>	<u>1 219 261</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	-	369 414
Investment income (loss)	234 553	(183 291)
Purchase of capital assets	(47 094)	-
Purchase of investments	(345 527)	(369 670)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(158 068)</u>	<u>(183 547)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(471 557)	2 241 216
Cash and cash equivalents - September 1	<u>4 476 561</u>	<u>2 235 345</u>
CASH AND CASH EQUIVALENTS - AUGUST 31	<u>\$ 4 005 004</u>	<u>\$ 4 476 561</u>
Non-Cash investing, Capital, and Financing Activities:		
In-kind contributions	<u>\$ 640 020</u>	<u>\$ 467 409</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating income (loss)	\$ (777 012)	\$ (591 092)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	8 266	7 537
Changes in Assets and Liabilities:		
Accounts receivable	(5 701)	10 027
Other assets	(130)	18
Due to college	(912 137)	1 519 002
Deferred revenue	21 333	260 010
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1 665 381)</u>	<u>\$ 1 205 502</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

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, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows of Resources

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

Investments

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

Inventories

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

Deferred Inflows of Resources

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

Capital Assets

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

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

Other Post-Employment Benefits

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

Pensions

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

Unearned Revenues and Expenditure

Tuition and fees of \$1,073,116 and \$1,369,093 and federal, state, and local grants of \$545,645 and \$896,796, have been reported as unearned revenues at August 31, 2023 and 2022, respectively.

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2023 and 2022

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.

New Pronouncements

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 implemented this standard and has determined there is no financial impact on the financial statements, in the current year.

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, 2022. The College has determined as of August 31, 2023 that there is no financial impact.

Prior Period Adjustment and Reclassifications

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

NOTE 3 - AUTHORIZED INVESTMENTS

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2023 and 2022

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	AUGUST 31,	
	2023	2022
Demand deposits	\$ 1 583 065	\$ 1 888 918
Time deposits	3 248 199	3 142 227
Petty cash	10 050	10 050
TOTAL CASH AND DEPOSITS	<u>\$ 4 841 314</u>	<u>\$ 5 041 195</u>

Cash and Deposits Reconciliation of Deposits and Investments to Exhibit 1

	FAIR VALUE AUGUST 31,	
TYPE OF SECURITY	2023	2022
Investment pool	\$ 1 562 196	\$ 1 496 803
TOTAL	<u>1 562 196</u>	<u>1 496 803</u>
TOTAL CASH AND DEPOSITS	<u>4 841 314</u>	<u>5 041 195</u>
TOTAL DEPOSITS AND INVESTMENTS	<u>\$ 6 403 510</u>	<u>\$ 6 537 998</u>
Cash and cash equivalents (Exhibit 1)	\$ 1 127 674	\$ 1 199 546
Restricted cash and equivalents (Exhibit 1)	2 027 637	2 196 225
Investments (Exhibit 1)	2 281 731	2 200 233
Restricted investments (Exhibit 1)	966 468	941 994
TOTAL DEPOSITS AND INVESTMENTS	<u>\$ 6 403 510</u>	<u>\$ 6 537 998</u>

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

	AUGUST 31,	
	2023	2022
Demand deposits	\$ 4 005 004	\$ 4 476 561
TOTAL CASH AND DEPOSITS	<u>\$ 4 005 004</u>	<u>\$ 4 476 561</u>

Reconciliation of Deposits and Investments to Exhibit 1A

	FAIR VALUE AUGUST 31,	
TYPE OF SECURITY	2023	2022
U. S. government agencies	\$ -	\$ -
Corporate bond/note	-	3 040 569
Mutual funds	5 646 178	2 605 609
TOTAL INVESTMENTS	<u>5 464 178</u>	<u>5 646 177</u>
Total cash and deposits	<u>4 005 004</u>	<u>4 476 561</u>
TOTAL DEPOSITS AND INVESTMENTS	<u>\$ 9 651 182</u>	<u>\$ 10 122 738</u>
Cash and cash equivalents	\$ 4 005 004	\$ 4 476 561
Long-term investments	5 991 704	5 646 177
TOTAL DEPOSITS AND INVESTMENTS	<u>\$ 9 996 708</u>	<u>\$ 10 122 738</u>

As of August 31, 2023, the College had the following investments and maturities:

Investment Type	CREDIT RATING	MARKET VALUE	INVESTMENT MATURITIES (IN YEARS)		
			LESS THAN 1	1-2	2-3
Certificates of Deposits		\$ 3 248 199	\$ 3 248 199	\$ -	\$ -
Investment Pool	N/A	1 562 196	1 562 196	-	-
TOTAL MARKET VALUE	AAA	<u>\$ 4 810 395</u>	<u>\$ 4 810 395</u>	<u>\$ -</u>	<u>\$ -</u>

As of August 31, 2023, the Foundation had the following investments and maturities:

Investment Type	CREDIT RATING	MARKET VALUE	NO MATURITY	INVESTMENT MATURITIES (IN YEARS)		
				LESS THAN 1	1-2	2-3
Mutual Funds	N/A	\$ 5 646 178	\$ 5 646 178	\$ -	\$ -	\$ -
TOTAL MARKET VALUE		<u>\$ 5 646 178</u>	<u>\$ 5 646 178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2023 and 2022

NOTE 4 - DEPOSITS AND INVESTMENTS - CONTINUED

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

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

Custodial Credit Risk - At August 31, 2023 and 2022, the College had money on deposit at two banks. The carrying amount of the College's and the Foundation's bank deposits was \$7,885,357 and \$7,862,281, and total bank balances equaled \$7,114,256 and \$8,337,383, respectively. Bank balances of \$715,334 are covered by federal depository insurance and \$7,635,357 was covered by collateral pledged in Northeast Texas Community College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College.

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

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

NOTE 5 - DERIVATIVES

The College had no derivatives at August 31, 2023 or 2022.

NOTE 6 - DEFERRED OUTFLOWS OF RESOURCES BOND REFUNDING

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

	BALANCE AUGUST 31, 2022	INCREASES	DECREASES	BALANCE AUGUST 31, 2023
Deferred charge on bond refunding	\$ 176 196	\$ -	\$ 63 502	\$ 112 694
	BALANCE AUGUST 31, 2021	INCREASES	DECREASES	BALANCE AUGUST 31, 2022
Deferred charge on bond refunding	\$ 241 571	\$ -	\$ 65 375	\$ 176 196

NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2023 and 2022

NOTE 7 - CAPITAL ASSETS

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

	BALANCE AUGUST 31, 2022	INCREASES	DECREASES	BALANCE AUGUST 31, 2023
Not Depreciated:				
Land	\$ 1 748 209	\$ -	\$ -	\$ 1 748 209
Construction in progress	28 808	984 251	(22 308)	990 751
TOTAL NOT DEPRECIATED	<u>1 777 017</u>	<u>984 251</u>	<u>(22 308)</u>	<u>2 738 960</u>
Other Capital Assets:				
Buildings	53 493 383	613 214	-	51 106 597
Equipment purchased with capital lease	250 348	-	-	250 348
Furniture, machinery, vehicles and other equipment	8 411 728	363 911	(76 596)	8 699 043
Library books	612 677	21 956	(2 983)	631 650
Telecommunications and peripheral equipment	3 927 998	-	-	3 927 998
TOTAL OTHER CAPITAL ASSETS	<u>66 696 134</u>	<u>999 081</u>	<u>(79 579)</u>	<u>67 615 636</u>
Accumulated Depreciation:				
Buildings	12 929 283	1 227 957	(1 737 596)	12 439 644
Equipment purchased with capital lease	250 348	-	-	250 348
Furniture, machinery, vehicles and other equipment	5 988 990	511 639	(40 209)	6 460 420
Library books	472 608	19 791	(2 983)	489 416
Telecommunications and peripheral equipment	3 600 011	152 300	-	3 752 311
TOTAL ACCUMULATED DEPRECIATION	<u>23 261 240</u>	<u>1 911 687</u>	<u>(1 780 788)</u>	<u>23 392 139</u>
NET OTHER CAPITAL ASSETS	<u>43 434 894</u>	<u>(912 606)</u>	<u>1 701 209</u>	<u>44 223 497</u>
NET CAPITAL ASSETS	<u>\$ 45 211 911</u>	<u>\$ 71 645</u>	<u>\$ 1 678 901</u>	<u>\$ 46 962 457</u>

Foundation

	BALANCE AUGUST 31, 2022	INCREASES	DECREASES	BALANCE AUGUST 31, 2023
Not Depreciated:				
Land	\$ 205 480	\$ -	\$ -	\$ 205 480
Works of art, antiques	461 034	32 500	-	493 534
TOTAL NOT DEPRECIATED	<u>666 514</u>	<u></u>	<u>-</u>	<u>699 014</u>
Other Capital Assets:				
Biggers Mural	112 611	-	-	112 611
Buildings	95 300	14 594	-	109 894
TOTAL OTHER CAPITAL ASSETS	<u>207 911</u>	<u>14 594</u>	<u>-</u>	<u>225 505</u>
Accumulated Depreciation:				
Biggers Mural	25 338	6 200	-	31 538
Buildings	27 635	2 066	-	29 701
TOTAL ACCUMULATED DEPRECIATION	<u>52 973</u>	<u>8 266</u>	<u>-</u>	<u>61 238</u>
NET OTHER CAPITAL ASSETS	<u>154 938</u>	<u>6 328</u>	<u>-</u>	<u>161 267</u>
NET CAPITAL ASSETS	<u>\$ 821 452</u>	<u>\$ 60 928</u>	<u>\$ -</u>	<u>\$ 860 281</u>

NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2023 and 2022

NOTE 7 - CAPITAL ASSETS - CONTINUED

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

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

Foundation

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

NOTE 8 - NONCURRENT LIABILITIES

Long-term liability activity for the year ended August 31, 2023 was as follows:

	BALANCE AUGUST 31, 2022	INCREASES	DECREASES	BALANCE AUGUST 31, 2023	CURRENT PORTION
Leases, Bonds, and Notes:					
Revenue bonds	\$ 6 250 000	\$ -	\$ 355 000	\$ 5 895 000	\$ 370 000
General obligation bonds	26 621 839	-	1 155 000	25 466 839	1 049 377
Notes payable	783 955	-	173 955	610 000	178 744
Net pension liability	2 752 862	3 619 713	-	6 372 575	-
Net OPEB liability	20 582 874	-	3 479 858	17 103 019	444 642
TOTAL LONG-TERM OBLIGATIONS	\$ 56 991 530	\$ 3 619 713	\$ 5 163 813	\$ 55 447 433	\$ 2 042 763

NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2023 and 2022

NOTE 8 - NONCURRENT LIABILITIES - CONTINUED

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

	BALANCE AUGUST 31, 2021	INCREASES	DECREASES	BALANCE AUGUST 31, 2022	CURRENT PORTION
Leases, Bonds, and Notes:					
Revenue bonds	\$ 6 600 000	\$ -	\$ 350 000	\$ 6 250 000	\$ 355 000
General obligation bonds	27 731 839	-	1 110 000	26 621 839	1 155 000
Notes payable	953 243	-	173 955	610 000	173 955
Net pension liability	5 893 253	-	3 140 391	2 752 862	-
Net OPEB liability	17 729 594	2 853 280	-	20 582 874	423 012
TOTAL LONG-TERM OBLIGATIONS	<u>\$ 58 907 929</u>	<u>\$ 3 017 698</u>	<u>\$ 4 769 679</u>	<u>\$ 57 156 018</u>	<u>\$ 2 106 967</u>

NOTE 9 - BONDS AND NOTES PAYABLE

General Obligation Bonds

The 2012 Series Limited Tax Refunding Bonds are due in annual installments varying from \$31,582 to \$1,130,200 with interest rates from 1.08% to 2.4%. The 2013 Series Limited Tax Refunding Bonds are due in annual installments from \$530,000 to \$1,130,000 with interest rates from 3.03% to 3.38%. Of the original \$18,000,000 bonds authorized by the November 5, 2002 election, there were un-issued but approved bonds totaling \$5,518,457 at August 31, 2023 and 2022. 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
2024	\$ 1 129 377	(A)	\$ 881 698	\$ 2 011 075
2025	1 093 309	(A)	918 291	2 011 600
2026	1 064 431	(A)	949 544	2 013 975
2027	1 028 873	(A)	982 477	2 011 350
2028	999 796	(A)	1 013 873	2 013 669
2029-2033	6 431 053	(A)	3 633 056	10 064 109
2034-2038	8 055 000	(A)	2 032 494	10 087 494
2039-2043	5 665 000	(A)	405 724	6 070 724
TOTAL	<u>\$ 25 466 839</u>		<u>\$ 10 817 157</u>	<u>\$ 36 283 996</u>

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

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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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, 2023 and 2022 was \$175,000 and \$1,255,000, respectively.

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

Limited Tax Refunding Bonds, Series 2013

To advance refund the remaining 2003 Series Limited Tax Bonds

Issued January 25, 2013

Total authorized and issued \$3,912,171

Source of revenue for debt service is ad valorem taxes

Outstanding accredited principal balance at August 31, 2023 and 2022 was \$5,286,257 and \$5,286,257, 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, 2023 and 2022 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, 2023 and 2022 was \$9,710,000 and \$9,710,000, 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, 2023 and 2022 was \$990,000 and \$1,065,000, 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
2024	\$ 370 000	\$ 203 938	\$ 573 938
2025	380 000	192 688	572 688
2026	390 000	181 137	571 137
2027	405 000	168 172	573 172
2028	420 000	154 462	574 462
2029-2033	2 310 000	547 697	2 857 697
2034-2038	1 620 000	98 800	1 718 800
TOTAL	\$ 5 895 000	\$ 1 546 894	\$ 7 441 894

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, 2023 and 2022 was \$1,465,000 and \$1,625,000, 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, 2022 and 2021 was \$4,430,000 and \$4,625,000, respectively.

The economic gain resulting from the refunding transaction was \$232,086.

NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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NOTE 9 - BONDS AND NOTES PAYABLE - CONTINUED

Notes Payable

The College entered into a 4.34% maintenance tax note payable dated April 27, 2010 to a bank in the amount of \$1,100,000. The note is due in 30 semi-annual payments of \$50,129. The balance of the note at August 31, 2023 and 2022 was \$278,086 and \$363,243, respectively.

The College entered into a 3.95% maintenance tax note dated December 12, 2016 to a bank in the amount of \$560,000. The note is due in 15 annual payments of \$45,000 to \$50,000. The balance of the note at August 31, 2023 and 2022 was \$405,000 and \$440,000, 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
2024	\$ 178 744	\$ 19 566	\$ 198 310
2025	136 256	13 335	149 590
2026	40 000	8 913	48 913
2027	40 000	7 713	47 713
2028	40 000	7 713	47 713
2029-2033	175 000	12 269	187 269
TOTAL	\$ 610 000	\$ 68 283	\$ 678 486

NOTE 10 - DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2023 and 2022

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	
	2023	2022
Member	8.00%	7.7%
Non-Employer Contributing Entity	7.75%	7.5%
Employers	7.75%	7.5%
Employer Contributions - 2022	\$ 529 981	
Member Contributions - 2022	\$ 836 593	
NECE On-behalf Contributions - 2021	\$ 273 917	

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 2023 were \$529,981, 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 2023 were \$273,917.

- 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Fair Value
Actuarial Assumptions:	
Single Discount Rate	7.00%
Long-term Expected Investment Rate of Return	7.00%
Inflation	2.30%
Payroll Growth Rate	2.30%
Salary Increases Including Inflation	2.95% to 8.95% 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, 2023 and 2022

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, 2022 was developed using a roll-forward method from the August 31, 2021 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, 2022.
- 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, 2022.
- 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 7.00 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a municipal bond rate of 3.91 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, 2022, are summarized below:

ASSET CLASS		TARGET ALLOCATION*	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**
Global Equity	U.S.	18%	4.60%	1.12%
	Non-U.S. Developed	13%	4.90%	0.90%
	Emerging Markets	9%	5.40%	0.75%
	Private Equity	14%	7.70%	1.55%
Stable Value	U.S. Treasuries	16%	1.00%	0.22%
	Absolute Return	-%	3.70%	- %
	Stable Value Hedge Funds	5%	3.40%	0.18%
	Cash	2%	3.00%	0.01%
Real Return	Global Inflation Linked Bonds	3%	0.70%	0.02%
	Real Assets	15%	4.10%	0.94%
	Energy and Natural Resources	6%	5.10%	0.37%
	Commodities	-%	3.60%	- %
Risk Parity	Risk Parity	8%	4.60%	0.43%
	Inflation Expectation			2.70%
	Alpha			(0.91)%
Total		<u>100%</u>		<u>8.19%</u>

* Target allocations are based on the FY2016 policy model.

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

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2022 Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (6.00%)	DISCOUNT RATE (7.00%)	1% INCREASE IN DISCOUNT RATE (8.00%)
College's proportionate share of the net pension liability	\$ 9 913 419	\$ 6 372 645	\$ 3 502 681

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

At August 31, 2023, the College reported a liability of \$6,372,645 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	\$ 6 372 645
State's proportionate share that is associated with the District	3 484 937
TOTAL	\$ 9 857 582

The net pension liability was measured as of August 31, 2022 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, 2021 through August 31, 2022.

At August 31, 2022, the College's proportion of the collective net pension liability was 0.0107%, which was an increase (decrease) of 0.0001 from its proportion measured as of August 31, 2021.

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, 2023, the College recognized pension expense of \$333,121 and revenue of \$333,121 for support provided by the State.

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

At August 31, 2023, 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	\$ 92 403	\$ 138 936
Changes in actuarial assumptions	1 187 555	295 941
Difference between projected and actual investment earnings		
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2 476 028	1 846 431
Contributions paid to TRS subsequent to the measurement date	191 229	111 472
	529 981	-
TOTAL	\$ 4 477 196	\$ 2 392 780

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
2024	\$ 433 246
2025	\$ 231 421
2026	\$ 81 537
2027	\$ 719 633
2028	\$ 88 474
Thereafter	\$ -

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NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN

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

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state and each participant are 3.3% and 6.0%, 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 \$273,917, \$259,298, and \$259,694 for the fiscal years ended August 31, 2023, 2022, and 2021, 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 \$11,919,982, \$11,805,184, and \$11,502,202 for fiscal years 2023, 2022, and 2021, respectively. The total payroll of employees covered by the TRS was \$9,613,833, \$11,762,626, and \$9,613,833 and the total payroll of employees covered by the Optional Retirement Program was \$2,306,149, \$2,177,421, and \$2,325,865 for fiscal years 2023, 2022, and 2021, 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, 2023 and 2022 were 15 and 15, respectively. During fiscal years ended August 31, 2023 and 2022, NTCC employee contributions amounting to \$133,315 and \$136,955, 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 \$140,006 and \$146,196 for August 31, 2023 and 2022, 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, 2023 and 2022, respectively, and totaled \$732,601 for 2023 and \$734,476 for 2022. The cost of providing those benefits for 76 retirees in the year ended fiscal year 2023 was \$396,383 (retirees benefits for 80 retirees cost \$408,681 in fiscal year 2022). For 206 active employees, the cost of providing benefits was \$1,309,428 for the fiscal year ended 2023 (active employee benefits for 210 employees cost \$1,362,657 for the fiscal year 2022).

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NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

A. Plan Description

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

B. OPEB Plan Fiduciary Net Positions

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

C. Benefits Provided

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

D. Contributions

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

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

Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium			
	2022		2021
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>	
	<u>2022</u>	<u>2023</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Employer Contributions - 2022	\$ 188 706	
Member Contributions - 2022	\$ 25 366	
NECE On-behalf Contributions - 2021	\$ 109 240	

Source: ERS FY20 Comprehensive Annual Financial Report

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions:

Valuation Date August 31, 2022

Methods and Assumptions:

Actuarial Cost Method Entry Age
Amortization Method Level Percentage of Payroll, Open
Last Experience Study *State Agency Members:* 5-year period from September 1, 2014 to August 31, 2019
Higher Education Members: 7-year period from September 1, 2010 to August 31, 2017

Actuarial Assumptions:

Discount Rate 3.59%
Projected Annual Salary Increase 2.30 to 8.95%, including inflation
Annual Healthcare Trend Rate HealthSelect
5.60% for FY24, 5.30% for FY25, 5.00% for FY26, 4.75% for FY27, 4.60% for FY28, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY31 and later years

HealthSelect Medicare Advantage

66.67% for FY23, 24.00% for FY25, 5.00% for FY26, 4.75% for FY27, 4.60% for FY28, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY29 and alter years

Pharmacy

10.00% for FY24 and FY25, decreasing 100 basis points per year to 5.00% for FY30 and 4.30% for FY31 and later years

Inflation Assumption Rate
Ad hoc Postemployment Benefit Changes
Mortality Rate

2.30%

None

State Agency Members

- *Service Retirees, Survivors and other Inactive Members (Regular, Elected, CPO/CO and JRS I and II Employee Classes):* 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.
- *Disability Retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes):* 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.
- *Active Members:* 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.

Higher Education Members

- *Service Retirees, Survivors and other Inactive Members:* Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.
- *Disability Retirees:* 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.
- *Active Members:* Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

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

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

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

F. Discount Rate

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

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.59%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.59%)	Current Single Discount Rate (3.59%)	1% Increase in Discount Rate (4.59%)
College's proportionate share of the net OPEB liability	\$ 14 828 287	\$ 17 103 019	\$ 19 947 288

H. Healthcare Trend Rate Sensitivity Analysis.

The initial healthcare trend rate is (5.60%) and the ultimate rate is (4.3%). 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 (5.6%) in measuring the net OPEB liability.

	1% Decrease in Healthcare Trend Rate (4.60%)	Current Single Healthcare Trend Rate (5.60%)	1% Increase in Healthcare Trend Rate (6.60%)
College's proportionate share of the net OPEB liability	\$ 14 646 385	\$ 17 103 019	\$ 20 239 477

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

At August 31, 2023, the College reported a liability of \$17,103,019 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	\$ 17 103 019
State's proportionate share that is associated with the College	8 073 953
TOTAL	\$ 25 176 972

The Net OPEB Liability was measured as of August 31, 2022 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The College's proportion of the Net OPEB Liability was based on the College's contributions to the OPEB plan relative to the contributions of all other employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2022 the College's proportion of the collective Net OPEB Liability was .06003805%, which was .00266499% higher than the same proportion measured as of August 31, 2021.

For the year ended August 31, 2023, the College recognized OPEB expense of \$294,093 and revenue of \$294,093 for support provided by the State.

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

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

J. Changes in Actuarial Assumptions

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

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

K. Changes to Term Benefits

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

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

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

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

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

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

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

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

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

At August 31, 2022, the College reported its proportionate share of the GBP's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 539 621
Changes in actuarial assumptions	1 004 871	5 286 705
Difference between projected and actual investment earnings	2 950	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2 827 265	347 807
Contributions paid to ERS subsequent to the measurement date	188 706	-
TOTAL	\$ 4 023 792	\$ 6 174 133

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2024	\$ (141 973)
2025	\$ (459 936)
2026	\$ (572 236)
2027	\$ (714 306)
2028	\$ (450 598)
Thereafter	\$ -

NOTE 16 - DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables were as follows:

	COLLEGE AUGUST 31,		FOUNDATION AUGUST 31,	
	2023	2022	2023	2022
Tuition and fees receivable	\$ 3 045 301	\$ 2 517 507	\$ -	\$ -
Taxes receivable	659 554	598 002	-	-
Scholarship and pledges receivable	-	-	-	-
Contracts and grants receivable	2 246 560	1 138 546	7 980	2 279
Other receivables	(2 646)	8 084	-	-
Allowance for doubtful accounts	(2 010 451)	(1 975 140)	-	-
TOTAL RECEIVABLES	\$ 3 938 318	\$ 2 286 999	\$ 7 980	\$ 2 279

Payables and accrued liabilities were as follows:

	COLLEGE AUGUST 31,		FOUNDATION AUGUST 31,	
	2023	2022	2023	2022
Accounts Payable:				
Vendors payable	\$ 1 422 978	\$ 1 149 711	\$ -	\$ -
Accrued Liabilities:				
Accrued payroll liabilities	\$ 77 809	\$ 16 349	\$ -	\$ -
Interest payable	417 090	441 625	-	-
TOTAL ACCRUED LIABILITIES	\$ 494 899	\$ 457 974	\$ -	\$ -
Deposits Payable:				
Student deposits payable	\$ 31 450	\$ 39 950	\$ -	\$ -

NOTE 17 - CONTRACT AND GRANT AWARDS

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

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

Contracts and grant award funds already committed or funds awarded during fiscal years 2023 and 2022 for the College and Foundation are as follows:

	2023	2022
College:		
Federal	\$ 2 986 662	\$ 2 071 031
State	315 965	81 815
TOTAL	<u>\$ 3 302 627</u>	<u>\$ 2 152 846</u>
Foundation:		
Federal	\$ 161 382	\$ 132 251
State	1 029 282	1 033 725
TOTAL	<u>\$ 1 190 664</u>	<u>\$ 1 165 976</u>

NOTE 18 - SELF INSURED PLANS

The College self-insures for coverage in the areas of workers' compensation and unemployment compensation. These plans are on a pay-as-you-go basis, in which no assets are set aside. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations. Management has determined the liability to be less than \$10,000.

NOTE 19 - AD VALOREM TAX

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

	AUGUST 31,	
	2023	2022
Assessed valuation of the college	\$ 6 575 539 629	\$ 5 708 431 476
Less: Exemptions and abatements	<u>1 396 780 507</u>	<u>1 231 450 077</u>
NET TAXABLE ASSESSED VALUE	<u>\$ 5 178 759 122</u>	<u>\$ 4 476 981 399</u>
	CURRENT OPERATIONS	DEBT SERVICE
Tax rate per \$100 valuation - Authorized		\$ 0.1300
Tax rate per \$100 valuation - Assessed:		
FYE August 31, 2023	\$ 0.08112	\$ 0.03888
FYE August 31, 2022	\$ 0.0851	\$ 0.0450

Taxes levied for the year ended August 31, 2023 were \$6,347,586 (which includes any penalty and interest assessed if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed.

TAX REVENUES - 2023	CURRENT OPERATIONS	DEBT SERVICE	TOTAL
Current taxes	\$ 4 143 613	\$ 1 952 177	\$ 6 095 790
Delinquent taxes	91 482	43 846	135 328
Penalties and interest	76 260	76 260	112 811
Other fees	2 581	1 237	3 818
TOTAL TAX REVENUES	<u>\$ 4 313 936</u>	<u>\$ 2 033 811</u>	<u>\$ 6 347 747</u>

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

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

Current tax levy collections for the years ended August 31, 2023 and 2022 were 90.54% and 97.43%, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to maintenance and operations and/or general obligation debt service.

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NOTE 20 - TAX ABATEMENT

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

For the fiscal years ended August 31, 2023 and 2022, 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, 2023 and 2022.

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 no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for self-funded programs.

NOTE 24 - COMMITMENTS AND CONTINGENCIES

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

Grant Programs - The College participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the college has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2022, may be impaired. In the opinion of the College, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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

NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2023 and 2022

NOTE 25 - TC³ CONSORTIUM

The purpose of this strategic partnership with 7 community colleges is to utilize a common Student Information System to facilitate a growing number of "shared services" in a manner that reduces administrative overhead and supports growth without an increase in administrative costs. The members include Northeast Texas Community College, Texarkana College, Kilgore College, Paris Junior College, and Angelina College. TC³ members have formally adopted an interlocal agreement, appointed officers, and secured private start-up funding as well as a special-item appropriation from the state of Texas for \$2.375 million.

NOTE 26 - PENDING LAWSUITS AND CLAIMS

As of August 31, 2023, there are no lawsuits pending against the College.

NOTE 27 - SUBSEQUENT EVENTS

Management has considered and reviewed all subsequent events through the date the financial statements were available to be released, which was December 19, 2023.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

For the Fiscal Years Ended
August 31, 2023 and 2022

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*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
TRS net position as a percentage of total pension liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%
The College's proportionate share of collective net pension liability (%)	0.0107%	0.0108%	0.0001%	0.0102743%	0.0144145%	0.0102157%	0.0100684%	0.0105193%	0.0118327%
The College's proportionate share of of collective net pension liability (\$)	\$ 6 372 515	\$ 2 752 932	\$ 5 893 323	\$ 5 340 834	\$ 5 747 157	\$ 3 266 360	\$ 3 804 716	\$ 3 718 433	\$ 3 160 678
Portion of non-employer contributing entities (NECE) total proportionate share of NPL associated with the College	3 484 937	1 547 377	3 373 878	3 043 321	3 360 848	1 887 439	2 199 339	2 194 512	1 782 893
TOTAL	<u>\$ 9 857 582</u>	<u>\$ 4 300 309</u>	<u>\$ 9 267 201</u>	<u>\$ 8 384 155</u>	<u>\$ 9 108 005</u>	<u>\$ 5 153 799</u>	<u>\$ 6 004 055</u>	<u>\$ 5 912 945</u>	<u>\$ 4 943 571</u>
The College's covered payroll amount in the year of measurement	\$ 11 762 626	\$ 9 613 833	\$ 9 534 215	\$ 8 390 035	\$ 8 254 074	\$ 7 759 509	\$ 7 385 543	\$ 7 268 137	\$ 6 869 697
Ratio of College's proportionate share of collective NPL/ College's covered payroll amount	54.18%	28.64%	61.81%	63.66%	69.63%	42.10%	51.52%	51.16%	46.01%

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

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

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

	2023		2022		2021		2020		2019		2018		2017		2016		2015
Contractually required contribution	529 981	\$	501 077	\$	461 449	\$	454 013	\$	360 087	\$	351 746	\$	334 778	\$	319 900	\$	311 480
Actual contributions	<u>(529 981)</u>		<u>(501 077)</u>		<u>(461 449)</u>		<u>(454 013)</u>		<u>(360 087)</u>		<u>(351 746)</u>		<u>(334 778)</u>		<u>(319 900)</u>		<u>(311 480)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>
The College's covered payroll amount in the current fiscal year	11 919 982	\$	11 762 626	\$	9 613 833	\$	9 534 215	\$	8 390 035	\$	8 254 074	\$	7 759 509	\$	7 385 543	\$	7 268 137
Ratio of: actual contributions/College's covered payroll amount	4.45%		4.26%		4.8%		4.76%		4.29%		4.26%		4.31%		4.33%		4.29%

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

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

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

College's Proportionate Share of Liability	2022	2021	2020	2019	2018
College's proportion of the OPEBL	0.0600381%	0.05737306%	0.0555049%	0.04826415%	0.05109246%
College's proportionate share of the OPEBL	\$ 17 103 019	\$ 20 582 874	\$ 18 341 396	\$ 16 681 382	\$ 15 142 653
State share of the OPEBL associated with the College	8 073 953	10 170 227	9 365 621	11 406 193	9 285 987
TOTAL	<u>\$ 25 176 972</u>	<u>\$ 30 753 101</u>	<u>\$ 21 707 017</u>	<u>\$ 28 087 575</u>	<u>\$ 24 428 640</u>
College's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 11 762 625	\$ 11 365 465	\$ 11 365 440	\$ 10 579 162	\$ 10 644 405
Proportionate share/covered payroll	145.40%	181.1%	191.64%	157.68%	142.26%
Plan fiduciary net position/total OPEB liability	11.52%	0.38%	0.32%	0.17%	1.27%

College Contributions	2023	2022	2021	2020	2019
Contractually required contribution	\$ 188 706	\$ 166 478	\$ 392 425	\$ 375 914	\$ 359 717
Actual contribution	(188 706)	(166 478)	(392 425)	(375 914)	(359 717)
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The College's covered payroll amounts in the current fiscal year	\$ 11 919 985	\$ 11 762 625	\$ 11 365 465	\$ 11 365 440	\$ 10 579 162
Contributions to covered payroll	1.58%	1.42%	3.45%	3.31%	3.40%

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

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

A. Notes to Schedules for the TRS Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

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

- The total pension liability as of August 31, 2023 was developed using a roll-forward method from August 31, 2012.
- 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, 2021.
- 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, 2023 and 2022

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES
For the Year Ended August 31, 2023
With Memorandum Totals for the Year Ended August 31, 2022

	UNRESTRICTED	RESTRICTED	TOTAL EDUCATIONAL ACTIVITIES	AUXILIARY ENTERPRISES	TOTALS	
					2023	2022
Tuition:						
State Funded Credit Courses:						
In-district resident tuition	\$ 1 620 135	\$ -	\$ 1 620 135	\$ -	\$ 1 620 135	\$ 1 612 904
Out-of-district resident tuition	1 050 756	-	1 050 756	-	1 050 756	992 692
Non-resident tuition	207 123	-	207 123	-	207 123	134 229
TPEG (set aside)*	213 625	-	213 625	-	213 625	175 825
State funded continuing education	165 706	-	165 706	-	165 706	221 612
Non-state funded continuing education	34 809	-	34 809	-	34 809	46 554
TOTAL TUITION	3 292 154	-	3 292 154	-	3 292 154	3 183 815
Fees:						
General institutional service fee	2 840 368	-	2 840 368	-	2 840 368	2 812 561
Out-of-district fees	1 589 335	-	1 589 335	-	1 589 335	1 501 508
Non-resident fees	571 761	-	571 761	-	571 761	470 590
Course fees	396 164	-	396 164	-	396 164	359 551
Other fees	108 924	-	108 924	-	108 924	87 369
TOTAL FEES	5 506 552	-	5 506 552	-	5 506 552	5 231 580
Allowances and Discounts:						
Bad debt allowance	(71 268)	-	(71 268)	-	(71 268)	27 525
Scholarship allowances	(654 472)	-	(654 472)	-	(654 472)	(629 875)
Remission and exemptions	(297 390)	-	(297 390)	-	(297 390)	(263 539)
TPEG allowances	(132 421)	-	(132 421)	-	(132 421)	(120 294)
Federal and state grants to students	(3 690 445)	-	(3 690 445)	-	(3 690 445)	(3 638 438)
TOTAL ALLOWANCES AND DISCOUNTS	(4 845 996)	-	(4 845 996)	-	(4 845 996)	(4 624 621)
TOTAL NET TUITION AND FEES	3 952 710	-	3 952 710	-	3 952 710	3 790 774
Other Operating Revenues:						
Federal grants and contracts	-	3 667 850	3 667 850	-	3 667 850	3 680 789
State grants and contracts	-	500 543	500 543	-	500 543	456 955
Non-governmental grants and contracts	-	96 718	96 718	-	96 718	90 166
Sales and services of educational activities	64 723	-	64 723	-	64 723	83 570
Other operating revenues	505 884	-	505 884	147 868	653 752	470 499
TOTAL OTHER OPERATING REVENUES	570 607	4 265 111	4 835 718	147 868	4 983 586	4 781 979
Auxiliary Enterprises:						
Residential life	-	-	-	1 323 631	1 323 631	1 251 259
Less discounts	-	-	-	(206 689)	(206 689)	(167 797)
Bookstore	-	-	-	1 618 243	1 618 243	1 444 783
Less discounts	-	-	-	(505 730)	(505 730)	(523 739)
TOTAL NET AUXILIARY ENTERPRISES	-	-	-	2 229 455	2 229 455	2 004 506
TOTAL OPERATING REVENUES	\$ 4 523 317	\$ 4 265 111	\$ 8 788 428	\$ 2 377 323	\$ 11 165 751	\$ 10 577 259

* In accordance with Education Code 56.033, \$175,825 and \$119,715 for years August 31, 2023 and 2022, 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, 2023
With Memorandum Totals for the Year Ended August 31, 2022

	SALARIES AND WAGES	STATE BENEFITS	LOCAL BENEFITS	OTHER EXPENSES	TOTALS	
					2023	2022
Unrestricted - Educational Activities:						
Instruction	\$ 6 558 193	\$ -	\$ 2 149 485	\$ 742 410	\$ 9 450 088	\$ 8 562 566
Public service	29 664	-	9 723	120 065	159 452	172 621
Academic support	633 749	-	207 715	421 572	1 263 036	1 106 017
Student services	750 365	-	245 936	121 543	1 117 844	1 150 631
Institutional support	1 800 889	-	590 252	1 515 565	3 906 706	3 736 694
Operation and maintenance of plant	283 737	-	92 996	1 266 064	1 642 797	1 501 072
TOTAL UNRESTRICTED EDUCATIONAL ACTIVITIES	10 056 597	-	3 296 107	4 187 219	17 539 923	16 229 601
Restricted - Educational Activities:						
Instruction	501 288	523 913	54 630	724 936	1 804 767	1 285 480
Public service	192 656	2 370	-	59 757	254 783	302 489
Academic support	-	50 628	-	-	50 628	69 345
Student services	142 088	59 944	-	129 423	331 455	362 577
Institutional support	545 794	143 867	-	391 803	1 081 464	2 391 295
Operation and maintenance of plant	-	22 667	-	-	22 667	27 079
Scholarships and fellowships	-	-	-	1 877 049	1 877 049	4 728 106
TOTAL RESTRICTED EDUCATIONAL ACTIVITIES	1 381 826	803 389	54 630	3 182 968	5 422 813	9 166 239
TOTAL EDUCATIONAL ACTIVITIES	11 438 423	803 389	3 350 737	7 370 187	22 962 736	25 395 840
Auxiliary enterprises	539 595	-	169 056	2 124 818	2 833 469	2 882 204
Depreciation Expense:						
Buildings and improvements	-	-	-	-	1 227 956	1 206 198
Equipment and furniture	-	-	-	-	663 939	733 604
Library books	-	-	-	-	19 791	20 217
TOTAL OPERATING EXPENSES	\$ 11 978 018	\$ 803 389	\$ 3 519 793	\$ 9 495 005	\$ 27 707 891	\$ 30 238 063

See independent Auditor's report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE C
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
For the Year Ended August 31, 2023
With Memorandum Totals for the Year Ended August 31, 2022

	UNRESTRICTED	RESTRICTED	AUXILIARY ENTERPRISES	TOTALS	
				2023	2022
Non-Operating Revenues:					
State Appropriations:					
Educational and general state support	\$ 5 726 868	\$ -	\$ -	\$ 5 726 868	\$ 5 399 935
State group insurance	-	541 611	-	541 611	711 618
State retirement matching	-	261 778	-	261 778	279 948
Ad-valorem taxes	4 313 936	2 033 811	-	6 347 747	5 916 516
Federal revenue, non-operating	-	5 771 712	-	5 771 712	8 710 084
Investment income	-	39 684	-	39 684	9 501
TOTAL NON-OPERATING REVENUES	<u>10 040 804</u>	<u>8 648 596</u>	<u>-</u>	<u>18 689 400</u>	<u>21 027 602</u>
Non-Operating Expenses:					
Interest on capital related debt	1 076 722	-	-	1 076 722	1 289 816
(Gain) loss on disposal of fixed assets	7 205	-	-	7 205	2 958
Other non-operating expense	2 900	-	-	2 900	2 300
TOTAL NON-OPERATING EXPENSES	<u>1 086 827</u>	<u>-</u>	<u>-</u>	<u>1 086 827</u>	<u>1 295 074</u>
NET NON-OPERATING REVENUES	\$ <u>8 953 977</u>	\$ <u>8 648 596</u>	\$ <u>-</u>	\$ <u>17 602 573</u>	\$ <u>19 732 528</u>

See independent Auditor's report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE D
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
For the Year Ended August 31, 2023
With Memorandum Totals for the Year Ended August 31, 2022

	DETAIL BY SOURCE					AVAILABLE FOR CURRENT OPERATIONS		
		RESTRICTED		NET INVESTMENT IN CAPITAL ASSETS	TOTAL			MEMORANDUM TOTAL
	UNRESTRICTED	EXPENDABLE	NON-EXPENDABLE		08/31/2022	YES	NO	08/31/2022
Current:								
Unrestricted	\$ (16 279 654)	\$ -	\$ -	\$ -	\$ (16 279 654)	\$ 7 261 865	\$ (23 541 519)	\$ (16 444 164)
Board designated reserve	515 717	-	-	-	515 717	515 717	-	515 717
Plant:								
Investment in plant	-	603 922	-	14 425 763	15 029 685	-	15 029 685	11 677 892
TOTAL NET POSITION, AUGUST 31, 2023	(15 763 937)	603 922	-	14 425 763	(734 252)	7 777 582	(8 511 834)	(4 250 465)
TOTAL NET POSITION, AUGUST 31, 2022	(15 928 447)	580 912	-	11 097 070	(4 250 465)	6 540 458	(10 790 923)	(4 637 784)
NET INCREASE (DECREASE) IN NET POSITION	\$ 164 510	\$ 23 010	\$ -	\$ 3 328 693	\$ 3 516 213	\$ 1 237 124	\$ 2 279 089	\$ 387 319

See independent Auditor's report.

SINGLE AUDIT SECTION

Annual Financial Report

For the Fiscal Years Ended
August 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of and for the year ended August 31, 2023 and 2022, 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 19, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Public Funds Investment Act Compliance

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

Purpose of this Report

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

Conclusion

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

Lufkin, Texas
December 19, 2023


CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

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

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas Single Audit Circular, issued by the Comptroller General of the United States. Our responsibilities under those standards, the Uniform Guidance and State of Texas Circular are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

Report on Internal Control over Compliance

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

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

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

Conclusion

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

Lufkin, Texas
December 19, 2023


CERTIFIED PUBLIC ACCOUNTANTS

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
August 31, 2023

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

UNMODIFIED

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes

☒ None Reported

Significant deficiencies identified that are not considered to be material weaknesses?

☐ Yes

☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes

☒ No

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes

☒ No

Significant deficiencies identified that are not considered to be material weaknesses?

☐ Yes

☒ None Reported

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

UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Uniform Guidance or TSAC?

☐ Yes

☒ No

Identification of major programs:

CFDA Number(s)

84.031

84.425

Name of Federal or State Program or Cluster*

Higher Education Institutional Aid

CARES Act

State

Temporary Assistance to Needy Families

Dollar threshold used to distinguish between Type A and Type B Federal programs:

\$750,000

Dollar threshold used to distinguish between Type A and Type B State programs:

\$300,000

Auditee qualified as low-risk auditee?

☒ Yes

☐ No

B. Financial Statements Findings

None

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

None

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
SCHEDULE E
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

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		\$ 44 852
Federal Work Study Program	84.033A	P033A196964		89 291
Federal Pell Grant Program	84.063P	P063P194174		5 686 785
Direct Loans	84.268	P268K204174		2 597 150
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER				<u>8 418 078</u>
TRIO - Upward Bound	84.047A	P047A170049		<u>276 843</u>
Title V	84.031S	P031S150251	\$ 41 226	<u>1 518 078</u>
TOTAL TITLE V			<u>41 226</u>	<u>1 518 078</u>
Federal CARES ACT Funding - HIS Institutional	84.425			-
Federal CARES ACT Funding - CRRSAA	84.425			414 699
Federal CARES ACT Funding - ARP	84.425			2 544 760
Federal CARES ACT Funding - Student portion	84.425E	P425E200150		40 075
TOTAL CARES ACT FUNDING				<u>2 999 534</u>
Passed Through Texas Workforce Commission:				
Passed Through Tyler Junior College:				
Adult Education and Family Leave Act (AEFLA)-LCOT	84.002	0818ALA00C		64 632
Adult Education and Family Leave Act (AEFLA)-LCOT	84.002A	0818ALA00B		4 852
Passed Through Paris Junior College:				
Adult Education and Family Leave Act (AEFLA)	84.002A	0818ALA000		9 974
Adult Education and Family Leave Act (AEFLA)	84.002A	0720AEL001		179 020
TOTAL PASSED THROUGH TEXAS WORKFORCE COMMISSION				<u>258 479</u>
Passed Through Texas Higher Education Coordinating Board:				
Vocational Education - Allocated	84.048	204253		232 409
Educational Stabilization Fund - GEER	84.425C	2020-GE-84425C-25557		35 937
TRUE Grant	84.425C	2020-GE-84425C-25757		94 686
Texas Completion Repayment Grant	84.425C	2020-GE-84425C-26616		13 638
Accel Student Success - GEER	84.425C	2020-GE-84425C-27327		40 000
NIGP - GEER II	84.425C	S425C210050 28722		196 159
TOTAL PASSED THROUGH TEXAS HIGHER EDUCATION COORDINATING BOARD				<u>612 828</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>14 083 841</u>
U.S. Department of Health and Human Services:				
Passed Through Texas Education Agency:				
Temporary Assist to Needy Families	93.558	(A) 203630027110020		<u>132 251</u>
TOTAL PASSED THROUGH TEXAS EDUCATION AGENCY				<u>132 251</u>
Passed Through Texas Workforce Solutions:				
Passed Through Paris Junior College:				
Temporary Assist to Needy Families	93.558	0718ALA000		<u>5 239</u>
TOTAL PASSED THROUGH TEXAS WORKFORCE SOLUTIONS				<u>5 239</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>137 490</u>
U.S. Small Business Administration:				
Passed Through Dallas Community College:				
SBDC	59.037	N/A		<u>174 183</u>
TOTAL U.S. SMALL BUSINESS ADMINISTRATION				<u>174 183</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u>41 226</u>	\$ <u>14 395 514</u>

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
SCHEDULE E - CONTINUED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

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	\$ 3 667 850
Add: Federal grants and contracts revenue - Per Schedule C - College	5 771 712
TOTAL FEDERAL REVENUES PER SCHEDULE A AND C	<u>9 439 562</u>
Reconciling Items:	
Add: Funds passed through to others	41 226
Add: Federal grant capital contributions - Per Exhibit 2 - College	2 185 325
Add: Direct loans	2 597 150
Add: Federal grants and contracts revenue - Foundation	132 251
TOTAL FEDERAL REVENUES PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	<u>\$ 14 395 514</u>

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	\$ 41 226
TOTAL AMOUNT PASSED THROUGH BY THE COLLEGE	<u>\$ 41 226</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
SCHEDULE F
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2023

GRANTOR/PROGRAM/TITLE	GRANT CONTRACT NUMBER	PASS THROUGH DISBURSEMENTS AND EXPENDITURES
Texas Education Agency:		
Temporary Assistance to Needy Families	(A) 200958027110020	\$ 1 035 784
TOTAL TEXAS EDUCATION AGENCY		<u>1 035 784</u>
U.S. Small Business Administration:		
Passed through Dallas Community College:		
SBDC	N/A	67 932
TOTAL U.S. SMALL BUSINESS ADMINISTRATION		<u>67 932</u>
Texas Higher Education Coordinating Board:		
Texas Education Opportunity Grant	N/A	324 805
Nursing Shortage	N/A	12 576
TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD		<u>337 381</u>
Texas College Workstudy		<u>20 893</u>
Texas Workforce Commission:		
Skills Development Fund	0720COS001	31 500
Passed through Paris Junior College:		
State AEFLA	0818ALA00C	38 001
Professional Development	0718ALA000	4 836
TOTAL TEXAS WORKFORCE COMMISSION		<u>74 337</u>
HOGG Foundation Grant:		
HOGG Foundation Grant	(A) WRC-040	209 181
		<u>209 181</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 1 745 508</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	\$ 500 543
State Grants and Contracts Revenue - Per Schedule C - College	-
State Grants and Contracts - Foundation	<u>1 244 965</u>
TOTAL STATE FINANCIAL ASSISTANCE	<u>\$ 1 745 508</u>

NORTHEAST TEXAS COMMUNITY COLLEGE AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2023

None