

***NORTHEAST TEXAS COMMUNITY COLLEGE
AND
NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
AUGUST 31, 2005 AND 2004***

PREPARED BY:

**ADMINISTRATIVE SERVICES DEPARTMENT
NORTHEAST TEXAS COMMUNITY COLLEGE**

MOUNT PLEASANT, TEXAS

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NORTHEAST TEXAS COMMUNITY COLLEGE

P.O. Box 1307 • Mount Pleasant, Texas 75456-1307 • 903-572-1911 • Fax 903-572-6712

Office of the President

December 9, 2005

To the Members of the Board of Trustees, Taxpayers of Camp, Morris, and Titus Counties and to the Citizens of the Northeast Texas Community College Service area:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year 2005. A discussion and analysis of the College's financial statements provide an overview of its financial activities for the fiscal year just ended.

This year is the fourth year the College implemented the new financial statement presentation and reporting changes established by the Governmental Accounting Standards Board (GASB). Through the Texas Higher Education Coordinating Board various financial officers of the 50 community college districts provided the leadership in complying with the new GASB 34 and 35 mandated reports. Comparative data are now available in relation to last year's financial statements and schedules.

Once again, the College has experienced a successful year in terms of quality and quantity. We continue to experience record enrollment increases. We now exceed 2,500 credit students, an increase of over 25 percent in four years.

Our students and employees continue to earn state and national awards. These awards validate our excellent reputation, which encourages more area citizens to take advantage of a stellar faculty and staff.

Our friends continue to provide financial resources to help us achieve our ambitions and very comprehensive mission. These gifts amount to over \$1.53 million during the past two fiscal years.

The College thanks our district taxpayers for approving an \$18 million bond issue. Over \$11 million was used to construct four new buildings this past year, the University and Health Science Facility, a Criminal Justice Facility, an Industrial Technology Building and the Hanson-Sewell Pittsburg Community Building. These buildings have allowed us to provide expanded instructional programs which will provide additional educational and career opportunities for the good people of northeast Texas. Additional bond proceeds will be spent to purchase additional land for future generations and provide for at least four new facilities as approved by the district voters in 2003.

NTCC is, indeed, a miracle on FM 1735 and is fast becoming the "College of Choice in Northeast Texas".

Sincerely,

Charles B. Florio, Ph.D.
President



NORTHEAST TEXAS COMMUNITY COLLEGE

P.O. Box 1307

• Mount Pleasant, Texas 75456-1307

• 903-572-1911

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Transmittal Letter

December 14, 2005

To President Florio, Members of the Board of Trustees, and Citizens of Northeast Texas Community College:

The comprehensive annual financial report of Northeast Texas Community College District (College) for the fiscal year ended August 31, 2005, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Northeast Texas Community College. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included.

COMPARATIVE FINANCIAL STATEMENTS

The 2005 audit report contains comparative data for the last two fiscal periods. According to GASB, *this ensures that financial information will be available at a glance to financial statement users.* A Management's Discussion and Analysis is provided below in three segments:

1. A brief discussion of the basic financial statements,
2. Condensed comparative financial information, and
3. Analysis of the college's overall financial position and results of operations.

Segment 2, *Condensed comparative financial information* contains the following required elements:

- a. Total assets, distinguishing between capital and other assets
- b. Total liabilities, distinguishing between long-term liabilities and other liabilities
- c. Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts
- d. Operating revenue by major source
- e. Operating expenses by function
- f. Non-operating revenues and expenses
- g. Income before other revenues, expenses, gains, and losses
- h. Capital contributions
- i. Contributions to term and permanent endowments

- j. Other contributions
- k. Special and extraordinary items
- l. Changes in net assets
- m. Ending net assets

We hope this Comprehensive Annual Financial Report (CAFR) presentation will help the reader better understand the overall financial status of the College as of August 31, 2005.

The comprehensive annual financial report is presented in four sections:

Introductory section includes the President's Letter, this transmittal letter, the College's principal officials and an organization chart.

The Financial section includes the report of independent accountants, the management discussion and analysis, the basic financial statements, notes to financial statements and required supplemental information, and supplemental financial information.

The Statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis.

The Single Audit section includes the annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, Non-Profit Organizations and the Uniform Grants Management Standards* issued by the State of Texas. Information related to this single audit, including the schedule of federal and state financial assistance and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit section of this report.

MISSION, VISION, AND STANDARDS

Mission of NTCC

Northeast Texas Community College exists to give students an affordable and superior education. The College strives to enhance access to higher education and offer programs that support personal, cultural, and economic development. It resolves to provide open admissions, equal opportunity, and wide-ranging educational service in the community.

NTCC as the College of Choice

- We, the trustees, staff and administrators, have dedicated ourselves to providing excellence in service in support of our faculty and students.
- We provide our students the warmth and caring that embodies an idyllic East Texas family life, a campus home away from home.
- We challenge our students to commit themselves in their endeavor to make a positive difference; in their family and in the community to which they belong.
- We support our faculty members with superior instructional and technological equipment and materials to enhance their academic teaching.
- We concentrate on teaching our students self-responsibility and accountability in the choices that THEY make.
- We build our students' strength and integrity when faced with life's day-to-day challenges through encouraging words and appropriate actions.
- We excel in offering quality teaching and resulting education through continued training and self-education.

NTCC as the College for Learning

- As the College of choice, we provide programs that lead to associate degrees or certificates to ANYONE who craves to learn.
- We provide vocational programs leading directly to employment in semi-skilled and skilled occupations.
- We offer continuing adult education programs for occupational upgrading and cultural awareness.
- We promote the integration of physical, mental, and emotional wellness as an important aspect of student development.

NTCC as the College Standard for Commerce

- We continue to reach out to increase articulation with other area school districts and higher education institutions.
- We acknowledge external changes and challenges identified by business, public agencies, and research data to train and prepare our students for employment.
- We continue to strengthen and develop student life-long research skills for the continuous accumulation of knowledge and skills.

ORGANIZATION OF COLLEGE

Northeast Texas Community College District was established as a public community college in an election held in Camp County, Morris County, and Titus County, Texas, in 1984. The District operates as a community college district under the laws of the State of Texas. The District is governed by a seven-member Board of Trustees elected at-large by place.

Northeast Texas Community College's campus is located approximately six miles southeast of Mt. Pleasant, Titus County, Texas. Classes are offered at alternate sites in Camp, Morris, Franklin, Red River, Titus, Upshur, and Wood Counties. The College provides associate, vocational, and continuing education courses.

ECONOMIC CONDITION AND OUTLOOK

Northeast Texas Community College is situated in northeast Texas. The taxing district of the College includes the counties of Camp, Morris, and Titus. Each of these counties has provided an

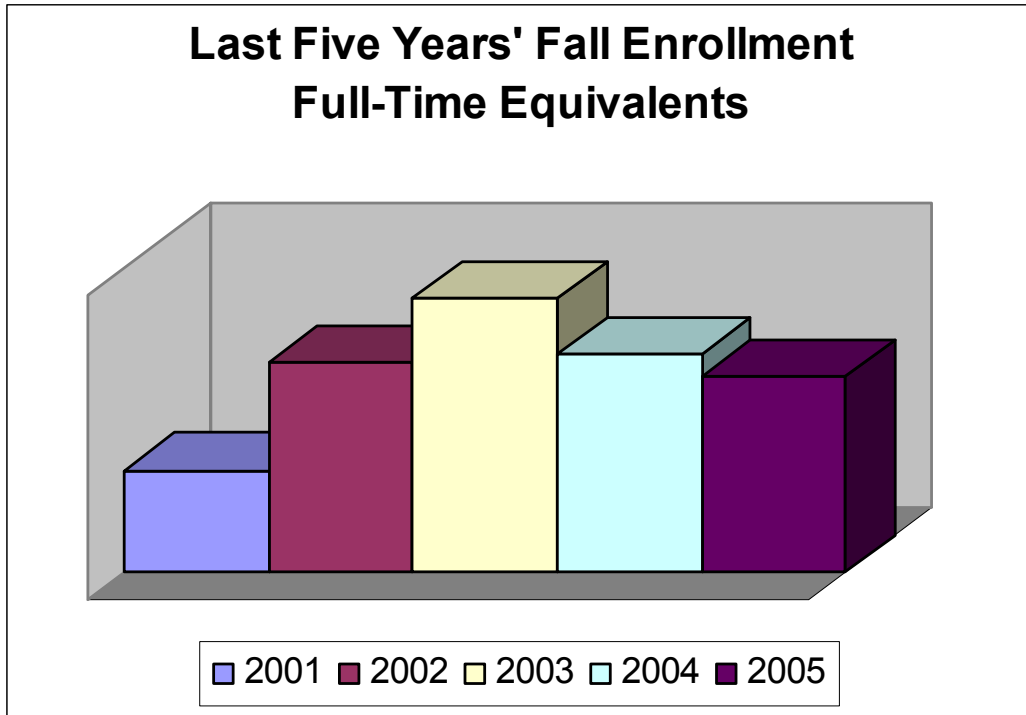
increasing tax base for the last three years. The three-county certified tax appraisals have increased 17.5 percent in the last three years and 6.6 percent in the last year. The largest cities in the three counties are Mount Pleasant, Pittsburg, and Daingerfield. These cities are also the county seats of their respective counties.

The diverse economic base of Titus County has a positive impact on employment while providing the entire area with a growing, stable economic foundation. Titus County boasts two electric power-generating plants, which supply electricity to major Texas metropolitan areas. In addition to producing electricity, poultry growing and processing, lignite coal mining, sulphur processing, timber harvesting, agri-business manufacturing, utility trailer building along with the fabrication and construction of home decorative items contribute to the local tax base. Other factors contributing to our growth are the accredited 165-bed Titus Regional Medical Center staffed with over 50 doctors of varying specialties; banking; retail establishments; local, state, and federal government offices; and Northeast Texas Community College, which is centrally located in the district with an enrollment of approximately 2,500 credit students each semester, and has customized staff and training capabilities to serve the training needs of our local businesses and industry. Recent additions to the tax base include a new corporate headquarters for Pilgrims Pride, Inc.

The unemployment rate averages less than 5.3%. The positive economic growth can be attributed to our industrial, civic, education, and government leaders. The growth of Northeast Texas Community College is fueled by industrial and residential growth of the surrounding counties.

The following table illustrates enrollments over the last five years using fall figures:

	<u>Fall 2001</u>	<u>Fall 2002</u>	<u>Fall 2003</u>	<u>Fall 2004</u>	<u>Fall 2005</u>
<u>Enrollment</u>					
Students in Credit Courses	2,203	2,423	2,509	2,473	2,507
Full-time Equivalent	1,640	1,816	1,920	1,880	1,874
<u>Total Credit Hours</u>	22,002	24,141	25,394	24,287	23,869
Students in Continuing Education Courses	329	368	542	381	202



MAJOR INITIATIVES

During the past year, the college has continued to increase educational opportunities for citizens in the service area of the college. Programs and services have been expanded. Three new on-campus facilities were completed in the spring of 2005 and a major new outreach center in Pittsburg began operations in fall of 2005.

Enrollment. NTCC continues to show strong enrollment. Credit enrollment in the summer and fall 2005 year is relatively flat when compared to the same period for the year in 2004. Management believes this is due primarily to the increase in the cost of gasoline, as the main campus is situated in a primarily rural area, and the majority of our students commute long distances to reach our campus. In addition, unemployment remains low in the tri-county area.

New Programs. New programs that began in the fall 2005 include an Associate of Applied Science program for Medical Assistant, two certificate programs for Administrative Medical Assistant, and an Associate of Applied Science program for Medical Laboratory Technician. A director was hired for the new Physical Therapy Assistant program and classes are scheduled to begin in fall 2006. A Radiologic Technology program is also being planned. A new program in Auto Body repair was implemented in fall 2005, as well as a new Associate of Arts in Teaching (A.A.T.) degree. The application process for an enhancement of our joint program with Texas A & M University – Texarkana to include a teaching certificate in 4th – 8th grade science and 8th – 12th grade composite science is underway, and these programs are anticipated to be implemented in fall 2006.

New Facilities. In spring 2005, three new facilities on the NTCC campus were completed; the University and Health Sciences Center, Criminal Justice Center and Industrial Technology Regional Center. The Pittsburg Hanson-Sewell Outreach Center was also completed in September 2005. The school used funds from a Rural Utilities Grant to install distance education computers in the Hanson-Sewell Center. NTCC was also awarded two grants to assist in the building of the Hanson-Sewell Center from the Meadows Foundation and the U.S.D.A., in addition, gifts from individuals and businesses also helped finance the facility.

Title III. The third year of a Title III Strengthening Institutions Grant has been successfully completed. The first year resulted in the enhancement of computer labs, the development of a Faculty Innovation Center, the upgrading of the Academic Skills Center, and the employment of an Instructional Technologist. The second year of Title III saw the development of a free student e-mail program, a new Basic Skills lab housed in the LRC, and several faculty training initiatives related to Campus Connect online registration, online grade entry, and the use of technology to enhance teaching and learning. Fourteen classrooms were enhanced and equipped with digital projectors and several new initiatives in the area of student services were implemented, such as an early alert program, online registration, access to student grades online, and a new online orientation option for new students. This third year of Title III included the purchase of computer equipment to create a writing skills lab, a reading skills lab, a physics lab and to enhance the testing center. Server upgrades were implemented for both the student information system and the student e-mail system. Laptops, document cameras and projectors were purchased for use for training via the Faculty Innovation Center. Equipment upgrades were also made available as needed for NTCC faculty. Several courses were developed for the Business Administration Fast Track Program as well.

GENERAL FINANCIAL REPORTING

The College is considered to be a “*special purpose, primary government engaged only in business-type activities*” (BTA). The financial statements are presented in a single column entity-wide format.

The College maintains its accounts and prepares its financial statements in accordance with accounting principles generally accepted in the United States (GAAP) as set forth by Governmental and Financial Accounting Boards (GASB and FASB), Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

The College’s financial statements are prepared using the economic resources Measurement Focus and Basis of Accounting (MFBA). This provides 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. 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, the College is not a component unit of any other governmental entity.

Internal Control: The College has initiated documentation of the day-to-day paperwork process in the business and payroll offices by use of flow charts. These charts basically show that major functions are crosschecked and done by different staff for internal control. The threshold for capital equipment is \$5,000. Assets purchased above the threshold amount are tagged and recorded as capital assets. Assets valued at less than \$5,000 but that have a useful life of at least three years are also tagged regardless of cost. These controls are designed to provide reasonable, but not absolute, assurance that adequate controls are in place. Additionally, these internal structures are set-up to protect the assets of the College, prevent loss from theft or misuse and to provide that adequate accounting data are available in the preparation of financial statements.

Budgeting Controls. The implementation of the Direct Purchasing System (DPS) module of the POISE System during the summer and fall of 2003 restricts any requisition from being initiated by department users without the availability of a line item budget. Budget transfers have to be initiated and approved by College administrators. Outstanding purchase orders lapse at year-end. Departments are notified early in the fiscal year about the year-end process for planning and control. These budgetary controls ensure compliance with the legal provisions in the annual appropriated budget that was approved by the College's Board of Trustees.

DEBT ADMINISTRATION

As of August 31, 2005, the College had the following bonds and notes payable:

1992 Series Dormitory Revenue Bonds (Dated September 15, 1992) were issued to partially fund the construction of an on-campus dormitory facility. The bonds are secured by and payable solely from a first lien on the property and the pledge of dormitory revenues. On August 31, 2005, \$415,000 of these bonds was outstanding.

1994 Series Dormitory System Revenue Bonds (Dated July 1, 1994) were issued to fund the expansion of the on-campus dormitory facility. The bonds are secured by and payable solely from a first lien on the property and the pledge of dormitory revenues. On August 31, 2005, \$350,000 of these bonds was outstanding.

1994 Series Tuition and Building Use Fee Refunding and Revenue Bonds (Dated September 1, 1994) were issued, in part, to refund and restructure the College's outstanding 1990 Series Tuition and Building Use Fee Revenue Bonds, and in part, to construct, improve, enlarge, equip, and maintain property, buildings and facilities of the College. The bonds are secured by and payable solely from a lien on the property and the pledge of certain revenues of the College, including building use fees and certain pledged tuition charges. The reported outstanding balance of the bonds is \$1,020,000 on August 31, 2005.

1994 Series Limited Tax Refunding Bonds (Dated September, 28, 1994) were issued to refund a portion of the College's outstanding 1986 Compound Interest Bonds and to pay the costs related to the issuance of the bonds. The notes are secured with the proceeds of a continuing, direct ad valorem tax levied, within the limitations prescribed by law, against all taxable property within the District. The accreted value of the bonds plus unamortized bond premium on August 31, 2005 is \$2,920,530.

2003 Series Limited Tax Bonds were issued in April 2003 to fund the construction of a University and Health Science Center, a Criminal Justice Center, an Industrial Technology Regional Center, and the Hanson-Sewell Community Outreach Center in Pittsburg. The bonds were issued in part as current interest bonds and in part as capital appreciation bonds. The bonds are secured by ad valorem taxes collected annually by the college through tax levies. Construction of the three new campus buildings was completed in spring 2005 and the outreach center in fall 2005. The reported outstanding balance of the current interest bond is \$275,000 and the capital appreciation bond is \$10,934,193 on August 31, 2005.

Notes Payable

The College has a 4.74% note payable to a bank dated March 25, 2001, secured by real estate. The note provides for payment of principal and interest by March 24, 2006. The balance of the note on August 31, 2005 was \$96,909.

The College has a 4% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due on demand but if no demand is made, the balance of principal and interest is due in three installments of \$3,225. The balance of the note as of August 31, 2005 was \$6,108.

The College has a 4% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due on demand but if no demand is made, the balance of principal and interest is due in three installments of \$4,649. The balance of the note as of August 31, 2005 was \$8,808.

The College has a 4% note payable to a bank dated September 23, 2003, secured by a vehicle. The note is due on demand but if no demand is made, the balance of principal and interest is due in three installments of \$4,533. The balance of the note as of August 31, 2005 was \$8,543.

The College has an unsecured 3.95% note payable to a bank dated March 18, 2004. The note is due in four installments of \$25,000, with the balance of \$102,143 due March 18, 2009. The balance of the note as of August 31, 2005 was \$156,913.

The College has a 4% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due on demand, but if no demand is made, the balance of principal and interest is due in three installments of \$4,033. The balance of the note as of August 31, 2005 was \$7,640.

The College has a 4% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due on demand but if no demand is made, the balance of principal and interest is due in three installments of \$8,207. The balance of the note as of August 31, 2005 was \$15,547.

The College has a 4% note payable to a bank dated September 2, 2004, secured by a vehicle. The note is due on demand, but if no demand is made, the balance of principal and interest is due in three installments of \$18,569. The balance of the note as of August 31, 2005 was \$51,547.

The College has a 2.35% note payable to a vendor dated March 10, 2005, secured by equipment. The note is due in five annual installments of \$62,448. The balance of the note as of August, 31, 2005 was \$235,539.

CASH MANAGEMENT

Temporarily available cash during the year was invested with Lone Star investment Pool administered by the Texas Association of School Boards and with TexSTAR administered by First Southwest Asset Management and JPMorgan Chase. The average yield on investments was 2.37 and 2.48 percent, respectively.

The College's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The College did not have any investments that are required to be categorized in "Credit Risk Categories" in compliance with GASB Statement Number Three.

RISK MANAGEMENT

The College has developed a complete insurance program to protect against the risk inherent with the operation of a college and a public entity. This includes various policies protecting public officials, administrators, instructional personnel, law enforcement personnel, automobile liability, building and content liability, injuries in building premises, on the job, and other policies. These policies are underwritten by nationally known and rated insurers. Efforts are routinely made to make all employees aware of policies, regulations, and matters related to safety to help minimize exposure to the risks associated with College operations.

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The accounting firm of Wilf and Henderson, PC from Texarkana, Texas was selected by the College's Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133.

AWARDS AND ACHIEVEMENTS

For the eighth consecutive year, the Government Finance Officers Association of the United States and Canada awarded the College and its Foundation the Certificate of Achievement for Excellence in Financial Reporting. The college received this prestigious award because its

comprehensive annual financial reports achieve the highest standards in government accounting and financial reporting. Although the certificate was presented to the college, it was earned primarily by the staff of the Administrative Services department.

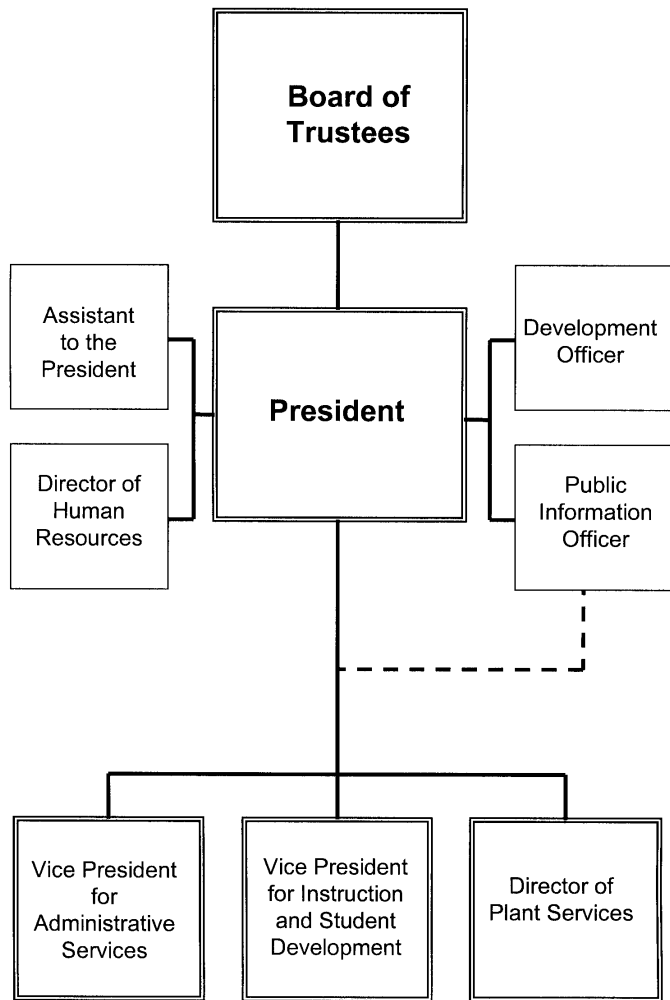
ACKNOWLEDGMENTS

The preparation of the comprehensive annual financial report on a timely basis was made possible by the hard work and diligence of many college employees. Particularly, we commend the staff in the Business Office, under the controllership of Ms. Jaci Merritt, who worked many long days and nights. We would also like to thank David Moore and the accounting firm of Wilf & Henderson, PC, for their assistance and timely completion of the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Beth Thompson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

M. Beth Thompson, CPA
Vice President for Administrative Services



Northeast Texas Community College Mt. Pleasant, Texas

Board of Trustees

Mr. John Bryan	Board President
Mr. Jerry Massey	Board Vice President
Dr. Dan McCauley	Board Secretary
Mr. Chuck Johns	
Mr. Bill Priefert	
Mrs. Latrel McCallum	
Mr. Sid Greer	

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Dr. Herbert Riedel	Vice President for Instruction and Student Development
Ms. M. Beth Thompson	Vice President for Administrative Services
Mr. Larry Smith	Director of Plant Services
Dr. Jonathan McCullough	Development Officer
Dr. Judy Traylor	Associate Vice President for Outreach Services
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Mr. Kevin Rose	Dean of Workforce Education
Dr. Mary Hearn	Director of Instruction
Mrs. Mindy Nobles	Director of Instruction
Ms. Pat Tallant	Public Information Director
Mrs. Kim Matthews	Human Resource Director
Mrs. Karen Andrews	Assistant to the President

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Northeast Texas Community
College & Northeast Texas
Community College Foundation

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjella

President

Jeffrey R. Ennis

Executive Director

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

November 30, 2005

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

Members of the Board:

We have audited the statements of net assets of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. as of August 31, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of Northeast Texas Community College and Northeast Texas Community College Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Uniform Grant Management Standards* issued by the State of Texas. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

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, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005 on our consideration of Northeast Texas Community College and Northeast Texas Community College Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Trustees
Page 2
November 30, 2005

The management's Discussion and Analysis information on pages 3 through 11 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation taken as a whole. The accompanying Schedules of Expenditures of Federal Awards and State Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and Uniform Grant Management Standards*, and are not a required part of the financial statements. The Supplemental Schedules are likewise presented for purposes of additional analysis and are not a part of the financial statements. These additional schedules, except for the Statistical Supplemental Section which is marked unaudited and on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.



WILF & HENDERSON, P. C.
Certified Public Accountants

Texarkana, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A)

This section of Northeast Texas Community College's Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial activity during fiscal years ending 2005 and 2004. 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 transmittal letters (pages ii-xii), the College's basic financial statements (pages 12-14) and the footnotes (pages 15-37). The College endeavors to present an objective and easily readable analysis of the overall financial activities to students and the public. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

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

College Foundation as a Discrete Component Unit

The College is considered to be a special purpose primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 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 Comprehensive Annual Financial Report.

Statement of Net Assets (Balance Sheet)

Prior to 2002, the College used the Balance Sheet format in presenting separately the financial statements of individual funds where Assets equal Liabilities and Fund Balance. For 2005 and 2004, the report shows the Statement of Net Assets format where the assets less liabilities equal Net Assets.

Statement of Net Assets

	2005	2004
<u>Assets</u>		
Current	\$ 3,719,764	\$ 10,082,830
Non-Current	<u>25,354,699</u>	<u>19,272,214</u>
Total Assets	\$ 29,074,463	\$ 29,355,044
<u>Liabilities</u>		
Current	4,109,929	4,137,799
Non-Current	<u>16,786,868</u>	<u>17,235,055</u>
Total Liabilities	20,896,797	21,372,854
<u>Net Assets</u>	<u>\$ 8,177,666</u>	<u>\$ 7,982,190</u>

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

- Assets (current and non-current),
- Liabilities (current and non-current), and
- Net Assets.

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 assets are 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, 2005, the College's net assets are \$8,177,666. As of August 31, 2004, the College's net assets were \$7,982,190. From the data presented, readers of the Statement of Net Assets 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 Assets

The Statement of Revenues, Expenses, and Changes in Net Assets 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 Assets influenced the above Statement of Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent 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 Assets
For the Years Ended August 31, 2005 and 2004**

SUMMARY OF REVENUES AND EXPENSES	<u>2005</u>	<u>2004</u>
Total, Operating Revenues	\$9,647,126	\$9,434,380
Total, Operating Expenses	<u>16,387,428</u>	<u>15,456,808</u>
Total, Operating Income (Loss)	(6,740,302)	(6,022,428)
 Net Non-Operating Revenues	 6,935,778	 6,572,626
 Income (Loss) Before Other Revenues, Expenses, Gains, Losses	 195,476	 550,198
 Other revenues, expenses, gains or losses	 <u>0</u>	 <u>0</u>
 Increase (Decrease) in Net Assets for FY ending 2004 & 2003	 195,476	 550,198
 Net Assets at Beginning of Year	 <u>7,982,190</u>	 <u>7,431,992</u>
 Net Assets - End of Year	 <u><u>\$8,177,666</u></u>	 <u><u>\$7,982,190</u></u>

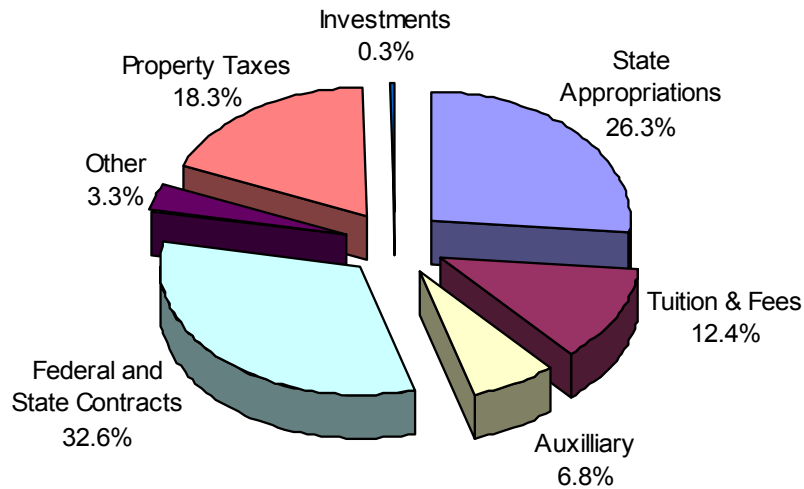
Operating and Non-Operating Revenues

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

Revenues: Operating and Non-Operating

	Fiscal Year Ending 2005	Fiscal Year Ending 2004
Operating Revenues:		
Tuition and Fees (net of grant and scholarship allowances)	\$2,167,101	\$2,169,998
Federal Grants and contracts	5,101,887	4,974,343
State grants and contracts	604,566	501,634
Non-Governmental grants and contracts	113,586	111,093
Sales and services of educational activities	36,350	28,069
Auxiliary enterprises (net of grant and scholarship allowances)	1,191,216	1,162,895
Other operating revenues	432,420	486,348
Total, Operating Revenues	9,647,126	9,434,380
Net Non-Operating Revenues:		
State Allocations	4,607,933	4,603,402
Property Taxes	3,204,204	2,958,441
Investment and Other Income	55,906	112,891
Total, Non-Operating Revenues	7,868,043	7,674,734
Total Revenues, Operating and Non-Operating	\$17,515,169	\$17,109,114

Revenue by Source Operating & Non-Operating



Significant fiscal influences include the following:

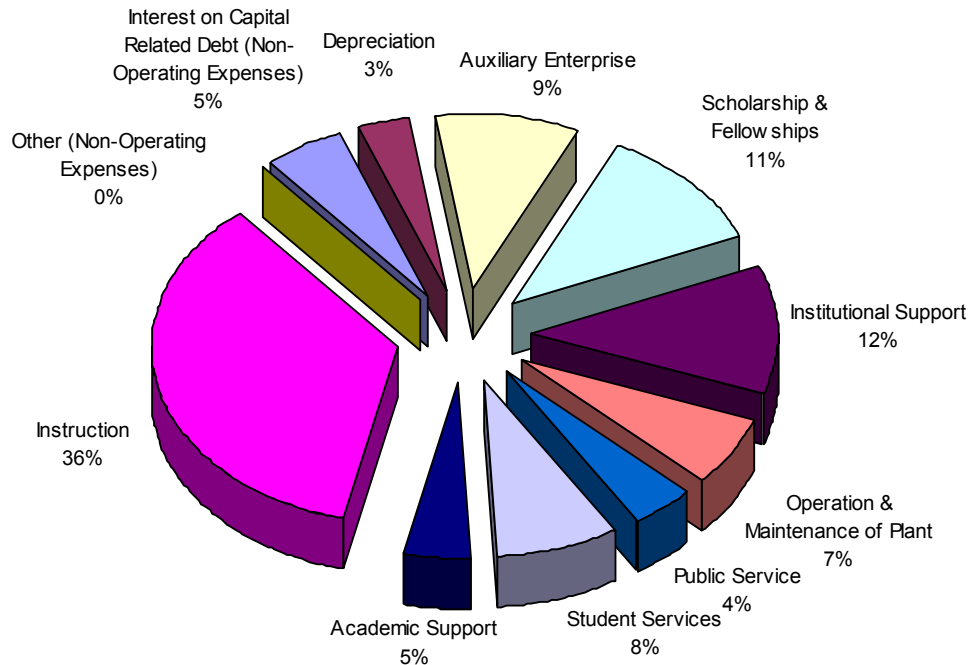
- Tuition and fee revenues remained relatively flat due to a flat enrollment that management believes is a result of the increase in gasoline costs and ongoing low unemployment in the area.
- Additional federal grants and contracts were received in the amount of \$127,544. Most of these are for students who require some support and guidance in pursuing their college careers but are unable to do so for financial reasons.
- State grants and contracts increased by \$102,932.
- The Northeast Texas Community College Foundation, as a component of the College, contributed a total of \$173,130 in scholarships for 355 students.
- Property tax revenues increased \$245,763 primarily as a result of increases in the taxable value of properties in the tri-county area.
- Investment and other income decreased by \$56,985 as funds held for construction were expended in the latter part of 2004.

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

Expenses: Operating and Non-Operating

	<u>Fiscal Year</u> <u>Ending 2005</u>	<u>Fiscal Year</u> <u>Ending 2004</u>
Operating Expenses:		
Instruction	\$6,075,398	\$5,536,415
Public Service	713,536	546,000
Academic Support	790,797	800,439
Student Services	1,376,129	1,275,110
Institutional Support	2,073,787	2,137,074
Operation and Maintenance of Plant	1,129,971	1,043,060
Scholarship & Fellowships	1,986,483	1,977,687
Auxiliary Enterprise	1,642,882	1,589,001
Depreciation	598,445	552,022
Total, Operating Expenses	16,387,428	15,456,808
Non-Operating Expenses:		
Interest on Capital Related Debt (Non-Operating Expenses)	908,905	1,035,407
Other (Non-Operating Expenses)	23,360	66,701
Total, Non-Operating Expenses	932,265	1,102,108
Total Expenses, Operating and Non-Operating	\$17,319,693	\$16,558,916

Expenses by Source
Operating & Non-Operating

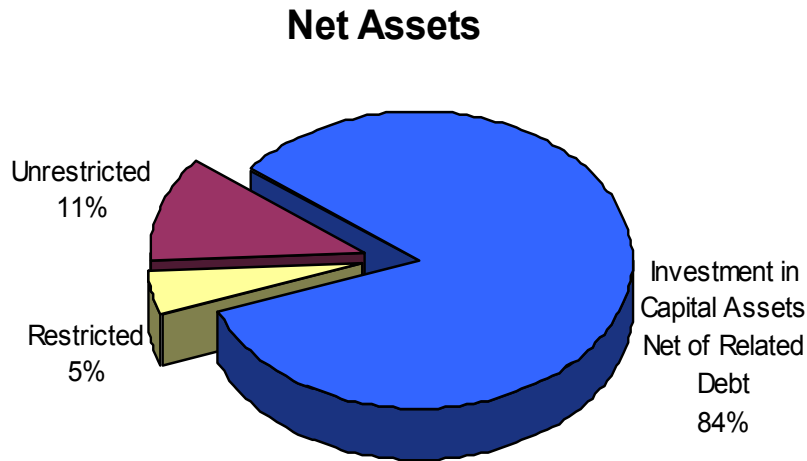


- Instruction expense increased by \$538,983 primarily as a result of new programs being offered.
- Operation and maintenance of plant expense increased by \$86,911 as a result of the opening of the University and Health Sciences center, the Criminal Justice building, the Industrial Technology Regional Center, and the Hansen-Sewell center.
- Capital Assets increased by \$6,089,298 due to completion of the four new facilities. At the same time, depreciation in the amount of \$598,445 was expensed this year.
- Interest on Capital Related Debt (Non-Operating Expenses) decreased by \$126,502 or 12.2% percent from 2004 to 2005. This was largely due to the capitalization of interest on building projects during construction.

Analysis of Net Assets

Total Net Assets of \$8,177,666 is comprised of the investment in capital assets net of related debt \$6,868,646 and reserve for debt service of \$401,710. The debt service reserve is set-aside in the event the pledge revenues in interest and sinking fund are not sufficient to pay the debt service payment in the future. The unrestricted net of \$907,310 is the year-to-date net of current and non-current revenues and expenses.

	<u>Fiscal Year Ending 2005</u>	<u>Fiscal Year Ending 2004</u>
ANALYSIS OF NET ASSETS		
Investment in Capital Assets, Net of Related Debt	\$6,868,646	\$6,670,953
Restricted for: Expendable student aid and debt service	401,710	362,096
Unrestricted	<u>907,310</u>	<u>949,141</u>
Total Net Assets	<u><u>\$8,177,666</u></u>	<u><u>\$7,982,190</u></u>



Statement of Cash Flows

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

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

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

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

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

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

Economic Condition and Outlook

Continued growth both in enrollment and financial resources is expected for the next 3-5 years. Enrollment continues to increase, the district tax base is strengthening, and the college is expanding instructional programs through a capital expansion program. Construction of four new buildings was completed in the fall 2005. Additional expansion is planned for the college.

FINANCIAL STATEMENTS

NORTHEAST TEXAS COMMUNITY COLLEGE
EXHIBIT 1
STATEMENTS OF NET ASSETS
August 31, 2005 and 2004

	<u>2005</u>	<u>(Restated)</u> <u>2004</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	\$ 1,324,772	\$ 5,303,996
Short-term investments (Note 5)	263,573	2,809,178
Accounts receivable (net of allowance for doubtful accounts of \$260,780, 2005 and \$257,210, 2004) (Note 21)	1,287,415	1,238,513
Inventories	356,366	359,457
Prepaid expense	140,192	98,047
Deferred charges	152,550	148,217
Deposits		21,371
Due from component unit	194,896	104,051
Total Current Assets	<u>3,719,764</u>	<u>10,082,830</u>
Noncurrent Assets		
Notes receivable (net of allowance for doubtful accounts of \$70,428, 2005 and \$66,708, 2004)	17,834	24,302
Long-term investments (Note 5)	14,106	
Deferred charges	396,715	411,166
Other assets	58,855	58,855
Capital assets, net of accumulated depreciation (Note 3)	24,867,189	18,777,891
Total Noncurrent Assets	<u>25,354,699</u>	<u>19,272,214</u>
Total Assets	<u>29,074,463</u>	<u>29,355,044</u>
LIABILITIES		
Current Liabilities		
Accounts payable (Note 21)	341,512	1,001,075
Accrued liabilities (Note 21)	136,361	161,602
Accrued compensated absences (Note 11)	59,575	51,323
Deposits payable (Note 21)	45,376	94,981
Funds held for others	66,024	71,544
Deferred revenues	2,144,674	1,729,060
Note payable - current portion (Note 7)	211,628	45,903
Unamortized premium - current portion (Note 7)	270,824	270,824
Bonds payable - current portion (Note 7)	833,955	711,487
Total Current Liabilities	<u>4,109,929</u>	<u>4,137,799</u>
Noncurrent Liabilities		
Unamortized premium (Note 7)	309,539	580,363
Bonds payable (Note 7)	16,101,627	16,354,734
Notes payable (Note 7)	375,702	299,958
Total Noncurrent Liabilities	<u>16,786,868</u>	<u>17,235,055</u>
Total Liabilities	<u>20,896,797</u>	<u>21,372,854</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,868,646	6,670,953
Restricted for		
Expendable		
Student Aid	-	2,925
Debt service	401,710	359,171
Temporarily		
Unrestricted	907,310	949,141
Total Net Assets	<u>\$ 8,177,666</u>	<u>\$ 7,982,190</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF NET ASSETS
August 31, 2005 and 2004

ASSETS	2005	2004
Current Assets		
Cash and cash equivalents (Note 5)	\$ 92,280	\$ 3,710
Investments (Note 5)	1,297,682	982,474
Accounts receivable (Note 21)	495,524	222,394
Total Current Assets	<u>1,885,486</u>	<u>1,208,578</u>
Noncurrent Assets		
Long - term investments (Note 5)	115,000	126,057
Property, plant, and equipment, net of accumulated depreciation (Note 3)	167,338	99,670
Other assets	23,100	23,100
Total Noncurrent Assets	<u>305,438</u>	<u>248,827</u>
 Total Assets	 <u>2,190,924</u>	 <u>1,457,405</u>
 LIABILITIES		
Current Liabilities		
Accounts payable (Note 21)	901	
Deferred revenue	31,371	30,230
Due to Northeast Texas Community College	194,896	104,051
Total Current Liabilities	<u>227,168</u>	<u>134,281</u>
Total Liabilities	<u>227,168</u>	<u>134,281</u>
 Net assets:		
Restricted		
Nonexpendable:		
Permanently	1,010,237	929,226
Expendable:		
Temporarily	796,129	171,838
Unrestricted	157,390	222,060
Total Net Assets	\$ <u>1,963,756</u>	\$ <u>1,323,124</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE**EXHIBIT 2****STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS***For the Years Ended August 31, 2005 and 2004*

		(Restated)
REVENUES	<u>2005</u>	<u>2004</u>
Operating Revenues		
Tuition and fees (net of grant and scholarship allowances of \$1,419,676, 2005 and \$1,445,116, 2004)	\$ 2,167,101	\$ 2,169,998
Federal grants and contracts	5,101,887	4,974,343
State grants and contracts	604,566	501,634
Non-Governmental grants and contracts	113,586	111,093
Sales and services of educational activities	36,350	28,069
Auxiliary enterprises (net of grant and scholarship allowances of \$528,615, 2005 and \$521,322, 2004)	1,191,216	1,162,895
Other operating revenues	432,420	486,348
Total Operating Revenues (Schedule A)	<u>9,647,126</u>	<u>9,434,380</u>
EXPENSES		
Operating Expenses		
Instruction	6,075,398	5,536,415
Public service	713,536	546,000
Academic support	790,797	800,439
Student services	1,376,129	1,275,110
Institutional support	2,073,787	2,137,074
Operation and maintenance of plant	1,129,971	1,043,060
Scholarships and fellowships	1,986,483	1,977,687
Auxiliary enterprises	1,642,882	1,589,001
Depreciation	598,445	552,022
Total Operating Expenses (Schedule B)	<u>16,387,428</u>	<u>15,456,808</u>
Operating Income (Loss)	<u>(6,740,302)</u>	<u>(6,022,428)</u>
NON-OPERATING REVENUES (EXPENSES)		
State allocations	4,607,933	4,603,402
Ad-valorem taxes		
Taxes for maintenance & operations	2,077,925	1,889,661
Taxes on general obligations bonds	1,126,279	1,068,780
Investment income (net of investment expenses)	55,906	112,891
Gain (Loss) on disposal of capital assets	4,100	(29,298)
Interest on capital related debt	(908,905)	(1,035,407)
Other non - operating expenses	(27,460)	(37,403)
Net non-operating revenues	<u>6,935,778</u>	<u>6,572,626</u>
Increase (Decrease) in Net Assets	195,476	550,198
Net Assets - Beginning of Year	<u>7,982,190</u>	<u>7,431,992</u>
Net Assets - End of Year	<u>\$ 8,177,666</u>	<u>\$ 7,982,190</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Operating Revenues		
Federal Grants and Contracts	\$ 533,999	\$ 387,341
State Grants and Contracts	506,620	508,137
Local Grants and Contracts	113,971	98,383
Total Operating Revenues	<u>1,154,590</u>	<u>993,861</u>
EXPENSES		
Operating Expenses		
Public Service	1,178,891	1,066,743
Scholarships	339,134	290,861
Depreciation	3,832	2,757
Total Operating Expenses	<u>1,521,857</u>	<u>1,360,361</u>
Operating Income (Loss)	<u>(367,267)</u>	<u>(366,500)</u>
Non-Operating Revenues (Expenses)		
Investment income	19,313	17,739
Net non-operating revenues	<u>19,313</u>	<u>17,739</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses	<u>(347,954)</u>	<u>(348,761)</u>
OTHER REVENUES, (EXPENSES), GAINS, LOSSES		
Additions to Endowments	305,745	656,138
Gains on investments	126,721	52,168
Contributions	556,120	
Total Other Revenues, Expenses, Gains, Losses	<u>988,586</u>	<u>708,306</u>
Increase (Decrease) in Net Assets	640,632	359,545
Net Assets - Beginning of Year	<u>1,323,124</u>	<u>963,579</u>
Net Assets - End of Year	<u>\$ 1,963,756</u>	<u>\$ 1,323,124</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE
EXHIBIT 3
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2005 and 2004

	2005	(Restated) 2004
Cash Flows From Operating Activities		
Receipts from students and other customers	\$ 3,660,604	\$ 3,438,564
Receipts of grants and contracts for operating activities	5,874,295	6,335,158
Loans to students and employees	6,468	(2,986)
Other receipts	489,057	490,575
Payments to or on behalf of employees	(8,129,383)	(7,614,469)
Payments to suppliers for goods or services	(5,590,528)	(3,677,254)
Payments of scholarships	(1,986,483)	(1,977,687)
Net cash provided (used) by operating activities	<u>(5,675,970)</u>	<u>(3,008,099)</u>
Cash Flows From Noncapital Financing Activities		
State allocations	3,705,647	3,712,360
Ad valorem tax revenues	3,204,204	2,958,441
Net cash provided (used) by non-capital financing activities	<u>6,909,851</u>	<u>6,670,801</u>
Cash Flows From Capital and Related Financing Activities		
Interest and other expense on capital related debt	(372,321)	(382,415)
Purchases of capital assets	(6,319,756)	(5,191,814)
Proceed from sale of assets	4,100	
Payments on capital debt and leases	(1,112,533)	(1,135,286)
Net cash provided (used) by capital and related financing activities	<u>(7,800,510)</u>	<u>(6,709,515)</u>
Cash Flows From Investing Activities		
Proceeds from sale and maturity of investments	2,531,499	2,272,000
Investment earnings	55,906	112,891
Purchases of investments		(2,401,783)
Net cash provided (used) by investing activities	<u>2,587,405</u>	<u>(16,892)</u>
Increase (Decrease) in cash and cash equivalents	<u>(3,979,224)</u>	<u>(3,063,705)</u>
Cash and cash equivalents - September 1,	<u>5,303,996</u>	<u>8,367,701</u>
Cash and cash equivalents - August 31,	<u>\$ 1,324,772</u>	<u>\$ 5,303,996</u>
Noncash investing, capital, and financing activities		
Note payable to purchase capital assets	\$ 367,987	\$ 245,198
Disposal of assets	\$	\$ (29,298)
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (6,740,302)	\$ (6,022,428)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	598,445	552,022
Staff benefits paid directly by state	902,286	891,042
Changes in assets and liabilities		
Receivables, net	(48,902)	841,053
Inventories	3,091	(82,806)
Prepaid expense	(42,145)	16,727
Due from component unit	(90,845)	111,820
Deposits	21,371	-
Deferred charges	10,118	6,317
Accounts payable	(659,563)	702,358
Accrued liabilities	3,519	(11,613)
Deposits payable	(49,605)	697
Funds held for others	(5,520)	7,151
Deferred revenue	415,614	(17,453)
Loans to students and employees	6,468	(2,986)
Net cash provided (used) by operating activities	<u>\$ (5,675,970)</u>	<u>\$ (3,008,099)</u>

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

NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Receipts from grants and contracts for operating activities	\$ 1,018,036	\$ 991,913
Payments of scholarships and support of college	(248,288)	(402,681)
Payments on grants and contract costs	<u>(1,177,990)</u>	<u>(1,066,797)</u>
Net cash provided (used) by operating activities	<u>(408,242)</u>	<u>(477,565)</u>
Cash Flows From Noncapital Financing Activities		
Additions to permanent and term endowment and other contributions	<u>666,430</u>	<u>623,949</u>
Net cash provided (used) by noncapital financing activities	<u>666,430</u>	<u>623,949</u>
Cash Flows From Capital and Related Financing Activities:		
Net cash flows provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	93,890	481,419
Investment income	19,313	17,739
Purchase of capital assets	(11,501)	(10,000)
Purchase of investments	<u>(271,320)</u>	<u>(643,610)</u>
Net cash provided (used) by investing activities	<u>(169,618)</u>	<u>(154,452)</u>
Net increase (decrease) in cash and cash equivalents	88,570	(8,068)
Cash and cash equivalents at beginning of year	<u>3,710</u>	<u>11,778</u>
Cash and cash equivalents at end of year	<u>\$ 92,280</u>	<u>\$ 3,710</u>
Noncash investing, capital, and financing activities		
In-kind contributions	<u>\$ 60,000</u>	<u>\$ -</u>
Reconciliation of operating loss to net cash used by by operating activities		
Operating loss	\$ (367,267)	\$ (366,500)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	3,832	2,757
Change in assets and liabilities		
Accounts receivable	(137,695)	(32,178)
Due to college	90,846	(111,820)
Deferred revenue	1,141	30,230
Accounts payable	<u>901</u>	<u>(54)</u>
Net cash provided by operating activities	<u>\$ (408,242)</u>	<u>\$ (477,565)</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, 2005 AND 2004**

Note 1 - Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants: 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 Sec. 56.0333). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount.

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

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

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

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

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.

Encumbrance Accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Current Funds. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Budgetary data

The College is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The official college budget prepared on the accrual basis of accounting is adopted by the Board of Trustees. Copies of the adopted budget were filed with Texas Higher Education Coordinating Board, Governor's Office of Budget and Planning, Legislative Budget Board, Legislative Reference Library, Morris County Clerk's office, Titus County Clerk's office, and Camp County Clerk's office 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.

Inventories

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

Deferred Revenue and Expenditure

Unrestricted revenue on fall tuition and fees charged prior to the end of the fiscal year and unrestricted expenditures related to the fall semester are deferred to provide for reporting revenue and expenditures within the fiscal year in which the program is predominately conducted.

Bond Premiums and Discounts

Bond premiums and discounts are being amortized over the life of the bonds based on the interest method.

State Retirement and Insurance Contributions

The State of Texas contributes to the retirement plan and insurance program. State contributions are reported as income and staff benefits as expenditures in accordance with *Governmental Accounting Standards*.

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.

**NORTHEAST TEXAS COMMUNITY COLLEGE
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Note 2 - Summary of Significant Accounting Policies – (continued)

Investments

In accordance with GASB Statement No 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Operating and Non-Operating Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state allocations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

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.

Prior Year Restatement

Beginning with fiscal year 2005, the Texas Comptroller's Office changed its classification of collections of professional, academic, and research library books and materials from non-depreciable to depreciable to be consistent with industry standards. This change has been fully implemented in these financial statements. The financial statements as of and for the year ended August 31, 2004 have been restated to reflect this change as follows:

Capital assets August 31, 2003, as previously reported	\$ 14,307,454
Less accumulated depreciation library books at August 31, 2003	<u>(385,256)</u>
Capital assets August 31, 2003, restated	\$ 13,922,198
Net capital asset additions for the year ending August 31, 2004	5,407,715
Less depreciation expense for the year ending August 31, 2004	<u>(552,022)</u>
Capital assets August 31, 2004, restated	<u><u>\$ 18,777,891</u></u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

Note 3 – Capital Assets

Capital assets activity for the year ended August 31, 2005 was as follows:

	For the Year Ended August 31, 2005			
	Balance August 31, 2004	Increases	Decreases	Balance August 31, 2005
<u>Not Depreciated:</u>				
Land	\$ 952,520	\$ 57,000		\$ 1,009,520
Construction in Process	4,889,746	6,259,170	10,389,088	759,828
Subtotal	<u>\$ 5,842,266</u>	<u>\$ 6,316,170</u>	<u>\$ 10,389,088</u>	<u>\$ 1,769,348</u>
<u>Other Capital Assets:</u>				
Buildings	16,741,551	10,389,088		27,130,639
Furniture, Machinery, Vehicles, and other Equipment	1,255,840			1,255,840
Library Books	904,195	29,768	55,022	878,941
Telecommunications and Peripheral Equipment	516,196	341,805		858,001
Subtotal	<u>\$ 19,417,782</u>	<u>\$ 10,760,661</u>	<u>\$ 55,022</u>	<u>\$ 30,123,421</u>
<u>Accumulated Depreciation:</u>				
Buildings	5,055,994	333,701		5,389,695
Furniture, Machinery, Vehicles and Other Equipment	758,570	92,307		850,877
Library Books	359,998	72,873	55,022	377,849
Telecommunications and Peripheral Equipment	307,595	99,564		407,159
Subtotal	<u>\$ 6,482,157</u>	<u>\$ 598,445</u>	<u>\$ 55,022</u>	<u>\$ 7,025,580</u>
Net Other Capital Assets	<u>\$ 12,935,625</u>	<u>\$ 10,162,216</u>	<u>\$ 0</u>	<u>\$ 23,097,841</u>
Net Capital Assets	<u>\$ 18,777,891</u>	<u>\$ 16,478,386</u>	<u>\$ 10,389,088</u>	<u>\$ 24,867,189</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

Note 3 – Capital Assets- (continued)

Foundation

	For the Year Ended August 31, 2005			
	Balance August 31, 2004	Increases	Decreases	Balance August 31, 2005
<u>Not Depreciated:</u>				
Land	\$ 75,400	\$ 60,000	\$	\$ 135,400
Piano	10,000	11,500		21,500
Subtotal	\$ 85,400	\$ 71,500	\$ 0	\$ 156,900
<u>Other Capital Assets:</u>				
Furniture, Machinery, Vehicles, and other Equipment	18,785			18,785
Subtotal	\$ 18,785	\$ 0	\$ 0	\$ 18,785
<u>Accumulated Depreciation:</u>				
Furniture, Machinery, Vehicles and Other Equipment	4,515	3,832		8,347
Subtotal	\$ 4,515	\$ 3,832	\$ 0	\$ 8,347
Net Other Capital Assets	\$ 14,270	\$ (3,832)	\$ 0	\$ 10,438
Net Capital Assets	\$ 99,670	\$ 67,668	\$ 0	\$ 167,338

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

Note 3 – Capital Assets- (continued)

Capital assets activity for the year ended August 31, 2004 was as follows:

	<u>Balance</u> <u>August 31, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>August 31, 2004</u>
<u>Not Depreciated:</u>				
Land	\$ 691,961	\$ 272,659	\$ 12,100	\$ 952,520
Construction in Process	0	4,889,746		4,889,746
Subtotal	<u>\$ 691,961</u>	<u>\$ 5,162,405</u>	<u>\$ 12,100</u>	<u>\$ 5,842,266</u>
<u>Other Capital Assets:</u>				
Buildings	16,741,551			16,741,551
Furniture, Machinery, Vehicles, and other Equipment	1,148,398	229,252	121,810	1,255,840
Library Books	955,113	44,785	95,703	904,195
Telecommunications and Peripheral Equipment	493,526	22,670		516,196
Subtotal	<u>\$ 19,338,588</u>	<u>\$ 296,707</u>	<u>\$ 217,513</u>	<u>\$ 19,417,782</u>
<u>Accumulated Depreciation:</u>				
Buildings	4,722,293	333,702		5,055,995
Furniture, Machinery, Vehicles and Other Equipment	763,883	77,199	82,513	758,569
Library Books	385,256	70,445	95,703	359,998
Telecommunications and Peripheral Equipment	236,919	70,676		307,595
Subtotal	<u>\$ 6,108,351</u>	<u>\$ 552,022</u>	<u>\$ 178,216</u>	<u>\$ 6,482,157</u>
Net Other Capital Assets	<u>\$ 13,230,237</u>	<u>\$ (255,315)</u>	<u>\$ 39,297</u>	<u>\$ 12,935,625</u>
Net Capital Assets	<u>\$ 13,922,198</u>	<u>\$ 4,907,090</u>	<u>\$ 51,397</u>	<u>\$ 18,777,891</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

Note 3 – Capital Assets-(continued)

Foundation

	For the Year Ended August 31, 2004			
	Balance August 31, 2003	Increases	Decreases	Balance August 31, 2004
<u>Not Depreciated:</u>				
Land	\$ 53,210	\$ 22,190	\$	\$ 75,400
Piano		10,000		10,000
Subtotal	\$ 53,210	\$ 32,190	\$ 0	\$ 85,400
<u>Other Capital Assets:</u>				
Furniture, Machinery, Vehicles, and other Equipment	59,875	10,000	51,090	18,785
Subtotal	\$ 59,875	\$ 10,000	\$ 51,090	\$ 18,785
<u>Accumulated Depreciation:</u>				
Furniture, Machinery, Vehicles and Other Equipment	52,847	2,758	51,090	4,515
Subtotal	\$ 52,847	\$ 2,758	\$ 51,090	\$ 4,515
Net Other Capital Assets	\$ 7,028	\$ 7,242	\$ 0	\$ 14,270
 Net Capital Assets	 \$ 60,238	 \$ 39,432	 \$ 0	 \$ 99,670

The College is engaged in a construction contract to build an off- campus facility in the amount of \$1,092,639 and is to be paid with bond proceeds from the 2003 Tax Bond Issue and cash donations. As of August 31, 2005, \$758,828 has been expended and reported as construction in progress.

Note 4 - 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
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Note 5 - Deposits and Investments

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$ 629,026	\$ 1,424,569
Time Deposits	277,679	500,000
Petty Cash on Hand	<u>6,750</u>	<u>6,750</u>
Total Cash and Deposits	<u>\$ 913,455</u>	<u>\$ 1,931,319</u>

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	<u>Market Value August 31, 2005</u>	<u>Market Value August 31, 2004</u>
U.S. Treasuries	\$	\$ 1,004,762
Federal Home Loan Banks		844,658
Federal National Mtg Assn		146,489
Investment Pool	688,997	1,603,851
Mutual Fund		<u>2,582,095</u>
Total	<u>688,997</u>	<u>6,181,855</u>
Total Cash and Deposits	<u>913,455</u>	<u>1,931,319</u>
Total Deposits and Investments	<u>\$ 1,602,452</u>	<u>\$ 8,113,174</u>
Cash and Temporary Investments (Exhibit 1)	\$ 1,324,772	\$ 5,303,996
Investments (Exhibit 1)	<u>277,679</u>	<u>2,809,178</u>
Total Deposits and Investments	<u>\$ 1,602,451</u>	<u>\$ 8,113,174</u>

**NORTHEAST TEXAS COMMUNITY COLLEGE
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AUGUST 31, 2005 AND 2004**

Note 5 - Deposits and Investments- (continued)

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

	<u>August 31, 2005</u>	<u>August 31, 2004</u>
Cash and Cash Equivalents		
Demand Deposits	\$ 92,230	\$ 3,660
Petty Cash	50	50
Total Cash and Deposits	\$ <u>92,280</u>	\$ <u>3,710</u>

Investments for Northeast Texas Community College Foundation reported on Exhibit 1 are as follows:

<u>Type of Security</u>	<u>Market Value August 31, 2005</u>	<u>Market Value August 31, 2004</u>
Mutual Funds	\$ 1,412,682	\$ 1,108,531
Total Investments	\$ <u>1,412,682</u>	\$ <u>1,108,531</u>

As of August 31, 2005 the College had the following investments and maturities:

<u>Investment Type</u>	Credit Rating	Market Value	Investment Maturities (in years)		
			Less than 1	1-2	2-3
Certificates of Deposit	N/A	\$ 277,679	\$ 263,573	14,106	
Investment Pool	AAA	688,997	688,389	608	
Total Market Value		\$ <u>966,676</u>	\$ <u>951,962</u>	14,714	

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

Credit Risk: In accordance with state law and Northeast Texas Community College policy, funds may be invested in obligations of the United States or its agencies, direct obligations of the State of Texas or its agencies, obligations of political subdivisions rated not less than A by a national investment rating firm, certificates of deposit, and other instruments and obligations authorized by statute.

Concentration of Credit Risk: The College does not place a limit on the amount that may be invested in any one issuer. More than 5% of the College's investments are in investment pools (72%) and in certificates of deposit (28%).

Note 5 - Deposits and Investments- (continued)

**NORTHEAST TEXAS COMMUNITY COLLEGE
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Custodial Credit Risk: At August 31, 2005 the carrying amount of the College's and the Foundation's bank deposits was \$623,861 and \$92,280 and total bank balances equaled \$1,416,546 and \$87,030. Bank balances of \$200,000 are covered by federal depository insurance and \$1,216,546 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.

At August 31, 2004 the carrying amount of the College's and the Foundation's deposits was \$1,924,569 and \$3,660, respectively and total bank balances equaled \$1,723,977 and \$2,885, respectively. Bank balances of \$602,885 are covered by federal depository insurance and \$1,123,977 was covered by collateral pledged not in the College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College, but not in college's name.

Note 6 – Derivatives

The College had no derivatives at August 31, 2005 or 2004.

Note 7 – Bonds and Notes Payable

Long-term liability activity for the year ended August 31, 2005 was a follows:

	Balance August 31, 2004	Increases	Decreases	Balance August 31, 2005	Current Portion
Leases, bonds, and notes					
Revenue bonds	\$ 2,020,000	\$	235,000	\$ 1,785,000	\$ 250,000
General obligation bonds	15,046,221	580,848	476,487	15,150,582	583,955
Unamortized Premium	851,187		270,824	580,363	270,824
Notes Payable	345,861	367,987	126,518	587,330	211,628
Total long-term obligations	<u>\$ 18,263,269</u>	<u>\$ 948,835</u>	<u>\$ 1,108,829</u>	<u>\$ 18,103,275</u>	<u>\$ 1,316,407</u>

Long-term liability activity for the year ended August 31, 2004 was as follows:

	Balance August 31, 2003	Increases	Decreases	Balance August 31, 2004	Current Portion
Leases, bonds, and notes					
Revenue bonds	\$ 2,240,000	\$	220,000	\$ 2,020,000	\$ 235,000
General obligation bonds	14,921,293	921,594	796,666	15,046,221	476,487
Unamortized Premium	1,117,064		265,877	851,187	270,824
Notes Payable	163,486	245,198	62,823	345,861	45,903
Total long-term obligations	<u>\$ 18,441,843</u>	<u>\$ 1,166,792</u>	<u>\$ 1,345,366</u>	<u>\$ 18,263,269</u>	<u>\$ 1,028,214</u>

Note 7 – Bonds and Note Payable-(continued)

1992 Series Dormitory System Revenue Bonds (Dated September 15, 1992):

**NORTHEAST TEXAS COMMUNITY COLLEGE
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AUGUST 31, 2005 AND 2004**

1992 Series Dormitory System Revenue Bonds of \$810,000 were issued to partially fund the construction of an on-campus dormitory facility. The bonds bear interest from 3.35% to 7% and mature through 2012. The bonds are secured by and payable solely from a first lien on that property and the pledge of dormitory revenues. All bonds authorized were issued at the date of issue and at August 31, 2005 and 2004, \$415,000 and \$460,000, respectively, of these bonds were outstanding.

1994 Series Dormitory System Revenue Bonds (Dated July 1, 1994):

1994 Series Dormitory System Revenue Bonds of \$550,000 were issued to fund the expansion of the on-campus dormitory facility. The bonds bear interest from 4.00% to 6.75% and mature through 2015. The bonds are secured by and payable solely from a first lien on the property and the pledge of dormitory revenues. All bonds authorized were issued at the date of issue and at August 31, 2005 and 2004, \$350,000 and \$370,000, respectively, of these bonds were outstanding.

1994 Series Tuition and Building Use Fee Refunding and Revenue Bonds (Dated September 1, 1994):

1994 Series Tuition and Building Use Fee Refunding and Revenue Bonds of \$2,355,000 were issued, in part, to refund and restructure the College's outstanding 1990 Series Tuition and Building Use Fee Revenue Bonds, and, in part, to construct, improve, enlarge, equip and maintain property, buildings and facilities of the College. The bonds bear interest from 5% to 6.6% and mature through 2010. The bonds are secured by and payable solely from a lien on the property and the pledge of certain revenues of the College, including building use fee and certain pledged tuition charges. The College received bond proceeds of \$500,000 (net of refunding and restructuring requirements, bond issue costs and accrued interest) to be used for construction as discussed above. All bonds authorized have been issued, and at August 31, 2005 and 2004, \$1,020,000 and \$1,190,000, respectively, of these bonds were outstanding.

1994 Series Limited Tax Refunding Bonds (Dated September 28, 1994):

1994 Series Limited Tax Refunding Bonds of \$6,050,000 (maturity value) were issued to refund a portion of the College's outstanding 1986 Compound Interest Bonds and to pay the costs related to the issuance of the bonds. The bonds bear interest from 18.18% to 20.23% (effective rate of 5.55% to 6.15% considering bond premium) and mature through 2009. The bonds are secured with the proceeds of a continuing, direct ad valorem tax levied, within the limitations prescribed by law, against all taxable property within the District. All proceeds from the bonds were placed in escrow for the defeasance of the 1986 Series. All bonds authorized were issued at the date of issue. The accreted value of the bonds plus unamortized bond premium represents the carrying value of the bonds of \$2,920,530 and \$3,360,474 at August 31, 2005 and 2004, respectively.

2003 Series Limited Tax Bonds

The bonds were issued for the construction and equipment of campus buildings in the district and the purchase of necessary sites. At an election on November 5, 2002, the voters approved the issuance of up to \$18,000,000 in bonds. These bonds represent the first installment of bonds issued under the authority granted at the November 5, 2002 election.

Note 7 – Bonds and Note Payable-(continued)

2003 Series Limited Tax Bonds (continued)

The bonds were issued in part as Current Interest Bonds and in part as Capital Appreciation Bonds.

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The Current Interest Bonds bear interest from 2.50% to 3.50% and mature on April 1, each year beginning April 1, 2004 and ending April 1, 2009. At August 31, 2005 and 2004, \$275,000 and \$310,000, respectively, of these bonds were outstanding.

The Capital Appreciation Bonds mature beginning April 1, 2010 and ending April 1, 2033. Interest is payable only at maturity and will accrue at a rate equal to the yield to maturity and will compound semiannually on each April and October. The bonds bear interest from 3.79% to 5.85%.

Bonds outstanding at August 31, 2005 and 2004, under this issue totaled \$10,934,193 and \$10,969,193, respectively. The accreted value of the bonds at August 31, 2005 and 2004 totaled \$11,955,052 and \$11,375,747, respectively.

Notes Payable

The College has a 4.74% note payable to a bank dated March 25, 2001, secured by real estate. The note is payable in monthly installments of \$729, with the balance due March 24, 2006. The balance of the note at August 31, 2005 and 2004 was \$96,609 and \$100,663, respectively.

The College has a 4.0% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due in three annual installments of \$3,225. The balance of the note at August 31, 2005 and 2004 was \$6,108 and \$9,245, respectively.

The College has a 4.0% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due in three annual installments of \$4,649. The balance of the note at August 31, 2005 and 2004 was \$8,808 and \$13,327, respectively.

The College has a 4.0% note payable to a bank dated September 23, 2003, secured by a vehicle. The note is due in three annual installments of \$4,533. The balance of the note at August 31, 2005 and 2004 was \$ 8,543 and \$12,533, respectively.

The College has a 4.0% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due in three annual installments of \$4,033. The balance of the note at August 31, 2005 and 2004 was \$ 7,640 and \$11,563, respectively.

The College has a 4.0% note payable to a bank dated July 2, 2004, secured by a vehicle. The note is due in three annual installments of \$8,207. The balance of the note at August 31, 2005 and 2004 was \$ 15,547 and \$23,530, respectively.

The College has an unsecured 3.95% note payable to a bank dated March 18, 2004. The note is due in four annual installments of \$25,000 with the balance of \$102,143 due March 18, 2009. The balance of the note at August 31, 2005 and 2004 was \$ 156,913 and \$175,000, respectively.

Note 7 – Bonds and Note Payable-(continued)

The College has a 4.00% note payable to a bank dated September 15, 2004, secured by vehicle. The note is due in 4 annual installments of \$18,569. The balance of the note at August 31, 2005 was \$51,622.

The College has a 4.55% note payable to a vendor dated March 10, 2005, secured by equipment. The note is due in five annual installments of \$62,448. The balance of the note at August 31, 2005 was \$235,539.

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
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Tax Bonds

Tax bonds and revenue bonds are due in annual installments varying from \$25,000 to \$1,115,000 with interest rates from 2.50% to 14.5% and the final installment due in 2033. The principal and interest expense for the next five years and beyond for the defeased tax obligation bonds are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2006	\$ 583,955 (A)	\$ 289,310	\$ 873,265
2007	708,218 (A)	425,466	1,133,684
2008	861,008 (A)	534,301	1,395,309
2009	1,042,349 (A)	627,617	1,669,966
2010	810,905 (A)	189,095	1,000,000
2011-2015	3,537,168 (A)	1,607,832	5,145,000
2016-2020	2,698,605 (A)	2,701,395	5,400,000
2021-2025	2,019,539 (A)	3,660,462	5,680,001
2026-2030	1,543,617 (A)	4,426,383	5,970,000
2031-2033	765,913 (A)	2,969,129	3,735,042
	\$ <u>14,571,277</u>	\$ <u>17,430,990</u>	\$ <u>32,002,267</u>

(A) Compound Interest Bonds and Tax Refunding Bonds are stated at their current accreted value.

In 2005 and 2004, interest cost of \$625,056 and \$613,639, respectively, were incurred on the 1994 Series LTD Tax Refunding Bonds. Premium amortization on the 1994 Series LTD Tax Refunding Bonds was \$270,824 and \$265,877 for 2005 and 2004.

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.

Note 7 – Bonds and Note Payable-(continued)

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

Revenue Bonds

Debt service requirements for the revenue bonds are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2006	\$ 250,000	\$ 115,180	\$ 365,180
2007	270,000	98,975	368,975
2008	290,000	81,387	371,387
2009	305,000	62,230	367,230
2010	335,000	41,583	376,583
2011-2015	335,000	43,326	378,326
	<u>\$ 1,785,000</u>	<u>\$ 442,681</u>	<u>\$ 2,227,681</u>

Notes Payable

Debt service requirements for the notes payable are as follows:

Years Ending August 31,	Principal	Interest	Total Requirements
2006	\$ 211,628	\$ 14,660	\$ 226,288
2007	118,828	12,011	130,839
2008	97,881	8,239	106,120
2009	158,993	5,310	164,303
Later Years	-	-	-
	<u>\$ 587,330</u>	<u>\$ 40,220</u>	<u>\$ 627,550</u>

Note 8 – Defeased Debt

All defeased debt has been retired as of August 31, 2005 and 2004.

Note 9 – Employees’ Retirement Plan

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

Teacher Retirement System of Texas

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

Funding Policy – State law provides for fiscal years 2005 and 2004 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or portion of the state’s 6.0% contribution.

Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislation to establish a member contribution rate not less than 6.0% of the member’s annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’s 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. The required contributions to the plan, for the current and prior year, in dollars and percentages of participant’s salaries by the State and by the participant are as follows:

<u>Year</u>	<u>Amount</u>	<u>Percentages</u>	
		<u>State</u>	<u>Participant</u>
2005	\$ 461,277	6.0	6.4
2004	\$ 435,318	6.0	6.4
2003	\$ 439,645	6.0	6.4

The Teacher Retirement System does not separately account for each of its component government agencies because it bears sole responsibility for retirement commitments beyond contributions fixed by the legislature. The total payroll of employees covered by the Teacher Retirement System was \$3,719,978 and \$3,510,629 for years ended August 31, 2005 and 2004 respectively.

Note 10 - Optional Retirement Program (ORP)

**NORTHEAST TEXAS COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

Plan Description – The College also participates in an Optional Retirement Program (ORP) for institutions of higher education. Participation in the Optional Retirement is in lieu of participation in the Teacher Retirement System. It operates primarily under the provisions of the Texas Administrative Code, Sections 25.3(d), (e) and 25.72(c). The Teachers Retirement System of Texas (TRS) is responsible for establishing, amending and administering the plan. The Optional Retirement Program is a cost-sharing, multiple-employer defined contribution plan. The plan provides retirement benefits based on the balance of the participant’s account at the date of termination or the date of retirement. The Optional Retirement Program provides for the purchase of annuity contracts. Since these are individual annuity contracts, the State has no additional or unfunded liabilities for this program. The amount and percentages of participant salaries required to be contributed by the State, participant and College, for the current and prior years, are as outlined as follows:

Year	Amount	Percentages			*
		State	Participant	College	
2005	\$ 515,433	6.0	6.65	2.5	
2004	\$ 440,309	6.0	6.65	2.5	
2003	\$ 408,782	6.0	6.65	2.5	

* For participants who were receiving a matching 8.5% prior to September 1995, and were grandfathered in with the College paying the 2.5% difference.

The retirement expense to the State for the College was \$316,323 and \$305,071 for the fiscal years ended August 31, 2005 and 2004, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$7,590,922 and \$7,241,766 for the years ended August 31, 2005 and 2004, respectively, and the total payroll of employees covered by the Optional Retirement System was \$3,651,709 and \$4,294,938 for years ended August 31, 2005 and 2004, respectively.

Note 11 – Compensated Absences

College employees earn vacation of 5-15 days per year based on years of service and sick leave benefits of 8 hours per month. The amount of vacation allowed to be carried over after August 31, is limited to 40 hours for each employee, which is lost unless, in certain instances, approval is obtained from management to carry over amounts in excess of the 40 hours. The College has accrued \$59,575 and \$51,323 for August 31, 2005 and 2004, respectively, in the financial statements for vacation to be carried over to the next fiscal year. Sick leave can be accumulated up to 480 hours, but cannot be redeemed in pay. Accordingly, no accrual sick leave has been made.

Note 12 – Discounts

Scholarship discounts in the amount of \$1,948,291 and \$1,966,438 were recorded for the year ended August 31, 2005 and 2004, respectively.

Note 13 - Contract and Grant Awards

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

Contracts and grant revenues are recognized on Exhibit 2 as funds are actually expended. For contracts and grants awards, funds expended, but not collected, are reported as accounts receivables on Exhibit 1. Contracts and grant awards that are not funded and for which the institution has not performed services are not included in the financial statements. Contracts and grant award funds already committed or funds awarded during fiscal year 2005 and 2004 for the College and Foundation are as follows:

		2005		2004
College				
Federal	\$	1,325,198	\$	1,341,259
State		100,574		
Total	\$	1,425,772	\$	1,341,259
 Foundation				
Federal	\$	149,765	\$	164,569
State		576,569		506,620
Total	\$	726,334	\$	671,189

Note 14 - Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the college. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

Note 15 – Ad Valorem Property Tax

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

Property taxes are levied by October 1 in accordance with the Texas Property tax code. 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.

	August 31,	
	2005	2004
Assessed Valuation of the District	\$ 3,405,456,890	\$ 3,195,487,961

	Current Operations	Debt Service	Total
	Tax rate authorized per \$100 valuation	\$ 0.0620	\$ 0.0380
Tax rate assessed per \$100 valuation for 2005	\$ 0.0620	\$ 0.0380	\$ 0.1000
Tax rate assessed per \$100 valuation for 2004	\$ 0.0620	\$ 0.0380	\$ 0.1000

	Current Operations	Debt Service	Total
	Current Taxes Collected	\$ 1,906,992	\$ 1,168,801
Delinquent Taxes Collected	47,104	28,870	75,974
Penalties and Interest Collected	37,005	22,681	59,686
Total Collections	\$ 1,991,101	\$ 1,220,352	\$ 3,211,453

Taxes levied for the years ended August 31, 2005 and 2004 were \$3,168,754 and \$2,930,862, respectively excluding any penalty and interest assessed.

Current tax collections for the years ended August 31, 2005 and 2004 were 97.07% and 96.55% of the current tax levy. The use of tax proceeds is restricted to maintenance and operations expenditures or interest and sinking expenditures. Allowances for uncollectible taxes are based upon historical collections of delinquent taxes.

Note 16 - Concentration of Credit Risks

The College administers numerous grants and/or contracts funded by the State and Federal governments. Accordingly, a majority of the accounts receivable represents amounts due on contract or grant reimbursements either directly or indirectly from the State and/or Federal government.

Note 17 – Contributions

All contributions received by the Foundation are recorded at their estimated fair value at the date of receipt or bequest. The Foundation has recorded as a receivable, all unconditional promises to give in the aggregate of \$141,869 and \$10,000 at August 31, 2005 and 2004, respectively. The receivable is recorded at its net present value discounted at 6% at the date of the pledge.

Note 18 - Income Taxes

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

The College is exempt from income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.", although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable Organizations. The college had no unrelated business income for the years ended August 31, 2005 and 2004.

Note 19 - Risk Management - Claims and Judgments

In the normal course of operations the College is exposed to risks of loss from a number of sources including fire and casualty, errors and omissions by board members and employees, and injuries to employees during the course of performing their duties. The College attempts to cover these losses by purchase of insurance. Significant risks are covered by commercial insurance for property and liability programs. There has been no significant reduction in coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. In management's estimation there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

Note 20 – Health Care Coverage

During the year ended August 31, 2005 and 2004, employees of the College were covered by a health insurance plan (the Plan). The Plan is funded by the State with all premiums being paid to a licensed insurer. The Plan was authorized by Article 3.51.2, Texas Insurance Code. The State's total contribution for the years ended August 31, 2005 and 2004, amounted to \$585,962 and \$585,971, respectively, and covered an average of 194 and 189, respectively, employees per month.

Note 21- Disaggregation of Receivables and Payables Balances

Receivables at August 31, 2005 were as follows:

	<u>College</u>	<u>Foundation</u>
Tuition and Fees Receivable	\$ 590,272	\$
Taxes Receivable	345,515	
Scholarship and Pledges Receivable		213,057
Contracts and Grants Receivable	560,234	282,467
Other Receivables	52,174	
Subtotal	1,548,195	495,524
Allowance for Doubtful Accounts	(260,780)	-
Total Receivables	\$ 1,287,415	\$ 495,524

Note 21- Disaggregation of Receivables and Payables Balances-(continued)

Payables at August 31, 2005 were as follows:

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

	College	Foundation
Accounts Payable:		
Vendors Payable	\$ 341,512	\$ 901
Accrued Liabilities:		
Accrued payroll liabilities	\$ 27,932	\$
Interest payable	108,429	
Total Accrued Liabilities	136,361	
Deposits payable:		
Student housing deposits payable	\$ 45,376	\$

Receivables at August 31, 2004 were as follows:

	College	Foundation
Tuition and Fees Receivable	\$ 463,364	\$
Taxes Receivable	344,571	
Scholarship and Pledges Receivable		77,622
Contracts and Grants Receivable	615,152	144,772
Other Receivables	72,636	
Subtotal	1,495,723	222,394
Allowance for Doubtful Accounts	(257,210)	-
Total Receivables	\$ 1,238,513	\$ 222,394

Payables at August 31, 2004 were as follows:

	College	Foundation
Accounts Payable:		
Vendors Payable	\$ 1,001,075	\$
Accrued Liabilities:		
Accrued payroll liabilities	\$ 32,668	\$
Interest payable	128,934	
Total Accrued Liabilities	\$ 161,602	\$
Deposits payable:		
Student housing deposits payable	\$ 94,981	\$

Note 22 – Revenue Bond Information

Housing Revenue Bonds of 1992 and 1994

The Housing Revenue Bonds of 1992 and 1994 were issued to build a campus dormitory facility.

Note 22– Revenue Bond Information – (continued)

1994 Series Tuition and Building Use Fee Refunding Bonds

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

The 1994 Series Tuition and Building Use Fee Refunding and Revenue Bonds were issued, in part, to refund and restructure the College's outstanding 1990 Series Tuition and Building Use Fee Revenue Bonds, and, in part, to construct, improve, enlarge, and maintain property, building and facilities of the College.

For year ended August 31, 2005:

	<u>Housing Revenue Bonds of 1992 and 1994</u>	<u>1994 Tuition and Building Use Fee Refunding and Revenue Bond</u>
Condensed Statement of Net Assets		
Assets:		
Current Assets	\$ 42,068	\$ 319,463
Capital Assets, Net	1,503,394	
Total Assets	<u>1,545,462</u>	<u>319,463</u>
Liabilities:		
Current Liabilities	8,287	37,359
Long-Term Liabilities	765,000	1,020,000
Total Liabilities	<u>773,287</u>	<u>1,057,359</u>
Net Assets:		
Invested in Capital Assets, net of related debt	738,394	(1,020,000)
Reserved for Debt Service	33,781	282,104
Total Net Assets (Deficit)	<u>\$ 772,175</u>	<u>\$ (737,896)</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating Revenue	\$ 117,093	\$ 243,783
Operating Expenses		
Depreciation	(40,523)	
Net Operating Income	<u>76,570</u>	<u>243,783</u>
Nonoperating Revenues/(Expenses)	(52,783)	(71,268)
Changes in Net Assets	<u>23,787</u>	<u>172,515</u>
Net Assets - Beginning of Year (Deficit)	<u>748,388</u>	<u>(910,411)</u>
Net Assets - End of Year (Deficit)	<u>\$ 772,175</u>	<u>\$ (737,896)</u>
Condensed Statement of Cash Flows		
Net cash flows provided by:		
Operating Activities	\$ 121,799	\$ 243,783
Noncapital Financing		
Capital and Related Financing	(122,980)	(246,608)
Investing Activities	1,181	5,568
Net Increase (decrease) in cash	<u>0</u>	<u>2,743</u>
Cash - Beginning of Year	<u>100</u>	<u>1,731</u>
Cash - End of Year	<u>\$ 100</u>	<u>\$ 4,474</u>

Note 22 – Revenue Bond Information – (continued)

For year ended August 31, 2004:

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

	<u>Housing Revenue Bonds of 1992 and 1994</u>	<u>1994 Tuition and Building Use Fee Refunding and Revenue Bond</u>
Condensed Statement of Net Assets		
Assets:		
Current Assets	\$ 66,997	\$ 315,362
Capital Assets, Net	1,543,916	
Total Assets	<u>1,610,913</u>	<u>315,362</u>
Liabilities:		
Current Liabilities	32,525	35,773
Long-Term Liabilities	830,000	1,190,000
Total Liabilities	<u>862,525</u>	<u>1,225,773</u>
Net Assets:		
Invested in Capital Assets, net of related debt	713,916	(1,190,000)
Reserved for Debt Service	34,472	279,589
Total Net Assets (Deficit)	<u>\$ 748,388</u>	<u>\$ (910,411)</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating Revenue	\$ 121,799	\$ 240,000
Operating Expenses		
Depreciation	(40,523)	
Net Operating Income	<u>81,276</u>	<u>240,000</u>
Nonoperating Revenues/(Expenses)	(83,148)	(82,917)
Changes in Net Assets	(1,872)	157,083
Net Assets - Beginning of Year (Deficit)	<u>750,260</u>	<u>(1,067,494)</u>
Net Assets - End of Year (Deficit)	<u>\$ 748,388</u>	<u>\$ (910,411)</u>
Condensed Statement of Cash Flows		
Net cash flows provided by:		
Operating Activities	\$ 121,799	\$ 241,029
Noncapital Financing		
Capital and Related Financing	(120,298)	(246,225)
Investing Activities	(1,501)	3,309
Net Increase (decrease) in cash	<u>0</u>	<u>(1,887)</u>
Cash - Beginning of Year	<u>100</u>	<u>3,618</u>
Cash - End of Year	<u>\$ 100</u>	<u>\$ 1,731</u>

Note 23 - Commitments and Contingencies

**NORTHEAST TEXAS COMMUNITY COLLEGE
AND NORTHEAST TEXAS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004**

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, 2005 may be impaired. In the opinion of the college, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note 24 – Northeast Texas Community College Foundation, Inc – Discrete Component Unit

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

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

SUPPLEMENTAL SCHEDULES

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE OF DETAILED OPERATING REVENUES
SCHEDULE A

For the Year Ended August 31, 2005 (With Memorandum Totals for the Year Ended August 31, 2004)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2005 Total</u>	<u>Memorandum 2004 Total</u>
Tuition						
State funded courses						
In-district resident tuition	\$ 644,795	\$	\$ 644,795	\$	\$ 644,795	\$ 682,356
Out-of-district resident tuition	427,548		427,548		427,548	433,236
TPEG (set aside)*	55,489		55,489		55,489	67,105
Non-resident tuition	85,154		85,154		85,154	86,510
Non-state funded continuing education	280,343		280,343		280,343	298,172
Total Tuition	1,493,329	0	1,493,329	0	1,493,329	1,567,379
Fees						
General fees	1,416,720		1,416,720		1,416,720	1,288,484
Student service fees			0	50,887	50,887	171,534
Out-of-district fees	386,830		386,830		386,830	388,447
Laboratory fees	151,564		151,564		151,564	150,401
Other fees	87,447		87,447		87,447	48,869
Total Fees	2,042,561	0	2,042,561	50,887	2,093,448	2,047,735
Scholarship Allowances and Discounts						
Scholarship allowances	(342,091)		(342,091)		(342,091)	(296,595)
Remissions and exemptions	(50,613)		(50,613)		(50,613)	(22,695)
TPEG allowances	(55,489)		(55,489)		(55,489)	(67,105)
Federal grants to students	(971,483)		(971,483)		(971,483)	(1,058,721)
Total Scholarship Allowances	(1,419,676)	0	(1,419,676)	0	(1,419,676)	(1,445,116)
Total Net Tuition and Fees	2,116,214	0	2,116,214	50,887	2,167,101	2,169,998
Other Operating Revenues						
Federal grants and contracts	87,822	5,014,065	5,101,887		5,101,887	4,974,343
State grants and contracts		604,566	604,566		604,566	501,634
Nongovernmental grants and contracts		113,586	113,586		113,586	111,093
Sales and services of educational activities	36,350		36,350		36,350	28,069
Other operating revenues	275,874		275,874	156,546	432,420	486,348
Total Other Operating Revenues	400,046	5,732,217	6,132,263	156,546	6,288,809	6,101,487
Auxiliary Enterprises						
Residential life				314,283	314,283	311,740
Less discounts				(65,482)	(65,482)	(49,108)
Bookstore				1,405,548	1,405,548	1,372,477
Less discounts				(463,133)	(463,133)	(472,214)
Total Net Auxiliary Enterprises	0	0	0	1,191,216	1,191,216	1,162,895
Total Operating Revenues (Exh.2)	\$ 2,516,260	\$ 5,732,217	\$ 8,248,477	\$ 1,398,649	\$ 9,647,126	\$ 9,434,380

*In accordance with Education Code 56.033, \$55,489 and \$67,105 for years August 31, 2005 and 2004, respectively, of tuition was set aside for Texas Public Education Grants(TPEG).

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE B
SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATIONS
For the Year Ended August 31, 2005 (with Memorandum Totals for the Year Ended August 31, 2004)

	Operating Expenses					Memorandum Totals 8/31/2004
	Salaries and Wages	Benefits		Other Expenses	Total 8/31/2005	
		State Benefits	Local Benefits			
Unrestricted - Educational Activities						
Instruction	\$ 3,916,262	\$	\$ 322,820	\$ 429,100	\$ 4,668,182	\$ 4,259,124
Public Service	41,374		3,410	82,282	127,066	122,150
Academic Support	580,578		47,857	72,113	700,548	656,135
Student Services	412,594		34,010	89,357	535,961	523,090
Institutional Support	979,673		80,755	874,729	1,935,157	1,984,722
Operation and Maintenance of Plant	445,800		36,748	584,339	1,066,887	978,040
Scholarships and Fellowships					-	-
Total Unrestricted Educational Activities	\$ 6,376,281	\$ -	\$ 525,600	\$ 2,131,920	\$ 9,033,801	\$ 8,523,261
Restricted - Educational Activities						
Instruction	\$ 445,033	\$ 554,176	\$	\$ 408,007	\$ 1,407,216	\$ 1,277,291
Public Service	237,301	5,855		343,314	586,470	423,850
Academic Support	-	82,156		8,093	90,249	144,304
Student Services	316,317	58,385		465,466	840,168	752,020
Institutional Support		138,630			138,630	152,352
Operation and Maintenance of Plant		63,084			63,084	65,020
Scholarships and Fellowships		-		1,986,483	1,986,483	1,977,687
Total Restricted Educational Activities	\$ 998,651	\$ 902,286	\$ -	\$ 3,211,363	\$ 5,112,300	\$ 4,792,524
Total Educational Activities	7,374,932	902,286	525,600	5,343,283	14,146,101	13,315,785
Auxiliary Enterprises	215,990		16,380	1,410,512	1,642,882	1,589,001
Depreciation Expense						
Building & Improvements					333,701	333,702
Equipment & Furniture					191,871	147,875
Library Books					72,873	70,445
Total	\$ 7,590,922	\$ 902,286	\$ 541,980	\$ 6,753,795	\$ 16,387,428	\$ 15,456,808

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE

SCHEDULE C

SCHEDULE OF NON - OPERATING REVENUES AND EXPENSES

For the Year Ended August 31, 2005 (With Memorandum totals for the Year Ended August 31, 2004)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total</u>	<u>Memorandum Totals 08/31/04</u>
Non - Operating Revenues					
State allocations	\$ 3,705,648	\$ 902,285	\$	\$ 4,607,933	\$ 4,603,402
Ad-valorem taxes	2,077,925	1,126,279		3,204,204	2,958,441
Investment income		55,906		55,906	112,891
Gain on sale of assets	4,100			4,100	-
Total Non - Operating Revenues	<u>5,787,673</u>	<u>2,084,470</u>	<u>-</u>	<u>7,872,143</u>	<u>7,674,734</u>
Non - Operating Expenses					
Interest on capital related debt	908,905			908,905	1,035,407
Loss on disposal of capital assets				-	29,298
Other non operating expense	27,460			27,460	37,403
Total Non - Operating Expenses	<u>936,365</u>	<u>0</u>	<u>0</u>	<u>936,365</u>	<u>1,102,108</u>
Net Non - Operating Revenues	<u>\$ 4,851,308</u>	<u>\$ 2,084,470</u>	<u>\$ 0</u>	<u>\$ 6,935,778</u>	<u>\$ 6,572,626</u>

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE D
SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY
For the Year Ended August 31, 2005 (With Memorandum totals for the Year Ended August 31, 2004)

	Detail By Source						
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Available for Current Operations	
		Expendable	Non Expendable			Yes	No
Current							
Unrestricted	\$ 907,310	\$	\$	\$	\$ 907,310	\$ 907,310	\$
Loan		-			-		-
Plant							
Unexpended					-		
Renewals					-		
Investment in plant				7,270,356	7,270,356		7,270,356
Total Net Assets, August 31, 2005	907,310	0	0	7,270,356	8,177,666	907,310	7,270,356
Total Net Assets, August 31, 2004	949,141	2,925		7,030,124	7,982,190	949,141	7,033,049
Net Increase (Decrease) in Net Assets	\$ (41,831)	\$ (2,925)	\$ 0	\$ 240,232	\$ 195,476	\$ (41,831)	\$ 237,307

See independent auditors' report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE E
BALANCE SHEET
AUGUST 31, 2005

	Current Funds				Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total						
Assets										
Cash and Cash Equivalents	\$ 1,094,379	\$ 8,298	\$ 16,199	\$ 1,118,876	\$ 13,575	\$ 11,831	\$ 104,679	\$	\$ 75,811	\$ 1,324,772
Investments				-			277,679			277,679
Accounts Receivable	628,332		560,236	1,188,568			98,847			1,287,415
Due From Other Funds	1,324,517			1,324,517			97,183		96,132	1,517,832
Due From Foundation	194,896			194,896						194,896
Prepaid Expenses	140,192			140,192						140,192
Deferred Charges		152,550		152,550				396,715		549,265
Deposits		-		-						-
Accured Interest Receivable										-
Student Loans (Net of allowance for doubtful accounts of \$70,428 at 08/31/05)					17,834					17,834
Inventory, at Cost	7,235	349,131		356,366						356,366
Land								1,009,520		1,009,520
Buildings						759,828		27,130,639		27,890,467
Improvements Other Than Buildings								397,606		397,606
Equipment								251,812		251,812
Library Books								878,941		878,941
Vehicles								600,322		600,322
Telecommunications								864,101		864,101
Accumulated Depreciation								(7,025,580)		(7,025,580)
Other								58,855		58,855
Total Assets	\$ 3,389,551	\$ 509,979	\$ 576,435	\$ 4,475,965	\$ 31,409	\$ 771,659	\$ 578,388	\$ 24,562,931	\$ 171,943	\$ 30,592,295
Liabilities and Fund Balance										
Accounts Payable	\$ 39,485	\$ 37,638	\$ 3,434	\$ 80,557	\$ 844	\$ 259,858	\$	\$	\$ 253	\$ 341,512
Accured Liabilities	27,935			27,935		3,703	104,723			136,361
Deposits Payable	26,076	19,300		45,376						45,376
Due to Other Funds	131,675	580,312	498,551	1,210,538	30,565	47,281	71,955	51,827	105,666	1,517,832
Deferred Revenues	1,779,028	291,196	74,450	2,144,674						2,144,674
Accured Compensated Absences	59,575			59,575						59,575
Bonds Payable						842,369		16,093,212		16,935,581
Unamortized Premium							580,364			580,364
Notes Payable								587,330		587,330
Funds Held in Custody for Others									66,024	66,024
Total Liabilities	\$ 2,063,774	\$ 928,446	\$ 576,435	\$ 3,568,655	\$ 31,409	\$ 1,153,211	\$ 757,042	\$ 16,732,369	\$ 171,943	\$ 22,414,629
Fund Balances										
Net Investment in Plant	\$	\$	\$	\$	\$	(381,552)	(580,364)	7,830,562	\$	6,868,646
Reserved for Debt Service							401,710			401,710
Restricted										
Student Aid										
Temporarily					-					-
Permanently										
Unrestricted	<u>1,325,777</u>	(418,467)	-	907,310						907,310
Total Fund Balance	\$ 1,325,777	\$ (418,467)	\$ -	\$ 907,310	\$ -	\$ (381,552)	\$ (178,654)	\$ 7,830,562	\$ -	\$ 8,177,666
Total Liabilities and Fund Balance	\$ 3,389,551	\$ 509,979	\$ 576,435	\$ 4,475,965	\$ 31,409	\$ 771,659	\$ 578,388	\$ 24,562,931	\$ 171,943	\$ 30,592,295

See independent auditors report.

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE F
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 2005

	Current Funds				Loan Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Total
	Unrestricted	Auxiliary Enterprises	Current Restricted	Total					
Revenues and Other Addition:									
Unrestricted Current Funds Revenue	\$ 9,613,408	\$ 1,927,264	\$ -	\$ 11,540,672	\$ -	\$ -	\$ -	\$ -	\$ 11,540,672
State Appropriations - Restricted			902,285	902,285					902,285
Federal Grants and Contracts			5,078,820	5,078,820					5,078,820
State Grants and Contracts			604,566	604,566					604,566
Local Gifts, Grants and Contracts			136,653	136,653					136,653
Taxes for Debt Retirement			-	-			1,126,279		1,126,279
Interest / Endowment Income			-	-	318	41,275			41,593
Net Decreases in Bonds Payable			-	-		35,000		674,944	709,944
Net Decreases in Notes Payable			-	-				81,019	81,019
Investment Income			-	-			14,313		14,313
Other Revenues			-	-				4,100	4,100
Total Revenue and Other Addition:	<u>9,613,408</u>	<u>1,927,264</u>	<u>6,722,324</u>	<u>18,262,996</u>	<u>318</u>	<u>76,275</u>	<u>1,140,592</u>	<u>760,063</u>	<u>20,240,244</u>
Expenditures and Other Deduction:									
Expenditures	9,055,517	1,984,973	6,612,445	17,652,935					17,652,935
Indirect Cost Recovered			66,060	66,060					66,060
Net Increase in Bonds Payable			-	-					-
Retirement of Indebtedness - Bond			-	-			709,944		709,944
Retirement of Indebtedness - Note			-	-		76,966	4,053		81,019
Interest on Indebtedness			-	-		421,829	478,877	8,199	908,905
Depreciation Expense			-	-				598,445	598,445
Other Expenditures			-	-	13,908	9,568	3,984		27,460
	<u>9,055,517</u>	<u>1,984,973</u>	<u>6,678,505</u>	<u>17,718,995</u>	<u>13,908</u>	<u>508,363</u>	<u>1,196,858</u>	<u>606,644</u>	<u>20,044,768</u>
Transfers - Additions (Deductions)									
Mandatory Transfers:									
Retirement of Indebtedness				-					-
Building Use Fees	(206,628)			(206,628)			206,628		-
Tuition Use Fees	(37,155)			(37,155)			37,155		-
Revenue Bond		(117,093)		(117,093)			117,093		-
Contractual Obligations	(76,966)			(76,966)		76,966	8,752	(8,752)	-
TPEG to Restricted				-					-
Non - Mandatory Transfers									
Capital Outlay	(93,507)		(43,819)	(137,326)		478,269		(340,943)	-
Other	(10,665)			(10,665)	10,665				-
Total Transfers - Additions (Deductions)	<u>(424,921)</u>	<u>(117,093)</u>	<u>(43,819)</u>	<u>(585,833)</u>	<u>10,665</u>	<u>555,235</u>	<u>369,628</u>	<u>(349,695)</u>	<u>-</u>
Net Increase (Decrease) for Year	<u>132,970</u>	<u>(174,802)</u>	<u>-</u>	<u>(41,832)</u>	<u>(2,925)</u>	<u>123,147</u>	<u>313,362</u>	<u>(196,276)</u>	<u>195,476</u>
Fund Balance (Deficit) as Previously Reported	1,192,807	(243,665)	-	949,142	2,925	(504,699)	(492,016)	8,386,837	8,342,189
Restatement				-				(359,999)	(359,999)
Fund Balance (Deficit) Restated	<u>1,192,807</u>	<u>(243,665)</u>	<u>-</u>	<u>949,142</u>	<u>2,925</u>	<u>(504,699)</u>	<u>(492,016)</u>	<u>8,026,838</u>	<u>7,982,190</u>
Fund Balance (Deficit) August 31,	\$ <u>1,325,777</u>	\$ <u>(418,467)</u>	\$ <u>-</u>	\$ <u>907,310</u>	\$ <u>-</u>	\$ <u>(381,552)</u>	\$ <u>(178,654)</u>	\$ <u>7,830,562</u>	\$ <u>8,177,666</u>

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***STATISTICAL SUPPLEMENT
(UNAUDITED)***

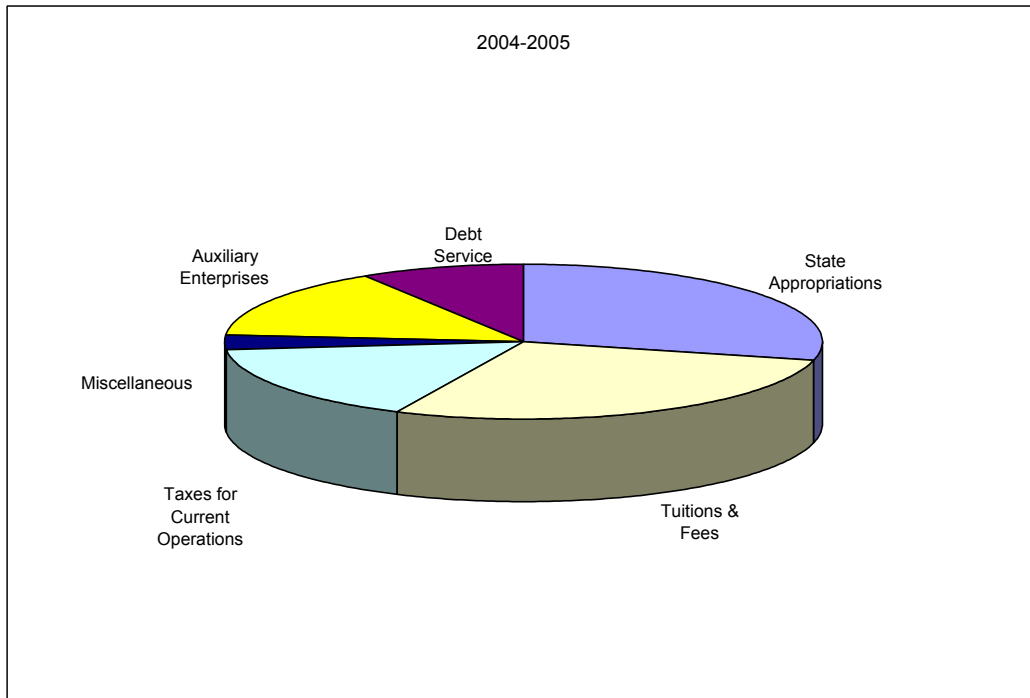
NORTHEAST TEXAS COMMUNITY COLLEGE
 REVENUES BY SOURCE (1)
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Table 1

Fiscal Year	State Appropriations	Tuitions & Fees	Taxes for Current Operations	Interest & Investment	Miscellaneous	Auxiliary Enterprises	Debt Service	Totals
1995-1996	3,340,638	2,023,921	1,157,350	10,529	250,485	1,166,311	977,516	8,926,750
1996-1997	3,485,683	2,031,283	1,129,678	15,075	235,192	1,061,895	996,119	8,954,925
1997-1998	3,457,025	2,237,532	1,209,561	25,154	202,159	1,207,442	1,029,755	9,368,628
1998-1999	3,594,984	2,219,705	1,253,717	19,875	698,769	1,298,564	1,034,621	10,120,235
1999-2000	3,813,429	1,952,985	1,284,251	36,148	324,361	1,452,023	987,600	9,850,797
2000-2001	3,942,917	2,128,008	1,527,133	47,915	264,309	1,529,552	1,069,839	10,509,673
2001-2002	3,729,786	2,619,866	1,776,385	19,932	353,255	1,649,401	1,352,816	11,501,441
2002-2003	3,391,954	3,117,856	1,780,556		367,168	1,627,834	1,406,350	11,691,718
2003-2004	3,712,360	3,615,114	1,889,661		405,610	1,880,599	1,443,875	12,947,219
2004-2005	3,705,648	3,586,777	2,077,925		400,046	1,876,377	1,140,592	12,787,365

Notes:

(1) Includes Unrestricted Current Funds, Auxiliary Enterprises Funds and Retirement of Indebtedness Plant Fund.



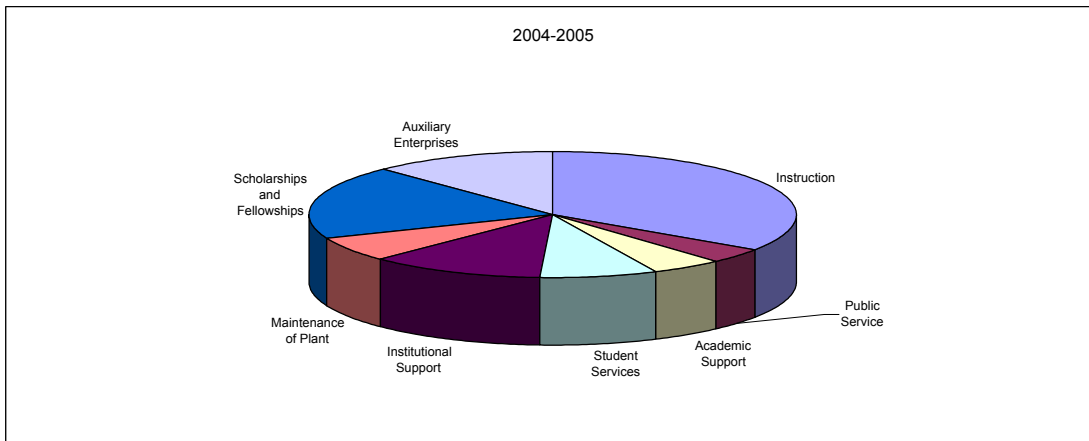
NORTHEAST TEXAS COMMUNITY COLLEGE
 EXPENDITURES BY FUNCTION (1)
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Table 2

Fiscal Year	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Maintenance of Plant	Staff Benefits	Scholarships and Fellowships	Restricted Funds	Auxiliary Enterprises	Totals
1995-1996	3,987,429	1,044,401	735,502	857,314	1,114,183	868,246		1,147,061		1,210,644	10,964,780
1996-1997	4,581,162	452,155	600,266	642,857	1,258,911	905,072		1,452,040		1,042,506	10,934,969
1997-1998	4,804,988	209,448	766,113	657,613	1,348,877	827,774		1,607,857		1,156,125	11,378,795
1998-1999	4,550,494	238,212	1,074,304	667,971	1,867,177	797,751		1,957,556		1,246,356	12,399,821
1999-2000	4,765,584	170,454	792,407	764,396	1,317,921	830,332		1,803,109		1,394,288	11,838,491
2000-2001	5,052,367	205,737	835,653	727,297	1,686,475	951,229		2,183,550		1,559,598	13,201,906
2001-2002	5,644,694	250,416	911,078	1,022,857	1,857,087	1,089,447		2,864,689		1,608,502	15,248,770
2002-2003	6,006,220	574,619	827,786	1,012,905	2,040,704	1,026,326		3,137,705		1,872,435	16,498,700
2003-2004	5,536,415	546,000	800,439	1,275,110	2,137,074	1,043,060		3,400,108		2,081,978	16,820,184
2004-2005	6,075,398	713,536	790,797	1,376,129	2,073,787	1,129,971		3,355,906		2,141,519	17,657,043

Notes:

(1) Includes Unrestricted and Restricted Current Funds and Auxiliary Enterprises Funds



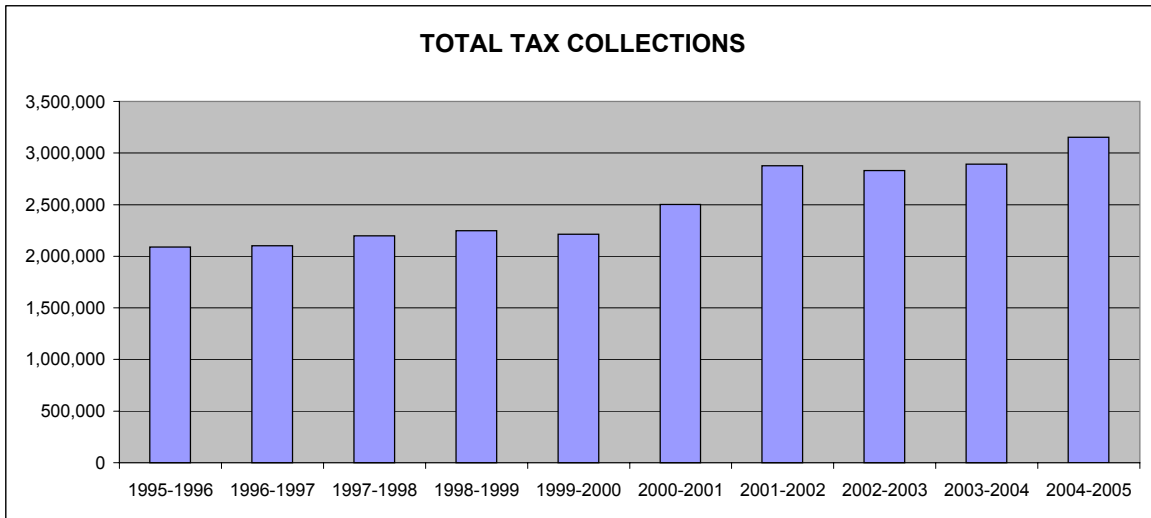
NORTHEAST TEXAS COMMUNITY COLLEGE
 PROPERTY TAX LEVIES & COLLECTIONS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Table 3

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
1995-1996	2,097,431	2,032,274	96.9%	57,371	2,089,645	99.6%	297,630	14.2%
1996-1997	2,122,029	2,043,924	96.3%	58,150	2,102,074	99.1%	291,260	13.7%
1997-1998	2,208,034	2,133,404	96.6%	63,424	2,196,828	99.5%	295,854	13.4%
1998-1999	2,270,047	2,187,181	96.3%	61,864	2,249,045	99.1%	303,397	13.4%
1999-2000	2,233,598	2,155,908	96.5%	58,596	2,214,504	99.1%	309,677	13.9%
2000-2001	2,561,528	2,429,664	94.9%	70,806	2,500,470	97.6%	311,554	12.2%
2001-2002	2,896,876	2,808,865	97.0%	67,919	2,876,784	99.3%	311,873	10.8%
2002-2003	2,841,977	2,758,410	97.1%	71,674	2,830,084	99.6%	323,548	11.4%
2003-2004	2,930,862	2,829,677	96.5%	62,264	2,891,941	98.7%	338,941	11.6%
2004-2005	3,168,754	3,075,793	97.1%	75,974	3,151,767	99.5%	339,885	10.7%

Notes:

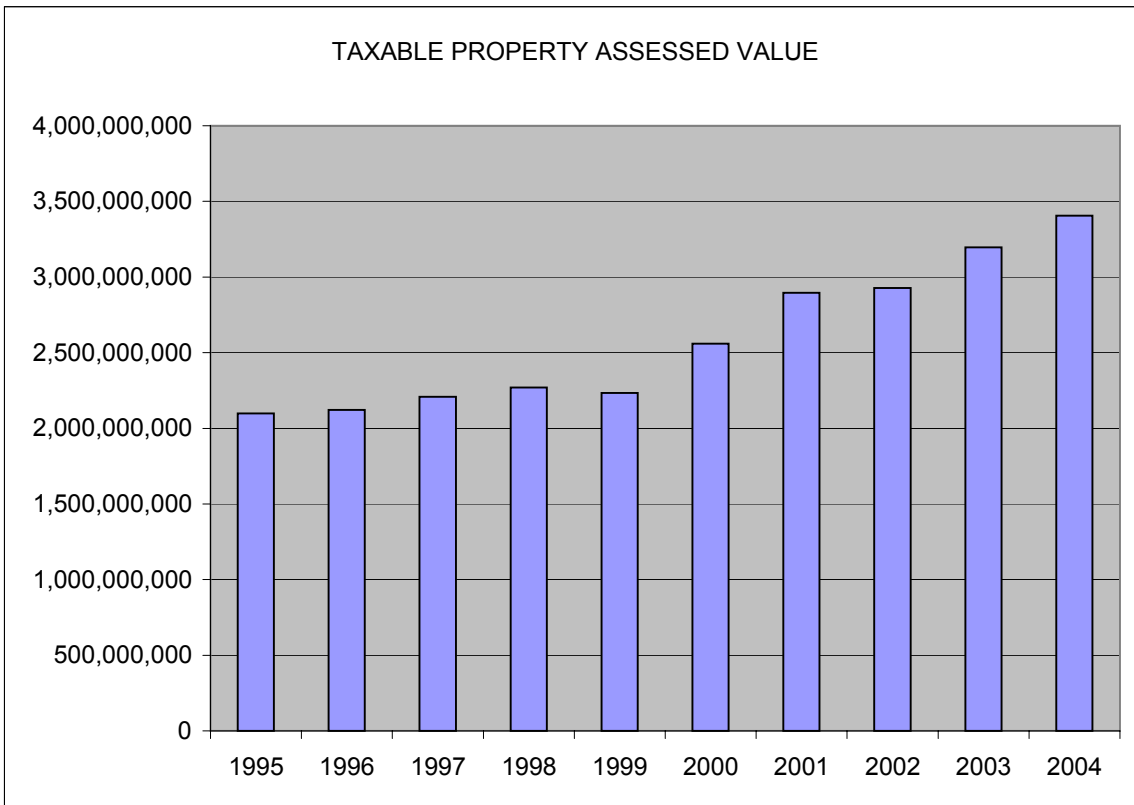
(1) Includes Unrestricted Current Funds, Auxiliary Enterprises Funds and Retirement of Indebtedness Plant Fund.



NORTHEAST TEXAS COMMUNITY COLLEGE
NET ASSESSED & ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN TAX ROLL YEARS
AND CURRENT TAX ROLL YEAR
(UNAUDITED)

Table 4

Tax Role Year	Taxable Property			Estimated Value	Ratio of Taxable/ Estimated
	Assessed Valuation	Less: Exemptions	Taxable Value		
1995	2,097,431,470		2,097,431,470	2,097,431,470	100.0%
1996	2,122,029,110		2,122,029,110	2,122,029,110	100.0%
1997	2,208,034,621		2,208,034,621	2,208,034,621	100.0%
1998	2,270,047,040		2,270,047,040	2,270,047,040	100.0%
1999	2,233,597,902		2,233,597,902	2,233,597,902	100.0%
2000	2,559,351,510		2,559,351,510	2,559,351,510	100.0%
2001	2,896,573,799		2,896,573,799	2,896,573,799	100.0%
2002	2,928,009,970		2,841,977,000	2,841,977,000	100.0%
2003	3,195,487,961		3,195,487,961	3,195,487,961	100.0%
2004	3,405,456,890		3,405,456,890	3,405,456,890	100.0%



NORTHEAST TEXAS COMMUNITY COLLEGE
 PROPERTY TAX RATES - DIRECT & OVERLAPPING
 (PER \$100 OF ASSESSED VALUE)
 LAST TEN FISCAL YEAR
 (UNAUDITED)

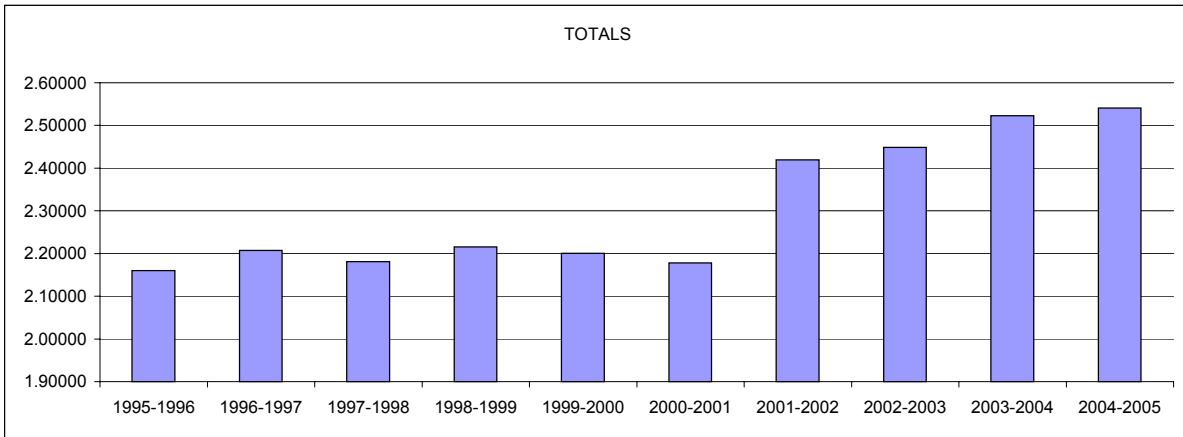
Table 5

Fiscal Year	College		Total	Counties (Average)	Cities (Average)	Independent School Districts (Average)	(1) CED's (Average)	Hospitals (Average)	Totals
	Current Operations	Debt Service							
1995-1996	0.05480	0.04520	0.10000	0.29553	0.41507	1.23246		0.11670	2.15976
1996-1997	0.05344	0.04577	0.09921	0.30547	0.40768	1.27894		0.11585	2.20715
1997-1998	0.05450	0.04499	0.09949	0.25276	0.40273	1.31011		0.11585	2.18094
1998-1999	0.05545	0.04455	0.10000	0.25276	0.39229	1.35469		0.11585	2.21559
1999-2000	0.05725	0.04275	0.10000	0.26111	0.38861	1.33508		0.11558	2.20038
2000-2001	0.05950	0.04050	0.10000	0.25407	0.39660	1.34360		0.08406	2.17833
2001-2002	0.06200	0.03800	0.10000	0.27008	0.41944	1.54297		0.08674	2.41923
2002-2003	0.06200	0.03800	0.10000	0.28615	0.43046	1.54553		0.08678	2.44892
2003-2004	0.06200	0.03800	0.10000	0.28865	0.43046	1.54553		0.15808	2.52273
2004-2005	0.06200	0.03800	0.10000	0.29795	0.43403	1.55093		0.15808	2.54099

Notes:

(1) The County Education District was Created by the State Legislature in 1991 and subsequently dissolved by the State Supreme Court in 1993 as unconstitutional.

Source: Camp, Morris, Titus County Appraisal Districts



NORTHEAST TEXAS COMMUNITY COLLEGE
 RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPTA
 LAST TEN FISCAL YEARS
 (UNAUDITED)

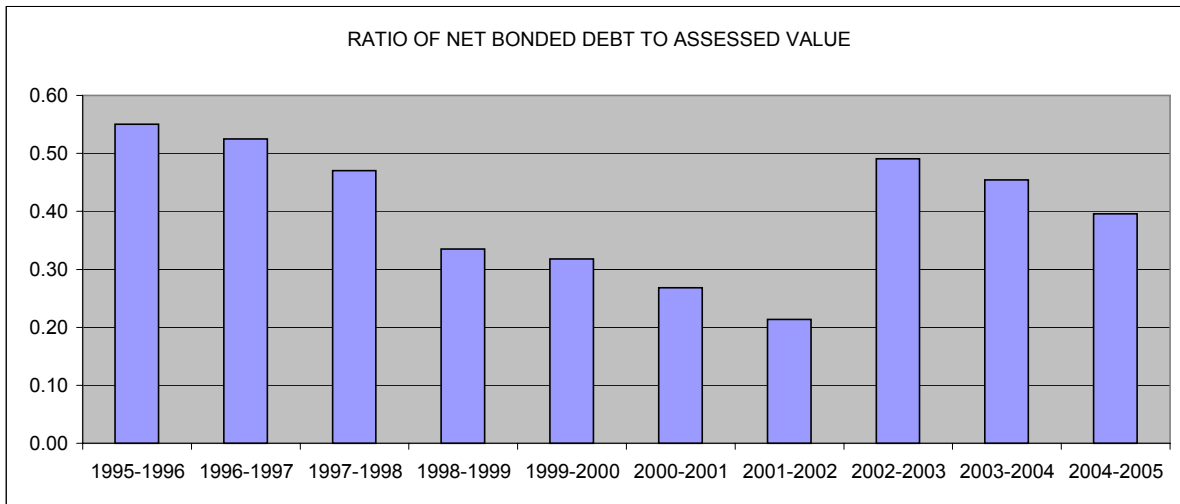
Table 6

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Available Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995-1996	48,365	2,097,431,470	11,857,746	320,143	11,537,603	0.55	238.55
1996-1997	48,770	2,122,029,110	11,430,477	292,943	11,137,534	0.52	228.37
1997-1998	49,389	2,208,034,621	10,933,336	546,265	10,387,071	0.47	210.31
1998-1999	49,742	2,270,047,040	8,168,553	565,966	7,602,587	0.33	152.84
1999-2000	50,552	2,233,597,902	7,637,991	535,127	7,102,864	0.32	140.51
2000-2001	50,311	2,559,351,510	7,258,113	397,346	6,860,767	0.27	136.37
2001-2002	53,431	2,896,873,799	6,631,692	450,709	6,180,983	0.21	115.68
2002-2003	53,962	2,928,009,970	14,921,293	553,752	14,367,541	0.49	266.25
2003-2004	54,143	3,195,487,961	15,046,221	528,386	14,517,835	0.45	268.14
2004-2005	55,230	3,405,456,890	14,059,065	573,388	13,485,677	0.40	244.17

Notes:

(1) Based on Population Estimates and Projections Program
 Texas State Data Center for Camp, Morris, and Titus Counties.

(2) Based on information provided by county tax appraisers of
 Camp, Morris, and Titus Counties.



Northeast Texas Community College
 Top Ten Taxpayers by County
 (Unaudited)

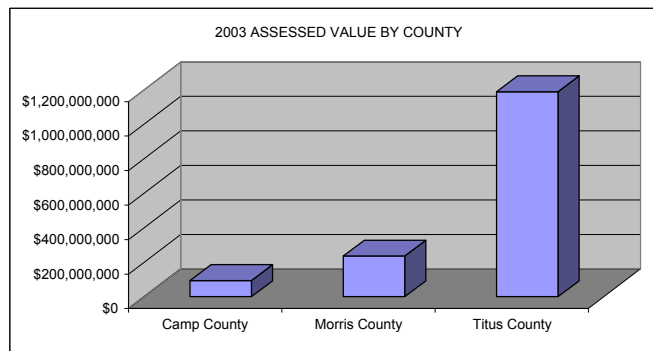
Table 7

Camp County		
	Type of Business	2004 Assessed Valuation
Pilgrim's Pride Corp (Distribution)	Poultry Processing	\$36,500,000
Pilgrim's Pride - Feed Mill	Poultry Processing	\$15,500,000
Pilgrim's Pride - Farms	Poultry Processing	\$7,135,270
Enbridge (Old Sulphur River)	Gas Manufacturing	\$6,319,430
AEP Southwestern Elec Power Co	Utility	\$5,526,070
Southwestern Bell Telephone Company	Utility	\$5,430,200
Eastex Crude Company	Oil & Gas Producer	\$4,979,830
Eagle Oil & Gas Co	Oil & Gas Producer	\$4,604,560
Andritz/Ruthner Inc.	Water Treatment	\$3,991,680
Pilgrim's Pride Main Office	Poultry Processing	\$3,262,540
		<u>\$93,249,580</u>

Morris County		
	Type of Business	2004 Assessed Valuation
Lone Star Steel	Steel Foundry	\$155,655,230
AEP Southwestern Elec Power Co	Utility	\$14,828,590
Scot Industries	Industrial	\$13,443,960
Atlas Roofing Corp.	Roofing	\$11,749,410
Texas Tubular	Pipe & Supply	\$11,596,830
Red Man Pipe & Supply	Pipe & Supply	\$8,316,660
XTO Energy, Inc.	Pipe & Supply	\$5,760,390
Pipeco Partners, Ltd.	Pipe & Supply	\$5,395,850
Tamko Naples, Inc.	Industrial	\$4,635,710
T&N Railroad	Railroad	\$4,382,870
		<u>\$235,765,500</u>

Titus County		
	Type of Business	2004 Assessed Valuation
TXU Generation Company LP	Utility	\$809,352,520
AEP/SWEPCO	Utility	\$212,594,150
Pilgrim's Pride Corp.	Poultry Processing	\$28,385,490
BLC Corporation	Utility	\$27,239,240
TXU Mining Company LP	Mining	\$24,740,040
AEP/SWEPCO	Utility	\$24,285,280
Pilgrim's Pride Corp.	Poultry Processing	\$16,666,430
AEP/Southwestern Elec Power Co	Utility	\$15,595,200
TXU Generation Company LP	Utility	\$14,706,630
TXU Mining Company LP	Mining	\$14,303,560
		<u>\$1,187,868,540</u>

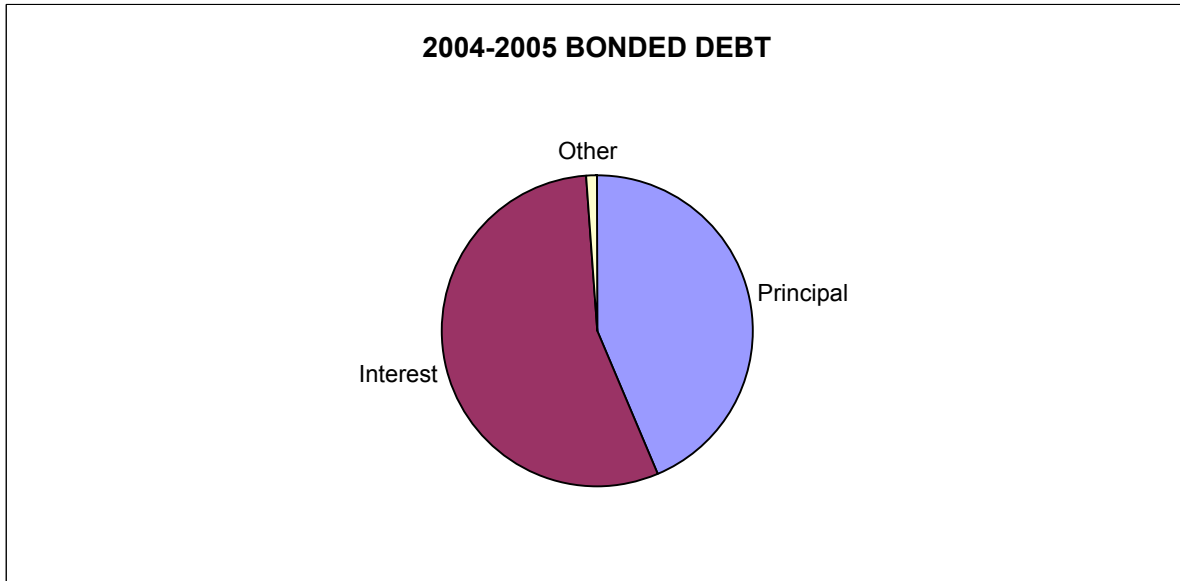
Source: Camp, Morris, Titus County Appraisal Districts



NORTHEAST TEXAS COMMUNITY COLLEGE
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
 BONDED DEBT TOTAL GENERAL EXPENDITURES
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Table 8

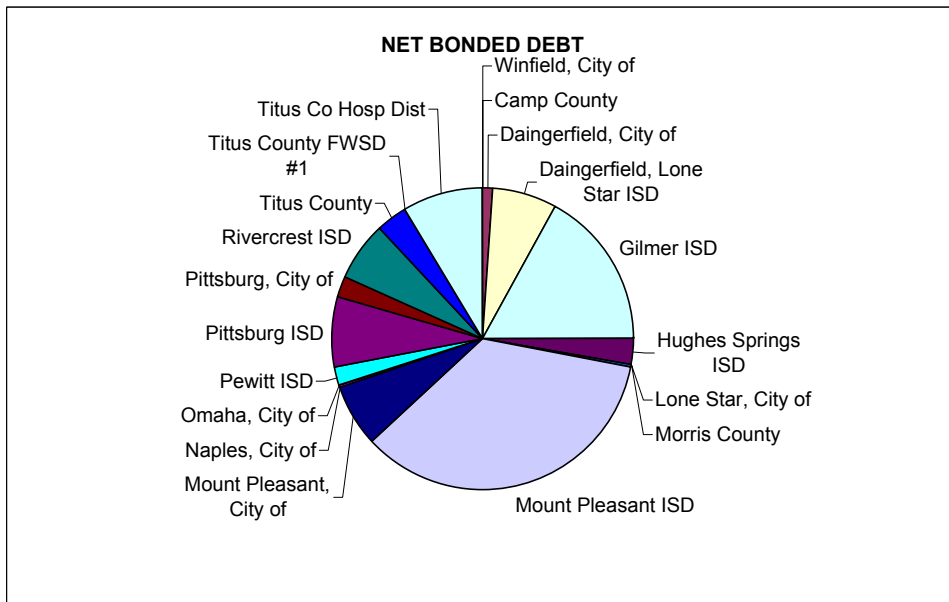
Fiscal Year	Principal	Interest	Other	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1994-1995	760,000	932,238	10,477	1,702,715	11,651,790	14.6%
1995-1996	1,047,571	1,034,485		2,082,056	10,964,780	19.0%
1996-1997	1,063,294	963,917	1,848	2,029,059	10,934,969	18.6%
1997-1998	1,073,525	897,956	1,834	1,973,315	11,378,795	17.3%
1998-1999	1,065,000	249,031	28,892	1,342,923	12,399,821	10.8%
1999-2000	1,035,000	153,888	33,645	1,222,533	11,838,491	10.3%
2000-2001	1,040,000	107,244	57,377	1,204,621	13,201,906	9.1%
2001-2002	875,000	577,929	39,932	1,492,861	15,248,770	9.8%
2002-2003	935,000	715,108	19,427	1,669,535	16,498,700	10.1%
2003-2004	1,015,000	1,035,407	103,246	2,153,653	16,820,184	12.8%
2004-2005	709,944	900,706	17,605	1,628,255	17,657,043	9.2%



Taxing Body	Net Bonded Debt			Amount Overlapping
	Amount	As of	% Overlapping	
Camp County	\$0	8/31/2005	100%	\$0
Daingerfield, City of	\$1,500,000 *	8/31/2005	100%	\$1,500,000
Daingerfield, Lone Star ISD	\$8,915,000 *	8/31/2005	100%	\$8,915,000
Gilmer ISD	\$21,670,000 *	8/31/2005	74%	\$160,358
Hughes Springs ISD	\$3,490,000 *	8/31/2005	10%	\$360,168
Lone Star, City of	\$0	8/31/2005	100%	\$0
Morris County	\$250,000 *	8/31/2005	100%	\$250,000
Mount Pleasant ISD	\$45,004,525 *	8/31/2005	100%	\$45,004,525
Mount Pleasant, City of	\$8,550,000 *	8/31/2005	100%	\$8,550,000
Naples, City of	\$65,000 *	8/31/2005	100%	\$65,000
Omaha, City of	\$37,000 *	8/31/2005	100%	\$37,000
Pewitt ISD	\$2,495,000 *	8/31/2005	100%	\$2,495,000
Pittsburg ISD	\$9,684,999 *	8/31/2005	100%	\$9,684,999
Pittsburg, City of	\$2,935,000 *	8/31/2005	100%	\$2,935,000
Rivercrest ISD	\$8,165,000 *	8/31/2005	39%	\$3,168,020
Titus County	\$4,310,000 *	8/31/2005	100%	\$4,310,000
Titus County FWSD #1	\$0	8/31/2005	100%	\$0
Titus Co Hosp Dist	\$10,855,000 *	8/31/2005	100%	\$10,855,000
Winfield, City of	\$33,000 *	8/31/2005	100%	\$33,000
Total Net Debt Overlapping				98,323,070
College District	\$11,289,193	8/31/2005		\$11,289,193
Total Direct and Overlapping Debt				109,612,263

Source: Municipal Advisory Council of Texas

* Gross Debt



Credit Student Enrollment - Gender and Attendance (DUPLICATED HEADCOUNT)

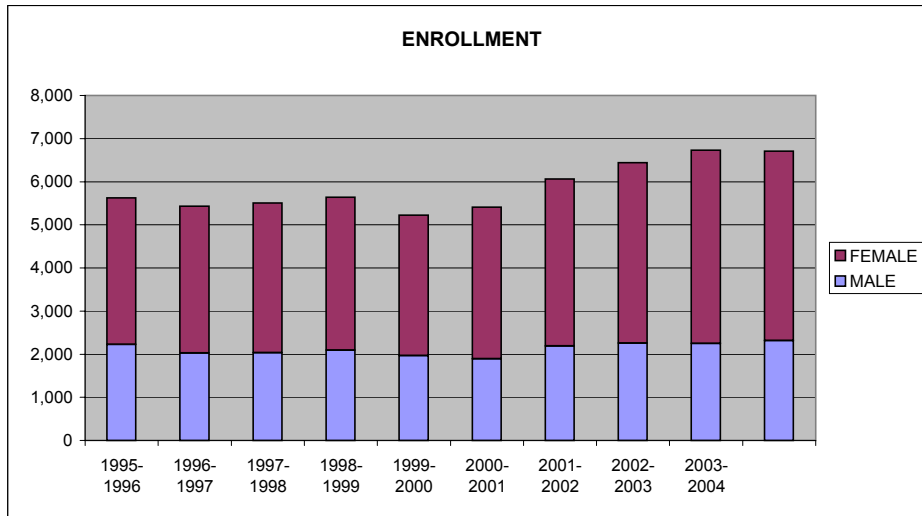
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Total Student Enrollment	Gender			
		Male	%	Female	%
1995-1996	5,626	2,224	40%	3,402	60%
1996-1997	5,433	2,023	37%	3,410	63%
1997-1998	5,505	2,037	37%	3,468	63%
1998-1999	5,642	2,096	37%	3,546	63%
1999-2000	5,226	1,970	38%	3,256	62%
2000-2001	5,412	1,889	35%	3,523	65%
2001-2002	6,062	2,192	36%	3,870	64%
2002-2003	6,441	2,253	35%	4,188	65%
2003-2004	6,729	2,247	33%	4,482	67%
2004-2005	6,708	2,312	34%	4,396	66%
Ten Year Total	58,784	21,243		37,541	

Fiscal Year	Total Student Enrollment	Attendance			
		Full-Time	%	Part-Time	%
1995-1996	5,626	2,475	44%	3,151	56%
1996-1997	5,433	2,523	46%	2,910	54%
1997-1998	5,505	2,481	45%	3,024	55%
1998-1999	5,642	2,762	49%	2,880	51%
1999-2000	5,226	2,620	50%	2,606	50%
2000-2001	5,412	2,499	46%	2,913	54%
2001-2002	6,062	2,925	48%	3,137	52%
2002-2003	6,441	3,151	49%	3,290	51%
2003-2004	6,729	3,364	50%	3,365	50%
2004-2005	6,708	3,181	47%	3,527	53%
Ten Year Total	58,784	27,981		30,803	

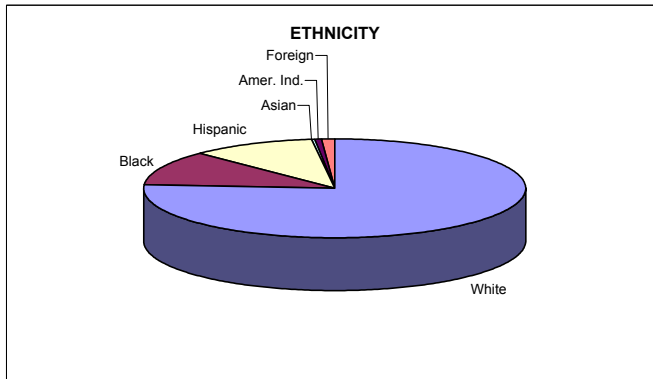
source: Fall, Minimester, Spring, Intersession, Summer I, Summer II Registrar's enrollment reports



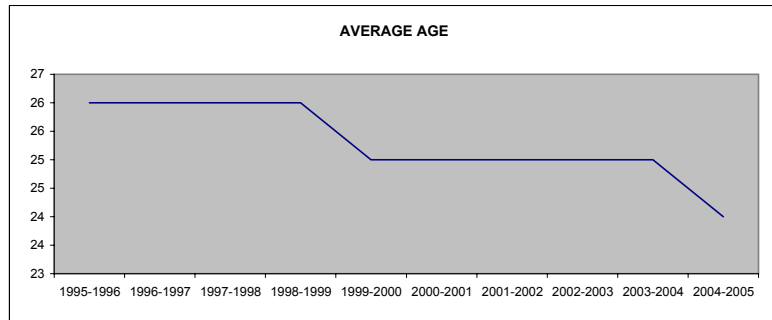
Northeast Texas Community College
 Demographic Statistics
 CREDIT Student Statistics - Ethnicity and Age (DUPLICATED HEADCOUNT)
 Last Ten Fiscal Years
 (Unaudited)

Table 11

Fiscal Year	Total Student Enrollment	Ethnicity					
		White	Black	Hispanic	Asian	Amer. Ind.	Foreign
1995-1996	5,626	4,896	407	280	12	28	3
1996-1997	5,433	4,697	426	261	14	33	2
1997-1998	5,505	4,651	478	313	19	40	4
1998-1999	5,642	4,694	562	320	19	44	3
1999-2000	5,226	4,402	475	293	27	29	0
2000-2001	5,412	4,355	600	404	26	22	5
2001-2002	6,062	4,804	671	502	34	31	20
2002-2003	6,441	5,042	709	556	36	47	51
2003-2004	6,729	5,126	770	696	27	43	67
2004-2005	6,708	5,012	716	824	34	28	94
Ten Year Total	58,784	47,679	5,814	4,449	248	345	249
Percent		81%	10%	8%	<1%	1%	<1%



Fiscal Year	Average Age
1995-1996	26
1996-1997	26
1997-1998	26
1998-1999	26
1999-2000	25
2000-2001	25
2001-2002	25
2002-2003	25
2003-2004	25
2004-2005	24



source: Fall, Minimester, Spring, Intersession, Summer I, Summer II Registrar's enrollment reports

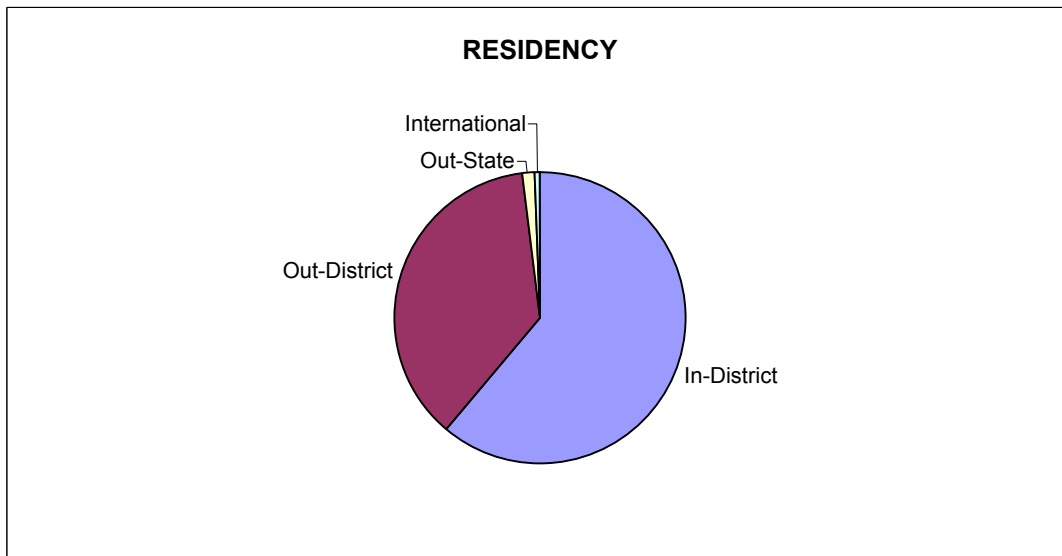
Student Statistics - Residency (DUPLICATED HEADCOUNT)

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Total Student Enrollment	Residency			
		In-District	Out-District	Out-State	International
1995-1996	5,626	3,301	2,247	69	9
1996-1997	5,433	3,345	1,995	84	9
1997-1998	5,505	3,375	2,049	76	5
1998-1999	5,642	3,365	2,190	68	19
1999-2000	5,226	3,101	2,049	48	28
2000-2001	5,412	3,394	1,924	51	43
2001-2002	6,062	3,793	2,159	78	32
2002-2003	6,441	4,026	2,270	107	38
2003-2004	6,729	4,158	2,397	119	55
2004-2005	6,708	4,033	2,456	114	105
Ten Year Total	58,784	35,891	21,736	814	343

source: Fall, Minimester, Spring, Intersession, Summer I, Summer II Registrar's enrollment reports



Northeast Texas Community College
 Demographic Statistics - Unemployment Rates
 Last Ten Fiscal Years
 (Unaudited)

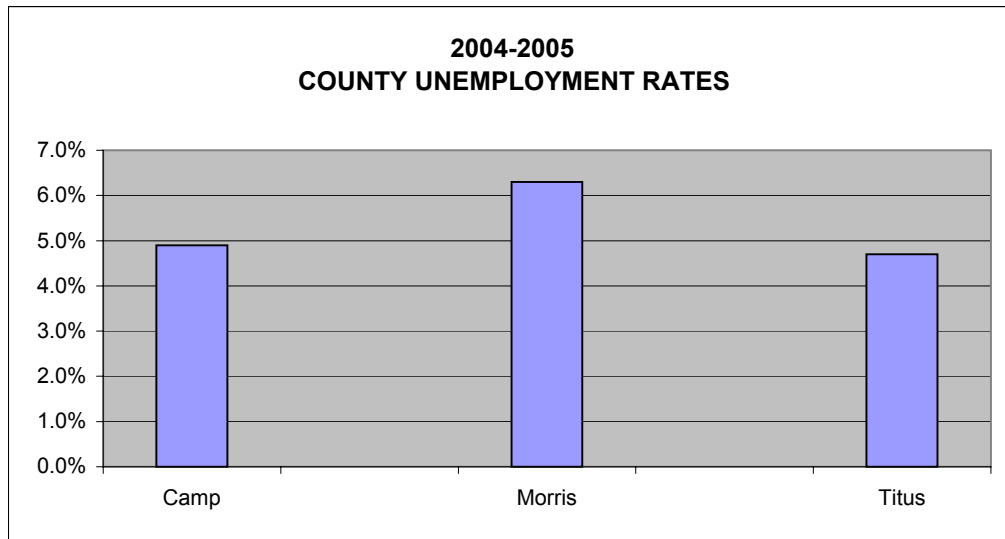
Table 13

Fiscal Year	Population(1)	County Unemployment Rate			National Unemployment Rate(3)
		Camp County(2)	Morris County(2)	Titus County(2)	
1994-1995	48,032	8.9%	9.7%	8.3%	5.52%
1995-1996	48,365	8.1%	9.9%	7.9%	5.52%
1996-1997	48,770	7.8%	8.1%	7.3%	5.13%
1997-1998	49,389	6.9%	8.2%	6.5%	5.40%
1998-1999	49,742	8.1%	12.7%	6.5%	3.80%
1999-2000	50,552	6.6%	11.0%	5.7%	4.10%
2000-2001	50,311	5.3%	7.2%	4.2%	4.00%
2001-2002	53,431	5.2%	7.0%	3.9%	4.80%
2002-2003	53,962	6.4%	9.7%	4.9%	5.80%
2003-2004	54,143	4.5%	6.8%	4.6%	5.40%
2004-2005	54,348	4.9%	6.3%	4.7%	4.90%

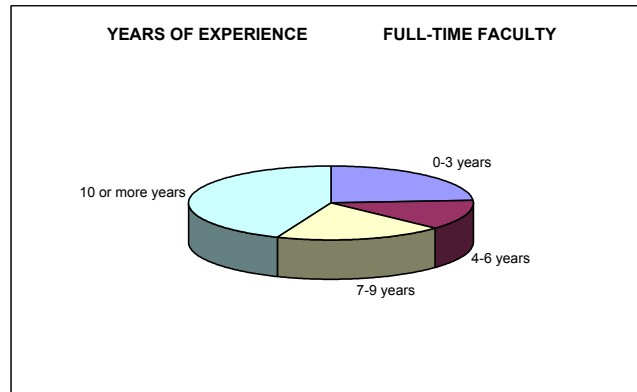
(1) Texas State Data Center - UTSA

(2) Labor Market Information Department - Texas Workforce Commission

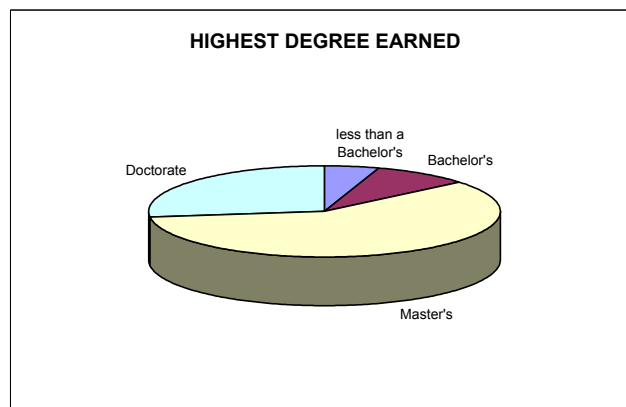
(3) US Department of Labor - Bureau of Labor Statistics



<u>Years of Experience at Northeast Texas Community College</u>	<u>Number of Full-Time Faculty</u>	<u>Percentage of Total</u>
0-3 years	14	24%
4-6 years	8	13%
7-9 years	11	19%
10 or more years	26	44%
	<u>59</u>	<u>100%</u>



<u>Highest Degree Earned</u>	<u>Number of Full-Time Faculty</u>	<u>Percentage of Total</u>
less than a Bachelor's	3	5%
Bachelor's	5	9%
Master's	35	59%
Doctorate	16	27%
	<u>59</u>	<u>100%</u>



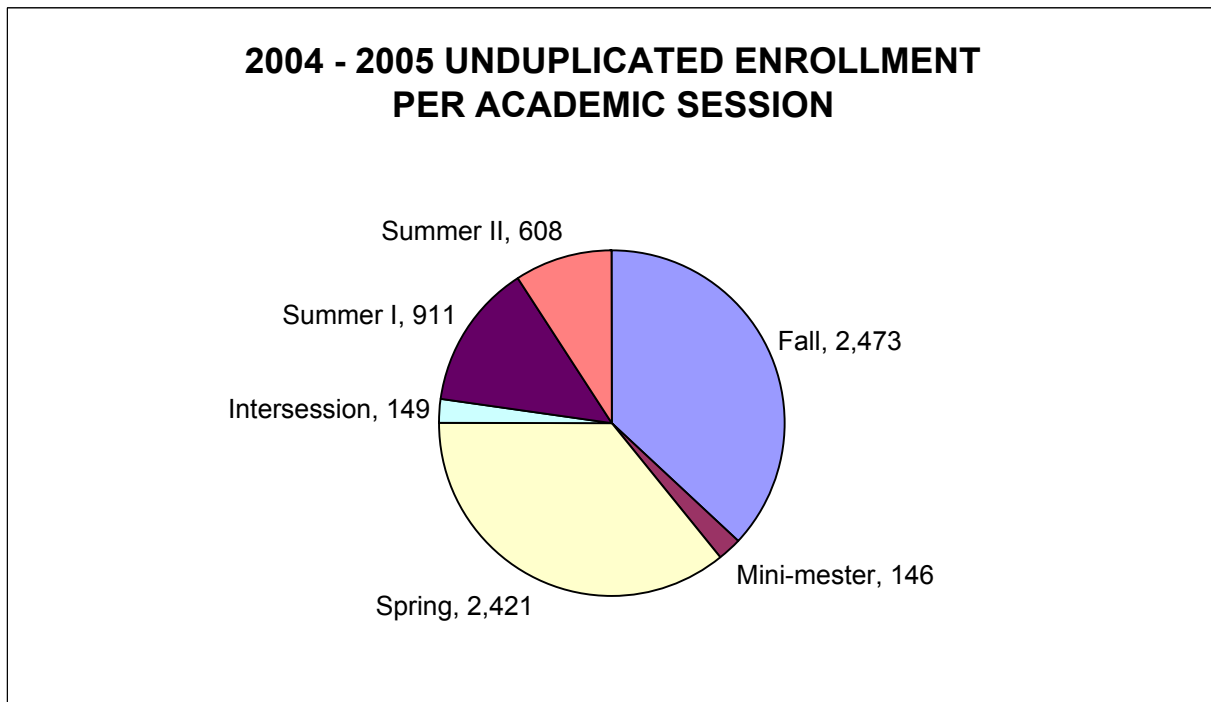
Northeast Texas Community College
 Headcount Enrollment
 Last Ten Fiscal Years
 (Unaudited)

Table 15

Fiscal Year	Total Student Enrollment(A)	Unduplicated per Academic Session					
		Fall	Mini-mester	Spring	Intersession	Summer I	Summer II
1995-1996	5,626	2,137		1,952	234	740	563
1996-1997	5,433	2,062	80	1,906	171	674	540
1997-1998	5,505	2,027	89	1,883	146	723	637
1998-1999	5,642	2,045	92	2,049	217	724	515
1999-2000	5,226	1,956	133	1,763	175	692	507
2000-2001	5,412	1,990	142	1,896	146	731	507
2001-2002	6,062	2,203	157	2,048	200	882	572
2002-2003	6,441	2,423	115	2,322	174	823	584
2003-2004	6,729	2,509	107	2,270	165	995	683
2004-2005	6,708	2,473	146	2,421	149	911	608

(A) Duplicated Headcount

source: Fall, Minimester, Spring, Intersession, Summer I, Summer II Registrar's enrollment reports



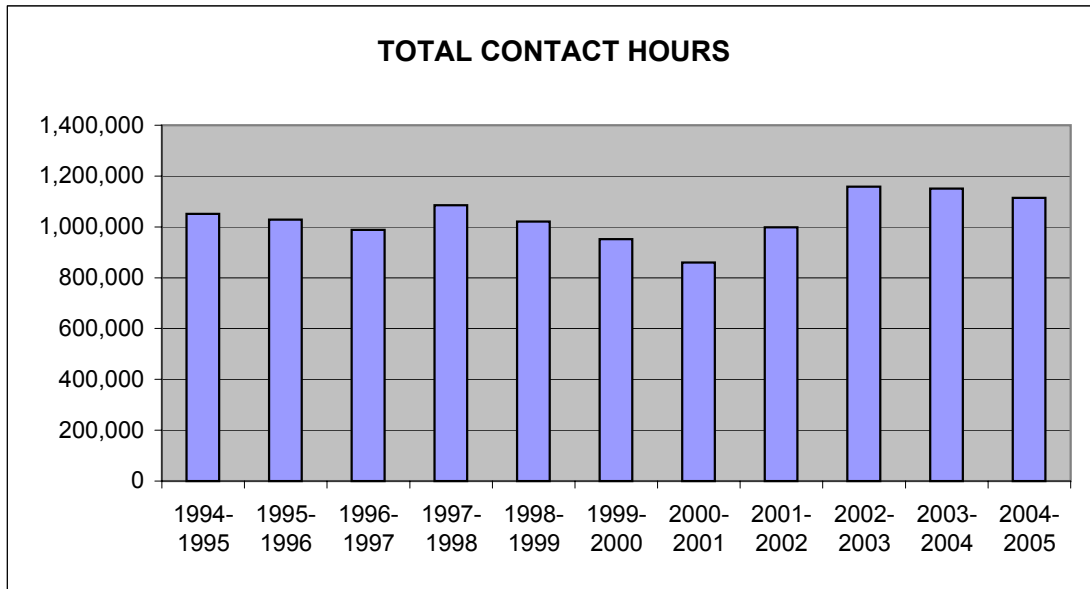
Northeast Texas Community College
 Contact Hour Information
 Last Ten Fiscal Years
 (Unaudited)

Table 16

Fiscal Year	Academic	Workforce	Total
1994-1995			1,051,123
1995-1996			1,028,674
1996-1997	576,832	411,124	987,956
1997-1998	686,936	398,080	1,085,016
1998-1999	612,016	409,175	1,021,191
1999-2000	639,276	312,020	951,296
2000-2001	603,712	255,986	859,698
2001-2002	700,992	297,176	998,168
2002-2003	741,104	416,922	1,158,026
2003-2004	882,220	268,128	1,150,348
2004-2005	852,288	261,766	1,114,054

Note: Split between academic contact hours and vocational contact hours not available for fiscal years 1992-1993 through 1995-1996.

source: Fall, Minimester, Spring, Intersession, Summer I, Summer II Registrar's enrollment reports



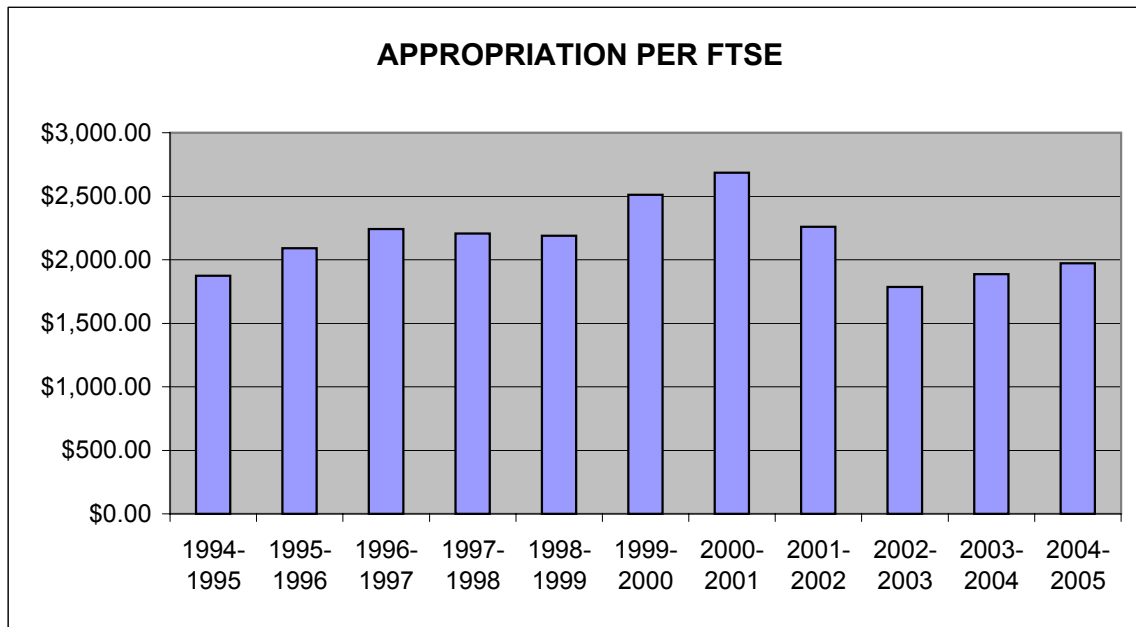
Northeast Texas Community College
 State Appropriation per Full-Time Student Equivalent (1)
 Last Ten Fiscal Years
 (Unaudited)

Table 17

Fiscal Year	State Appropriation	Full-Time Student Equivalent	Appropriation per FTSE
1994-1995	\$3,139,886	1,675.28	\$1,874.25
1995-1996	\$3,340,638	1,598.60	\$2,089.73
1996-1997	\$3,485,683	1,554.47	\$2,242.36
1997-1998	\$3,457,025	1,566.81	\$2,206.41
1998-1999	\$3,594,984	1,642.60	\$2,188.59
1999-2000	\$3,813,429	1,518.56	\$2,511.21
2000-2001	\$3,942,917	1,457.56	\$2,685.17
2001-2002	\$3,729,786	1,649.94	\$2,260.56
2002-2003	\$3,371,943	1,886.89	\$1,787.04
2003-2004	\$3,712,360	1,968.64	\$1,885.75
2004-2005	\$3,705,648	1,879.58	\$1,971.53

(1) Current Unrestricted Funds Only

source: OIE POISE report for FTSE



FEDERAL FINANCIAL ASSISTANCE INFORMATION

**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

November 30, 2005

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

Members of the Board:

We have audited the financial statements of Northeast Texas Community College and Northeast Texas Community College Foundation as of and for the year ended August 31, 2005, and have issued our report thereon dated November 30, 2005. 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 and *Uniform Grant Management Standards*.

Compliance

As part of obtaining reasonable assurance about whether Northeast Texas Community College and Northeast Texas Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards* or *Uniform Grant Management Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northeast Texas Community College and Northeast Texas Community College Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the administration of Northeast Texas Community College in a separate letter dated November 30, 2005.

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

A handwritten signature in black ink that reads "Wilf & Henderson, P.C." in a cursive script.

WILF & HENDERSON, P.C.
Certified Public Accountants

**Independent Auditors' Report on Compliance with
Requirements Applicable to each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133**

November 30, 2005

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

Members of the Board:

Compliance

We have audited the compliance of Northeast Texas Community College and Northeast Texas Community College Foundation with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2005. Northeast Texas Community College and Northeast Texas Community College Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northeast Texas Community College and Northeast Texas Community College Foundation's management. Our responsibility is to express an opinion on Northeast Texas Community College and Northeast Texas Community College Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Texas Community College and Northeast Texas Community College Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Northeast Texas Community College and Northeast Texas Community College Foundation's compliance with those requirements.

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2005.

Internal Control over Compliance

The management of Northeast Texas Community College and Northeast Texas Community College Foundation Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northeast Texas Community College and Northeast Texas Community College Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations we consider to be material weaknesses.

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



WILF & HENDERSON, P. C.
Certified Public Accountants

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE G
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2005
Page 1 of 2

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantors Number	Pass Through Disbursements and Expenditures
U.S. Department of Education			
Direct Programs:			
Federal Supplemental Educational Opportunity Grants Title III	* 84.007A 84.031A		\$ 38,814 478,467
Federal Work-Study Program Gear Up	* 84.033A 84.334A		79,985 363,299
TRIO - Upward Bound STEP	84.047A 84.215	(A)	209,933 277,698
Federal Pell Grant Program	* 84.063P		2,960,994
Passed Through			
Texas Higher Education Coordinating Board Vocational Education - Allocated	84.048	44234	220,889
Vocational Education- Teacher Excellence Vocational Education-Tech Prep	84.048 84.243		23,067 8,094
Upper East Texas Tech Prep If I Had a Hammer	84.243		7,716
Texas Education Agency Adult Basic Education EL Civics	84.002A 84.002A		170,026 104,427
Total U.S. Department of Education			<u>4,943,409</u>
U.S. Department of Labor			
Pass Through From East Texas Workforce Board SAFE	17.255		11,274
Pass Through From Texas Education Commission WIA Youth Pass	17.259		78,653
Pass Through From Texas Workforce Commission First Generation College Student	17.267		70,618
Pass Through From Texas Higher Education Coordinating Board First Generation College Student	17.267		20,465
Project Unite G-Force	17.267 17.267		25,000 10,000
Go Center First Generation Equipment	17.267 17.269		1,275 68,996
Total U.S. Department of Labor			<u>286,281</u>
Federal Maritime Commission			
Pass Through From East Texas Council of Governments	33.558		<u>51,972</u>
National Endowment for the Arts			
Pass - Through From Texas Commissions on the Arts Promotion of the Arts	45.025		<u>2,877</u>
National Science Foundation	47.076		<u>45,868</u>
U. S. Small Business Administration			
Small Business Development Center	59.037		<u>60,259</u>
U.S. Department of Health and Human Services			
Pass - Through From Texas Education Agency Temporary Assist to Needy Families	93.558		32,738
Temporary Assist to Needy Families MCP Grant	* 93.558 93.616	(A) (A)	164,569 91,731
Total U.S. Department of Health and Human Services			<u>289,038</u>
Total Federal Financial Assistance			<u>\$ 5,679,704</u>

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2005
 Page 2 of 2

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - Per Schedule A - College	\$ 5,101,887
Add: Cost of Capital Asset Acquisitions	43,818
Federal Grants and Contracts Revenue - Foundation	<u>533,999</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 5,679,704</u></u>

Note 2: Significant Accounting Policies

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

* Major Program

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

See independent auditors' report.

**NORTHEAST TEXAS COMMUNITY COLLEGE
 FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED AUGUST 31, 2005**

A: Summary of Audit Results

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

The programs tested as major programs include:

Student Financial Aid

Federal Supplemental Educational Opportunity Grants	CFDA # 84.007A
Federal Work-Study Program	CFDA # 84.033A
Federal Pell Grant Program	CFDA # 84.063P

Communities in Schools CFDA # 93.558

Dollar threshold used to distinguish between

Type A and B programs: \$ 300,000

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

B: Findings - Financial Statements Audit

None

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

None

***NORTHEAST TEXAS COMMUNITY COLLEGE
FEDERAL SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2005***

Prior year audit disclosed no findings or questioned costs.

STATE FINANCIAL ASSISTANCE INFORMATION

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

November 30, 2005

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

Members of the Board:

Compliance

We have audited the compliance of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. with the types of compliance requirements described in the *Uniform Grant Management Standards* issued by the State of Texas that are applicable to each of its major state programs for the year ended August 31, 2005. Northeast Texas Community College and Northeast Community College Foundation, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying state grants schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s management. Our responsibility is to express an opinion on Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance based on our audit.

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 *Uniform Grant Management Standards*. Those standards and the State of Texas *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s compliance with those requirements.

In our opinion, Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended August 31, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with *Uniform Grant Management Standards*.

Internal Control over Compliance

The management of Northeast Texas Community College and Northeast Texas Community College Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Northeast Texas Community College and Northeast Texas Community College Foundation, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations we consider to be material weaknesses.

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



WILF & HENDERSON, P. C.
Certified Public Accountants

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE H
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2005
Page 1 of 2

<u>Grantor/Program/Title</u>	<u>Grant Contract Number</u>	<u>Pass Through Disbursements and Expenditures</u>
Texas Workforce Commission TWC #0704SDF000		\$ 199,399
Total Texas Workforce Commission		199,399
Texas Education Agency Adult Basis Education	4010001321080028	23,525
Temporary Assist to Needy Families		4,321
State Engineering & Science Recruitment Fund (SENSR)	40220017110001	35,736
Communities in School	*	506,620
Total Texas Education Agency	(A)	570,202
U.S. Small Business Administration SBDC State		31,989
Texas Department of Criminal Justice Catalyst		7,325
Texas Higher Education Coordinating Board SLEAP		985
Texas Grant Program	N/A	150,952
Texas Grant II	N/A	67,980
Total Texas Higher Education Coordinating Board		219,917
TPEG		55,849
Texas College Workstudy		13,111
Texas Guarantee Student Loan Corporation		11,025
Virtual College of Texas		2,369
Total State Financial Assistance		\$ 1,111,186

* - Major Program

NORTHEAST TEXAS COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2005
 Page 2 of 2

Note 1: Significant Accounting Policies

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

Note 2: State Financial Assistance Reconciliation

	<u>Expenditures</u>
State Grants and Contracts - College per Schedule A	\$ 604,566
State Grants and Contracts - - Foundation	<u>506,620</u>
Total State Financial Assistance	\$ <u>1,111,186</u>

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

See independent auditors' report.

**NORTHEAST TEXAS COMMUNITY COLLEGE
STATE GRANTS SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2005**

A: Summary of Audit Results

Financial Statements

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

Internal control over financial reporting:

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

State Awards

Internal control over major programs:

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

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

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

The programs tested as major programs include:

Communities in School Grant contract number

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

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

B: Findings - Financial Statements Audit

None

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

None

***NORTHEAST TEXAS COMMUNITY COLLEGE
STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2005***

There was no prior year findings.