

TRINITY VALLEY COMMUNITY COLLEGE  
ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED AUGUST 31, 2017

TRINITY VALLEY COMMUNITY COLLEGE  
Annual Financial Report for  
the Year Ended August 31, 2017

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TRINITY VALLEY COMMUNITY COLLEGE  
ORGANIZATIONAL DATA  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

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**Board of Trustees**

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**Officers**

Ray Raymond	President
Paula Kimball	Vice President
Kenneth McGee	Secretary

**Members**

		<u>Term Expires</u> <u>April 30,</u>
Ron Day	Mabank, Texas	2018
Steve Grant	Athens, Texas	2020
Paula Kimball	Seven Points, Texas	2018
Kenneth McGee	Athens, Texas	2020
David Monk	Chandler, Texas	2018
Homer L. Norville	Kaufman, Texas	2022
Ray Raymond	Kaufman, Texas	2020
Dr. Charles Risinger	Terrell, Texas	2022
Jerry Stone	Malakoff, Texas	2022

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**Principal Administrative Officers**

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Dr. Jerry King	President
Dr. Kristen Bennett	Vice-President of Institutional Advancement
Brett Daniel	Vice-President of Information Technology
Dr. Jay Kinzer	Vice-President of Student Services
Dr. Wendy Elmore	Vice-President of Instruction
Jean McSpadden, CPA	Vice-President of Administrative Services and Chief Financial Officer
David Graem	Associate Vice-President of Facilities Management
Dr. Colette Hilliard	Associate Vice-President of Enrollment Management
Dr. Sam Hurley	Associate Vice-President of Correctional Education
David McAnally	Associate Vice-President of Workforce Education
Kristin Spizzirri	Associate Vice-President of Academic Affairs
Dr. Algia Allen	Provost of Terrell Campus
Dr. Helen Reid	Provost of Health Occupations
Dr. Jeffrey Watson	Provost of Palestine Campus
Courtney Walker	Director of Accounting Services and Controller

**SMITH, LAMBRIGHT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA  
J. W. Lambright, CPA  

---

Cheri E. Kirkland, CPA  
David N. Hopkins, CPA

P. O. Box 912  
505 E. Tyler  
Athens, Texas 75751  
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**Unmodified Opinions on the Basic Financial Statements  
Accompanied by Required Supplementary Information and Other Information**

**Independent Auditor's Report**

The Board of Trustees  
Trinity Valley Community College  
Athens, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Trinity Valley Community College (TVCC), as of and for the years ended August 31, 2017 and August 31, 2016, and the related notes to the financial statements, which collectively comprise TVCC's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Trinity Valley Community College as of August 31, 2017 and August 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TVCC's basic financial statements. The introductory sections, Schedule of College Proportionate Share of the Net Pension Liability - TRS, Schedule of College Contributions - TRS, required supplemental information, and Schedules of Expenditures of Federal and State Awards as required by *by Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost, Cost Principals and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The Schedules of College Proportionate Share of the Net Pension Liability - TRS, College Contributions - TRS, supplemental schedules and expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information, Schedule of College Proportionate Share of the Net Pension Liability - TRS, Schedule of College Contributions - TRS, and other required statements and the Schedules of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of TVCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TVCC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TVCC's internal control over financial reporting and compliance

Respectively submitted,

A handwritten signature in cursive script that reads "Smith, Lambright & Associates, P.C.".

SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants  
Athens, Texas

December 11, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Trinity Valley Community College's financial statements provides an overview of the College's financial activities for the year ending August 31, 2017. Please read it in conjunction with the independent auditor's reports, the College's basic financial statements, footnotes, and schedules.

Trinity Valley Community College is a comprehensive community college providing both credit and non-credit courses. Courses are taught at the Athens campus, Palestine campus, Palestine Workforce Education Center, Terrell campus, Kaufman Health Science Center, Texas Department of Criminal Justice, area high schools and through distance education. In order to maintain financial stability, the College strives to have adequate revenue streams and growth in net position to accomplish its mission.

### USING THIS REPORT

The annual financial report is presented in two sections: organizational data and financial data. The organizational section includes the College's Board of Trustees and principal officers. The financial section includes the independent auditor's report, this management's discussion and analysis, the financial statements, notes to the financial statements, other auditor reports, and schedules.

### FINANCIAL INFORMATION

There are three basic financial statements in this report. The financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College, and assist the reader in assessing the College's financial health. The basic financial statements are:

- The Statement of Net Position,
- The Statement of Revenues, Expenses, and Changes in Net Position, and
- The Statement of Cash Flows.

The results presented on these statements differ from the results presented on the College's internal financial reports in some areas due to accounting reclassifications required in order to meet external reporting requirements as promulgated by generally accepted accounting principles (GAAP) and governmental accounting standards (GASBs).

#### **The Statement of Net Position**

The Statement of Net Position (SONP) includes all assets, liabilities, deferred outflows, and deferred inflows and is presented as Exhibit 1 on page 16. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is received or paid. This statement reflects the status of the College's financial resources after the revenues and expenses have been recorded for the year.

The College's net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) is one indicator of the College's financial health. Over time, increases or decreases in net position is one indicator of the improvement or deterioration of the College's financial health. Of course, other non-financial data such as enrollment levels and condition of facilities should also be considered in this assessment.

As shown on the SONP, net position is \$48,993,700 at August 31, 2017, an increase of \$7,680,456 over net position at August 21, 2016. Presented on the following page is a condensed SONP showing fiscal years 2017 and 2016 for comparative purposes.



**Statement of Net Position**  
**Fiscal Year Ended August 31**  
**(Condensed, \$000)**

	2017	2016	Change
<b>Assets</b>			
Cash and Cash Equivalents, Unrestricted	\$ 15,309	\$ 5,672	\$ 9,637
Cash and Cash Equivalents, Restricted	776	342	434
Investments, Unrestricted	-	5,973	(5,973)
Capital Assets, Net	40,367	34,955	5,412
Other Assets	3,250	3,711	(461)
<b>Total Assets</b>	<b>\$ 59,702</b>	<b>\$ 50,653</b>	<b>\$ 9,049</b>
<b>Deferred Outflows of Resources</b>	\$ 3,977	\$ 2,546	\$ 1,431
<b>Liabilities</b>			
Current Liabilities	\$ 2,790	\$ 2,703	87
Long Term Liabilities	\$ 7,968	\$ 6,996	972
<b>Total Liabilities</b>	<b>\$ 10,758</b>	<b>\$ 9,699</b>	<b>\$ 1,059</b>
<b>Deferred Inflows of Resources</b>	\$ 3,927	\$ 2,188	1,739
<b>Net Position</b>			
Invested in Capital Assets, Net of Debt	\$ 38,514	\$ 34,438	4,076
Unrestricted *	10,480	6,875	3,605
<b>Total Net Position *</b>	<b>\$ 48,994</b>	<b>\$ 41,313</b>	<b>7,681</b>

**The Statement of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) presents the revenues earned and expenses incurred during the year and is presented as Exhibit 2 on page 18. The activities of the College are classified as either operating or non-operating.

GASB 33, 34, and 35 accounting requirements define *operating* and *non-operating* revenues for public colleges. Operating revenues are activities that generate income that result from “exchange transactions”, i.e., payments received for the college’s services. Under this definition, although they are budgeted for operational use, state appropriations and ad valorem tax revenues are considered non-operating revenue because these revenues do not meet the above mentioned definition for operating revenue, i.e., income resulting from “exchange transactions”. Similarly, current GASB interpretation advocates the classification of federal Title IV funds as non-operating revenue.

GASB 33, 34, and 35 also require the following treatment of revenues and capital expenditures:

- The reporting of tuition and fees and auxiliary (housing, food service and bookstore) revenue is *net of discounts*. Discounting is the practice of accepting less than the stated charge for tuition, fees, room, board and/or books in payment for the goods and services provided. Common terminology for methods of discounting are: “institutional scholarships” when self-funded by the institution, “waivers” and/or “exemptions” when state mandated, “financial aid” and “allowances”. Prior to GASB 34 and

35, reporting gross tuition and fee revenue, and reporting an offsetting expense as “scholarships and financial aid” was the generally acceptable accounting treatment for public colleges and universities. GASB 34 and 35 now require the reporting of scholarship/financial aid as a deduction (discount) from revenue; and

- The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statement as depreciation expense, which allocates the cost of an asset over its expected useful life.
- Due to the above accounting treatments and especially since state appropriations, ad valorem taxes and federal Title IV funds are three of the four primary sources of revenue (state appropriations, tuition and fees, federal funds and property taxes), it is typical to have an *operating loss* on the Statement of Revenues, Expenses, and Changes in Net Position. If state appropriations, property tax revenue, and federal Title IV funds are added to operating revenues, overall operating income will usually be positive as is the case this year.

Additional factors that affect the levels of revenues and expenses include:

Revenues:

- Enrollment levels directly affect tuition and fee revenues and auxiliary (housing, food service, and bookstore) sales, services and fee revenues.
- The State of Texas contributes a significant portion of the College revenues through state appropriations. Thus, the economic health and budget priorities of the State may directly affect revenues.
- The College derives a significant amount of grant and student financial aid from the Federal and State governments. Again, changes in their budget priorities may affect revenues.
- Increases or decreases in property tax valuations and property tax rates will affect tax revenues.
- Investment income is affected by changes in interest rates, the stock market, etc.

Expenses:

- Enrollment levels may directly affect expenses by increasing or decreasing the resources required to support the students.
- The implementation of new programs or additional services within the existing functional expense categories directly affects the level of services required and resources needed.
- Economic factors, such as changes in prices caused by inflation or changes in energy prices, will impact operating costs.

Note: In the SRECNP, the terminology “scholarships” used under operating expenses are monies paid directly to students and were not included as a “discount” against tuition, fees, room, board and book revenues. (See paragraph on tuition discounting above.) The majority of these monies are Federal Financial Aid that flow from the U.S. Department of Education through the College to the students for their own use after educational costs have been paid.

Total operating revenue was \$12,664,851, an increase of \$773,000 over prior year operating revenue of \$11,892,223. This increase was primarily due an increase in student tuition and fee rates and a slight increase in enrollment resulting in increased tuition and fee revenue of \$711,139.

Operating expenses totaled \$46,899,210, an increase of \$1,511,000 over the previous year which is primarily attributable to a salary expense increase of \$375,000 as a result of a modest raise for faculty and staff offset by employee headcount reductions due to attrition, and an increase in employee benefits expense of \$839,000. Net non-operating revenue, the majority of which is normally state appropriations, property tax revenue and federal Title IV funding, increased by \$7,268,398 compared to the previous year. This large increase is primarily attributable to revenue value ascribed to donated land and building assets associated with the Terrell hospital property estimated at \$5,658,000. Additionally, property tax rates and values went up resulting in increased net tax revenue of \$938,000 and state appropriations increased by \$285,000. Presented on the following page is a condensed SRECNP showing fiscal years 2017 and 2016 for comparative purposes.

**Statement of Revenues, Expenses, and Changes in Net Position**  
**Fiscal Year Ended August 31**  
**(Condensed, \$000)**

	2017	2016	Change
<b>Operating Revenues</b>			
Tuition and Fees - net	\$ 7,787	\$ 7,076	\$ 711
Federal Grants/Contracts	570	576	(6)
State Grants/Contracts	945	965	(20)
Local Grants/Contracts	-	-	-
Non-government Grants/Contracts	25	31	(6)
Sales and Services of Educational Activities	183	183	-
Auxiliary Enterprises - net	3,003	2,844	159
Other	152	217	(65)
<b>Total Operating Revenues</b>	<b>\$ 12,665</b>	<b>\$ 11,892</b>	<b>\$ 773</b>
<b>Operating Expenses</b>			
Instruction	\$ 17,220	\$ 16,396	\$ 824
Public Service	573	605	(32)
Academic Support	5,965	6,019	(54)
Student Services	4,159	4,081	78
Institutional Support	4,614	4,349	265
Operation and Maintenance of Plant	2,658	2,457	201
Scholarships and Fellowships	3,572	3,497	75
Auxiliary Enterprises	6,326	6,296	30
Depreciation	1,812	1,688	124
<b>Total Operating Expenses</b>	<b>\$ 46,899</b>	<b>\$ 45,388</b>	<b>\$ 1,511</b>
<b>Operating Income (Loss)</b>	<b>\$ (34,234)</b>	<b>\$ (33,496)</b>	<b>\$ (738)</b>
<b>Non-Operating Revenues (Expenses)</b>			
State Appropriations	\$ 14,081	\$ 13,796	\$ 285
Ad Valorem Taxes	13,135	12,143	992
Federal Non-op Revenue	9,315	9,295	20
Payments for Collection of Taxes	(354)	(299)	(55)
Gifts	428	105	323
Donated Land Value	5,658	-	5,658
Other Non-op Revenue	19	1	18
Investment Income	84	71	13
Reduction of Contractual Commitment	67	66	1
Issuance of Capital-related Debt	(4)	-	(4)
Loss on Disposal of Fixed Assets	(21)	(39)	18
<b>Net Non-Operating Revenues</b>	<b>\$ 42,408</b>	<b>\$ 35,139</b>	<b>\$ 7,269</b>
<b>Income Before Other Items</b>	<b>\$ 8,174</b>	<b>\$ 1,643</b>	<b>\$ 6,531</b>
<b>Extraordinary Item</b>			
Preconstruction Costs on Discontinued Project	\$ (493)	\$ -	(493)
<b>Change in Net Position</b>	<b>\$ 7,681</b>	<b>\$ 1,643</b>	<b>\$ 6,038</b>
Beginning Net Position	\$ 41,313	\$ 39,670	1,643
Prior Period Adjustment for GASB 68	-	-	-
Ending Net Position	<b>\$ 48,994</b>	<b>\$ 41,313</b>	<b>\$ 7,681</b>

## **Statement of Cash Flows**

Another way to assess the financial health of an institution is to analyze cash flow. The college's Statement of Cash Flows is presented as Exhibit 3 on page 20. Its primary purpose is to provide relevant information about actual cash receipts and cash payments during the period. It also helps users assess the institution's ability to generate future net cash flows, its ability to meet its obligations as they come due and whether or not there is a need for external financing.

Cash provided (used) by *operating activities* represents the difference in the incoming and outgoing cash for educational and administrative activities (primarily receipts for tuition and fees, auxiliary services, and grants and payments for salaries, goods and services and scholarships).

Cash provided by *non-capital financing activities* represent state appropriations, collections for local ad valorem taxes, federal Title IV funds and agency transactions.

Cash provided (used) in *capital and related financing activities* represent bond proceeds received and payments for acquisitions and construction of capitalized assets.

Cash provided (used) by *investing activities* may include proceeds from sales of investment instruments, receipts of interest and dividends, and purchases to acquire investment instruments.

For fiscal year 2017, there was more cash provided (inflow) than used (outflow) resulting in positive cash flow of \$4,098,905, an increase of \$2,203,560 compared to fiscal year 2016's positive cash flow of \$1,895,345. While there are many offsetting variables contributing to the increase in cash flow, the primary contributors are a \$1,000,415 increase in student receipts due to increase in tuition and fee rates and enrollment, and a \$1,067,045 increase in ad valorem tax receipts, year over year.

## **Capital Asset and Debt Administration**

### *Capital Assets*

At August 31, 2017, the College had \$40,367,143 invested in capital assets, net of accumulated depreciation of \$24,982,274. Refer to Note 7 in the Notes to the Financial Statements (page 26) for further details on the College's capital assets.

The College remains committed to maintaining adequate physical resources and information technology systems to support its mission. Major facilities investments made during fiscal year 2017 included purchase of the former Renaissance hospital in Terrell and purchase of the former armory and surrounding land adjacent to the Athens campus. The College is renovating the hospital and will be relocating the TVCC Health Science Center from Kaufman to Terrell, allowing expansion of workforce programs in the Kaufman facility. The armory and surrounding property will be renovated to create a fitness center for students, faculty and staff, and additional athletics practice facilities. Additionally, a software contract was executed in late 2017 to replace the college's 30+ year old administrative computing system.

### *Debt*

The college had \$125,000 in outstanding capital lease debt as of August 31, 2017.

Refer to Notes 8 through 13 in the Notes to the Financial Statements (pages 28 through 30) for additional information regarding debt.

## **TVCC Foundation**

The Trinity Valley Community College Foundation is a component unit as defined in GASB 39. The Foundation plays a key role in helping the college fulfill its mission primarily through the awarding of scholarships to TVCC students. Its overall goal is to strengthen endowments with the hope of providing some

type of scholarship for every deserving student who desires a college education at Trinity Valley Community College.

The Foundation's net position at fiscal year-end August 31, 2017 was \$4,330,388 an increase of \$269,000 compared to the previous year primarily due to favorable equity market conditions resulting in unrealized (i.e., paper) investment gains during the year and a higher level of giving from donors. The Foundation's Statement of Net Position and Statement of Activities are presented on pages 17 and 19 respectively. Endowment funds of the Foundation are under professional investment management.

### **FUTURE FINANCIAL AFFECTS**

Trinity Valley Community College strives to provide quality educational programs at an affordable cost. Through fiscally responsible leadership by the Board of Trustees and the College's administration, the College has generated continued growth in net position. The financial statements attest to its sound financial base and financial stability.

The Trinity Valley Community College mission statement reads:

*Trinity Valley Community College is a learning-centered college that provides quality academic, workforce, college preparatory, student support, and community service programs that prepare and empower students for success and promote and enhance life-long learning for all communities served.*

The Trinity Valley Community College's service area consists of 28 independent school districts covering Henderson, Anderson, Kaufman and Rains counties and part of Van Zandt and Hunt Counties. The area has experienced population growth among minority groups and the number of students in the service area identified as economically disadvantaged has risen over the years as well. Along with its open-door admissions policy, meeting the needs of this growing and changing population continues to be a challenge. The College must prepare students for transfer to a university, provide opportunities for students to obtain workforce skills, participate in non-credit courses and earn certificates and associates degrees. The College strives to provide programs which will enhance learning for all students.

Trinity Valley is committed to its mission. However, the ability to fulfill its mission is directly influenced by enrollment, state appropriations, and federal funding. The College will scrutinize potential avenues for additional revenue and will endeavor to keep operating costs at a minimum while striving to keep the price of education affordable for all students.

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EXHIBITS AND NOTES

TRINITY VALLEY COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
AUGUST 31, 2017 AND AUGUST 31, 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 15,309,348	\$ 5,671,820
Short-Term Investments	0	5,972,698
Accounts Receivable (Net)	2,723,605	3,015,306
Inventories	390,801	563,544
Prepaid Expenses	134,878	133,184
<b>Total Current Assets</b>	<b><u>18,558,632</u></b>	<b><u>15,356,552</u></b>
<b>Noncurrent Assets</b>		
Restricted Cash and Cash Equivalents	776,384	342,310
Capital Assets, (Net) (See Note)	40,367,142	34,954,583
<b>Total Noncurrent Assets</b>	<b><u>41,143,526</u></b>	<b><u>35,296,893</u></b>
<b>Total Assets</b>	<b><u>59,702,158</u></b>	<b><u>50,653,445</u></b>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows related to TRS	3,977,390	2,546,332
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	233,715	371,276
Accrued Compensable Absences - Current Portion	411,338	384,114
Funds Held for Others	327,800	318,940
Unearned Revenues	1,254,164	1,090,870
Deposits	408,060	471,186
Capital Lease Payable - Current Portion	25,000	0
Contractual Commitment - Current Portion	155,242	66,667
<b>Total Current Liabilities</b>	<b><u>2,815,319</u></b>	<b><u>2,703,053</u></b>
<b>Noncurrent Liabilities</b>		
Contractual Commitment	1,080,508	450,000
Capital Lease Payable	100,000	0
Net Pension Liability	6,762,598	6,545,512
<b>Total Noncurrent Liabilities</b>	<b><u>7,943,106</u></b>	<b><u>6,995,512</u></b>
<b>Total Liabilities</b>	<b><u>10,758,425</u></b>	<b><u>9,698,565</u></b>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows Related to TRS	3,927,423	2,187,968
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	38,513,470	34,437,916
Unrestricted	10,480,230	6,875,328
<b>Total Net Position (Schedule D)</b>	<b><u>\$ 48,993,700</u></b>	<b><u>\$ 41,313,244</u></b>

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

TRINITY VALLEY COMMUNITY COLLEGE  
DISCRETE COMPONENT UNIT  
TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION  
STATEMENT OF NET POSITION  
AUGUST 31, 2017 AND AUGUST 31, 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 372,785	\$ 599,845
Investments	3,955,639	3,455,753
Accounts Receivable - Current	0	3,644
Accrued Receivables	149	60
Capital Assets (Net)	<u>2,621</u>	<u>2,621</u>
<b>Total Assets</b>	<u><u>4,331,194</u></u>	<u><u>4,061,923</u></u>
<b>LIABILITIES</b>		
Accounts Payable	<u><u>807</u></u>	<u><u>400</u></u>
<b>NET POSITION</b>		
Invested in Capital Assets	2,621	2,621
Restricted for:		
Nonexpendable		
Student Aid	3,509,735	3,305,023
Expendable		
Student Aid	726,308	655,178
Capital Projects	32,186	31,372
Unrestricted	<u>59,538</u>	<u>67,329</u>
<b>Total Net Position</b>	<u><u>\$ 4,330,388</u></u>	<u><u>\$ 4,061,523</u></u>

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

TRINITY VALLEY COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Tuition and Fees (Net of Discounts of \$7,913,264 And \$7,554,430 respectively)	\$ 7,786,852	\$ 7,075,713
Federal Grants and Contracts	570,002	575,875
State Grants and Contracts	945,122	964,787
Non-government Grants and Contracts	25,118	31,515
Sales and Services of Educational Activities	182,999	182,114
Auxiliary Enterprises (Net of Discounts of \$2,569,358 And \$2,674,957 respectively)	3,003,319	2,844,742
General Operating Revenue	<u>151,439</u>	<u>217,477</u>
Total Operating Revenues (Schedule A)	<u>12,664,851</u>	<u>11,892,223</u>
<b>Operating Expenses</b>		
Instruction	17,219,741	16,396,041
Public Service	572,803	604,977
Academic Support	5,965,345	6,018,970
Student Services	4,159,387	4,080,781
Institutional Support	4,613,662	4,349,004
Operation and Maintenance of Plant	2,658,395	2,457,029
Scholarships and Fellowships	3,572,055	3,496,894
Auxiliary Enterprises	6,325,615	6,295,914
Depreciation	<u>1,812,207</u>	<u>1,688,440</u>
Total Operating Expenses (Schedule B)	<u>46,899,210</u>	<u>45,388,050</u>
<b>Operating Income (Loss)</b>	<u>(34,234,359)</u>	<u>(33,495,827)</u>
<b>Non-Operating Revenues (Expenses)</b>		
State Appropriations	14,080,831	13,796,060
Maintenance Ad Valorem Taxes	13,135,141	12,142,786
Federal Revenues, non-operating	9,315,451	9,294,703
Payments for Collection of Taxes	(353,939)	(299,241)
Gifts	427,503	105,513
Value of Donated Property	5,658,020	0
Other Non-operating Revenue	18,835	1,020
Investment Income	84,280	71,032
Reduction of Contractual Commitment	66,667	66,667
Interest on Capital Related Debt	(4,449)	0
Loss on Disposal of Fixed Assets	<u>(20,603)</u>	<u>(39,201)</u>
Net Non-Operating Revenues (Schedule C)	<u>42,407,737</u>	<u>35,139,339</u>
<b>Income Before Extraordinary Item</b>	<b>8,173,378</b>	<b>1,643,512</b>
<b>Extraordinary Item:</b>		
Preconstruction Costs on Discontinued Project	<u>(492,922)</u>	<u>0</u>
<b>Increase in Net Position</b>	<b>7,680,456</b>	<b>1,643,512</b>
<b>Net Position</b>		
Net Position - Beginning of Year	41,313,244	39,669,732
Net Position - End of Year	<u>\$ 48,993,700</u>	<u>\$ 41,313,244</u>

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

TRINITY VALLEY COMMUNITY COLLEGE  
DISCRETE COMPONENT UNIT  
TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016

	2017	2016
<b>REVENUES</b>		
Investment Income	\$ 55,256	\$ 59,494
Fund Raising Events (Net of Expense)	3,325	4,270
Gifts	154,405	123,895
Realized Gain on Sale of Securities	26,921	48,552
Unrealized Gain (Loss) on Sale of Securities	156,754	15,645
<b>Total Revenues</b>	<b>396,661</b>	<b>251,856</b>
 <b>EXPENSES</b>		
Scholarships	81,165	62,991
Contributions to TVCC and Affiliated Organizations	12,350	(268)
Administrative Expense	26,121	27,579
General Fundraising Expense	8,160	5,800
<b>Total Expenses</b>	<b>127,796</b>	<b>96,102</b>
Change in Net Position	268,865	155,754
Net Position at Beginning of Year	4,061,523	3,905,769
Net Position at End of Year	<b>\$ 4,330,388</b>	<b>\$ 4,061,523</b>

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

TRINITY VALLEY COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Students and Other Customers	\$ 19,352,091	\$ 18,351,676
Receipts of Grants and Contracts	1,469,686	1,743,069
Payments to Suppliers for Goods or Services	(11,078,999)	(10,989,542)
Payments to or on Behalf of Employees	(26,996,702)	(26,511,401)
Payments to Scholarships and Fellowships	(11,740,305)	(11,797,894)
Loans Issued to Students	(567,654)	(1,781,943)
Collection of Loans to Students	575,115	1,788,998
Other Receipts	18,124	47,029
Net Cash Provided (Used) by Operating Activities	<u>(28,968,644)</u>	<u>(29,150,008)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipts from State Appropriations	11,383,226	11,372,099
Receipts from Ad Valorem Taxes	13,129,779	12,062,734
Receipts from non-operating federal Revenue	9,542,340	9,260,215
Payment for Collections of Taxes	(353,939)	(299,561)
Receipts from Student Organizations and Other Agency Transactions	8,730,777	10,110,691
Payments to Student Organizations and Other Agency Transactions	(8,721,917)	(9,948,464)
Receipts from Non-Capital Grants/Contracts/Gifts	56,224	105,515
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>33,766,490</u>	<u>32,663,229</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchases of Capital Assets	(1,044,520)	(1,695,472)
Payments on Debt/Capital Leases	(129,449)	0
Capital Grants/Contracts/Gifts	371,280	0
Proceeds from Sale of Capital Assets	0	5,575
Insurance Proceeds on Capital Assets	18,835	1,020
Net Cash Provided (Used) by Capital Financing Activities	<u>(783,854)</u>	<u>(1,688,877)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	84,913	71,001
Net Cash Provided (Used) by Investing Activities	<u>84,913</u>	<u>71,001</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,098,905	1,895,345
CASH AND CASH EQUIVALENTS - September 1	<u>11,986,828</u>	<u>10,091,483</u>
CASH AND CASH EQUIVALENTS - August 31	<u>\$ 16,085,733</u>	<u>\$ 11,986,828</u>

TRINITY VALLEY COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS (Continued)  
FOR THE YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016

	<u>2017</u>	<u>2016</u>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (34,234,359)	\$ (33,495,827)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	1,812,207	1,688,440
Payments Made Directly by State for Benefits	2,272,965	2,130,014
Bad Debt Expense	397,365	301,047
Net Pension Expense Per GASB 68	525,483	33,178
Changes in Assets and Liabilities:		
Receivables, Net	96,815	180,529
Inventories	172,743	93,741
Prepaid Expenses	(1,694)	(9,257)
Accounts Payable	(137,561)	195,395
Deposits	(63,126)	131,022
Compensated Absences	27,224	188
Unearned Revenue	163,294	(398,478)
Net Cash Provided (Used) by Operating Activities	<u>\$ (28,968,644)</u>	<u>\$ (29,150,008)</u>

The Accompanying notes are an integral part to the financial statements.

## 1. REPORTING ENTITY

Trinity Valley Community College (TVCC) was established in 1946, in accordance with the laws of the State of Texas, to serve the educational needs of the Trinity Valley Community College District and the surrounding communities. TVCC is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. While TVCC 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This section provides a summary of TVCC's significant accounting activities and other topics related to TVCC's financial reporting.

### A. Reporting Guidelines

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

### B. Tuition Discounting

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

**Title IV, Higher Education Act Program Funds.** Certain Title IV HEA Program funds are received by TVCC to pass through to the student. These funds are initially received by TVCC and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

**Other tuition discounts.** TVCC 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 a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

### C. Basis of Accounting

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

### D. Budgetary Data

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

### E. Cash and Cash Equivalents

TVCC considers cash and cash equivalents as cash on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### F. Deferred Outflows

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

### G. 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. The governing board has designated public funds investment pools comprised of \$ -0- to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

### H. Inventories

Inventories consist of physical plant supplies, automotive fleet supplies, and bookstore stock. Inventories are valued at cost and are charged to expense as consumed.

### I. Capital assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, TVCC's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure as well as the cost of new buildings 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.

### J. Pensions

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

### K. Unearned Revenues

Tuition and fees of \$1,112,240, federal, state, and local grants of \$61,581 and auxiliary enterprises of \$80,343 have been reported by TVCC as unearned revenue at August 31, 2017.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### L. Deferred Inflows

In addition to liabilities, TVCC is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB.

### M. 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. Accordingly, actual results could differ from those estimates.

### N. Operating and Non-Operating Revenue and Expense Policy

TVCC distinguishes operating revenues and expenses from non-operating items. TVCC reports as a BTA and as a single proprietary fund. Operating revenues and expenses generally result from providing services in connection with TVCC's principal ongoing operations. The principal operating revenues are tuition, related fees and auxiliary enterprises. The major non-operating revenues are state appropriations, property tax collections, and federal Title IV Funds. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

### O. Prior Year Restatement

TVCC makes a prior year restatement, as necessary, in accordance with APB 20.

## 3. AUTHORIZED INVESTMENTS

Trinity Valley Community College is 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) obligation 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.

## 4. DEPOSITS AND INVESTMENTS

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

	<b>Cash Deposits</b>	
	<u>2017</u>	<u>2016</u>
Bank Deposits:		
Demand Deposits	<u>\$ 9,993,650</u>	<u>\$ 2,876,290</u>
Cash and Cash Equivalents:		
Petty Cash on Hand	5,148	5,375
Certificate of Deposits (90 days or less)	<u>6,086,934</u>	<u>0</u>
	<u>6,092,082</u>	<u>5,375</u>
Total Cash and Deposits	<u><u>\$ 16,085,732</u></u>	<u><u>\$ 2,881,665</u></u>

## 2. DEPOSITS AND INVESTMENTS (continued)

### Reconciliation of Deposits and Investments to Exhibit 1

<u>Type of Security</u>	<u>Market Value</u> <u>August 31, 2017</u>	<u>Market Value</u> <u>August 31, 2016</u>
U. S. Government	\$ 0	\$ 0
U. S. Instrumentality	0	0
Real Estate Investments	<u>0</u>	<u>0</u>
Totals	<u>\$ 0</u>	<u>\$ 0</u>
Total Cash and Deposits	16,085,732	2,881,665
Total Investments	<u>0</u>	<u>9,105,163</u>
Total Deposit and Investments	<u>16,085,732</u>	<u>11,986,828</u>
Cash and Temporary Investments (Exhibit 1)	16,085,732	6,014,130
Investments (Exhibit 1)	<u>0</u>	<u>5,972,698</u>
Total Deposits and Investments	<u>\$ 16,085,732</u>	<u>\$ 11,986,828</u>

TVCC has no investments exposed to interest rate, credit, concentration of credit, custodial or foreign currency risk. All deposits are either insured by federal deposit insurance or covered by collateral pledged in TVCC's name and held in the safekeeping departments of unrelated banks which act as the pledging bank's agents.

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

TVCC only has investments in short-term certificates of deposit and therefore the value of the instrument is the same as the amount on the certificate of deposit.

## 6. DERIVATIVES

TVCC had no derivatives at August 31, 2017.

## 7. CAPITAL ASSETS

### A. TVCC's Capital Assets

Capital assets activity for the year ended August 31, 2017 was as follows:

	Balance September 1, 2016	Increases	Decreases	Balance August 31, 2017
Not Depreciated:				
Land	\$ 1,158,469	\$ 1,429,300	\$	\$ 2,587,769
Construction in Progress	<u>655,478</u>	<u>523,769</u>	<u>550,289</u>	<u>628,958</u>
Subtotal	<u>1,813,947</u>	<u>1,953,069</u>	<u>550,289</u>	<u>3,216,727</u>
Buildings and Other Capital Assets:				
Leasehold Improvements	662,696	43,370		706,066
Buildings	42,992,953	5,458,004		48,450,957
Facilities & Improvements	2,588,772			2,588,772
Library Books	2,682,513	70,244	46,470	2,706,287
Furniture, Machinery, And Equipment	4,586,342	184,520		4,770,862
Telecommunications and Peripheral Equipment	<u>2,823,295</u>	<u>86,451</u>		<u>2,909,746</u>
Subtotal	<u>56,336,571</u>	<u>5,842,589</u>	<u>46,470</u>	<u>62,132,690</u>
Accumulated Depreciation:				
Leasehold Improvements	24,731	63,237		87,968
Buildings	14,798,233	1,002,224		15,800,457
Facilities & Improvements	1,622,565	112,250		1,734,815
Library Books	1,988,646	81,943	25,867	2,044,722
Furniture, Machinery, And Equipment	2,457,864	395,317		2,853,181
Telecommunications and Peripheral Equipment	<u>2,303,895</u>	<u>157,236</u>		<u>2,461,131</u>
Subtotal	<u>23,195,934</u>	<u>1,812,207</u>	<u>25,867</u>	<u>24,982,274</u>
Net Building & Other Capital Assets	<u>33,140,637</u>	<u>4,030,382</u>	<u>20,603</u>	<u>37,150,416</u>
Net Capital Assets	<u>\$ 34,954,584</u>	<u>\$ 5,983,451</u>	<u>\$ 570,892</u>	<u>\$ 40,367,143</u>

## 7. CAPITAL ASSETS (continued)

### B. TVCC's Capital Assets Comparative:

Capital assets activity for the year ended August 31, 2016 was as follows:

	Balance September 1, 2015	Increases	Decreases / Adjustments	Balance August 31, 2016
<u>Not Depreciated:</u>				
Land	\$ 1,158,469	\$	\$	\$ 1,158,469
Construction in Progress	<u>814,620</u>	<u>102,454</u>	<u>261,596</u>	<u>655,478</u>
Subtotal	<u>1,973,089</u>	<u>102,454</u>	<u>261,596</u>	<u>1,813,947</u>
Other Capital Assets:				
Leasehold Improvements	89,094	573,601		662,695
Buildings	42,542,809	612,968	162,823	42,992,954
Facilities & Improvements	2,646,794		58,022	2,588,772
Library Books	2,622,969	66,572	7,028	2,682,513
Furniture, Machinery And Equipment	4,408,594	270,177	92,429	4,586,342
Telecommunications and Peripheral Equipment	<u>2,491,999</u>	<u>331,296</u>		<u>2,823,295</u>
Subtotal	<u>54,802,259</u>	<u>1,854,614</u>	<u>320,302</u>	<u>56,336,571</u>
Accumulated Depreciation:				
Leasehold Improvements	7,053	17,678		24,731
Buildings	14,032,999	923,323	158,089	14,798,233
Facilities & Improvements	1,531,058	115,441	23,933	1,622,566
Library Books	1,907,775	84,687	3,816	1,988,646
Furniture, Machinery, And Equipment	2,160,953	386,599	89,688	2,457,864
Telecommunications and Peripheral Equipment	<u>2,143,183</u>	<u>160,711</u>		<u>2,303,894</u>
Subtotal	<u>21,783,021</u>	<u>1,688,439</u>	<u>275,526</u>	<u>23,195,934</u>
Net Other Capital Assets	<u>33,019,238</u>	<u>166,175</u>	<u>44,776</u>	<u>33,140,637</u>
Net Capital Assets	<u>\$ 34,992,327</u>	<u>\$ 268,629</u>	<u>\$ 306,372</u>	<u>\$ 34,954,584</u>

## 8. NONCURRENT LIABILITIES

### A. TVCC's Noncurrent Liabilities:

Noncurrent liability activity for the year ended August 31, 2017 was as follows:

	Balance September 1 2016	Additions	Reductions	Balance August 31 2017	Current Portion
Capital Lease Payable	\$ 0	\$ 250,000	\$ 125,000	\$ 125,000	\$ 25,000
Contractual Commitments	450,000	785,750	66,667	1,169,083	155,242
Net Pension Liability	<u>6,545,512</u>	<u>217,086</u>	<u>0</u>	<u>6,762,598</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 6,995,512</u>	<u>\$ 1,252,836</u>	<u>\$ 191,667</u>	<u>\$ 8,056,681</u>	<u>\$ 180,242</u>

### B. TVCC's Noncurrent Liabilities Comparative:

Noncurrent liability activity for the year ended August 31, 2016 was as follows:

	Balance September 1 2015	Additions	Reductions	Balance August 31 2016	Current Portion
Contractual Commitments	\$ 516,666	\$ 0	\$ 66,666	\$ 450,000	\$ 66,667
Net Pension Liability	<u>5,469,289</u>	<u>1,624,520</u>	<u>548,297</u>	<u>6,545,512</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 5,469,289</u>	<u>\$ 1,624,520</u>	<u>\$ 548,297</u>	<u>\$ 6,545,512</u>	<u>\$ 0</u>

## 9. DEBT AND LEASE OBLIGATIONS

TVCC had no debt service requirements for bonds at August 31, 2017.

Obligations under capital leases at August 31, 2017 were as follows:

Year Ended August 31,	Total
2018	\$ 25,000
2019	25,000
2020	25,000
2021	25,000
2022	25,000
Total lease payments	<u>\$ 125,000</u>

TVCC obligations under operating leases at August 31, 2017, were as follows:

Year Ended August 31	Total
2018	\$ 48,230
2019	48,230
2020	48,230
2021	48,231
2022	48,231
Total Minimum Lease Payments	<u>\$ 241,152</u>

In 2015, TVCC entered into a contract with its food service provider to install equipment and fixtures in the amount of \$650,000 with a provision that if the contract was terminated TVCC would repay the food services provider any unamortized balance as shown on the table below as FOOD SERVICE. In 2017, TVCC entered into two agreements for the purchase of real property. Both agreements included, as a component of the purchase price, a contractual commitment to provide scholarships over a future time period. The purchase of the Armory/City Park property from the City of Athens, Texas included a commitment of 10 scholarships per year for five years at an approximate value of \$100,000 as shown on the table below as ATHENS S'SHIPS. The purchase of the Terrell community hospital property from the City of Terrell, Texas included a commitment of 25 health science scholarships per year for ten years at an approximate value of \$685,750 as shown on the table below as TERRELL S'SHIPS.

Contingent obligations under contractual commitments at August 31, 2017 were as follows:

For the Year Ended August 31	ATHENS S'SHIPS	TERRELL S'SHIPS	FOOD SERVICE	
2018	\$ 20,000	\$ 68,575	\$ 66,667	\$ 155,242
2019	20,000	68,575	66,667	155,242
2020	20,000	68,575	66,666	155,241
2021	20,000	68,575	66,667	155,242
2022	20,000	68,575	66,667	155,242
2023		68,575	66,666	135,241
2024		68,575	50,000	118,575
2025		68,575		68,575
2026		68,575		68,575
2027		68,575		68,575
Total Contingent Contractual Payments	<u>\$ 100,000</u>	<u>\$ 685,750</u>	<u>\$ 450,000</u>	<u>\$ 1,235,750</u>

## 10. BONDS PAYABLE

TVCC had no bonds payable on August 31, 2017.

## 11. ADVANCE REFUNDING BONDS

TVCC had no refunding bonds on August 31, 2017.

## 12. DEFEASED BONDS OUTSTANDING

TVCC had no defeased bonds outstanding for the year ending August 31, 2017.

## 13. SHORT-TERM DEBT

TVCC had no short - term debt for the year ending August 31, 2017.

## 14. EMPLOYEE'S RETIREMENT PLAN

The State of Texas has joint contributory retirement plans for almost all its employees.

### A. Teacher Retirement System - Defined Benefit Pension Plan

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

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/TRS%20Documents/cafr 2016.pdf](http://www.trs.texas.gov/TRS%20Documents/cafr%202016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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



**14. EMPLOYEE'S RETIREMENT PLAN (Continued)**

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<b>Contribution Rates</b>		
	<b>2017</b>	<b>2016</b>
Member	7.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2016 Employer Contributions	\$ 568,571	
2016 Member Contributions	\$ 1,019,722	
2016 Measurement Year NECE On-behalf Contributions	\$ 429,300	

TVCC's contributors to the TRS pension plan in fiscal year 2017 were \$585,520 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for fiscal year 2017 were \$1,138,337.

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

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

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

#### 14. EMPLOYEE'S RETIREMENT PLAN (Continued)

**Actuarial Assumptions.** The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age, Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115 Projection period (100 years)	2115
Inflation	2.5%
Payroll Growth Rate	3.7%
Salary Increases Including Inflation	3.5% to 9.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

*\*If a municipal bond rate was to be used, the rate would be 2.84 percent as of August, 2016 (i.e. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.*

Actuarial methods and assumptions were updated based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. The most significant changes were related to the update of the post-retirement mortality rates based on the most recent TRS member experience and the decrease in the assumption for general wage inflation from 3.0% to 2.5%. Other changes to overall assumption and methods had a minor impact on the results of the actuarial valuation and the related pension liability.

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

**Discount Rate.** The discount rate used to measure the total pension liability was 8 percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in

#### 14. EMPLOYEE'S RETIREMENT PLAN (Continued)

which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

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

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

Source: Teacher Retirement System of Texas 2016 Comprehensive Annual Financial Report

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1 percent greater than the discount rate that was used (8%) in measuring the fiscal year 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability:	\$ 10,465,812	\$ 6,762,332	\$ 6,762,332

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2017, TVCC reported a liability of \$6,762,332 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to TVCC. The amount recognized by TVCC as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with TVCC were as follows:

14. EMPLOYEE'S RETIREMENT PLAN (Continued)

TVCC's Proportionate share of the collective net pension liability	\$ 6,762,332
State's proportionate share that is associated with TVCC	<u>5,095,729</u>
Total	<u>\$ 11,858,061</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At the measurement date of August 31, 2016 the employer's proportion of the collective net pension liability was 0.0178952%, which was an increase (decrease) of (0.0006218%) from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017 the employer recognized pension expense of \$528,815 and revenue of \$528,815 for support provided by the State. Refer to the 2017 Schedule of On-behalf Contributions for this information posted on the TRS website under GASB Statements 67 & 68.

At August 31, 2017, TVCC reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 106,032	\$ 201,919
Changes in actuarial assumptions	206,104	187,443
Difference between projected and actual investment earnings	572,621	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	0	619,603
Contributions paid to TRS subsequent to the measurement date	585,520	0
Total as of August 31, 2017	<u>\$ 1,470,277</u>	<u>\$ 1,008,965</u>

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

Year ended August 31,	Pension Expense Amount
2018	\$ (65,738)
2019	(65,738)
2020	299,507
2021	(93,798)
2022	(173,062)
Thereafter	(25,381)

## 14. EMPLOYEE'S RETIREMENT PLAN (Continued)

### B. Optional Retirement Plan - Defined Contribution Plan

**Plan Description.** Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

**Funding Policy.** Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are (6.6 percent) and (6.65 percent), respectively. TVCC contributes 1.9 percent for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting College.

The retirement expense to the State for TVCC was \$134,153 and \$142,395 for the fiscal years ended August 31, 2017 and 2016, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of TVCC.

The total payroll for all College employees was \$20,996,707 and \$20,690,150 for fiscal years 2017 and 2016, respectively. The total payroll of employees covered by the Teacher Retirement System was \$14,942,528 and \$14,259,928, and the total payroll of employees covered by the Optional Retirement Program was \$4,573,205 and \$5,202,660 for fiscal years 2017 and 2016, respectively.

## 15. DEFERRED COMPENSATION PROGRAM

TVCC employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.

TVCC acts as a withholding agent for the employee contracts with their individual plan. TVCC has no liability to the employee other than withholding from their salary check and remitting to their designated plan. For the year ended August 31, 2017 TVCC withheld and remitted \$203,174 for 32 employees. For the year ended August 31, 2016, TVCC withheld and remitted \$237,025 for 39 employees.

## 16. COMPENSABLE ABSENCES

Full-time non-faculty employees earn annual vacation leave of one day per month of employment during their first ten years of employment. After ten years of employment annual leave is earned at the rate of one and one-half days per month. This leave can accumulate up to one year. Nonexempt employees may receive compensatory time off, rather than overtime pay, for overtime work. Compensatory time may not accrue beyond a maximum of 75 hours and should be used within the duty year in which it is earned. Faculty employees are allowed two personal days per contract year. Personal days do not carry over to subsequent contract years, but effective with the contract year beginning September 1, 2009, are paid upon termination or separation of employment. Compensable absence balances have been recorded. TVCC recognized the accrued liability for unused annual vacation leave, compensatory time and personal days in the amounts of \$411,338 at August 31, 2017. TVCC recognized the accrued liability for the unused annual vacation leave and personal days in the amount of \$384,113 at August 31, 2016. Also, all full-time employees are granted sick leave at the rate of one day per month of service up to 45 days depending on length of employment. If this leave is not used for medical purposes, it lapses upon the retirement or resignation of the employee and the employee is not paid for it. Therefore, no accrued liability has been recorded for sick leave.

## 17. HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$617.30 per month for the year ended August 31, 2017, (\$576.54 per month for 2016) and totaled \$1,827,600 for August 31, 2017 (\$1,705,374 for the year ended August 31, 2016). The cost of providing those benefits for 139 retirees for the year ended August 31, 2017 was \$1,214,127 (retiree benefits for 127 retirees cost \$1,065,754 in August 31, 2016). For 294 active employees, the cost of providing benefits was \$2,736,783 for the year ended August 31, 2017 (active employee benefits for 297 employees cost \$2,683,430 for the year ended August 31, 2016). SB 1812, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

## 18. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

**Plan Description.** In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the state. TVCC contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit post-employment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

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

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

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

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

TVCC's contributions to SRHP for the years ended August 31, 2017, 2016 and 2015 were \$1,214,127, \$1,065,754 and \$924,600 respectively, which equaled the required contributions each year.

## 19. PENDING LAWSUITS AND CLAIMS

There were no pending lawsuits or claims as of the date of this report.

## 20. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

### Receivables

Receivables at August 31, 2017 and 2016, were as follows:

	2017		2016	
	Primary Institution	Component Unit (Foundation)	Primary Institution	Component Unit (Foundation)
Student Receivables	\$ 2,124,295	\$ 0	\$ 1,137,631	\$ 0
Taxes Receivable Local, State & Federal	1,014,720	0	1,949,222	0
Receivables	1,009,309	0	986,869	0
Interest Receivables	3,410	149	4,043	60
Other Receivables	1,682	0	460	3,645
Subtotal	4,153,416	149	4,078,225	3,705
Allowance for Doubtful Accounts	(1,429,811)	0	(1,062,922)	0
Total Receivables	<u>\$ 2,723,605</u>	<u>\$ 149</u>	<u>\$ 3,015,303</u>	<u>\$ 3,705</u>

### Payables

Payables at August 31, 2017 and 2016, were as follows:

	2017		2016	
	Primary Institution	Component Unit (Foundation)	Primary Institution	Component Unit (Foundation)
Vendors Payable	\$ 163,713	\$ 807	\$ 291,555	\$ 400
Sales Tax Payable	70,002	0	79,722	0
Total	<u>\$ 233,715</u>	<u>\$ 807</u>	<u>\$ 371,277</u>	<u>\$ 400</u>

## 21. FUNDS HELD IN TRUST BY OTHERS

There were no known funds held in trust by others on behalf of TVCC for the year ending August 31, 2017.

## 22. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA Industry audit and accounting guide *State and Local Governments*, 8.99). For Federal Contract and Grant Awards, funds expended but not collected are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not funded, and for which the institution has not yet performed services, are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards or funds awarded during fiscal years ended August 31, 2017 and 2016 for which monies have not been received nor funds expended totaled \$229,468 and \$287,512. Of these amounts, \$125,086 and \$85,832 were from Federal Contract and Grant Awards; \$104,383 and \$180,793 were from State Contract and Grant Awards; \$-0- and \$-0- were from Local Contract and Grant Awards; and \$0 and \$20,887 were from Private Contract and Grant Awards for the fiscal years ended August 31, 2017 and 2016, respectively.

### 23. SELF-INSURED PLANS

TVCC does not have any self-insured plans at August 31, 2017.

### 24. AD VALOREM TAX

TVCC's ad valorem property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real and business personal property located in the TVCC tax district. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

At August 31:

	<u>2017</u>	<u>2016</u>
Assessed Valuation of TVCC	\$ 12,793,791,034	\$ 12,600,737,392
Less: Exemptions & Abatements	<u>(1,601,062,593)</u>	<u>(1,582,046,033)</u>
Net Assessed Valuation of TVCC	<u>\$ 11,192,728,441</u>	<u>\$ 11,018,691,359</u>

	<u>2017</u>		<u>2016</u>	
	<u>Current Operations</u>	<u>Total</u>	<u>Current Operations</u>	<u>Total</u>
Authorized Tax Rate per \$100 valuation (Maximum Per Enabling Legislation)	\$ 0.50000	\$ 0.50000	\$ 0.50000	\$ 0.50000
Assessed Tax Rate per \$100 valuation	\$ 0.13567	\$ 0.13567	\$ 0.12674	\$ 0.126740
Assessed Tax Rate per \$100 Valuation for Branch Campus Maintenance	\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000

Taxes levied during the year ended August 31, 2017 and 2016 amounted to \$13,049,852 and \$12,023,110 respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	<u>2017</u>		<u>2016</u>	
	<u>Current Operations</u>	<u>Total</u>	<u>Current Operations</u>	<u>Total</u>
<b>Taxes Collected (Includes Maintenance Tax)</b>				
Current Taxes Collected	\$12,634,322	\$12,634,322	\$11,617,052	\$ 11,617,052
Delinquent Taxes Collected	283,935	283,935	261,517	261,517
Penalties and Interest Collected	<u>211,102</u>	<u>211,102</u>	<u>188,284</u>	<u>188,284</u>
<b>Total Gross Collections</b>	13,129,359	13,129,359	12,066,853	12,066,853
Tax Appraisal & Collection Fees	<u>342,120</u>	<u>342,120</u>	<u>288,047</u>	<u>288,047</u>
Total Collections	<u>\$12,787,239</u>	<u>\$12,787,239</u>	<u>\$11,778,806</u>	<u>\$ 11,778,806</u>

Tax collections for the year ended August 31, 2017 and 2016 were 97.2% and 96.9%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and/or operations.

TVCC participates in a tax increment financing district (TIF). The following table summarizes the obligations of TVCC's involvement in the TIF:

<u>TIF Title</u>	<u>Percentage of Incremental Tax Committed</u>	<u>Taxes Forgone in 2017</u>	<u>Taxes Forgone in 2016</u>
Reinvestment Zone No. 1, City of Chandler	95.0%	<u>2,928</u>	
Total Taxes Forgone		<u>\$ 2,928</u>	<u>\$ 0</u>



## 25. TAX ABATEMENTS

No material tax abatement agreements were in effect as of the date of this report based on forgone tax revenue as a percentage of total recorded tax revenue.

## 26. BRANCH CAMPUS MAINTENANCE TAX

A branch campus maintenance tax, which is established by election, is normally levied by a county or independent school district as applicable. However, due to an agreement between TVCC and the Palestine Independent School District, TVCC administers this tax which is levied on real and business personal property located in the Palestine Independent School District.

<u>County or Independent School College</u>	<u>Collections (including Penalties and Interest) 2017</u>	<u>Collections (including Penalties and Interest) 2016</u>
Palestine ISD	\$ 594,821*	\$ 599,865*

\* This amount included in the amount of the preceding notes.

## 27. INCOME TAXES

TVCC is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc. Unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. TVCC had no unrelated business income tax liability for the year ended August 31, 2017.

## 28. COMPONENT UNITS

The Trinity Valley Community College Foundation is a component unit under Governmental Accounting Standards Board Statement 39, Determining Whether Certain Organizations are Component Units, because:

- TVCC provides financial support to the foundation and the economic resources received or held by the foundation are entirely or almost entirely for the direct benefit of TVCC.
- TVCC is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the foundation; and
- the economic resources held by the foundation, to which TVCC is entitled or has the ability to otherwise access, are significant to TVCC.

Accordingly, the foundation financial statements are included in TVCC's annual report as a discrete component unit (See Table of Contents). Complete financial statements of the TVCC Foundation can be obtained from the administrative office of the TVCC Foundation Executive Director.

## 29. RELATED PARTIES

No notable related parties existed for the fiscal year ended August 31, 2017.

### **30. SUBSEQUENT EVENTS**

A. On October 26, 2017, TVCC issued a \$6 million, 5-year revenue bond to partially finance the renovation of the former community hospital in Terrell, Texas. The facility will be converted to the TVCC Health Science Center.

B. On November 28, 2017, TVCC entered into a contract with a software vendor to purchase an enterprise resource planning (ERP) system to replace the existing TVCC administrative computing system. TVCC expects to implement the ERP by December 31, 2019.

**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**

TRINITY VALLEY COMMUNITY COLLEGE  
SCHEDULE OF COLLEGE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's Proportion of the Net Pension Liability (Asset)	0.0178952%	0.0185170%	0.0204755%
College's Proportionate Share of Net Pension Liability (Asset)	\$ 6,762,332	\$ 6,545,513	\$ 5,469,289
State's Proportionate Share of the Net Pension Liability (Asset) associated with TVCC	<u>\$ 5,095,729</u>	<u>\$ 4,900,394</u>	<u>\$ 3,976,221</u>
Total	<u><u>\$ 11,858,061</u></u>	<u><u>\$ 11,445,907</u></u>	<u><u>\$ 9,445,510</u></u>
TVCC's Covered Payroll	\$ 14,168,817	\$ 13,665,170	\$ 12,723,591
TVCC's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	47.73%	46.20%	42.99%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.00%	78.43%	83.25%

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

TRINITY VALLEY COMMUNITY COLLEGE  
 SCHEDULE OF COLLEGE CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM  
 FOR YEAR ENDED AUGUST 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 585,520	\$ 568,571	\$ 548,297
Contributions in Relation to the Contractually Required Contribution	<u>\$ (585,520)</u>	<u>\$ (568,571)</u>	<u>\$ (548,297)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TVCC's Covered Employee Payroll	\$14,783,586	\$ 14,168,817	\$ 13,665,170
Contributions as a percentage of Covered Employee Payroll	3.96%	4.14%	4.01%

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

## **SCHEDULES**

TRINITY VALLEY COMMUNITY COLLEGE  
SCHEDULE OF OPERATING REVENUES  
FOR THE YEAR ENDED AUGUST 31, 2017  
(with Memorandum Totals for the Year Ended August 31, 2016)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2017 Total	2016 Total
<b>Tuition:</b>						
State Funded Credit Courses:						
In-College Resident Tuition	\$ 2,728,058	\$	\$ 2,728,058	\$	\$ 2,728,058	\$ 2,553,053
Out-of-College Resident Tuition	1,964,265		1,964,265		1,964,265	1,841,450
Non-resident Tuition	372,439		372,439		372,439	416,004
TPEG - Credit (Set Aside)*	308,904		308,904		308,904	289,553
State Funded Continuing Education	66,099		66,099		66,099	121,714
TPEG -Non- Credit (Set Aside)*	4,047		4,047		4,047	8,825
Non-State Funded Educational Programs	61,899		61,899		61,899	58,371
Total Tuition	<u>5,505,711</u>	<u>0</u>	<u>5,505,711</u>	<u>0</u>	<u>5,505,711</u>	<u>5,288,970</u>
<b>Fees:</b>						
General Fee	5,838,682		5,838,682		5,838,682	5,338,117
Out-of-College Fee	3,035,637		3,035,637		3,035,637	2,624,512
Laboratory Fee	616,154		616,154		616,154	542,679
Distance Learning Fee	567,764		567,764		567,764	498,845
Installment Plan Fee	7,699		7,699		7,699	
Non-Funded Course Fee	113,146		113,146		113,146	141,927
Other Fees	15,323		15,323		15,323	12,599
Total Fees	<u>10,194,405</u>	<u>0</u>	<u>10,194,405</u>	<u>0</u>	<u>10,194,405</u>	<u>9,158,679</u>
<b>Scholarship Allowances and Discounts:</b>						
Bad Debt Allowance	(236,077)		(236,077)		(236,077)	(196,832)
Scholarship Allowances	(1,200,924)		(1,200,924)		(1,200,924)	(1,122,953)
Remissions and Exemptions - State	(379,772)		(379,772)		(379,772)	(410,978)
Remissions and Exemptions - Local	(1,231,138)		(1,231,138)		(1,231,138)	(694,018)
TPEG Allowances	(252,396)		(252,396)		(252,396)	(304,336)
Federal Grants to Students	(4,598,805)		(4,598,805)		(4,598,805)	(4,594,055)
State Grants to Students	(14,152)		(14,152)		(14,152)	(48,764)
Total Scholarship Allowances	<u>(7,913,264)</u>	<u>0</u>	<u>(7,913,264)</u>	<u>0</u>	<u>(7,913,264)</u>	<u>(7,371,936)</u>
Total Net Tuition and Fees	<u>7,786,852</u>	<u>0</u>	<u>7,786,852</u>	<u>0</u>	<u>7,786,852</u>	<u>7,075,713</u>
<b>Additional Operating Revenues:</b>						
Federal Grants and Contracts	44,582	525,420	570,002		570,002	575,875
State Grants and Contracts		945,122	945,122		945,122	964,787
Non-Governmental Grants and Contracts	25,119		25,119		25,119	31,515
Sales and Services of Educational Activities	182,999		182,999		182,999	182,114
General Operating Revenues	151,439		151,439		151,439	217,477
Total Additional Operating Revenues	<u>404,139</u>	<u>1,470,542</u>	<u>1,874,681</u>	<u>0</u>	<u>1,874,681</u>	<u>1,971,768</u>
<b>Auxiliary Enterprises:</b>						
Residential Life				2,185,209	2,185,209	2,157,038
Less: Scholarship Allowances and Discounts				(959,453)	(959,453)	(1,057,840)
Less: Bad Debt Allowance				(9,517)	(9,517)	(8,424)
Bookstore				2,911,854	2,911,854	2,948,176
Less: Scholarship Allowances and Discounts				(1,126,664)	(1,126,664)	(1,219,616)
Less: Bad Debt Allowance				(42,817)	(42,817)	(43,036)
Athletics				21,591	21,591	43,554
Less: Bad Debt Allowance				(10,137)	(10,137)	0
Other Auxiliary Enterprises				33,252	33,252	24,890
Total Auxiliary Enterprises	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,003,318</u>	<u>3,003,318</u>	<u>2,844,742</u>
<b>Total Operating Revenues</b>	<u>\$ 8,190,991</u>	<u>\$ 1,470,542</u>	<u>\$ 9,661,533</u>	<u>\$ 3,003,318</u>	<u>\$ 12,664,851</u>	<u>\$ 11,892,223</u>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.033, \$312,951 and \$298,378, for years August 31, 2017 and August 31, 2016, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

TRINITY VALLEY COMMUNITY COLLEGE  
SCHEDULE OF OPERATING EXPENSES BY OBJECT  
FOR THE YEAR ENDED AUGUST 31, 2017  
(with Memorandum Totals for the Year Ended August 31, 2016)

	Operating Expenses			August 31, 2017 Total	August 31, 2016 Total	
	Salaries and Wages	Benefits State	Local			Other Expenses
Unrestricted - Educational Activities						
Instruction	\$ 11,119,261	\$	\$ 2,845,373	\$ 1,173,991	\$ 15,138,625	\$ 14,544,765
Public Service	204,604		74,853	27,977	307,434	351,882
Academic Support	2,940,131		853,956	1,681,058	5,475,145	5,569,868
Student Services	2,226,130		729,040	429,869	3,385,039	3,383,664
Institutional Support	2,435,704		776,680	989,409	4,201,793	3,940,668
Operation and Maintenance of Plant	486,794		324,856	1,825,214	2,636,864	2,346,895
Scholarships and Fellowships				3,819	3,819	3,195
Total Unrestricted Educational Activities	<u>19,412,624</u>	<u>0</u>	<u>5,604,758</u>	<u>6,131,337</u>	<u>31,148,719</u>	<u>30,140,937</u>
Restricted - Educational Activities						
Instruction	204,447	1,522,898	55,956	297,815	2,081,116	1,851,277
Public Service	156,695	31,331	50,316	27,029	265,371	253,095
Academic Support		475,492		14,708	490,200	449,101
Student Services	268,483	370,544	35,693	99,627	774,347	697,117
Institutional Support		409,962		1,907	411,869	408,336
Operation and Maintenance of Plant		21,531			21,531	20,134
Scholarship and Fellowship				3,568,236	3,568,236	3,493,699
Total Restricted Educational Activities	<u>629,625</u>	<u>2,831,758</u>	<u>141,965</u>	<u>4,009,322</u>	<u>7,612,670</u>	<u>7,172,759</u>
Total Educational Activities	20,042,249	2,831,758	5,746,723	10,140,659	38,761,389	37,403,696
Auxiliary Enterprises	1,102,967		502,646	4,720,001	6,325,614	6,295,914
Depreciation Expense - Building and Other Real Estate Improvements				1,244,377	1,244,377	1,056,443
Depreciation Expense - Equipment and Furniture				567,830	567,830	631,997
Total Operating Expenses	<u>\$ 21,145,216</u>	<u>\$ 2,831,758</u>	<u>\$ 6,249,369</u>	<u>\$ 16,672,867</u>	<u>\$ 46,899,210</u>	<u>\$ 45,388,050</u>
				(Exhibit 2)	(Exhibit 2)	



TRINITY VALLEY COMMUNITY COLLEGE  
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2017  
(with Memorandum Totals for the Year Ended August 31, 2016)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>NON-OPERATING REVENUES:</b>					
State Appropriations:					
Education and General State Support	\$ 11,247,855	\$	\$	\$ 11,247,855	\$ 11,228,444
State Group Insurance		1,827,600		1,827,600	1,705,374
State Retirement Matching		1,004,158		1,004,158	860,982
Other		1,218		1,218	1,260
		<u>2,832,976</u>		<u>14,080,831</u>	<u>13,796,060</u>
Total State Appropriations	11,247,855	2,832,976	0	14,080,831	13,796,060
Maintenance Ad Valorem Taxes	13,135,140			13,135,140	12,142,786
Federal Revenues, Non Operating		9,315,451		9,315,451	9,294,703
Gifts	386,546	40,958		427,504	105,513
Donation of Capital Assets	5,658,020			5,658,020	0
Reduction of Contractual Commitment	66,667			66,667	66,667
Other Income	18,835			18,835	1,020
Investment Income	84,280			84,280	71,032
		<u>12,189,385</u>		<u>42,786,728</u>	<u>35,477,781</u>
Total Non-Operating Revenues	30,597,343	12,189,385	0	42,786,728	35,477,781
<b>NON-OPERATING EXPENSES:</b>					
Payments for Collection of Taxes	353,939			353,939	299,241
Issuance Costs on Capital Related Debt	4,449			4,449	0
Loss on Disposal of Fixed Assets	20,603			20,603	39,201
		<u>0</u>		<u>378,991</u>	<u>338,442</u>
Total Non-Operating Expenses	378,991	0	0	378,991	338,442
<b>Net Non-Operating Revenues</b>	<u>\$ 30,218,352</u>	<u>\$ 12,189,385</u>	<u>\$ 0</u>	<u>\$ 42,407,737</u>	<u>\$ 35,139,339</u>
				(Exhibit 2)	(Exhibit 2)

TRINITY VALLEY COMMUNITY COLLEGE  
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
AUGUST 31, 2017

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Available for Current Operations	
		Expendable	Non-Expendable			Yes	No
Current:							
Unrestricted	\$ (417,763)			\$ (417,763)	\$ (417,763)		
Board Designated	11,086,314			11,086,314			11,086,314
Restricted				0			
Auxiliary Enterprise				0			
Loan	(188,321)			(188,321)	(188,321)		
Investment in Plant				38,513,470	38,513,470		38,513,470
Total Net Position, August 31, 2017	10,480,230	0	0	38,513,470	48,993,700	(606,084)	49,599,784
Total Net Position, August 31, 2016	6,875,328			34,437,916	41,313,244	3,525	41,309,719
					(Exhibit 1)		
Net Increase (Decrease) in Net Position	\$ 3,604,902	\$ 0	\$ 0	\$ 4,075,554	\$ 7,680,456	\$ (609,609)	\$ 8,290,065
					(Exhibit 2)		

TRINITY VALLEY COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Federal Grantor/Cluster/Program Title/Pass-Through Grantor Pass-Through Grantor's Award Number	CFDA Number	Expenditures		Total
		Direct Awards	Pass-Through Awards	
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	\$ 142,811	\$	142,811
Federal Work-Study Programs	84.033	147,335		147,335
Federal Pell Grant Programs	84.063	9,025,305		9,025,305
Federal Direct Student Loans	84.268	7,139,673		7,139,673
		<u>16,455,124</u>		<u>16,455,124</u>
Total Student Financial Assistance Cluster				
Pass Through From:				
Texas Workforce Commission to Literacy Council of Tyler East Texas Consortium:				
Adult Basic Education--Basic Grants to States 0816AEL002	84.002A		115,868	115,868
Texas Higher Education Coordinating Board				
Carl Perkins Career and Technical Education Basic Grants 17691	84.048		<u>308,863</u>	<u>308,863</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>16,455,124</b>	<b>424,731</b>	<b>16,879,855</b>
<b>U. S. SMALL BUSINESS ADMINISTRATION</b>				
Pass-Through From:				
Community College District--Business Development Center SBAHQ-16-B-004 and SBAQ-17-B-002				
	59.037		<u>65,705</u>	<u>65,705</u>
<b>TOTAL U. S. SMALL BUSINESS ADMINISTRATION</b>			<b>65,705</b>	<b>65,705</b>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Pass-Through From:				
Texas Workforce Commission to Literacy Council of Tyler East Texas Consortium				
Adult Basic Education - TANF				
01816AEL002	93.558		11,314	11,314
Workforce Solutions East Texas to ETCOG				
Adult Basic Education - TANF				
TVCC-TANF-PY15-01 and TVCC-TANF-PY16-01	93.558		21,149	21,149
Texas Workforce Commission				
Childcare Local Match Agreement (Workforce Solutions East Texas Board)				
04161C63	93.596		<u>1,832</u>	<u>1,832</u>
<b>TOTAL U. S. DEPARTMENT HEALTH AND HUMAN SERVICES</b>			<b>34,295</b>	<b>34,295</b>
<b>U. S. DEPARTMENT OF JUSTICE</b>				
Direct Program:				
Bureau Of Justice Assistance				
Bulletproof Vest Partnerships				
2015BUBX15080211	16.607	<u>689</u>		<u>689</u>
<b>TOTAL U. S. DEPARTMENT OF JUSTICE</b>		<b>689</b>		<b>689</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 16,455,813</b>	<b>\$ 524,731</b>	<b>\$ 16,980,544</b>

See auditor's reports and notes. The notes to this schedule are on the following pages.

TRINITY VALLEY COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Note 1: Federal Assistance Reconciliation

Federal Grants Revenue - Per Schedule A	\$ 570,002
Federal Grants Revenue - Per Schedule C	9,315,451
Administration	(44,582)
Federal Direct Loans	<u>7,139,673</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 16,980,544</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis. See notes to the financial statements for Trinity Valley Community College's significant accounting policies.

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

Note 3: Expenditures from Federal Funds Not Subject to A-133 Audit (Single Audit)

None

Note 4: Student Loans Processed and Administrative Costs Recovered

None

Note 5: Amounts Passed Through to Others

None

Note 6: Non-monetary Assistance

None

TRINITY VALLEY COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Grantor Agency / Program Title	Grant Contract Number	State Expenditures
<b>TEXAS HIGHER EDUCATION COORDINATING BOARD</b>		
Nursing & Allied Health - Building Simulation and Skills Lab Capacity		\$ 155,471
Texas College Work Study		36,011
Texas Educational Opportunity Grant		492,209
Texas Grant Allocation		1,200
Certified Educational Aide Program		<u>1,477</u>
<b>TOTAL HIGHER EDUCATION COORDINATING BOARD</b>		<b>\$ 686,368</b>
<b>TEXAS WORKFORCE COMMISSION</b>		
Pass - Through Programs From:		
TWC to Literacy Council of Tyler to East Texas Consortium		
State Adult Education	0816AEL002	82,454
Total Pass-Through Programs		
Accelerate Texas	08116AEL000	<u>52,271</u>
<b>TOTAL TEXAS WORKFORCE COMMISSION</b>		<b>\$ 134,725</b>
<b>TEXAS SMALL BUSINESS ADMINISTRATION</b>		
Pass - Through Programs From:		
Dallas County Community College Small Development Center	SBAHQ-16-B-004	14,749
Dallas County Community College Small Development Center	SBAHQ-17-B-002	102,742
Dallas County Community College Small Development Center	Carryforward	<u>6,539</u>
<b>TOTAL TEXAS SMALL BUSINESS ADMINISTRATION</b>		<b>\$ 124,029</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE EXPENDITURES</b>		<b><u>\$ 945,122</u></b>

See auditor's reports and notes. The notes to this schedule are on the following page.

TRINITY VALLEY COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Note 1: State Assistance Reconciliation

State Grants Revenues - Per Schedule A Administration	\$ 945,122 <u>0</u>
Total per Schedule of Expenditures of State Awards	<u>\$ 945,122</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis. See notes to the financial statements for Trinity Valley Community College's significant account policies.

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

**OTHER REPORTS**

**SMITH, LAMBRIGHT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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J. W. Lambright, CPA  

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**Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on  
Compliance and Other Matters Required by *Governmental Auditing Standards***

**Independent Auditor's Report**

The Board of Trustees  
Trinity Valley Community College  
100 Cardinal Drive  
Athens, Texas 75751

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of TVCC as of and for the year ended August 31, 2017 and the related notes to the financial statements, which collectively comprise TVCC's basic financial statements, and have issued our report thereon dated December 11, 2017.

**Internal Control Over Financial Reporting**

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

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

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



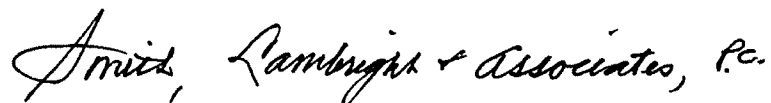
## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants  
Athens, Texas

December 11, 2017

**SMITH, LAMBRIGHT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Report on Independent Certified Public Accountants on Compliance for Each Major Federal Program and State Program and on Internal Control Over Compliance Required by OMB Uniform Grant Guidance and the State of Texas Single Audit Circular**

**Independent Auditor's Report**

The Board of Trustees  
Trinity Valley Community College  
100 Cardinal Drive  
Athens, Texas 75751

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

We have audited College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *State of Texas Single Audit Circular* that could have a direct and material effect on each of TVCC's major federal and state programs for the year ended August 31, 2017. TVCC's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of TVCC's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *State of Texas Single Audit Circular*. Those standards and the Uniform Guidance and *State of Texas Single Audit Circular* 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 or state program occurred. An audit includes examining, on a test basis, evidence about TVCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal or state program. However, our audit does not provide a legal determination on TVCC's compliance.

**Opinion on Each Major Federal Program**

In our opinion, TVCC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2017.

## Report on Internal Control Over Compliance

The management of TVCC is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered TVCC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TVCC's internal control over compliance.

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

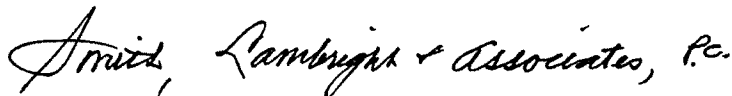
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of TVCC as of and for the year ended August 31, 2017, and have issued our report thereon dated December 11, 2017 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis as required by the Uniform Guidance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants  
Athens, Texas

December 11, 2017

TRINITY VALLEY COMMUNITY COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2017

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unqualified  
 Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency (ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards and State Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or State of Texas Single Audit Circular? \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal or State Program or Cluster</u>
84.007; 84.033; 84.063; 84.268 84.048	Student Financial Aid - Cluster Career and Technical Education

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

College Contact Person: Jean McSpadden, CPA  
 Vice President of Administrative Services and CFO

TRINITY VALLEY COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The audit disclosed no finding required to be reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS / TEXAS AWARD FINDINGS  
AND QUESTIONED COSTS**

The audit disclosed no finding required to be reported.

SMITH, LAMBRIGHT & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA  
J. W. Lambright, CPA  

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Cheri E. Kirkland, CPA  
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REPORT ON COMPLIANCE WITH PROVISIONS OF  
THE PUBLIC FUNDS INVESTMENT ACT

The Board of Trustees  
Trinity Valley Community College  
100 Cardinal Drive  
Athens, Texas 75751

Members of the Board:

We have completed our audit of the Trinity Valley Community College for the year ended August 31, 2017. During the course of our audit, we noted that you have an investment policy which complies with the Public Funds Investment Act (Act). This compliance report is in response to the provisions of Chapter 2256.005 (m) of the Act.

We reviewed your investment policy, the monthly reports and other provisions of the policy including the types of investments you made during the year under audit. We noted no matters of noncompliance with the Act, lack of adherence to TVCC's investment policy, internal control weaknesses over the investment function or any other investment issues during the audit.

Please see the following schedule that is a schedule of portfolio composition as of August 31, 2017, which is part of this compliance report.

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants  
Athens, Texas

December 11, 2017

Trinity Valley Community College  
 Portfolio Composition as of August 31, 2017

Investment Type	Book Value August 31, 2017	Market Value August 31, 2017
Savings Account(s) in Financial Institutions		
Certificates of Deposit	\$ 6,086,934	\$ 6,086,934
Repurchase Agreements		
Bankers Acceptances		
Commercial Paper		
Money Market Funds		
No-Load Mutual Fund		
Investment Pool (s): (1)  <i>Constant Net Asset Value</i>  _____ (Name of investment pool)  _____ (Name of investment pool)  <i>Variable Net Asset Value</i>  _____ (Name of investment pool)  _____ (Name of investment pool)		
U.S. Government Securities: Long-term Short-term		
U.S. Government Securities: Long-term Short-term		

(1) An investment pool with a constant net asset value (market value/book value) means that money is deposited and withdrawn at a stable price of \$1.00 per share. In a variable net asset value pool, the share price fluctuates with the market value of the pool's portfolio.