TEXARKANA COLLEGE
TEXARKANA, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED
AUGUST 31, 2018 AND 2017

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

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ORGANIZATIONAL DATA

TEXARKANA COLLEGE
ORGANIZATIONAL DATA
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Board of Trustees

Officers

Kyle Davis	President
Kaye Ellison	Vice President
Jane Daines	Secretary

Members

		Term Expires December 31
Ernie Cochran	Texarkana, Texas	2024
Anne Farris	Texarkana, Texas	2024
George Moore	Texarkana, Texas	2020
Derrick McGary	Texarkana, Texas	2022

Key Officers

James Henry Russell	President
Kimberly Jones	Vice President of Finance/ Chief Financial Officer
Donna McDaniel	Vice President of Instruction
Mike Dumdei	Vice President of Information Technology
Phyllis Deese	Vice President of Administrative Services
Katie Andrus	Executive Director – Development/Foundation
Mindy Preston	Executive Director – Presidential and Board Activities
Dixon Boyles	Dean – Business and Social Sciences
Catherine Howard	Dean – STEM
Robert Jones	Dean of Students
Courtney Shoalmire	Dean – Health Sciences
Brandon Washington	Dean – Workforce and Continuing Education
Mary Ellen Young	Dean – Liberal and Performing Arts
Rick Boyette	Director of Facility Services
Suzy Irwin	Director of Institutional Advancement and Public Relations
Steve Mitchell	Director of Radio Station
Brad Hoover	Controller

INDEPENDENT AUDITOR'S REPORT

Thomas &
Thomas PLLC

Certified Public Accountants

Members American Institute Certified Public Accountants
Center for Audit Quality and PCPS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Texarkana College and the
Texarkana College Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit (the Texarkana College Foundation, Inc., hereinafter referred to as the Foundation) of the Texarkana College (the College) as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

◆ 2900 St. Michael Drive, Suite 302, Texarkana, Texas 75503 ◆ Telephone (903) 831-3477 ◆ FAX (903) 831-3482 ◆

Opinions

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of August 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the College adopted new accounting requirements, Government Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 9, the schedule of the College's share of net pension liability on page 48, the schedule of the College's contributions for pensions on page 49, the schedule of the College's share of net OPEB liability on page 50, and the schedule of the College's contributions for OPEB on page 51 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 the Texarkana College and the Texarkana College Foundation, Inc.'s basic financial statements.

The Statement of Income and Expenses – Auxiliary Enterprises and the Schedule of Insurance in Force are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenues and Expenses, Schedule of Net Position by Source and Availability, and the Schedule of Expenditures of State Awards presented on pages 54 through 62 are presented for purposes of additional analysis as required by the *Texas Higher Education Coordinating Board* and are also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenues and Expenses, Schedule of Net Position by Source and Availability, Schedule of Expenditures of Federal Awards, Schedule of Expenditures of State Awards, and Statement of Income and Expenses – Auxiliary Enterprises are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules referenced in the first sentence of this paragraph are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Insurance in Force 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the College's internal control over financial reporting and compliance.

Thomas & Thomas, PLLC

Certified Public Accountants

Texarkana, Texas

December 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Texarkana College's annual financial report presents management's discussion and analysis of the financial performance of the College during the fiscal years ending 2018, 2017, and 2016. This discussion should be read in conjunction with the accompanying financial statements, notes to the financial statements, and supplemental information. This discussion focuses on currently known facts, decisions, and conditions that have an impact on the financial activities for the College, and is intended to assist the reader in the interpretation of the financial statements. The financial statements, notes to the financial statements, supplemental information, and this discussion are the responsibility of Texarkana College's management.

A Brief Discussion of the Basic Financial Statements

This annual report contains financial statements prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities* and as amended by GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* These financial statements differ significantly, in both the form and the accounting principles utilized, from financial statements issued prior to 2002. The financial statements presented in years prior to 2002 focused on the accountability of fund groups, while these statements focus on the financial condition, the results of operations, and cash flows of the College as a whole.

The financial statements prescribed by GASB No. 35, 63, and 65 (the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) present financial information similar to that used by commercial enterprises. The statements are 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, regardless of when cash is exchanged. In addition, the statements recognize liabilities, deferred inflows, and deferred outflows related to pensions and other post-employment benefits as prescribed by GASB No. 68 and 75.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, when applicable. Decreases over time in the net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows or resources) would be one indicator of the deterioration of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related financing, and investing activities. The statement helps measure the ability to pay operating expenses with operating revenues and the extent that capital assets are financed.

The financial statements for the College's discrete component unit, Texarkana College Foundation, Inc., are issued independent of the College. The Foundation's financial information is shown on separate pages behind the College's basic financial statements. Refer to Note 20 in the Notes to the Basic Financial Statements for more detail on the Foundation.

Financial Position Summary

	2018	2017	2016
Assets			
Current and other assets	$ 21,714,299	$ 18,922,931	$ 17,708,079
Capital assets, net	19,990,794	21,102,360	21,752,004
Total assets	41,705,093	40,025,291	39,460,083
Deferred Outflows of Resources			
Deferred outflows related to pensions	642,306	1,223,630	1,420,991
Deferred outflows related to pensions	632,509	-	-
Total Deferred Outflows of Resources	1,274,815	1,223,630	1,420,991
Liabilities			
Current liabilities	7,273,827	6,247,756	5,988,068
Noncurrent liabilities	31,621,298	6,637,575	6,723,463
Total liabilities	38,895,125	12,885,331	12,711,531
Deferred Inflows of Resources			
Deferred inflows related to pensions	897,656	1,113,741	1,387,373
Deferred inflows related to OPEBs	5,710,757	-	-
Total Deferred Inflows of Resources	6,608,413	1,113,741	1,387,373
Net Position			
Invested in capital assets, net of debt	17,507,705	18,405,041	18,845,872
Restricted	1,281,830	1,409,519	1,572,004
Unrestricted	(21,313,165)	7,435,289	6,364,294
Total net position	(2,523,630)	27,249,849	26,782,170

The College's capital assets, net of accumulated depreciation, represent 48% and 53% of the total assets at August 31, 2018 and 2017, respectively. The largest component of capital assets is the College's investment in buildings. The buildings represent 76% of the capital assets at the end of the 2018 fiscal year, compared to 78% for 2017. Adequate facilities are an important factor in the ability of the College to meet the educational needs of current and future students.

Summary of Changes in Net Position

	2018	2017	2016
Operating Revenues:			
Net Tuition and Fees	5,848,482	6,617,193	5,356,317
Federal Grants and Contracts	678,182	596,806	354,693
State Grants and Contracts	452,794	1,088,291	771,862
Non-Governmental Grants	459,408	397,796	401,257
Sales and Services Activities	253,242	234,844	224,501
Net Auxiliary Enterprises	366,280	308,234	763,919
Other	196,341	326,025	283,557
Total Operating Revenue	8,254,729	9,569,189	8,156,106
Operating Expenses:			
Instruction	13,268,980	13,051,312	11,876,083
Academic Support	2,437,023	2,405,096	2,125,582
Student Services	2,365,083	2,332,353	2,229,121
Institutional Support	4,409,841	4,380,326	4,286,972
Operation and Maintenance of Plant	2,619,049	2,444,627	2,468,503
Scholarships and Fellowships	3,395,838	2,813,785	3,042,814
Auxiliary Enterprises	1,934,819	1,863,905	2,014,707
Depreciation	1,782,463	1,784,395	1,777,010
Total Operating Expenses	32,213,096	31,075,799	29,820,792
Operating Loss	(23,958,367)	(21,506,610)	(21,664,686)
Non-Operating Income (Expenses)			
State Appropriations	9,550,866	8,834,966	8,843,810
Taxes	6,265,405	5,834,054	5,473,882
Federal Grants Non Operating	8,550,334	7,521,288	7,629,574
Gifts	313	40,936	1,001,592
Investment Income	217,199	128,030	100,435
Rent Income	178,635	216,660	240,985
Other Non-Operating Income	4,997	5,252	8,249
Gain (Loss) on Disposal of Assets	(362,997)	(531,824)	74,604
Interest on Capital Related Debt	(70,701)	(75,073)	(80,604)
Net Non-Operating Revenues	24,334,051	21,974,289	23,292,527
Increase in Net Position	375,684	467,679	1,627,841
Net Position-Beginning of Year, as previously reported	27,249,849	26,782,170	25,154,329
Cumulative Effect of Change in Accounting Principle	(30,149,163)	-	-
Net Position-Beginning of Year, as restated	(2,899,314)	26,782,170	25,154,329
Net Position-End of Year	$ (2,523,630)	$ 27,249,849	$ 26,782,170

Summary of Changes in Net Position (continued)

The College's net position increased $375,684 for the year ended August 31, 2018, compared to an increase of $467,679 for the year ended August 31, 2017.

The College's net position increased $467,679 and $1,627,841 for the years ended August 31, 2017 and 2016, respectively. The 2017 increase was from the continued focused objective of conservative budgeting and sound financial planning. The 2016 increase was from the continued focused objective of conservative budgeting and sound financial planning.

As discussed in Note 2, the College implemented GASB 75, which required accounting changes related to other post-employment benefits for the year ended August 31, 2018. However, information was not available for restatement of the years ended August 31, 2017 and 2016.

The District's net position at August 31, 2018, reflected a deficit of $2.5 million as compared to an excess of $27.2 million at August 31, 2017. This decrease of $29.7 million is primarily attributable to the recognition of the net other post-employment benefits (OPEB) liability and related deferred inflows and outflows, as required by the implementation of GASB 75. Had GASB 75 not been implemented, the District's net position would have increased by approximately $1.1 million resulting from excess revenues over expenses.

The College's cash and cash equivalents decreased $2,060,594 and $3,208,147 during the years ended August 31, 2018 and 2017, respectively.

Analysis of College's Overall Financial Position and Results of Operation

Current and other assets, as of August 31, 2018, totaled $21,714,299 which is 52% of the total assets. Approximately 76% of the current assets are in cash or are invested in certificates of deposit at August 31, 2018.

Current and other assets, as of August 31, 2017, totaled $18,922,931 which is 47% of the total assets. Approximately 74% of the current assets are in cash or are invested in certificates of deposit at August 31, 2017.

Current and other assets, as of August 31, 2016, totaled $17,708,079 which is 45% of the total assets. Approximately 74% of the current assets are in cash or are invested in certificates of deposit at August 31, 2016.

Current liabilities total $7,273,827 for 2018 and $6,247,756 for 2017. Unearned revenue is 58% for 2018 and 62% for 2017 of the total current liabilities. Unearned revenue is the tuition and fees collected prior to year-end for the fall classes. These are unearned because the revenue has not been earned as of the end of the year. These monies are for classes that will be primarily conducted in the next fiscal year.

The college incurred a net operating loss for the year ended August 31, 2018, 2017, and 2016, because state appropriations, Title IV funds, and property tax collections are classified as non-operating revenues.

Net operating loss is an excess of the cost to provide educational instruction to our students over income from grants and funds charged to students.

Analysis of College's Overall Financial Position and Results of Operation (continued)

Net operating income is an excess of grants and funds charged to students over the cost to provide educational instruction to our students.

State and Federal funds amounted to 59% and charges to students amounted to 20% of total revenues for the year ended August 31, 2018.

Salaries and benefits are approximately 61% and 58% of total operating expenses for the years ended August 31, 2018 and 2017, respectively.

Non-operating revenues primarily consist of state appropriations, property tax, federal grants and contracts, gifts, and investment income.

The College had negative cash flows from operating activities for the years ended August 31, 2018, 2017 and 2016 because a significant portion of the revenue, state appropriations, Title IV funds, and taxes, are considered non-operating revenue.

The College purchased capital assets during the years ended August 31, 2018 and 2017, totaling $1,089,023 and $1,689,804, respectively.

Changes in credit ratings

There has not been a change in the credit rating of Texarkana College.

Debt limitations that may affect the financing of planned facilities or services

In March of 2013, the College Board of Trustees authorized a maintenance note in the amount of $3,500,000 to provide funds for an energy management and roofing project. A portion of the note is anticipated to be repaid by energy savings generated by the HVAC project.

In August of 2013, the College entered into an exchange Agreement with the Texas A&M University System. As part of the agreement Texarkana College agreed to lease the Academic Building from Texas A&M University. The lease began August, 1, 2013 and ended July 31, 2016. At the end of the term of the lease, Texarkana College fulfilled its obligation by paying $340,000, and in return, the building became the property of Texarkana College.

Discussion of currently known facts, decisions, or conditions

Texarkana College has continued the focused objective of returning to the historically sound financial principles and stability for which the institution was known. Based on the actions taken by the board, administration, and the continued evaluations of performance measures, Texarkana College was able, once again, to add to the net assets during this past fiscal year.

Discussion of currently known facts, decisions, or conditions (continued)

The College relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. Over the past several years, the College has been forced to respond to declining state funds by reducing costs and increasing revenue from tuition and fees and local taxes. In November 2012, the College was successfully able to expand the taxing district through annexation of territory that lies within the state designated service area. The voters of Bowie county approved the annexation, which increased the college's appraised values. This increase in tax revenue brought the college a much-needed perpetual revenue source. The College will continue to make focused, data driven decisions to ensure sound financial results. The College's 2018 budget is balanced and structurally sound; however, the College will continue to face challenges in the future to fund anticipated increases in demands for community college services.

The College has many aging facilities. Over the past seven years, the College has done some major renovations and repairs, roof replacements, and furnishing upgrades. While these renovations and repairs have made much needed improvements to the campus, additional improvements are still necessary. The College has recently completed a master facilities plan, and will continue taking steps into the future to address the deferred maintenance.

While it is not possible to predict the effects of future economic conditions, management believes the College has a solid and stable financial position and is well equipped to handle the increasing demands to provide our community with a better educated workforce. The college is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the subsequent fiscal year.

Based on the continued evaluations, data-driven decisions, and future plans, Texarkana College is well on its way to regaining its strong financial position and will continue to serve the constituents of this region with affordable, accessible, and high quality educational opportunities for many future generations.

Texarkana College affirms its mission to provide, within the resources available, quality educational programs and services that meet individual and community needs.

FINANCIAL STATEMENTS

TEXARKANA COLLEGE
EXHIBIT 1 – STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,854,347	$ 4,794,319
Investments - other	11,709,790	7,152,305
Accounts receivable, net of allowance for doubtful accounts	4,472,693	4,197,953
Prepaid expenses	143,744	134,198
Inventories	642,595	632,404
Total Current Assets	20,823,169	16,911,179
Noncurrent Assets		
Restricted cash and cash equivalents	891,130	2,011,752
Capital assets, net of accumulated depreciation	19,990,794	21,102,360
Total Noncurrent Assets	20,881,924	23,114,112
Total Assets	41,705,093	40,025,291
DEFERRED OUTFLOWS OF RESOURSES		
Deferred outflows related to pensions	642,306	1,223,630
Deferred outflows related to OPEB	632,509	-
Total Deferred Outflows of Resources	1,274,815	1,223,630
LIABILITIES		
Current Liabilities		
Accounts payable	516,134	697,082
Accrued liabilities	599,441	582,617
Accrued interest	19,110	20,758
Funds held for others	1,569,248	876,609
Deposits	2,412	2,412
Unearned revenues	4,216,481	3,854,047
Notes payable - current portion	219,946	214,231
Net OPEB liability - current portion	131,055	-
Total Current Liabilities	7,273,827	6,247,756
Noncurrent Liabilities		
Accrued compensable absences payable	408,948	426,353
Note payable - non-current portion	2,263,143	2,483,088
Net pension liability	3,251,982	3,728,134
Net OPEB liability - non-current portion	25,697,225	-
Total Noncurrent Liabilities	31,621,298	6,637,575
Total Liabilities	38,895,125	12,885,331
DEFERRED INFLOWS OR RESOURCES		
Deferred inflows related to pensions	897,656	1,113,741
Deferred inflows related to OPEB	5,710,757	-
Total Deferred Inflows of Resources	6,608,413	1,113,741
NET POSITION		
Invested in capital assets, net of related debt	17,507,705	18,405,041
Restricted for:		
Nonexpendable Student Aid	1,200,864	1,291,504
Expendable Student Aid	80,966	118,015
Unrestricted	(21,313,165)	7,435,289
Total Net Position	$ (2,523,630)	$ 27,249,849

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 466,654	$ 737,250
Investments - Other	345,569	-
Investments	2,207,984	1,993,892
Accrued interest and dividends	15,980	13,990
Unconditional promises to Give	-	21,250
TOTAL CURRENT ASSETS	3,036,187	2,766,382
NONCURRENT ASSETS		
Investments - restricted	5,220,010	4,413,686
TOTAL NONCURRENT ASSETS	5,220,010	4,413,686
TOTAL ASSETS	8,256,197	7,180,068

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Due to College	-	32,232
Accrued Expenses	-	21,250
TOTAL CURRENT LIABILITIES	-	53,482
TOTAL LIABILITIES	-	53,482
NET POSITION		
Unrestricted	2,995,837	2,684,181
Temporarily restricted	3,333,004	2,609,737
Permanently restricted	1,927,356	1,832,668
TOTAL NET POSITION	8,256,197	7,126,586
TOTAL LIABILITIES AND NET POSITION	$ 8,256,197	$ 7,180,068

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

TEXARKANA COLLEGE

EXHIBIT 2 – STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
REVENUES		
Operating Revenues		
Tuition and fees (net of grant and scholarship allowances of $4,155,561 and $3,554,754, respectively)	$ 5,848,482	$ 6,617,193
Federal grants and contracts	678,182	596,806
State grants and contracts	452,794	1,088,291
Non-Governmental grants and contracts	459,408	397,796
Sales and services of educational activities	253,242	234,844
Auxiliary enterprises (net of grant and scholarship allowances of $1,540,386 and $1,610,407, respectively)	366,280	308,234
Other operating revenues	196,341	326,025
Total Operating Revenues	**8,254,729**	**9,569,189**
EXPENSES		
Operating Expenses		
Instruction	13,268,980	13,051,312
Academic Support	2,437,023	2,405,096
Student Services	2,365,083	2,332,353
Institutional Support	4,409,841	4,380,326
Operation and maintenance of plant	2,619,049	2,444,627
Scholarships and fellowships	3,395,838	2,813,785
Auxiliary enterprises	1,934,819	1,863,905
Depreciation	1,782,463	1,784,395
Total Operating Expenses	**32,213,096**	**31,075,799**
Operating Loss	**(23,958,367)**	**(21,506,610)**
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	9,550,866	8,834,966
Maintenance ad-valorem taxes		
Taxes for maintenance & operations	6,265,405	5,834,054
Federal grants and contracts non-operating	8,550,334	7,521,288
Gifts	313	40,936
Investment income (net of investment expenses)	217,199	128,030
Rent income	178,635	216,660
Other non-operating revenues	4,997	5,252
Gain/(Loss) on disposal of fixed assets	(362,997)	(531,824)
Interest on capital related debt	(70,701)	(75,073)
Net non-operating revenues	**24,334,051**	**21,974,289**
Increase in Net Position	**375,684**	**467,679**
NET POSITION		
Net Position - Beginning of Year, as previously reported	**27,249,849**	**26,782,170**
Cumulative Effect of Change in Accounting Princple (Note 2)	**(30,149,163)**	**-**
Net Position - Beginning of Year, as restated	**(2,899,314)**	**26,782,170**
Net Position - End of Year	**$ (2,523,630)**	**$ 27,249,849**

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
UNRESTRICTED NET POSITION		
Revenues and gains:		
Contributions and fund raising	$ 240,694	$ 284,347
Interest income	23,450	21,553
Dividend income	40,076	29,134
Net realized loss on investments	(6,980)	(7,432)
Net unrealized gain (loss) on investments	170,769	159,684
Total unrestricted revenues and gains	468,009	487,286
Changes in Net assets restrictions:		
Permanently restricted assets	-	4,213
Satisfaction of scholarships and other restrictions	178,693	271,840
Total change in net assets restrictions	178,693	276,053
Total unrestricted support and gains	646,702	763,339
EXPENSES		
Program services:		
Donation to Texarkana College	189,581	266,316
Scholarships	38,997	31,255
Management and general services	25,337	17,777
Fundraising activities	81,131	57,027
Total expenses	335,046	372,375
Increase in unrestricted net position	311,656	390,964
TEMPORARILY RESTRICTED NET POSITION		
Support:		
Contributions	522,051	518,827
Interest income	39,743	35,396
Dividend income	67,647	47,868
Net realized gain (loss) on investments	(11,805)	(12,093)
Net unrealized gain (loss) on investments	284,324	266,866
Changes in net assets restriction:		
Satisfaction of scholarship and other restrictions	(178,693)	(271,840)
Increase in temporarily restricted net position	723,267	585,024
PERMANENTLY RESTRICTED NET POSITION		
Revenues and gains:		
Contributions	86,738	91,319
Interest income	817	1,258
Dividend income	1,391	1,690
Net realized loss on investments	(242)	(429)
Net unrealized gain (loss) on investments	5,984	9,481
Changes in net assets restriction:		
Permanently restricted assets	-	(4,213)
Increase in permanently restricted net position	94,688	99,106
INCREASE IN NET POSITION	1,129,611	1,075,094
NET POSITION, BEGINNING OF YEAR	7,126,586	6,051,492
NET POSITION, END OF YEAR	$ 8,256,197	$ 7,126,586

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

TEXARKANA COLLEGE
EXHIBIT 3 – STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Receipts from students and other customers	$ 1,061,564	$ 6,969,444
Receipts of grants and contracts	1,590,384	2,082,893
Other receipts	196,341	326,025
Payments to or on behalf of employees	(11,553,290)	(11,455,260)
Payments to suppliers for goods or services	(6,480,647)	(12,980,740)
Payments of scholarships	(3,395,838)	(2,813,785)
Net cash used by operating activities	**(18,581,486)**	**(17,871,423)**
Cash Flows From Non-capital Financing Activities		
Receipts from state appropriations	7,209,237	6,968,248
Ad valorem tax revenues	6,252,363	5,813,248
Federal revenue non-operating	8,550,334	7,521,288
Gifts and grants (other than capital)	313	40,936
Other receipts	183,632	221,912
Net cash provided by non-capital financing activities	**22,195,879**	**20,565,632**
Cash Flows From Capital and Related Financing Activities		
Payments on capital debt - principal	(214,230)	(208,813)
Payments on capital debt - interest	(72,349)	(76,680)
Proceeds from sale of capital assets	40,901	9,001
Purchases of capital assets	(1,089,023)	(1,689,804)
Net cash used by capital and related financing activities	**(1,334,701)**	**(1,966,296)**
Cash Flows From Investing Activities		
Investment earnings	217,199	128,030
Payments for purchase of investments	(4,557,485)	(4,064,090)
Net cash used by investing activities	**(4,340,286)**	**(3,936,060)**
Decrease in cash and cash equivalents	**(2,060,594)**	**(3,208,147)**
Cash and cash equivalents - September 1,	**6,806,071**	**10,014,218**
Cash and cash equivalents - August 31,	**$ 4,745,477**	**$ 6,806,071**

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

TEXARKANA COLLEGE
EXHIBIT 3 – STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (23,958,367)	$ (21,506,610)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Staff benefits paid directly by state	2,341,629	1,866,718
Depreciation expense	1,796,691	1,798,623
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable, net	(261,698)	(289,136)
Prepaid expenses	(9,546)	(129,198)
Inventories	(10,191)	80,231
Deferred outflows of resources related to pensions	581,324	197,361
Deferred outflows of resources related to OPEB	77,632	-
Accounts payable	(180,948)	282,885
Accrued Expenses	16,824	41,299
Funds held for others	692,639	(67,953)
Unearned revenue	362,434	(224)
Deposits held for others	-	(130)
Compensated absences	(17,405)	29,810
Deferred inflows of resources related to pensions	(216,085)	(273,632)
Deferred inflows of resources related to OPEB	5,710,757	-
Net pension liability	(476,152)	98,533
Net OPEB liability	(5,031,024)	-
Net cash used by operating activities	**$ (18,581,486)**	**$ (17,871,423)**

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	$ 1,129,611	$ 1,075,094
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Net realized and unrealized investment gains	436,308	407,025
(Increase) decrease in assets:		
Accrued interest and dividends	(1,990)	(2,062)
Unconditional promises to Give - Net	21,250	8,750
Increase (decrease) in liabilities:		
Due to College	(32,232)	26,012
Accrued expenses	(21,250)	21,250
CASH PROVIDED BY OPERATING ACTIVITIES	1,531,697	1,536,069
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(345,569)	-
Net purchases of unrestricted investments	(1,456,724)	(841,242)
CASH USED FOR INVESTING ACTIVITIES	(1,802,293)	(841,242)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(270,596)	694,827
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	737,250	42,423
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 466,654	$ 737,250

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY

Texarkana College (the College) was established in 1927 in accordance with the laws of the State of Texas to serve the educational needs of Texarkana and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

The College Board of Trustees (the Board), a seven-member group, has governance responsibilities over all activities related to the College. The Board receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

These statements include, as a component unit, Texarkana College Foundation, Inc. (the Foundation), as discussed in Note 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

The significant accounting policies followed by the College 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*. The College applies all applicable GASB pronouncements and is reported as a special-purpose government engaged in business-type activities.

Basis of Accounting

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

Inventories

Inventories consist of bookstore stock as of August 31, 2018 and 2017. Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method and are charged to expense as consumed.

Texarkana College Foundation, Inc. – Net Position

Temporarily restricted net position is available for the purposes designated by the donor, primarily scholarships. This net position consists primarily of temporarily restricted contributions and investment earnings from permanently restricted net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Texarkana College Foundation, Inc. – Net Position (continued)

Permanently restricted net position is to provide permanent endowments. The investment income from these endowments is temporarily restricted to fund scholarship grants.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the College's policy is to first apply restricted resources. Management has determined that net position is properly recognized under this policy.

Tuition Discounting

Texas Public Education Grants - Certain tuition amounts must 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 §56.033). When the award is used by the student for tuition and fees, the College records the amount as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act (HEA) Program Funds - Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds initially are received by the College 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 dispersed directly to the student, the amount is recorded as a scholarship expense.

The College also originates direct student loans under Title IV. These loans are not included as revenues in the accompanying financial statements. Student loans remitted to students are not recorded as revenues or expenses in the accompanying financial statements as they are not revenues of the College and instead are passed through from the Department of Education. The amounts passed through the College are included as a reconciling item in the notes to the supplemental Schedule E – Schedule of Expenditures of Federal Awards.

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

Budgetary Data

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The College 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. The College had no cash equivalents as of August 31, 2018 and 2017.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the College reports investments 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 the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase. The College's investments included certificates of deposit with original maturities greater than three months. These investments are carried at cost, which approximates fair value. The Foundation's investments consisted of certificates of deposit, money market funds, U.S. government agencies securities, corporate debt instruments, and exchange traded funds, which are recorded at fair value.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so 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. The College's deferred inflows of resources are related to pensions and other post-employment benefits.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. The College's deferred outflows of resources are related to pensions and other post-employment benefits.

Operating and Non-Operating Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. The College's activities are shown as a business-type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees, federal grants, state grants and auxiliary enterprises. The major non-operating revenues are state appropriations, property taxes, Title IV funds, gifts, and investment income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation. For equipment, the College's capitalization policy requires capitalization of items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations of $100,000 or more to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The cost 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. Estimated useful lives for depreciable assets are as follows:

Building	50 years
Facilities and Other Improvements	20 years
Library Books	15 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years
Software Costs	3 years

Unearned Revenues

Tuition and fees of $3,963,805 and $3,555,663 and federal, state, and local grants of $252,676 and $298,384 have been reported as unearned revenues at August 31, 2018 and 2017, respectively.

Estimates

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

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. None of the reclassifications affect the previously reported change in net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For the year ended August 31, 2015, the College implemented the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of the Teacher Retirement System of Texas 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.

Other Post-Employment Benefits (OPEB)

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

Prior Year Restatement

Effective for fiscal year 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, a restatement to beginning net position was required for the recording of the beginning net OPEB liability and for the recording of deferred outflows of resources related to OPEB for contributions made to the ERS OPEB plan subsequent to the measurement date of the beginning net OPEB liability.

Because audited beginning balances could not be obtained for all of the deferred outflows of resources and deferred inflows of resources related to OPEB, the College determined it was impractical to restate its fiscal year 2017 financial statements. As such, the College recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75:

Beginning net position, as previously reported	27,249,849
Prior period adjustment - Implementation of GASB 75:	
Net OPEB liability (measurement date of August 31, 2017; adoped as of August 31, 2018)	(30,859,304)
Deferred outflows - the College's contributions made during the year ended August 31, 2018	710,141
Adjustment to beginning net position	(30,149,163)
Beginning net position, as restated as of August 31, 2017	(2,899,314)

NOTE 3 - AUTHORIZED INVESTMENTS

The 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) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than "A" by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

The Foundation is not subject to the Public Funds Investment Act for contributions received from outside sources. Authorized investments of the Foundation are governed by an investment policy approved by the Board of Directors.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	2018	2017
Bank Deposits		
Demand Deposits	$ 4,742,672	$ 6,803,266
Certificates of Deposit	11,709,790	7,152,305
Cash and Cash Equivalents		
Petty Cash on Hand	2,805	2,805
Total Cash and Deposits	$ 16,455,267	$ 13,958,376

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation of deposits and investments to the Statement of Net Position:

Type of Security	Market Value 2018	Market Value 2017
Total Cash and Investments	$ 16,455,267	$ 13,958,376
Cash and Cash Equivalents (Exhibit 1)	3,854,347	4,794,319
Restricted cash and cash equivalents (Exhibit 1)	891,130	2,011,752
Total Cash and Cash equivalents	4,745,477	6,806,071
Short-term investments (Exhibit 1)	11,709,790	7,152,305
Total Investments	11,709,790	7,152,305
Total Deposits and Investments	$ 16,455,267	$ 13,958,376

Cash and deposits for the Foundation reported on the Statement of Net Position consist of the following:

	August 31, 2018	August 31, 2017
Cash and Cash Equivalents		
Cash on Deposit	$ 23,370	$ 46,961
Cash Held by Custodian	443,284	690,289
Total Cash and Deposits	$ 466,654	$ 737,250

Investments for the Foundation reported on the Statements of Financial Net Position are as follows:

Type of Security	Fair Value August 31, 2018	Fair Value August 31, 2017
Certificates of Deposit	$ 345,569	$ -
U.S. Government Agencies Securities	123,069	174,133
Corporate Debt Instruments	2,419,719	2,306,663
Municipal bonds	101,448	102,634
Equity funds and ETFs	4,783,758	3,824,148
Total Investments	$ 7,773,563	$ 6,407,578

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of August 31, 2018, the College had the following investments and maturities:

Investment Type	Credit Rating	Cost	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	N/A	$ 11,709,790	$ 11,709,790	0.42
Total Texarkana College		$ 11,709,790	$ 11,709,790	

As of August 31, 2018, the Foundation had the following investments and maturities:

	Credit Rating	Cost	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	N/A	350,000	345,569	3.75
U.S. Government Agencies Securities	AAA	125,000	123,069	1.07
Corporate Debt Instruments	BAA3 to AAA	2,466,796	2,419,719	3.21
Municipal bonds	A2	100,000	101,448	9.34
Equity funds and ETFs	N/A	3,535,300	4,783,758	N/A
Total Texarkana College Foundation, Inc.		$ 6,577,096	$ 7,773,563	

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

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

Concentration of Credit Risk: The College and the Foundation do not place a limit on the amount that may be invested in any one issuer.

More than 5% of the Foundation's investments are in Vanguard (42%) and MSCI (10%).

Custodial Credit Risk: At August 31, 2018, the carrying amount of the College's bank deposits was $16,455,268 and total bank balances equaled $17,012,278. Bank balances totaling $250,000 at one financial institution were secured by the Federal Deposit Insurance Corporation (FDIC) and $19,700,000 were secured by collateral pledged in the College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College.

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

At August 31, 2017, the carrying amount of the College's bank deposits was $13,958,376 and total bank balances equaled $15,078,417. Bank balances totaling $250,000 at one financial institution were secured by the Federal Deposit Insurance Corporation (FDIC) and $17,200,000 were secured by collateral pledged in the College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College.

Fair Value Measurements: GASB Statement 72 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the framework are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of August 31, 2018 and 2017:

	August 31, 2018				2017
	Level 1	**Level 2**	**Level 3**	**Total**	**Total**
U.S. Government Securities	$ 123,069	$ -	$ -	$ 123,069	$ 174,133
Corporate Debt Instruments	-	2,419,719	-	2,419,719	2,306,663
Municipal bonds	-	101,448	-	101,448	102,634
Exchange Traded Funds	4,783,758	-	-	4,783,758	3,824,148
Total investments	$ 4,906,827	$ 2,521,167	$ -	$ 7,427,994	$ 6,407,578

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

All investments have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in the valuation techniques during the current year. These methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 - DELINQUENT PROPERTY TAXES AND TAXES RECEIVABLE

The College's *ad valorem* property tax is levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College's district. The Board contracted with the Bowie Central Appraisal District for the collection of district taxes. Collections of current taxes are remitted to the College daily; delinquent taxes are remitted monthly.

	August 31	
	2018	2017
Assessed valuation of the District	$ 5,499,455,542	$ 5,413,858,185
Less: Exemptions	(96,360,368)	(92,888,262)
Net assessed Valuation of the District	$ 5,403,095,174	$ 5,320,969,923

	Current Operations	Debt Service	Total
Tax rate authorized per $100 valuation	1.000000	0.000000	1.000000
Tax rate assessed per $100 valuation for 2018	0.118115	0.000000	0.118115
Tax rate assessed per $100 valuation for 2017	0.110718	0.000000	0.110718

Taxes levied for the years ended August 31, 2018 and 2017, were $6,267,029 and $5,812,646, 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 thc following year in which imposed.

	Current Operations	
Taxes Collected	**2018**	**2017**
Current Taxes Collected	$ 6,082,855	$ 5,670,667
Delinquent Taxes Collected	112,918	96,500
Penalties and Interest Collected	69,632	66,887
Total Collections	$ 6,265,405	$ 5,834,054

Tax collections for the year ended August 31, 2018 and 2017, were 100.0% and 100.4% of the current tax levy, respectively. Uncollected taxes are pledged as collateral for the notes payable held by the College.

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2018, was as follows:

	2017	Increases	Decreases	2018
Not Depreciated:				
Land	$ 1,174,515	$ -	$ -	$ 1,174,515
Construction in Process	-	617,550	-	617,550
Total Not Depreciated	1,174,515	617,550	-	1,792,065
Buildings and Other Capital Assets:				
Infrastructure	462,825	-	-	462,825
Buildings	29,903,148	-	(711,692)	29,191,456
Land Improvements	3,323,236	-	(130,432)	3,192,804
Software	490,109	-	-	490,109
Library Books	2,483,543	24,157	-	2,507,700
Furniture and Equipment	6,807,792	447,316	(217,957)	7,037,151
Total Building and Other	43,470,653	471,473	(1,060,081)	42,882,045
Accumulated Depreciation				
Infrastructure	461,025	400	-	461,425
Buildings	13,442,258	1,112,165	(497,472)	14,056,951
Land Improvements	3,112,576	51,615	(92,400)	3,071,791
Software	330,082	98,022	-	428,104
Library Books	2,074,054	54,678	-	2,128,732
Furniture and Equipment	4,122,813	479,811	(66,311)	4,536,313
Total Accumulated Depreciation	23,542,808	1,796,691	(656,183)	24,683,316
Net Capital Assets	$ 21,102,360	$ (707,668)	$ (403,898)	$ 19,990,794

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

	2016	Increases	Decreases	2017
Not Depreciated:				
Land	$ 1,171,402	$ 3,113	$ -	$ 1,174,515
Construction in Process	-	-	-	-
Total Not Depreciated	1,171,402	3,113	-	1,174,515
Buildings and Other Capital Assets:				
Infrastructure	462,825	-	-	462,825
Buildings	30,288,634	918,754	(1,304,240)	29,903,148
Land Improvements	3,323,236	-	-	3,323,236
Software	490,109	-	-	490,109
Library Books	2,462,765	20,778	-	2,483,543
Furniture and Equipment	6,083,833	747,159	(23,200)	6,807,792
Total Building and Other	43,111,402	1,686,691	(1,327,440)	43,470,653
Accumulated Depreciation				
Infrastructure	458,919	2,106	-	461,025
Buildings	13,075,549	1,130,124	(763,415)	13,442,258
Land Improvements	3,058,405	54,171	-	3,112,576
Software	232,060	98,022	-	330,082
Library Books	2,011,230	62,824	-	2,074,054
Furniture and Equipment	3,694,637	451,376	(23,200)	4,122,813
Total Accumulated Depreciation	22,530,800	1,798,623	(786,615)	23,542,808
Net Capital Assets	$ 21,752,004	$ (108,819)	$ (540,825)	$ 21,102,360

NOTE 7 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended August 31, 2018, was as follows:

	Balance August 31, 2017	Additions	Reductions	Balance August 31, 2018	Current Portion
Notes payable	$ 2,483,088	$ -	$ (219,945)	$ 2,263,143	$ 219,946
Compensated absences	426,353	-	(17,405)	408,948	-
Net pension liability	3,728,134	(476,152)	-	3,251,982	-
Net OPEB liability	-	25,697,225	-	25,697,225	131,055
Total long-term liabilities	$ 6,637,575	$ 25,221,073	$ (237,350)	$ 31,621,298	$ 351,001

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

	Balance August 31, 2016	Additions	Reductions	Balance August 31, 2017	Current Portion
Notes payable	$ 2,697,319	$ -	$ (214,231)	$ 2,483,088	$ 214,231
Compensated absences	396,543	29,810	-	426,353	-
Net pension liability	3,629,601	98,533	-	3,728,134	-
Total long-term liabilities	$ 6,723,463	$ 128,343	$ (214,231)	$ 6,637,575	$ 214,231

The debt service requirements as of August 31, 2018, were as follows:

For the Year Ended August 31,	Maintenance Note		
	Principal	Interest	Total
2019	$ 219,946	$ 65,802	285,748
2020	225,700	59,973	285,673
2021	231,940	53,992	285,932
2022	238,021	47,846	285,867
2023	244,370	41,538	285,908
2024-2028	1,323,112	107,825	1,430,937
			-
	$ 2,483,089	$ 376,976	$ 2,860,065

NOTE 8 – 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 audit and accounting guide, *State and Local Governments*, 8.99), *State and Local Governments*. Contracts and grant revenues are recognized on Exhibit 2 and Schedule A as funds are actually expended. For federal and non-federal contracts and grants awards, funds expended, but not collected, are reported as Accounts Receivables on Exhibit 1. Contracts and grant awards that are not funded and for which the institution has not performed services are not included in the financial statements. Contract and grant award funds already committed or funds awarded during the fiscal year 2018 for which monies have not been received nor funds expended totaled $1,447,583 from federal contracts and grant awards and none from state contracts and grant awards.

Federal funds receivable included in accounts receivable on Exhibit 1 are as follows:

	2018	2017
Pell Grant Program	$ 110,534	$ 51,868
Student Loan Program	100,391	76,958
Supplemental Educational Opportunity Grants	-	24,375
Federal Work-study Program	51,602	41,309
TRIO - Student Support Services Grant	41,850	34,849
TRIO - Talent Search Grant	46,529	45,820
TRIO - Educational Opportunity Centers	42,201	73,879
Adult Education and Family Leave Act	25,192	-
Carl Perkins Grant	99,607	58,559
Total	$ 517,906	$ 407,617

NOTE 9 – EMPLOYEES' RETIREMENT PLAN

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

Teacher Retirement System of Texas – Defined Benefit Plan

Plan Description - The College participates in a cost-sharing multiple-employer defined benefit pension plan 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.

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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_2017.pdf; by writing to TRS at 1000 Red River Street, Austin, Texas, 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 a 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, 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 grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions - Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS'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 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA), established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

		2018	2017
Member		7.7%	7.7%
Non-Employer Contribution Entity (State)		6.8%	6.8%
Employers		6.8%	6.8%
FY 2017 Member Contributions	$	660,911	
FY 2017 State of Texas On-behalf Contributions	$	250,776	
FY 2017 College Contributions	$	333,330	

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

The College's contributions to the TRS pension plan for the year ended August 31, 2018, were $357,006 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 the year ended August 31, 2018, were $258,933.

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

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

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

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

Actuarial Assumptions - The total pension liability in the August 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

• Valuation Date	August 31, 2017
• Actuarial Cost Method	Individual Entry Age Normal
• Asset Valuation Method	Market Value
• Actuarial Assumptions	
o Single Discount Rate	8.00%
o Long-term expected Investment Rate of Return*	8.00%
o Last year ending August 31 in the 2016 to 2115 Projection period (100 years)	2115
o Inflation	2.5%
o Payroll Growth Rate	2.5%
o Salary Increases including inflation	3.5% to 9.5%
o Payroll Growth Rate	2.5%
o Benefit changes during the year	None
o Ad hoc post-employment benefit changes	None

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (CONTINUED)

** 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. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

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 8.0 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%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2017, are summarized on the following page.

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
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%
Stable Value			
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%
Real Return			
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%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

** 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 2017 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 percent less than and 1 percent greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability	$ 5,482,198	$ 3,251,982	$ 1,394,964

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2018, the College reported a liability of $3,251,982 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the collective net pension liability	$	3,251,982
State's proportionate share that is associated with College		2,451,729
Total	$	5,703,711

The net pension liability was measured as of August 31, 2017, 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, 2016, thru August 31, 2017.

At the measurement date of August 31, 2017, the employer's proportion of the collective net pension liability was 0.010170511%, which was an increase of 0.000304725% from its proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the College recognized pension expense of $187,008 and revenue of $187,008 for support provided by the State. Refer to the 2018 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB Statements 67 and 68.

At August 31, 2018, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	$	47,578	$	175,375
Changes in actuarial assumptions		148,133		84,803
Net difference between projected and actual investment earnings		-		236,997
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		89,589		400,481
Contributions paid to TRS subsequent to the measurement date		357,006		-
Total	$	642,306	$	897,656

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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
2019 (measurement date of August 31, 2018)	$ (186,547)
2020 (measurement date of August 31, 2019)	21,036
2021 (measurement date of August 31, 2020)	(202,492)
2022 (measurement date of August 31, 2021)	(245,381)
2023 (measurement date of August 31, 2022)	(7,614)
Thereafter	8,642

Optional Retirement 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 Legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% in fiscal years 2018 and 2017 and 6.65% in fiscal years 2018 and 2017, respectively. The College contributes no amounts 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. SB 1812, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

The retirement expense related to ORP contributions paid by the state for the College was $97,349 and $95,695 for the fiscal years ended August 31, 2018 and 2017, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the College.

The total payroll for all of the College employees was $13,877,513 and $13,351,788 for fiscal years 2018 and 2017, respectively. The total payroll of employees covered by the Teacher Retirement System was $9,063,322 and $8,583,822, and the total payroll of employees covered by the Optional Retirement Program was $3,200,213 and $2,999,519 for fiscal years 2018 and 2017, respectively.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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

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

Contributions - Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
August 31, 2017

Retiree only	$	617.30
Retiree & Spouse	$	970.98
Retiree & Children	$	541.10
Retiree & Family	$	1,207.78

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31, 2018 and 2017

	2018	2017
Employers	$ 624,862	$ 710,141
Members (Employees)	785,602	807,372
Nonemployer Contributing Entity (State of Texas)	548,346	574,093

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of August 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

• Valuation Date	August 31, 2017
• Actuarial Cost Method	Entry Age
• Amortization method	Level Percent of Pay, Open
• Remaining amortization period	30 years
• Asset Valuation Method	Not applicable
• Actuarial Assumptions	
o Discount Rate	3.51%
o Projected annual salary increase	2.50% to 9.50%
o Annual healthcare trend rate	8.50% for FY 2019, decreasing 0.5% per year to 4.50% for FY 2027 and later years
o Inflation assumption rate	2.50%
o Ad hoc post-employment benefit changes	None

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

- Mortality Assumptions
  - Service retirees, survivor and other inactive members

    Tables based on TRS experience with Ultimate MP Projection Scale from year 2018

  - Disability retirees

    Tables based on TRS experience with Ultimate MP Projection Scale from year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members

  - Active members

    Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period (ex. September 1, 2010 to August 31, 2014) for higher education members.

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

Discount Rate - Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.84%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.51%, which amounted to an increase of 0.67%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis - The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.51%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.51%)	Discount Rate (3.51%)	1% Increase in Discount Rate (4.51%)
College's proportionate share of the net OPEB liability	$ 30,831,419	$ 25,828,280	$ 21,952,901

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

	1% Decrease (7.50% decreasing to 3.50%)	Current Healthcare Cost Trent Rates (8.50% decreasing to 4.50%)	1% Increase in (9.50% decreasing to 5.50%)
College's proportionate share of the net pension liability	$ 21,713,061	$ 25,828,280	$ 31,168,014

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At August 31, 2018, the College reported a liability of $25,828,280 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective net OPEB liability	$ 25,828,280
State's proportionate share that is associated with College	20,870,938
Total	$ 46,699,218

The net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017, thru August 31, 2017.

At the measurement date of August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.0758028%, which was the same proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the College recognized OPEB expense of $548,346 and revenue of $548,346 for support provided by the State.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study;
- The percentage of current and future retirees and retirees' spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends;
- Assumptions for administrative expenses, assumed per Capita Health Benefit Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience;
- Effects in short-term expectations and revised assumed rate of general inflation.

Changes of Benefit Terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- An elimination of the copayment for virtual visits;
- A copay reduction for Airrosti and for out-of-state participants;
- Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs.

At August 31, 2018, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 310,373
Changes in actuarial assumptions	-	5,400,384
Net difference between projected and actual investment earnings	7,647	-
Contributions paid to ERS subsequent to the measurement date	624,862	-
Total	$ 632,509	$ 5,710,757

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Year ended August 31:	OPEB Expense Amount
2019 (measurement date of August 31, 2018)	$ (1,284,295)
2020 (measurement date of August 31, 2019)	(1,284,295)
2021 (measurement date of August 31, 2020)	(1,284,295)
2022 (measurement date of August 31, 2021)	(1,284,295)
2023 (measurement date of August 31, 2022)	(565,930)
Thereafter	-

NOTE 11 – COMPENSABLE ABSENCES

Sick leave is accumulated by employees of the College at the rate of one day per thirty calendar days worked up to a maximum of ninety days. Effective September 1, 2000, upon retirement or termination, employees with ten years or more service with the College may be paid for any accumulated sick leave in excess of thirty days at a rate of one-half of the employee's current salary. Full-time non-contractual personnel or employees with twelve month contracts accrue vacation benefits from the date of employment at the rate of one day for each full calendar month worked up to ten vacation days per year. Employees may carry a maximum of 40 hours of accrued vacation forward from one fiscal year through September 30 of the next fiscal year. All vacation accrued in the prior fiscal year is forfeited on December 1 unless administrative approval is granted on a case-by-case basis. All accrued unused vacation time computed at the employee's daily rate of compensation is paid to the employee or his beneficiary in the event of termination, retirement, or death. Sick leave and vacation benefits of $408,948 and $426,353 have been accrued and reported in the accompanying Statement of Net Position as "accrued compensable absences payable" at August 31, 2018 and 2017, respectively.

NOTE 12 - STAFF BENEFITS

The College provides staff benefits for its employees in the form of hospital/medical insurance, salary continuance insurance, and life insurance equal to twice the employee's annual contractual salary up to a maximum of $45,000.

NOTE 13 - DEFERRED COMPENSATION PLAN

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The employees' investments are held in tax-deferred annuity plans pursuant to Internal Revenue Code Section 403(b).

As of August 31, 2018 and 2017, the College had 30 and 32 employees, respectively, participating in the program. A total of $168,586 and $164,657 in payroll deductions were invested in approved plans during the years ended August 31, 2018 and 2017, respectively.

NOTE 14 - POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the College. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums.

The state's contribution per full-time employee and retiree was $617.30 per month plus fifty percent of spouse and/or dependent coverage as of August 31, 2018, and totaled $1,484,186 for the year then ended. The cost of providing those benefits for 135 retirees was $544,831 and for 216 active employees was $939,355.

The state's contribution per full-time employee and retiree was $617.30 per month plus fifty percent of spouse and/or dependent coverage as of August 31, 2017, and totaled $1,495,221 for the year then ended. The cost of providing those benefits for 139 retirees was $578,837 and for 217 active employees was $916,384.

NOTE 15 - RISK MANAGEMENT - CLAIMS AND JUDGMENTS

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

The College attempts to cover these losses by the purchase of insurance. Significant risks are covered by commercial insurance for property and liability programs. There has been no significant reduction in coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. In management's estimation, there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The College participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability may be impaired of any related receivable at August 31, 2018. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 17 – FUND ENDOWMENTS

The fund balances of the various Endowment Funds included in the Statement of Net Position are as follows:

	2018	2017
Endowment Funds		
Palmer Foundation	$ 112,433	$ 110,773
Endowed Chair for Teaching Excellence	186,090	184,389
J.R. Johnson	318,893	314,184
Parker-Akin Memorial	8,497	8,372
B & PW Scholarship	28,594	28,172
Leonard Scholarship	191,710	189,862
Teachers Credit Union Scholarship	24,343	23,983
Music Scholarship	28,419	27,999
General Scholarship	290,970	286,670
Al Barton Bladesmithing	5,260	5,182
Elizabeth Shaw Memorial	5,637	5,554
Conner Student Loan	-	106,346
Business Administration	18	18
Quasi Endowment Funds		
Eldridge Scholarship	80,966	118,015
Totals	$ 1,281,830	$ 1,409,519

NOTE 18 - CONTINGENT LIABILITY

The College entered into an agreement with the Texas Community College Employee Benefits Consortium to self-fund their workers' compensation plan. The agreement was effective September 1, 1991, and is administered by Hibbs - Hallmark & Company.

The College agreed to pay into the fund a fixed cost amount of $33,016 and a maximum loss fund amount of $75,606 for the year ended August 31, 2018. The loss fund amount was for Texarkana College's claims and for claims of other group members in excess of their loss fund maximum.

The College agreed to pay into the fund a fixed cost amount of $34,960 and a maximum loss fund amount of $94,807 for the year ended August 31, 2017. The loss fund amount was for Texarkana College's claims and for claims of other group members in excess of their loss fund maximum.

NOTE 18 - CONTINGENT LIABILITY (CONTINUED)

The College incurred expenses under the plan as follows:

	2018	2017
Fixed cost	$ 33,016	$ 34,960
Actual claims	11,833	9,286
Increase (decrease) in accrued liabilities	22,154	9,932
Total Expense	$ 67,003	$ 54,178

The College's maximum liability for the three years ended August 31, 2018 under this agreement is $265,190 computed as follows:

2015-2016 Maximum loss fund	$ 94,777
2016-2017 Maximum loss fund	94,807
2017-2018 Maximum loss fund	75,606
Total	$ 265,190

The administration of the Plan has estimated the liability for claims that have been reported but not paid and claims incurred but not reported to be $110,494 and $88,340 as of August 31, 2018 and 2017, respectively. This liability has been accrued in the financial statements as of August 31, 2018 and 2017.

NOTE 19 – DISAGGREGATING RECEIVABLES AND PAYABLES BALANCES

Receivables were as follows:

	2018	2017
Student Receivables	$ 6,022,291	$ 5,452,295
Due from Foundation	-	32,232
Taxes Receivable, Net of Allowances	187,272	174,230
Federal Receivables	517,906	407,617
State Receivables	39,147	185,796
Other Receivables	12,581	64,099
Allowance for Uncollectible	(2,306,504)	(2,118,316)
Total Accounts Receivable	$ 4,472,693	$ 4,197,953

NOTE 19 – DISAGGREGATING RECEIVABLES AND PAYABLES BALANCES (CONTINUED)

Payables were as follows:

	2018	2017
Accounts Payable		
Vendors Payable	$ 516,134	$ 697,082
Accrued Liabilities:		
Salaries & Benefits Payable	$ 496,006	$ 479,592
Sales Tax Payable	48,714	48,072
Other Liabilities	54,721	54,953
Total Accrued Liabilities	$ 599,441	$ 582,617

NOTE 20 - COMPONENT UNIT

The Foundation is a separate nonprofit corporation organized under the Texas Nonprofit Corporation Act in 1959. The purpose of the Foundation is to solicit and manage funds for the sole benefit of Texarkana College. The Foundation primarily provides scholarships to students at the College. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Under GASB Statement No. 39 (*Determining Whether Certain Organizations are Component Units*), an organization should report as a discretely presented component those organizations that raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation financial statements are included in the College's annual report as a discretely presented component unit.

NOTE 21 – RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended August 31, 2018, the Foundation provided support to the College in the aggregate of $189,581.

NOTE 22 – CONSTRUCTION IN PROCESS

During 2018, the College began an annex for the Career Education Center located on campus. The construction was incomplete as of August 31, 2018, and was therefore recorded in the financial statements as construction in process at that time.

NOTE 23 – INCOME TAXES

The College is exempt from income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, etc.," although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The College had no unrelated business income tax liability for the years ended August 31, 2018 and 2017.

NOTE 24 – PENDING LAWSUITS AND CLAIMS

As of August 31, 2018, there were no known pending lawsuits or claims involving the College. While unasserted lawsuits and claims may exist, for which a liability cannot be reasonably estimated, any potential liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

NOTE 25 – TEXAS COMMUNITY COLLEGE CONSORTIUM

In December 2014, the College entered into an interlocal agreement with two other area community colleges, Kilgore College and Northeast Texas Community College, whereby the Texas Community College Consortium (TC3) was created.

Effective September 1, 2015, TC3 entered into an agreement with the University of Texas Health Science Center at Tyler (on behalf of Northeast Texas Network) (referred to hereinafter as "UT Entity"). The agreement with UT Entity establishes a group arrangement for the collective licensing, implementation, and maintenance of administrative software, hardware, and services for use in internal operations. The project is organized to create a consistent, identifiable structure to facilitate joint purchasing, training, and implementation of enterprise software, as well as shared services, when mutually beneficial.

The agreement with UT Entity provides a budget not to exceed $2,500,000 to TC3, funded by Texas appropriations provided to UT Entity for special item support. This amount was to be paid in installments over the term of the contract, which expired August 30, 2017, based on certain deliverables required by the contract.

The College has agreed to act as the fiscal agent for the project. The budget of $2,500,000 included $350,000 in development assistance to the members of TC3, which increased to five members, and $50,000 to the fiscal agent, in addition to various other expenses. As of August 31, 2018 and 2017, the College held approximately $891,130 and $175,525 in cash on behalf of TC3, respectively. In addition, the College recognized revenues of $25,000 for its role as fiscal agent during the years ended August 31, 2018 and 2017.

NOTE 26 – SUBSEQUENT EVENTS

The College has evaluated events through December 13, 2018, the date the financial statements were available to be issued, and has determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

TEXARKANA COLLEGE

SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Last Four Fiscal Years**

Fiscal year ending August 31*,	2018	2017	2016	2015
College's proportionate share of the collective net pension liability (%)	0.0101705%	0.0098658%	0.0102680%	0.0119553%
College's proportionate share of the collective net pension liability ($)	$ 3,251,982	$ 3,728,134	$ 3,629,601	$ 3,193,426
State's proportionate share of the net pension liability associated with the College	2,451,729	2,800,343	2,682,914	2,306,110
Total	$ 5,703,711	$ 6,528,477	$ 6,312,515	$ 5,499,536
College's covered payroll amount	$ 8,583,822	$ 8,023,502	$ 7,753,711	$ 7,614,974
College's share of the net pension liability as a percentage of covered payroll	37.89%	46.47%	46.81%	41.94%
Plan fiduciary net position as a percentage of total pension liability	82.17%	78.00%	78.43%	83.25%

** The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.*

*** Only four 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."*

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS FOR PENSIONS
*Last Four Fiscal Years***

Fiscal year ending August 31*,	2018	2017	2016	2015
Legally required contributions	$ 357,006	$ 333,131	$ 313,393	$ 303,710
Actual contributions	357,006	333,131	313,393	303,710
Contributions deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll amount	$ 9,063,322	$ 8,583,822	$ 8,023,502	$ 7,753,711
College's actual contributions as a percentage of covered payroll	3.94%	3.88%	3.91%	3.92%

* *The amounts presented above are as of the College's respective fiscal year-end.*

** *Only four 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."*

TEXARKANA COLLEGE

SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY

Last Two Fiscal Years**

Fiscal year ending August 31*,	2018	2017
College's proportionate share of the collective net pension liability (%)	0.0758028%	0.0758028%
College's proportionate share of the collective net pension liability ($)	$ 25,828,280	$ 30,859,304
State's proportionate share of the net pension liability associated with the College	20,870,938	24,936,333
Total	$ 46,699,218	$ 55,795,637
College's covered-employee payroll amount	$ 11,094,823	$ 11,032,875
College's share of the net pension liability as a percentage of covered-employee payroll	232.80%	279.70%
Plan fiduciary net position as a percentage of total pension liability	2.04%	1.22%

* *The amounts presented above are as of the measurement date of the collective net OPEB liability for the respective fiscal year.*

** *Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS FOR OPEB
Last Two Fiscal Years**

Fiscal years ending August 31*,	**2018**	**2017**
Legally required contributions	$ 624,862	$ 710,141
Actual contributions	624,862	710,141
Contributions deficiency (excess)	$ -	$ -
College's covered-employee payroll amount	$ 11,578,814	$ 11,094,823
College's actual contributions as a percentage of covered-employee payroll	5.40%	6.40%

** The amounts presented above are as of the College's respective fiscal year-end.*

*** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

TEXARKANA COLLEGE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

Notes to the supplementary information related to pensions:

Changes of Benefit Terms

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

Changes of Assumptions

There were no changes of assumptions for the year ended August 31, 2018.

Notes to the supplementary information related to OPEB:

Changes of Benefit Terms

Under Q/A #4.107 of GASB's Implementation Guide No. 2017-2, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2017, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- an increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- elimination of the copayment for virtual visits;
- a reduction in the copayment for Airrosti; and
- for out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for in the FY 2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Changes of Assumptions

Demographic Assumptions

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

Notes to the supplementary information related to OPEB (continued)

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees covering dependent children.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

Economic Assumptions

The assumed rate of general inflation has been updated since the previous valuation to remain consistent with the ERS retirement plan assumption previously adopted by the ERS Trustees.

Assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost, Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations and the revised assumed rate of general inflation.

The discount rate was lowered as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher.

Minor benefit changes have been reflected in the FY 2018 Assumed Per Capita Health Benefit Costs

SUPPLEMENTAL INFORMATION

TEXARKANA COLLEGE
SCHEDULE A – SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2018 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total 8/31/18	Totals 8/31/17
Tuition						
State funded courses						
In-district resident tuition	$ 2,246,218	$ -	$ 2,246,218	$ -	$ 2,246,218	$ 2,128,453
Out-of-district resident tuition	460,545	-	460,545	-	460,545	439,762
TPEG (set aside)	-	153,200	153,200	-	153,200	164,081
Non-resident tuition	691,105	-	691,105	-	691,105	682,315
State funded continuing education	1,275,027	-	1,275,027	-	1,275,027	1,541,477
Non-State funded educational programs	473,679	-	473,679	-	473,679	469,207
Total Tuition	5,146,574	153,200	5,299,774	-	5,299,774	5,425,295
Fees						
General Fees	2,084,390	-	2,084,390	-	2,084,390	2,141,244
Student Service fees	297,142	-	297,142	-	297,142	301,168
Course Fees	1,029,474	-	1,029,474	-	1,029,474	996,872
Out-of-District Fees	1,293,263	-	1,293,263	-	1,293,263	1,307,368
Total Fees	4,704,269	-	4,704,269	-	4,704,269	4,746,652
Scholarship allowances and discounts						
Scholarship allowances	-	(330,779)	(330,779)	-	(330,779)	(285,273)
Remissions and exemptions	(276,363)	-	(276,363)	-	(276,363)	(212,682)
TPEG allowances	-	(153,200)	(153,200)	-	(153,200)	(164,081)
Title IV allowances	-	(3,395,219)	(3,395,219)	-	(3,395,219)	(2,892,718)
Total Scholarship Allowances	(276,363)	(3,879,198)	(4,155,561)	-	(4,155,561)	(3,554,754)
Total Net Tuition and Fees	9,574,480	(3,725,998)	5,848,482	-	5,848,482	6,617,193

TEXARKANA COLLEGE

SCHEDULE A – SCHEDULE OF OPERATING REVENUES (CONTINUED)

FOR THE YEAR ENDED AUGUST 31, 2018 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total 8/31/18	Totals 8/31/17
Other Operating Revenues						
Federal grants and contracts	85,006	593,176	678,182	-	678,182	596,806
State grants and contracts	-	452,794	452,794	-	452,794	1,088,291
Nongovernmental grants and contracts	228,145	231,263	459,408	-	459,408	397,796
Sales and Services of educational activities	253,242	-	253,242	-	253,242	234,844
Other operating revenues	196,341	-	196,341	-	196,341	326,025
Total Other Operating Revenues	762,734	1,277,233	2,039,967	-	2,039,967	2,643,762
Auxiliary Enterprises						
Bookstore	-	-	-	1,517,647	1,517,647	1,550,884
Less discounts	-	-	-	(1,148,587)	(1,148,587)	(1,200,426)
Less scholarships				(373,199)	(373,199)	(395,464)
Residential Life	-	-	-	24,025	24,025	28,917
Less discounts	-	-	-	(18,600)	(18,600)	(14,517)
Cafeteria	-	-	-	130,983	130,983	99,107
Radio	-	-	-	234,011	234,011	239,733
Total Net Auxiliary Enterprises	-	-	-	366,280	366,280	308,234
Total Operating Revenues	$ 10,337,214	$ (2,448,765)	$ 7,888,449	$ 366,280	$ 8,254,729	$ 9,569,189

TEXARKANA COLLEGE
SCHEDULE B – SCHEDULE OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2018 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)

	Operating Expenses					
	Salaries and Wages	Benefits State	Benefits Local	Other Expenses	Total 8/31/18	Total 8/31/17
Unrestricted - Educational Activities						
Instruction	$ 7,617,287	$ -	$ 1,544,115	$ 2,014,284	$ 11,175,686	$ 10,949,951
Academic Support	1,238,262	-	371,226	572,545	2,182,033	2,214,812
Student Services	853,130	-	235,417	173,427	1,261,974	1,230,047
Institutional Support	2,153,547	-	524,520	1,305,589	3,983,656	4,038,076
Operation and Maintenance of Plant	735,367	-	326,321	1,557,361	2,619,049	2,444,627
Total Unrestricted Educational Activities	**12,597,593**	**-**	**3,001,599**	**5,623,206**	**21,222,398**	**20,877,513**
Restricted - Educational Activities						
Instruction	280,459	1,503,668	73,117	236,050	2,093,294	2,101,361
Academic Support	-	244,436	-	10,554	254,990	190,284
Student Services	668,007	168,410	158,313	108,379	1,103,109	1,102,306
Institutional Support	1,000	425,115	70	-	426,185	342,250
Scholarships and Fellowships	-	-	-	3,395,838	3,395,838	2,813,785
Total Restricted Educational Activities	**949,466**	**2,341,629**	**231,500**	**3,750,821**	**7,273,416**	**6,549,986**
Total Educational Activities	**13,547,059**	**2,341,629**	**3,233,099**	**9,374,027**	**28,495,814**	**27,427,499**
Auxiliary Enterprises	330,454	81,686		1,522,679	1,934,819	1,863,905
Depreciation Expense:						
Building & Improvements	-	-	-	1,157,363	1,157,363	1,179,584
Software	-	-	-	98,022	98,022	98,022
Equipment & Furniture	-	-	-	472,400	472,400	443,965
Library Books	-	-	-	54,678	54,678	62,824
Total Auxiliary Activities & Depreciation	**330,454**	**81,686**	**-**	**3,305,142**	**3,717,282**	**3,648,300**
Total	**$ 13,877,513**	**$ 2,423,315**	**$ 3,233,099**	**$ 12,679,169**	**$ 32,213,096**	**$ 31,075,799**

TEXARKANA COLLEGE

SCHEDULE C – SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2018 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)

	Unrestricted	Restricted	Auxiliary Enterprises	Total 8/31/18	Total 8/31/17
Non-operating revenues					
Education and general state support	$ 7,209,237	$ -	$ -	$ 7,209,237	$ 6,968,248
State group insurance	-	2,057,272	-	2,057,272	1,480,797
State retirement matching	-	284,357	-	284,357	385,921
Total State Appropriation	**7,209,237**	**2,341,629**	**-**	**9,550,866**	**8,834,966**
Other non-operating revenues					
Ad-valorem taxes	6,265,405	-	-	6,265,405	5,834,054
Federal Revenue non operating	-	8,550,334	-	8,550,334	7,521,288
Gifts	313	-	-	313	40,936
Investment income	195,289	21,910	-	217,199	128,030
Rent Income	178,635	-	-	178,635	216,660
Other non-operating revenues	4,997	-	-	4,997	5,252
Total Other Non-operating Revenues	**6,644,639**	**8,572,244**	**-**	**15,216,883**	**13,746,220**
Total Non-operating Revenues	**13,853,876**	**10,913,873**	**-**	**24,767,749**	**22,581,186**
Non-Operating (Expenses)					
Gain on disposal of fixed assets	(362,997)	-	-	(362,997)	(531,824)
Interest on capital related debt	-	(70,701)	-	(70,701)	(75,073)
Total Non Operating (Expenses)	**(362,997)**	**(70,701)**	**-**	**(433,698)**	**(606,897)**
Net Non-Operating Revenues	**$ 13,490,879**	**$ 10,843,172**	**$ -**	**$ 24,334,051**	**$ 21,974,289**

TEXARKANA COLLEGE

SCHEDULE D – SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY

FOR THE YEAR ENDED AUGUST 31, 2018 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)

	Detail By Source					Available for Current Operations	
		Restricted		Capital Assets Net of Depreciation			
	Unrestricted	Expendable	Non Expendable	& Related Debt	Total	Yes	No
Current:							
Unrestricted	(22,282,796)				(22,282,796)	(22,282,796)	
Restricted							
Auxiliary	969,631				969,631	969,631	
Endowment:							
Restricted		80,966	1,200,864		1,281,830		1,281,830
Plant:							
Unexpended					-		-
Investment in Plant				17,507,705	17,507,705		17,507,705
Total Net Position, August 31, 2018	(21,313,165)	80,966	1,200,864	17,507,705	(2,523,630)	(21,313,165)	18,789,535
Total Net Position, August 31, 2017, as previously reported	7,435,289	118,015	1,291,504	18,405,041	27,249,849	7,435,289	19,814,560
Cumulative effect of change in accounting principle	(30,149,163)	-	-	-	(30,149,163)	(30,149,163)	-
Net Increase (Decrease) in Net Position	$ 1,400,709	$ (37,049)	$ (90,640)	$ (897,336)	$ 375,684	$ 1,400,709	$ (1,025,025)

TEXARKANA COLLEGE
SCHEDULE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
U.S. Department of Education			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grants (FSEOG)	84.007 *	P007A174134	$ 56,250
Federal Work Study Program (FWS)	84.033 *	P033A174134	85,775
Direct Student Loans	84.268 *	P268K182318	4,682,620
Federal Pell Grant	84.063 *	P063P172318	7,901,994
Allocated Indirect Costs - Federal Pell Grant	84.063 *	P063P172318	10,535
Subtotal Student Financial Assistance Cluster			12,737,174
TRIO Cluster:			
TRIO - Student Support Services (SSS)	84.042	P042A160405	224,061
Allocated Indirect Costs - SSS	84.042	P042A160405	17,925
TRIO - Talent Search (TS)	84.044	P044A160080	282,254
Allocated Indirect Costs - TS	84.044	P044A160080	22,580
TRIO - Educational Opportunity Centers (EOC)	84.066	P066A160244	218,928
Allocated Indirect Costs - EOC	84.066	P066A160244	17,514
Subtotal TRIO Cluster			783,262
Passed Through the Texas Higher Education Coordinating Board			
Vocational Education - Basic Grant	84.048	1642020601	329,056
Allocated Indirect Costs - Vocational Education	84.048	1642020601	16,452
Total Passed Through the Texas Higher Education Coordinating Board			345,508
Passed Through the Texas Workforce Commission			
Adult Education and Family Leave Act (AEFLA)	84.002A	V002A180044	25,192
Total Passed Through the Texas Workforce Commission			25,192
Total U.S Department of Education			13,891,136
U.S. Department of Health and Human Services			
Passed Through the Texas Association of Community Colleges			
Temporary Assistance for Needy Families	93.558	1901TXTANF	20,000
Total Passed Through the Texas Association of Community Colleges			20,000
Total U.S. Department of Health and Human Services			20,000
Total Federal Financial Assistance			$ 13,911,136

* *Major Program*

Notes to the Schedule of Expenditures of Federal Awards

Note 1 – Federal Assistance Reconciliation

Federal Grants and Contract Revenue -		
Per Schedule of Operating Revenues (Schedule A)	$	678,182
Per Schedule of Operating Revenues (Schedule C)		8,550,334
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets	$	9,228,516
Reconciling item:		
Add: Direct Student Loans	$	4,682,620
Total Federal Revenues per Schedule of Expenditures of Federal Awards	$	13,911,136

Note 2 – Significant Accounting Policies

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the College 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. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has agency approved Indirect Recovery Rate it has elected not to use the 10% de minimis cost rate as permitted in the Uniform Guidance, section 200.414.

Note 3 – Expenditures Not Subject to Federal Single Audit

None

Note 4 – Student Loans Processed and Administrative Costs Recovered

None

Note 5 – Amounts Passed Through by the College

None

TEXARKANA COLLEGE
SCHEDULE F – SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Grantors Number	Expenditures and Pass Through Disbursements
Texas Higher Education Coordinating Board		
Texas Educational Opportunity Grant	N/A	235,178
Nursing Innovation Grant	N/A	50,680
Texas College Work Study	N/A	12,871
Professional Nursing Shortage Reduction	N/A	24,527
Total Texas Higher Education Coordinating Board		323,256
Texas Workforce Commission		
Skills for Small Business Program	0717SSD002	35,136
Lone Star Trucking - Skills Development Fund	0718SDF001	14,000
Adult Education and Family Leave Act (AEFLA)		14,533
Total Texas Workforce Commission		63,669
Texas Commission of Environmental Quality		
Passed Through Sulphur River Basin Authority		
Clean Rivers Grant	N/A	60,062
Total Texas Commission on Environmental Quality		60,062
Total State Financial Assistance		$ 446,987

Notes to the Schedule of Expenditures of State Awards

Note 1 – State Assistance Reconciliation

Reconciliation	
State Grants and Contract Revenue - Per Schedule of Operating Revenues (Schedule A)	$ 452,794
Reconciling item:	
Subtract: Grants from other states	(5,807)
Total Expenditures of State Awards	$ 446,987

Notes to the Schedule of Expenditures of State Awards (continued)

Note 2 – Significant Accounting Policies

The accompanying schedule of expenditures of state awards has been prepared on the accrual basis of accounting. The expenditures included in this schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the College for the purposes of the award. The College has followed the applicable guidelines issued by the various entities in the preparation of the schedule.

TEXARKANA COLLEGE

SCHEDULE G – AUXILIARY ENTERPRISES - STATEMENT OF INCOME AND EXPENDITURES

FOR THE YEAR ENDED AUGUST 31, 2018 (WITH COMPARATIVE FIGURES FOR THE YEAR ENDED AUGUST 31, 2017)

	2018					2017				
	Cafeteria	Bookstore	Housing	Radio	Total	Cafeteria	Bookstore	Housing	Radio	Total
Sales and Gross Profit										
Sales	$ 130,983	$ 1,517,647	$ 24,025	$ 234,011	$ 1,906,666	$ 99,107	$ 1,550,884	$ 28,917	$ 239,733	$ 1,918,641
Total Sales	130,983	1,517,647	24,025	234,011	1,906,666	99,107	1,550,884	28,917	239,733	1,918,641
Less Direct Cost										
Cost of goods sold	68,794	1,186,557	-	-	1,255,351	69,995	1,221,939	-	-	1,291,934
Salaries	44,955	149,979	2,750	132,770	330,454	6,323	148,325	3,200	128,871	286,719
Total Direct Cost	113,749	1,336,536	2,750	132,770	1,585,805	76,318	1,370,264	3,200	128,871	1,578,653
Gross Profit/(Loss)	17,234	181,111	21,275	101,241	320,861	22,789	180,620	25,717	110,862	339,988
Operating Expenditures										
Benefits	11,373	36,386	168	33,759	81,686	954	33,846	281	29,400	64,481
Supplies	45,614	8,982	-	459	55,055	17,871	9,457	1,661	1,135	30,124
Contracted Services	3,364	6,749	-	173,420	183,533	2,260	10,754	-	157,663	170,677
Depreciation	-	-	-	14,228	14,228	-	-	-	14,228	14,228
Miscellaneous	128	14,384	-	-	14,512	52	5,690	-	-	5,742
Total Operating Expenditures	60,479	66,501	168	221,866	349,014	21,137	59,747	1,942	202,426	285,252
Excess (Deficiency) of Income Over Expense	$ (43,245)	$ 114,610	$ 21,107	$ (120,625)	$ (28,153)	$ 1,652	$ 120,873	$ 23,775	$ (91,564)	$ 54,736

See independent auditor's report

TEXARKANA COLLEGE
SCHEDULE H – INSURANCE IN FORCE
AS OF AUGUST 31, 2018

Company	Policy Number	Coverage	Coverage (in thousands)	Expiration Date
Texas Political Subdivisions	18-F0697	General Liability	$ 2,000	July 1, 2019
Texas Political Subdivisions	18-F0697	School Board Legal Liability	$ 1,000	July 1, 2019
Texas Political Subdivisions	18-F0697	Law Enforcement	$ 1,000	July 1, 2019
Texas Political Subdivisions	18-F0697	Automobile Liability	$ 1,000	July 1, 2019
Texas Political Subdivisions	18-F0697	Property & Equipment:		July 1, 2019
		Blanket Building & Contents	$ 96,919	
		Contractors Equipment	$ 121	
		Electronic Data, Media and Hardware	$ 500	
Texas Political Subdivisions	18-F0697	Crime:		July 1, 2019
		Employee Dishonesty	$ 150	
		Forgery or Alteration	$ 50	
		Theft, Disappearance, and Destruction	$ 50	
		Computer Fraud	$ 50	
Texas Political Subdivisions	S716-85001	Crisis Management	$ 2,000	July 1, 2019
Texas Political Subdivisions	G290120520 001	Cyber Liability	$ 1,000	July 1, 2019

FEDERAL FINANCIAL ASSISTANCE INFORMATION
SINGLE AUDIT

Thomas &
Thomas PLLC
Certified Public Accountants

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Center for Audit Quality and PCPS

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

To the Board of Trustees of
Texarkana College
Texarkana, Texas

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 business-type activities and the aggregate discretely presented component unit of Texarkana College (the College), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 13, 2018.

Internal Control over Financial Reporting

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

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

◆ 2900 St. Michael Drive, Suite 302, Texarkana, Texas 75503 ◆ Telephone (903) 831-3477 ◆ FAX (903) 831-3482 ◆

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

Thomas & Thomas, PLLC
Certified Public Accountants

Texarkana, Texas
December 13, 2018

Thomas &
Thomas PLLC
Certified Public Accountants

Members American Institute Certified Public Accountants
Center for Audit Quality and PCPS

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

To the Board of Trustees
of Texarkana College
Texarkana, Texas

Report on Compliance for Each Major Federal Program

We have audited the Texarkana College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2018. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, Texarkana College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

Thomas & Thomas, PLLC
Certified Public Accountants

Texarkana, Texas
December 13, 2018

TEXARKANA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018

Section I – Summary of Auditor's Results

Financial Statements	
The Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	None Reported
Federal Awards	
Internal control over major programs:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	None Reported

Identification of major programs:

CFDA Number	**Name of Federal Program or Cluster**
84.007	Student Financial Assistance Cluster – FSEOG
84.033	Student Financial Assistance Cluster – FWS
84.063	Student Financial Assistance Cluster – PELL
84.268	Student Financial Assistance Cluster – Direct Loans

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

TEXARKANA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018

Section II – Federal Award Findings and Questioned Costs

During the year ended August 31, 2018, there were no findings or questioned costs reported for federal major programs.

TEXARKANA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018

Section III – Findings and Questioned Costs – Major Federal Award Programs

Prior Year Findings and Questioned Costs Relating to Federal Awards

During the year ended August 31, 2017, there were no findings or questioned costs reported for federal major programs.

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