TRINITY VALLEY COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT FOR THE

YEAR ENDED AUGUST 31, 2018

TRINITY VALLEY COMMUNITY COLLEGE
Annual Financial Report for
the Year Ended August 31, 2018

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TRINITY VALLEY COMMUNITY COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

Board of Trustees

Officers

Ray Raymond	President
Paula Kimball	Vice President
Kenneth McGee	Secretary

Members

		Term Expires April 30,
Ron Day	Mabank, Texas	2024
Steve Grant	Athens, Texas	2020
Paula Kimball	Seven Points, Texas	2024
Kenneth McGee	Athens, Texas	2020
David Monk	Chandler, Texas	2024
Homer L. Norville	Kaufman, Texas	2022
Ray Raymond	Kaufman, Texas	2020
Dr. Charles Risinger	Terrell, Texas	2022
Jerry Stone	Malakoff, Texas	2022

Principal Administrative Officers

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

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

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

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

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Athens, Texas 75751
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Unmodified Opinions on the Basic Financial Statements
Accompanied by Required Supplementary Information and Other Information

Independent Auditor's Report

The Board of Trustees
Trinity Valley Community College
Athens, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Trinity Valley Community College (TVCC), as of and for the years ended August 31, 2018 and August 31, 2017, and the related notes to the financial statements, which collectively comprise TVCC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2019 on our consideration of TVCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TVCC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TVCC's internal control over financial reporting and compliance

Respectively submitted,

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

January 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Trinity Valley Community College's financial statements provides an overview of the College's financial activities for the year ending August 31, 2018. Please read it in conjunction with the independent auditor's reports, the College's basic financial statements, footnotes, and schedules.

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

USING THIS REPORT

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

FINANCIAL INFORMATION

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

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

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

The Statement of Net Position

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

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

As shown on the SONP, net position is $20,813,359 at August 31, 2018, a decrease of $28,180,341 over net position at August 21, 2017. The decrease is due to implementation of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). The statement requires that entities recognize the liability of employers for retiree health insurance as determined by actuarial valuation, and the deferred inflows and outflows associated with that liability. The liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the health insurance plan's fiduciary net position. Presented on the following page is a condensed SONP showing fiscal years 2018 and 2017 for comparative purposes.

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

	2018	2017	Change
Assets			
Cash and Cash Equivalents, Unrestricted	$ 17,480	$ 15,309	$ 2,171
Cash and Cash Equivalents, Restricted	6,701	776	5,925
Investments, Unrestricted	-	-	-
Capital Assets, Net	42,747	40,367	2,380
Other Assets	2,770	3,250	(480)
Total Assets	**$ 69,698**	**$ 59,702**	**$ 9,996**
Deferred Outflows of Resources	$ 2,675	$ 3,977	$ (1,302)
Liabilities			
Current Liabilities	$ 4,284	$ 2,790	1,494
Long Term Liabilities	$ 39,020	$ 7,968	31,052
Total Liabilities	**$ 43,304**	**$ 10,758**	**$ 32,546**
Deferred Inflows of Resources	$ 8,255	$ 3,927	4,328
Net Position			
Invested in Capital Assets, Net of Debt	$ 41,185	$ 38,514	2,671
Unrestricted *	(20,372)	10,480	(30,852)
Total Net Position *	**$ 20,813**	**$ 48,994**	**(28,181)**

* includes prior period adjustment for GASB 75

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

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

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

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

- The reporting of tuition and fees and auxiliary (housing, food service and bookstore) revenue is *net of discounts*. Discounting is the practice of accepting less than the stated charge for tuition, fees, room, board and/or books in payment for the goods and services provided. Common terminology for methods of discounting are: "institutional scholarships" when self-funded by the institution, "waivers" and/or "exemptions" when state mandated, "financial aid" and "allowances". Prior to GASB 34 and 35, reporting gross tuition and fee revenue, and reporting an offsetting expense as "scholarships and financial aid" was the generally acceptable accounting treatment for public colleges and universities. GASB 34 and 35 now require the reporting of scholarship/financial aid as a deduction (discount) from revenue; and
- The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statement as depreciation expense, which allocates the cost of an asset over its expected useful life.
- Due to the above accounting treatments and especially since state appropriations, ad valorem taxes and federal Title IV funds are three of the four primary sources of revenue (state appropriations, tuition and fees, federal funds and property taxes), it is typical to have an *operating loss* on the Statement of Revenues, Expenses, and Changes in Net Position. If state appropriations, property tax revenue, and federal Title IV funds are added to operating revenues, overall operating income will usually be positive as is the case this year.

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

Revenues:

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

Expenses:

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

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

Total operating revenue was $12,117,117, a decrease of $547,724 over prior year operating revenue of $12,664.851. This decrease was primarily due to decreases in state grant revenue, bookstore, and residential life (room and board) income.

Operating expenses totaled $47,923,373, an increase of $1,025,000 over the previous year which is primarily attributable to a modest raise for faculty and staff offset by employee headcount reductions due to attrition, and a decrease in state grant, bookstore, and residential life expenses. Net non-operating revenue, the majority of which is normally state appropriations, property tax revenue and federal Title IV funding, increased by $3,130,000 compared to the previous year. This increase is primarily attributable to an increase in property tax rates and values resulting in increased net tax revenue of $1,138,000 and an increase in state appropriations of $1,918,000. Presented on the following page is a condensed SRECNP showing fiscal years 2018 and 2017 for comparative purposes.

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

	2018	2017	Change
Operating Revenues			
Tuition and Fees - net	$ 7,768	$ 7,787	$ (19)
Federal Grants/Contracts	550	570	(20)
State Grants/Contracts	586	945	(359)
Local Grants/Contracts	-	-	-
Non-government Grants/Contracts	35	25	10
Sales and Services of Educational Activities	198	183	15
Auxiliary Enterprises - net	2,830	3,003	(173)
Other	150	152	(2)
Total Operating Revenues	**$ 12,117**	**$ 12,665**	**$ (548)**
Operating Expenses			
Instruction	$ 17,086	$ 17,220	$ (134)
Public Service	601	573	28
Academic Support	6,350	5,965	385
Student Services	4,449	4,159	290
Institutional Support	5,142	4,614	528
Operation and Maintenance of Plant	2,886	2,658	228
Scholarships and Fellowships	3,742	3,572	170
Auxiliary Enterprises	6,095	6,326	(231)
Depreciation	1,573	1,812	(239)
Total Operating Expenses	**$ 47,924**	**$ 46,899**	**$ 1,025**
Operating Income (Loss)	**$ (35,807)**	**$ (34,234)**	**$ (1,573)**
Non-Operating Revenues (Expenses)			
State Appropriations	$ 15,999	$ 14,081	$ 1,918
Ad Valorem Taxes	14,298	13,135	1,163
Federal Non-op Revenue	8,729	9,315	(586)
Payments for Collection of Taxes	(389)	(354)	(35)
Gifts	543	428	115
Donated Land Value	17	5,658	(5,641)
Other Non-op Revenue	154	19	135
Investment Income	94	84	10
Reduction of Contractual Commitment	(24)	67	(91)
Issuance of Capital-related Debt	(55)	(4)	(51)
Loss on Disposal of Fixed Assets	(88)	(21)	(67)
Net Non-Operating Revenues	**$ 39,278**	**$ 42,408**	**$ (3,130)**
Income Before Other Items	**$ 3,471**	**$ 8,174**	**$ (4,703)**
Extraordinary Item			
Preconstruction Costs on Discontinued Projec	$ -	$ (493)	493
Change in Net Position	**$ 3,471**	**$ 7,681**	**$ (4,210)**
Beginning Net Position	$ 48,994	$ 41,313	7,681
Prior Period Adjustment for GASB 75	(31,652)	-	(31,652)
Ending Net Position	$ 20,813	$ 48,994	$ (28,181)

Statement of Cash Flows

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

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

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

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

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

For fiscal year 2018, there was more cash provided (inflow) than used (outflow) resulting in positive cash flow of $8,094,986 an increase of $3,996,081 compared to fiscal year 2017's positive cash flow of $4,098,905. While there are many offsetting variables contributing to the increase in cash flow, the primary contributors are a $6,000,000 increase in capital debt issuance offset by capital construction spending, and a $1,141,310 increase in ad valorem tax receipts, year over year.

Capital Asset and Debt Administration

Capital Assets

At August 31, 2018, the College had $42,746,728 invested in capital assets, net of accumulated depreciation of $26,555,300. Refer to Note 7 in the Notes to the Financial Statements (page 26) for further details on the College's capital assets.

The College remains committed to maintaining adequate physical resources and information technology systems to support its mission. Major facilities investments made during fiscal year 2018 included ongoing construction of the new TVCC Health Science Center in Terrell, and renovation of the former armory building adjacent to the Athens campus for the new TVCC Fitness Center for students, faculty and staff, and additional athletics practice facilities. Additionally, implementation of the college's new system-wide information technology software is underway.

Debt

The college had $6,000,000 in outstanding revenue bond obligations and $100,000 in outstanding capital lease debt as of August 31, 2018.

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

Internal Control Environment

In February, 2018, TVCC Accounting Services personnel discovered apparent irregularities in the awarding of student financial aid funds. An internal investigation followed by third party review confirmed that policy violations, dishonest actions and improper conduct had occurred, resulting in termination and/or resignation of three employees. The findings were immediately reported by TVCC to the US Department of Education (DOE) and the Texas Higher Education Coordinating Board (THECB). The actions are currently under investigation by the Assistant US Attorney's office of the Eastern District for possible student financial aid fraud under US Code Title 20-Education, Chapter 28, Subchapter IV, Part G, Section 1097 - Criminal Penalties.

Shortly after notification by TVCC, THECB conducted a compliance monitoring audit and an examination of the college's overall control environment. See footnote 8, NONCURRENT LIABILITIES for information regarding compliance monitoring audit findings. The THECB control environment examination found that TVCC has operated through the use of manual processes, with inadequate controls and inadequate documentation of existing controls, and provided recommendations to assist the college in improving control processes. TVCC administration prepared a detailed action plan to address the recommendations, many of which will be accomplished through implementation of the college's new information technology software. The TVCC Board of Trustees approved the action plan on November 26, 2018.

TVCC Foundation

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

The Foundation's net position at fiscal year-end August 31, 2018 was $5,374,763 an increase of $1,044,375 compared to the previous year primarily due to a sizable estate gift and other generous donor contributions. The Foundation's Statement of Net Position and Statement of Activities are presented on pages 17 and 19 respectively. Endowment funds of the Foundation are under professional investment management.

FUTURE FINANCIAL AFFECTS

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

The Trinity Valley Community College mission statement reads:

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

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

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

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EXHIBITS AND NOTES

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
AUGUST 31, 2018 AND AUGUST 31, 2017

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 17,479,706	$ 15,309,348
Short-Term Investments	0	0
Accounts Receivable (Net)	2,193,752	2,723,605
Inventories	418,792	390,801
Prepaid Expenses	157,610	134,878
Total Current Assets	**20,249,860**	**18,558,632**
Noncurrent Assets		
Restricted Cash and Cash Equivalents	6,701,013	776,384
Capital Assets, (Net) (See Note)	42,746,728	40,367,142
Total Noncurrent Assets	**49,447,741**	**41,143,526**
Total Assets	**69,697,601**	**59,702,158**
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	1,851,310	3,977,390
Deferred Outflows Related to OPEB	823,959	0
Total Deferred Outflows of Resources	**2,675,269**	**3,977,390**
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable	465,445	233,715
Accrued Compensable Absences - Current Portion	430,285	411,338
Funds Held for Others	350,876	327,800
Unearned Revenues	1,261,221	1,254,164
Deposits	360,475	408,060
Capital Lease Payable - Current Portion	25,000	25,000
Contractual Commitment - Current Portion	190,492	155,242
Bonds Payable - Current Portion	1,200,000	0
Total Current Liabilities	**4,283,794**	**2,815,319**
Noncurrent Liabilities		
Contractual Commitment	1,028,842	1,080,508
Capital Lease Payable	75,000	100,000
Net Pension Liability	5,719,850	6,762,598
Net OPEB Liability	27,118,949	0
Bonds Payable	4,800,000	0
Contingent Liability	277,821	0
Total Noncurrent Liabilities	**39,020,462**	**7,943,106**
Total Liabilities	**43,304,256**	**10,758,425**
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	2,259,124	3,927,423
Deferred Inflows Related to OPEB	5,996,130	0
Total Deferred Inflows of Resources	**8,255,254**	**3,927,423**
NET POSITION		
Invested in Capital Assets, Net of Related Debt	41,185,180	38,513,470
Unrestricted	(20,371,821)	10,480,230
Total Net Position (Schedule D)	**$ 20,813,359**	**$ 48,993,700**

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

TRINITY VALLEY COMMUNITY COLLEGE
DISCRETE COMPONENT UNIT
TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENT OF NET POSITION
AUGUST 31, 2018 AND AUGUST 31, 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 499,195	$ 372,785
Investments	4,892,593	3,955,639
Accounts Receivable - Current		0
Accrued Receivables		149
Capital Assets (Net)	2,621	2,621
Total Assets	5,394,409	4,331,194
LIABILITIES		
Accounts Payable	19,646	807
NET POSITION		
Invested in Capital Assets	2,621	2,621
Restricted for:		
Nonexpendable		
Student Aid	4,434,164	3,509,735
Expendable		
Student Aid	801,571	726,308
Capital Projects	79,994	32,186
Unrestricted	56,412	59,538
Total Net Position	$ 5,374,762	$ 4,330,388

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

Exhibit 2

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2018 AND AUGUST 31, 2017

	2018	2017
Operating Revenues		
Tuition and Fees (Net of Discounts of $8,093,367 And $7,913,264 respectively)	$ 7,768,319	$ 7,786,852
Federal Grants and Contracts	549,552	570,002
State Grants and Contracts	585,685	945,122
Non-government Grants and Contracts	35,209	25,118
Sales and Services of Educational Activities	198,300	182,999
Auxiliary Enterprises (Net of Discounts of $1,933,829 And $2,569,358 respectively)	2,830,441	3,003,319
General Operating Revenue	149,611	151,439
Total Operating Revenues (Schedule A)	12,117,117	12,664,851
Operating Expenses		
Instruction	17,086,115	17,219,741
Public Service	601,219	572,803
Academic Support	6,350,299	5,965,345
Student Services	4,448,967	4,159,387
Institutional Support	5,141,945	4,613,662
Operation and Maintenance of Plant	2,885,521	2,658,395
Scholarships and Fellowships	3,741,771	3,572,055
Auxiliary Enterprises	6,094,510	6,325,615
Depreciation	1,573,026	1,812,207
Total Operating Expenses (Schedule B)	47,923,373	46,899,210
Operating Income (Loss)	**(35,806,256)**	**(34,234,359)**
Non-Operating Revenues (Expenses)		
State Appropriations	15,998,974	14,080,831
Maintenance Ad Valorem Taxes	14,298,413	13,135,141
Federal Revenues, non-operating	8,728,820	9,315,451
Payments for Collection of Taxes	(389,574)	(353,939)
Gifts	543,356	427,503
Value of Donated Property	17,363	5,658,020
Other Non-operating Revenue	154,264	18,835
Investment Income	94,167	84,280
Reduction of Contractural Commitment	(24,307)	66,667
Interest on Capital Related Debt	(55,192)	(4,449)
Loss on Disposal of Fixed Assets	(88,101)	(20,603)
Net Non-Operating Revenues (Schedule C)	39,278,183	42,407,737
Income Before Extraordinary Item	**3,471,927**	**8,173,378**
Extraordinary Item:		
Preconstruction Costs on Discontinued Project	0	(492,922)
Increase in Net Position	3,471,927	7,680,456
Net Position		
Net Position - Beginning of Year	48,993,700	41,313,244
Prior Period Adjustment	(31,652,268)	
Net Position - End of Year	**$ 20,813,359**	**$ 48,993,700**

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

TRINITY VALLEY COMMUNITY COLLEGE
DISCRETE COMPONENT UNIT
TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2018 AND AUGUST 31, 2017

	2018	2017
REVENUES		
Investment Income	$ 107,492	$ 55,256
Fund Raising Events (Net of Expense)	3,269	3,325
Gifts	1,502,692	154,405
Realized Gain on Sale of Securities	29,069	26,921
Unrealized Gain (Loss) on Sale of Securities	78,957	156,754
Total Revenues	1,721,479	396,661
EXPENSES		
Scholarships	112,353	81,165
Contributions to TVCC and Affiliated Organizations	520,031	12,350
Administrative Expense	40,200	26,121
General Fundraising Expense	4,520	8,160
Total Expenses	677,104	127,796
Change in Net Position	1,044,375	268,865
Net Position at Beginning of Year	4,330,388	4,061,523
Net Position at End of Year	$ 5,374,763	$ 4,330,388

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

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018 AND AUGUST 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	$ 19,294,549	$ 19,352,091
Receipts of Grants and Contracts	1,326,908	1,469,686
Payments to Suppliers for Goods or Services	(11,123,638)	(11,078,999)
Payments to or on Behalf of Employees	(27,080,257)	(26,996,702)
Payments to Scholarships and Fellowships	(11,257,272)	(11,740,305)
Loans Issued to Students	(528,108)	(567,654)
Collection of Loans to Students	404,016	575,115
Other Receipts	31,850	18,124
Net Cash Provided (Used) by Operating Activities	(28,931,952)	(28,968,644)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from State Appropriations	11,881,565	11,383,226
Receipts from Ad Valorem Taxes	14,271,089	13,129,779
Receipts from non-operating federal Revenue	8,908,096	9,542,340
Payment for Collections of Taxes	(389,342)	(353,939)
Receipts from Student Organizations and Other Agency Transactions	7,247,551	8,730,777
Payments to Student Organizations and Other Agency Transactions	(7,224,475)	(8,721,917)
Receipts from Non-Capital Grants/Contracts/Gifts	43,356	56,224
Net Cash Provided (Used) by Non-Capital Financing Activities	34,737,840	33,766,490
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Issuance of Capital Debt	6,000,000	0
Purchases of Capital Assets	(4,278,328)	(1,044,520)
Payments on Debt/Capital Leases	(104,498)	(129,449)
Capital Grants/Contracts/Gifts	500,000	371,280
Insurance Proceeds on Capital Assets	17,364	18,835
Net Cash Provided (Used) by Capital Financing Activities	2,134,538	(783,854)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	154,560	84,913
Net Cash Provided (Used) by Investing Activities	154,560	84,913
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,094,986	4,098,905
CASH AND CASH EQUIVALENTS - September 1	16,085,733	11,986,828
CASH AND CASH EQUIVALENTS - August 31	$ 24,180,719	$ 16,085,733

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2018 AND AUGUST 31, 2017

	2018	2017
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (35,806,256)	$ (34,234,359)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	1,573,026	1,812,207
Payments Made Directly by State for Benefits	2,493,449	2,272,965
Bad Debt Expense	289,719	397,365
Net Pension Expense per GASB 68	(584,967)	525,483
Net OPEB Expense per GASB 75	1,817,447	
Receivables, Net	848,068	96,815
Inventories	(27,991)	172,743
Prepaid Expenses	(22,417)	(1,694)
Accounts Payable	231,730	(137,561)
Deposits	(47,585)	(63,126)
Contingent Liabilities	277,821	
Compensated Absences	18,947	27,224
Unearned Revenue	7,057	163,294
Net Cash Provided (Used) by Operating Activities	$ (28,931,952)	$ (28,968,644)

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

1. **REPORTING ENTITY**

Trinity Valley Community College (TVCC) was established in 1946, in accordance with the laws of the State of Texas, to serve the educational needs of the Trinity Valley Community College District and the surrounding communities. TVCC is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. While TVCC receives funding from local, state, and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Guidelines

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

B. Tuition Discounting

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

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

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

C. Basis of Accounting

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

D. Budgetary Data

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

E. Cash and Cash Equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Deferred Outflows

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

G. Investments

In accordance with GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools,* investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. The governing board has designated public funds investment pools comprised of $ -0- to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

H. Inventories

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

I. Capital assets

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

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

J. Pensions

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

K. Unearned Revenues

Tuition and fees of $1,121,902, federal, state and local grants of $63,703 and auxiliary enterprises of $75,617 have been reported by TVCC as unearned revenue at August 31, 2018.

L. Deferred Inflows

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

M. Estimates

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

N. Operating and Non-Operating Revenue and Expense Policy

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

O. Prior Year Restatement

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

3. AUTHORIZED INVESTMENTS

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

4. DEPOSITS AND INVESTMENTS

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

Cash Deposits

	2018	2017
Bank Deposits:		
Demand Deposits	$ 24,175,638	$ 9,993,650
Cash and Cash Equivalents:		
Petty Cash on Hand	5,081	5,148
Certificate of Deposits (90 days or less)		6,086,934
	5,081	6,092,082
Total Cash and Deposits	$ 24,180,719	$ 16,085,732

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Market Value August 31, 2018	Market Value August 31, 2017
U. S. Government	$ 0	$ 0
U. S. Instrumentality	0	0
Real Estate Investments	0	0
Totals	$ 0	$ 0
Total Cash and Deposits	24,180,719	16,085,732
Total Investments	0	0
Total Deposit and Investments	24,180,719	16,085,732
Cash and Temporary Investments (Exhibit 1)	24,180,719	16,085,732
Investments (Exhibit 1)	0	0
Total Deposits and Investments	$ 24,180,719	$ 16,085,732

TVCC has no investments exposed to interest rate, credit, concentration of credit, custodial or foreign currency 0risk. All deposits are either insured by federal deposit insurance or covered by collateral pledged in TVCC's name and held in the safekeeping departments of unrelated banks which act as the pledging bank's agents.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

TVCC only has investments in bank deposits and bank money market accounts and therefore the value of the instrument is the same as the amount on the bank account.

6. DERIVATIVES

TVCC had no derivatives at August 31, 2018.

7. CAPITAL ASSETS

A. TVCC's Capital Assets

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

	Balance September 1, 2017	Increases	Decreases	Balance August 31, 2018
Not Depreciated:				
Land	$ 2,587,769	$	$	$ 2,587,769
Construction in Progress	628,958	3,447,908	82,601	3,994,264
Subtotal	3,216,727	3,447,908	82,601	6,582,033
Buildings and Other Capital Assets:				
Leasehold Improvements	706,066	6,745		712,811
Buildings	48,450,957	405,925	72,620	48,784,262
Facilities & Improvements	2,588,772			2,588,772
Library Books	2,706,287	71,121	286,230	2,491,179
Furniture, Machinery, And Equipment	4,770,861	317,705	19,616	5,068,950
Telecommunications and Peripheral Equipment	2,909,746	164,275		3,074,021
Subtotal	62,132,689	965,771	378,466	62,719,995
Accumulated Depreciation:				
Leasehold Improvements	87,968	66,152		154,120
Buildings	15,800,457	1,059,557	2,179	16,857,836
Facilities & Improvements	1,734,815	104,500		1,839,315
Library Books	2,044,722	80,948	268,569	1,857,101
Furniture, Machinery, And Equipment	2,853,181	377,347	19,616	3,210,912
Telecommunications and Peripheral Equipment	2,461,131	174,886		2,636,016
Subtotal	24,982,274	1,863,390	290,364	26,555,300
Net Building & Other Capital Assets	37,150,415	(897,619)	88,102	36,164,695
Net Capital Assets	$ 40,367,142	$ 2,550,289	$ 170,703	$ 42,746,728

7. CAPITAL ASSETS (continued)

B. TVCC's Capital Assets Comparative:

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

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

8. NONCURRENT LIABILITIES

A. TVCC's Noncurrent Liabilities:

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

	Balance September 1 2017	Additions	Reductions	Balance August 31 2018	Current Portion
Revenue Bonds	$ 0	$ 6,000,000	$	$ 6,000,000	$ 1,200,000
Capital Lease Payable	125,000		25,000	100,000	25,000
Contractual Commitments	1,235,750	52,750	69,167	1,219,533	190,492
Contingent Liability	0	277,821		277,821	
Net Pension Liability	6,762,598		1,042,748	5,719,850	
Net OPEB Liability		27,118,949		27,118,949	
Total Noncurrent Liabilities	$ 8,123,348	$ 33,449,520	$ 1,136,915	$ 40,436,153	$ 1,415,492

The Texas Higher Education Coordinating Board conducted an audit of TVCC's Texas Educational Opportunity Grant and TEXAS grant awards for fiscal years ending August 31, 2016, 2017 and 2018 in the summer of 2018. Audit findings indicated that TVCC owes $17,023 to THECB for ineligible TEOG awards and $260,798 to students in under-matched TEOG grant awards. As a result of these findings TVCC recorded a contingent liability in the amount of $277,821 as of August 31, 2018. See footnote 30, SUBSEQUENT EVENTS for additional information.

B. TVCC's Noncurrent Liabilities Comparative:

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

	Balance September 1 2016	Additions	Reductions	Balance August 31 2017	Current Portion
Capital Lease Payable	$ 0	$ 250,000	$ 125,000	$ 125,000	$ 25,000
Contractual Commitments	516,667	785,750	66,667	1,235,750	155,242
Net Pension Liability	6,545,512	217,086		6,762,598	0
Total Noncurrent Liabilities	$ 7,062,179	$ 1,252,836	$ 191,667	$ 8,123,348	$ 180,242

9. DEBT AND LEASE OBLIGATIONS

Debt service requirements for bonds at August 31, 2018 were as follows:

Year Ended August 31,	Revenue Bonds Principal	Revenue Bonds Interest	Revenue Bonds Total
2019	$ 1,200,000	$ 96,660	$ 1,296,660
2020	1,200,000	75,180	1,275,180
2021	1,200,000	53,700	1,253,700
2022	1,200,000	32,220	1,232,220
2023	1,200,000	10,740	1,210,740
Totals	$ 6,000,000	$ 268,500	$ 6,268,500

Obligations under capital leases at August 31, 2018 were as follows:

Year Ended August 31,	Total
2019	$ 25,000
2020	25,000
2021	25,000
2022	25,000
Total lease payments	$ 100,000

TVCC obligations under operating leases at August 31, 2018 were as follows:

Year Ended August 31		Total
2018		48,230
2019	$	48,230
2020		48,230
2021		48,231
2022		48,231
Total Minimum Lease Payments	$	192,922

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

In 2018, TVCC entered into an agreement with Terrell ISD for a health science academy to be located on the Terrell Health Science Center campus. The agreement included a provision that if it was terminated prior to 2034 TVCC would repay TISD the unamortized balance of funds contributed by TISD.

Contingent obligations under contractual commitments at August 31, 2018 were as follows:

For the Year Ended August 31	TERRELL HSA		ATHENS S'SHIPS		TERRELL S'SHIPS		FOOD SERVICE		
2019	52,750	$	24,375	$	68,575	$	66,667	$	212,367
2020			24,375		68,575		66,666		159,616
2021			24,375		68,575		66,667		159,617
2022			24,375		68,575		66,667		159,617
2023					68,575		66,666		135,241
2024					68,575		50,000		118,575
2025					68,575				68,575
2026					68,575				68,575
2027					68,575				68,575
Total Contingent Contractual Payments	52,750	$	97,500	$	617,175	$	383,333	$	1,150,758

10. BONDS PAYABLE

TVCC bond service obligations at August 31, 2018 are summarized as follows:

Consolidated Fund Bond Series 2017
Purpose of the bond issue: To renovate a building for health science education
Issue date: October 26, 2017
Amount of issue: $6,000,000
Source of revenue for debt service: Pledged tuition and other student fees, and Auxiliary Enterprise Fund System revenue including interest income on such funds.
Bond principal and interest payments: Principal payments are due in five equal annual installments of $1,200,000. Interest payments totaling $323,691 are due semi-annually varying from $55,194 to $10,740 at an interest rate to maturity of 1.79 percent with the final installment due in November, 2022.
Debt reserve and debt service funding: Monthly or other periodic funding of debt service and debt service accounts are required.

11. ADVANCE REFUNDING BONDS

TVCC had no refunding bonds on August 31, 2018.

12. DEFEASED BONDS OUTSTANDING

TVCC had no defeased bonds outstanding for the year ending August 31, 2018.

13. SHORT-TERM DEBT

TVCC had no short - term debt for the year ending August 31, 2018.

14. EMPLOYEE'S RETIREMENT PLAN

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

A. Teacher Retirement System - Defined Benefit Pension Plan

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

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

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

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

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

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

District's 2018 Current Fiscal Year Contributions	$	626,631
District's 2018 Current Fiscal Year Member Contributions	$	1,176,259
District's 2017 Measurement Year NECE On-Behalf Contributions	$	445,490

TVCC's contributions to the TRS pension plan in fiscal year 2018 were $626,631 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for fiscal year 2018 were $445,490.

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

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

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

14. EMPLOYEE'S RETIREMENT PLAN (Continued)

Actuarial Assumptions. The total pension liability in the August 31, 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:	
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115 Projection period (100 years)	2115
Inflation	2.5%
Payroll Growth Rate	3.7%
Salary Increases Including Inflation	3.5% to 9.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

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

14. EMPLOYEE'S RETIREMENT PLAN (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 8 percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term 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%
Inflations Expectations			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 2018 Comprehensive Annual Financial Report

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1 percent greater than the discount rate that was used (8%) in measuring the fiscal year 2018 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:	$ 9,642,538	$ 5,719,850	$ 2,453,577

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, TVCC reported a liability of $5,719,850 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to TVCC. The amount recognized by TVCC as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with TVCC were as follows:

TVCC's Proportionate share of the collective net pension liability	$	5,719,850
State's proportionate share that is associated with TVCC		4,355,356
Total	$	10,075,206

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 through August 31, 2017.

At the measurement date of August 31, 2017 the employer's proportion of the collective net pension liability was -00.0000064813%, which was an increase (decrease) of 0.0178887247% from its proportion measured as of August 31, 2016.

For the year ended August 31, 2018 the employer recognized pension expense of $332,209 and revenue of ($251,692) 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 & 68.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 260,062	761,933
Changes in actuarial assumptions	762,354	570,116
Difference between projected and actual investment earnings	3,794,772	3,280,715
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	(3)	1,572,349
Contributions paid to TRS subsequent to the measurement date	(2,965,875)	(3,925,989)
Total as of August 31, 2018	$ 1,851,310	$ 2,259,124

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	(306,470)
2020	58,642
2021	(334,520)
2022	(413,752)
2023	(33,250)
Thereafter	(5,895)

14. EMPLOYEE'S RETIREMENT PLAN (Continued)

B. Optional Retirement Plan - Defined Contribution Plan

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

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

The retirement expense to the State for TVCC was $119,988 and $134,153 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 TVCC.

The total payroll for all College employees was $21,180,511 and $20,996,707 for fiscal years 2018 and 2017, respectively. The total payroll of employees covered by the Teacher Retirement System was $15,425,315 and $14,942,528, and the total payroll of employees covered by the Optional Retirement Program was $4,154,182 and $4,573,205 for fiscal years 2018 and 2017, respectively.

15. DEFERRED COMPENSATION PROGRAM

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

TVCC acts as a withholding agent for the employee contracts with their individual plan. TVCC has no liability to the employee other than withholding from their salary check and remitting to their designated plan. For the year ended August 31, 2018 TVCC withheld and remitted $158,364 for 25 employees. For the year ended August 31, 2017, TVCC withheld and remitted $203,174 for 32 employees.

16. COMPENSABLE ABSENCES

Full-time non-faculty employees earn annual vacation leave of one day per month of employment during their first ten years of employment. After ten years of employment annual leave is earned at the rate of one and one-half days per month. This leave can accumulate up to one year. Nonexempt employees may receive compensatory time off, rather than overtime pay, for overtime work. Compensatory time may not accrue beyond a maximum of 75 hours and should be used within the duty year in which it is earned. Faculty employees are allowed two personal days per contract year. Personal days do not carry over to subsequent contract years, but effective with the contract year beginning September 1, 2009, are paid upon termination or separation of employment. Compensable absence balances have been recorded. TVCC recognized the accrued liability for unused annual vacation leave, compensatory time and personal days in the amounts of $430,285 and $411,338 for 2018 and 2017. Also, all full-time employees are granted sick leave at the rate of one day per month of service up to 45 days depending on length of employment. If this leave is not used for medical purposes, it lapses upon the retirement or resignation of the employee and the employee is not paid for it. Therefore, no accrued liability has been recorded for sick leave.

17. HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was $621.90 per month for the year ended August 31, 2018, ($617.30 per month for 2017) and totaled $4,076,704 for August 31, 2018 ($3,950,910 for the year ended August 31, 2017). The cost of providing those benefits for 163 retirees for the year ended August 31, 2018 was $1,342,490 (retiree benefits for 171 retirees cost $1,214,127 in August 31, 2017). For 343 active employees, the cost of providing benefits was $2,734,214 for the year ended August 31, 2018 (active employee benefits for 345 employees cost $2,736,783 for the year ended August 31, 2017). SB 1812, 83rd Texas Legislature Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

18. OTHER POST-EMPLOYMENT BENEFIT (OPEB)

Plan Description

TVCC participates in a cost-sharing multi-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 postemplorment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if the 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 lasw 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/Reportrs-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. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

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 retirees under the HealthSelect 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, provided, 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.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' heath 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
Fiscal Year August 31, 2018

Retiree only	$	617
Retiree & Spouse	$	971
Retiree & Children	$	854
Retiree & Family	$	1,208

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

MAXIMUM MONTHLY EMPLOYER CONTRIBUTION
RETIREE HEALTH AND BASIC LIFE PREMIUM
FOR THE YEARS ENDED AUGUST 31, 2018 AND AUGUST 31, 2017

	2018	2017
Employers	$ 363,077	$ 0
Members (Employees)	0	0
Nonemployer Contributing Entity (State of Texas)	276,031	0

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions
ERS Group Benefits Program Plan

Valuation Date	August 31, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of pay, Open
Asset valuation method	Not Applicable
Discount rate	3.51%
Projected annual salary increase (includes inflation	2.50% to 9.50%
Annual healthcare trend rate	8.5% for FY2019, decreasing 0.5%per year to 4.5% for FY2027 and later years
Inflation assumption rate	2.5%
Ad hoc postemployment benefit changes	None

Many of the actuarial assumption used in the valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period August 31, 2016 to August 31, 2017.

Other Information

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase–out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017 for higher education members.

Investment Policy

The State Retiree Heath 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 fund in the plan be invested in short-term fixed income securities.

Discount Rate

Because the GBP does not accumulate fund 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 3.51%. The discount rate used to measure te total OPEB liability as of the end of the measurement year was 3.51%, which amounted to an increase of 0.0%. 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 Services's Aa2 rating and Standard & Poor's Cop's AA rating. Projected cash flows into the plan are equal to projected benefit payment 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 TVCC's proportionate share of the collective net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.51%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.51%)	Current Single Discount Rate (3.51%	1% Increase in Discount Rate(4.51%)
TVCC's proportionate share of the Net OPEB liability:	$ 32,372,101	$ 27,118,949	$ 23,049,912

Healthcare Cost Trend Rates Sensitivity Analysis

The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on TVCC'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 (3.5%) in measuring the net OPEB Liability.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability:	$ 22,798,087	$ 27,118,949	$ 32,725,515.00

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB's

At August 31, 2018, TVCC reported a liability of $27,118,949 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to TVCC. The amount recognized by the District as its proportionate share of th net OPEB liability the related State support and total portion of the net OPEB liability that was associated with the District were as follows:

TVCC's Proportionate share of the collective Net OPEB Liability	$	27,118,949
State's proportionate share that is associated with the District	$	22,023,191
Total	$	49,142,140

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 portion 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, 2016 thru August 31,2017. At August 31, 2017 the TVCC's proportion of the collective Net OPEB Liability was 0.0795907000%. Since this was the first year of implementation, TVCC does not have the proportion measured as of August 311, 2016. The notes to the financial statements for August 31, 2016 for ERS stated that change in proportion was immaterial and, therefore, disregarded this year.

For the year ended August 31, 2017, TVCC recognized OPEB expense of $1,817,447 and revenue for support provided by state and federal sources of $1,178,595.

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' souses not yet eligible to participate in the HeathSelect 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, TVCC 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 actuarial experience	$ -	$ 325,883
Changes in actuarial assumptions	$ -	$ 5,670,247
Difference between projected and actual investment earnings	$ 8,029	$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	-
Contributions paid to ERS subsequent to the measurement date	$ 815,930	$ -
Total	$ 823,959	$ 5,996,130

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

Year ended August 31:	OPEB Expense Amount	
2019	$	(1,348,472)
2020	$	(1,348,472)
2021	$	(1,348,472)
2022	$	(1,348,472)
2023	$	(594,213)
Thereafter		-

19. PENDING LAWSUITS AND CLAIMS

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

20. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2018 and 2017, were as follows:

	2018		2017	
	Primary Institution	Component Unit (Foundation)	Primary Institution	Component Unit (Foundation)
Student Receivables	$ 2,127,782	$	$ 2,124,295	$ 0
Taxes Receivable	1,062,077		1,014,720	0
Local, State & Federal Receivables	520,656		1,009,309	0
Interest Receivables	3,114		3,410	149
Other Receivables	21,001		1,682	0
Subtotal	3,734,630	0	4,153,416	149
Allowance for Doubtful Accounts	(1,540,878)	0	(1,429,811)	0
Total Receivables	$ 2,193,752	$ 0	$ 2,723,605	$ 149

Payables

Payables at August 31, 2018 and 2017, were as follows:

	2018		2017	
	Primary Institution	Component Unit (Foundation)	Primary Institution	Component Unit (Foundation)
Vendors Payable	$ 406,279	$ 196,646	$ 163,713	$ 807
Sales Tax Payable	59,166		70,002	0
Total	$ 465,445	$ 196,646	$ 233,715	$ 807

21. FUNDS HELD IN TRUST BY OTHERS

There were no known funds held in trust by others on behalf of TVCC for the year ending August 31, 2018.

22. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide *State and Local Governments,* 8.99). For Federal Contract and Grant Awards, funds expended but not collected are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not funded, and for which the institution has not yet performed services, are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards or funds awarded during fiscal years ended August 31, 2018 and 2017 for which monies have not been received nor funds expended totaled $217,550 and $229,468. Of these amounts, $128,507 and $125,086 were from Federal Contract and Grant Awards; $89,443 and $104,383 were from State Contract and Grant Awards; $-0- and $-0- were from Local Contract and Grant Awards; and $-0- and $-0- were from Private Contract and Grant Awards for the fiscal years ended August 31, 2018 and 2017, respectively.

23. SELF-INSURED PLANS

TVCC does not have any self-insured plans at August 31, 2018.

24. AD VALOREM TAX

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

At August 31:

	2018	2017
Assessed Valuation of TVCC	$ 12,996,304,007	$ 12,793,791,034
Less: Exemptions & Abatements	(1,222,737,716)	(1,601,062,593)
Net Assessed Valuation of TVCC	$ 11,773,566,291	$ 11,192,728,441

	2018		2017	
	Current Operations	Total	Current Operations	Total
Authorized Tax Rate per $100 valuation (Maximum Per Enabling Legislation)	$ 0.50000	$ 0.50000	$ 0.50000	$ 0.50000
Assessed Tax Rate per $100 valuation	$ 0.13854	$ 0.138540	$ 0.13567	$ 0.13567
Assessed Tax Rate per $100 valuation for Branch Campus Maintenance	$ 0.05000	$ 0.05000	$ 0.05000	$ 0.05000

Taxes levied during the year ended August 31, 2018 and 2017 amounted to $14,131,380 and $13,049,852 respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	2018		2017	
Taxes Collected (Includes Maintenance Tax)	Current Operations	Total	Current Operations	Total
Current Taxes Collected	$ 13,731,022	$ 13,731,022	$ 12,634,322	$ 12,634,322
Delinquent Taxes Collected	343,686	343,686	283,935	283,935
Penalties and Interest Collected	214,554	214,554	211,102	211,102
Total Gross Collections	14,289,262	14,289,262	13,129,359	13,129,359
Tax Appraisal & Collection Fees	369,997	369,997	342,120	342,120
Total Collections	$ 13,919,265	$ 13,919,265	$ 12,787,239	$ 12,787,239

Tax collections for the year ended August 31, 2018 and 2017 were 97.4 per cent and 97.2 per cent respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and/or operations.

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

TIF Title	Percentage of Incremental Tax Committed	Taxes Forgone in 2018	Taxes Forgone in 2017
Reinvestment Zone No. 1, City of Chandler	95.0%	$ 4,670	2,928
Total taxes forgone		$ 4,670	$ 2,928

25. TAX ABATEMENTS

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

26. BRANCH CAMPUS MAINTENANCE TAX

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

County or Independent School College	Collections (including Penalties and Interest) 2018	Collections (including Penalties and Interest) 2017
Palestine ISD	$ 605,609*	$ 594,821*

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

27. INCOME TAXES

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

28. COMPONENT UNITS

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

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

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

29. RELATED PARTIES

No notable related parties existed for the fiscal year ended August 31, 2018.

30. SUBSEQUENT EVENTS

As noted in footnote 8, NONCURRENT LIABILITIES, the Texas Higher Education Board conducted an audit of TVCC's Texas Educational Opportunity Grant and TEXAS grant awards for fiscal years ending August 31, 2016, 2017 and 2018 in the summer of 2018. Audit findings indicated that TVCC owed $17,023 to THECB for ineligible TEOG awards and $260,978 to students in under-matched TEOG grant awards. TVCC generally agreed with the findings and recorded an expense and contingent liability as of August 31, 2018 in the amount of $277,821 to capture the probable audit outcome in the financial statements.

On September 12, 2018, TVCC submitted a management response and corrective action plan to THECB. The management response and corrective action plan was approved by THECB on October 24, 2018. TVCC remitted $17,023 to THECB on October 28, 2018 and will be refunding affected students during fiscal years 2019 and 2020.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

Schedule G-1

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF COLLEGE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2018

	2017	2016	2015	2014
College's Proportion of the Net Pension Liability (Asset)	0.0178887247%	0.0178952060%	0.0185170000%	0.0204755000%
College's Proportionate Share of Net Pension Liability (Asset)	$ 6,762,332	$ 6,545,513	$ 6,545,513	$ 5,469,289
State's Proportionate Share of the Net Pension Liability (Asset) associated with TVCC	$ 5,095,729	$ 4,900,394	$ 4,900,394	$ 3,976,221
Total	$ 10,075,206	$ 11,858,061	$ 11,445,907	$ 9,445,510
TVCC's Covered Payroll	$ 14,168,817	$ 14,168,817	$ 13,665,170	$ 12,723,591
TVCC's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	38.69%	47.73%	47.90%	42.99%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.17	78.00%	78.43%	83.25%

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

Schedule G-2

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR YEAR ENDED AUGUST 31, 2018

	2018	2017	2016	2016
Contractually Required Contribution	$ 626,631	$ 585,520	$ 568,571	$ 549,297
Contributions in Relation to the Contractually Required Contribution	$ (626,631)	$ (585,520)	$ (568,571)	$ (549,297)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ (1,000)
TVCC's Covered Employee Payroll	$ 15,270,409	14,783,586	$ 14,168,817	$ 13,665,170
Contributions as a percentage of Covered Employee Payroll	4.10%	3.96%	4.01%	4.01%

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

TRINITY VALLEY JUNIOR COLLEGE
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018
EXHIBIT 6

	Measurement Year Ended August 31, 2017
District's Proportion of the net OPEB Liability (Asset)	0.0795907000%
District's Proportionate Share of te Net OPEB Liability (Asset)	27,118,949
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	22,023,191
Total	49,142,140
District's Covered Employee Payroll	17,648,300
District's Proportionate Share of the Net OPEB Liability (Asset as a percentage of its Covered Employee Payroll	153.66%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	2.04%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years 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."

TRINITY VALLEY JUNIOR COLLEGE
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018
EXHIBIT 7

	Fiscal Year Ended August 31 2018
Contractually Required Contribution	$ 815,930
Contribution in Relation to the Contractually Required Contribution	815,930
Contribution Deficiency (Exess)	-
District's Covered Employee Payroll	17,988,500
Contributions as a percentage of Covered Employee Payroll	4.54%

SCHEDULES

TRINITY VALLEY COMMUNITY COLLEGE
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	2018 Total	2017 Total
Tuition:						
State Funded Credit Courses:						
In-District Resident Tuition	$ 2,858,126	$	$ 2,858,126	$	$ 2,858,126	$ 2,728,058
Out-of-District Resident Tuition	1,885,970		1,885,970		1,885,970	1,964,265
Non-resident Tuition	422,996		422,996		422,996	372,439
TPEG - Credit (Set Aside)*	308,713		308,713		308,713	308,904
State Funded Continuing Education	99,012		99,012		99,012	66,099
TPEG -Non- Credit (Set Aside)*	6,497		6,497		6,497	4,047
Non-State Funded Educational Programs	51,952		51,952		51,952	61,899
Total Tuition	5,633,266	0	5,633,266	0	5,633,266	5,505,711
Fees:						
General Fee	5,748,919		5,748,919		5,748,919	5,838,682
Out-of-College Fee	3,066,829		3,066,829		3,066,829	3,035,637
Laboratory Fee	594,559		594,559		594,559	616,154
Distance Learning Fee	667,424		667,424		667,424	567,764
Installment Plan Fee	13,121		13,121		13,121	7,699
Non-Funded Course Fee	119,927		119,927		119,927	113,146
Other Fees	17,640		17,640		17,640	15,323
Total Fees	10,228,419	0	10,228,419	0	10,228,419	10,194,405
Scholarship Allowances and Discounts:						
Bad Debt Allowance	(201,408)		(201,408)		(201,408)	(236,077)
Scholarship Allowances	(1,287,046)		(1,287,046)		(1,287,046)	(1,200,924)
Remissions and Exemptions - State	(478,669)		(478,669)		(478,669)	(379,772)
Remissions and Exemptions - Local	(1,237,485)		(1,237,485)		(1,237,485)	(1,231,138)
TPEG Allowances	(373,678)		(373,678)		(373,678)	(252,396)
Private and Other Local	(34,174)		(34,174)		(34,174)	
Federal Grants to Students	(4,429,103)		(4,429,103)		(4,429,103)	(4,598,805)
State Grants to Students	(51,804)		(51,804)		(51,804)	(14,152)
Total Scholarship Allowances	(8,093,367)	0	(8,093,367)	0	(8,093,367)	(7,913,264)
Total Net Tuition and Fees	7,768,318	0	7,768,318	0	7,768,318	7,786,852
Additional Operating Revenues:						
Federal Grants and Contracts	41,086	508,466	549,552		549,552	570,002
State Grants and Contracts		585,685	585,685		585,685	945,122
Non-Governmental Grants and Contracts	35,209		35,209		35,209	25,119
Sales and Services of Educational Activities	198,300		198,300		198,300	182,999
General Operating Revenues	149,611		149,611		149,611	151,439
Total Additional Operating Revenues	424,206	1,094,151	1,518,357	0	1,518,357	1,874,681
Auxiliary Enterprises:						
Residential Life				2,083,690	2,083,690	2,185,209
Less: Scholarship Allowances and Discounts				(917,195)	(917,195)	(959,453)
Less: Bad Debt Allowance				(12,834)	(12,834)	(9,517)
Bookstore				2,589,482	2,589,482	2,911,854
Less: Scholarship Allowances and Discounts				(950,371)	(950,371)	(1,126,664)
Less: Bad Debt Allowance				(38,518)	(38,518)	(42,817)
Athletics				53,610	53,610	21,591
Less: Bad Debt Allowance				(14,911)	(14,911)	(10,137)
Other Auxiliary Enterprises				37,489	37,489	33,252
Total Auxiliary Enterprises	0	0	0	2,830,442	2,830,442	3,003,318
Total Operating Revenues	$ 8,192,524	$ 1,094,151	$ 9,286,675	$ 2,830,442	$ $12,117,117	$ 11,892,223
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, $315,210 and $312,951, for years August 31, 2018 and August 31, 2017, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2018
(with Memorandum Totals for the Year Ended August 31, 2017)

	Operating Expenses				August 31, 2018	August 31, 2017
	Salaries and Wages	Benefits State	Benefits Local	Other Expenses	Total	Total
Unrestricted - Educational Activities						
Instruction	$ 10,981,683	$	$2,527,194	$ 1,076,684	$ 14,585,561	$ 15,138,625
Public Service	216,512		74,237	22,975	313,724	307,434
Academic Support	3,084,319		791,644	1,746,168	5,622,131	5,475,145
Student Services	2,306,034		700,727	424,708	3,431,469	3,385,039
Institutional Support	2,570,966		740,439	1,214,273	4,525,678	4,201,793
Operation and Maintenance of Plant	496,392		333,275	2,030,088	2,859,755	2,636,864
Scholarships and Fellowships				266,063	266,063	3,819
Total Unrestricted Educational Activities	19,655,906	0	5,167,516	6,780,959	31,604,381	31,148,719
Restricted - Educational Activities						
Instruction	105,611	2,255,286	22,197	117,460	2,500,554	2,081,116
Public Service	159,771	47,444	53,774	26,506	287,495	265,371
Academic Support		713,182		14,986	728,168	490,200
Student Services	259,004	580,142	37,484	140,868	1,017,498	774,347
Institutional Support		615,577		690	616,267	411,869
Operation and Maintenance of Plant		25,766			25,766	21,531
Scholarship and Fellowship				3,475,709	3,475,709	3,568,236
Total Restricted Educational Activities	524,386	4,237,397	113,455	3,776,219	8,651,457	7,612,670
Total Educational Activities	20,180,292	4,237,397	5,280,971	10,557,178	40,255,838	38,761,389
Auxiliary Enterprises	1,093,145		472,230	4,529,135	6,094,510	6,325,614

Depreciation Expense - Building and Other Real Estate Improvements				1,228,030	1,228,030	1,244,377
Depreciation Expense - Equipment and Furniture				344,995	344,995	567,830
Total Operating Expenses	$21,273,437	$ 4,237,397	$ 5,753,201	$ 16,659,338	$ 47,923,373	$ 46,899,210
					(Exhibit 2)	(Exhibit 2)

TRINITY VALLEY COMMUNITY COLLEGE
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	2018 Total	2017 Total
NON-OPERATING REVENUES:					
State Appropriations:					
Education and General State Support	$ 11,760,887	$	$	$ 11,760,887	$ 11,247,855
State Group Insurance		3,202,116		3,202,116	1,827,600
State Retirement Matching		1,035,281		1,035,281	1,004,158
Other		690		690	1,218
Total State Appropriations	11,760,887	4,238,087	0	15,998,974	14,080,831
Maintenance Ad Valorem Taxes	14,298,413			14,298,413	13,135,140
Federal Revenues, Non Operating		8,728,820		8,728,820	9,315,451
Gifts	534,046		9,310	543,356	427,504
Donation of Capital Assets					5,658,020
Reduction of Contractual Commitment	94,167			94,167	66,667
Other Income	17,363			17,363	18,835
Investment Income	154,264			154,264	84,280
Total Non-Operating Revenues	26,859,140	12,966,907	9,310	39,835,357	42,786,728
NON-OPERATING EXPENSES:					
Payments for Collection of Taxes	389,574			389,574	353,939
Interest on Capital Related Debt	55,192			55,192	
Issuance Costs on Capital Related Debt	24,307			24,307	4,449
Loss on Disposal of Fixed Assets	88,101			88,101	20,603
Total Non-Operating Expenses	557,174	0	0	557,174	378,991
Net Non-Operating Revenues	$ 26,301,966	$ 12,966,907	$ 9,310	$ 39,278,183	$ 42,407,737
				(Exhibit 2)	(Exhibit 2)

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
AUGUST 31, 2018

	Detail by Source				Available for Current Operations		
		Restricted		Capital Assets			
	Unrestricted	Expendable	Non-Expendable	Net of Depreciation & Related Debt	Total	Yes	No
Current:							
Unrestricted	$ (20,087,165)	$	$	$	$ (20,087,165)	$ (20,087,165)	$
Loan	(284,656)				(284,656)	(284,656)	
Investment in Plant				41,185,180	41,185,180		41,185,180
Total Net Position, August 31, 2018	(20,371,821)	0	0	41,185,180	20,813,359 (Exhibit 1)	(20,371,821)	41,185,180
Total Net Position, August 31, 2017	10,480,230			38,513,470	48,993,700 (Exhibit 1)	(606,084)	49,599,784
Net Increase (Decrease) in Net Position*	$ (30,852,051)	$ 0	$ 0	$ 2,671,710	$ (28,180,341) (Exhibit 2)	$ (19,765,737)	$ (8,414,604)

*Includes prior period adjustment.

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Federal Grantor/Cluster/Program Title/Pass-Through Grantor Pass-Through Grantor's Award Number	CFDA Number	Expenditures Direct Awards	Pass-Through Awards	Total
U.S. DEPARTMENT OF EDUCATION				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	$ 119,643	$	$ 119,643
Federal Work-Study Programs	84.033	125,756		125,756
Federal Pell Grant Programs	84.063	8,483,422		8,483,422
Federal Direct Student Loans	84.268	6,239,459		6,239,459
Total Student Financial Assistance Cluster		14,968,280		14,968,280
Pass Through From:				
Texas Workforce Commission to Literacy Council of Tyler East Texas Consortium:				
Adult Basic Education--Basic Grants to States 0816AEL002 and 0818ALA000	84.002A		101,376	101,376
Texas Higher Education Coordinating Board				
Carl Perkins Career and Technical Education Basic Grants 19195	84.048		314,710	314,710
TOTAL U.S. DEPARTMENT OF EDUCATION		**14,968,280**	**416,086**	**15,384,366**
U. S. SMALL BUSINESS ADMINISTRATION				
Pass-Through From:				
Community College District–Business Development Center				
SBAHQ-17-B-002 and SBAHQ-18-B-005	59.037		72,377	72,377
TOTAL U. S. SMALL BUSINESS ADMINISTRATION			**72,377**	**72,377**
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through From:				
Texas Workforce Commission to Literacy Council of Tyler East Texas Consortium				
Adult Basic Education - TANF 01816AEL002	93.558		16,517	16,517
Workforce Solutions East Texas to ETCOG				
Adult Basic Education - TANF TVCC-TANF-PY17-01	93.558		1,957	1,957
Texas Workforce Commission				
Childcare Local Match Agreement (Workforce Solutions East Texas Board) 04161C63	93.596		1,529	1,529
TOTAL U. S. DEPARTMENT HEALTH AND HUMAN SERVICES			**20,003**	**20,003**
TOTAL EXPENDITURES OF FEDERAL AWARDS		**$ $14,968,280**	**$ 508,466**	**$ 15,476,746**

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Note 1: Federal Assistance Reconciliation

Federal Grants Revenue - Per Schedule A	$	549,552
Federal Grants Revenue - Per Schedule C		8,728,821
Administration		(41,086)
Federal Direct Loans		6,239,459
Total Federal Revenues per Schedule of Expenditures of Federal Awards	$	15,476,746

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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

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

None

Note 4: Student Loans Processed and Administrative Costs Recovered

None

Note 5: Amounts Passed Through to Others

None

Note 6: Non-monetary Assistance

None

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Grantor Agency / Program Title	Grant Contract Number		State Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD			
Nursing & Allied Health - Building Simulation and Skills Lab Capacity		$	3,680
Texas College Work Study			32,972
Texas College Work Study - Mentorship Program			17,399
Texas Educational Opportunity Grant			332,241
Certified Educational Aide Program			475
TOTAL HIGHER EDUCATION COORDINATING BOARD		$	**386,767**
TEXAS WORKFORCE COMMISSION			
Pass - Through Programs From:			
TWC to Literacy Council of Tyler to East Texas Consortium			
State Adult Education	0816AEL002		82,457
TOTAL TEXAS WORKFORCE COMMISSION		$	**82,457**
TEXAS SMALL BUSINESS ADMINISTRATION			
Pass - Through Programs From:			
Dallas County Community College Small Development Center	SBAHQ-16-B-002		8,177
Dallas County Community College Small Development Center	SBAHQ-17-B-005		106,183
Dallas County Community College Small Development Center	Carryforward		2,101
TOTAL TEXAS SMALL BUSINESS ADMINISTRATION		$	**116,461**
TOTAL STATE FINANCIAL ASSISTANCE EXPENDITURES		**$**	**585,685**

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Note 1: State Assistance Reconciliation

State Grants Revenues - Per Schedule A	$	585,685
Administration		0
Total per Schedule of Expenditures of State Awards	$	585,685

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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

OTHER REPORTS

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

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

Independent Auditor's Report

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of TVCC as of and for the year ended August 31, 2018 and the related notes to the financial statements, which collectively comprise TVCC's basic financial statements, and have issued our report thereon dated January 11, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

January 11, 2019

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of TVCC as of and for the year ended August 31, 2018, and have issued our report thereon dated January 11, 2019 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis as required by the Uniform Guidance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

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

January 11, 2019

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
❍ Material weakness(es) identified?	____ Yes __X__ No
❍ Significant deficiency (ies) identified that are not considered to be material weaknesses?	__X__ Yes ____ None reported
Noncompliance material to financial statements noted?	____ Yes __X__ No

Federal Awards and State Awards

Internal control over major programs:	
❍ Material weakness(es) identified?	____ Yes __X__ No
❍ Significant deficiency(ies) identified that are not considered to be material weaknesses?	__X__ Yes ____ None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or State of Texas Single Audit Circular?	__X__ Yes ____ No

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	__X__ Yes ____ No
College Contact Person	Jean McSpadden Vice President of Administrative Services and CFO

TRINITY VALLEY COMMUNITY
COLLEGE SCHEDULE OF
FINDINGS AND QUESTIONED
COSTS FOR THE YEAR ENDED
AUGUST 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings:

A compliance monitoring audit of Texas Educational Opportunity Grant (TEOG) and TEXAS Grant was conducted by the Texas Higher Education Coordinating Board (THECB) during fiscal year ended August 31, 2018. The audit found that TVCC partially complied with relevant THECB rules and regulations for the TEOG Program and that TVCC generally complied with relevant THECB rules and regulations for the TEXAS Grant Program. The audit also revealed that internal controls and risk management policies need further development to align with federal Green Book standards or a suitable alternative framework.

TEOG award disbursements plus other eligible disbursements did not provide adequate matching of tuition and fees, totaling $260,790 in under matching for award years 2015-2017. TEOG awards totaling $17,023 did not meet eligibility requirements.

Response:

TVCC agrees with the THECB audit findings and has implemented a corrective action plan to address all observations and recommendations provided in the audit. A copy of the audit, management response, and corrective action plan is available upon request. In October, 2018, $17,023 was paid to THECB to refund the ineligible TEOG awards. $260,790 in under matched TEOG awards will be refunded to students during fiscal years ending August 31, 2019 and 2020.

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

Findings:

A Single Audit of federal student aid including inspection of sample award files revealed no significant instances of non-compliance. However, it was noted the internal controls and risk management policies need further development. Additionally, TVCC accounting staff detected irregularities in federal and state award disbursements which were reported to THECB and the US Department of Education. The matter is under currently under investigation by federal authorities.

Response:

TVCC agrees with the findings and has implemented a corrective action plan to strengthen the internal control environment and risk management policies. A copy of the corrective action plan is available upon request.

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

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REPORT ON COMPLIANCE WITH PROVISIONS OF THE PUBLIC FUNDS INVESTMENT ACT

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

Members of the Board:

We have completed our audit of the Trinity Valley Community College for the year ended August 31, 2018. During the course of our audit, we noted that you have an investment policy which complies with the Public Funds Investment Act (Act). This compliance report is in response to the provisions of Chapter 2256.005 (m) of the Act.

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

Please see the following schedule that is a schedule of portfolio composition as of August 31, 2018, which is part of this compliance report.

Respectfully submitted,

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

January 11, 2019

Trinity Valley Community College
Portfolio Composition as of August 31, 2018

Investment Type	Book Value August 31, 2018	Market Value August 31, 2018
Savings Account(s) in Financial Institutions		
Certificates of Deposit	$ 0	$ 0
Repurchase Agreements		
Bankers Acceptances		
Commercial Paper		
Money Market Funds		
No-Load Mutual Fund		
Investment Pool (s): (1) *Constant Net Asset Value* __________ (Name of investment pool) __________ (Name of investment pool) *Variable Net Asset Value* __________ (Name of investment pool) __________ (Name of investment pool)		
U.S. Government Securities: Long-term Short-term		
U.S. Government Securities: Long-term Short-term		

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

TVCC has no investments other than money market accounts.