

TRINITY VALLEY COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2014

TRINITY VALLEY COMMUNITY COLLEGE
Annual Financial Report for
the Year Ended AUGUST 31, 2014

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TRINITY VALLEY COMMUNITY COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014

Board of Trustees

Officers

Ray Raymond	President
Paula Kimball	Vice President
Glendon Forgey	Secretary

Members

	<u>Term Expires</u> <u>April 30,</u>
Homer L. Norville	2016
Dr. Charlie Risinger	2016
Jerry Stone	2016
Ron Day	2018
Paula Kimball	2018
David Monk	2018
Steve Grant	2020
Ray Raymond	2020
Kenneth McGee	2020

Principal Administrative Officers

Dr. Glendon Forgey	President
Mike Abbott	Vice-President of Information Technology
Dr. Jerry King	Vice-President of Instruction
Dr. Jay Kinzer	Vice-President of Student Services
Jean M ^c Spadden, CPA	Vice-President of Administrative Services and Chief Financial Officer
Mary Nicholson	Vice-President of Institutional Advancement
Brett Daniel	Associate Vice-President of Information Technology
David Graem	Associate Vice-President of Facilities Management
Dr. Sam Hurley	Associate Vice-President of Correctional Education
Wendy Mays	Associate Vice-President of Academic Affairs
David M ^c Anally	Associate Vice-President of Workforce Education
Dr. Algia Allen	Provost of Terrell Campus
Dr. Helen Reid	Provost of Health Occupations
Dr. Jeffrey Watson	Provost of Palestine Campus
Joyce Helberg	Controller

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

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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 (the "College"), as of and for the year ended August 31, 2014 and August 31, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 the College'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 financial statement presentation.

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, based on our audit, 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, 2014 and August 31, 2013, 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* on pages 4 through 9 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The introductory section, supplemental information, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal and State Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *Uniform Grant Management Standards*, and are not a required part of the basic financial statements.

The supplemental information and the Schedules of 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 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 and statistical sections have 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 November 11, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Martin R. Smith, CPA". The signature is written in a cursive style with a large initial 'M' and a trailing flourish.

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

November 11, 2014

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, 2014. 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, 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 to accumulate net assets to ensure sufficient funding to accomplish its mission.

USING THIS REPORT

The College's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 33 "Accounting and Financial Reporting for Nonexchange Transactions," Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and Statement 35 "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." These statements require a comprehensive one-line look at the entity. Financial data is presented in a form similar to that used by corporations. This presentation contrasts with financial statements prepared prior to implementation of GASB 33, 34 and 35 which focused on accountability of funds, i.e., current, auxiliary, endowment, loan and plant funds.

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 Statement of Net Position

The Statement of Net Position (SONP) includes all assets and liabilities and is presented as Exhibit 1 on page 13. 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 and liabilities) 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 \$45,417,698 at August 31, 2014, an increase of \$1,608,612 or 3.7% over net position at August 21, 2013.

Presented on the following page is a condensed SONP showing fiscal years 2014, 2013 and 2012 for comparative purposes.

Assets and Liabilities (\$000) (Condensed)			
	2014	2013	2012
Assets			
Cash and Cash Equivalents, Unrestricted	\$ 3,787	\$ 4,204	\$ 3,492
Cash and Cash Equivalents, Restricted	220	198	224
Investments, Unrestricted	5,026	4,037	4,011
Capital Assets, Net	35,075	35,724	36,476
Other Assets	3,666	3,490	3,294
Total Assets	<u>\$47,774</u>	<u>\$47,653</u>	<u>\$47,497</u>
Liabilities			
Long Term Liabilities	\$ -	\$ 750	\$ 1,468
Other Liabilities	2,356	3,094	3,202
Total Liabilities	<u>\$ 2,356</u>	<u>\$ 3,844</u>	<u>\$ 4,670</u>
Net Position			
Invested in Capital Assets, Net of Debt	\$34,979	\$34,256	\$34,380
Unrestricted	10,439	9,553	8,447
Total Net Position	<u>\$45,418</u>	<u>\$43,809</u>	<u>\$42,827</u>

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 15. 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 as well.

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 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 \$12,377,775, a decrease of \$535,776 over prior year operating revenue of \$12,913,551. This decrease was primarily due to lower federal grant revenue of \$758,000 as a result of the expiration of the Wagner Peyser grant in 2013, and reduced funding of the Carl Perkins and Adult Education grants. The reduction in federal grant revenue was offset by an increase in state grant revenue of \$259,000 primarily from the new Jobs and Education (JET) programs. This net reduction in grant revenue is partially offset by a reduction in grant operating expenses as noted below.

Operating expenses totaled \$45,210,737, a slight decrease of \$262,263 over the previous year. The primary components of the decrease were reduced scholarship expenses (cash balances paid out to students after TVCC charges have been paid) of approximately \$610,000 and reduced grant expenses of \$310,000. These reductions were largely offset by an increase in unrestricted (non-grant) salary and employee benefit costs of \$123,000, increased spending of \$147,000 for non-capital physical plant maintenance, \$91,000 for IT hardware and software, \$70,000 for distance education software applications, and \$138,000 for various campus security-related expenses and administrative costs including legal fees, software, office furniture and advertising.

Net non-operating revenue, the majority of which is state appropriations, property tax revenue and federal Title IV funding, increased \$899,555 or 2.7% compared to the previous year. The net increase is primarily attributable to an increase in ad valorem tax revenue of ~\$657,000 plus an increase in state appropriations for both instructional and employee benefits funding of ~\$778,000, offset by a reduction in federal Title IV revenue of ~\$595,000.

Presented below is a condensed SRECNP showing fiscal years 2014, 2013 and 2012 for comparative purposes.

Revenues and Expenses (\$000) (Condensed)			
	2014	2013	2012
Operating Revenues			
Tuition and Fees - net	\$ 6,678	\$ 6,682	\$ 6,697
Federal Grants/Contracts	864	1,619	1,726
State Grants/Contracts	1,551	1,292	1,033
Local Grants/Contracts	-	-	-
Non-government Grants/Contracts	17	23	2
Sales and Services of Educational Activities	151	169	184
Auxiliary Enterprises - net	2,901	2,890	2,864
Other	216	239	244
Total Operating Revenues	\$ 12,378	\$ 12,914	\$ 12,750
Operating Expenses			
Instruction	\$ 16,525	\$ 16,651	\$ 15,840
Public Service	567	572	573
Academic Support	4,846	4,626	4,498
Student Services	3,803	3,514	3,162
Institutional Support	3,932	3,918	3,745
Operation and Maintenance of Plant	2,737	2,819	2,807
Scholarships and Fellowships	5,224	5,832	6,420
Auxiliary Enterprises	5,944	5,878	5,359
Depreciation	1,633	1,663	1,595
Total Operating Expenses	\$ 45,211	\$ 45,473	\$ 43,999
Operating Income (Loss)	\$ (32,833)	\$ (32,559)	\$ (31,249)
Non-Operating Revenues (Expenses)			
State Appropriations	\$ 13,451	\$ 12,673	\$ 12,870
Ad Valorem Taxes	9,205	8,548	7,983
Federal Non-op Revenue	11,965	12,560	12,326
Payments for Collection of Taxes	(241)	(231)	(225)
Gifts	45	19	22
Other Non-op Revenue	-	4	11
Investment Income	55	45	53
Bond Issuance Costs	-	-	(14)
Interest on Capital-related Debt	(24)	(40)	(89)
Loss on Disposal of Fixed Assets	(14)	(37)	(14)
Net Non-Operating Revenues	\$ 34,442	\$ 33,541	\$ 32,923
Income Before Other Items	\$ 1,609	\$ 982	\$ 1,674
Special and Extraordinary Items	\$ -	\$ -	\$ -
Total Other Items	\$ -	\$ -	\$ -
Change in Net Position	\$ 1,609	\$ 982	\$ 1,674
Beginning Net Position	\$ 43,809	\$ 42,827	\$ 41,153
Ending Net Position	45,418	43,809	42,827

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 17. 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 2014, there was more cash provided (inflow) than used (outflow) resulting in positive cash flow of \$592,870, slightly below fiscal year 2013 positive cash flow of \$713,280 .

Capital Asset and Debt Administration

Capital Assets

At August 31, 2014, the College had \$35,074,547 invested in capital assets, net of accumulated depreciation of \$18,891,528. Refer to Note 6 in the Notes to the Financial Statements (page 24) for further details on the College's capital assets.

The College remains committed to maintaining adequate physical resources to support its mission. A new residence hall was completed in 2011 and funded with cash reserves. The college is building back up its cash reserves before moving further with additional campus master plan initiatives.

There were no significant capital projects undertaken during the year.

Debt

In April of 2014, the College elected to exercise a call option on its Series 2012 general revenue bond and paid off the remaining obligation under that issuance. Therefore, outstanding debt on the bonds at 2014 fiscal year-end is zero.

Outstanding debt under the College's lease/purchase agreement entered into in 2011 to finance the acquisition of a new telecommunications and telephone system is \$95,429 with a final payment of that amount due in fiscal year 2015.

The college has no other debt as of August 31, 2014.

Refer to Notes 7, 8 and 9 in the Notes to the Financial Statements (pages 26, 27 and 28) for additional information regarding debt.

Affiliated Organization

The Trinity Valley Community College Foundation is not a component unit as defined in GASB 39. However, we have reported the Foundation as an affiliated organization.

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, 2014 was \$4,002,355, a notable milestone in that it marks the first time in the Foundation's history to exceed \$4 million in net assets. Although donations were down slightly, favorable equity market conditions generated healthy investment gains during the year resulting in a net increase of \$308,880 over the previous year. The Foundation's Statement of Position and Statement of Activities are presented on pages 14 and 16 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. The College maintains one of the lowest tuition rates as well as one of the lowest property tax rates among all Texas community colleges. 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, and community service programs to meet the educational needs of our students and the citizens of our service area.

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 in past years with an emphasis among minority groups. 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. Additionally, escalation of salaries, benefits, and unfunded state and federal mandates require continual fiscal oversight. 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, 2014 AND AUGUST 31, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,786,597	\$ 4,204,423
Short-Term Investments	5,025,701	4,036,987
Accounts Receivable (Net)	2,940,931	2,940,491
Inventories	630,288	452,768
Prepaid Expenses	95,675	96,006
Total Current Assets	<u>12,479,192</u>	<u>11,730,675</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	220,373	198,391
Capital Assets, (Net) (See Note)	35,074,547	35,723,796
Total Noncurrent Assets	<u>35,294,920</u>	<u>35,922,187</u>
Total Assets	<u>47,774,112</u>	<u>47,652,862</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	235,590	255,492
Accrued Compensable Absences - Current Portion	353,136	350,132
Funds Held for Others	89,885	65,507
Unearned Revenues	1,227,375	1,375,075
Deposits	354,999	329,366
Capital Leases Payable - Current Portion	95,429	92,775
Bonds Payable - Current Portion	0	625,000
Total Current Liabilities	<u>2,356,414</u>	<u>3,093,347</u>
Noncurrent Liabilities		
Capital Leases Payable	0	95,429
Bonds Payable	0	655,000
Total Noncurrent Liabilities	<u>0</u>	<u>750,429</u>
Total Liabilities	<u>2,356,414</u>	<u>3,843,776</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	34,979,118	34,255,592
Unrestricted	10,438,580	9,553,494
Total Net Position (Schedule D)	<u>\$ 45,417,698</u>	<u>\$ 43,809,086</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
 AFFILIATED ORGANIZATION
 TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
 STATEMENT OF NET POSITION
 AUGUST 31, 2014 AND AUGUST 31, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 494,596	\$ 490,494
Investments	3,504,218	3,200,712
Due from TVCC	860	
Accrued Receivables	60	36
Capital Assets (Net)	<u>2,621</u>	<u>2,621</u>
Total Assets	<u>4,002,355</u>	<u>3,693,863</u>
LIABILITIES		
Accounts Payable	<u>0</u>	<u>388</u>
NET POSITION		
Invested in Capital Assets	2,621	2,621
Restricted for:		
Nonexpendable		
Student Aid	3,336,802	3,065,318
Expendable		
Student Aid	569,962	543,999
Capital Projects	28,659	27,669
Unrestricted	<u>64,311</u>	<u>53,868</u>
Total Net Position	<u><u>\$ 4,002,355</u></u>	<u><u>\$ 3,693,475</u></u>

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

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2014 AND AUGUST 31, 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Tuition and Fees (Net of Discounts of \$7,554,430 And \$7,555,478 respectively)	\$ 6,678,354	\$ 6,681,563
Federal Grants and Contracts	863,467	1,619,224
State Grants and Contracts	1,551,033	1,292,138
Local Grants and Contracts		
Non-government Grants and Contracts	17,362	22,539
Sales and Services of Educational Activities	150,863	168,848
Auxiliary Enterprises (Net of Discounts of \$2,674,957 And \$2,676,563 respectively)	2,900,588	2,889,616
General Operating Revenue	<u>216,108</u>	<u>239,623</u>
Total Operating Revenues (Schedule A)	<u>12,377,775</u>	<u>12,913,551</u>
Operating Expenses		
Instruction	16,524,490	16,650,524
Public Service	567,352	571,947
Academic Support	4,845,599	4,626,444
Student Services	3,803,482	3,513,767
Institutional Support	3,931,396	3,917,966
Operation and Maintenance of Plant	2,737,107	2,819,374
Scholarships and Fellowships	5,224,276	5,832,013
Auxiliary Enterprises	5,944,441	5,878,388
Depreciation	<u>1,632,594</u>	<u>1,662,577</u>
Total Operating Expenses (Schedule B)	<u>45,210,737</u>	<u>45,473,000</u>
Operating Income (Loss)	<u>(32,832,962)</u>	<u>(32,559,449)</u>
Non-Operating Revenues (Expenses)		
State Appropriations	13,450,481	12,673,076
Maintenance Ad Valorem Taxes	9,205,394	8,547,832
Federal Revenues, non-operating	11,964,480	12,560,407
Payments for Collection of Taxes	(241,382)	(230,912)
Gifts	45,262	18,930
Other Non-operating Revenue		4,725
Investment Income	55,177	45,632
Bond Issuance Costs		
Interest on Capital Related Debt	(23,517)	(40,281)
Loss on Disposal of Fixed Assets	<u>(14,321)</u>	<u>(37,390)</u>
Net Non-Operating Revenues (Schedule C)	<u>34,441,574</u>	<u>33,542,019</u>
Increase (Decrease) in Net Position	1,608,612	982,570
Net Position		
Net Position - Beginning of Year	<u>43,809,086</u>	<u>42,826,516</u>
Net Position - End of Year	<u>\$ 45,417,698</u>	<u>\$ 43,809,086</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
 AFFILIATED ORGANIZATIONS
 TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
 STATEMENT OF ACTIVITIES
 FOR THE YEARS ENDED AUGUST 31, 2014 AND AUGUST 31, 2013

	2014	2013
REVENUES		
Investment Income	\$ 53,639	\$ 72,376
Fund Raising Events (Net of Expense)	6,995	6,947
Gifts	100,701	130,241
Realized Gain on Sale of Securities	45,381	58,077
Unrealized Gain (Loss) on Sale of Securities	217,612	102,630
Total Revenues	424,328	370,271
 EXPENSES		
Scholarships	81,907	70,528
Contributions to TVCC and Affiliated Organizations	7,775	10,055
Administrative Expense	23,390	21,984
General Fundraising Expense	2,376	500
Total Expenses	115,448	103,067
Change in Net Position	308,880	267,204
Net Position at Beginning of Year	3,693,475	3,426,271
Net Position at End of Year	\$ 4,002,355	\$ 3,693,475

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, 2014 AND AUGUST 31, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	\$ 18,984,615	\$ 19,014,973
Receipts of Grants and Contracts	2,451,349	2,746,198
Payments to Suppliers for Goods or Services	(11,402,893)	(10,844,019)
Payments to or on Behalf of Employees	(25,237,997)	(25,489,450)
Payments to Scholarships and Fellowships	(14,445,568)	(15,047,161)
Loans Issued to Students	(392,426)	(492,613)
Collection of Loans to Students	378,898	481,001
Other Receipts	37,554	8,972
Net Cash Provided (Used) by Operating Activities	<u>(29,626,468)</u>	<u>(29,622,099)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from State Appropriations	11,546,975	11,138,236
Receipts from Ad Valorem Taxes	9,185,364	8,543,578
Receipts from non-operating federal Revenue	11,991,316	12,497,454
Payment for Collections of Taxes	(241,339)	(230,720)
Receipts from Student Organizations and Other Agency Transactions	10,424,592	9,964,312
Payments to Student Organizations and Other Agency Transactions	(10,393,054)	(10,030,315)
Other Receipts	45,262	18,930
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>32,559,116</u>	<u>31,901,475</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Capital Debt		
Purchases of Capital Assets	(997,666)	(947,452)
Insurance Proceeds on Capital Assets		4,725
Bond Issuance Costs		
Payments on Capital Debt - Principal	(1,372,775)	(628,519)
Payments on Capital Debt - Interest	(23,517)	(40,282)
Net Cash Provided (Used) by Capital Financing Activities	<u>(2,393,958)</u>	<u>(1,611,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	54,180	45,432
Net Cash Provided (Used) by Investing Activities	<u>54,180</u>	<u>45,432</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	592,870	713,280
CASH AND CASH EQUIVALENTS - September 1	<u>8,439,801</u>	<u>7,726,521</u>
CASH AND CASH EQUIVALENTS - August 31	<u>\$ 9,032,671</u>	<u>\$ 8,439,801</u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2014 AND AUGUST 31, 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (32,832,962)	\$ (32,559,449)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	1,632,594	1,662,577
Payments Made Directly by State for Benefits	1,903,506	1,534,841
Bad Debt Expense	178,927	174,955
Changes in Assets and Liabilities:		
Receivables, Net	(183,514)	(345,499)
Inventories	(177,520)	38,027
Prepaid Expenses	331	4,721
Accounts Payable	(28,767)	75,505
Deposits	25,633	5,907
Compensated Absences	3,004	22,828
Unearned Revenue	(147,700)	(236,512)
Net Cash Provided (Used) by Operating Activities	<u>\$ (29,626,468)</u>	<u>\$ (29,622,099)</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

1. REPORTING ENTITY

Trinity Valley Community College (the College) 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. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Report Guidelines

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

B. Tuition Discounting

Texas Public Education Grants

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

Other tuition discounts

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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

C. Basis of Accounting

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

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. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

E. Cash and cash equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments (including certificates of deposit) with original maturities of three months or less from the date of acquisition.

F. 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.

G. 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.

H. Capital assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy 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.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2014 have been deferred.

J. 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.

K. Operating and Non-Operating Revenue and Expense Policy

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

L. Characterization of Title IV Grant Revenue

In response to guidance provided by the Government Accounting Standards Board (GASB) as question/answer 7.72.10 in the implementation Guide, revenue received for federal Title IV grant programs (i.e. Pell grants) is now characterized as non-operating revenue as opposed to operating revenue.

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.

TRINITY VALLEY COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2014

4. **DEPOSITS AND INVESTMENTS**

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

Cash and Deposits

	<u>2014</u>	<u>2013</u>
Bank Deposits:		
Demand Deposits	\$ 1,860,638	\$ 2,191,190
Cash and Cash Equivalents:		
Petty Cash on Hand	<u>4,639</u>	<u>5,552</u>
Total Cash and Deposits	<u>\$ 1,865,277</u>	<u>\$ 2,196,742</u>

Reconciliation of Deposits and Investments to Exhibit 1

<u>Type of Security</u>	Market Value <u>August 31, 2014</u>	Market Value <u>August 31, 2013</u>
U. S. Government	\$ 0	\$ 0
U. S. Instrumentality	0	0
Real Estate Investments	<u>0</u>	<u>0</u>
Totals	<u>\$ 0</u>	<u>\$ 0</u>
Total Cash and Deposits	1,865,277	2,196,742
Total Investments	<u>7,167,394</u>	<u>6,243,059</u>
Total Deposit and Investments	<u>9,032,671</u>	<u>8,439,801</u>
Cash and Temporary Investments (Exhibit 1)	4,006,970	4,402,814
Investments (Exhibit 1)	<u>5,025,701</u>	<u>4,036,987</u>
Total Deposits and Investments	<u>\$ 9,032,671</u>	<u>\$ 8,439,801</u>
<u>Investment Type</u>		<u>Weighted Average Maturity (Years)</u>
Certificate of Deposit	\$ 5,025,701	.2767
Money Market Accounts	<u>2,141,693</u>	.0822
Total Fair Value	<u>\$ 7,167,394</u>	

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

The College has no investments exposed to credit or custodial risk. All deposits are either insured by federal deposit insurance or covered by collateral pledged in Trinity Valley Community College's name and held in the safekeeping departments of unrelated banks which act as the pledging bank's agents.

5. DERIVATIVES

The College had no derivatives at August 31, 2014.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

6. **CAPITAL ASSETS**

Capital assets activity for the year ended August 31, 2014 was as follows:

	Balance September 1, 2013	Increases	Decreases / Adjustments	Balance August 31, 2014
<u>Not Depreciated:</u>				
Land	\$ 1,158,469	\$	\$	\$ 1,158,469
Construction in Progress	<u>555,500</u>	<u>41,592</u>	<u>62,578</u>	<u>534,514</u>
Subtotal	<u>1,713,969</u>	<u>41,592</u>	<u>62,578</u>	<u>1,692,983</u>
Other Capital Assets:				
Leasehold Improvements	0	89,094		89,094
Building	42,235,055	299,463		42,534,518
Facilities & Improvements	2,646,795			2,646,795
Library Books	2,903,974	92,767	38,316	2,958,425
Furniture, Machinery, Vehicles and Other Equipment	2,816,217	374,006	357	3,189,866
Telecommunications and Peripheral Equipment	<u>2,299,315</u>	<u>163,321</u>	<u>29,273</u>	<u>2,433,363</u>
Subtotal	<u>52,901,356</u>	<u>1,018,651</u>	<u>67,946</u>	<u>53,852,061</u>
Accumulated Depreciation:				
Leasehold Improvements		2,599		2,599
Buildings	12,240,439	894,674		13,135,113
Facilities & Improvements	1,296,395	119,220		1,415,615
Library Books	2,130,931	94,560	26,966	2,198,525
Furniture, Machinery, Vehicles, and Other Equipment	1,565,134	258,631	71	1,823,694
Telecommunications and Peripheral Equipment	<u>1,658,628</u>	<u>262,912</u>	<u>26,589</u>	<u>1,894,951</u>
Subtotal	<u>18,891,527</u>	<u>1,632,596</u>	<u>53,626</u>	<u>20,470,497</u>
Net Other Capital Assets	<u>34,009,829</u>	<u>(613,945)</u>	<u>14,320</u>	<u>33,381,564</u>
Net Capital Assets	<u>\$ 35,723,798</u>	<u>\$ (572,353)</u>	<u>\$ 76,898</u>	<u>\$ 35,074,547</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

6. **CAPITAL ASSETS (continued)**

Capital assets activity for the year ended August 31, 2013 was as follows:

	Balance September 1, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance August 31, <u>2013</u>
<u>Not Depreciated:</u>				
Land	\$ 1,158,469	\$	\$	\$ 1,158,469
Construction in Progress	<u>501,883</u>	<u>62,579</u>	<u>8,962</u>	<u>555,500</u>
Subtotal	<u>1,660,352</u>	<u>62,579</u>	<u>8,962</u>	<u>1,713,969</u>
Other Capital Assets:				
Building	41,998,886	236,169		42,235,055
Facilities & Improvements	2,640,645	6,150		2,646,795
Library Books	2,844,482	89,222	29,730	2,903,974
Furniture, Machinery, Vehicles, and Other Equipment	2,452,971	392,983	29,737	2,816,217
Telecommunications and Peripheral Equipment	<u>2,308,488</u>	<u>169,310</u>	<u>178,483</u>	<u>2,299,315</u>
Subtotal	<u>52,245,472</u>	<u>893,834</u>	<u>237,950</u>	<u>52,901,356</u>
Accumulated Depreciation:				
Buildings	11,352,408	888,031		12,240,439
Facilities & Improvements	1,177,068	119,327		1,296,395
Library Books	2,043,390	97,656	10,115	2,130,931
Furniture, Machinery, Vehicles, and Other Equipment	1,344,332	237,628	16,826	1,565,134
Telecommunications and Peripheral Equipment	<u>1,512,315</u>	<u>319,933</u>	<u>173,620</u>	<u>1,658,628</u>
Subtotal	<u>17,429,513</u>	<u>1,662,575</u>	<u>200,561</u>	<u>18,891,527</u>
Net Other Capital Assets	<u>34,815,959</u>	<u>(768,741)</u>	<u>37,389</u>	<u>34,009,829</u>
Net Capital Assets	<u>\$ 36,476,311</u>	<u>\$ (706,162)</u>	<u>46,351</u>	<u>35,723,798</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

7. LONG - TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2014 was as follows:

	Balance September 1 2013	Additions	Reductions	Balance August 31 2014	Current Portion
Bond:					
Revenue Bonds - Series 2012	1,280,000		1,280,000	0	
Capital Lease	188,204		92,775	95,429	95,429
Total Long-Term Liabilities	<u>\$ 1,468,204</u>	<u>\$</u>	<u>\$ 1,372,775</u>	<u>\$ 95,429</u>	<u>\$ 95,429</u>

Long-term liability activity for the year ended August 31, 2013 was as follows:

	Balance September 1 2012	Additions	Reductions	Balance August 31 2013	Current Portion
Bonds:					
Revenue Bonds-Series 2012	\$ 1,875,000	\$	\$ 595,000	\$ 1,280,000	\$ 625,000
Capital Lease	221,723		33,519	188,204	92,775
Total Long-Term Liabilities	<u>\$ 2,096,723</u>	<u>\$ 0</u>	<u>\$ 628,519</u>	<u>\$ 1,468,204</u>	<u>\$ 717,775</u>

TRINITY VALLEY COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2014

8. DEBT AND LEASE OBLIGATIONS

There were no debt service requirements for bonds at August 31, 2014.

Obligations under capital leases at August 31, 2014 were as follows:

For the Year Ended August 31	Capital Lease		
	Principal	Interest	Total
2015	\$ 95,429	\$ 2,730	\$ 98,159
			0
Totals	<u>\$ 95,429</u>	<u>\$ 2,730</u>	<u>\$ 98,159</u>

Obligations under operating leases at August 31, 2014, were as follows:

For the Year Ended August 31	Total
2015	\$ 84,416
2016	84,416
2017	84,416
2018	25,910
2019	<u>20,910</u>
Total Minimum Lease Payments	<u>\$ 300,068</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

9. BONDS PAYABLE

General information related to bonds payable is summarized as follows:

- A. Consolidated Fund Revenue Bonds, Series 2012
Purpose of the bond issue - To refund the Series 2005 bonds
Issue date - April 5, 2012
Original amount of issue - \$2,469,000
Source of revenue for debt service - Pledged tuition fee, building use fee, student services fee, laboratory fee, other fees and Auxiliary Enterprise Fund System revenue including all interest income on such funds.
Bonds payable are due in annual installments varying from \$595,000 to \$655,000 with an interest rate to maturity of 1.7 percent with the final installment due in 2015. This bond issue was paid in full on April 11, 2014.

10. REFUNDING BONDS

The Consolidated Fund Revenue Bonds, Series 2005 were refunded on April 5, 2012 with the issuance of the Consolidated Fund Revenue Bonds, Series 2012. The proceeds of the Series 2012 were used to repay the principal balance of the Series 2005 bonds and to provide funds to pay the costs of issuance.

11. DEFEASED BONDS OUTSTANDING

The College had no defeased bonds outstanding for the year ending August 31, 2014.

12. SHORT - TERM DEBT

The College had no short - term debt for the year ending August 31, 2014.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

13. EMPLOYEES' RETIREMENT

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas.

Teacher Retirement System of Texas

Plan Description. The Trinity Valley Community College District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2014 and 2013 and a state contribution rate of 6.8% for fiscal year 2014 and 6.4% for fiscal year 2013. In certain instances the reporting district is required to make all or a portion of the state's contribution.

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. The College contributes 1.9% 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.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

The retirement expense to the State for the College was \$1,904,794 and \$1,534,841 for the fiscal years ended August 31, 2014 and 2013, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$20,086,331 and \$20,242,371 for fiscal years 2014 and 2013, respectively. The total payroll of employees covered by the Teacher Retirement System was \$12,790,652 and \$12,525,958, and the total payroll of employees covered by the Optional Retirement Program was \$5,337,282 and \$5,377,878 for fiscal years 2014 and 2013, respectively.

14. DEFERRED COMPENSATION PROGRAM

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The College acts as a withholding agent for the employee contracts with their individual plan. The College 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, 2014 the College withheld and remitted \$235,446 for 33 employees. For the year ended August 31, 2013, the College withheld and remitted \$250,797 for 36 employees.

15. 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. The College recognized the accrued liability for unused annual vacation leave, compensatory time and personal days in the amounts of \$353,136 at August 31, 2014. The College recognized the accrued liability for the unused annual vacation leave and personal days in the amount of \$350,132 at August 31, 2013. Also, all full-time employees are granted sick leave at the rate of one day per month of service to up 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.

16. PENDING LAWSUITS AND CLAIMS

There were no pending lawsuits or claims during the current period according to Trinity Valley Community College personnel.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

17. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2014, were as follows:

	2014		2013	
	Primary Institution	Component Unit (Foundation)	Primary Institution	Component Unit (Foundation)
Student Receivables	\$ 1,600,964	\$	\$ 1,415,605	\$
Taxes Receivables	908,437		867,936	
Local, State & Federal Receivables	1,164,731		1,289,711	
Interest Receivables	3,465	60	2,467	36
Other Receivables	610		883	
Subtotal	3,678,207	60	3,576,602	36
Allowance for Doubtful Accounts	(737,276)		(636,111)	
Total Receivables	\$ 2,940,931	\$ 60	\$ 2,940,491	\$ 36

Payables

Payables at August 31, 2014, were as follows:

	2014		2013	
	Primary Institution	Component Unit (Foundation)	Primary Institution	Component Unit (Foundation)
Vendors Payable	\$ 136,628	\$ 0	\$ 149,649	\$ 388
Sales Tax Payable	98,962	0	105,843	0
Total	\$ 235,590	\$ 0	\$ 255,492	\$ 388

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

18. FUNDS HELD IN TRUST BY OTHERS

There were no known funds held in trust by others on behalf of Trinity Valley Community College for the year ending August 31, 2014.

19. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide and Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedules A and C. Contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g. multi-year awards, or funds awarded during fiscal years ending August 31, 2014 and 2013 respectively for which monies have not been received nor funds expended totaled \$706,449 and \$908,030. Of these amounts, \$415,308 and \$200,050 were from Federal Contract and Grant Awards; \$285,866 and \$685,342 were from State Contract and Grant Awards; \$-0- and \$-0- were from Local Contract and Grant Awards; and \$5,275 and \$22,638 were from Private Contract and Grant Awards for the fiscal years ended August 31, 2014 and 2013, respectively.

20. SELF-INSURED PLANS

The College did not participate in any self-insured plans as of August 31, 2014.

21. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$500.92 per month for the year ended August 31, 2014 (\$468.16 per month for year ended August 31, 2013) and totaled \$ 3,026,634 for the year ended August 31, 2014 (\$2,834,324 for the year ended August 31, 2013). The cost of providing those benefits for 118 retirees in the year ended August 31, 2014 was \$818,656 (retiree benefits for 116 retirees cost \$773,312 for the year ended August 31, 2013). For 301 active employees, the cost of providing benefits was \$2,207,987 for the year ended August 31, 2014 (active employee benefits for 288 employees cost \$2,061,012 for the year ended August 31, 2013).

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

22. AD VALOREM TAX

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

	2014	2013
Assessed Valuation of the College	\$ 11,954,260,167	\$ 11,916,679,793
Less: Exemptions & Abatements	(1,391,588,658)	(1,384,542,838)
Net Assessed Valuation of the College	\$ 10,562,671,509	\$ 10,532,136,955

	2014		2013	
	Current Operations	Total	Current Operations	Total
Authorized Tax Rate per \$100 valuation (Maximum Per Enabling Legislation)	\$ 0.5000	\$ 0.5000	\$.5000	\$.5000
Assessed Tax Rate per \$100 valuation	\$ 0.960	\$ 0.0960	\$.0890	\$.0890
Assessed Tax Rate per \$100 Valuation for Branch Campus Maintenance	\$.0500	\$.0500	\$.0500	\$.0500

Tax levied during the year ended August 31, 2014 and 2013 is \$9,049,578 and \$7,853,355 which includes any penalty and interest assessed if applicable. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	2014		2013	
	Current Operations	Total	Current Operations	Total
<u>Taxes Collected (Includes Maintenance Tax)</u>				
Current Taxes Collected	\$8,749,925	\$8,749,925	\$8,137,672	\$ 8,137,672
Delinquent Taxes Collected	266,287	286,287	245,018	245,018
Penalties and Interest Collected	163,598	163,598	160,767	160,767
Total Collections	\$9,179,810	\$9,199,810	\$8,543,457	\$ 8,543,457

Tax collections for the year ended August 31, 2014 and 2013 were 96.7% and 96.6%, 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.

TRINITY VALLEY COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2014

23. BRANCH CAMPUS MAINTENANCE TAX

A branch campus maintenance tax which is established by election is supposed to be levied by the Palestine Independent School District. However, due to an agreement by the College and the Palestine Independent School District, this tax is completely administered by the College. It is levied each October 1, on the assessed value listed as of the prior January 1 for all real and business personal property located in the college. Collections are made by Anderson County Tax Assessor-Collector and are transferred to the College to be used for operation of a Branch Campus at Palestine, Texas.

County or Independent School District	Collections (including Penalties and Interest) 2013	Collections (including Penalties and Interest) 2013
Palestine ISD	\$ 580,062*	\$ 571,389 *

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

24. INCOME TAXES

The College 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. The College had no unrelated business income tax liability for the year ended August 31, 2014.

25. COMPONENT UNITS

The Trinity Valley Community College Foundation is not a component unit as defined in GASB 39. However, we have reported Trinity Valley Community College Foundation as an affiliated organization. The Trinity Valley Community College Endowment Fund was transferred to the Trinity Valley Community College Foundation during fiscal year 2011.

26. RELATED PARTIES

The only noted and possible related party instance is that Brenda Boyd, sister of Texas Agriculture Commissioner, Todd Staples, is an instructor at Trinity Valley Community College.

27. SUBSEQUENT EVENTS

No notable subsequent events were present as of the date of this report.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

28. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. Trinity Valley Community College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit post-employment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

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

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

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

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

The college's contributions to SRHP for the years ended August 31, 2014 and 2013 were \$818,656 and \$773,312 respectively, which equaled the required contributions each year.

SCHEDULES

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2014
(with Memorandum Totals for the Year Ended August 31, 2013)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2014 Total	2013 Total
Tuition:						
State Funded Credit Courses:						
In-District Resident Tuition	\$ 2,758,442	\$	\$ 2,758,442	\$	\$ 2,758,442	\$ 2,756,567
Out-of-District Resident Tuition	1,512,903		1,512,903		1,512,903	1,502,510
Non-resident Tuition	411,376		411,376		411,376	400,043
TPEG - Credit (Set Aside)*	280,044		280,044		280,044	287,704
State Funded Continuing Education	170,690		170,690		170,690	176,196
TPEG -Non- Credit (Set Aside)*	10,182		10,182		10,182	9,738
Non-State Funded Educational Programs	83,376		83,376		83,376	116,448
Total Tuition	<u>5,227,013</u>	<u>0</u>	<u>5,227,013</u>	<u>0</u>	<u>5,227,013</u>	<u>5,249,206</u>
Fees:						
General Fee	5,555,948		5,555,948		5,555,948	5,599,696
Out-of-District Fee	2,316,523		2,316,523		2,316,523	2,393,567
Laboratory Fee	558,813		558,813		558,813	477,806
Distance Learning Fee	416,662		416,662		416,662	388,179
Installment Plan Fee	16,780		16,780		16,780	8,141
Non-Funded Course Fee	106,900		106,900		106,900	90,341
Other Fees	34,145		34,145		34,145	30,105
Total Fees	<u>9,005,771</u>	<u>0</u>	<u>9,005,771</u>	<u>0</u>	<u>9,005,771</u>	<u>8,987,835</u>
Scholarship Allowances and Discounts:						
Bad Debt Allowance	(123,397)		(123,397)		(123,397)	(128,986)
Scholarship Allowances	(1,056,193)		(1,056,193)		(1,056,193)	(1,070,485)
Remissions and Exemptions - State	(352,662)		(352,662)		(352,662)	(332,601)
Remissions and Exemptions - Local	(486,880)		(486,880)		(486,880)	(476,286)
TPEG Allowances	(298,021)		(298,021)		(298,021)	(246,166)
Federal Grants to Students	(5,199,248)		(5,199,248)		(5,199,248)	(5,168,425)
State Grants to Students	(38,029)		(38,029)		(38,029)	(132,529)
Total Scholarship Allowances	<u>(7,554,430)</u>	<u>0</u>	<u>(7,554,430)</u>	<u>0</u>	<u>(7,554,430)</u>	<u>(7,555,478)</u>
Total Net Tuition and Fees	<u>6,678,354</u>	<u>0</u>	<u>6,678,354</u>	<u>0</u>	<u>6,678,354</u>	<u>6,681,563</u>
Additional Operating Revenues:						
Federal Grants and Contracts	44,303	819,164	863,467		863,467	1,619,224
State Grants and Contracts	17,608	1,533,425	1,551,033		1,551,033	1,292,138
Non-Governmental Grants and Contracts	17,362		17,362		17,362	22,539
Sales and Services of Educational Activities	150,863		150,863		150,863	168,848
General Operating Revenues	216,108		216,108		216,108	239,623
Total Additional Operating Revenues	<u>446,244</u>	<u>2,352,589</u>	<u>2,798,833</u>	<u>0</u>	<u>2,798,833</u>	<u>3,342,372</u>
Auxiliary Enterprises:						
Residential Life			0	2,032,042	2,032,042	2,017,416
Less: Scholarship Allowances and Discounts			0	(967,830)	(967,830)	(998,175)
Less: Bad Debt Allowance			0	(8,265)	(8,265)	(6,437)
Bookstore			0	3,483,945	3,483,945	3,491,056
Less: Scholarship Allowances and Discounts			0	(1,663,467)	(1,663,467)	(1,641,472)
Less: Bad Debt Allowance			0	(35,395)	(35,395)	(30,479)
Athletics			0	32,020	32,020	21,480
Other Auxiliary Enterprises			0	27,538	27,538	36,227
Total Auxiliary Enterprises	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,900,588</u>	<u>2,900,588</u>	<u>2,889,616</u>
Total Operating Revenues	<u>\$ 7,124,598</u>	<u>\$ 2,352,589</u>	<u>\$ 9,477,187</u>	<u>\$ 2,900,588</u>	<u>\$ 12,377,775</u>	<u>\$ 12,913,551</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$290,226 and \$297,422, for years August 31, 2014 and August 31, 2013, 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, 2014
 (with Memorandum Totals for the Year Ended August 31, 2013)

	Operating Expenses			August 31, 2014 Total	August 31, 2013 Total
	Salaries and Wages	Benefits State Local	Other Expenses		
Unrestricted - Educational Activities					
Instruction	\$ 11,006,339	\$ 2,241,721	\$ 1,068,924	\$ 14,316,984	\$ 13,950,884
Public Service	199,293	83,367	37,561	320,221	308,885
Academic Support	2,460,739	587,588	1,453,563	4,501,890	4,325,665
Student Services	2,035,813	510,801	542,730	3,089,344	2,965,411
Institutional Support	2,237,945	568,764	824,958	3,631,667	3,604,042
Operation and Maintenance of Plant	429,741	277,150	2,008,833	2,715,724	2,800,742
Scholarships and Fellowships			2,241	2,241	430
Total Unrestricted Educational Activities	<u>18,369,870</u>	<u>0</u>	<u>4,269,391</u>	<u>28,578,071</u>	<u>27,956,059</u>
Restricted - Educational Activities					
Instruction	482,424	1,189,119	535,963	2,207,506	2,699,640
Public Service	143,985	72,573	30,573	247,131	263,062
Academic Support		329,296	14,413	343,709	300,779
Student Services	267,284	332,827	114,027	714,138	548,356
Institutional Support		299,360	369	299,729	313,924
Operation and Maintenance of Plant		21,383		21,383	18,632
Scholarship and Fellowship			5,222,035	5,222,035	5,831,583
Total Restricted Educational Activities	<u>893,693</u>	<u>2,244,558</u>	<u>0</u>	<u>9,055,631</u>	<u>9,975,976</u>
Total Educational Activities	19,263,563	2,244,558	4,269,391	37,633,702	37,932,035
Auxiliary Enterprises	1,023,708		400,448	5,944,441	5,878,388
Depreciation Expense - Building and Other Real Estate Improvements			1,016,492	1,016,492	1,007,359
Depreciation Expense - Equipment and Furniture			616,102	616,102	655,218
Total Operating Expenses	<u>\$ 20,287,271</u>	<u>\$ 2,244,558</u>	<u>\$ 4,669,839</u>	<u>\$ 45,210,737</u>	<u>\$ 45,473,000</u>
				(Exhibit 2)	(Exhibit 2)

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
 FOR THE YEAR ENDED AUGUST 31, 2014
 (with Memorandum Totals for the Year Ended August 31, 2013)

	Unrestricted	Restricted	Auxiliary Enterprises	2014 Total	2013 Total
NON-OPERATING REVENUES:					
State Appropriations:					
Education and General State Support	\$ 11,384,460		\$	\$ 11,384,460	\$ 10,844,135
State Group Insurance		1,530,794		1,530,794	1,130,163
State Retirement Matching		535,227		535,227	697,982
Other				0	796
Total State Appropriations	11,384,460	2,066,021	0	13,450,481	12,673,076
Maintenance Ad Valorem Taxes	9,205,394			9,205,394	8,547,832
Federal Revenues, Non Operating		11,964,480		11,964,480	12,560,407
Gifts	6,762		38,500	45,262	18,930
Other Income				0	4,725
Investment Income	55,177			55,177	45,632
Total Non-Operating Revenues	20,651,793	14,030,501	38,500	34,720,794	33,850,602
NON-OPERATING EXPENSES:					
Payments for Collection of Taxes	241,382			241,382	230,912
Interest on Capital Related Debt	23,517			23,517	40,281
Bond Issuance Costs				0	0
Loss on Disposal of Fixed Assets	14,321			14,321	37,390
Total Non-Operating Expenses	279,220	0	0	279,220	308,583
Net Non-Operating Revenues	\$ 20,372,573	\$ 14,030,501	\$ 38,500	\$ 34,441,574	\$ 33,542,019
				(Exhibit 2)	(Exhibit 2)

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY

August 31, 2014
 (with Memorandum Totals for August 31, 2013)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 5,144,497	\$	\$	\$	\$ 5,144,497	\$ 5,144,497	\$
Board Designated	5,176,600				5,176,600		5,176,600
Restricted					0		
Auxiliary Enterprise					0		
Loan	117,482				117,482	117,482	
Endowment:					0		
Quasi:					0		
Unrestricted					0		
Restricted					0		
Endowment:					0		
True					0		
Term (Per Instructions at Maturity)					0		
Life Income Contracts					0		
Annuities					0		
Plant:					0		
Unexpended					0		
Renewals					0		
Debt Service					0		
Investment in Plant				34,979,118	34,979,118		34,979,118
Total Net Position, August 31, 2014	10,438,579	0	0	34,979,118	45,417,697	5,261,979	40,155,718
Total Net Position, August 31, 2013	9,553,494	0	0	34,255,592	43,809,086	4,509,568	39,299,518
					(Exhibit 1)		(Exhibit 1)
Net Increase (Decrease) in Net Position	\$ 885,085	\$ 0	\$ 0	\$ 723,526	\$ 1,608,611	\$ 752,411	\$ 856,200
					(Exhibit 2)		

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures and Pass-Through Disbursements
U.S. DEPARTMENT OF JUSTICE			
<u>Pass-Through Program From:</u>			
Bureau of Justice Assistance Bulletproof Vest Partnership	16.607		\$ 369
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ 369
U.S. DEPARTMENT OF LABOR			
<u>Pass-Through Program From:</u>			
Texas Workforce Commission: Wagner Peyser: Mech. Eng. Biotech Program	17.207	0813WPB000	\$ 33,079
TOTAL U.S. DEPARTMENT OF LABOR			\$ 33,079
U.S. SMALL BUSINESS ADMINISTRATION			
<u>Pass-Through Programs From:</u>			
Dallas Community College District Business Development Center: Small Business Development Center Program	59.037		
09/01/13 - 09/30/13		3-603001-Z-0046-D	\$ 44
10/01/13 - 08/31/14		SBAHQ-14B-0018	63,738
09/01/13 - 08/31/14		3-603001-Z-0046-C	<u>2,775</u>
Subtotal Small Business Development Center Program			66,557
Small Business Jobs Act	59.037	1-603001-Z-0152	<u>28,931</u>
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			95,488
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs:</u>			
Student Financial Aid Cluster (SFA Cluster) Federal Supplemental Education Opportunity Grant (SEOG)	84.007		
09/01/13 - 06/30/14			135,202
07/01/14 - 08/31/14			<u>1,316</u>
Subtotal SEOG			136,518
Federal Family Education Loans (Note 4)	84.032		
Federal College Work - Study Program (FCWS)	84.033		
09/01/13 - 06/30/14			108,309
07/01/14 - 08/31/14			<u>9,354</u>
Subtotal FCWS			117,663
Federal Perkins Loan Program (Note 4)	84.038		
Federal Pell Grant Program (PELL)	84.063		
09/01/13 - 06/30/14			10,576,051
07/01/14 - 08/31/14			<u>1,134,248</u>
Subtotal PELL			11,710,299
Federal Direct Student Loans (Note 1)	84.268		<u>9,772,461</u>
Total Student Financial Aid Cluster			<u>21,736,941</u>
Total Direct Programs			<u>21,736,941</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number		Federal Expenditures and Pass-Through Disbursements
<u>Pass-Through Programs From:</u>				
Texas Workforce Commission (TWC):				
National Literacy Act (Federal)				
Adult Basic Education (ABE)				
Section 231	84.002	0814ABE003	210,858	
Section 231 - EL Civics	84.002	0814ABE003	99,081	
Section 223	84.002	0814ABE003	<u>5,691</u>	
Subtotal ABE / Texas Workforce Commission			315,630	
Thru Literacy Council Tyler - Section 231	84.002		<u>202</u>	
Subtotal Texas Workforce Commission				315,832
Texas Higher Education Coordinating Board:				
Carl Perkins Career & Technical Education - Basic	84.048	11611	302,678	
Statewide Longitudinal Data System Grant	84.372	12436	<u>2,000</u>	
Subtotal Texas Higher Education Coordinating Board				304,678
Total Pass-Through Programs				<u>620,510</u>
TOTAL U. S. DEPARTMENT OF EDUCATION				22,357,451
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
<u>Pass-Through Programs From:</u>				
Texas Workforce Commission:				
Adult Basic Education - Temporary	93.558			
Assistance for Needy Families (TANF)		0814ABE003		27,311
Workforce Solutions East Texas to ETCOG:				
TANF:	93.558			
09/01/13 - 09/30/13		TVCC-TANF PY12-01	2,967	
10/01/13 - 08/31/14		TVCC-TANF PY13-01	<u>37,208</u>	
Subtotal TANF/WSET/ETCOG				40,175
Texas Workforce Commission:				
Childcare Local Match	93.596	04161C43		
(Workforce Solutions E. Texas Board)				<u>2,233</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				<u>69,719</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDITURES				<u>\$ 22,556,106</u>

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, 2014

Note 1: Federal Assistance Reconciliation

Rounding	\$	1
Federal Grants Revenue - Per Schedule A		863,468
Federal Grants Revenue - Per Schedule C		11,964,480
Administration		(44,304)
Federal Direct Loans		<u>9,772,461</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$	<u>22,556,106</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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

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

None

Note 4: Student Loans Processed and Administrative Costs Recovered

The following are student loans from financial institutions processed/facilitated by Trinity Valley Community College during the period from September 1, 2013 through August 31, 2014.

<u>Federal Grantor/CFDA Number/ Program Name</u>	<u>Federal CFDA Number</u>	<u>New Loans Processed</u>	<u>Administrative Cost Recovered</u>	<u>Total Loans Processed and Administrative Cost Recovered</u>
U.S. Department of Education:				
Federal Family Education Loan Program	84.032	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Federal Perkins Loan Program	84.038	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

Note 5: Nonmonetary Federal Assistance Received

None

Note 6: Amounts Passed Through by the College

None

Note 7: Other Information

The College was reviewed by the Department of Education and a Program Review Report was issued on July 17, 2014. The College issued a timely response to the Report on September 10, 2014. As of the date of the annual audit report the review had not been finalized.

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

Grantor Agency / Program Title	Grant Contract Number		State Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD (THECB)			
Direct Programs:			
College Work Study (Texas)		\$ 36,213	
Nursing - Innovation Grant - Curriculum	10566	319,744	
Nursing and Allied Health	13071	420	
Professional Nursing Shortage Reduction		29,514	
Professional Nursing Shortage Reduction - Over 70%		63,491	
Texas Educational Opportunity Grant		151,014	
Texas Grant Allocation		464,192	
Top 10% Scholarship		<u>3,000</u>	
Total Direct Programs THECB			\$ 1,067,588
Total Texas Higher Education Coordinating Board			\$ 1,067,588
TEXAS WORKFORCE COMMISSION			
Direct Programs:			
State Adult Education	0814ABE003	37,837	
Adult Basic Education - TANF	0814ABE003	<u>12,690</u>	
Total Texas Workforce Commission			50,527
TEXAS SMALL BUSINESS ADMINISTRATION			
Pass - Through Programs From:			
Dallas County Community College District			
Small Business Development Center			
09/01/13 - 09/30/13		11,509	
10/01/13 - 08/31/14		<u>69,135</u>	
Total Texas Small Business Administration			80,644
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS			
Direct Programs:			
Jobs & Education for Texans (#7)	5115-15	219,402	
Jobs & Education for Texans (#8)	5464-04	<u>115,264</u>	
Total Texas Comptroller of Public Accounts			<u>334,666</u>
Total State Financial Assistance Expenditures			\$ <u>1,533,425</u>

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, 2014

Note 1: State Assistance Reconciliation

State Grants Revenues - Per Schedule A Administration	\$ 1,551,033 <u>(17,608)</u>
Total per Schedule of Expenditures of State Awards	<u>\$ 1,533,425</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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

OTHER REPORTS

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

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**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance with *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 the College as of and for the year ended August 31, 2014 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 11, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Martin R. Amick, CPA".

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

November 11, 2014

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
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**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Trinity Valley Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and *State of Texas Single Audit Circular* that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2014. Trinity Valley Community College'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 the requirements of laws, regulations, contracts and grants applicable to each of its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations* and *State of Texas Single Audit Circular*. Those standards and *OMB Circular A-133* 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 Trinity Valley Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Trinity Valley Community College 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, 2014.

Report on Internal Control Over Compliance

The management of the College 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 the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133* 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 the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 deficiencies, significant deficiencies, or material weaknesses. 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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the College as of and for the year ended August 31, 2014, and have issued our report thereon dated November 11, 2014 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 *OMB Circular A-133* 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,

A handwritten signature in black ink that reads "Martin R. Smith, CPA". The signature is written in a cursive style with a large initial 'M' and 'S'.

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

November 11, 2014

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards and State Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal or State Program or Cluster</u>
84.007; 84.032; 84.033; 84.038; 84.063; 84.268	Student Financial Aid - Cluster

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

Auditee qualified as low-risk auditee? X Yes _____ No

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

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no finding required to be reported.

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

The audit disclosed no finding required to be reported.

SMITH, LAMBRIGHT & ASSOCIATES, P.C.

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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, 2014. 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 the College'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, 2014, which is part of this compliance report.

Respectfully submitted,



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

November 11, 2014

Trinity Valley Community College
 Portfolio Composition as of August 31, 2014

Investment Type	Book Value August 31, 2014	Market Value August 31, 2014
Savings Account(s) in Financial Institutions		
Certificates of Deposit	\$ 5,025,701	\$ 5,025,701
Repurchase Agreements		
Bankers Acceptances		
Commercial Paper		
Money Market Funds		
No-Load Mutual Fund		
Investment Pool (s): (1) <i>Constant Net Asset Value</i> _____ (Name of investment pool) _____ (Name of investment pool) <i>Variable Net Asset Value</i> _____ (Name of investment pool) _____ (Name of investment pool)		
U.S. Government Securities: Long-term Short-term		
U.S. Government Securities: Long-term Short-term		

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