

TRINITY VALLEY COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2004

TRINITY VALLEY COMMUNITY COLLEGE
Annual Financial Report for
the Year Ended August 31, 2004

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TRINITY VALLEY COMMUNITY COLLEGE
NAMES AND TERMS OF THE BOARD OF TRUSTEES/REGENTS
PRINCIPAL ADMINISTRATIVE OFFICERS AND THE BUSINESS AND FINANCIAL STAFF
FOR THE FISCAL YEAR 2003-2004

Board of Trustees

Officers

Bob J. McDonald	President
Ray Raymond	Vice President
Ron Baugh	Secretary

Members

		<u>Term Expires</u> <u>April 30,</u>
Ron Day	Mabank, Texas	2006
David Monk	Chandler, Texas	2006
Paula Kimball	Mabank, Texas	2006
Bob J. McDonald	Athens, Texas	2008
Ray Raymond	Kaufman, Texas	2008
Herbert Riley	Frankston, Texas	2008
Dr. Charlie Risinger	Terrell, Texas	2010
Homer L. Norville	Kaufman, Texas	2010
Jerry Stone	Malakoff, Texas	2010

Principal Administrative Officers

Ron Baugh	President
W. P. Drumgoole	Vice-President of Student Services
Jan Huffstutler	Vice-President of Instruction
Cherre Watson	Vice-President of Fiscal Services
Mike Abbott	Dean of Information Technology Services
Charles Akin	Dean of Palestine Campus
Brett Daniel	Dean of Administrative & Computing Services
Charles H. Gann	Dean of Terrell Campus
Colette Hilliard	Dean of Enrollment Management
Jerry King	Dean of Occupational Education
Max Logan	Dean of Physical Facilities
Joe Mills	Dean of Planning and Information Services
Helen Reid	Dean of Health Occupations
Ray Williams	Dean of Academic Education

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

Marlin R. Smith, CPA
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Deborah Adcock, CPA
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INDEPENDENT AUDITOR'S REPORT

**UNQUALIFIED OPINION ON THE BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION - SINGLE AUDIT-
GOVERNMENTAL ENTITY**

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of Trinity Valley Community College, a special purpose government engaged only in business - type activities, as of and for the year ended August 31, 2004, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Trinity Valley Community College's administration. Our responsibility is to express an opinion 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related compliance supplement; and State of Texas Single Audit Circular. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business - type activities, of Trinity Valley Community College as of August 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying "**Management's Discussion and Analysis**" is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2004 on our consideration of Trinity Valley Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Trinity Valley Community College's basic financial statements. The accompanying schedule of expenditures of federal awards and expenditures of 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 State of Texas Single Audit Circular, and are not required parts of the basic financial statements. Other schedules as listed in the table of contents are likewise presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for Statistical Supplements marked UNAUDITED and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Smith, Lambright & Associates, P.C.

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

November 11, 2004

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, 2004. Please read it in conjunction with the independent auditor's reports, the College's basic financial statements, footnotes, schedules and supplemental information.

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.

FINANCIAL HIGHLIGHTS

For the year ending August 31, 2004:

- The College's net assets increased from \$30,510,225 in 2003 to \$32,765,566 in 2004.
- Cash increased from \$9,700,472 in 2003 to \$11,143,514 in 2004.
- The College had no outstanding debt.

USING THIS REPORT

In December 1998, the Government Accounting Standards Board (GASB) released statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" which revised the reporting of property tax revenue. In June 1999, GASB released statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". Changes in statement No. 34 require a comprehensive one-line look at the entity as a whole and capitalization of assets and depreciation. In November 1999, GASB issued statement No. 35 "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities" which applies these standards to public colleges and universities. This annual report consists of a series of financial statements prepared in accordance with GASB 33, 34 and 35.

These financial statements differ significantly, in both the form and accounting principles utilized, from the College's financial statements issued prior to GASB 33, 34 and 35. Financial data is presented in a form similar to that used by corporations by providing information on the College as a whole. 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 three sections: financial data, organizational data, and statistical data. The financial section includes the report of independent auditors, this management's discussion and analysis, the financial statements, notes to the financial statements, schedules, other reports, and supplemented information. The introductory section includes the College's principal officers and organization data. The statistical section includes selected unaudited data, generally presented in a multi-year basis.

FINANCIAL INFORMATION

There are three basic financial statements in this report:

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

The financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College. These financial statements help our readers assess the College's financial health.

The Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities. 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 assets (the difference between assets and liabilities) is one indicator of the College's financial health. Over time, increases or decreases in net assets 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.

The following table reflects the condensed Statement of Net Assets. Please refer to the College's State of Net Assets (pages 14 & 15) for more complete detail.

Statement of Net Assets (Condensed)				
	08/31/04	08/31/03	Increase (Decrease)	Percent Change
Current assets	\$ 12,746,620	\$11,263,628	\$1,482,992	13.2%
Noncurrent assets	934,793	908,908	25,885	2.8%
Capital assets – net	<u>21,207,992</u>	<u>20,131,665</u>	<u>1,076,327</u>	<u>5.3%</u>
Total assets	34,889,405	32,304,201	2,585,204	8.0%
Current liabilities	2,000,975	1,688,112	312,863	18.5%
Noncurrent liabilities	<u>122,864</u>	<u>105,864</u>	<u>17,000</u>	<u>16.1%</u>
Total liabilities	2,123,839	1,793,976	329,863	18.4%
Net Assets:				
Invested in Capital Assets (net of related debt)	21,207,992	20,131,665	1,076,327	5.3%
Restricted	817,975	792,675	25,300	3.2%
Unrestricted	<u>10,739,599</u>	<u>9,585,885</u>	<u>1,153,714</u>	<u>12.0%</u>
Total Net assets	\$32,765,566	\$30,510,225	\$2,255,341	7.4%

Trinity Valley Community College continues to maintain a strong financial position. Its net assets increased by \$2,255,341, a 7.4% increase over last year's net assets.

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year. The activities of the College are classified as either operating or non-operating.

GASB 33, 34, and 35 accounting requirements significantly impact the determination and classification of operating and non-operating revenues for public colleges. In doing so, net operating income is also affected. These requirements result in several major changes in the accounting preparation and presentation of this particular financial statement:

- **Property taxes are classified as non-operating revenue.** This classification as non-operating revenue is based upon the definition that operating revenues are the result of "exchange transactions" between the college who provides the services and those who purchase such services. Property taxes are a "levy", not an "exchange transaction"; consequently, tax revenues are considered non-operating revenues.

- Gifts and investment income are non-operating revenue as well;
- 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.

Implementation of these accounting changes has a negative effect on operating income when compared to pre-GASB 33, 34, and 35 financial statements. Specifically:

- Reclassifying property taxes from operating revenue to non-operating revenue will result in lower operating revenues;
- The reporting of tuition and fee revenues and auxiliary revenues "net of discounts" will decrease operating revenues when compared to prior years; and
- The addition of depreciation expense will increase operating expenses.

Due to the above accounting treatments and especially since property taxes are one of the three primary sources of revenue (state appropriations, tuition and fees, and property taxes), it will likely be a typical picture to have an operating loss on the Statement of Revenues, Expenses, and Changes in Net assets.

There are additional basic transactions that affect the levels of revenues and expenses:

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.

The following table reflects the condensed Statement of Revenues, Expenses and Change in Net Assets. Please refer to the College's Statement of Revenues, Expenses and Change in Net Assets (pages 17 & 18) for more complete detail.

Statement of Revenues, Expenses and Changes in Net Assets
(Condensed)

	<u>2004</u>	<u>2003</u>	Increase (Decrease)	Percent Change
Operating Revenue				
State appropriations	\$12,193,672	\$12,220,904	(27,232)	-0.2%
Tuition and fees – net	3,290,105	2,546,496	743,609	29.2%
Grants and contracts	6,588,738	5,715,516	873,222	15.3%
Sales and Services of				
Educational Activities	361,678	157,949	203,729	129.0%
Auxiliary – net	2,156,776	1,930,253	226,523	11.7%
Other	<u>319,273</u>	<u>279,613</u>	<u>39,660</u>	<u>14.2%</u>
Total operating revenue	24,910,242	22,850,731	2,059,511	9.0%
Less Operating expense				
Instruction	11,559,234	11,376,756	182,478	1.6%
Public Service	303,787	470,487	(166,700)	-35.4%
Academic Support	1,739,881	1,794,438	(54,557)	-3.0%
Student Services	2,393,200	2,277,893	115,307	5.1%
Institutional Support	2,462,905	2,228,591	234,314	10.5%
Plant Operations	2,289,962	2,059,361	230,601	11.2%
Scholarships**	2,790,309	2,194,131	596,178	27.2%
Auxiliary	3,078,751	2,798,681	280,070	10.0%
Depreciation	<u>707,614</u>	<u>650,853</u>	<u>56,761</u>	<u>8.7%</u>
Total Operating Expenses	27,325,643	25,851,191	1,474,452	5.7%
Net Operating Income (Loss)	(2,415,401)	(3,000,460)	585,059	19.5%
Non Operating Revenue (Expenses)				
Property taxes	4,268,699	3,904,557	364,142	9.3%
Gifts	47,386	29,646	17,740	59.8%
Investment income	210,289	190,734	19,555	10.3%
Loss on Disposal of Assets	(88,891)	(93,208)	4,317	4.6%
Insurance proceeds	233,259	0	233,259	100.0%
Interest Expense	<u>(0)</u>	<u>(318)</u>	<u>318</u>	<u>100.0%</u>
Total non operating revenues	4,670,742	4,031,411	639,331	15.9%
Increase in Net Assets	2,255,341	1,030,951		
Net Assets – Beginning of Year	<u>30,510,225</u>	<u>29,479,274</u>		
Net Assets – End of Year	<u>\$32,765,566</u>	<u>\$30,510,225</u>	2,255,341	7.4%

**Note: In the above table, the terminology “scholarships” used under operating expenses means monies paid directly to students which were not included as a “discount” against tuition, fees, room, board and book revenues. (See paragraph on tuition discounting above.) The vast 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.

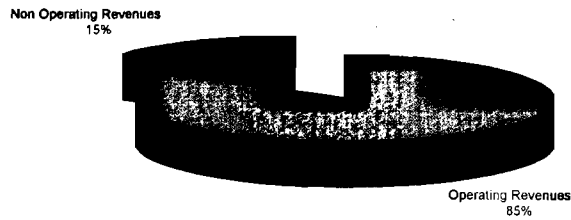
In fiscal year 2004, operating revenue totaled \$24,910,242, an increase of 9.0% over the past year. Tuition and fees increased by \$743,609 or 29.2%. The College raised fees for fiscal year 2004 by \$5 per semester hour. Plus student enrollment (contact hours) increased approximately 5%. Sales and services of educational activities were up primarily due to the expansion of the distance education program.

Fiscal year 2004 operating expenses totaled \$27,325,643, an increase of \$1,474,452, or 5.7% over the previous year. Generally, salaries and employee fringe benefits increased in all categories. Increased expense can also be attributed to additional grant and scholarship aid.

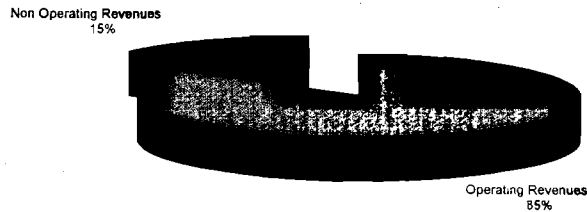
After deducting operating expenses from operating revenue, the College had a net operating loss of \$2,415,401. However, when combined with non operating revenue of \$4,670,742 (the majority of which is property tax revenue), the College had a net increase in assets of \$2,255,341.

The following charts provide a graphic breakdown of total revenues by category for the fiscal years ending August 31, 2004 and August 31, 2003.

2004 Major Revenue Categories

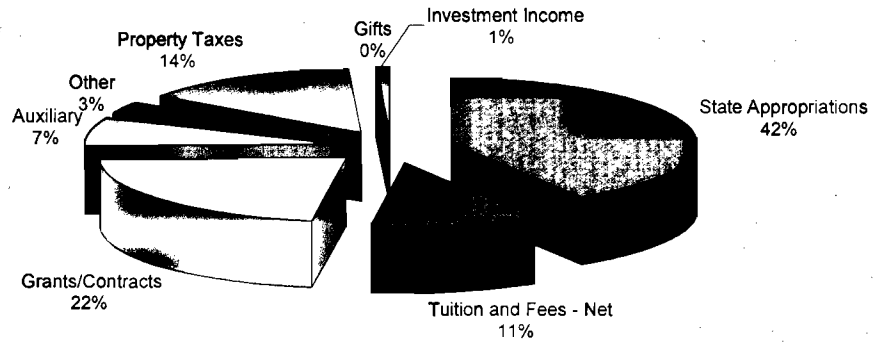


2003 Major Revenue Categories

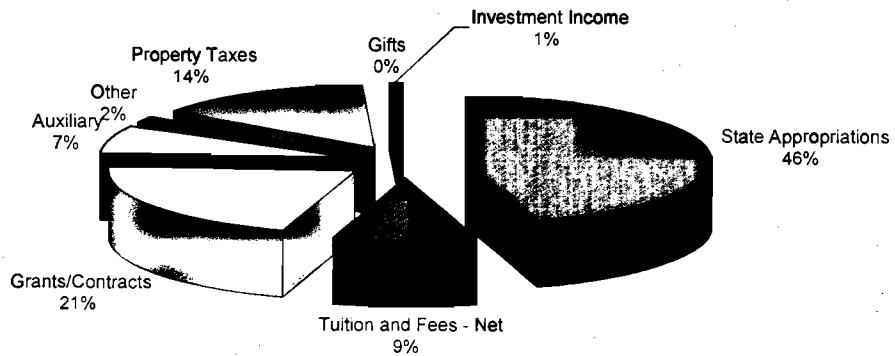


The following is graphic illustrations of revenues by source for the fiscal years August 31, 2004 and August 31, 2003:

2004 Revenue by Source

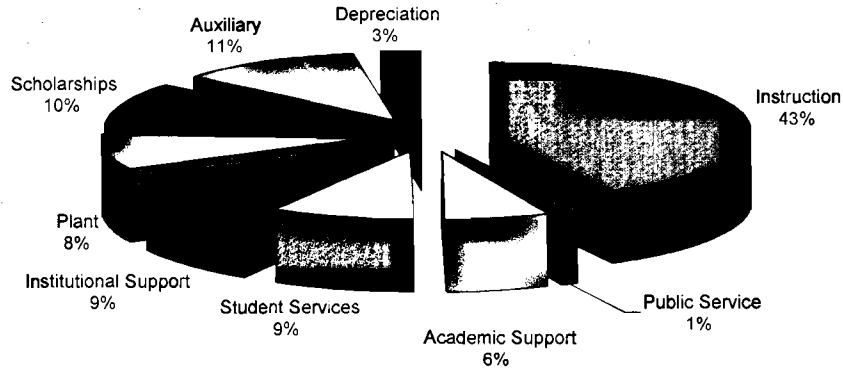


2003 Revenue by Source

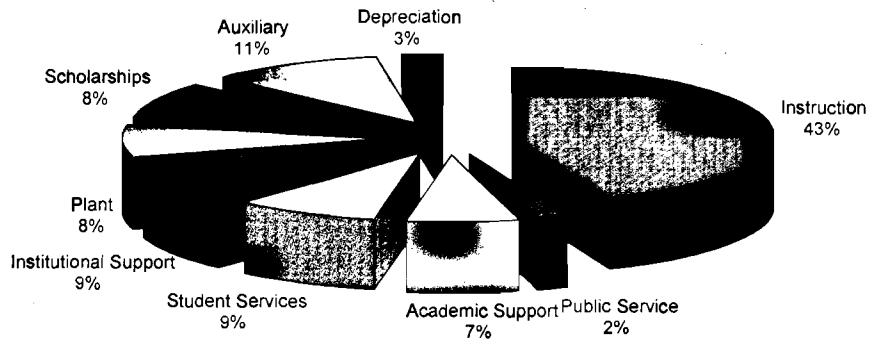


The following is graphic illustrations of operating expenses presented by functional classification for the fiscal years August 31, 2004 and August 31, 2003:

2004 Operating Expenses - Functional Classification

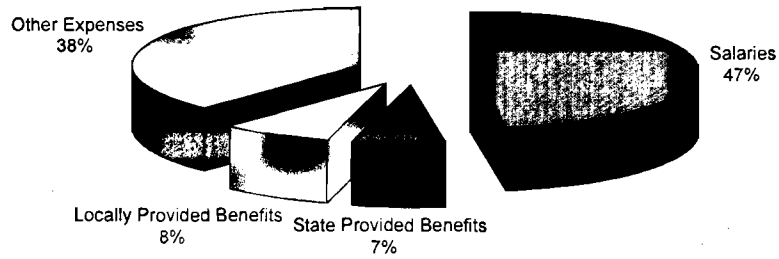


2003 Operating Expenses - Functional Classification

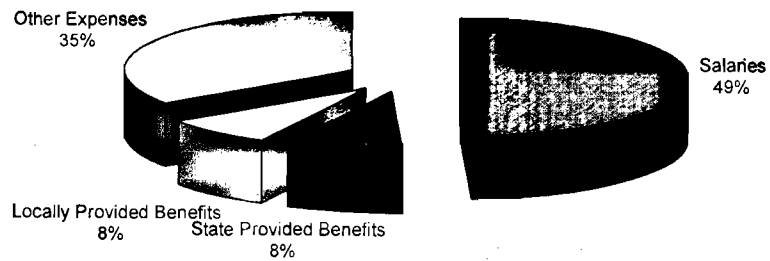


Operating expenses may also be presented by natural classification:

2004 Operating Expenses - Natural Classification



2003 Operating Expenses - Natural Classification



Statement of Cash Flows

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. 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 increased \$1,443,042 from 2003 resulting in a cash balance of \$11,143,514 as of August 31, 2004.

The following table reflects the condensed Statement of Cash Flows. Again, please refer to the College's Statement of Cash Flows (pages 20-21) for complete details.

Statement of Cash Flows (Condensed)				
	2004	2003	Cash Increase (Decrease)	Percent Change
Net Cash provided (used) by:				
Operating activities	\$ (1,336,000)	\$ (2,339,298)	\$1,003,298	42.9%
Non capital financing activities	4,208,106	3,924,814	283,292	7.2%
Capital and related financing activities	(1,639,573)	(529,874)	(1,109,699)	-209.4%
Investing activities	<u>210,509</u>	<u>190,184</u>	<u>20,325</u>	<u>10.7%</u>
Net increase in cash	1,443,042	1,245,826	197,216	15.8%
Cash, beginning of the year	<u>9,700,472</u>	<u>8,454,646</u>		
Cash, end of the year	<u>\$11,143,514</u>	<u>\$ 9,700,472</u>		

During the 2004 fiscal year, the College was better able to provide for its operational activities as evidenced by a decrease in *net* cash used. Operating cash receipts (primarily state appropriations, tuition and fees, grants, and auxiliary enterprises) totaled \$26,303,769, while operating cash outlays (primarily salaries, benefits, supplies, utilities, and scholarships) totaled \$27,639,769, netting a negative cash flow balance of \$1,336,000. Last year these totals were \$23,257,233 and \$25,596,531, respectively and netting a negative cash flow balance of \$2,339,298.

The increase in cash provided by non-capital financing activities derives from additional property taxes collected.

The cash used in capital and related financing activities was for the acquisition of capitalized assets and building construction consisting of an equine science barn and beginning construction of the Library/Classroom Building on the Terrell campus. Additionally, in December 2003, the Health Science Center incurred flood damage due to a water leak over the Christmas holidays. The College received insurance proceeds of \$233,259 to help cover the cost of renovations needed. However, since outside financing was not used for the other capital projects, there was negative cash provided for this category of cash flows.

Capital Asset and Debt Administration

Capital Assets

At August 31, 2004, the College had \$21,207,992 invested in capital assets, net of accumulated depreciation of \$7,575,830. Details of these assets are shown below. Refer to Note 6 in the Notes to the Financial Statements (page 27) for further details.

Capital Assets				
	<u>08/31/04</u>	<u>08/31/03</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Land	\$ 1,139,726	\$ 1,139,726	0	0
Library Books	2,347,559	2,321,798	25,761	1.1%
Construction in Progress	1,147,353	0	1,147,353	100.0%
Buildings	20,920,163	20,828,219	91,944	0.4%
Facility and Other Improvements	1,458,623	1,105,931	352,692	31.9%
Furniture, Machinery, Vehicles and Other Equipment	1,019,100	926,885	92,215	9.9%
Telecommunications and and Peripheral Equipment	<u>751,298</u>	<u>737,802</u>	<u>13,496</u>	<u>1.8%</u>
Subtotal	28,783,822	27,060,361	1,723,461	6.4%
Accumulated Depreciation:	(7,575,830)	(6,928,696)	647,134	9.3%
Net Capital Assets	<u>\$ 21,207,992</u>	<u>\$ 20,131,665</u>	1,076,327	5.3%

During the year, capital assets acquisitions of \$1,876,537 (\$1,591,989 for building related projects) were added and capital assets in the amount of \$153,076 were removed. The net result, along with the net change in accumulated depreciation of \$647,134, is an increase in net capital assets of \$1,076,327.

Debt

At year-end 2004, the College had no outstanding debt.

Initial construction began for a new Library/Classroom Building on the Terrell Campus in 2004. Projected completion date is fall 2005. At this time, the College has no plans to issue additional debt to finance this project.

FUTURE FINANCIAL AFFECTS

Historically, Trinity Valley Community College has been successful in maintaining low educational costs. However, due to reductions in state funding, modest fee increases were implemented for the fiscal year 03/04.

Due to the continued uncertainty of the level of state funding for community colleges along with an anticipated upward trend in enrollment growth, the College foresees the need for increased revenue to fulfill the educational needs of the region.

Trinity Valley Community College is committed to providing education and workforce development programs and services that meet the individual and community needs. In doing so, the College will scrutinize potential avenues for additional revenue while striving to keep educational costs affordable for all students.

To help meet that challenge, the College's Foundation was revitalized. It began a new Capital Campaign three years ago and the balance of the Foundation's fund at fiscal year end August 31, 2004, is \$865,543, an increase of \$410,206 over the previous year.

The campaign's overall goal seeks to strengthen scholarship endowment funds in hopes of providing some type of scholarship for every deserving student who desires a college education at Trinity Valley Community College.

EXHIBITS

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
FOR YEAR ENDED AUGUST 31, 2004

	<u>Current Year</u>	<u>Prior Year</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3 168 721	\$ 2 951 564
Short-Term Investments	7 040 000	5 840 000
Accounts Receivable (Net)	1 221 560	1 012 985
Receivables from Other Governments	629 690	656 415
Inventories	597 565	717 882
Other Assets	<u>89 084</u>	<u>84 782</u>
Total Current Assets	<u>12 746 620</u>	<u>11 263 628</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	123 200	120 706
Endowment Investments	811 593	788 202
Capital Assets, (Net) (See Note)	<u>21 207 992</u>	<u>20 131 665</u>
Total Noncurrent Assets	<u>22 142 785</u>	<u>21 040 573</u>
Total Assets	<u>\$ 34 889 405</u>	<u>\$ 32 304 201</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 584 892	\$ 348 900
Accrued Compensable Absences	184 759	172 921
Funds Held for Others	110 920	106 641
Deferred Revenues	<u>1 120 404</u>	<u>1 059 650</u>
Total Current Liabilities	<u>2 000 975</u>	<u>1 688 112</u>
Noncurrent Liabilities		
Deposits	<u>122 864</u>	<u>105 864</u>
Total Noncurrent Liabilities	<u>122 864</u>	<u>105 864</u>
Total Liabilities	<u>\$ 2 123 839</u>	<u>\$ 1 793 976</u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
FOR YEAR ENDED AUGUST 31, 2004

	<u>Current Year</u>	<u>Prior Year</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 21 207 992	\$ 20 131 665
Restricted for		
Nonexpendable		
Student Aid	653 297	639 690
Instructional Programs		
Expendable		
Student Aid	164 678	152 985
Unrestricted	<u>10 739 599</u>	<u>9 585 885</u>
Total Net Assets (Schedule D)	<u><u>\$ 32 765 566</u></u>	<u><u>\$ 30 510 225</u></u>

TRINITY VALLEY COMMUNITY COLLEGE
AFFILIATED ORGANIZATION
TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENT OF NET ASSETS
FOR YEARS ENDED AUGUST 31, 2004 AND 2003

	<u>Current Year</u>	<u>Prior Year</u>
ASSETS		
Cash and Cash Equivalents	\$ 554 670	\$ 442 911
Investments	305 025	
Accrued Receivables	1 129	6 134
Capital Assets (Net)	<u>4 719</u>	<u>6 292</u>
Total Current Assets	<u><u>865 543</u></u>	<u><u>455 337</u></u>
 LIABILITIES		
None	<u>0</u>	<u>0</u>
 NET ASSETS		
Invested in Capital Assets, Restricted for	\$ 4 719	\$ 6 291
Nonexpendable		
Student Aid	834 158	436 441
Expendable		
Student Aid	11 676	4 117
Capital Projects	3 033	
Unrestricted	<u>11 957</u>	<u>8 488</u>
Total Net Assets	<u><u>\$ 865 543</u></u>	<u><u>\$ 455 337</u></u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2004 AND AUGUST 31, 2003

	<u>Current Year</u>	<u>Prior Year</u>
REVENUES		
Operating Revenues		
State Appropriations	\$ 12 193 672	\$ 12 220 904
Tuition and Fees (Net of Discounts of \$2,057,007 and \$1,570,706 respectively)	3 290 105	2 546 496
Federal Grants and Contracts	6 166 218	5 037 759
State Grants and Contracts	384 777	400 101
Local Grants and Contracts	27 394	0
Non-government Grants and Contracts	10 349	277 656
Sales and Services of Educational Activities	361 678	157 949
Auxiliary Enterprises (Net of Discounts of \$1,307,098 And \$1,154,588 respectively)	2 156 776	1 930 253
General Operating Revenue	<u>319 273</u>	<u>279 613</u>
Total Operating Revenues (Schedule A)	<u>24 910 242</u>	<u>22 850 731</u>
Operating Expenses		
Instruction	11 559 234	11 376 756
Public Service	303 787	470 487
Academic Support	1 739 881	1 794 438
Student Services	2 393 200	2 277 893
Institutional Support	2 462 905	2 228 591
Operation and Maintenance of Plant	2 289 962	2 059 361
Scholarships and Fellowships	2 790 309	2 194 131
Auxiliary Enterprises	3 078 751	2 798 681
Depreciation	<u>707 614</u>	<u>650 853</u>
Total Operating Expenses (Schedule B)	<u>27 325 643</u>	<u>25 851 191</u>
Operating Income (Loss)	<u>(2 415 401)</u>	<u>(3 000 460)</u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2004

	<u>Current Year</u>	<u>Prior Year</u>
NON-OPERATING REVENUES (EXPENSES)		
Maintenance Ad-Valorem Taxes	\$ 4 268 699	\$ 3 904 557
Gifts	47 386	1 000
Investment Income	210 289	190 734
Loss on Disposal of Fixed Assets	(88 891)	(93 208)
Capital Insurance Proceeds	233 259	0
Other Non-Operating Revenues		28 646
Other Non-Operating Expenses	<u> </u>	<u>(318)</u>
Net Non-Operating Revenues (Schedule C)	<u>4 670 742</u>	<u>4 031 411</u>
Increase (Decrease) in Net Assets	2 255 341	1 030 951
NET ASSETS		
Net Assets - Beginning of Year	<u>30 510 225</u>	<u>29 479 274</u>
Net Assets - End of Year	<u>\$ 32 765 566</u>	<u>\$ 30 510 225</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TRINITY VALLEY COMMUNITY COLLEGE
AFFILIATED ORGANIZATION
TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR YEAR ENDED AUGUST 31, 2004

	<u>Current Year</u>	<u>Prior Year</u>
REVENUES		
Investment Income	\$ 11 668	\$ 4 101
Fund Raising Events (Net of Expense)	10 980	952
Gifts	388 882	334 058
Bad Debt Recoveries		5 633
Unrealized Gain on Sale of Securities	<u>262</u>	<u> </u>
Total Revenue	<u>411 792</u>	<u>344 744</u>
 EXPENSES		
Administrative Expense	6	35
Depreciation	1 573	1 573
Gain (Loss) on Sale of Assets	<u>7</u>	<u>505</u>
Total Expenses	<u>1 586</u>	<u>2 113</u>
Change in Net Assets	410 206	342 631
Net Assets at Beginning of Year	<u>455 337</u>	<u>112 706</u>
Net Assets at End of Year	<u>865 543</u>	<u>455 337</u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2004 AND AUGUST 31, 2003

	<u>Current Year</u>	<u>Prior Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	\$ 9 014 662	\$ 7 404 736
Receipts of State Allocations	10 332 469	10 046 378
Receipts of Grants and Contracts	6 493 055	5 670 732
Payments to Suppliers for Goods or Services	(6 435 726)	(6 058 364)
Payments to or on Behalf of Employees	(15 041 817)	(14 719 075)
Payments to Scholarships and Fellowships	(5 896 987)	(4 700 996)
Loans Issued to Students	(265 239)	(118 096)
Collection of Loans to Students	262 158	114 789
Other Receipts	<u>201 425</u>	<u>20 598</u>
Net Cash Provided (Used) by Operating Activities	<u>(1 336 000)</u>	<u>(2 339 298)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from Ad Valorem Taxes	4 289 089	3 864 175
Payment for collections of Taxes	(132 647)	
Receipts of Student Organizations and Other Agency Transactions	356 094	210 366
Payment from Student Organizations and Other Agency Transactions	(351 816)	(178 998)
Other Receipts	<u>47 386</u>	<u>29 271</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>4 208 106</u>	<u>3 924 814</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	3 705	
Capital Insurance Proceeds	233 259	0
Purchases of Capital Assets	(1 876 537)	(529 556)
Payments on Capital Debt	<u>(1 639 573)</u>	<u>(318)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>(1 639 573)</u>	<u>(529 874)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	<u>210 509</u>	<u>190 184</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 210 509</u>	<u>\$ 190 184</u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2004

	<u>Current Year</u>	<u>Prior Year</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ 1 443 042	\$ 1 245 826
Cash and Cash Equivalents - September 1	<u>9 700 472</u>	<u>8 454 646</u>
Cash and Cash Equivalents - August 31	<u>\$ 11 143 514</u>	<u>\$ 9 700 472</u>

**RECONCILIATION OF NET OPERATING INCOME (LOSS)
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (2 415 401)	\$ (3 000 460)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	707 614	650 853
Tax Collection Fee	132 647	
Bad Debt Expense	25 162	
Accrued Ad Valorem Tax	(20 390)	
Accrued Interest Receivable	(220)	
Changes in Assets and Liabilities		
Receivables, Net	(211 511)	(121 140)
Deferred Expenses	(10 689)	18 476
Inventories	120 318	(82 518)
Prepaid Expenses	6 607	
Accounts Payable	235 992	(34 455)
Funds Held for Others	4 279	31 368
Deposits	17 000	1 629
Compensated Absences	11 838	7 777
Deferred Revenue	<u>60 754</u>	<u>189 172</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1 336 000)</u>	<u>\$ (2 339 298)</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, 2004

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 and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

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.

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 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 consumable office supplies, physical plant supplies, food service 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, 10 years for furniture, machinery, vehicles and other equipment and 5 years for telecommunications and peripheral equipment.

Library books are capitalized but not depreciated. Library books will be written off as the books are removed from service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2004 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. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenue are tuition and related fees. The College also recognizes as operating revenue allocations from the state. The major non-operating revenue is property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

State allocations are classified as operating revenues because the college is a separate primary government and is not included as part of Texas state-wide CAFR. In addition, Texas state allocations are program specific for instructional services provided on behalf of the State and are affected by performance through a formula funding process based on contact hours of instruction provided.

L. Prior year restatement

No prior year restatement was necessary at the beginning of the current year in accordance with APB 20.

3. AUTHORIZED INVESTMENTS

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

4. DEPOSITS AND INVESTMENTS

At August 31, 2004, the carrying amount of Trinity Valley Community College's deposits was \$9,695,267, and total bank balances equaled \$10,169,894. Bank balances of \$495,968 are covered by federal depository insurance and \$9,673,926 was 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 (Category 1). Bank balances totaling \$-0- were collateralized with securities held by the pledging financial institution's trust department or agent in Trinity Valley Community College's name (Category 2). Bank balances in the amount of \$-0- were uncollateralized at fiscal year end (Category 3). (This includes any bank balance that was collateralized with securities held by the pledging financial institution's department or agent but not in Trinity Valley Community College's name). Cash and Deposits as reported on Exhibit A, Balance Sheet, consist of the items reported below.

Cash and Deposits

	<u>2004</u>	<u>2003</u>
Bank Deposits:		
Demand Deposits	\$ 3 288 094	\$ 3 067 065
Cash and Cash Equivalents:		
Petty Cash on Hand	<u>3 827</u>	<u>5 205</u>
Total Cash and Deposits	<u>\$ 3 291 921</u>	<u>\$ 3 072 270</u>

At August 31, 2004, the carrying amount of Trinity Valley Community College Foundation's deposits (cash and certificates of deposit) was \$859,695 on August 31, 2004 and \$442,911 on August 31, 2003. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the Foundation's agent in the Foundation's name.

To comply with the reporting requirements of GASB Statement No. 3 **Investments**, Trinity Valley Community College's investments are categorized under "Investment Categories" to give an indication of credit risk assumed by Trinity Valley Community College at year end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

The following categories of credit risk are included:

- Category 1: Investments that are insured or registered or for which the securities are held by the institution or its agent in the institution's name.
- Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or in the institution's name.
- Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the institution's name.

The categories above may not apply to all types of investments. In general, investments in pools managed by other governments or in mutual funds or investments in real estate should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry form. Securities underlying reverse repurchase agreements should also be disclosed but not categorized because they are held by the buyer-lender.

4. DEPOSITS AND INVESTMENTS (continued)

There were no categorized investments for the current year or the previous year.

Uncategorized Investments - August 31, 2004

<u>Type of Investments</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Certificates of Deposit	\$ <u>7 851 593</u>	\$ <u>7 851 593</u>

Uncategorized Investments - August 31, 2003

<u>Type of Investments</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Certificates of Deposit	\$ <u>6 628 202</u>	\$ <u>6 628 202</u>

Reconciliation of Deposits and Investments to Exhibit 1

<u>Type of Investments</u>	<u>Market Value August 31, 2004</u>	<u>Market Value August 31, 2003</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	3 291 921	3 072 270
Total Investments	<u>7 851 593</u>	<u>6 628 202</u>
Total Deposit and Investments	<u>11 143 514</u>	<u>9 700 472</u>
Cash and Temporary Investments (Exhibit 1)	3 291 921	3 072 270
Investments (Exhibit 1)	<u>7 851 593</u>	<u>6 628 202</u>
Total Deposits and Investments	<u>\$ 11 143 514</u>	<u>9 700 472</u>

5. DERIVATIVES

The College had no derivatives at August 31, 2004.

TRINITY VALLEY COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2004
 Continued Page 6.....

6. CAPITAL ASSETS

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

	Balance September 1, 2003 <u>(Restated)</u>	<u>Increases</u>	<u>Decreases</u>	Balance August 31, 2004 <u></u>
<u>Not Depreciated:</u>				
Land	\$ 1 139 726	\$	\$	\$ 1 139 726
Construction in Progress	0	1 147 353		1 147 353
Library Books	<u>2 321 798</u>	<u>101 673</u>	<u>75 912</u>	<u>2 347 559</u>
Subtotal	<u>3 461 524</u>	<u>1 249 026</u>	<u>75 912</u>	<u>4 634 638</u>
<u>Other Capital Assets:</u>				
Building	20 828 219	91 944		20 920 163
Facilities & Improvements	1 105 931	352 692		1 458 623
Furniture, Machinery, Vehicles, and Other Equipment	926 885	169 379	77 164	1 019 100
Telecommunications and Peripheral Equipment	<u>737 802</u>	<u>13 496</u>		<u>751 298</u>
Subtotal	<u>23 598 837</u>	<u>627 511</u>	<u>77 164</u>	<u>24 149 184</u>
<u>Accumulated Depreciation:</u>				
Buildings	5 799 830	409 402		6 209 232
Facilities & Improvements	354 979	40 716		395 695
Furniture, Machinery, Vehicles, and Other Equipment	465 970	140 126	60 480	545 616
Telecommunications and Peripheral Equipment	<u>307 917</u>	<u>117 370</u>		<u>425 287</u>
Subtotal	<u>6 928 696</u>	<u>707 614</u>	<u>60 480</u>	<u>7 575 830</u>
Net Other Capital Assets	<u>16 670 141</u>	<u>(80 103)</u>	<u>16 684</u>	<u>16 573 354</u>
Net Capital Assets	<u>\$ 20 131 665</u>	<u>\$ 1 168 923</u>	<u>\$ 92 596</u>	<u>\$ 21 207 992</u>

TRINITY VALLEY COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2004
 Continued Page 7.....

6. CAPITAL ASSETS (continued)

Capital assets activity for the year ended August 31, 2003 was as follows:

	Balance September 1, 2002 (Restated)	<u>Increases</u>	<u>Decreases</u>	Balance August 31, 2003
Not Depreciated:				
Land	\$ 1 139 726	\$	\$	\$ 1 139 726
Library Books	<u>2 284 686</u>	<u>94 545</u>	<u>57 433</u>	<u>2 321 798</u>
Subtotal	<u>3 424 412</u>	<u>94 545</u>	<u>57 433</u>	<u>3 461 524</u>
Other Capital Assets:				
Building	20 744 561	83 658		20 828 219
Facilities & Improvements	1 098 431	7 500		1 105 931
Furniture, Machinery, Vehicles, and Other Equipment	911 681	114 020	98 816	926 885
Telecommunications and Peripheral Equipment	<u>571 482</u>	<u>239 772</u>	<u>73 452</u>	<u>737 802</u>
Subtotal	<u>23 326 155</u>	<u>444 950</u>	<u>172 268</u>	<u>23 598 837</u>
Accumulated Depreciation:				
Buildings	5 390 851	408 979		5 799 830
Facilities & Improvements	313 753	41 226		354 979
Furniture, Machinery, Vehicles, and Other Equipment	437 892	91 119	63 041	465 970
Telecommunications and Peripheral Equipment	<u>271 840</u>	<u>109 529</u>	<u>73 452</u>	<u>307 917</u>
Subtotal	<u>6 414 336</u>	<u>650 853</u>	<u>136 493</u>	<u>6 928 696</u>
Net Other Capital Assets	<u>16 911 819</u>	<u>(205 903)</u>	<u>35 775</u>	<u>16 670 141</u>
Net Capital Assets	<u>\$ 20 336 231</u>	<u>\$ (111 358)</u>	<u>\$ 93 208</u>	<u>\$ 20 131 665</u>

7. LONG - TERM LIABILITIES

The College had no long - term liabilities for the year ending August 31, 2004. (Accrued Compensable Absences were considered to not be a long-term liability.)

8. DEBT AND LEASE OBLIGATIONS

The College had no debt and lease obligations for the year ending August 31, 2004.

9. BONDS PAYABLE

The College had no bonds payable for the year ending August 31, 2004.

10. ADVANCE REFUNDING BONDS

The College had no advance refunding bonds for the year ending August 31, 2004.

11. DEFEASED BONDS OUTSTANDING

The College had no defeased bonds outstanding for the year ending August 31, 2004.

12. SHORT - TERM DEBT

The College had no short - term debt for the year ending August 31, 2004.

13. EMPLOYEES' RETIREMENT PLAN

The State of Texas has joint contributory retirement plans for almost all of its employees. One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas. The percentages of participant salaries currently contributed by the state and by each participant are 6% and 6.4% respectively, of annual compensation.

The Teachers Retirement System does not separately account for each of its component government agencies, because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature.

The 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. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65% respectively. The College contributes 2.5% percent for employees who were participating in the optional retirement program prior to September 1, 1995. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the College was \$685,917 and \$666,212 for the fiscal years ended August 31, 2004 and 2003, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

13. EMPLOYEES' RETIREMENT PLAN (continued)

The total payroll for all College employees was \$11,413,954 and \$11,103,528 for fiscal years ending August 31, 2004 and 2003, respectively. The total payroll of employees covered by the Teacher Retirement System was \$6,339,734 and \$6,009,512, and the total payroll of employees covered by the Optional Retirement System was \$5,092,220 and \$5,094,016 for fiscal years ending August 31, 2004 and 2003, 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, 2004 the College withheld and remitted \$200,204 for 48 employees. For the year ended August 31, 2003, the College withheld and remitted \$158,108 for 46 employees.

15. COMPENSABLE ABSENCES

Full-time 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. However, if this leave is not taken, it lapses and the employee is not paid for it. Accrued compensation balances have been recorded. The College recognized the accrued liability for the unpaid annual leave for in the amounts of \$184,759 at August 31, 2004 and \$172,921 at August 31, 2003.

Also, all full-time employees are granted medical 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 accruals have been recorded for medical leave.

16. PENDING LAWSUITS AND CLAIMS

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

17. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2004, were as follows:

	<u>2004</u>		<u>2003</u>	
	Primary	Component	Primary	Component
	<u>Institution</u>	Unit <u>(Foundation)</u>	<u>Institution</u>	Unit <u>(Foundation)</u>
Student Receivables	\$ 523 067	\$	\$ 416 549	\$
Taxes Receivables	509 563		529 956	
State Receivables	10 736		0	
Federal Receivables	1 128		5 429	
Grant Receivables	699 731		709 924	
Other Receivables	<u>107 025</u>	<u>1 129</u>	<u>7 542</u>	<u>6 134</u>
Total	<u>\$ 1 851 250</u>	<u>\$ 1 129</u>	<u>\$ 1 669 400</u>	<u>\$ 6 134</u>

Payables

Payables at August 31, 2004, were as follows:

	<u>2004</u>		<u>2003</u>	
	Primary	Component	Primary	Component
	<u>Institution</u>	Unit <u>(Foundation)</u>	<u>Institution</u>	Unit <u>(Foundation)</u>
Vendors Payable	\$ 214 822	\$	\$ 62 456	\$
Due to State	5 271		5 880	
Sales Tax Payable	58 388		41 750	
Payable to Bookstore	305 355		237 505	
Other Payables	<u>1 056</u>		<u>1 309</u>	
Total	<u>\$ 584 892</u>	<u>\$ 0</u>	<u>\$ 348 900</u>	<u>\$ 0</u>

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, 2004.

19. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grants 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, 2004 and 2003 respectively for which monies have not been received nor funds expended totaled \$200,313 and \$179,695. Of these amounts, \$177,977 and \$177,300 were from Federal Contract and Grant Awards; \$22,336 and \$2,395 were from State Contract and Grant Awards; \$-0- and \$-0- were from Local Contract and Grant Awards; and \$-0- and \$-0- were from Private Contract and Grant Awards for the fiscal years ended August 31, 2004 and 2003, respectively.

20. SELF-INSURED PLANS

The College did not participate in any self-insured plans as of August 31, 2004.

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 \$300.27 per month for the year ended August 31, 2004 (\$308.84 per month for year ended August 31, 2003) and totaled \$1,175,286 for the year ended August 31, 2004 (\$1,508,314 for the year ended August 31, 2003). The cost of providing those benefits for 79 retirees in the year ended August 31, 2004 was \$331,089 (retiree benefits for 76 retirees cost \$312,801 for the year ended August 31, 2003). For 239 active employees, the cost of providing benefits was \$844,197 for the year ended August 31, 2004 (active employee benefits for 278 employees cost \$1,195,513 for the year ended August 31, 2003).

22. PROPERTY TAX

The District'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 District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

At August 31, 2004:

	<u>2004</u>	<u>2003</u>
Assessed Valuation of the College	\$ 9 150 024 028	\$ 8 584 959 550
Less: Exemptions	2 026 544 296	1 939 623 163
Less: Abatements	44 071 117	53 047 537
Net Assessed Valuation of the College	<u>\$ 7 079 408 615</u>	<u>\$ 6 592 288 850</u>

	<u>2004</u>		<u>2003</u>	
	<u>Current</u>	<u>Total</u>	<u>Current</u>	<u>Total</u>
	<u>Operations</u>		<u>Operations</u>	
Tax Rate per \$100 valuation for Authorized	\$.50	\$.50	\$.50	\$.50
Tax Rate per \$100 valuation for Assessed	\$.0615	\$.0615	\$.0615	\$.0615
Tax Rate per \$100 Valuation for Assessed Maintenance Tax	\$.0485	\$.0485	\$.0441	\$.0441

Tax levied during the year ended August 31, 2004 and 2003 is \$4,243,249 and \$3,880,418 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.

22. PROPERTY TAX (continued)

	<u>2004</u>		<u>2003</u>	
	<u>Current Operations</u>	<u>Total</u>	<u>Current Operations</u>	<u>Total</u>
<u>Taxes Collected (Includes Maintenance Tax)</u>				
Current Taxes Collected	\$4 025 577	\$4 025 577	\$ 3 679 771	\$ 3 679 771
Delinquent Taxes Collected	236 508	236 508	194 939	194 939
Penalties and Interest Collected	<u>94 962</u>	<u>94 962</u>	<u>89 368</u>	<u>89 368</u>
Total Collections	<u>\$4 357 047</u>	<u>\$4 357 047</u>	<u>\$ 3 964 078</u>	<u>\$ 3 964 078</u>

Tax collections for the year ended August 31, 2004 and 2003 were 95% and 95%, 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 operations.

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 district. Collections are made by Anderson County Tax Assessor-Collector and are transferred to the College District to be used for operation of a Branch Campus at Palestine, Texas.

<u>County or Independent School District</u>	<u>Collections (including Penalties and Interest) 2004</u>	<u>Collections (including Penalties and Interest) 2003</u>
Palestine ISD	\$ 399 527 ●	\$ 362 804 ●

● 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, 2004.

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.

26. RELATED PARTIES

The only noted and possible related party instance is that Carol Staples, Mother of state legislator Todd Staples, is an instructor at Trinity Valley Community College.

OTHER REPORTS

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

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INDEPENDENT AUDITOR'S REPORT

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

Members of the Board of Trustees:

We have audited the financial statements of Trinity Valley Community College as of and for the year ended August 31, 2004, and have issued our report thereon dated November 11, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended for the information and use of Trinity Valley Community College's Board of Trustees, management, federal and state awarding agencies, and pass-through entities, and is not intended to be used and should not be used by anyone other than those specified parties.

Respectfully submitted,

Smith, Lambright & Associates, P.C.

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

November 11, 2004

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

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INDEPENDENT AUDITOR'S REPORT

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Members of the Board of Trustees:

Compliance

We have audited the compliance of Trinity Valley Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2004. Trinity Valley Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Trinity Valley Community College's management. Our responsibility is to express an opinion on Trinity Valley Community College's compliance based on our audit.

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

In our opinion, Trinity Valley Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2004. There were no major state programs.

Internal Control Over Compliance

The management of Trinity Valley Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Trinity Valley Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133. There were no major state programs.

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

This report is intended for the information and use of Trinity Valley Community College's Board of Trustees, management, federal and state awarding agencies, and pass-through entities, and is not intended to be used and should not be used by anyone other than those specified parties.

Respectfully submitted,

Smith, Lambright & Associates, P.C.
SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

November 11, 2004

Trinity Valley Community College
Schedule of Operating Revenues
For the Year Ended August 31, 2004 (with Memorandum Totals for the Year Ended August 31, 2003)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
State Allocations:						
Education & General State Support	\$ 10 323 431	\$	\$ 10 323 431	\$	\$ 10 323 431	\$ 9 939 566
State Group Insurance		1 175 286	1 175 286		1 175 286	1 508 314
State Retirement Matching		685 917	685 917		685 917	666 212
Remedial Education			0		0	106 366
Nursing Growth	8 703		8 703		8 703	0
Other		335	335		335	446
Total State Allocations	<u>10 332 134</u>	<u>1 861 538</u>	<u>12 193 672</u>	<u>0</u>	<u>12 193 672</u>	<u>12 220 904</u>
Tuition:						
State Funded Credit Courses:						
In-District Resident Tuition	1 648 550		1 648 550		1 648 550	1 477 858
Out-of-District Resident Tuition	485 858		485 858		485 858	471 836
Non-resident Tuition	133 714		133 714		133 714	125 786
TPEG - Credit (Set Aside)*	129 013		129 013		129 013	104 161
Non-State Funded Educational Programs	127 459		127 459		127 459	128 592
Total Tuition	<u>2 524 594</u>	<u>0</u>	<u>2 524 594</u>	<u>0</u>	<u>2 524 594</u>	<u>2 308 233</u>
Fees:						
General Fee	1 658 887		1 658 887		1 658 887	1 056 561
Out-of-District Fees	710 200		710 200		710 200	519 659
Laboratory Fee	337 810		337 810		337 810	197 089
Distance Learning Fees	65 045		65 045		65 045	0
Installment Plan Fee	29 415		29 415		29 415	0
Other Fees	21 161		21 161		21 161	35 660
Total Fees	<u>2 822 518</u>	<u>0</u>	<u>2 822 518</u>	<u>0</u>	<u>2 822 518</u>	<u>1 808 969</u>
Scholarship Allowances and Discounts:						
Scholarship Allowances	(462 393)		(462 393)		(462 393)	(421 207)
Remissions and Exemptions - State	(33 204)		(33 204)		(33 204)	0
Remissions and Exemptions - Local	(156 374)		(156 374)		(156 374)	(179 770)
TPEG Awards	(78 169)		(78 169)		(78 169)	(86 005)
Federal Grants to Students	(1 257 284)		(1 257 284)		(1 257 284)	(838 999)
State Grants to Students	(69 583)		(69 583)		(69 583)	(44 725)
Total Scholarship Allowances and Discounts	<u>(2 057 007)</u>	<u>0</u>	<u>(2 057 007)</u>	<u>0</u>	<u>(2 057 007)</u>	<u>(1 570 706)</u>
Total Net Tuition and Fees	<u>\$ 3 290 105</u>	<u>\$ 0</u>	<u>\$ 3 290 105</u>	<u>\$ 0</u>	<u>\$ 3 290 105</u>	<u>\$ 2 546 496</u>

Trinity Valley Community College
Schedule of Operating Revenues
For the Year Ended August 31, 2004 (with Memorandum Totals for the Year Ended August 31, 2003)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
<u>Additional Operating Revenues:</u>						
Federal Grants and Contracts	\$ 42 056	\$ 6 124 162	\$ 6 166 218	\$	\$ 6 166 218	\$ 5 037 759
State Grants and Contracts		384 777	384 777		384 777	400 101
Local Grants and Contracts		27 394	27 394		27 394	0
Non-governmental Grants and Contracts		10 349	10 349		10 349	277 656
Sales and Service of Educational Activities	361 678		361 678		361 678	157 949
General Operating Revenue	<u>317 109</u>	<u>2 164</u>	<u>319 273</u>		<u>319 273</u>	<u>279 613</u>
Total Additional Operating Revenues	<u>720 843</u>	<u>6 548 846</u>	<u>7 269 689</u>	<u>0</u>	<u>7 269 689</u>	<u>6 153 078</u>
 <u>Auxiliary Enterprises:</u>						
Residential Life			0	993 105	993 105	973 959
Less: Scholarship Allowances and Discounts			0	(499 965)	(499 965)	(535 925)
Bookstore			0	2 406 609	2 406 609	2 046 421
Less: Scholarship Allowances and Discounts			0	(807 133)	(807 133)	(618 663)
Athletics			0	26 866	26 866	29 757
Other Auxiliary Enterprises			0	37 294	37 294	34 704
Total Net Auxiliary Enterprises	<u>0</u>	<u>0</u>	<u>0</u>	<u>2 156 776</u>	<u>2 156 776</u>	<u>1 930 253</u>
Total Operating Revenues	<u>\$ 14 343 082</u>	<u>\$ 8 410 384</u>	<u>\$ 22 753 466</u>	<u>\$ 2 156 776</u>	<u>\$ 24 910 242</u> (Exhibit 2)	<u>\$ 22 850 731</u> (Exhibit 2)

* In accordance with Education Code 56.033, \$129,013, and \$125,786 for years August 31, 2004 and August 31, 2003, 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, 2004 (with Memorandum Totals for the Year Ended August 31, 2003)

	Operating Expenses			August 31, 2004 Total	August 31, 2003 Total	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 7 546 722	\$	\$ 1 032 173	\$ 1 104 191	\$ 9 683 086	\$ 9 386 795
Public Service	15 988		1 223	127 381	144 592	60 794
Academic Support	1 128 668		147 738	282 883	1 559 289	1 593 196
Student Services	1 176 967		164 430	272 679	1 614 076	1 487 631
Institutional Support	1 302 275		208 700	740 704	2 251 679	1 984 956
Operation and Maintenance of Plant	747 556		302 394	1 198 436	2 248 386	1 960 303
Scholarship and Fellowship					0	0
Total Unrestricted Educational Activities	<u>11 918 176</u>	<u>0</u>	<u>1 856 658</u>	<u>3 726 274</u>	<u>17 501 108</u>	<u>16 473 675</u>
Restricted - Educational Activities						
Instruction	\$ 257 063	\$ 1 246 241	\$ 51 121	\$ 321 723	\$ 1 876 148	\$ 1 989 961
Public Service	96 495		26 674	36 026	159 195	409 693
Academic Support		180 592			180 592	201 242
Student Services	402 814	190 014	77 014	109 282	779 124	792 960
Institutional Support	280	202 780		8 166	211 226	240 937
Operation and Maintenance of Plant		41 576			41 576	99 058
Scholarship and Fellowship				2 790 309	2 790 309	2 194 131
Total Restricted Educational Activities	<u>756 652</u>	<u>1 861 203</u>	<u>154 809</u>	<u>3 265 506</u>	<u>6 038 170</u>	<u>5 927 982</u>
Total Educational Activities	12 674 828	1 861 203	2 011 467	6 991 780	23 539 278	22 401 657
Auxiliary Enterprises	294 110		74 259	2 710 382	3 078 751	2 798 681
Depreciation Expense - Building and Other						
Real Estate Improvements				450 118	450 118	450 205
Depreciation Expense - Equipment and Furniture				257 496	257 496	200 648
Total Operating Expenses	<u>\$ 12 968 938</u>	<u>\$ 1 861 203</u>	<u>\$ 2 085 726</u>	<u>\$ 10 409 776</u>	<u>\$ 27 325 643</u> (Exhibit 2)	<u>\$ 25 851 191</u> (Exhibit 2)

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
 FOR THE YEAR ENDED AUGUST 31, 2004
 (with Memorandum Totals for the Year Ended August 31, 2003)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>August 31, 2004 Total</u>	<u>August 31, 2003 Total</u>
NON-OPERATING REVENUES:					
Maintenance Ad Valorem Taxes	\$ 4 268 699	\$	\$	\$ 4 268 699	\$ 3 904 557
Gifts	50	47 336		47 386	1 000
Investment Income	173 423	13 357	23 509	210 289	190 734
Capital Insurance Proceeds	233 259			233 259	0
Other Non-Operating Revenue				0	28 646
Total Non-Operating Revenues	<u>4 675 431</u>	<u>60 693</u>	<u>23 509</u>	<u>4 759 633</u>	<u>4 124 937</u>
NON-OPERATING EXPENSES:					
Loss on Disposal of Fixed Assets	88 891			88 891	93 208
Other Non-Operating Expenses				0	318
Total Non-Operating Expenses	<u>\$ 88 891</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 88 891</u>	<u>\$ 93 526</u>
Net Non-Operating Revenues	<u>\$ 4 586 540</u>	<u>\$ 60 693</u>	<u>\$ 23 509</u>	<u>\$ 4 670 742</u> (Exhibit 2)	<u>\$ 4 031 411</u> (Exhibit 2)

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2004
(with Memorandum Totals for the Year Ended August 31, 2003)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Available for Current Operations	
		Expendable	Non-Expendable			Yes	No
Current:							
Unrestricted	\$ 5 015 550	\$	\$	\$	\$ 5 015 550	\$ 5 015 550	\$
Board Designated	3 040 000				3 040 000		3 040 000
Restricted					0		
Auxiliary Enterprise	2 577 602				2 577 602	2 577 602	
Loan	106 447				106 447	106 447	
Endowment:							
Quasi:							
Unrestricted					0		
Restricted					0		
Endowment:							
True		164 678	653 297		817 975		817 975
Term (Per Instructions at Maturity)					0		
Life Income Contracts					0		
Annuities					0		
Plant:							
Unexpended					0		
Renewals					0		
Debt Service					0		
Investment in Plant				21 207 992	21 207 992		21 207 992
Total Net Assets, August 31, 2004	<u>10 739 599</u>	<u>164 678</u>	<u>653 297</u>	<u>21 207 992</u>	<u>32 765 566</u>	<u>7 699 599</u>	<u>25 065 967</u>
					(Exhibit 1)		
Total Net Assets, August 31, 2003	<u>9 585 885</u>	<u>152 985</u>	<u>639 690</u>	<u>20 131 665</u>	<u>30 510 225</u>	<u>7 750 358</u>	<u>22 759 867</u>
					(Exhibit 1)		
Net Increase (Decrease) in Net Assets	<u>\$ 1 153 714</u>	<u>\$ 11 693</u>	<u>\$ 13 607</u>	<u>\$ 1 076 327</u>	<u>\$ 2 255 341</u>	<u>\$ (50 759)</u>	<u>\$ 2 306 100</u>
					(Exhibit 2)		

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number		Federal Expenditures and Pass-Through Disbursements
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			
09/01/03 - 09/30/03		3-0046-17	\$ 7 228	
10/01/03 - 08/31/04		4-0046-18	<u>67 521</u>	
Subtotal Small Business Development Center Program				\$ 74 749
TOTAL U.S. SMALL BUSINESS ADMINISTRATION				\$ 74 749
 U.S. DEPARTMENT OF EDUCATION				
<u>Direct Programs:</u>				
Student Financial Aid - Cluster:				
Federal Supplemental Education Opportunity Grant (SEOG)				
09/01/03 - 06/30/04	84.007		75 159	
07/01/04 - 08/31/04			<u>495</u>	
Subtotal SEOG				\$ 75 654
Federal Family Education Loans (Note 4)	84.032			
Federal College Work - Study Program (FCWS)				
09/01/03 - 06/30/04	84.033		77 269	
07/01/04 - 08/31/04			<u>840</u>	
Subtotal FCWS				78 109
Federal Perkins Loan Program (Note 4)	84.038			-
Trio - Cluster (See Below)	84.042			-
Federal Pell Grant Program (PELL) (See Note 7)				
09/01/03 - 06/30/04	84.063		4 536 138	
07/01/04 - 09/30/04			<u>305 637</u>	
Subtotal PELL				<u>4 841 775</u>
Total Student Financial Aid Cluster				4 995 538
Trio - Cluster:				
Student Support Services (See Note 7)	84.042	010614		<u>288 115</u>
Total Direct Programs, U.S. Department Of Education				\$ 5 283 653

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, 2004

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 Education Agency:			
National Literacy Act (Federal)			
Adult Basic Education (ABE)	84.002		
Section 223		441000332	\$ 7 521
Section 225		441000232	25 499
Section 231		441000132	192 534
Section 231 - EL Civics		441000832	99 893
Section 223 - EL Civics		441000832A	<u>3 973</u>
Subtotal ABE			<u>\$ 329 420</u>
Total Pass-Through from the Texas Education Agency			<u>329 420</u>
Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education	84.048	44251	<u>410 321</u>
Total Pass-Through from the Texas Higher Education Coordinating Board			<u>410 321</u>
University of Texas at Tyler:			
East Texas Tech - Prep Consortium at UT-Tyler Program	84.243	-	<u>623</u>
Total Pass-Through from the University of Texas at Tyler			<u>623</u>
Total Pass - Through Programs, U.S. Department of Education			<u>740 364</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>6 024 017</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
<u>Pass-Through Programs From:</u>			
Texas Education Agency:			
Adult Basic Education - Temporary	93.558		
Assistance for Needy Families (TANF)			
09/01/03 - 09/30/03		33625-52	9 104
10/01/03 - 09/31/04		43625-31	<u>16 291</u>
Subtotal TANF			<u>25 395</u>
Total Pass-Through from the Texas Education Agency			<u>25 395</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>25 395</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDITURES			<u>\$ 6 124 161</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, 2004

Note 1: Federal Assistance Reconciliation

Federal Grants Revenues - Per Exhibit 2	\$ 6 124 166
Rounding	<u> -5</u>
Total per Schedule of Expenditures of Federal Awards	<u>\$ 6 124 161</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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, 2003 through August 31, 2004.

<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 Loans	84.032	<u>\$3 928 246</u>	<u>\$ 0</u>	<u>\$ 3 928 246</u>

Trinity Valley Community College had the following loan balances outstanding at August 31, 2003. These loan balances outstanding are not included in the federal expenditures presented in the schedule because they are prior year expenditures with minimal current year compliance requirements. Trinity Valley Community College has filed Federal Perkins Loan Program Liquidation Requests to Discontinue Participation in the Program, and does not currently participate in the Federal Perkins Loan Program.

<u>Federal Grantor/CFDA Number/ Program Name</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
U.S. Department of Education: Federal Perkins Loan Program	84.038	<u>\$ 138 176</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2004

Note 5: Nonmonetary Federal Assistance Received

None

Note 6: Amounts Passed Through by the College

None

Note 7: CFDA Number Order

The "Schedule of Expenditures of Federal Awards" is arranged in ascending CFDA number order except in the U.S. Department of Education Direct Program Area. The "Student Support Services" program is not in numerical order in this area because it is a part of the TRIO Cluster, not the Student Financial Aid Cluster.

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2004

State Grantor/ Pass-Through Grantor/ Program Title	Grantor's Number		State Expenditures and Pass-Through Disbursements
TEXAS EDUCATION AGENCY			
<u>Direct Programs:</u>			
Adult Basic Education - State	101000152	\$ 44 390	
Adult Basic Education - TANF	40110-45	<u>14 425</u>	
Subtotal Adult Basic Education			\$ 58 815
TOTAL TEXAS EDUCATION AGENCY			\$ 58 815
 TEXAS HIGHER EDUCATION COORDINATING BOARD			
<u>Direct Programs:</u>			
Nursing Innovation Grant Program - A		13 340	
Nursing Innovation Grant Program		23 207	
Texas College Work Study Program		17 888	
Certified Educational Aide Program		26 161	
Early High School Graduation Program		9 400	
Texas Grant Allocation		209 388	
Texas National Guard Program		<u>140</u>	
Total Direct Programs, Texas Higher Education Coordinating Board			299 524
 <u>Pass-through Programs From:</u>			
Texas Higher Coordinating Board to Dallas Community College District, Business Development Center to TVCC's Small Business Development Center Program:			
09/01/03 - 09/30/03		\$ 2 395	
10/01/03 - 08/31/04		<u>24 042</u>	
Subtotal Small Business Development Center Program			\$ 26 437
Total Pass-Through from the Texas Higher Education Coordinating Board			26 437
TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD			\$ 325 961
TOTAL STATE FINANCIAL ASSISTANCE EXPENDITURES			\$ 384 776

See auditor's reports and notes.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2004

Note 1: Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity of Trinity Valley Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the 1998 State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2: State Financial Assistance Reconciliation

State Grants and Contracts, - per Exhibit 2	\$ 384 777
Rounding	<u>1</u>
Expenditures of State Awards, Per Schedule of Expenditures of State Awards	<u>\$ 384 776</u>

Note 3: Expenditures from State Funds Not Subject to the Single Audit Circular

None

Note 4: Texas Public Education Grants (TPEG)

During the year ended August 31, 2004, these grants were made to students:

1) Residents	\$ 96 977
2) Non-residents	<u>1 220</u>
Total	<u>\$ 98 197</u>

These amounts are not disclosed on the Schedule of Expenditure of State Awards because all payments were funded from local tuition resources.

Note 5: Schedule of Findings and Questioned Costs

State program information and Federal program information is combined in the "Schedule of Findings and Questioned Costs" as applicable.

Note 6: Major State Programs

There were no major state programs.

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2004

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
- Reportable condition(s) 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
- Reportable condition(s) 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? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>State #</u>	<u>Name of Federal or State Program or Cluster</u>
84.002	None	Adult Basic Education - Cluster
84.007; 84.032; 84.033; 84.038; 84.063	None	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

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD PROGRAMS AUDIT QUESTIONED COSTS

No matters were reported

**TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF CORRECTED ACTION FOR AUDIT
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2004**

This schedule was not used. There were no findings or questioned costs.

TRINITY VALLEY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2004

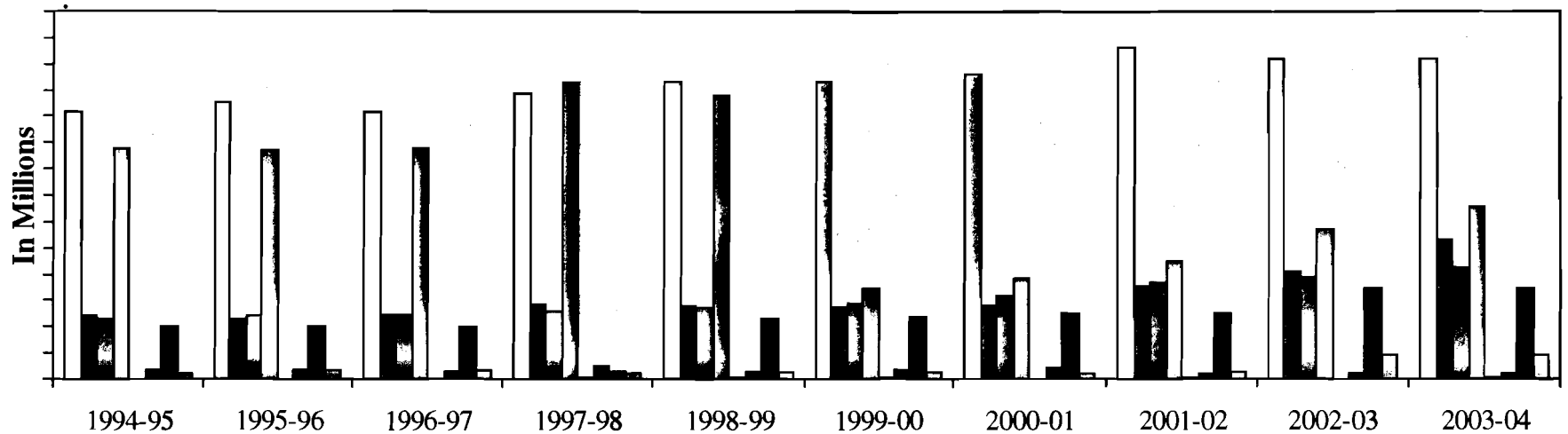
There are no unresolved audit findings from prior years.

STATISTICAL SUPPLEMENT

**Trinity Valley Community College
Revenue by Source
Last 10 Fiscal Years
(Unaudited)**

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
State Appropriations	10,158,463	10,507,332	10,202,552	10,915,846	11,309,038	11,350,913	11,643,216	12,651,316	12,220,904	12,193,672
Tuition & Fee	2,437,487	2,303,199	2,423,657	2,882,301	2,830,873	2,727,049	2,843,743	3,523,306	4,117,202	5,347,112
Property Taxes	2,340,549	2,419,987	2,474,944	2,605,024	2,723,102	2,903,554	3,196,105	3,661,939	3,904,557	4,268,699
Grants & Contracts	8,800,815	8,701,260	8,801,969	11,335,724	10,843,629	3,470,187	3,852,421	4,501,766	5,715,516	6,588,738
Gifts	22,257	28,173	11,795	77,890	84,565	64,524	30,987	63,683	29,646	47,386
Investment Income	356,660	355,169	298,300	490,074	314,824	388,157	458,455	231,340	190,734	210,289
Auxiliary	2,005,183	2,020,654	2,013,978	2,287,355	2,287,205	2,375,077	2,560,428	2,535,823	3,084,841	3,463,874
Other	184,564	328,238	392,452	201,841	252,891	308,929	245,258	300,159	437,562	914,210

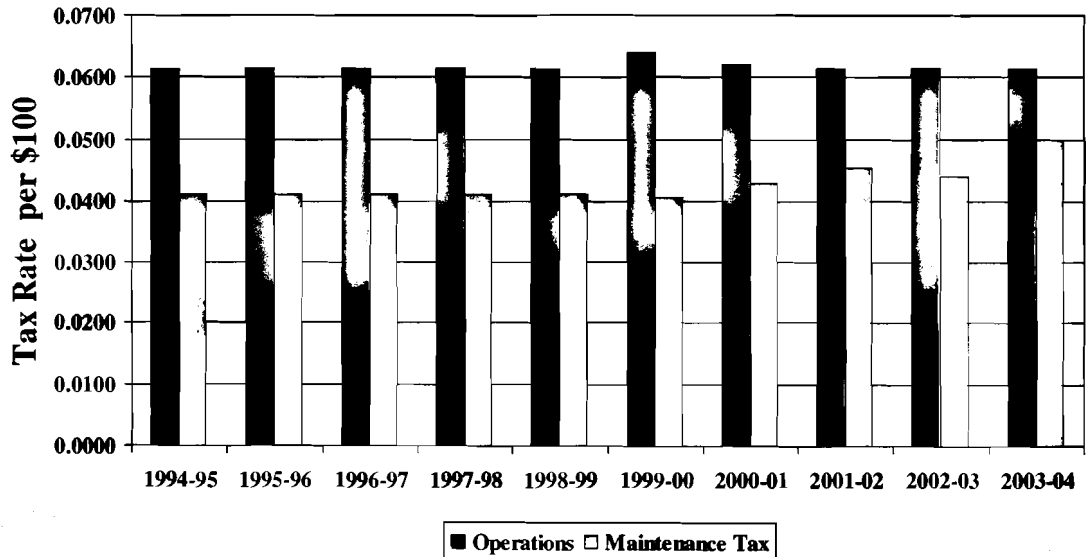
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□ State Appropriations ■ Tuition & Fees ■ Property Taxes ■ Grants & Contracts ■ Gifts ■ Investment Income ■ Auxiliary □ Other

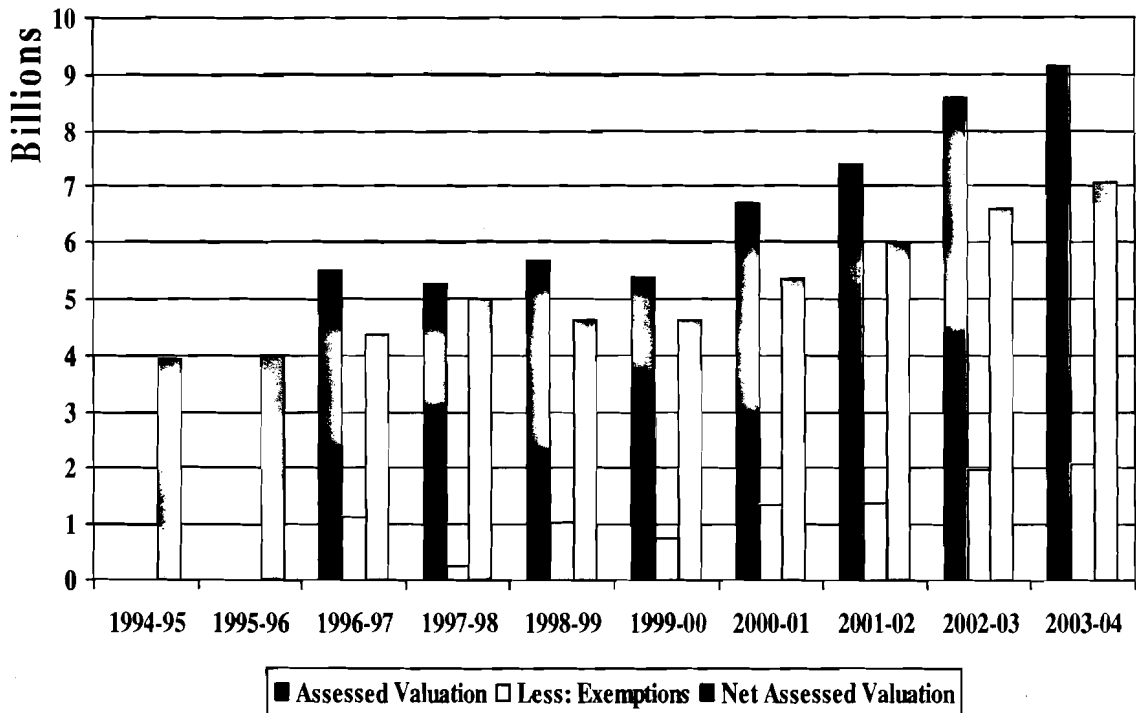
**Trinity Valley Community College
Property Tax Rates Assessed
Last 10 Fiscal Years
(Unaudited)**

Fiscal Year	Current Operations <small>(per \$100 valuation)</small>	Maintenance Tax Area <small>(per \$100 valuation)</small>	Debt Service	Property Tax Rates Authorized
1994-95	0.0615	0.04100	0.0	0.50
1995-96	0.0615	0.04100	0.0	0.50
1996-97	0.0615	0.04100	0.0	0.50
1997-98	0.0615	0.04100	0.0	0.50
1998-99	0.0615	0.04100	0.0	0.50
1999-2000	0.0640	0.04064	0.0	0.50
2000-2001	0.0620	0.04300	0.0	0.50
2001-2002	0.0615	0.04550	0.0	0.50
2002-2003	0.0615	0.04410	0.0	0.50
2003-2004	0.0615	0.04850	0.0	0.50



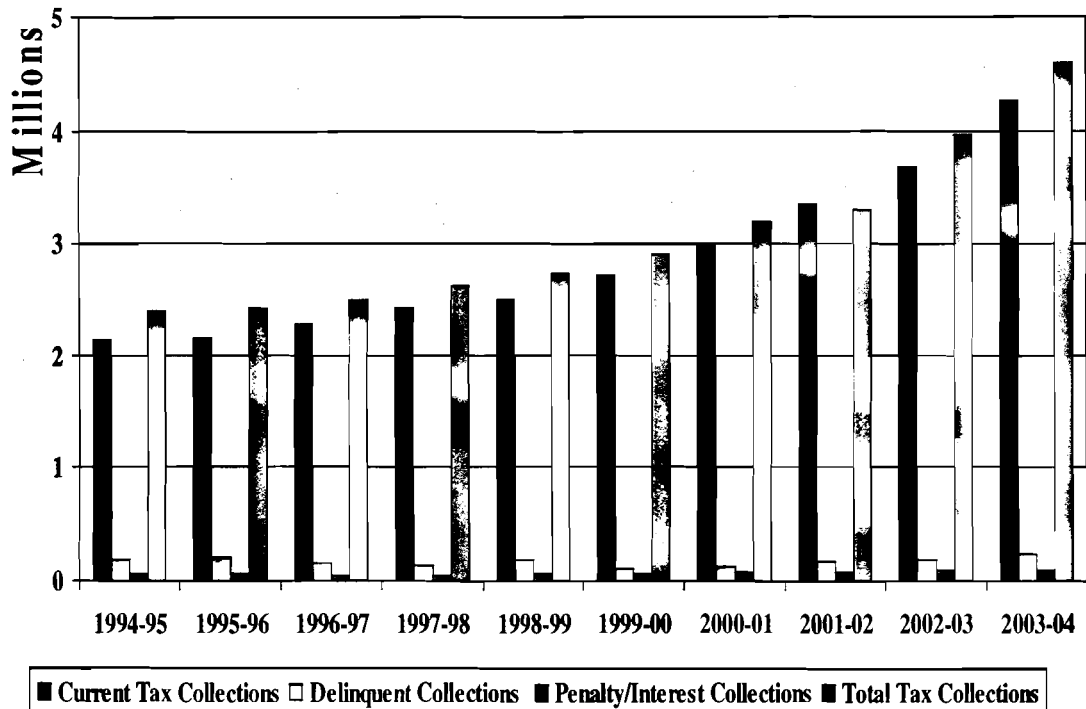
Trinity Valley Community College
 Net Assessed Valuation
 Last 10 Fiscal Years
 (Unaudited)

Fiscal Year	Assessed Valuation	Less: Exemptions & Abatements	Net Assessed Valuation
1994-95			3,922,537,812
1995-96			3,979,785,131
1996-97	5,499,467,997	1,124,192,910	4,375,275,087
1997-98	5,237,186,222	246,536,053	4,990,650,169
1998-99	5,673,703,154	1,047,690,164	4,626,012,990
1999-2000	5,376,836,813	750,374,948	4,626,461,865
2000-2001	6,694,828,325	1,345,438,074	5,349,390,251
2001-2002	7,398,997,129	1,385,115,368	6,013,881,761
2002-2003	8,584,959,550	1,992,670,700	6,592,288,850
2003-2004	9,150,024,028	2,070,615,413	7,079,408,615



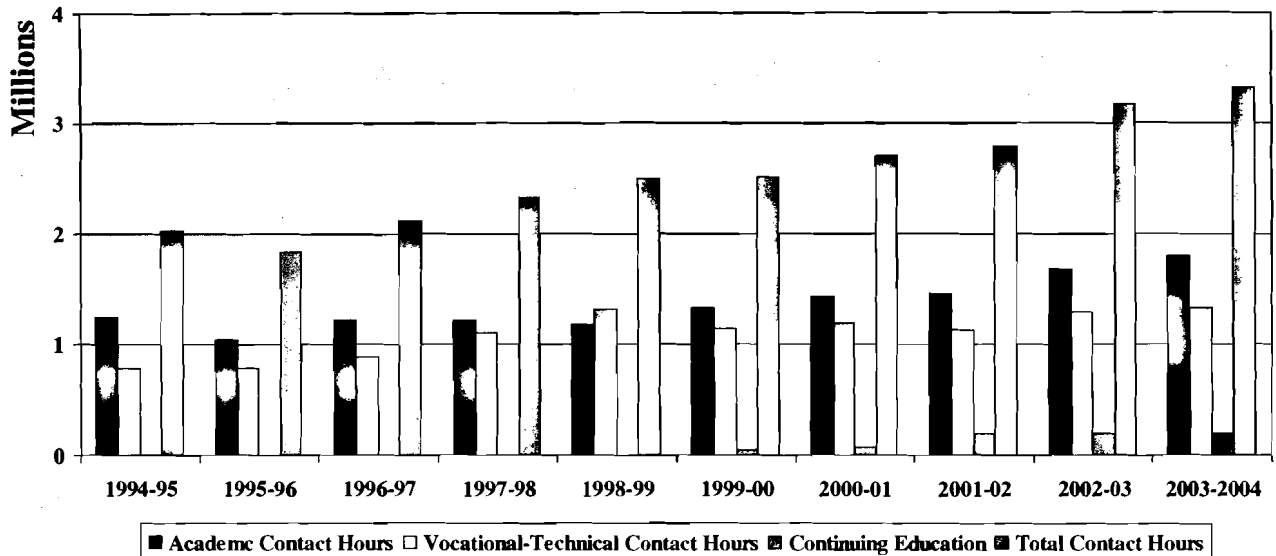
Trinity Valley Community College
Property Tax Collected
Last 10 Fiscal Years
(Unaudited)

Fiscal Year	Current Tax Collections	Delinquent Collections	Penalty/Interest Collections	Total Tax Collections
1994-95	2,135,155	181,809	65,846	2,382,810
1995-96	2,159,453	200,909	59,625	2,419,987
1996-97	2,282,003	160,499	53,725	2,496,227
1997-98	2,419,349	148,470	50,527	2,618,346
1998-99	2,501,533	181,047	58,608	2,741,188
1999-00	2,721,989	117,900	63,665	2,903,554
2000-01	3,004,140	120,932	71,033	3,196,105
2001-02	3,341,810	179,890	85,990	3,607,690
2002-03	3,679,771	194,939	89,368	3,964,078
2003-04	4,025,577	236,508	94,962	4,357,047



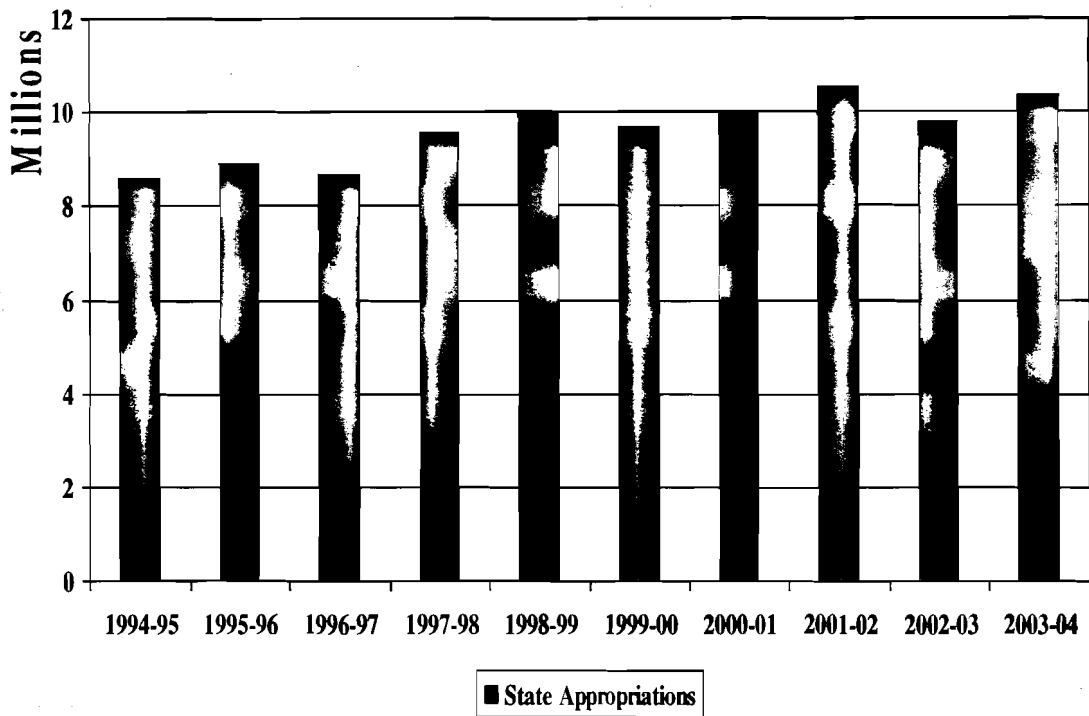
Trinity Valley Community College
 Contact Hour Information
 Last 10 Fiscal Years
 (Unaudited)

Fiscal Year	Contact Hours			
	Academic	Vocational-Technical	Cont. Ed.	Total
1994-95	1,236,544	785,930		2,022,474
1995-96	1,046,244	789,184		1,835,428
1996-97	1,212,016	888,828		2,100,844
1997-98	1,212,112	1,101,934		2,314,046
1998-99	1,179,376	1,314,846		2,494,222
1999-00	1,327,488	1,140,940	43,920	2,512,348
2000-01	1,426,352	1,188,288	78,740	2,693,380
2001-02	1,454,512	1,130,784	198,927	2,784,223
2002-03	1,682,624	1,286,224	199,121	3,167,969
2003-04	1,798,608	1,324,952	198,383	3,321,943

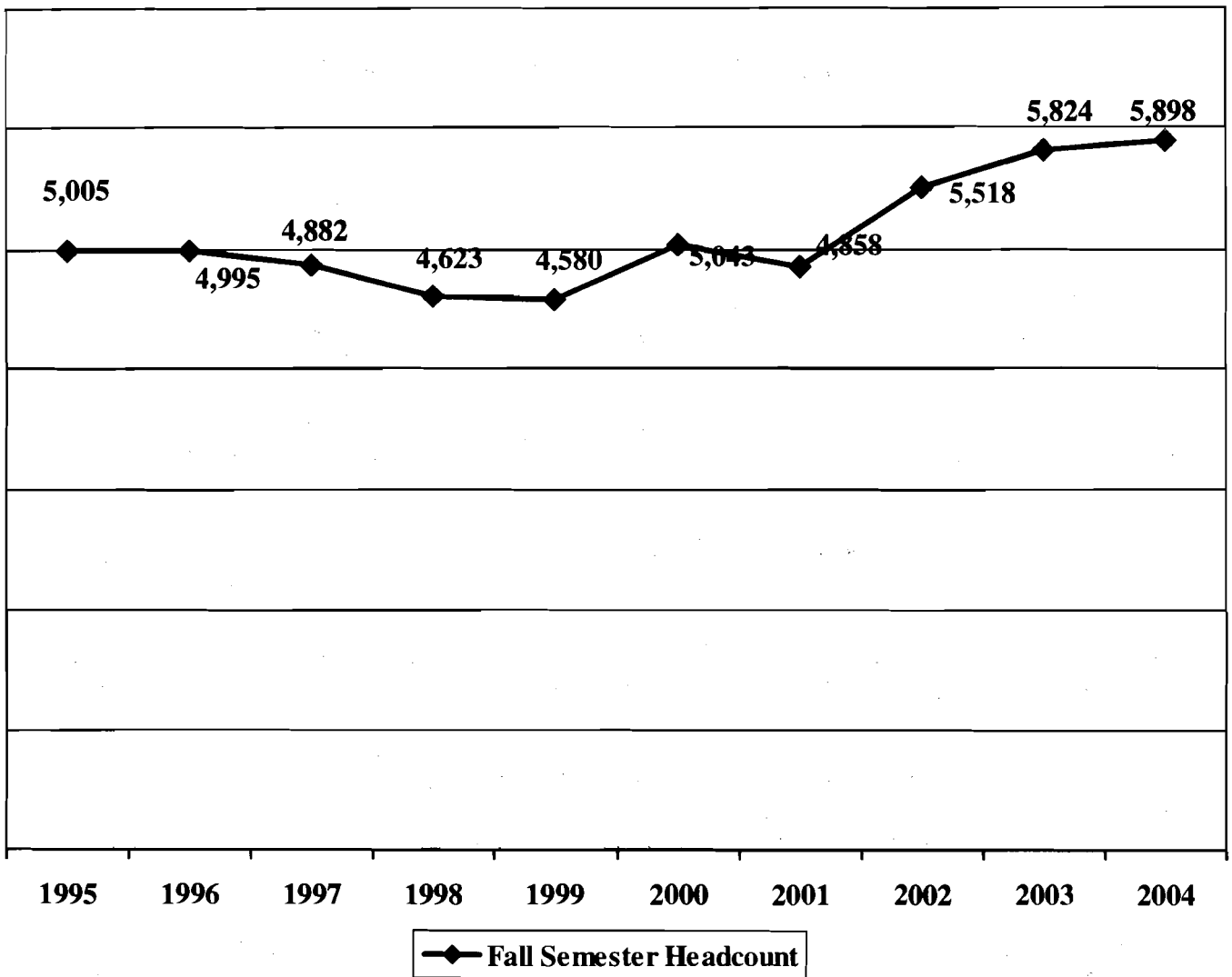


Trinity Valley Community College
 State Appropriations Per Contact Hour
 Last 10 Fiscal Years
 (Unaudited)

Fiscal Year	State Appropriations	Average Appropriation Per Contact Hour
1994-95	8,548,608	4.23
1995-96	8,877,156	4.84
1996-97	8,634,182	4.11
1997-98	9,532,122	4.12
1998-99	9,974,041	4.00
1999-00	9,667,462	3.85
2000-01	9,947,049	3.69
2001-02	10,515,602	3.78
2002-03	9,939,566	3.14
2003-04	10,332,134	3.11



Trinity Valley Community College
Headcount Comparisons
Last 10 Fiscal Years
(Unaudited)



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

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**REPORT ON COMPLIANCE WITH PROVISIONS OF
THE PUBLIC FUNDS INVESTMENT ACT**

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

Members of the Board:

We have completed our audit of the Trinity Valley Community College for the year ended August 31, 2004. 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, 2004, which is part of this compliance report.

Respectfully submitted,

Smith, Lambright & Associates, P.C.

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

November 11, 2004

Trinity Valley Community College
Portfolio Composition as of August 31, 2004

Investment Type	Book Value 08-31-04	Market Value 08-31-04
Savings Account(s) in Financial Institutions		
Certificates of Deposit	\$ 7,851,593	\$ 7,851,593
Repurchase Agreements		
Bankers Acceptances		
Commercial Paper		
No-Load Money Market Mutual Fund		
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 Agencies:		
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.