

TRINITY VALLEY COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2003

TRINITY VALLEY COMMUNITY COLLEGE

Annual Financial Report for
the Year Ended August 31, 2003

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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 2002-2003

Board of Trustees

Officers

Dr. M. L. Risinger	President
Bob J. McDonald	Vice-President
Ron Baugh	Secretary

Members

		<u>Term Expires</u> <u>April 30,</u>
Dr. M. L. Risinger	Terrell, Texas	2004
Homer L. Norville	Kaufman, Texas	2004
Jerry Stone	Malakoff, Texas	2004
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

Principal Administrative Officers

Ron Baugh	President
Jan Huffstutler	Vice-President of Instruction
W. P. Drumgoole	Vice-President Student Services
Ray Williams	Dean of Academic Instruction
Jerry King	Dean of Vocational Education
Cherre Watson	Dean of Fiscal Services
Charles Akin	Dean of Anderson County Campus
Charles H. Gann	Dean of Kaufman County Campus
Colette Hilliard	Dean of Enrollment Management
Max Logan	Dean of Physical Facilities
Joe Mills	Dean of Institutional Effectiveness
Helen Reid	Dean of Health Occupations

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, 2003. Please read it in conjunction with the independent auditor's reports, the College's basic financial statements, footnotes, schedules and supplemental information.

FINANCIAL HIGHLIGHTS

For the year ending August 31, 2003:

- The College's net assets increased from \$29,479,274 in 2002 to \$30,510,225 in 2003.
- Cash increased from \$8,454,646 in 2002 to \$9,700,472 in 2003.
- 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 (property that the College owns and what is owed to the college by others) and liabilities (what the College owes to others and has collected from others before we have provided the service). 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.

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)				
	<u>08/31/03</u>	<u>08/31/02</u>	Increase (Decrease)	Percent Change
Current assets	\$ 10,607,213	\$ 9,278,016	\$1,329,197	14.3%
Noncurrent assets	1,565,323	1,463,512	101,811	7.0%
Capital assets – net	<u>20,131,665</u>	<u>20,336,231</u>	(204,566)	-1.0%
Total assets	32,304,201	31,077,759	1,226,442	3.9%
Current liabilities	1,688,112	1,494,250	193,862	13.0%
Noncurrent liabilities	<u>105,864</u>	<u>104,235</u>	1,629	1.6%
Total liabilities	1,793,976	1,598,485	195,491	12.2%
Net Assets:				
Invested in Capital Assets (net of related debt)	20,131,665	20,336,231	(204,566)	-1.0%
Restricted	792,675	785,050	7,625	1.0%
Unrestricted	<u>9,585,885</u>	<u>8,357,993</u>	1,227,892	14.7%
Total Net assets	\$30,510,225	\$29,479,274	\$1,030,951	3.5%

Trinity Valley Community College's financial position, as a whole, improved during the fiscal year ending August 31, 2003. Its net assets increased by \$1,030,951, a 3.5% 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 relationship between revenues and expenses may be thought of as the College's operating results. Activities are reported 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:

- Ad valorem taxes are now classified as non-operating revenue as opposed to operating revenue as in prior years before GASB 33, 34 and 35. 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. Ad valorem taxes are a "levy", not an "exchange transaction", and, thus, do not fall under this operating revenue definition;

- 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;
- Relating to the concept of reporting revenue *net of discounts*, GASB has also advised public colleges and universities that GASB 34 and 35 require federal and state financial aid for individual students that is received by the college to pay for the students' educational costs be discounted from tuition, fees, and auxiliary revenue and be reported instead as grant 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 will have a negative effect on operating income when compared to pre-GASB 33, 34, and 35 financial statements, either by decreasing operating revenues by reclassifying to non-operating revenues (property taxes) or by increasing operating expenses (depreciation). The reporting of tuition and fee revenues and auxiliary revenues net of discounts will decrease such revenues when compared to prior years as well.

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>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenue				
State appropriations	\$12,220,904	\$12,651,316	(430,412)	-3.4%
Tuition and fees – net	2,546,496	2,244,003	302,493	13.5%
Grants and contracts	5,715,516	4,501,766	1,213,750	27.0%
Sales and Services of				
Educational Activities	157,949	116,496	41,453	35.6%
Auxiliary – net	1,930,253	1,611,674	318,579	19.8%
Other	<u>279,613</u>	<u>183,663</u>	<u>95,950</u>	<u>52.2%</u>
Total operating revenue	22,850,731	21,308,918	1,541,813	7.2%
Less Operating expense				
Instruction	11,376,756	10,883,001	493,755	4.5%
Public Service	470,487	386,751	83,736	21.7%
Academic Support	1,794,438	1,341,843	452,595	33.7%
Student Services	2,277,893	1,880,788	397,105	21.1%
Institutional Support	2,228,591	2,735,446	(506,855)	-18.5%
Plant Operations	2,059,361	1,859,906	199,455	10.7%
Scholarships**	2,194,131	1,564,569	629,562	40.2%
Auxiliary	2,798,681	2,408,727	389,954	16.2%
Depreciation	<u>650,853</u>	<u>604,619</u>	<u>46,234</u>	<u>7.6%</u>
Total Operating Expenses	25,851,191	23,665,650	2,185,541	9.2%
Net Operating Income (Loss)	(3,000,460)	(2,356,732)	(643,728)	27.3%
Non Operating Revenue (Expenses)				
Property taxes	3,904,557	3,661,939	242,618	6.6%
Gifts	1,000	12,833	(11,833)	-92.2%
Investment income	190,734	231,340	(40,606)	-17.6%
Interest Expense	<u>(318)</u>	<u>(15,158)</u>	<u>14,840</u>	<u>-97.9%</u>
Total non operating revenues	4,095,973	3,890,954	205,019	5.3%
Income before Other Revenues, Expenses, Gain, Loss	1,095,513	1,534,222	(438,709)	-28.6%
Other Revenues				
Loss on Disposal of Assets	(90,208)	0	(90,208)	100.0%
Additions to Endowments	<u>28,646</u>	<u>50,850</u>	<u>(22,204)</u>	<u>-43.7%</u>
Total other revenues	(64,562)	50,850	(115,412)	-227.0%
Increase in Net Assets	1,030,951	1,585,072		
Net Assets – Beginning of Year	<u>29,479,274</u>	<u>27,894,202</u>		
Net Assets – End of Year	<u>\$30,510,225</u>	<u>\$29,479,274</u>	1,030,951	3.5%

**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.

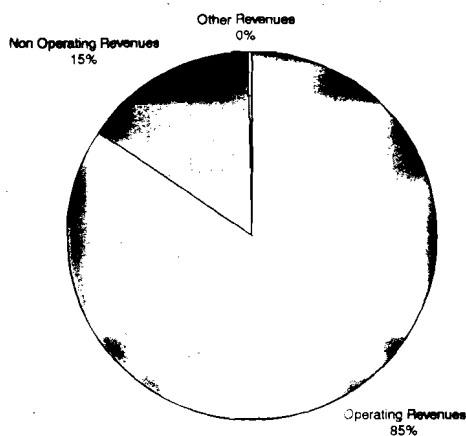
In fiscal year 2003, operating revenue totaled \$22,850,731, an increase of 7.2%. Tuition and fees increased by \$302,493 or 13.5% and auxiliary enterprises increased by \$318,579, or 19.8%. While the tuition and fee rates remained unchanged for fiscal year 2003, student enrollment increased approximately 14.8%.

Fiscal year 2003 operating expenses totaled \$25,851,191, an increase of \$2,185,541, or 9.2% over the previous year. Generally, salaries and employee fringe benefits increased in all categories. Increases can also be attributed to additional grant and scholarship expense. The increase in auxiliary expenses is the result of additional purchases of inventory for resale to students.

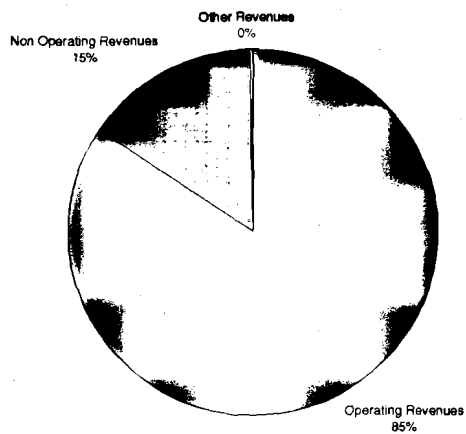
After deducting operating expenses from operating revenue, the College had a net operating loss of \$3,000,460. However, when combined with non operating and other revenue (loss), the College had a net increase in assets of \$1,030,951.

The following charts provide a graphic breakdown of total revenues by category for the fiscal years ending August 31, 2003 and August 31, 2002.

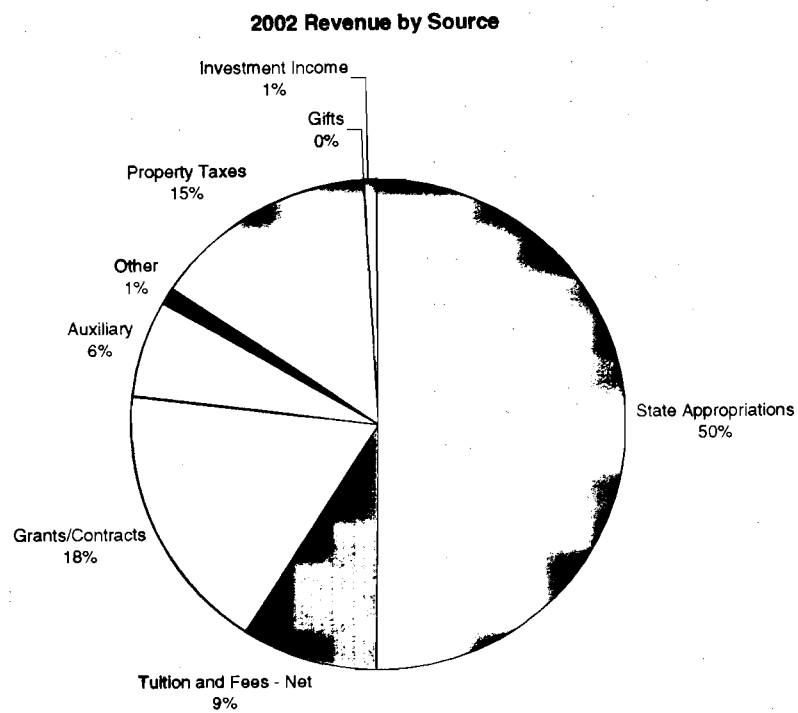
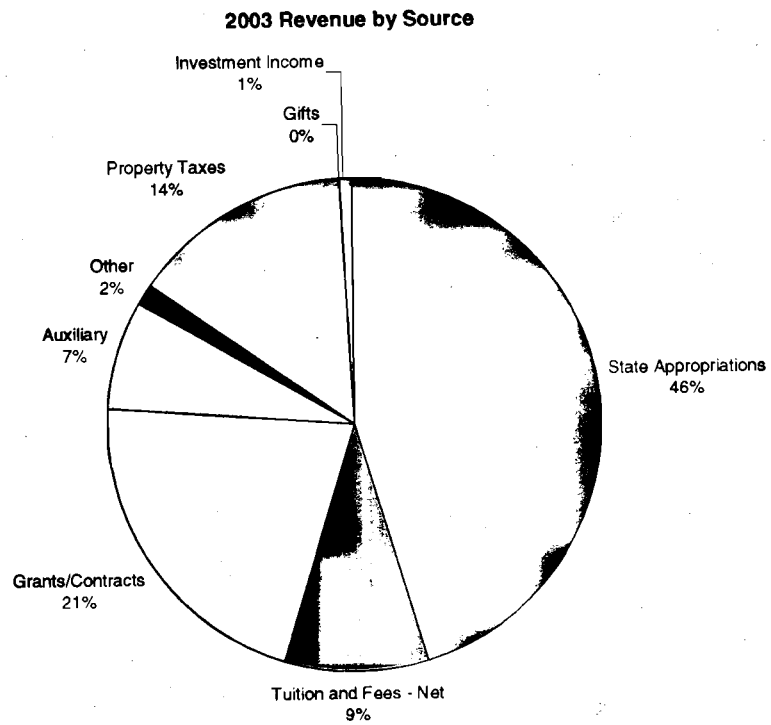
2003 Major Revenue Categories



2002 Major Revenue Categories

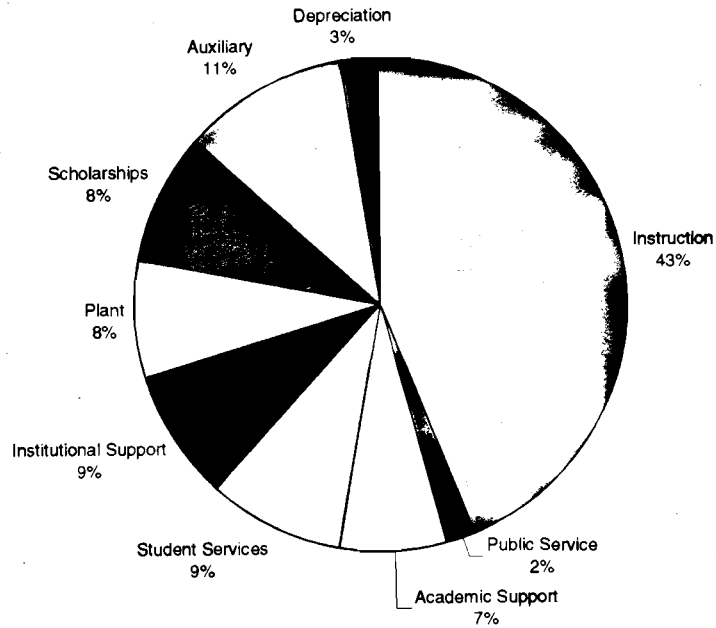


The following is graphic illustrations of revenues by source for the fiscal years August 31, 2003 and August 31, 2002:

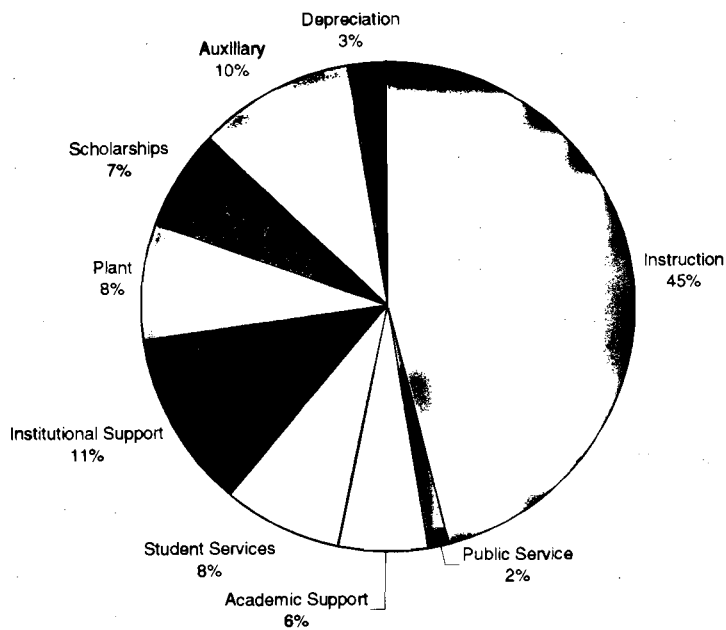


The following is graphic illustrations of operating expenses presented by functional classification for the fiscal years August 31, 2003 and August 31, 2002:

2003 Operating Expenses - Functional Classification

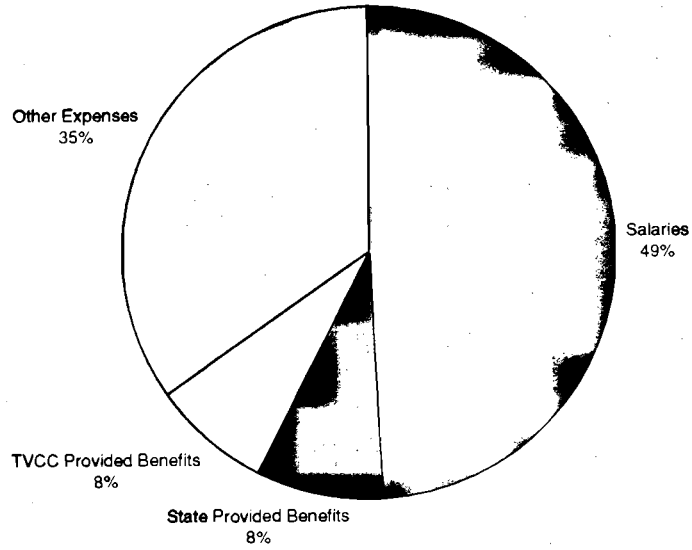


2002 Operating Expenses - Functional Classification

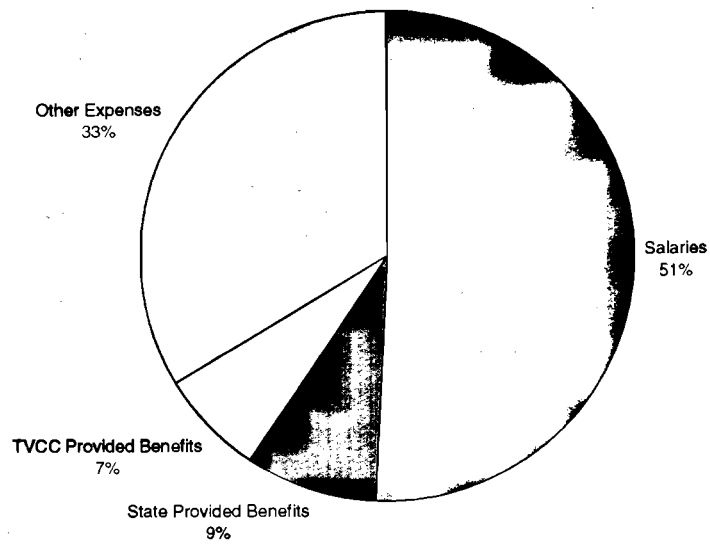


Operating expenses may also be presented by natural classification:

2003 Operating Expenses - Natural Classification



2002 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 as of August 31, 2003 was \$9,700,472 which was an increase of \$1,245,826 from 2002.

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)				
	<u>2003</u>	<u>2002</u>	Cash Increase (Decrease)	Percent Change
Net Cash provided (used) by:				
Operating activities	\$ (2,339,298)	\$ (2,169,330)	\$(169,968)	7.8%
Non capital financing activities	3,924,814	3,672,947	251,867	6.9%
Capital and related financing activities	(529,874)	(843,991)	314,117	-37.2%
Investing activities	<u>190,184</u>	<u>231,339</u>	<u>(41,155)</u>	<u>-17.8%</u>
Net increase in cash	1,245,826	890,965	354,861	39.8%
Cash, beginning of the year	<u>8,454,646</u>	<u>7,563,681</u>		
Cash, end of the year	<u>\$ 9,700,472</u>	<u>\$ 8,454,646</u>		

Cash used by operating activities increased by \$169,968 over the previous year. This was due in part to increased amounts for student scholarships and for amounts paid to or on behalf of employees, i.e., salaries and health insurance benefits. The increase costs in these areas were offset primarily by cash provided from student tuition and fees and auxiliary enterprises. The increase in these revenue sources can be mostly attributed to a 14.8% increase in student enrollment.

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. Cash used in this category decreased from last year mainly because the College had no debt payments in the current year. Additionally, the College imposed a purchasing "freeze" on equipment during the year due to a 7% budget cut in state appropriations at mid year.

Cash provided from investing activities is down because of low interest rates in the market.

Capital Asset and Debt Administration

Capital Assets

At August 31, 2003, the College had \$20,131,665 invested in capital assets, net of accumulated depreciation of \$6,928,696. Details of these assets are shown below. Refer to Note 6 in the Notes to the Financial Statements (page 26) for further details.

Capital Assets				
	<u>08/31/03</u>	<u>08/31/02</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Land	\$ 1,139,726	\$ 1,139,726	0	0
Library Books	2,321,798	2,284,686	37,112	1.6%
Buildings	20,828,219	20,744,561	83,658	0.4%
Facility and Other Improvements	1,105,931	1,098,431	7,500	0.7%
Furniture, Machinery, Vehicles and Other Equipment	926,885	911,681	15,204	1.7%
Telecommunications and and Peripheral Equipment	<u>737,802</u>	<u>571,482</u>	<u>166,320</u>	<u>29.1%</u>
Subtotal	27,060,361	26,750,567	309,794	1.2%
Accumulated Depreciation:	(6,928,696)	(6,414,336)	514,360	8.0%
Net Capital Assets	<u>\$ 20,131,665</u>	<u>\$ 20,336,231</u>	(204,566)	-1.0%

During the year, capital assets acquisitions of \$539,495 were added and capital assets in the amount of \$229,701 were removed. The net change in accumulated depreciation is the result of additional depreciation expense of \$650,853 for the year and a reduction in the amount of \$136,493 associated with the removed assets. The net result is a decrease in net capital assets of \$204,566.

Debt

At year-end 2003, the College had no outstanding debt.

Expansion plans have been implemented to start construction on 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 in 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 two years ago and the balance of the Foundation's fund at fiscal year end August 31, 3003, is \$455,337. 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.

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
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UNQUALIFIED OPINION ON THE BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION - SINGLE AUDIT-
GOVERNMENTAL ENTITY

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of Trinity Valley Community College, a special purpose government engaged only in the governmental activities, business - type activities, as of and for the year ended August 31, 2003, 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, 2003 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, 2003 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, 2003

EXHIBITS

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
FOR YEAR ENDED AUGUST 31, 2003

ASSETS	<u>Current Year</u>	<u>Prior Year</u>
Current Assets		
Cash and Cash Equivalents	\$ 2 951 564	\$ 2 738 483
Short-Term Investments	5 840 000	4 840 000
Accounts Receivable (Net)	1 024 661	972 587
Inventories	717 882	635 364
Other Assets	73 106	91 582
Total Current Assets	<u>10 607 213</u>	<u>9 278 016</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	120 706	95 416
Restricted Short-term Investments	788 202	780 747
Restricted Accounts Receivable (Net)	656 415	587 349
Capital Assets, (Net) (See Note)	<u>20 131 665</u>	<u>20 336 231</u>
Total Noncurrent Assets	<u>21 696 988</u>	<u>21 799 743</u>
Total Assets	<u>\$ 32 304 201</u>	<u>\$ 31 077 759</u>
 LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 348 900	\$ 383 355
Accrued Compensated Absences	172 921	165 144
Funds Held for Others	106 641	75 273
Deferred Revenues	<u>1 059 650</u>	<u>870 478</u>
Total Current Liabilities	<u>1 688 112</u>	<u>1 494 250</u>
Noncurrent Liabilities		
Deposits	<u>105 864</u>	<u>104 235</u>
Total Noncurrent Liabilities	<u>105 864</u>	<u>104 235</u>
Total Liabilities	<u>\$ 1 793 976</u>	<u>\$ 1 598 485</u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
FOR YEAR ENDED AUGUST 31, 2003

	<u>Current Year</u>	<u>Prior Year</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 20 131 665	\$ 20 336 231
Restricted for		
Nonexpendable		
Student Aid	639 690	592 780
Instructional Programs		
Expendable		
Student Aid	152 985	192 270
Unrestricted	<u>9 585 885</u>	<u>8 357 993</u>
Total Net Assets	<u><u>\$ 30 510 225</u></u>	<u><u>\$ 29 479 274</u></u>

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

	<u>Current Year</u>	<u>Prior Year</u>
ASSETS		
Cash and Cash Equivalents	\$ 7 121	\$ 2 067
Accounts Receivable (Net)		18 574
Restricted Cash and Cash Equivalents	435 790	52 077
Restricted Accounts Receivable (Net)	6 134	32 124
Capital Assets (Net) (See Note)	<u>6 292</u>	<u>7 864</u>
Total Current Assets	<u>455 337</u>	<u>112 706</u>
 LIABILITIES		
None	0	0
 NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 6 291	\$ 7 864
Restricted for		
Nonexpendable		
Student Aid	436 441	100 812
Expendable		
Student Aid	4 117	39
Unrestricted	<u>8 488</u>	<u>3 991</u>
Total Net Assets	<u>\$ 455 337</u>	<u>\$ 112 706</u>

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

	<u>Current Year</u>	<u>Prior Year</u>
REVENUES		
Operating Revenues		
State Appropriations	\$ 12 220 904	\$ 12 651 316
Tuition and Fees (Net of Discounts of \$1,570,706)	2 546 496	2 244 003
Federal Grants and Contracts	5 037 759	3 896 866
State Grants and Contracts	400 101	299 822
Non-government Grants and Contracts	277 656	305 078
Sales and Services of Educational Activities	157 949	116 496
Auxiliary Enterprises (Net of Discounts of \$1,154,588)	1 930 253	1 611 674
Other Operating Revenues	<u>279 613</u>	<u>183 663</u>
Total Operating Revenues (Schedule A)	<u>22 850 731</u>	<u>21 308 918</u>
EXPENSES		
Operating Expenses		
Instruction	11 376 756	10 883 001
Public Service	470 487	386 751
Academic Support	1 794 438	1 341 843
Student Services	2 277 893	1 880 788
Institutional Support	2 228 591	2 735 446
Operation and Maintenance of Plant	2 059 361	1 859 906
Scholarships and Fellowships	2 194 131	1 564 569
Auxiliary Enterprises	2 798 681	2 408 727
Depreciation	<u>650 853</u>	<u>604 619</u>
Total Operating Expenses (Schedule B)	<u>25 851 191</u>	<u>23 665 650</u>
Operating Income (Loss)	<u>(3 000 460)</u>	<u>(2 356 732)</u>

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

	<u>Current Year</u>	<u>Prior Year</u>
NON-OPERATING REVENUES (EXPENSES)		
Maintenance Ad-Valorem Taxes	\$ 3 904 557	\$ 3 661 939
Gifts	1 000	12 833
Investment Income (Net of Investment Expenses)	190 734	231 340
Interest on Capital Related Debt	(318)	(15 158)
Other Non-Operating Revenues (Expenses)	<u>0</u>	<u>0</u>
Net Non-Operating Revenues	<u>4 095 973</u>	<u>3 890 954</u>
Income Before Other Revenues, Expenses, Gain, Losses	<u>1 095 513</u>	<u>1 534 222</u>
OTHER REVENUES, (EXPENSES) GAINS, (LOSSES)		
Loss on Disposal of Assets	(93 208)	0
Additions to Permanent and Term Endowments	<u>28 646</u>	<u>50 850</u>
Total Other Revenues (Expenses)	<u>(64 562)</u>	<u>50 850</u>
Increase (Decrease) in Net Assets	1 030 951	1 585 072
NET ASSETS		
Net Assets - Beginning of Year	<u>29 479 274</u>	<u>27 894 202</u>
Net Assets - End of Year	<u>\$ 30 510 225</u>	<u>\$ 29 479 274</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, 2003

	<u>Current Year</u>	<u>Prior Year</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income (Net of Expense)	\$ 4 101	\$ 25
Fund Raising Events (Net of Expense)	952	0
Other Non-Operating Revenues (Expenses)	<u>(35)</u>	<u>0</u>
Income Before Other Revenue, Expenses, Gain, Losses	<u>5 018</u>	<u>25</u>
 OTHER REVENUES, (EXPENSES), GAINS, (LOSSES)		
Bad Debt (Expense) Recoveries	5 633	0
Depreciation on Assets	(1 573)	(1 573)
Gain (Loss) on Sale of Assets	(505)	0
Additions to Permanent and Term Endowment	<u>334 058</u>	<u>104 691</u>
Total Other Revenues	<u>337 613</u>	<u>103 118</u>
Increase (Decrease) in Net Assets	342 631	103 143
 NET ASSETS		
Net Assets - Beginning of Year	<u>112 706</u>	<u>9 563</u>
Net Assets - End of Year	<u><u>455 337</u></u>	<u><u>112 706</u></u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2003

	<u>Current Year</u>	<u>Prior Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	\$ 7 404 736	\$ 6 062 187
Receipts of Appropriations, Grants, and Contracts	15 717 110	15 153 082
Other Receipts	17 291	68 119
Payments to or on Behalf of Employees	(14 719 075)	(13 668 521)
Payments to Suppliers for Goods or Services	(6 058 364)	(6 161 860)
Payments to Scholarships	(4 700 996)	(3 622 309)
Other Cash Payments	<u>0</u>	<u>(28)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2 339 298)</u>	<u>(2 169 330)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad Valorem Tax Revenues	3 864 175	3 607 690
Gifts and Grants (Other than Capital)	29 271	63 683
Student Organization and Other Agency Transactions	<u>31 368</u>	<u>1 574</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>3 924 814</u>	<u>3 672 947</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(529 556)	(604 303)
Payments on Capital Debt and Leases	<u>(318)</u>	<u>(239 688)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(529 874)</u>	<u>(843 991)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	<u>190 184</u>	<u>231 339</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 190 184</u>	<u>\$ 231 339</u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2003

	<u>Current Year</u>	<u>Prior Year</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ 1 245 826	\$ 890 965
Cash and Cash Equivalents - September 1, 2002	<u>8 454 646</u>	<u>7 563 681</u>
Cash and Cash Equivalents - August 31, 2003	<u>\$ 9 700 472</u>	<u>\$ 8 454 646</u>

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

Operating Income (Loss)	\$ (3 000 460)	\$ (2 356 732)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense	650 853	604 619
Changes in Assets and Liabilities		
Receivables, Net	(121 140)	25 531
Inventories	(82 518)	(237 370)
Other Assets	18 476	(98 051)
Accounts Payable	(34 455)	(217 370)
Funds Held for Others	31 368	0
Deferred Revenue	189 172	7 027
Deposits	1 629	81 665
Compensated Absences	7 777	21 935
Other	<u>0</u>	<u>(584)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2 339 298)</u>	<u>\$ (2 169 330)</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2003

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 Public 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, HEA 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.

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 November 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 stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. The College's capitalization policy includes real or personal property with a value equal to or greater than \$5,000 and has an estimated life of 5 years or more. The College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

Buildings	50 years
Facilities and Other Improvements	20 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years

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

I. Deferred revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2003 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, 2003, 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

Bank Deposits:

Demand Deposits	<u>\$ 1 747 968</u>
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Cash and Cash Equivalents:

Petty Cash on Hand	5 205
Money Market Mutual Funds	1 319 097
Certificates of Deposit (Highly liquid)	<u>6 628 202</u>
	<u>7 952 504</u>

Total Cash and Deposits	<u><u>\$ 9 700 472</u></u>
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TRINITY VALLEY COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2003
 Continued Page 4.....

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

Investment Categories

<u>Type of Security</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U. S. Government Securities	\$	\$	\$	\$	\$
Real Estate Mortgages & Other Notes					
Certificates of Deposit	6 628 202			6 628 202	6 628 202
Repurchase Agreements					
TOTALS	<u>\$ 6 628 202</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6 628 202</u>	<u>\$ 6 628 202</u>

5. DERIVATIVES

The College had no derivatives at August 31, 2003.

6. CAPITAL ASSETS

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

	Balance September 1, 2002 <u>(Restated)</u>	<u>Increases</u>	<u>Decreases</u>	Balance August 31, 2003 <u></u>
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, 2003. (Accrued Compensated Absences were considered to not be long-term liability.)

8. DEBT AND LEASE OBLIGATIONS

The College had no debt and lease obligations for the year ending August 31, 2003.

9. BONDS PAYABLE

The College had no bonds payable for the year ending August 31, 2003.

10. ADVANCE REFUNDING BONDS

The College had no advance refunding bonds for the year ending August 31, 2003.

11. DEFEASED BONDS OUTSTANDING

The College had no defeased bonds outstanding for the year ending August 31, 2003.

12. SHORT - TERM DEBT

The College had no short - term debt for the year ending August 31, 2003.

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.

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.

15. COMPENSATED 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.

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, 2003, were as follows:

	<u>Primary Institution</u>	<u>Component Unit (Foundation)</u>
Student Receivables	\$ 416 549	\$
Taxes Receivables	529 956	
State Receivables	0	
Federal Receivables	5 429	
Grant Receivables	709 923	
Interest Receivables	11 677	
Other Receivables	<u>7 542</u>	<u>6 134</u>
Total	<u>\$ 1 681 076</u>	<u>\$ 6 134</u>

Payables

Payables at August 31, 2003, were as follows:

	<u>Primary Institution</u>	<u>Component Unit (Foundation)</u>
Vendors Payable	\$ 62 456	\$
Due to State	5 880	
Sales Tax Payable	41 750	
Payable to Bookstore	237 505	
Other Payables	<u>1 309</u>	
Total	<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, 2003.

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*. Funds received, but not expended during the reporting period, are shown as additions to fund balance on Exhibit 1. Revenues are recognized on Exhibit 2 and Schedule A as funds are actually expended. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

20. SELF-INSURED PLANS

The College did not participate in any self-insured plans as of August 31, 2003.

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 \$308.84 from September through April and \$274.00 from May through August per month for the year ended August 31, 2003, and totaled \$1,508,314 for the year. The cost of providing those benefits for retirees was \$312,801 and for active employees was \$1,195,513.

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, 2003:

Net Assessed Valuation of the District	<u>\$ 6 592 288 850</u>	
	<u>Current Operations</u>	<u>Total</u>
Tax Rate per \$100 valuation for authorized	\$.50	\$.50
Tax Rate per \$100 valuation for assessed	\$.0615	\$.0615
Tax Rate per \$100 valuation for assessed Maintenance Tax	\$.0441	\$.0441

Tax levied during the year ended August 31, 2003 is \$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.

<u>Taxes Collected (Includes Maintenance Tax)</u>	<u>Current Operations</u>	<u>Total</u>
Current Taxes Collected	\$ 3 679 771	\$ 3 679 771
Delinquent Taxes Collected	194 939	194 939
Penalties and Interest Collected	<u>89 368</u>	<u>89 368</u>
Total Collections	<u>\$ 3 964 078</u>	<u>\$ 3 964 078</u>

The use of tax proceeds is restricted to either maintenance and operations. Tax collections for the year ended August 31, 2003 were 95% of the current tax levy.

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 in Fiscal Year 2003 (including Penalties and Interest)</u>
Palestine ISD	\$ 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, 2003.

25. COMPONENT UNITS

The Trinity Valley Community College Foundation is a component as defined in GASB 39. It has been reported in this report as additions to Exhibits 1 and 2.

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.

27. FUND BALANCE FOOTNOTE

Ending fund balance at August 31, 2003, were as follows:

	<u>Current Year</u>	<u>Prior Year</u>
Current Funds:		
Fund balance, unrestricted	6 903 015	5 652 793
Fund balance, auxiliary enterprises	2 457 836	2 400 971
Fund balance, restricted	<u>125 955</u>	<u>210 794</u>
Total current fund balance	<u>9 486 806</u>	<u>8 264 558</u>
Fund balance, loan funds	99 079	93 435
Fund balance, endowment and similar funds	792 675	785 050
Fund balance, plant funds	<u>20 131 665</u>	<u>20 336 231</u>
total fund balance, primary government	<u>\$ 30 510 225</u>	<u>\$ 29 479 274</u>
Total fund balance, discrete component unit	<u>\$ 455 337</u>	<u>\$ 112 706</u>

OTHER REPORTS

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

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J. W. Lambright, CPA

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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, 2003, and have issued our report thereon dated November 11, 2003. 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, 2003

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, 2003. 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, 2003. 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, 2003

SCHEDULES

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF DETAILED OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2003

	<u>Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
<u>State Appropriations:</u>				
Education & General State Support	\$ 9 939 566	\$	\$ 9 939 566	\$ 10 608 674
State Group Insurance	1 508 314		1 508 314	1 405 283
State Retirement Matching	666 212		666 212	636 220
Developmental Education	106 366		106 366	0
Other	<u>446</u>		<u>446</u>	<u>1 139</u>
Total State Appropriations	<u>12 220 904</u>	<u>0</u>	<u>12 220 904</u>	<u>12 651 316</u>
<u>Tuition:</u>				
State Funded Courses				
In-District Resident Tuition	1 477 858		1 477 858	1 315 970
Out-of-District Tuition	471 836		471 836	403 027
TPEG (Set Aside)*	125 786		125 786	107 228
Non-resident Tuition	104 161		104 161	86 538
Non-State Funded Continuing Education	<u>128 592</u>		<u>128 592</u>	<u>68 995</u>
Total Tuition	<u>2 308 233</u>	<u>0</u>	<u>2 308 233</u>	<u>1 981 758</u>
<u>Fees:</u>				
General Fee	1 056 563		1 056 563	900 491
Out-of-District Fees	519 659		519 659	438 791
Laboratory Fee	197 089		197 089	168 925
Other Fees	<u>35 658</u>		<u>35 660</u>	<u>33 341</u>
Total Fees	<u>1 808 969</u>	<u>0</u>	<u>1 808 969</u>	<u>1 541 548</u>
<u>Scholarship Allowances and Discounts:</u>				
Scholarship Allowances	(421 207)		(421 207)	(370 226)
Remissions and Exemptions	(179 770)		(179 770)	(145 712)
TPEG Allowances	(86 005)		(86 005)	(79 749)
Federal Grants to Students	(838 999)		(838 999)	(657 212)
Other	<u>(44 725)</u>		<u>(44 725)</u>	<u>(26 404)</u>
Total Scholarship Allowances and Discounts	<u>(1 570 706)</u>	<u>0</u>	<u>(1 570 706)</u>	<u>(1 279 303)</u>
Total Tuition and Fees	<u>\$ 2 546 496</u>	<u>\$ 0</u>	<u>\$ 2 546 496</u>	<u>\$ 2 244 003</u>

* In Accordance with Education Code 56.033, \$125,786 of Tuition was set aside for Texas Public Education Grants (TPEG).

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF DETAILED OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2003

	<u>Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Other Operating Revenues:				
Federal Grants and Contracts	\$ 5 037 759	\$	\$ 5 037 759	\$ 3 896 866
State Grants and Contracts	400 101		400 101	299 822
Nongovernmental Grants and Contracts	277 656		277 656	305 078
Sales and Service of Educational Activities	157 949		157 949	116 496
Other Operating Revenue	<u>279 613</u>		<u>279 613</u>	<u>183 663</u>
Total Other Operating Revenues	<u>6 153 078</u>	<u>0</u>	<u>6 153 078</u>	<u>4 801 925</u>
Auxiliary Enterprises:				
Residential Life		973 959	973 959	922 345
Scholarship Allowances and Discounts		<u>(535 925)</u>	<u>(535 925)</u>	<u>(488 926)</u>
Net Resident Life	<u>0</u>	<u>438 034</u>	<u>438 034</u>	<u>433 419</u>
Bookstore		2 046 421	2 046 421	1 518 892
Scholarship Allowances and Discounts		<u>(618 663)</u>	<u>(618 663)</u>	<u>(435 223)</u>
Net Bookstore	<u>0</u>	<u>1 427 758</u>	<u>1 427 758</u>	<u>1 083 669</u>
Other Auxiliary Enterprises		<u>34 704</u>	<u>34 704</u>	<u>71 667</u>
Athletics		<u>29 757</u>	<u>29 757</u>	<u>22 919</u>
Total Net Auxiliary Enterprises	<u>0</u>	<u>1 930 253</u>	<u>1 930 253</u>	<u>1 611 674</u>
Total Operating Revenues (Exh. 2)	<u>\$ 20 920 478</u>	<u>\$ 1 930 253</u>	<u>\$ 22 850 731</u>	<u>\$ 21 308 918</u>

Trinity Valley Community College
 Schedule of Expenditures in Function and Natural Classifications
 For the Year Ended August 31, 2003

	Operating Expenses				Current Year Total (Exc 2)	Prior Year Total (Exc 2)
	Salaries and Wages	Benefits		Other Expenses		
	State Benefits	Local Benefits				
Educational Activities						
Instruction	\$ 7 598 185	\$ 1 404 308	\$ 1 073 784	\$ 1 300 479	\$ 11 376 756	\$ 10 883 001
Public Service	281 110	31 612	110 365	47 400	470 487	386 751
Academic Support	1 143 956	201 242	160 424	288 816	1 794 438	1 341 843
Student Services	1 452 667	211 912	250 334	362 980	2 277 893	1 880 788
Institutional Support	1 222 199	226 394	196 705	583 293	2 228 591	2 735 446
Operation and Maintenance of Plant	713 347	99 058	176 466	1 070 490	2 059 361	1 859 906
Scholarship and Fellowship				2 194 131	2 194 131	1 564 569
Educational Activities	12 411 464	2 174 526	1 968 078	5 847 589	22 401 657	20 652 304
Auxiliary Enterprises	269 429		44 609	2 484 643	2 798 681	2 408 727
Depreciation Expense				650 853	650 853	604 619
Total	\$ 12 680 893	\$ 2 174 526	\$ 2 012 687	\$ 8 983 085	\$ 25 851 191	\$ 23 665 650

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. SMALL BUSINESS ADMINISTRATION			
<u>Pass-Through Programs From:</u>			
Dallas Community College District Business Development Center:			
Small Business Development Center Prog.	59.037		
09/01/02 - 09/30/02		0046-16	\$ 11 388
10/01/02 - 08/30/03		0046-17	<u>66 610</u>
Subtotal Small Business Development Center Prog.			\$ <u>77 998</u>
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			\$ <u>77 998</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs:</u>			
Student Financial Aid - Cluster:			
Federal Supplemental Education Opportunity Grant (SEOG)	84.007		
07/01/02 - 06/30/03			58 198
07/01/03 - 06/30/04			<u>200</u>
Subtotal SEOG			\$ 58 398
Federal Family Education Loans (Note 4)	84.032		
Federal College Work - Study Program (FCWS)	84.033		
07/01/02 - 06/30/03			56 289
07/01/03 - 06/30/04			<u>1 082</u>
Subtotal FCWS			57 371
Federal Perkins Loan Program (Note 4)	84.038		-
Federal Pell Grant Program (PELL) (See Note 7)	84.063		
07/01/02 - 06/30/03			3 525 858
07/01/03 - 06/30/04			<u>237 305</u>
Subtotal PELL			<u>3 763 163</u>
Total Student Financial Aid Cluster			3 878 932
Trio - Cluster:			
Student Support Services (See Note 7)	84.042		<u>290 262</u>
Total Direct Programs, U.S. Department Of Education			\$ <u>4 169 194</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
--	---------------------------	-------------------------------------	-------------------------

Pass-Through Programs From:

Texas Education Agency:

National Literacy Act (Federal)			
Adult Basic Education (ABE)	84.002		
Section 223		341000352	\$ 5 302
Section 225		341000252	24 972
Section 231		341000152	177 179
Section 231 - EL Civics		341000852	99 993
Section 223 - EL Civics		341000852223	<u>1 993</u>
Subtotal ABE			<u>\$ 309 439</u>
Total Pass-Through from the Texas Education Agency			<u>309 439</u>

Texas Higher Education Coordinating Board:

Carl Perkins Vocational Education	84.048	34251	<u>434 982</u>
Total Texas Higher Education Coordinating Board			<u>434 982</u>

University of Texas at Tyler:

East Texas Tech - Prep Consortium at UT-Tyler Program	84.243	-	<u>8 750</u>
Total Pass-Through from the University of Texas at Tyler			<u>8 750</u>

Total Pass - Through Programs, U.S. Department of Education 753 171

TOTAL U. S. DEPARTMENT OF EDUCATION 4 922 365

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES

Pass-Through Programs From:

Texas Education Agency:

Adult Basic Education - Temporary	93.558		
Assistance for Needy Families (TANF)			
10/01/02 - 09/30/03		236250152	<u>37 395</u>
Subtotal TANF			<u>37 395</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>37 395</u>

TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDITURES \$ 5 037 758

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003

Note 1: Federal Assistance Reconciliation

Federal Revenues - Per Exhibit 2	\$ 5 037 759
Rounding	<u>-1</u>
Total Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 5 037 758</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 financial statements. Separate accounts are maintained for the different awards to aid in the observance of 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, 2002 through August 31, 2003.

<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>\$2 394 254</u>	<u>\$ 0</u>	<u>\$ 2 394 254</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>\$ 138 674</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003

Note 5: Nonmonetary Federal Assistance Received

None

Note 6: Amounts Passed Through by the College

None

Note 7: CFDA Numbers

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, 2003

State Grantor/ Pass-Through Grantor/ Program Title	Grantor's Number		State Expenditures
--	---------------------	--	-----------------------

TEXAS EDUCATION AGENCY

Direct Programs:

Adult Basic Education - State	101000152	\$ 46 281	
Adult Basic Education - TANF	101100152	<u>14 771</u>	
Subtotal Adult Basic Education			\$ 61 052
TOTAL TEXAS EDUCATION AGENCY			<u>61 052</u>

TEXAS HIGHER EDUCATION COORDINATING BOARD

Direct Programs:

Nursing Innovation Grant Program			11 762
Texas College Work Study Program			6 296
Certified Educational Aide Program			25 951
Early High School Graduation Program			8 779
Texas Grant Allocation			89 189
Texas National Guard Program			<u>775</u>
TOTAL TEXAS HIGHER EDUCATION COORDINATING BOARD			<u>142 752</u>

TELECOMMUNICATION INFRASTRUCTURE FUND BOARD (TIFB)

Direct Programs:

TIFB Grant - HE4C	QE-2002-HE4C-7234	103 970	
TIFB Grant - HTA2S	QE-2001-HTAS2-5460	<u>64 329</u>	
TOTAL TELECOMMUNICATION INFRASTRUCTURE FUND BOARD			<u>168 299</u>

TEXAS DEPARTMENT OF HEALTH

Direct Programs:

ECA Training Program # 33184	HB-2446	\$ 3185	
TOTAL TEXAS DEPARTMENT OF HEALTH			<u>\$ 3 185</u>

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003

State Grantor/ Pass-Through Grantor/ Program Title	Grantor's Number	State Expenditures
--	---------------------	-----------------------

TEXAS WORKFORCE COMMISSION

Pass-through Programs From:

Texas Workforce Commission to Dallas Community
College District, Business Development Center to TVCC's
Small Business Development Center Program:

09/01/02 - 09/30/02

\$ 2 379

10/01/02 - 08/31/03

22 435

Subtotal Small Business Development

\$ 24 814

TOTAL TEXAS WORKFORCE COMMISSION

24 814

TOTAL STATE FINANCIAL ASSISTANCE EXPENDITURES

\$ 400 102

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003

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	\$ 400 101
Rounding	<u> +1</u>
Expenditures of State Awards, Per Schedule of Expenditures of State Awards	<u>\$ 400 102</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, 2003, these grants were made to students:

1) Residents	\$ 106 872
2) Non-residents	<u> 450</u>
Total	<u>\$ 107 322</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."

Note 6: Major State Programs

There were no major state programs.

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES EXPENDITURES AND OTHER CHANGES
(UNAUDITED)

FOR THE YEAR ENDED AUGUST 31, 2003
With Memorandum Totals for the Year Ended August 31, 2003

	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>	
				<u>Current Year</u>	<u>Prior Year</u>
REVENUES					
State Allocations-General Revenue	\$ 10 046 378	\$	\$ 2 174 526	\$ 12 220 904	\$ 12 651 316
Tuition & Fees	4 117 203			4 117 203	3 523 306
Taxes for Current Operation	3 904 557			3 904 557	3 661 939
Federal Grants and Contracts	33 185		5 037 759	5 070 944	4 033 932
State Grants and Contracts			400 101	400 101	299 822
Local Grants and Contracts			274 768	274 768	305 078
Private Gifts, Grants & Contracts	1 000		2 888	3 888	12 833
Net Increase (Decrease) in FV of Investment				0	0
Interest/Endowment Income				0	0
Investment Income	144 026	27 298		171 324	231 340
Sales & Services of Education Activities	157 949			157 949	116 496
Sales and Services of Auxiliary Enterprises		3 084 841		3 084 841	2 465 846
Other Miscellaneous Income	<u>246 428</u>			<u>246 428</u>	<u>183 663</u>
Total Current Funds Revenues	<u>18 650 726</u>	<u>3 112 139</u>	<u>7 890 042</u>	<u>29 652 907</u>	<u>27 485 571</u>
EXPENDITURES & MANDATORY TRANSFERS					
Educational and General					
Instruction	9 387 115		2 004 808	11 391 923	10 899 122
Research				0	0
Public Service	60 794		409 695	470 489	386 751
Academic Support	1 691 187		369 541	2 060 728	1 458 855
Student Services	1 487 631		792 960	2 280 591	1 880 788
Institutional Support	2 122 116		240 937	2 363 053	2 872 277
Operation & Maintenance of Plant	2 081 180		99 058	2 180 238	2 189 244
Scholarships and Fellowships	<u>547 892</u>		<u>4 080 365</u>	<u>4 628 257</u>	<u>3 621 086</u>
Total Educational And General Expenditures	<u>17 377 915</u>	<u>0</u>	<u>7 997 364</u>	<u>25 375 279</u>	<u>23 308 123</u>
Auxiliary Enterprise Expenditures		3 050 075		3 050 075	2 413 117
Mandatory Transfers for:					
TPEG to Restricted & Loan Funds	<u>(125 786)</u>		<u>107 322</u>	<u>(18 464)</u>	<u>(13 835)</u>
Total Expenditures and Transfers	<u>17 503 701</u>	<u>3 050 075</u>	<u>7 890 042</u>	<u>28 443 818</u>	<u>25 735 075</u>

See auditor's reports and notes.

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES EXPENDITURES AND OTHER CHANGES
(UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2003
With Memorandum Totals for the Year Ended August 31, 2003

	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>TOTALS (MEMORANDUM ONLY)</u>	
				<u>Current Year</u>	<u>Prior Year</u>
<u>EXPENDITURES & MANDATORY TRANSFERS</u>					
Other Transfers and Additions/ (Deductions):					
Non-Mandatory Transfers				0	(41 883)
Excess of Restricted Receipts over Transfers to Revenues			63 969	63 969	
Excess of TPEG Transfer over Grant Awarded			18 464	18 464	13 835
Indirect Cost Recovered			<u>(33 185)</u>	<u>(33 185)</u>	<u>(19 740)</u>
Net Increase Fund Balances	<u>\$ 1 147 025</u>	<u>\$ 62 064</u>	<u>\$ 49 248</u>	<u>\$ 1 258 337</u>	<u>\$ 1 702 708</u>

Reconciliation to Exhibit 2:

Increase (Decrease) in Net Assets on Exhibit 2	\$ 1 030 951
Depreciation not on Schedule E	650 853
Capitalized Assets not on Exhibit 1	(539 494)
Additions to Permanent Term Endowments not on Schedule E	(28 646)
Loss on Disposal of Assets not on Schedule E	93 208
Investment Income from Endowments and Student Loans not on Schedule E	(19 409)
Bank Fee on capital Related Debt not on Schedule E	318
Indirect Cost Recovered not shown separately on Exhibit 2	(33 185)
Scholarship Paid from Endowment Funds not on Exhibit 2	39 772
Excess of Restricted Receipts over Transfers to Revenues not on Exhibit 2	63 969
Total	<u>\$ 1 258 337</u>

See auditor's reports and notes.

TRINITY VALLEY COMMUNITY COLLEGE
DETAIL OF STATE ALLOCATIONS AND TUITION AND FEES
 (UNAUDITED)
 FOR THE YEAR ENDED AUGUST 31, 2003

	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
State Allocations:					
Education & General State Support	\$ 9 939 566	\$	\$	\$ 9 939 566	\$ 10 608 674
State Group Insurance			1 508 314	1 508 314	1 405 283
State Retirement Matching			666 212	666 212	636 220
Other	<u>106 812</u>			<u>106 812</u>	<u>1 139</u>
Total State Allocations	<u>10 046 378</u>	<u>0</u>	<u>2 174 526</u>	<u>12 220 904</u>	<u>12 651 316</u>
Tuition and Fees					
State Funded Courses					
In-District Resident Tuition (a)	1 423 875			1 423 875	1 277 486
Out-of-District Tuition	471 836			471 836	403 027
Non-resident Tuition	104 161			104 161	86 538
Non-State Funded Continuing Education	<u>128 592</u>			<u>128 592</u>	<u>68 995</u>
Subtotal Tuition	<u>2 128 464</u>	<u>0</u>	<u>0</u>	<u>2 128 464</u>	<u>1 836 046</u>
Building Use Fee					
General Fees	1 056 563			1 056 563	900 491
Student Service Fee				0	0
Laboratory Fee	197 089			197 089	168 925
Out-of-District Fees	519 659			519 659	438 791
Other Fees	<u>35 658</u>			<u>35 658</u>	<u>33 341</u>
Subtotal Fees	<u>1 808 969</u>	<u>0</u>	<u>0</u>	<u>1 808 969</u>	<u>1 541 548</u>
Remissions and Exemptions - State	<u>179 770</u>			<u>179 770</u>	<u>145 712</u>
Remissions and Exemptions - Local				<u>0</u>	<u>0</u>
Total Tuition and Fees	<u>\$ 4 117 203</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4 117 203</u> (Schedule E)	<u>3 523 306</u>

a) In accordance with Education Code 56.033, \$125,786 of tuition was set aside for Texas Public Education Grants (TPEG).

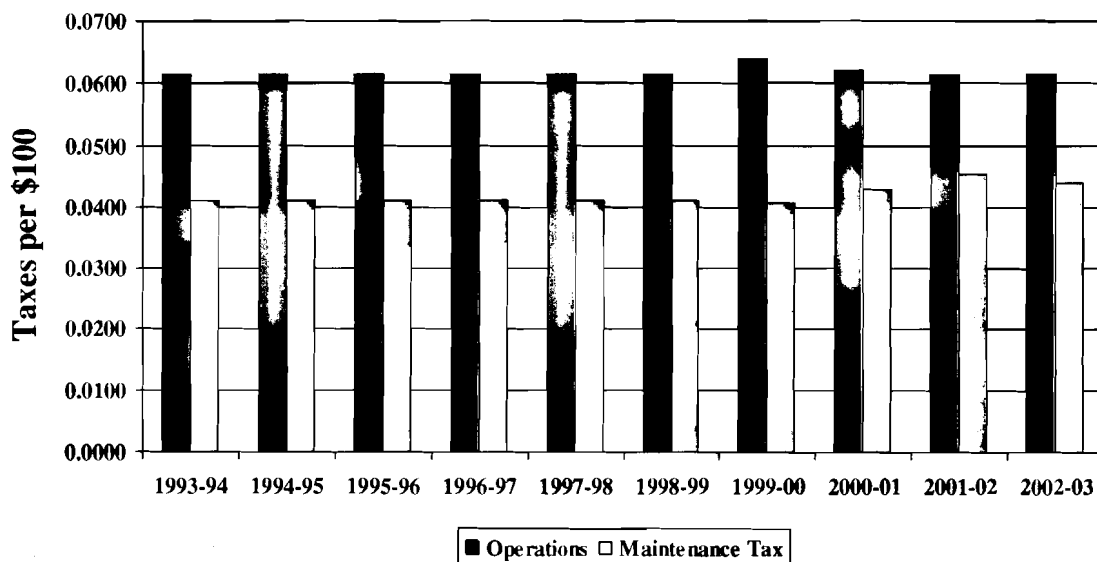
TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS EXPENDITURES BY OBJECT
(UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2003

	<u>Salaries And Wages</u>	<u>Staff Benefits</u>	<u>Other Expenses</u>	<u>Capital Outlay</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Unrestricted-Educational and General						
Instruction	\$ 7 372 285	\$ 1 029 603	\$ 984 907	\$ 320	\$ 9 387 115	\$ 9 091 570
Research					0	0
Public Service	18 805	29 840	12 149		60 794	58 178
Academic Support	1 143 956	160 424	288 816	97 991	1 691 187	1 222 429
Student Services	1 107 149	167 540	212 942		1 487 631	1 216 947
Institutional Support	1 222 199	196 705	566 052	137 160	2 122 116	2 559 206
Operation & Maintenance of Plant	713 347	176 466	1 070 490	120 877	2 081 180	2 083 321
Scholarships and Fellowships			547 892		547 892	359 908
Total Unrestricted	<u>11 577 741</u>	<u>1 760 578</u>	<u>3 683 248</u>	<u>356 348</u>	<u>17 377 915</u> (Schedule E)	<u>16 591 559</u>
Restricted-Educational and General						
Instruction	225 899	1 448 489	315 573	14 847	2 004 808	1 807 552
Research					0	0
Public Service	262 305	112 139	35 251		409 695	328 573
Academic Support		201 242		168 299	369 541	236 426
Student Services	371 403	294 706	126 851		792 960	663 841
Institutional Support		226 394	14 543		240 937	313 071
Operation & Maintenance of Plant		99 058			99 058	105 923
Scholarships & Fellowships			4 080 365		4 080 365	3 261 178
Total Restricted	<u>859 607</u>	<u>2 382 028</u>	<u>4 572 583</u>	<u>183 146</u>	<u>7 997 364</u> (Schedule E)	<u>6 716 564</u>
Total Educational and General	<u>12 437 348</u>	<u>4 142 606</u>	<u>8 255 831</u>	<u>539 494</u>	<u>25 375 279</u>	<u>23 308 123</u>
Auxiliary Enterprises	<u>269 429</u>	<u>44 609</u>	<u>2 736 037</u>		<u>3 050 075</u> (Schedule E)	<u>2 413 117</u>
Total Current Fund Expenditures	<u>\$ 12 706 777</u>	<u>\$ 4 187 215</u>	<u>\$ 10 991 868</u>	<u>\$ 539 494</u>	<u>\$ 28 425 354</u>	<u>\$ 25 721 240</u>

STATISTICAL SUPPLEMENT

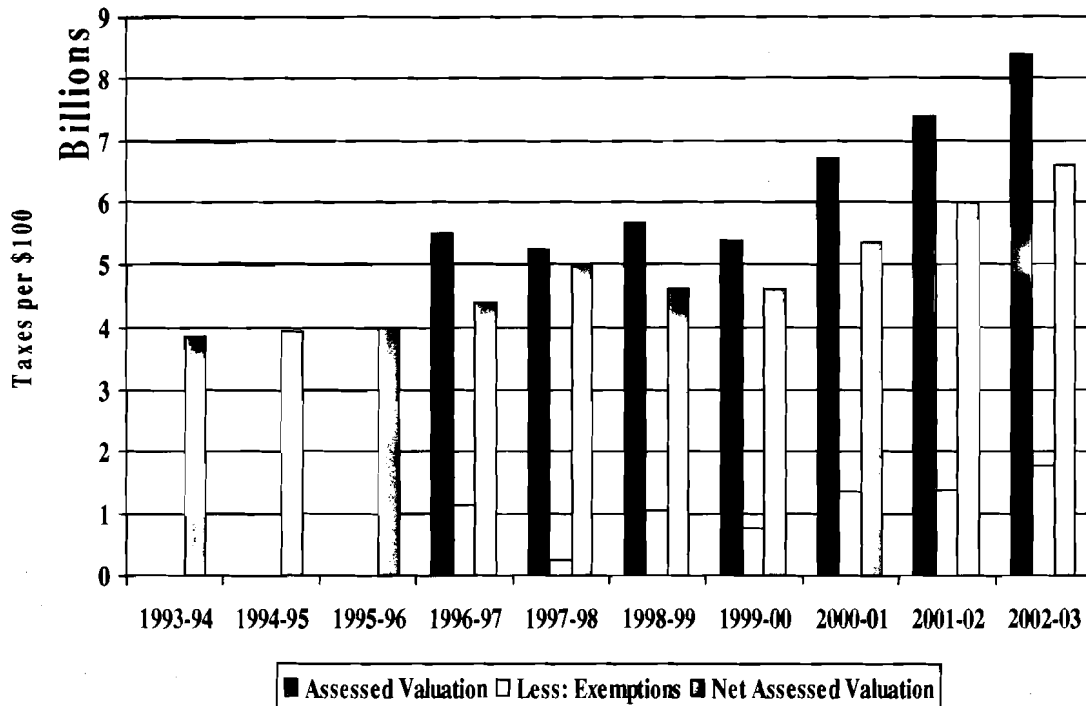
Trinity Valley Community College
 Property Tax Rates Assessed
 Last 10 Fiscal Years
 (Unaudited)

Fiscal Year	Current Operations <small>(per \$100 valuation)</small>	Maintenance Tax Area <small>(per \$100 valuation)</small>	Debt Service	Property Tax Rates Authorized
1993-94	0.0615	0.04100	0.0	0.50
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



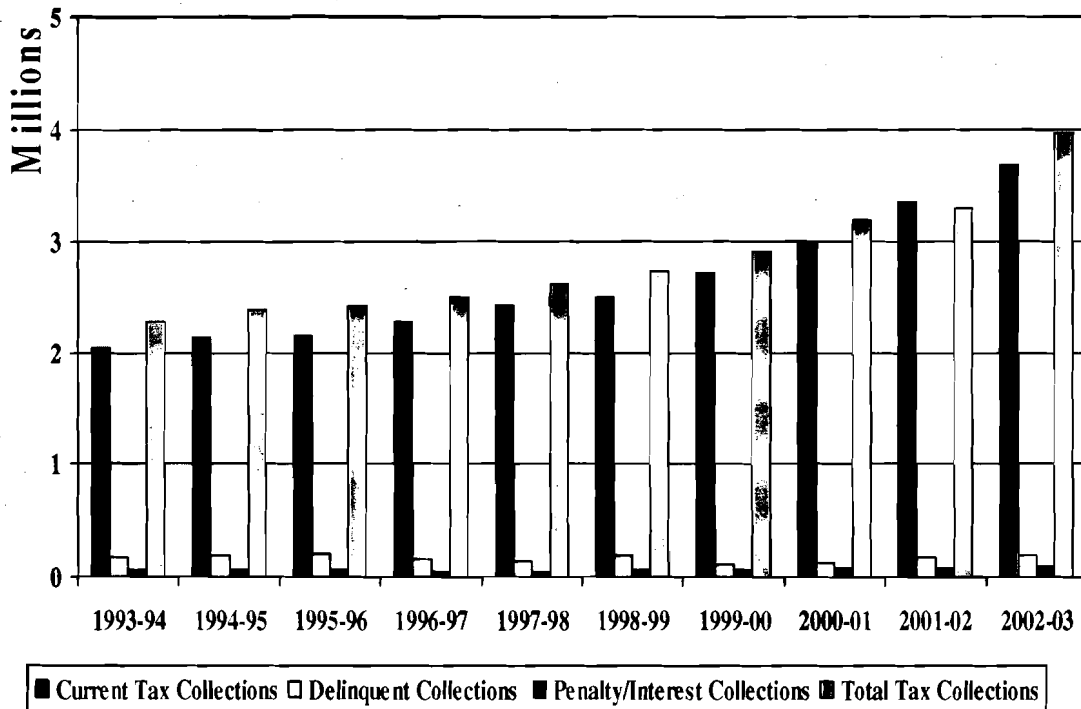
Trinity Valley Community College
 Net Assessed Valuation
 Last 10 Fiscal Years
 (Unaudited)

Fiscal Year	Assessed Valuation	Less: Exemptions	Net Assessed Valuation
1993-94			3,859,092,031
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	8,364,243,020	1,771,654,170	6,592,288,850



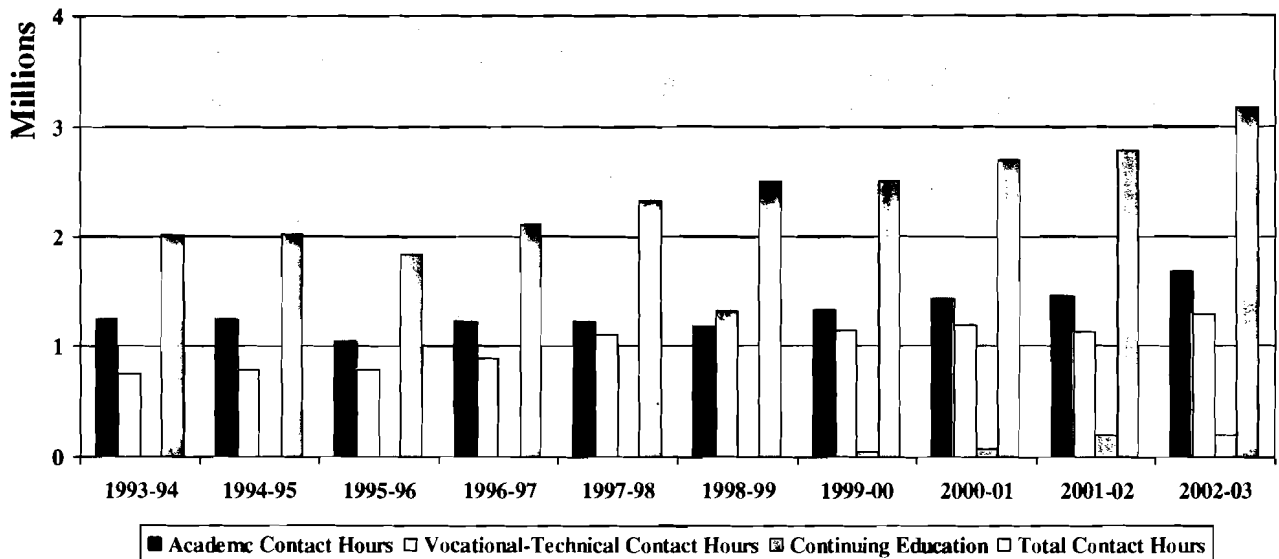
Trinity Valley Community College
 Property Tax Collected
 Last 10 Fiscal Years
 (Unaudited)

Fiscal Year	Current Tax Collections	Delinquent Collections	Penalty/Interest Collections	Total Tax Collections
1993-94	2,051,157	174,470	58,256	2,283,883
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



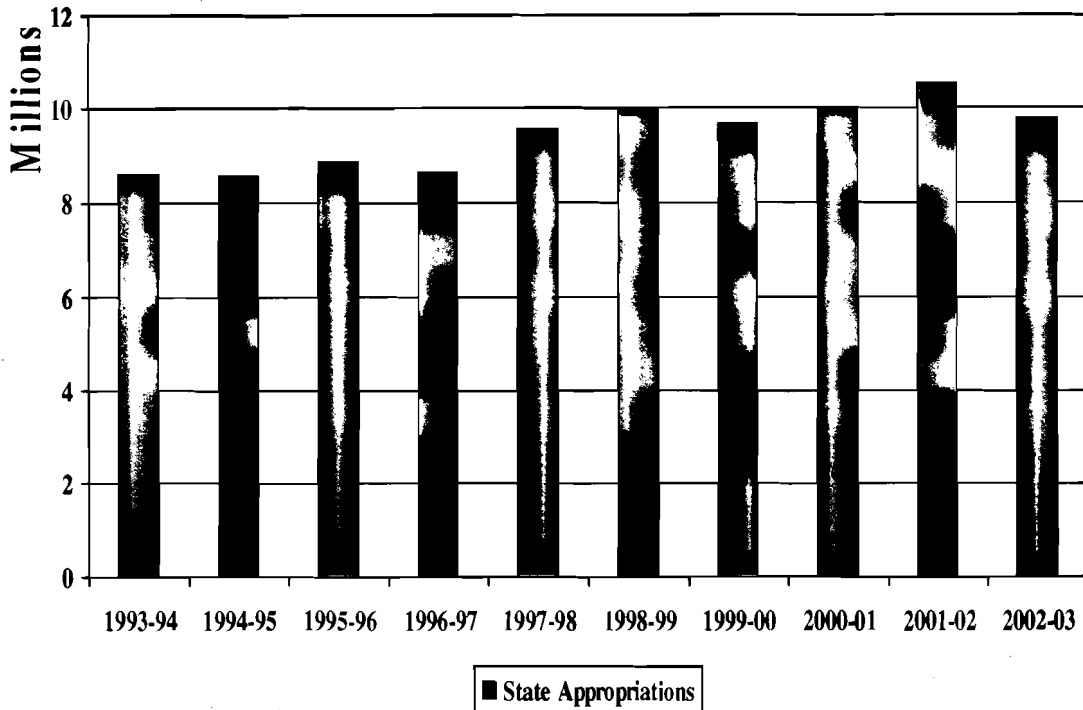
Trinity Valley Community College
 Contact Hour Information
 Last 10 Fiscal Years
 (Unaudited)

Fiscal Year	Contact Hours			
	Academic	Vocational-Technical	Cont. Ed.	Total
1993-94	1,246,064	756,848		2,002,912
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

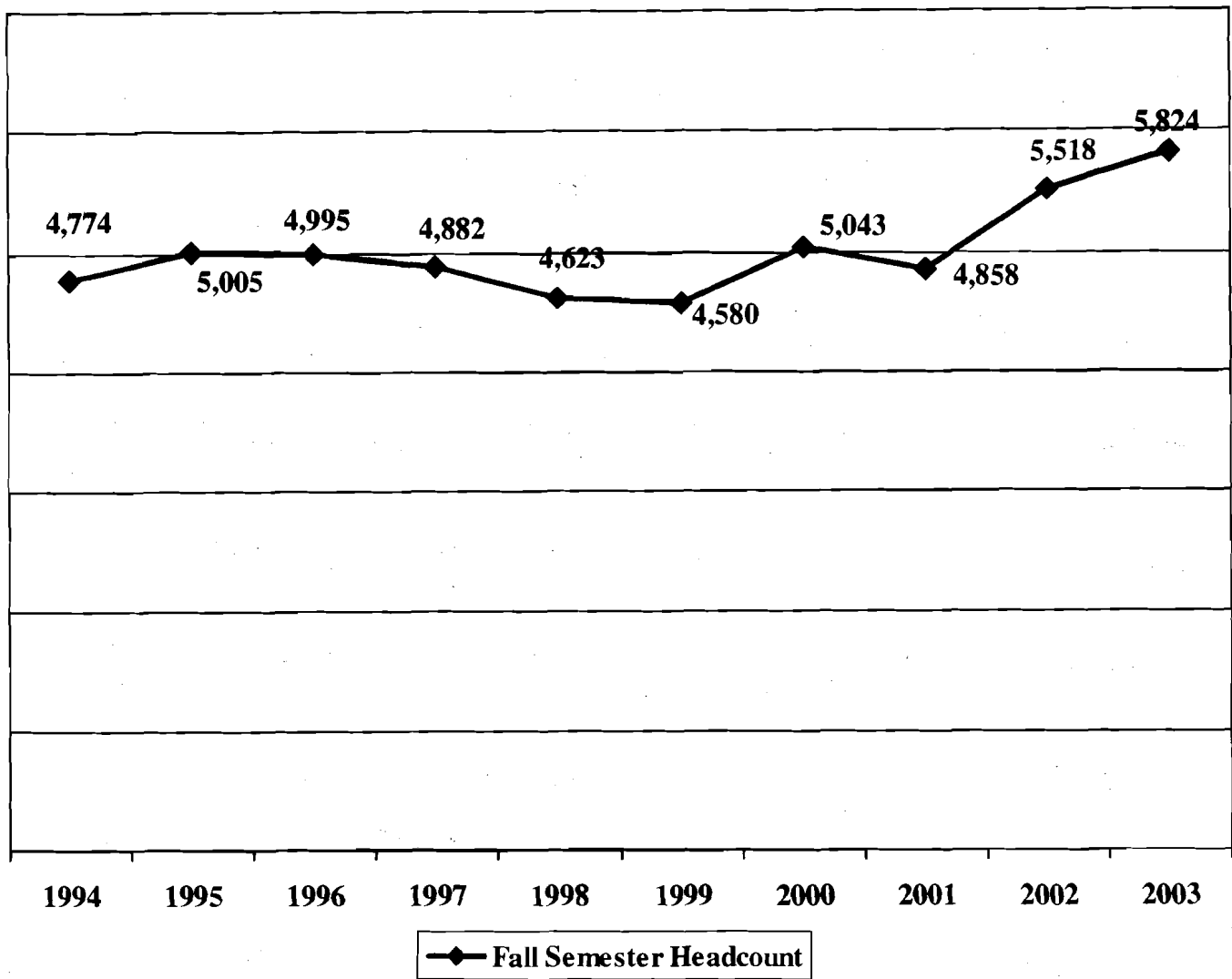


Trinity Valley Community College
 State Appropriations Per Contact Hour
 Last 10 Fiscal Years
 (Unaudited)

Fiscal Year	State Appropriations	Average Appropriation Per Contact Hour
1993-94	8,590,774	4.29
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	9,789,220	3.09



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



TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2003

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
84.048	None	Carl Perkins Vocational Education

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, 2003

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, 2003

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, 2003

There are no unresolved audit findings from prior years.

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, 2003. 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 Schedule A, a schedule of portfolio composition as of August 31, 2003, which is part of this compliance report.

Respectfully submitted,

Smith, Lambright & Associates P.C.

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

November 11, 2003

Trinity Valley Community College
Portfolio Composition as of August 31, 2003

Investment Type	Book Value 08-31-03	Market Value 08-31-03
Savings Account(s) in Financial Institutions		
Certificates of Deposit	\$ 6,628,202	\$ 6,628,202
Repurchase Agreements		
Bankers Acceptances		
Commercial Paper		
No-Load Money Market Mutual Fund	1,319,097	1,319,097
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.