

TRINITY VALLEY COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2016

TRINITY VALLEY COMMUNITY COLLEGE
Annual Financial Report for
the Year Ended August 31, 2016

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TRINITY VALLEY COMMUNITY COLLEGE
 ORGANIZATIONAL DATA
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

Board of Trustees

Officers

Ray Raymond	President
Paula Kimball	Vice President
Kenneth McGee	Secretary

Members

		Term Expires <u>April 30,</u>
Ron Day	TVCC, Texas	2018
Steve Grant	Athens, Texas	2020
Paula Kimball	Seven Points, Texas	2018
Kenneth McGee	Athens, Texas	2020
David Monk	Tyler, Texas	2018
Homer L. Norville	Kaufman, Texas	2022
Ray Raymond	Kaufman, Texas	2020
Dr. Charles Risinger	Terrell, Texas	2022
Jerry Stone	Malakoff, Texas	2022

Principal Administrative Officers

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

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

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

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**Unmodified Opinions on the Basic Financial Statements
Accompanied by Required Supplementary Information and Other Information**

Independent Auditor's Report

The Board of Trustees
Trinity Valley Community College
Athens, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Trinity Valley Community College (the "College"), as of and for the year ended August 31, 2016 and August 31, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Trinity Valley Community College as of August 31, 2016 and August 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance

Respectively submitted



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

November 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Trinity Valley Community College's financial statements provides an overview of the College's financial activities for the year ending August 31, 2016. Please read it in conjunction with the independent auditor's reports, the College's basic financial statements, footnotes, and schedules.

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

USING THIS REPORT

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

FINANCIAL INFORMATION

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

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

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

The Statement of Net Position

The Statement of Net Position (SONP) includes all assets, liabilities, deferred outflows, and deferred inflows and is presented as Exhibit 1 on page 13. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is received or paid. This statement reflects the status of the College's financial resources after the revenues and expenses have been recorded for the year.

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

As shown on the SONP, net position is \$41,313,244 at August 31, 2016, an increase of \$1,643,512 over net position at August 21, 2015. Presented on the following page is a condensed SONP showing fiscal years 2016, 2015 and 2014 for comparative purposes.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Cash and Cash Equivalents, Unrestricted	\$ 5,672	\$ 3,854	\$ 3,787
Cash and Cash Equivalents, Restricted	342	312	220
Investments, Unrestricted	5,973	5,925	5,026
Capital Assets, Net	34,955	34,992	35,075
Other Assets	<u>3,711</u>	<u>3,870</u>	<u>3,666</u>
Total Assets	\$ 50,653	\$ 48,953	\$ 47,774
Deferred Outflows of Resources	\$ 2,546	\$ 988	\$ -
Liabilities			
Current Liabilities	\$ 2,703	\$ 2,613	\$ 2,356
Long Term Liabilities	<u>\$ 6,996</u>	<u>\$ 5,986</u>	<u>\$ -</u>
Total Liabilities	\$ 9,699	\$ 8,599	\$ 2,356
Deferred Inflows of Resources	\$ 2,188	\$ 1,673	\$ -
Net Position			
Invested in Capital Assets, Net of Debt	\$ 34,438	\$ 34,409	\$ 34,979
Unrestricted *	<u>6,875</u>	<u>5,261</u>	<u>10,439</u>
Total Net Position *	<u>\$ 41,313</u>	<u>\$ 39,670</u>	<u>\$ 45,418</u>

* 2015 included a prior per adjustment for GASB 68 (future net pension liability)

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

The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) presents the revenues earned and expenses incurred during the year and is presented as Exhibit 2 on page 15. The activities of the College are classified as either operating or non-operating.

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

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

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

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

Revenues:

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

Expenses:

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

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

Total operating revenue was \$11,892,223, a decrease of \$379,000 over prior year operating revenue of \$12,271,429. This decrease was primarily due to lower federal and state grant revenue of \$704,000 (\$479,000 federal and \$225,000 state) as a result of the expiration of the Wagner Peyser grant and reduced funding from the Carl Perkins and Adult Education grants (federal) and expiration of three nursing grants (state). The reduction in grant revenue was partially offset by an increase in student tuition and fee rates resulting in increased tuition and fee revenue of \$456,000.

Operating expenses totaled \$45,388,050, a decrease of \$715,000 over the previous year. The decrease is primarily attributable to a reduction in grant expenses associated with the elimination of and/or reduced funding from the grants discussed above.

Net non-operating revenue, the majority of which is state appropriations, property tax revenue and federal Title IV funding, increased by \$860,000 compared to the previous year. The increase is primarily attributable to an increase in ad valorem tax rates resulting in increased tax revenue of \$2,243,000 offset by decreases of \$123,000 in state appropriations and \$1,406,000 in federal Title IV revenue. Presented below is a condensed SRECNP showing fiscal years 2016, 2015 and 2014 for comparative purposes.

Statement of Revenues, Expenses, and Changes in Net Position			
Fiscal Year Ended August 31			
(Condensed, \$000)			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues			
Tuition and Fees - net	\$ 7,076	\$ 6,620	\$ 6,678
Federal Grants/Contracts	576	1,054	864
State Grants/Contracts	965	1,190	1,551
Local Grants/Contracts	-	-	-
Non-government Grants/Contracts	31	14	17
Sales and Services of Educational Activities	183	193	151
Auxiliary Enterprises - net	2,844	2,999	2,901
Other	217	201	216
Total Operating Revenues	\$ 11,892	\$ 12,271	\$ 12,378
Operating Expenses			
Instruction	\$ 16,396	\$ 16,751	\$ 16,525
Public Service	605	604	567
Academic Support	6,019	5,493	4,846
Student Services	4,081	4,091	3,803
Institutional Support	4,349	4,077	3,932
Operation and Maintenance of Plant	2,457	2,787	2,737
Scholarships and Fellowships	3,497	4,343	5,224
Auxiliary Enterprises	6,296	6,310	5,944
Depreciation	1,688	1,646	1,633
Total Operating Expenses	\$ 45,388	\$ 46,102	\$ 45,211
Operating Income (Loss)	\$ (33,496)	\$ (33,831)	\$ (32,833)
Non-Operating Revenues (Expenses)			
State Appropriations	\$ 13,796	\$ 13,919	\$ 13,451
Ad Valorem Taxes	12,143	9,900	9,205
Federal Non-op Revenue	9,295	10,701	11,965
Payments for Collection of Taxes	(299)	(275)	(241)
Gifts	105	6	45
Other Non-op Revenue	1	13	-
Investment Income	71	61	55
Reduction of Contractual Commitment	66	-	-
Interest on Capital-related Debt	-	(3)	(24)
Loss on Disposal of Fixed Assets	(39)	(42)	(14)
Net Non-Operating Revenues	\$ 35,139	\$ 34,280	\$ 34,442
Change in Net Position	\$ 1,643	\$ 449	\$ 1,609
Beginning Net Position	\$ 39,670	\$ 45,418	\$ 43,809
Prior Period Adjustment for GASB 68	-	(6,197)	-
Ending Net Position	\$ 41,313	\$ 39,670	\$ 45,418

Statement of Cash Flows

Another way to assess the financial health of an institution is to analyze cash flow. The college's Statement of Cash Flows is presented as Exhibit 3 on page 17. Its primary purpose is to provide relevant information about actual cash receipts and cash payments during the period. It also helps users assess the institution's ability to generate future net cash flows, its ability to meet its obligations as they come due and whether or not there is a need for external financing.

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

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

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

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

For fiscal year 2016, there was more cash provided (inflow) than used (outflow) resulting in positive cash flow of \$1,895,345, an increase of \$836,533 compared to fiscal year 2015's positive cash flow of \$1,058,812. While there are many offsetting variables contributing to the increase in cash flow, the primary contributor is a \$2,156,191 increase in ad valorem tax receipts, year over year.

Capital Asset and Debt Administration

Capital Assets

At August 31, 2016, the College had \$34,954,583 invested in capital assets, net of accumulated depreciation of \$23,195,934. Refer to Note 6 in the Notes to the Financial Statements (page 23) for further details on the College's capital assets.

The College remains committed to maintaining adequate physical resources and information technology systems to support its mission. Major investments made during fiscal year 2016 included additional classroom construction at the Palestine Workforce Education Center; significant interior remodeling of the South Hall student residence and renovations to the gymnasium on the Athens campus; roof replacements on the Palestine and Kaufman campuses; and upgrades to information technology software and hardware on all campuses.

Debt

The college has no outstanding debt as of August 31, 2016.

Refer to Notes 7 through 12 in the Notes to the Financial Statements (pages 26 through 28) for additional information regarding debt.

Affiliated Organization

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

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

The Foundation's net position at fiscal year-end August 31, 2016 was \$4,061,523 an increase of \$157,000 compared to the previous year primarily due to favorable equity market conditions resulting in unrealized (i.e., paper) investment gains during the year. The Foundation's Statement of Net Position and Statement of Activities are presented on pages 14 and 16 respectively. Endowment funds of the Foundation are under professional investment management.

FUTURE FINANCIAL AFFECTS

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

The Trinity Valley Community College mission statement reads:

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

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

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

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EXHIBITS AND NOTES

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
AUGUST 31, 2016 AND AUGUST 31, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 5,671,820	\$ 3,854,316
Short-Term Investments	5,972,698	5,925,587
Accounts Receivable (Net)	3,015,306	3,087,967
Inventories	563,544	657,285
Prepaid Expenses	133,184	123,927
Total Current Assets	<u>15,356,552</u>	<u>13,649,082</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	342,310	311,580
Capital Assets, (Net) (See Note)	34,954,583	34,992,326
Total Noncurrent Assets	<u>35,296,893</u>	<u>35,303,906</u>
Total Assets	<u>50,653,445</u>	<u>48,952,988</u>
Deferred Outflows of Resources		
Deferred Outflows related to TRS	2,546,332	988,391
LIABILITIES		
Current Liabilities		
Accounts Payable	371,276	175,881
Accrued Compensable Absences - Current Portion	384,114	383,926
Funds Held for Others	318,940	156,634
Unearned Revenues	1,090,870	1,489,348
Deposits	471,186	340,164
Contractual Commitment - Current Portion	66,667	66,667
Total Current Liabilities	<u>2,703,053</u>	<u>2,612,620</u>
Noncurrent Liabilities		
Contractual Commitment	450,000	516,666
Net Pension Liability	6,545,512	5,469,289
Total Noncurrent Liabilities	<u>6,995,512</u>	<u>5,985,955</u>
Total Liabilities	<u>9,698,565</u>	<u>8,598,575</u>
Deferred Inflows of Resources		
Deferred Inflows Related to TRS	2,187,968	1,673,072
NET POSITION		
Invested in Capital Assets, Net of Related Debt	34,437,916	34,408,993
Unrestricted	6,875,328	5,260,739
Total Net Position (Schedule D)	<u>\$ 41,313,244</u>	<u>\$ 39,669,732</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
 AFFILIATED ORGANIZATION
 TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
 STATEMENT OF NET POSITION
 AUGUST 31, 2016 AND AUGUST 31, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	\$ 599,845	\$ 350,130
Investments	3,455,753	3,559,493
Accounts Receivable - Current	3,644	375
Accrued Receivables	60	125
Capital Assets (Net)	<u>2,621</u>	<u>2,621</u>
Total Assets	<u><u>4,061,923</u></u>	<u><u>3,912,744</u></u>
LIABILITIES		
Accounts Payable	<u><u>400</u></u>	<u><u>6,975</u></u>
NET POSITION		
Invested in Capital Assets	2,621	2,621
Restricted for:		
Nonexpendable		
Student Aid	3,305,023	3,210,654
Expendable		
Student Aid	655,178	592,557
Capital Projects	31,372	30,244
Unrestricted	<u>67,329</u>	<u>69,693</u>
Total Net Position	<u><u>\$ 4,061,523</u></u>	<u><u>\$ 3,905,769</u></u>

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

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2016 AND AUGUST 31, 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Tuition and Fees (Net of Discounts of \$7,564,880 And \$7,554,430 respectively)	\$ 7,075,713	\$ 6,620,064
Federal Grants and Contracts	575,875	1,054,472
State Grants and Contracts	964,787	1,189,979
Non-government Grants and Contracts	31,515	13,551
Sales and Services of Educational Activities	182,114	193,307
Auxiliary Enterprises (Net of Discounts of \$2,569,358 And \$2,674,957 respectively)	2,844,742	2,998,783
General Operating Revenue	<u>217,477</u>	<u>201,273</u>
Total Operating Revenues (Schedule A)	<u>11,892,223</u>	<u>12,271,429</u>
Operating Expenses		
Instruction	16,396,041	16,750,875
Public Service	604,977	604,222
Academic Support	6,018,970	5,492,699
Student Services	4,080,781	4,091,178
Institutional Support	4,349,004	4,077,336
Operation and Maintenance of Plant	2,457,029	2,786,716
Scholarships and Fellowships	3,496,894	4,343,003
Auxiliary Enterprises	6,295,914	6,310,112
Depreciation	<u>1,688,440</u>	<u>1,646,306</u>
Total Operating Expenses (Schedule B)	<u>45,388,050</u>	<u>46,102,447</u>
Operating Income (Loss)	<u>(33,495,827)</u>	<u>(33,831,018)</u>
Non-Operating Revenues (Expenses)		
State Appropriations	13,796,060	13,918,612
Maintenance Ad Valorem Taxes	12,142,786	9,900,057
Federal Revenues, non-operating	9,294,703	10,700,616
Payments for Collection of Taxes	(299,241)	(274,750)
Gifts	105,513	5,905
Other Non-operating Revenue	1,020	13,102
Investment Income	71,032	60,656
Reduction of Contractual Commitment	66,667	
Interest on Capital Related Debt	0	(2,730)
Loss on Disposal of Fixed Assets	<u>(39,201)</u>	<u>(41,687)</u>
Net Non-Operating Revenues (Schedule C)	<u>35,139,339</u>	<u>34,279,781</u>
Increase (Decrease) in Net Position	1,643,512	448,763
Net Position		
Net Position - Beginning of Year	39,669,732	45,417,698
Prior Period Adjustment		(6,196,729)
Net Position - End of Year	<u>\$ 41,313,244</u>	<u>\$ 39,669,732</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
 AFFILIATED ORGANIZATIONS
 TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
 STATEMENT OF ACTIVITIES
 FOR THE YEARS ENDED AUGUST 31, 2016 AND AUGUST 31, 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
Investment Income	\$ 59,494	\$ 63,164
Fund Raising Events (Net of Expense)	4,270	8,072
Gifts	123,895	115,112
Realized Gain on Sale of Securities	48,552	46,207
Unrealized Gain (Loss) on Sale of Securities	<u>15,645</u>	<u>(217,332)</u>
Total Revenues	<u>251,856</u>	<u>15,223</u>
 EXPENSES		
Scholarships	62,991	86,712
Contributions to TVCC and Affiliated Organizations	(268)	
Administrative Expense	27,579	24,000
General Fundraising Expense	<u>5,800</u>	<u>1,097</u>
Total Expenses	<u>96,102</u>	<u>111,809</u>
Change in Net Position	155,754	(96,586)
Net Position at Beginning of Year	<u>3,905,769</u>	<u>4,002,355</u>
Net Position at End of Year	<u><u>\$4,061,523</u></u>	<u><u>\$ 3,905,769</u></u>

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

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2016 AND AUGUST 31, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	\$ 18,351,676	\$ 18,956,481
Receipts of Grants and Contracts	1,743,069	2,272,818
Payments to Suppliers for Goods or Services	(10,989,542)	(11,640,185)
Payments to or on Behalf of Employees	(26,511,401)	(26,153,787)
Payments to Scholarships and Fellowships	(11,797,894)	(13,349,076)
Loans Issued to Students	(1,781,943)	(401,819)
Collection of Loans to Students	1,788,998	352,888
Other Receipts	47,029	26,169
Net Cash Provided (Used) by Operating Activities	<u>(29,150,008)</u>	<u>(29,936,511)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from State Appropriations	11,372,099	11,503,737
Receipts from Ad Valorem Taxes	12,062,734	9,906,543
Receipts from non-operating federal Revenue	9,260,215	10,841,522
Payment for Collections of Taxes	(299,561)	(274,666)
Receipts from Student Organizations and Other Agency Transactions	10,110,691	9,777,288
Payments to Student Organizations and Other Agency Transactions	(9,948,464)	(9,717,620)
Receipts from Non-Capital Grants/Contracts/Gifts	<u>105,515</u>	<u>5,905</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>32,663,229</u>	<u>32,042,709</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Capital Debt		
Purchases of Capital Assets	(1,695,472)	(1,022,439)
Proceeds from Sale of Capital Assets	5,575	13,102
Insurance Proceeds on Capital Assets	1,020	0
Payments on Capital Debt - Principal	0	(95,429)
Payments on Capital Debt - Interest	0	(2,730)
Net Cash Provided (Used) by Capital Financing Activities	<u>(1,688,877)</u>	<u>(1,107,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	<u>71,001</u>	<u>60,110</u>
Net Cash Provided (Used) by Investing Activities	<u>71,001</u>	<u>60,110</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,895,345	1,058,812
CASH AND CASH EQUIVALENTS - September 1	<u>10,091,483</u>	<u>9,032,671</u>
CASH AND CASH EQUIVALENTS - August 31	<u>\$ 11,986,828</u>	<u>\$ 10,091,483</u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2016 AND AUGUST 31, 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (33,495,827)	\$ (33,831,018)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	1,688,440	1,646,306
Payments Made Directly by State for Benefits	2,130,014	2,047,281
Bad Debt Expense	301,047	230,414
Changes in Assets and Liabilities:		
Receivables, Net	180,529	(517,299)
Inventories	93,741	(26,997)
Prepaid Expenses	(9,257)	(28,252)
Accounts Payable	195,395	(59,709)
Deposits	131,022	(14,835)
GASB 68 Adjustments	33,178	324,835
Compensated Absences	188	30,790
Unearned Revenue	(398,478)	261,973
Net Cash Provided (Used) by Operating Activities	<u>\$ (29,150,008)</u>	<u>\$ (29,936,511)</u>

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

1. REPORTING ENTITY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Report Guidelines

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

B. Tuition Discounting

Texas Public Education Grants

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

Title IV, Higher Education Act Program Funds

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

Other tuition discounts

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Data

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

E. Cash and cash equivalents

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

F. Investments

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

G. Inventories

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

H. Capital assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Unearned revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2016 have been deferred.

J. Estimates

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

K. Operating and Non-Operating Revenue and Expense Policy

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

L. Characterization of Title IV Grant Revenue

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

M. Pensions

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

3. AUTHORIZED INVESTMENTS

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

4. **DEPOSITS AND INVESTMENTS**

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

Cash and Deposits

	<u>2016</u>	<u>2015</u>
Bank Deposits:		
Demand Deposits	\$ 2,876,290	\$ 1,106,516
Cash and Cash Equivalents:		
Petty Cash on Hand	<u>5,375</u>	<u>5,069</u>
Total Cash and Deposits	<u>\$ 2,881,665</u>	<u>\$ 1,111,585</u>

Reconciliation of Deposits and Investments to Exhibit 1

<u>Type of Security</u>	<u>Market Value</u> <u>August 31, 2016</u>	<u>Market Value</u> <u>August 31, 2015</u>
U. S. Government	\$ 0	\$ 0
U. S. Instrumentality	0	0
Real Estate Investments	<u>0</u>	<u>0</u>
Totals	<u>\$ 0</u>	<u>\$ 0</u>
Total Cash and Deposits	2,881,665	1,111,585
Total Investments	<u>9,105,163</u>	<u>8,979,898</u>
Total Deposit and Investments	<u>11,986,828</u>	<u>10,091,483</u>
Cash and Temporary Investments (Exhibit 1)	6,014,130	4,165,896
Investments (Exhibit 1)	<u>5,972,698</u>	<u>5,925,587</u>
Total Deposits and Investments	<u>\$ 11,986,828</u>	<u>\$ 10,091,483</u>
<u>Investment Type</u>		<u>Weighted Average</u> <u>Maturity (Years)</u>
Certificate of Deposit	\$ 5,972,698	
Money Market Accounts	<u>3,132,464</u>	.0822
Total Fair Value	<u>\$ 9,105,162</u>	

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

5. **DERIVATIVES**

The College had no derivatives at August 31, 2016.

6. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2016 was as follows:

	Balance September 1, 2015	Increases	Decreases / Adjustments	Balance August 31, 2016
<u>Not Depreciated:</u>				
Land	\$ 1,158,469	\$	\$	\$ 1,158,469
Construction in Progress	<u>814,620</u>	<u>102,454</u>	<u>261,596</u>	<u>655,478</u>
Subtotal	<u>1,973,089</u>	<u>102,454</u>	<u>261,596</u>	<u>1,813,947</u>
Other Capital Assets:				
Leasehold Improvements	89,094	573,601		662,695
Building	42,542,809	612,968	162,823	42,992,954
Facilities & Improvements	2,646,795		58,022	2,588,772
Library Books	2,622,968	66,572	7,028	2,682,513
Furniture, Machinery, Vehicles and Other Equip.	4,408,594	270,177	92,429	4,586,342
Telecommunications and Peripheral Equipment	<u>2,491,999</u>	<u>331,296</u>		<u>2,823,295</u>
Subtotal	<u>54,802,259</u>	<u>1,854,614</u>	<u>320,302</u>	<u>56,336,571</u>
Accumulated Depreciation:				
Leasehold Improvements	7,053	17,678		24,731
Buildings	14,032,999	923,324	158,089	14,798,233
Facilities & Improvements	1,531,058	115,441	23,933	1,622,565
Library Books	1,907,775	84,687	3,816	1,988,646
Furniture, Machinery, Vehicles, and Other Equip.	2,160,953	386,599	89,688	2,457,864
Telecommunications and Peripheral Equipment	<u>2,143,183</u>	<u>160,711</u>		<u>2,303,895</u>
Subtotal	<u>21,783,021</u>	<u>1,688,440</u>	<u>275,526</u>	<u>23,195,934</u>
Net Other Capital Assets	<u>33,019,238</u>	<u>166,174</u>	<u>44,776</u>	<u>33,140,637</u>
Net Capital Assets	<u>\$ 34,992,327</u>	<u>\$ 268,628</u>	<u>\$ 306,372</u>	<u>\$ 34,954,584</u>

6. CAPITAL ASSETS (continued)

Capital assets activity for the year ended August 31, 2015 was as follows:

	Balance September 1, 2014	Increases	Decreases / Adjustments	Balance August 31, 2015
<u>Not Depreciated:</u>				
Land	\$ 1,158,469	\$	\$	\$ 1,158,469
Construction in Progress	<u>534,514</u>	<u>280,106</u>		<u>814,620</u>
Subtotal	<u>1,692,983</u>	<u>280,106</u>	<u>0</u>	<u>1,973,089</u>
Other Capital Assets:				
Leasehold Improvements	89,094			89,094
Building	42,534,518	8,290		42,542,808
Facilities & Improvements	2,646,795			2,646,795
Library Books	2,958,425	88,107	423,564	2,622,968
Furniture, Machinery, Vehicles and Other Equip.	3,189,866	1,237,300	18,572	4,408,594
Telecommunications and Peripheral Equipment	<u>2,433,363</u>	<u>58,636</u>		<u>2,491,999</u>
Subtotal	<u>53,852,061</u>	<u>1,392,333</u>	<u>442,136</u>	<u>54,802,258</u>
Accumulated Depreciation:				
Leasehold Improvements	2,599	4,455		7,053
Buildings	13,135,113	897,887		14,032,999
Facilities & Improvements	1,415,615	115,441		1,531,058
Library Books	2,198,525	91,126	381,876	1,907,775
Furniture, Machinery, Vehicles, and Other Equip.	1,823,694	355,831	18,572	2,160,953
Telecommunications and Peripheral Equipment	<u>1,894,951</u>	<u>248,232</u>		<u>2,143,183</u>
Subtotal	<u>20,470,497</u>	<u>1,712,972</u>	<u>400,448</u>	<u>21,783,021</u>
Net Other Capital Assets	<u>33,381,564</u>	<u>(320,639)</u>	<u>41,688</u>	<u>33,019,237</u>
Net Capital Assets	<u>\$ 35,074,547</u>	<u>\$ (40,533)</u>	<u>\$ 41,688</u>	<u>\$ 34,992,326</u>

7. **LONG - TERM LIABILITIES**

Long-term liability activity for the year ended August 31, 2016 was as follows:

	Balance September 1 2015	Additions	Reductions	Balance August 31 2016	Current Portion
Bond:	\$ 0	\$	\$	\$ 0	\$ 0
Revenue Bonds - Series 2012	<u>0</u>			<u>0</u>	<u>0</u>
Capital Lease	0			0	0
Net Pension Liability	<u>5,469,289</u>	<u>1,624,520</u>	<u>548,296</u>	<u>6,545,513</u>	<u></u>
Total Long-Term Liabilities	<u>\$ 5,469,289</u>	<u>\$ 1,624,520</u>	<u>\$ 548,296</u>	<u>\$ 6,545,513</u>	<u>\$ 0</u>

Long-term liability activity for the year ended August 31, 2015 was as follows:

	Balance September 1 2014	Additions	Reductions	Balance August 31 2015	Current Portion
Bonds:	\$ 0	\$	\$	\$ 0	\$ 0
Revenue Bonds-Series 2012					
Capital Lease	95,429		95,429	0	0
Net Pension Liability		<u>5,469,289</u>		<u>5,469,289</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 95,429</u>	<u>\$ 5,469,289</u>	<u>\$ 95,429</u>	<u>\$ 5,469,289</u>	<u>\$ 0</u>

8. DEBT AND LEASE OBLIGATIONS

There were no debt service requirements for bonds at August 31 , 2016.

There were no obligations under capital leases at August 31, 2016.

Obligations under operating leases at August 31, 2016, were as follows:

<u>For the Year Ended</u> <u>August 31</u>	<u>Total</u>
2017	\$ 84,416
2018	25,921
2019	<u>20,910</u>
Total Minimum Lease Payments	<u>\$ 131,247</u>

The College entered into a contract with its food service provider to install equipment and fixtures in the amount of \$650,000 with a provision that if the contract was terminated the College would repay the food provider any unamortized balance according to the following table.

Contingent obligations under contractual commitments at August 31, 2016 were as follows:

<u>For the Year Ended</u> <u>August 31</u>	<u>Total</u>
2017	\$ 66,666
2018	66,667
2019	66,667
2020	66,666
2021	66,667
2022	66,667
2023	66,666
2024	<u>50,000</u>
Total Contingent Contractual Payments	<u>\$ 516,666</u>

9. BONDS PAYABLE

The College had no bonds payable on August 31, 2016.

10. REFUNDING BONDS

The College had no refunding bonds on August 31, 2016.

11. DEFEASED BONDS OUTSTANDING

The College had no defeased bonds outstanding for the year ending August 31, 2016.

12. SHORT - TERM DEBT

The College had no short - term debt for the year ending August 31, 2016.

13. DEFERRED OUTFLOWS / DEFERRED INFLOWS OF RESOURCES

GASB No. 63 and GASB No. 65 provide guidance on financial reporting related to deferred outflows of resources and deferred inflows of resources. The objective of these statements is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

In addition to assets, the Balance Sheet and the Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Balance Sheet and the Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resource (revenue) until that time.

14. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as percentage of Total Pension Liability	78.43%

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
TVCC 2015 Employer Contributions	\$	<u>548,296</u>
TVCC 2015 Member Contributions	\$	<u>915,568</u>
TVCC 2015 NECE On-Behalf Contributions	\$	<u>410,612</u>

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a college does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age, Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	3.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflations Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Source: Teacher Retirement System of Texas 2015 Comprehensive Annual Financial Report

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability:	\$ 10,255,585	\$ 6,545,513	\$ 3,455,253

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, the College reported a liability of \$6,545,513 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's Proportionate share of the collective net pension liability	\$ 6,545,513
State's proportionate share that is associated with the College	4,900,394
Total	<u>\$ 11,445,907</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At the measurement date August 31, 2015 the employer's proportion of the collective net pension liability was 0.0185170%, which was an increase (decrease) of -0.0019585% from its proportion measured as of August 31, 2014.

For the year ended August 31, 2015, the employer recognized pension expense of \$698,227 and revenue of \$698,227 for support provided by the State. Refer to the 2015 Schedule of On-behalf Contributions for this information posted on the TRS website under GASB Statements 67 & 68.

At August 31, 2016, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 70,346	\$ 251,550
Changes in actuarial assumptions	295,666	233,515
Difference between projected and actual investment earnings	1,612,014	1,253,728
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		449,018
Total as of August 31, 2015 measurement date	<u>\$ 1,978,026</u>	<u>2,187,811</u>
Contributions paid to TRS subsequent to the measurement date	568,571	
Total	<u>\$ 2,546,597</u>	<u>\$ 2,187,811</u>

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

Year ended August 31,	Pension Expense Amount
2017	\$ (99,104)
2018	(99,104)
2019	(99,102)
2020	318,804
2021	(88,584)
Thereafter	(142,696)

Optional Retirement Plan

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

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

The retirement expense to the State for the College was \$2,130,014 and \$2,062,501 for the fiscal years ended August 31, 2016 and 2015, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$20,690,150 and \$20,708,810 for fiscal years 2016 and 2015, respectively. The total payroll of employees covered by the Teacher Retirement System was \$14,289,928 and \$13,738,669, and the total payroll of employees covered by the Optional Retirement Program was \$4,794,089 and \$5,202,660 for fiscal years 2016 and 2015, respectively.

15. DEFERRED COMPENSATION PROGRAM

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

The College acts as a withholding agent for the employee contracts with their individual plan. The College has no liability to the employee other than withholding from their salary check and remitting to their designated plan. For the year ended August 31, 2016 the College withheld and remitted \$237,025 for 39 employees. For the year ended August 31, 2015, the College withheld and remitted \$237,278 for 34 employees.

16. COMPENSABLE ABSENCES

Full-time non-faculty employees earn annual vacation leave of one day per month of employment during their first ten years of employment. After ten years of employment annual leave is earned at the rate of one and one-half days per month. This leave can accumulate up to one year. Nonexempt employees may receive compensatory time off, rather than overtime pay, for overtime work. Compensatory time may not accrue beyond a maximum of 75 hours and should be used within the duty year in which it is earned. Faculty employees are allowed two personal days per contract year. Personal days do not carry over to subsequent contract years, but effective with the contract year beginning September 1, 2009, are paid upon termination or separation of employment.

Compensable absence balances have been recorded. The College recognized the accrued liability for unused annual vacation leave, compensatory time and personal days in the amounts of \$384,113 at August 31, 2016. The College recognized the accrued liability for the unused annual vacation leave and personal days in the amount of \$383,926 at August 31, 2015. Also, all full-time employees are granted sick leave at the rate of one day per month of service to up 45 days depending on length of employment. If this leave is not used for medical purposes, it lapses upon the retirement or resignation of the employee and the employee is not paid for it. Therefore, no accrued liability has been recorded for sick leave.

17. PENDING LAWSUITS AND CLAIMS

There were no pending lawsuits or claims at the end of the current period according to College personnel.

18. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2016, were as follows:

	2016		2015	
	Primary Institution	Component Unit (Foundation)	Primary Institution	Component Unit (Foundation)
Student Receivables	\$ 1,137,631	\$	\$ 2,601,850	\$
Taxes Receivable	1,949,222		320,413	
Local, State & Federal Receivables	986,869		1,044,742	
Interest Receivables	4,043	60	4,012	125
Other Receivables	<u>460</u>	<u>3,645</u>	<u>2,786</u>	<u>375</u>
Subtotal	4,078,225	3,705	3,973,803	500
Allowance for Doubtful Accounts	<u>(1,062,922)</u>		<u>(885,836)</u>	
Total Receivables	<u>\$ 3,015,303</u>	<u>\$ 3,705</u>	<u>\$ 3,087,967</u>	<u>\$ 500</u>

Payables

Payables at August 31, 2016, were as follows:

	2016		2015	
	Primary Institution	Component Unit (Foundation)	Primary Institution	Component Unit (Foundation)
Vendors Payable	\$ 291,555	\$ 400	\$ 82,074	\$ 6,974
Sales Tax Payable	<u>79,722</u>		<u>93,806</u>	
Total	<u>\$ 371,277</u>	<u>\$ 400</u>	<u>\$ 175,880</u>	<u>\$ 6,974</u>

19. 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, 2016.

20. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide and Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedules A and C. Contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g. multi-year awards, or funds awarded during fiscal years ending August 31, 2016 and 2015 respectively for which monies have not been received nor funds expended totaled \$444,503 and \$561,528. Of these amounts, \$233,159 and \$232,775 were from Federal Contract and Grant Awards; \$180,793 and \$285,029 were from State Contract and Grant Awards; \$-0- and \$-0- were from Local Contract and Grant Awards; and \$30,552 and \$43,725 were from Private Contract and Grant Awards for the fiscal years ended August 31, 2016 and 2015, respectively.

23. AD VALOREM TAX

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

At August 31:

	<u>2016</u>	<u>2015</u>
Assessed Valuation of the College	\$ 12,600,737,392	\$ 12,161,539,688
Less: Exemptions & Abatements	<u>(1,582,046,033)</u>	<u>(1,453,366,650)</u>
Net Assessed Valuation of the College	<u>\$ 11,018,691,359</u>	<u>\$ 10,708,173,038</u>

	<u>2016</u>		<u>2015</u>	
	<u>Current Operations</u>	<u>Total</u>	<u>Current Operations</u>	<u>Total</u>
Authorized Tax Rate per \$100 valuation (Maximum Per Enabling Legislation)	\$ 0.50000	\$ 0.50000	\$ 0.5000	\$ 0.5000
Assessed Tax Rate per \$100 valuation	\$ 0.12674	\$ 0.126740	\$ 0.1036	\$ 0.1036
Assessed Tax Rate per \$100 Valuation for Branch Campus Maintenance	\$ 0.05000	\$ 0.05000	\$ 0.05000	\$ 0.05000

Tax levied during the year ended August 31, 2016 and 2015 is \$11,950,213 and \$9,816,237 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>2016</u>		<u>2015</u>	
	<u>Current Operations</u>	<u>Total</u>	<u>Current Operations</u>	<u>Total</u>
<u>Taxes Collected (Includes Maintenance Tax)</u>				
Current Taxes Collected	\$11,687,481	\$11,687,481	\$ 9,492,892	\$ 9,492,892
Delinquent Taxes Collected	316,061	316,061	240,136	240,136
Penalties and Interest Collected	<u>188,284</u>	<u>188,284</u>	<u>167,407</u>	<u>167,407</u>
Total Collections	<u>\$12,191,826</u>	<u>\$12,191,826</u>	<u>\$ 9,900,435</u>	<u>\$ 9,900,435</u>

Tax collections for the year ended August 31, 2016 and 2015 were 97.5% and 97.1%, respectively of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and/or operations.

24. BRANCH CAMPUS MAINTENANCE TAX

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

<u>County or Independent School College</u>	<u>Collections (including Penalties and Interest) 2016</u>	<u>Collections (including Penalties and Interest) 2015</u>
Palestine ISD	\$ 601,276*	\$ 563,142*

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

25. 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, 2016.

26. COMPONENT UNITS

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

27. RELATED PARTIES

No notable related parties existed for the fiscal year ended August 31, 2016.

28. SUBSEQUENT EVENTS

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

29. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

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

The college's contributions to SRHP for the years ended August 31, 2016 and 2015 were \$924,600 and \$924,600, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY SCHEDULES

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF COLLEGE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2016

	<u>2016</u>	<u>2015</u>
College's Proportion of the Net Pension Liability (Asset)	0.0185170%	0.0204755%
College's Proportionate Share of Net Pension Liability (Asset)	\$ 6,545,513	\$ 5,469,289
State's Proportionate Share of the Net Pension Liability (Asset) associated with the College	<u>\$ 4,900,394</u>	<u>\$ 3,976,221</u>
Total	<u>\$ 11,445,907</u>	<u>\$ 9,445,510</u>
College's Covered Payroll	\$ 14,168,617	\$ 12,723,591
College's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	47.90%	42.99%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.43%	83.25%

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

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF THE COLLEGE CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR FISCAL YEAR 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 568,571	\$ 548,297
Contributions in Relation to the Contractually Required Contribution	<u>\$ (568,571)</u>	<u>\$ (548,297)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
College's Covered Employee Payroll	\$ 14,168,817	\$ 13,665,170
Contributions as a percentage of Covered Employee Payroll	4.01%	4.01%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the College's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.

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

SCHEDULES

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2016
(with Memorandum Totals for the Year Ended August 31, 2015)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2016 Total	2015 Total
Tuition:						
State Funded Credit Courses:						
In-College Resident Tuition	\$ 2,553,053	\$		\$	\$ 2,553,053	\$ 2,549,598
Out-of-College Resident Tuition	1,841,450				1,841,450	1,767,921
Non-resident Tuition	416,004				416,004	372,912
TPEG - Credit (Set Aside)*	289,553				289,553	274,514
State Funded Continuing Education	121,714				121,714	147,151
TPEG -Non- Credit (Set Aside)*	8,825				8,825	9,144
Non-State Funded Educational Programs	58,371				58,371	51,319
Total Tuition	<u>5,288,970</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,288,970</u>	<u>5,172,559</u>
Fees:						
General Fee	5,338,117				5,338,117	5,341,777
Out-of-College Fee	2,624,512				2,624,512	2,527,673
Laboratory Fee	542,679				542,679	547,644
Distance Learning Fee	498,845				498,845	440,876
Installment Plan Fee						13,703
Non-Funded Course Fee	141,927				141,927	119,454
Other Fees	12,599				12,599	21,259
Total Fees	<u>9,158,679</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,158,679</u>	<u>9,012,386</u>
Scholarship Allowances and Discounts:						
Bad Debt Allowance	(196,832)				(196,832)	(161,798)
Scholarship Allowances	(1,122,953)				(1,122,953)	(1,084,341)
Remissions and Exemptions - State	(410,978)				(410,978)	(357,300)
Remissions and Exemptions - Local	(694,018)				(694,018)	(564,670)
TPEG Allowances	(304,336)				(304,336)	(336,903)
Federal Grants to Students	(4,594,055)				(4,594,055)	(5,033,634)
State Grants to Students	(48,764)				(48,764)	(26,235)
Total Scholarship Allowances	<u>(7,371,936)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,371,936)</u>	<u>(7,564,881)</u>
Total Net Tuition and Fees	<u>7,075,713</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,075,713</u>	<u>6,620,064</u>
Additional Operating Revenues:						
Federal Grants and Contracts	42,516	533,359			575,875	1,054,472
State Grants and Contracts	3,947	960,840			964,787	1,189,979
Non-Governmental Grants and Contracts	31,515				31,515	13,551
Sales and Services of Educational Activities	182,114				182,114	193,307
General Operating Revenues	217,477				217,477	201,273
Total Additional Operating Revenues	<u>477,569</u>	<u>1,494,199</u>	<u>0</u>	<u>0</u>	<u>1,971,768</u>	<u>2,652,582</u>
Auxiliary Enterprises:						
Residential Life				2,157,038	2,157,038	2,143,426
Less: Scholarship Allowances and Discounts				(1,057,840)	(1,057,840)	(1,009,268)
Less: Bad Debt Allowance				(8,424)	(8,424)	(8,507)
Bookstore				2,948,176	2,948,176	3,348,152
Less: Scholarship Allowances and Discounts				(1,219,616)	(1,219,616)	(1,505,693)
Less: Bad Debt Allowance				(43,036)	(43,036)	(45,890)
Athletics				43,554	43,554	50,402
Other Auxiliary Enterprises				24,890	24,890	26,161
Total Auxiliary Enterprises	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,844,742</u>	<u>2,844,742</u>	<u>2,998,783</u>
Total Operating Revenues	<u>\$ 7,553,282</u>	<u>\$ 1,494,199</u>	<u>\$ 0</u>	<u>\$ 2,844,742</u>	<u>\$ 11,892,223</u>	<u>\$ 12,271,429</u>
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$298,378 and \$283,658, for years August 31, 2016 and August 31, 2015, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2016
(with Memorandum Totals for the Year Ended August 31, 2015)

	Operating Expenses			August 31, 2016 Total	August 31, 2015 Total
	Salaries and Wages	Benefits State Local	Other Expenses		
Unrestricted - Educational Activities					
Instruction	\$ 11,014,601	\$ 2,511,974	\$ 1,018,190	\$ 14,544,765	\$ 14,655,545
Public Service	199,027	90,358	62,497	351,882	355,963
Academic Support	2,854,676	758,128	1,957,064	5,569,868	5,045,603
Student Services	2,192,292	660,919	530,453	3,383,664	3,289,411
Institutional Support	2,345,746	708,302	886,620	3,940,668	3,720,906
Operation and Maintenance of Plant	425,431	321,110	1,690,354	2,436,895	2,771,599
Scholarships and Fellowships			3,195	3,195	714
Total Unrestricted Educational Activities	<u>19,031,773</u>	<u>0</u>	<u>5,050,791</u>	<u>30,230,937</u>	<u>29,839,741</u>
Restricted - Educational Activities					
Instruction	283,600	1,355,655	69,858	1,851,277	2,095,330
Public Service	145,550	28,878	51,535	253,095	248,259
Academic Support		434,262		449,101	447,096
Student Services	183,024	350,268	30,998	697,117	801,767
Institutional Support	29,918	377,159		408,336	356,430
Operation and Maintenance of Plant		20,134		20,134	15,117
Scholarship and Fellowship				3,493,699	4,342,289
Total Restricted Educational Activities	<u>642,092</u>	<u>2,566,356</u>	<u>152,391</u>	<u>7,172,759</u>	<u>8,306,288</u>
Total Educational Activities	19,673,865	2,566,356	5,203,182	37,403,696	38,146,029
Auxiliary Enterprises	1,096,139		472,307	4,727,468	6,310,112
Depreciation Expense - Building and Other Real Estate Improvements				1,056,443	1,017,783
Depreciation Expense - Equipment and Furniture				631,997	628,523
Total Operating Expenses	<u>\$ 20,770,004</u>	<u>\$ 2,566,356</u>	<u>\$ 5,675,489</u>	<u>\$ 45,388,050</u>	<u>\$ 46,102,447</u>
				(Exhibit 2)	(Exhibit 2)

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
 FOR THE YEAR ENDED AUGUST 31, 2016
 (with Memorandum Totals for the Year Ended August 31, 2015)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2016 Total</u>	<u>2015 Total</u>
NON-OPERATING REVENUES:					
State Appropriations:					
Education and General State Support	\$ 11,228,444	\$	\$	\$ 11,228,444	\$ 11,345,082
State Group Insurance		1,705,374		1,705,374	1,643,001
State Retirement Matching		860,982		860,982	929,938
Other		1,260		1,260	591
	<u>11,228,444</u>	<u>2,567,616</u>	<u>0</u>	<u>13,796,060</u>	<u>13,918,612</u>
Total State Appropriations					
Maintenance Ad Valorem Taxes	12,142,786			12,142,786	9,900,057
Federal Revenues, Non Operating		9,294,703		9,294,703	10,700,616
Gifts	16,513		89,000	105,513	5,905
Reduction of Contractual Commitment	66,667			66,667	
Other Income	1,020			1,020	13,102
Investment Income	71,032			71,032	60,656
	<u>23,526,462</u>	<u>11,862,319</u>	<u>89,000</u>	<u>35,477,781</u>	<u>34,598,948</u>
Total Non-Operating Revenues					
NON-OPERATING EXPENSES:					
Payments for Collection of Taxes	299,241			299,241	274,750
Interest on Capital Related Debt					2,730
Bond Issuance Costs					0
Loss on Disposal of Fixed Assets	39,201			39,201	41,687
	<u>338,442</u>	<u>0</u>	<u>0</u>	<u>338,442</u>	<u>319,167</u>
Total Non-Operating Expenses					
Net Non-Operating Revenues	<u>\$ 23,188,020</u>	<u>\$ 11,862,319</u>	<u>\$ 89,000</u>	<u>\$ 35,139,339</u>	<u>\$ 34,279,781</u>
				(Exhibit 2)	(Exhibit 2)

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

AUGUST 31, 2016

	Detail by Source			Available for Current Operations				
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes		No
		Expendable	Non-Expendable			Yes	No	
Current:								
Unrestricted	\$ (1,230)				\$ (1,230)			
Board Designated	6,871,803				6,871,803			6,871,803
Restricted					0			
Auxiliary Enterprise					0			
Loan	4,755				4,755	4,755		
Endowment:					0			
Quasi:					0			
Unrestricted					0			
Restricted					0			
Endowment:					0			
True					0			
Term (Per Instructions at Maturity)					0			
Life Income Contracts					0			
Annuities					0			
Plant:					0			
Unexpended					0			
Renewals					0			
Debt Service					0			
Investment in Plant				34,437,916	34,437,916			34,437,916
Total Net Position, August 31, 2016	6,875,328	0	0	34,437,916	41,313,244	3,525		41,309,719
Total Net Position, August 31, 2015	5,260,739			34,408,993	39,669,732	100,914		39,568,818
					(Exhibit 1)			
					(Exhibit 1)			
Net Increase (Decrease) in Net Position	\$ 1,614,589	\$ 0	\$ 0	\$ 28,923	\$ 1,643,512	\$ (97,389)		\$ 1,740,901
					(Exhibit 2)			

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Sub-recipients	Expenditures and Pass-Through Disbursements
U.S. DEPARTMENT OF EDUCATION				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007			\$ 123,018
Federal Work-Study Programs	84.033			59,055
Federal Pell Grant Programs	84.063			9,112,630
Federal Direct Student Loans	84.268			<u>7,414,001</u>
Total Student Financial Assistance Cluster				16,708,704
Pass-Through From:				
Texas Workforce Commission to Literacy Council of Tyler East Texas Consortium:				
Adult Basic Education Basic Grants to States	84.002A	0814AEL000-3		91,417
Adult Basic Education Basic Grants to States	84.002A	0814AEL002		<u>22,012</u>
Total CFDA 84.002A				113,429
Texas Higher Education Coordinating Board				
Carl Perkins Career and Technical Education Basic Grants	84.048	14920		<u>311,631</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				17,133,764
U. S. DEPARTMENT OF LABOR				
Pass-Through From:				
Texas Workforce Commission				
Wagner Peysner Mech Engineering Biotech. Program	17.207	0815WPB000		467
U. S. SMALL BUSINESS ADMINISTRATION				
Pass-Through From:				
Small Business Development Center Program/Dallas County Community College District, Business Development Center				
	59.037	SBAHQ-15-B-0018		3,568
		SBAHQ-16-B-004		<u>61,449</u>
TOTAL U. S. SMALL BUSINESS ADMINISTRATION				65,017
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through From:				
Texas Workforce Commission to Literacy Council of Tyler East Texas Consortium				
Adult Basic Education - TANF	93.558	0814AEL000-3		11,315
Workforce Solutions East Texas to ETCOG				
Adult Basic Education - TANF	93.558	TVCC-TANF-PY14-01		2,830
Adult Basic Education - TANF		TVCC-TANF-PY15-01		26,766
Texas Workforce Commission				
Childcare Local Match Agreement (Workforce Solutions East Texas Board	93.596	04161C63		<u>1,904</u>
TOTAL U. S. DEPARTMENT HEALTH AND HUMAN SERVICES				42,815
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 17,242,063</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Note 1: Federal Assistance Reconciliation

Federal Grants Revenue - Per Schedule A	\$	575,875
Federal Grants Revenue - Per Schedule C		9,294,703
Administration		(42,516)
Federal Direct Loans		<u>7,414,001</u>
 Total Federal Revenues per Schedule of Expenditures of Federal Awards	 \$	 <u>17,242,063</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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

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

None

Note 4: Student Loans Processed and Administrative Costs Recovered

The following are student loans from financial institutions processed/facilitated by Trinity Valley Community College during the period from September 1, 2015 through August 31, 2016.

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Note 5: Nonmonetary Federal Assistance Received

None

Note 6: Amounts Passed Through by the College

None

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Grantor Agency / Program Title	Grant Contract Number	State Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD		
Direct Programs:		
College Work Study		\$ 34,398
Nursing Innovation Grant-Texas Concept Nursing Curriculum Project	105667	82,877
Texas Educational Opportunity Grant		511,410
Texas Grant Allocation		13,500
Total Direct Programs THECB		<u>\$ 642,185</u>
TOTAL HIGHER EDUCATION COORDINATING BOARD		\$ 642,185
TEXAS WORKFORCE COMMISSION		
Pass - Through Programs From:		
TWC to Literacy Council Tyler to ET Consortium		
State Adult Education	84002A	92,787
Total Pass-Through Programs		
Accelerate Texas		
	0814AEL0003	
	84.002A0816AEL000	112,570
TOTAL TEXAS WORKFORCE COMMISSION		205,357
TEXAS SMALL BUSINESS ADMINISTRATION		
Pass - Through Programs From:		
Dallas County Community College Small Development Center		
	SBAHQ-15-B-0018	
	SBAHQ-16-B-004	113,298
TOTAL TEXAS SMALL BUSINESS ADMINISTRATION		113,298
TOTAL STATE FINANCIAL ASSISTANCE EXPENDITURES		<u>\$ 960,840</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Note 1: State Assistance Reconciliation

State Grants Revenues - Per Schedule A	\$ 964,786
Administration	<u>(3,946)</u>
Total per Schedule of Expenditures of State Awards	<u>\$ 960,840</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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

OTHER REPORTS

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
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**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards***

Independent Auditor's Report

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the College as of and for the year ended August 31, 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 21, 2016.

Internal Control Over Financial Reporting

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

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

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

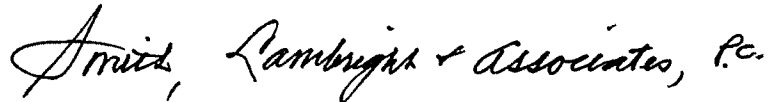
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Smith, Lambright & Associates, P.C.".

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

November 21, 2016

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

Independent Auditor's Report

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Trinity Valley Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *State of Texas Single Audit Circular* that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2016. Trinity Valley Community College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations* and *State of Texas Single Audit Circular*. Those standards and *OMB Circular A-133* and *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Trinity Valley Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Trinity Valley Community College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the College as of and for the year ended August 31, 2016, and have issued our report thereon dated November 21, 2016 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis as required by the Uniform Guidance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Smith, Lambright & Associates, P.C.

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

November 21, 2016

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards and State Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal or State Program or Cluster</u>
17.207	Wagner Peyser: Mech Engineering Biotech
84.007; 84.032; 84.033; 84.038; 84.063; 84.268	Student Financial Aid - Cluster
84.048	Career and Technical Education

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

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

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

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no finding required to be reported.

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

The audit disclosed no finding required to be reported.

SMITH, LAMBRIGHT & ASSOCIATES, P.C.

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REPORT ON COMPLIANCE WITH PROVISIONS OF THE PUBLIC FUNDS INVESTMENT ACT

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

Members of the Board:

We have completed our audit of the Trinity Valley Community College for the year ended August 31, 2016. During the course of our audit, we noted that you have an investment policy which complies with the Public Funds Investment Act (Act). This compliance report is in response to the provisions of Chapter 2256.005 (m) of the Act.

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

Please see the following schedule that is a schedule of portfolio composition as of August 31, 2016, which is part of this compliance report.

Respectfully submitted,



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

Trinity Valley Community College
 Portfolio Composition as of August 31, 2016

Investment Type	Book Value August 31, 2016	Market Value August 31, 2016
Savings Account(s) in Financial Institutions		
Certificates of Deposit	\$ 5,972,698	\$ 5,972,698
Repurchase Agreements		
Bankers Acceptances		
Commercial Paper		
Money Market Funds		
No-Load Mutual Fund		
Investment Pool (s): (1) <i>Constant Net Asset Value</i> _____ (Name of investment pool) _____ (Name of investment pool) <i>Variable Net Asset Value</i> _____ (Name of investment pool) _____ (Name of investment pool)		
U.S. Government Securities: Long-term Short-term		
U.S. Government Securities: Long-term Short-term		

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