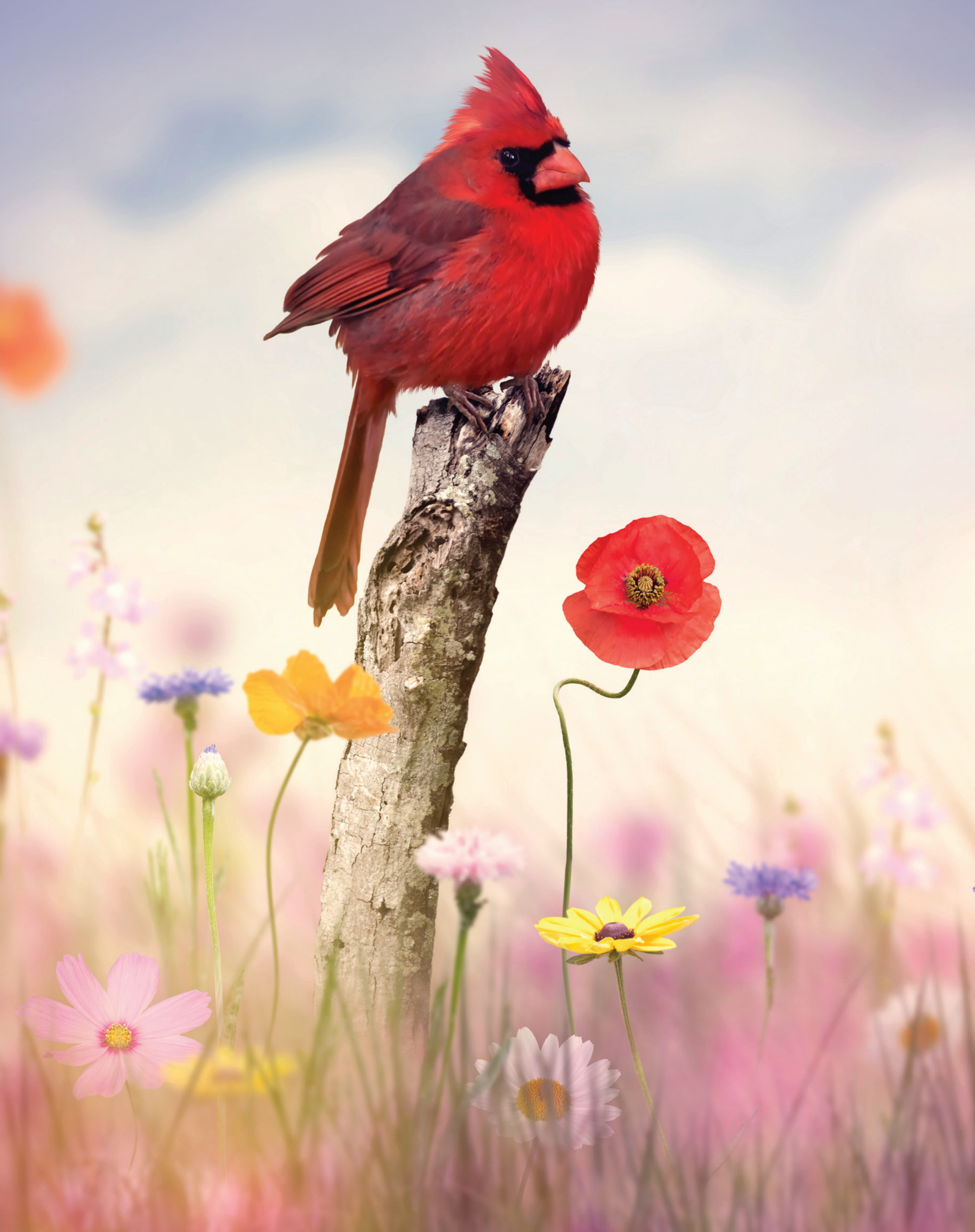
TRINITY VALLEY COMMUNITY COLLEGE

Athens Kaufman Palestine Terrell

For the fiscal year ended August 31, 2019



ANNUAL FINANCIAL REPORT

TRINITY VALLEY COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED

AUGUST 31, 2019 AND 2018

Prepared By:

DEPARTMENT OF BUSINESS SERVICES

TRINITY VALLEY COMMUNITY COLLEGE

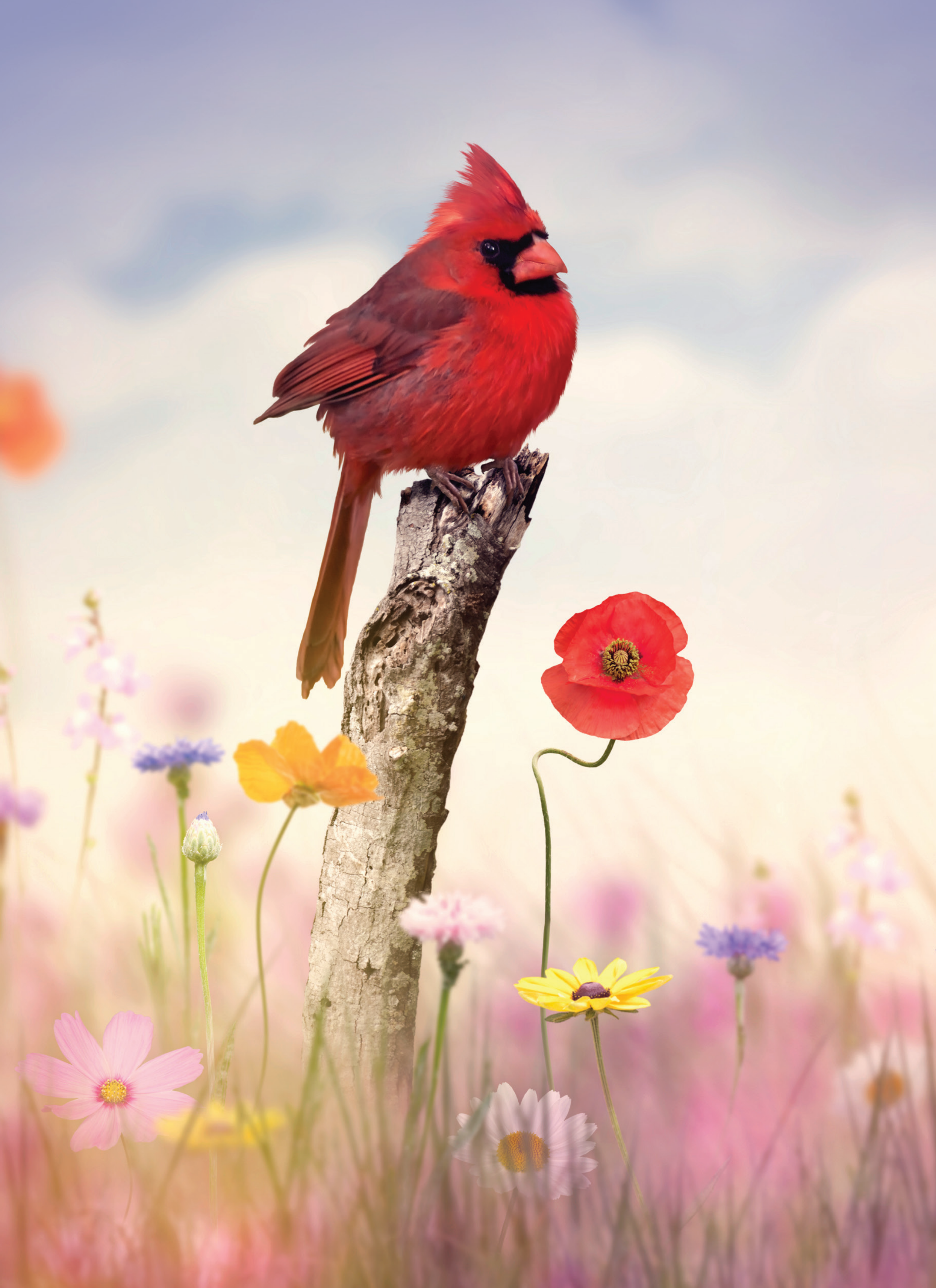
TRINITY VALLEY COMMUNITY COLLEGE

TRINITY VALLEY COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
AUGUST 31, 2019 AND 2018

TRINITY VALLEY COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
AUGUST 31, 2019 AND 2018

TRINITY VALLEY COMMUNITY COLLEGE

Athens Kaufman Palestine Terrell



FINANCIAL SECTION

TRINITY VALLEY COMMUNITY COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR ENDED AUGUST 31, 2019

Board of Trustees

Officers

Ray Raymond	President
Paula Kimball	Vice President
Kenneth McGee	Secretary

Members

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

Principal Administrative Officers

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

TRINITY VALLEY COMMUNITY COLLEGE

Gollob Morgan Peddy
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Trinity Valley Community College
Athens, Texas

Report on the Financial Statements

We have audited the accompanying basic financial statements of Trinity Valley Community College ("TVCC") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise TVCC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 from 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 entity'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 basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TVCC as of August 31, 2019, and the results of its operations and its cash flows 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 (MD&A) on pages 7 – 16 and the information contained in Schedules 1 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TVCC's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information contained in Schedules A - D and the Schedule of Expenditures of Federal 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information contained in Schedules A - D and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior Year Financial Statements

The financial statements of TVCC for the year ended August 31, 2018 were audited by another auditor who expressed an unmodified opinion of those financial statements on January 11, 2019. The financial information for the year ended August 31, 2018 is being presented for comparative purposes and there have been no significant changes to those financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of TVCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is 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 TVCC's internal control over financial reporting and compliance.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
December 13, 2019

Gollob Morgan Peddy PC
1001 ESE Loop 323, Suite 300, Tyler, TX 75701
Tel 903-534-0088 Fax 903-581-3915 www.gmpcpa.com
Members American Institute of Certified Public Accountants and Private Companies Practice Section

member of
CPAmerica International
Member Crowe Global™

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, 2019. Please read it in conjunction with the independent auditor’s reports, the College’s basic financial statements, footnotes, and schedules.

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

USING THIS REPORT

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

FINANCIAL INFORMATION

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

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

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

The Statement of Net Position

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

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

As shown on the SONP, net position is $23,784,590 at August 31, 2019, an increase of $2,971,231 over net position at August 21, 2018. The increase is due to increased deferred outflows of resources related to pension and other post-employment benefits over increases in deferred inflows of resources for the same items. Presented on the following page is a condensed SONP showing fiscal years 2019 and 2018 for comparative purposes.

Statement of Net Position

Fiscal Year Ended August 31

	2019	2018	Change
Assets			
Cash and Cash Equivalents, Unrestricted	$ 7,886,470	$ 17,479,706	$ (9,593,236)
Cash and Cash Equivalents, Restricted	1,627,699	6,701,013	(5,073,314)
Investments, Unrestricted	9,182,472	-	9,182,472
Capital Assets, Net	52,873,269	42,746,728	10,126,541
Other Assets	8,930,682	2,770,154	6,160,528
Total Assets	**$ 80,500,592**	**$ 69,697,601**	**$ 10,802,991**
Deferred Outflows of Resources	$ 8,946,265	$ 2,675,269	$ 6,270,996
Liabilities			
Current Liabilities	$ 12,111,120	$ 4,030,528	$ 8,080,592
Long Term Liabilities	41,877,169	39,273,729	2,603,440
Total Liabilities	**$ 53,988,289**	**$ 43,304,257**	**$ 10,684,032**
Deferred Inflows of Resources	$ 11,673,978	$ 8,255,254	$ 3,418,724
Net Position			
Invested in Capital Assets, Net of Debt	$ 47,998,269	$ 36,646,728	$ 11,351,541
Restricted			
Expendable			
Financial Aid and Scholarships	$ 11,840	$ 679,237	$ (667,397)
Unrestricted	(24,225,519)	(16,512,606)	(7,712,913)
Total Net Position	**$ 23,784,590**	**$ 20,813,359**	**$ 2,971,231**

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 16. The activities of the College are classified as either operating or non-operating.

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

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

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

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

Revenues:

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

Expenses:

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

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

Total operating revenue was $12,479,115, an increase of $361,998 over prior year operating revenue of $12,117,117. This increase was primarily due to increases State and Federal grant revenue over decreases in tuition and fees income due partially to decreases in duel credit enrollment and other offsets.

Operating expenses totaled $48,782,168, an increase of $858,795 over the previous year which is primarily attributable to a modest raise for faculty and staff offset by employee headcount reductions due to attrition, and a decrease in bookstore, and residential life expenses. Net non-operating revenue, the majority of which is normally state appropriations, property tax revenue and federal Title IV funding, decreased by $3,899 compared to the previous year. This decrease is primarily attributable to a decrease in State appropriations offset by an increase in property tax rates. Presented on the following page is a condensed SRECNP showing fiscal years 2019 and 2018 for comparative purposes.

Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Year Ended August 31

	2019	2018	Change
Operating Revenues			
Tuition and Fees - net	$ 7,249,164	$ 7,768,319	$ (519,155)
Auxiliary Enterprises - net	3,141,406	2,830,442	310,964
Federal Grants/Contracts	717,067	549,552	167,515
State Grants/Contracts	1,003,422	585,685	417,737
Local Grants/Contracts	-	-	-
Non-government Grants/Contracts	31,842	35,209	(3,367)
Sales and Services of Educational Activities	159,082	198,300	(39,218)
Other	177,132	149,610	27,522
Total Operating Revenues	**$ 12,479,115**	**$ 12,117,117**	**$ 361,998**
Operating Expenses			
Instruction	$ 17,824,482	$ 17,086,115	$ 738,367
Public Service	621,199	601,219	19,980
Academic Support	5,968,427	6,350,299	(381,872)
Student Services	4,435,958	4,448,967	(13,009)
Institutional Support	5,891,426	5,141,945	749,481
Operation and Maintenance of Plant	2,831,384	2,885,521	(54,137)
Scholarships and Fellowships - net	4,278,320	3,741,771	536,549
Auxiliary Enterprises	4,997,476	6,094,510	(1,097,034)
Depreciation	1,933,496	1,573,026	360,470
Total Operating Expenses	**$ 48,782,168**	**$ 47,923,373**	**$ 858,795**
Operating Income (Loss)	**$ (36,303,053)**	**$ (35,806,256)**	**$ (496,797)**
Non-Operating Revenues (Expenses)			
State Appropriations	$ 14,893,335	$ 15,998,974	$ (1,105,639)
Ad Valorem Taxes	15,339,294	14,298,413	1,040,881
Federal Non-op Revenue	8,646,211	8,728,820	(82,609)
Payments for Collection of Taxes	(391,148)	(389,574)	(1,574)
Gifts	474,774	543,356	(68,582)
Donated Land Value	-	17,363	(17,363)
Other Non-op Revenue	316,811	154,264	162,547
Investment Income	91,667	94,167	(2,500)
Debt Issuance Costs	-	(24,307)	24,307
Loss on Disposal of Fixed Assets	-	(88,101)	88,101
Interest on Capital-related Debt	(96,660)	(55,192)	(41,468)
Total Non-Operating Revenues (Expenses)	**$ 39,274,284**	**$ 39,278,183**	**$ (3,899)**
Increase in Net Position	**$ 2,971,231**	**$ 3,471,927**	**$ (500,696)**
Beginning Net Position (as originally stated)	$ 20,813,359	$ 48,993,700	$ (28,180,341)
Prior Period Adjustment for GASB 75		(31,652,268)	31,652,268
Net Position, Beginning of The Year (as restated)	20,813,359	17,341,432	3,471,927
Ending Net Position	$ 23,784,590	$ 20,813,359	$ 2,971,231

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 pages 18 through 19. 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 2019, there was less cash provided (inflow) than used (outflow) resulting in negative cash flow of $14,666,550 a decrease of $22,761,536 compared to fiscal year 2018's positive cash flow of $8,084,986. While there are many offsetting variables contributing to the decrease in cash flow, the primary contributors are increase in payments for major capital projects $7,557,100, increase in capital debt payments $1,120,502, increased purchase of investments $9,182,472, no proceeds from debt issued this year $6,000,000 offset by an increase in property taxes $967,645.

Capital Asset and Debt Administration

Capital Assets

At August 31, 2019, the College had $52,873,269 invested in capital assets, net of accumulated depreciation of $28,483,346. Refer to Note 7 in the Notes to the Financial Statements (page 27) for further details on the College's capital assets.

The College remains committed to maintaining adequate physical resources and information technology systems to support its mission. Major facilities investments made during fiscal year 2019 included ongoing construction of the new TVCC Health Science Center in Terrell, and renovation of the former armory building adjacent to the Athens campus for the new TVCC Fitness Center for students, faculty and staff, and additional athletics practice facilities. Additionally, implementation of the college's new system-wide information technology software is underway.

Debt

The college had $4,800,000 in outstanding revenue bond obligations and $75,000 in outstanding capital lease debt as of August 31, 2019.

Refer to Notes 8 through 10 in the Notes to the Financial Statements (pages 30 through 31) for additional information regarding debt.

Internal Control Environment

In February, 2018, TVCC Accounting Services personnel discovered apparent irregularities in the awarding of student financial aid funds. An internal investigation followed by third party review confirmed that policy violations, dishonest actions and improper conduct had occurred, resulting in termination and/or resignation of three employees. The findings were immediately reported by TVCC to the US Department of Education (DOE) and the

Texas Higher Education Coordinating Board (THECB). The actions are currently under investigation by the Assistant US Attorney's office of the Eastern District for possible student financial aid fraud under US Code Title 20-Education, Chapter 28, Subchapter IV, Part G, Section 1097 - Criminal Penalties.

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

TVCC Foundation

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

The Foundation's total liabilities and net assets at fiscal year-end August 31, 2019 was $7,436,693 an increase of $2,042,283 compared to the previous year primarily due to a sizable gift of land and related capital donations and other generous donor contributions. The Foundation's Statement of Financial Position and Statement of Activities are presented on pages 15 and 17, respectively. Endowment funds of the Foundation are under professional investment management.

FUTURE FINANCIAL EFFECTS

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

The Trinity Valley Community College mission statement reads:

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

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

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

TRINITY VALLEY COMMUNITY COLLEGE

EXHIBIT 1

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 7,886,470	$ 17,479,706
Accounts Receivable (net of allowance for doubtful accounts of $1,587,151 and $1,540,878 respectively)	3,621,752	2,193,752
Inventory	363,166	418,792
Prepaid Expenses	4,945,764	157,610
Total Current Assets	16,817,152	20,249,860
Noncurrent Assets		
Cash and Cash Equivalents	1,627,699	6,701,013
Investments	9,182,472	-
Capital Assets (Net)	52,873,269	42,746,728
Total Noncurrent Assets	63,683,440	49,447,741
TOTAL ASSETS	80,500,592	69,697,601
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	5,056,624	1,851,310
Deferred Outflows Related to Other Post Employment Benefits	3,889,641	823,959
Total Deferred Outflows of Resources	8,946,265	2,675,269
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	2,986,820	1,176,797
Unearned Revenues	7,524,723	1,261,221
Current Portion of Compensated Absences	48,805	43,028
Current Portion of Capital Lease	25,000	25,000
Current Portion of Contingent Liability	143,831	133,990
Current Portion of Contractual Commitments	181,941	190,492
Current Portion of Bonds Payable	1,200,000	1,200,000
Total Current Liabilities	12,111,120	4,030,528
Noncurrent Liabilities		
Accrued Compensable Absences Payable	439,242	387,257
Net Pension Liability	10,280,832	5,719,850
Net Other Post Employment Benefits Liability	26,329,258	27,118,949
Capital Lease Payable	50,000	75,000
Contingent Liability	-	143,831
Contractual Commitments	1,177,837	1,028,842
Bonds Payable	3,600,000	4,800,000
Total Noncurrent Liabilities	41,877,169	39,273,729
TOTAL LIABILITIES	53,988,289	43,304,257
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	1,482,867	2,259,124
Deferred Inflows Related to Other Post Employment Benefits	10,191,111	5,996,130
Total Deferred Inflows of Resources	11,673,978	8,255,254
NET POSITION		
Net investment in capital assets	47,998,269	36,646,728
Restricted		
Expendable		
Financial Aid and Scholarships	11,840	679,237
Unrestricted	(24,225,519)	(16,512,606)
TOTAL NET POSITION	$ 23,784,590	$ 20,813,359

The notes to the financial statements are an integral part of this statement.

EXHIBIT 1-1

TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,442,877	$ 499,196
Total Current Assets	1,442,877	499,196
Non-Current Assets		
Capital Assets (Net)	854,888	2,621
Investments	5,138,928	4,892,593
Total Non-Current Assets	5,993,816	4,895,214
TOTAL ASSETS	$ 7,436,693	$ 5,394,410
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 2,000	$ 19,646
Total Current Liabilities	2,000	19,646
NET ASSETS		
Without Donor Restrictions:		
Designated for Capital Assets	854,888	2,621
Designated for Capital Projects	16,161	79,994
Designated for Student Aid	1,529,549	801,571
Unrestricted	33,979	53,793
	2,434,577	937,979
With Donor Restrictions	5,000,116	4,436,785
Total Net Assets	7,434,693	5,374,764
TOTAL LIABILITIES & NET ASSETS	$ 7,436,693	$ 5,394,410

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
REVENUES		
Operating revenues		
Pledged Revenues:		
Tuition and Fees (net of $7,528,191 and $8,093,367 in discounts)	$ 7,249,164	$ 7,768,319
Auxiliary Enterprises (net of $1,621,960 and $1,918,918 in discounts)	3,141,406	2,830,442
Federal Grants and Contracts	717,067	549,552
State Grants and Contracts	1,003,422	585,685
Non-Government Grants and Contracts	31,842	35,209
Sales and Service of Educational Activities	159,082	198,300
Miscellaneous Operating Revenues	177,132	149,610
Total Operating Revenues	12,479,115	12,117,117
EXPENSES		
Operating expenses		
Instruction	17,824,482	17,086,115
Public Service	621,199	601,219
Academic Support	5,968,427	6,350,299
Student Services	4,435,958	4,448,967
Institutional Support	5,891,426	5,141,945
Operations and Maintenance of Plant	2,831,384	2,885,521
Scholarship and Fellowships (net of $9,150,151 and $10,012,285 in discounts)	4,278,320	3,741,771
Auxiliary Enterprises	4,997,476	6,094,510
Depreciation	1,933,496	1,573,026
Total Operating Expenses	48,782,168	47,923,373
Operating (Loss)	(36,303,053)	(35,806,256)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations (non-capital)	14,893,335	15,998,974
Property Taxes	15,339,294	14,298,413
Federal Revenue, Non-Operating	8,646,211	8,728,820
Payments for Collection of Taxes	(391,148)	(389,574)
Gifts	474,774	560,719
Other Non-Operating Revenue	316,811	154,264
Investment Income	91,667	94,167
Debt issue costs	-	(24,307)
Loss on Disposal of Fixed Asset	-	(88,101)
Interest on Capital Related Debt	(96,660)	(55,192)
Total Non-Operating Revenues (Expenses)	39,274,284	39,278,183
Increase in Net Position	2,971,231	3,471,927
Net Position, Beginning of the Year (as originally stated)	20,813,359	48,993,700
Prior Period Adjustment	-	(31,652,268)
Net Position, Beginning of the Year (as restated)	20,813,359	17,341,432
Net Position, End of the Year	$ 23,784,590	$ 20,813,359

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2-1

TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Contributions and Fund-Raising (net)	$ 3,690	$ -	$ 3,690	$ 3,269	$ -	$ 3,269
Unrealized Gain (loss)						
on Investments	-	(176,556)	(176,556)	-	78,957	78,957
Realized Gain (Loss)	-	49,130	49,130	-	29,069	29,069
Special Events	13,108	16,190	29,298	-	12,225	12,225
Investment Income	139,476	-	139,476	107,492	-	107,492
Gifts	12,804	2,764,146	2,776,950	881,567	608,901	1,490,468
Net Assets						
Released from Restrictions	2,089,579	(2,089,579)	-	563,217	(563,217)	-
Total Revenues	2,258,657	563,331	2,821,988	1,555,545	165,935	1,721,480
EXPENSES						
Scholarships	258,327	-	258,327	112,353	-	112,353
Contributions to TVCC and Affiliated Organizations	454,077	-	454,077	520,031	-	520,031
General and Administrative	47,032	-	47,032	40,200	-	40,200
Loss on Disposal	2,623	-	2,623	-	-	-
Fundraising	-	-	-	4,520	-	4,520
Total Expenses	762,059	-	762,059	677,104	-	677,104
Change in Net Assets	1,496,598	563,331	2,059,929	878,441	165,935	1,044,376
Net Assets, September 1	937,979	4,436,785	5,374,764	59,538	4,270,850	4,330,388
Net Assets, August 31	$ 2,434,577	$ 5,000,116	$ 7,434,693	$ 937,979	$ 4,436,785	$ 5,374,764

The notes to the financial statements are an integral part of this statement.

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	$ 21,925,767	$ 16,464,107
Receipt of grants and contracts	1,753,616	1,326,908
Receipt from auxiliary enterprises	2,845,474	2,830,442
Loans issued to students	(772,858)	(528,108)
Collection of loans to students	788,769	404,016
Receipt from other operating revenues	336,214	31,850
Payments for scholarships and fellowships	(11,325,631)	(11,257,272)
Payments for salaries and benefits to employees	(24,741,885)	(27,080,257)
Payments to suppliers for goods and services	(18,390,329)	(11,123,638)
Net cash used in operating activities	(27,580,863)	(28,931,952)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt from state educational contracts	11,438,271	11,881,565
Receipts from non-operating federal revenue	8,251,258	8,908,096
Property tax revenues	15,238,734	14,271,089
Payment for collection of taxes	(391,148)	(389,342)
Receipts from non-capital grants and contracts	-	43,356
Receipts from student organizations	7,382,526	7,247,551
Payments to student organizations	(7,348,363)	(7,224,475)
Net cash provided by noncapital financing activities	34,571,278	34,737,840
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets and construction costs	(11,835,428)	(4,278,328)
Bond proceeds	-	6,000,000
Issuance costs on debt	-	(24,307)
Payments on contingent liability	(133,990)	-
Payments on contractual commitments	(66,667)	-
Principal payments on capital related debt	(1,225,000)	(104,498)
Interest on capital related debt	(96,660)	(55,192)
Contributions received for capital related financing	791,585	596,863
Net cash (used in) provided by capital and related financing activities	(12,566,160)	2,134,538
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,182,472)	-
Investment income	91,667	154,560
Net cash (used in) provided by investing activities	(9,090,805)	154,560
Increase (decrease) in cash and cash equivalents	(14,666,550)	8,094,986
Cash and cash equivalents, September 1	24,180,719	16,085,733
Cash and cash equivalents, August 31	$ 9,514,169	$ 24,180,719
Reconciliation of cash on Exhibit 1:		
Cash and cash equivalents - current	$ 7,886,470	$ 17,479,706
Cash and cash equivalents - noncurrent	1,627,699	6,701,013
Total cash and cash equivalents	$ 9,514,169	$ 24,180,719

(Continued)

The notes to the financial statements are an integral part of this statement.

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018

Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (35,987,964)	$ (35,806,256)
Adjustments to reconcile operating loss to net cash used		
by operating activities:		
Depreciation	1,933,496	1,573,026
Bad debt expense	262,479	289,719
Payments made directly by state for benefits	3,455,064	2,493,449
(Increase) decrease in assets		
Receivables (net)	(1,511,065)	848,068
Inventory	(55,626)	(27,991)
Prepaid expenses	(4,788,154)	(22,417)
Deferred outflows on pensions	3,205,314	2,126,080
Deferred outflows on other post employment benefits	776,257	(823,959)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(4,565,776)	231,730
Unearned revenues	6,263,502	7,057
Deferred inflows on pensions	3,065,682	(1,668,299)
Deferred inflows on other post employment benefits	4,194,981	5,996,130
Pension liability	(4,560,982)	(1,042,748)
Other post employment benefits liability	789,691	(3,124,488)
Compensated absences	(57,762)	18,947
Net cash used in operating activities	$ (27,580,863)	$ (28,931,952)

The notes to the financial statements are an integral part of this statement.

NOTE 1 — REPORTING ENTITY

Trinity Valley Community College (TVCC) was established in 1946, in accordance with the laws of the State of Texas, to serve the educational needs of Trinity Valley Community College District and the surrounding communities. TVCC is considered to be a special purpose, primary government according to the definition in *Governmental Accounting Standards Board (GASB) Statement No. 14* and as amended by *GASB Statement No. 61*. While TVCC receives funding from local, state, and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

Discrete Component Unit

The Trinity Valley Community College Foundation (Foundation) is a legally separate, tax-exempt component unit of TVCC. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to TVCC in support of its educational programs and student services. The Foundation is a non-governmental entity and follows accounting standards set forth by the *Financial Accounting Standards Board (FASB*). Although TVCC does not control the timing or the amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests is restricted to the activities of TVCC. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, TVCC, the Foundation is considered a component unit of TVCC and is discretely presented in TVCC's financial statements.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

Basis of Accounting

The financial statements of TVCC have been prepared on the accrual basis of accounting as appropriate for public colleges and universities. Under the accrual basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 §56.033). 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.

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

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

Budgetary Data

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB 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. Long-term investments have an original maturity of greater than one year at the time of purchase.

Deferred Outflows

TVCC is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and is not recognized as an outflow of resources (expense) until that time. GASB standards authorize the reporting on deferred outflows in connection with the timing of pension activity, other postemployment benefit activity, and reporting.

Allowance for Doubtful Accounts

The allowance for doubtful accounts for accounts receivable, taxes receivable and notes receivable is based on management's estimate of the anticipated collectability of the respective accounts.

Capital Assets

Capital assets include land, infrastructure, buildings, improvements, and equipment. TVCC's board voted to set a capitalization policy for assets with a unit cost of $5,000 and an estimated useful life of greater than one year. Such assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or significantly extend an asset's useful life are charged to expense when incurred. Costs incurred for capital projects are included in construction in progress until the project is completed at which time the asset is properly categorized and depreciated over its estimated useful life.

Capital assets of TVCC are depreciated using the straight-line and composite methods over the following useful lives.

Assets	Years
Buildings and renovations	50
Improvements including re-roofing	20
Library Books	15
Machinery and Vehicles	10
Equipment	5

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

The fiduciary net position of the Employee Retirement System (ERS) State Retiree Health Plan (SRHP) 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Prior Year Restatement

In connection with the implementation of GASB Statement 75, a restatement to beginning net position was made for the year ending August 31, 2018 for the recording of the beginning net OPEB liability.

Beginning net position	$	48,993,700
Prior period adjustment implementation of GASB 75:		
Net OPEB liability (measurement date as of August 31, 2017)		(31,652,268)
Beginning net position, as restated	$	17,341,432

Unearned Revenues

TVCC has recorded tuition and related fees as well as housing and related fees in the amount of $7,759,538 and $1,261,222 as of August 31, 2019 and 2018 in the statement of net position. These amounts represent revenues for the subsequent fall semesters that are recognized in revenues in the subsequent fiscal years.

Tax Abatements

There were no material tax abatement agreements in place for the years ended August 31, 2019 and 2018 based on the forgiven tax revenues as a percentage of the total tax revenues for each year.

Deferred Inflows

TVCC is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. GASB standards authorize the reporting on deferred inflows in connection with the timing of pension activity, other postemployment benefit activity, and reporting.

Estimates

Preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires TVCC's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Operating and Non-Operating Revenue and Expense Policy

TVCC distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing goods and related services in connection with the TVCC's ongoing operations to provide educational needs to its students and community. The principal operating revenues of the TVCC are tuition and fees along with auxiliary revenues. The major non-operating revenues are state appropriations, property tax collections and Title IV financial aid. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

NOTE 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) obligations 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.

NOTE 4 — DEPOSITS AND INVESTMENTS

As of August 31, 2019 and 2018, TVCC had the following deposits and investments:

	August 31, 2019		August 31, 2018	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Depository Accounts				
Insured	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
Collateral held by pledging bank's trust department in District's name	8,513,416	11,215,834	23,175,638	25,034,348
Total Deposits	9,513,416	12,215,834	24,175,638	26,034,348
Petty cash on hand	753	-	5,081	-
Total Cash and Cash Equivalents	$ 9,514,169	$ 12,215,834	$ 24,180,719	$ 26,034,348
Investments				
Texas Trust Credit Union (12 Months) CD	$ 1,529,430	$ 1,529,430	$ -	$ -
Texas Trust Credit Union (19 Months) CD	6,121,573	6,121,573	-	-
Texas Trust Credit Union (9 Months) CD	1,531,469	1,531,469	-	-
Total Investments	$ 9,182,472	$ 9,182,472	$ -	$ -

The Trinity Valley Community College Foundation had the following deposits as of the date indicated:

	August 31, 2019		August 31, 2018	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Depository Accounts				
Insured	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
Collateral held by pledging bank's trust department in Foundation's name	442,877	1,443,702	(500,804)	499,195
Total Deposits	1,442,877	2,443,702	499,196	1,499,195
Total Cash and Cash Equivalents	$ 1,442,877	$ 2,443,702	$ 499,196	$ 1,499,195

The amortized cost and estimated fair values of investments were as follows as of the date indicated:

August 31, 2019:	Cost	Fair Value
TVCC:		
Certificates of Deposit	$ 9,182,472	$ 9,182,472
TVCC Foundation:		
Certificates of Deposit	155,266	155,266
Stocks	1,799,644	2,040,873
Bonds:		
Federal Agency	292,887	292,472
Municipal	679,690	687,574
Corporate	1,957,540	1,962,743
Total Foundation	4,885,027	5,138,928
Total College and Foundation	$ 14,067,499	$ 14,321,400

August 31, 2018:	Cost	Fair Value
TVCC:		
Certificates of Deposit	$ -	$ -
TVCC Foundation:		
Certificates of Deposit	304,484	304,484
Stocks	1,375,373	1,830,791
Bonds:		
Federal Agency	268,050	263,570
Municipal	661,590	657,398
Corporate	1,852,640	1,836,350
Total Foundation	4,462,137	4,892,593
Total College and Foundation	$ 4,462,137	$ 4,892,593

Interest Rate Risk – To reduce exposure to changes in interest rates that could adversely affect the fair value of investments, Trinity Valley Community College’s investment policy states that the use of final and weighted-average-maturity limits and diversification will be used.

Custodial Credit Risk – This is the risk that, in the event of the failure of the counterparty to a transaction, TVCC would not be able to recover the value of its investment of collateral securities that are in the possession of an outside third party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College and are held by the counterparty, its trustor agent, but not in the College's name. TVCC is not exposed to custodial credit risk because all securities held by TVCC's custodial banks are in the College's name.

Credit Risk and Concentration of Credit Risk – In accordance with State law and TVCC's investment policy, investments in commercial paper must be rated at least A-1 or P-1 by a nationally recognized credit rating agency. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific user. TVCC's investment policy does not place a limit on the amount the college may invest in any one issuer.

NOTE 5 — FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are valuations for which one or more significant inputs are observable and may include situations where there is minimal if any, market activities for the asset.

If the fair value is measured using inputs from different levels in the fair value hierarchy, the measurement should be categorized based on the lowest priority input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following is a description of the valuation methodologies used by Trinity Valley Community College for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2019 and 2018:

Certificates of Deposit:	Valued at cost plus accumulated interest, which approximates fair value.
Stocks:	Valued at the closing price reported in the active market in which the individual securities are traded.
Bonds:	Valued at the closing price reported for comparable securities in active markets.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, TVCC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, TVCC's assets at fair value as of August 31, 2019:

	Level 1	Level 2	Level 3
TVCC:			
Certificates of Deposit	$ 9,182,472	$ -	$ -
TVCC Foundation:			
Certificates of Deposit	155,266	-	-
Stocks	2,040,873	-	-
Bonds:			
Federal Agency	-	292,472	-
Municipal	-	687,574	-
Corporate	-	1,962,743	-
Total Foundation	2,196,139	2,942,789	-
Total College and Foundation	$ 11,378,611	$ 2,942,789	$ -

The following table sets forth by level, within the fair value hierarchy, TVCC's assets at fair value as of August 31, 2018:

	Level 1	Level 2	Level 3
TVCC:			
Certificates of Deposit	$ -	$ -	$ -
TVCC Foundation:			
Certificates of Deposit	304,484	-	-
Stocks	1,830,791	-	-
Bonds:			
Federal Agency	-	263,570	-
Municipal	-	657,398	-
Corporate	-	1,836,350	-
Total Foundation	2,135,275	2,757,318	-
Total College and Foundation	$ 2,135,275	$ 2,757,318	$ -

NOTE 6 — DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables at August 31, 2019 and August 2018, were as follows:

	08-31-19	08-31-18
Student tuition and fees receivable (net of allowance for doubtful accounts of $698,859 and $703,754, respectively)	$ 1,941,221	$ 943,974
Taxes receivable (net of allowance for doubtful accounts of $54,254 and $107,015, respectively)	1,055,621	955,061
Local, Federal, and State receivable (net of allowance for doubtful accounts of $834,038 and $730,108, respectively)	601,806	270,602
Other receivables	23,104	24,115
Total Receivables	$ 3,621,752	$ 2,193,752

Accounts payable and accrued liabilities at August 31, 2019 and August 2018, were as follows:

	08-31-19	08-31-18
Vendors payable	$ 1,555,307	$ 1,033,954
Salaries and benefits payable	1,367,446	83,677
Sales tax payable	64,067	59,166
Total Accounts Payable and Accrued Liabilities	$ 2,986,820	$ 1,176,797

The Foundation had accounts payable and accrued liabilities balances of $2,000 and $19,646 for August 31, 2019 and 2018, respectively. These balances were comprised solely of vendors payable.

NOTE 7 — CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2019 was as follows:

	Balance September 1, 2018	Additions	Reductions	Balance August 31, 2019
Non Depreciated Assets				
Land	$ 2,587,769	$ -	$ -	$ 2,587,769
Construction in progress	3,994,264	11,314,989	127,037	15,182,216
Subtotal	6,582,033	11,314,989	127,037	17,769,985
Other Capital Assets				
Leasehold Improvements	712,811	-	-	712,811
Buildings	48,784,262	-	-	48,784,262
Facilities & Improvements	2,588,772	349,802	-	2,938,574
Library Books	2,491,179	68,027	12,048	2,547,158
Furniture, Machinery, And Equipment	5,068,950	460,854	-	5,529,804
Computer Equipment	3,074,021	-	-	3,074,021
Subtotal	62,719,995	878,683	12,048	63,586,630
Total Capital Assets	69,302,028	12,193,672	139,085	81,356,615
Accumulated Depreciation				
Leasehold Improvements	154,120	66,826	-	220,946
Buildings	16,857,835	1,165,365	-	18,023,200
Facilities & Improvements	1,839,315	117,139	-	1,956,454
Library Books	1,857,101	78,373	5,450	1,930,024
Furniture, Machinery, And Equipment	3,210,912	347,451	-	3,558,363
Computer Equipment	2,636,017	158,342	-	2,794,359
Total Accumulated Depreciation	26,555,300	1,933,496	5,450	28,483,346
Net Capital Assets	$ 42,746,728	$ 10,260,176	$ 133,635	$ 52,873,269

As of August 31, 2019, TVCC has active construction projects. At year-end, the college's commitments with contractors are as follows:

Project	Spent To-Date	Estimated Remaining Commitment
Terrell Health Science Center	$ 11,499,900	$ 4,242,000
Gas and Water Repairs	145,724	175,000
North East Hall Remodel	412,956	150,000
Athens EOC/Park - Cardinal Fitness Center	373,926	15,000
Telecommunications Improvements	1,196,310	252,156
Cardinal Gym Bleachers	470,113	30,000
Johns Clock Tower	206,028	150,000
Performing Arts Remodel	78,274	5,000
Terrell Building Improvements	765,255	35,000
Various Building Improvements	33,730	150,000

Capital asset activity for the year ended August 31, 2019 was as follows for the Foundation:

	Balance September 1, 2018	Additions	Reductions	Balance August 31, 2019
Non Depreciated Assets				
Land	$ -	$ 854,888	$ -	$ 854,888
Subtotal	-	854,888	-	854,888
Other Capital Assets				
Buildings	26,214	-	26,214	-
Subtotal	26,214	-	26,214	-
Total Capital Assets	26,214	854,888	26,214	854,888
Accumulated Depreciation	23,593	-	23,593	-
Net Capital Assets	$ 2,621	$ 854,888	$ 2,621	$ 854,888

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

	Balance September 1, 2017	Additions	Reductions	Balance August 31, 2018
Non Depreciated Assets				
Land	$ 2,587,769	$ -	$ -	$ 2,587,769
Construction in progress	628,958	3,447,908	82,602	3,994,264
Subtotal	3,216,727	3,447,908	82,602	6,582,033
Other Capital Assets				
Leasehold Improvements	706,066	6,745	-	712,811
Buildings	48,450,957	405,925	72,620	48,784,262
Facilities & Improvements	2,588,772	-	-	2,588,772
Library Books	2,706,287	71,122	286,230	2,491,179
Furniture, Machinery, And Equipment	4,770,861	317,705	19,616	5,068,950
Computer Equipment	2,909,746	164,275	-	3,074,021
Subtotal	62,132,689	965,772	378,466	62,719,995
Total Capital Assets	65,349,416	4,413,680	461,068	69,302,028
Accumulated Depreciation				
Leasehold Improvements	87,968	66,152	-	154,120
Buildings	15,800,457	1,059,557	2,179	16,857,835
Facilities & Improvements	1,734,815	104,500	-	1,839,315
Library Books	2,044,722	80,948	268,569	1,857,101
Furniture, Machinery, And Equipment	2,853,181	377,347	19,616	3,210,912
Computer Equipment	2,461,131	174,886	-	2,636,017
Total Accumulated Depreciation	24,982,274	1,863,390	290,364	26,555,300
Net Capital Assets	$ 40,367,142	$ 2,550,290	$ 170,704	$ 42,746,728

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

	Balance September 1, 2017	Additions	Reductions	Balance August 31, 2018
Buildings	$ 26,214	$ -	$ -	$ 26,214
Accumulated Depreciation	23,593	-	-	23,593
Net Capital Assets	$ 2,621	$ -	$ -	$ 2,621

NOTE 8 — LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds					
2017 Revenue Bond Series	$ 6,000,000	$ -	$ 1,200,000	$ 4,800,000	$ 1,200,000
Capital Leases					
EOC/PARK Capital Lease	100,000	-	25,000	75,000	25,000
Contract Agreements					
Contractual Commitments	1,219,333	207,111	66,667	1,359,777	181,941
Other Liabilities					
Contingent Liabilities	277,821	-	133,990	143,831	143,831
Compensable Absences	430,285	57,762	-	488,047	48,805
Net OPEB Liability	27,118,949	6,043,033	6,832,724	26,329,258	-
Net Pension Liability	5,719,850	5,190,197	629,215	10,280,832	-
Total Other Liabilities	33,546,905	11,290,992	7,595,929	37,241,968	192,636
Total Long-term Liabilities	$ 40,866,238	$ 11,498,103	$ 8,887,596	$ 43,476,745	$ 1,599,577

Long-term liability activity for the year ended August 31, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds					
2017 Revenue Bond Series	$ -	$ 6,000,000	$ -	$ 6,000,000	$ 1,200,000
Capital Lease					
EOC/PARK Capital Lease	125,000	-	25,000	100,000	25,000
Contract Aggrements					
Contractual Commitments	1,235,750	52,751	69,167	1,219,334	190,492
Other Liabilities					
Contingent Liabilities	-	277,821	-	277,821	133,990
Compensable Absences	411,338	18,947	-	430,285	43,028
Net OPEB Liability	-	27,118,949	-	27,118,949	-
Net Pension Liability	6,762,598	-	1,042,748	5,719,850	-
Total Other Liabilities	7,173,936	27,415,717	1,042,748	33,546,905	177,018
Total Long-term Liabilities	$ 8,534,686	$ 33,468,468	$ 1,136,915	$ 40,866,239	$ 1,592,510

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

NOTE 9 — BONDS PAYABLE

Bonds payable as of August 31, 2019 and August 31, 2018 are comprised of the following:

	8-31-19	8-31-18
Consolidated Fund Revenue Bond, Series 2017, issued for the purpose of providing funds to construct, improve and equip instructional facilities for health sciences, including the acquisition of land, issued October 26, 2017 for $6,000,000, plus premium of $323,692: all authorized notes have been issued.	$ 4,800,000	$ 6,000,000
Net Outstanding Bonds Payable	$ 4,800,000	$ 6,000,000

Bonds are due in annual principal installments varying from $10,740 to $1,275,180 with an interest rate of 1.79% with the final installments due in 2023.

Debt service requirements at August 31, 2019 were as follows:

Year Ending 8/31	Principal Due 11/1 or 5/1	Interest Rates	Interest Due 11/1	Interest Due 5/1	Total Principal and Interest Requirements
2020	$ 1,200,000	1.79	$ 42,960	$ 32,220	$ 1,275,180
2021	1,200,000	1.79	32,220	21,480	1,253,700
2022	1,200,000	1.79	21,480	10,740	1,232,220
2023	1,200,000	1.79	10,740	-	1,210,740
	$ 4,800,000		$ 107,400	$ 64,440	$ 4,971,840

NOTE 10 — CAPITAL LEASES

Trinity Valley Community College has entered into a lease agreement as the lessee in connection with the purchase of 12.47 acres adjacent to its Athens campus location. This lease qualifies as a capital lease for accounting purposes and the assets acquired was land totaling $125,000.

The future minimum lease obligations as of August 31, 2019 were as follows:

Year Ending August 31	Total Payments
2020	$ 25,000
2021	25,000
2022	25,000
Total minimum lease payments	75,000
Less: interest costs	-
Present value of minimum lease payments	$ 75,000

NOTE 11 — EMPLOYEES' RETIREMENT PLAN

Defined Benefit Pension Plan

Plan Description

TVCC participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan 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 www.trs.texas.gov.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent 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. The 85th Texas Legislature, General Appropriations Act (GAA), established the employer contribution rates for fiscal years 2018 and 2019.

Contribution Rates

	2019	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

FY 2019 Employer Contributions	$ 629,215
FY 2019 NECE On-behalf Contributions	$ 444,110

TVCC's contributions to the TRS pension plan in fiscal year 2019 were $629,215 as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for fiscal year 2019 were $444,110.

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

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return*	7.25%
Municipal Bond Rate*	3.69%*
Last year ending August 31 in the 2016 to 2115 Projection period (100 years)	2116
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

** Source for the rate is the Fixed Income Market/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the system's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to the change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net 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 6.907 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U. S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag			-0.79%
Total	100.00%		7.25%

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

Source: Teacher Retirement System of Texas 2018 Comprehensive Annual Financial Report

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Trinity Valley Community College's proportionate share of the net pension liability	$15,516,240	$10,280,832	$6,024,458

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2019, Trinity Valley Community College reported a liability of $10,280,832 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Trinity Valley Community College. The amount recognized by TVCC as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with TVCC were as follows:

TVCC Proportionate share of the collective net OPEB liability	$ 10,280,832
State's proportionate share that is associated with TVCC	7,260,901
Total	$ 17,541,733

The net pension liability was measured as of August 31, 2018, 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, 2017 thru August 31, 2018.

At the measurement date of August 31, 2018, the employer's proportion of the collective net pension liability was .018678 percent which was an increase of .0007893 percent from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019, Trinity Valley Community College recognized pension expense of $718,636 and revenue of $718,636 for support provided by the State. Refer to the 2019 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB Statements 67 and 68.

At August 31, 2019, Trinity Valley Community 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 the expected and actual economic experience	$ 64,082	$ 252,251
Changes in actuarial assumptions	3,706,735	115,835
Net difference between projected and actual investment earnings	534,287	729,359
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	231,430	385,422
Contributions paid to TRS subsequent to the measurement date	520,090	-
Total	$ 5,056,624	$ 1,482,867

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

Year ended August 31:	Pension Expense Amount
2019	$ 742,211
2020	331,701
2021	248,637
2022	642,476
2023	655,204
Thereafter	433,438
	$ 3,053,667

NOTE 12 — OPTIONAL RETIREMENT PLAN – DEFINED CONTRIBUTION PLAN

Plan Description

Participation in the Optional Retirement Program is in lieu of participation in the TRS retirement program. 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 Legislature. The percentages of participant salaries currently contributed by the state and each participant are (3.234 percent – State; 3.37 percent - District) and (6.65 percent), respectively. TVCC contributes 1.90 percent for employees who are 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. SB 1812, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

The retirement expense to the state for TVCC was $110,649 and $119,988 for the fiscal years ended August 31, 2019 and 2018, respectively. This amount represents the portion of expenses appropriations made by the Legislature on behalf of TVCC. The total payroll for all TVCC employees was $21,189,443 and $21,180,511 for fiscal years ended August 31, 2019 and 2018, respectively. The total payroll of employees covered by the TRS was $15,691,874 and $15,270,409, and the total payroll of employees covered by the Optional Retirement Program was $3,776,008 and $4,154,182 for the fiscal years ended August 31, 2019 and 2018, respectively.

NOTE 13 — DEFERRED COMPENSATION PLAN

TVCC employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Texas Government Code 609.001. The employees' investments are held in tax-deferred annuity plans pursuant to Internal Revenue Code Section 403(b). Employees also have the option to defer a portion of their earnings for tax treatment pursuant to IRC Section 457(g)(3). For the year ended August 31, 2019, TVCC withheld and remitted $210,897 for 37 employees. For the year ended August 31, 2018, TVCC withheld and remitted $158,364 for 25 employees.

NOTE 14 — COMPENSABLE ABSENCES

Full-time non-faculty employees earn annual vacation leave of one day per month of employment during their first ten years of employment. After ten years of employment annual leave is earned at the rate of one and one-half days per month. This leave can accumulate up to one year. Nonexempt employees may receive compensatory time off, rather than overtime pay, for overtime work. Compensatory time may not accrue beyond a maximum of 75 hours and should be used within the duty year in which it is earned. Faculty employees are allowed two personal days per contract year. Personal days do not carry over to subsequent contract years, but effective with the contract year beginning September 1, 2009, are paid upon termination or separation of employment. Compensable absence balances have been recorded. TVCC recognized the accrued liability for unused annual vacation leave, compensatory time and personal days in the amounts of $488,047 and $430,285 for 2019 and 2018. Also, all full-time employees are granted sick leave at the rate of one day per month of service up to 45 days depending on length of employment. If this leave is not used for medical purposes, it lapses upon the retirement or resignation of the employee and the employee is not paid for it. Therefore, no accrued liability has been recorded for sick leave.

NOTE 15 — PENDING LAWSUITS AND CLAIMS

From time to time, TVCC is named as a defendant in legal actions arising out of the ordinary course of business. There were no such legal actions as of August 31, 2019 that are required to be disclosed in the financial statements.

NOTE 16 — OPERATING LEASE COMMITMENTS

Trinity Valley Community College leases various equipment (copier machines) under annual cancelable operating leases. The combined annual expenditures for operating leases during the fiscal year ended August 31, 2019 was $48,714.

TVCC's obligations under operating leases at August 31, 2019 were as follows:

Year Ending August 31	Total Payments
2020	$ 50,332
2021	50,332
2022	49,038
Total minimum lease payments	$ 149,702

NOTE 17 — POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Trinity Valley Community College participates in a cost-sharing, multiple-employer, other postemployment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, like, and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least ten years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

OPEB Plan Fiduciary Net Position

Detailed information about the GBP's fiduciary net position is available in a separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained on the Internet at https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

Benefits Provided

Retiree health benefits offered through GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participants in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of the ERS staff and consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated, and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

The following table summarizes the maximum monthly employer contribution toward eligible retiree's health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Maximum monthly contribution by the employer for fiscal year 2019 are as follows:

Retiree only	$ 621.90
Retiree & Spouse	1,334.54
Retiree & Children	1,099.06
Retiree & Family	1,811.70

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

	08/31/19	08/31/18
Employer Contributions	$ 272,755	$ 708,942
Member (Employee) Contributions	180,448	155,843
NECE On-behalf Contributions	14,734	36,685

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	August 31, 2018
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Marked to Market
Actuarial Assumptions:	
Discount Rate	3.96%
Inflation	2.50%
Salary Increases including inflation	0.00% to 9.50%
Healthcare Cost Trend Rates	7.30% for FY 20, 7.40% for FY 21, 7.00% for FY 22, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 27 and later years
Ad hoc Post-employment Benefit Changes	None

Mortality assumptions:	
Service retirees, survivors, and other inactive members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.
Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a three year set forward and minimum mortality rates of four per one hundred male members and two per one hundred female members.
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Source: FY 2018 ERS CAFR except for mortality assumptions obtained from ERS FY 2018 GASB 74 Actuarial Valuation

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period of September 1, 2010 to August 31, 2017 for higher education members.

Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

Discount Rate

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of 0.45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with twenty years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corporation's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis

The following schedule shows the impact on TVCC's proportionate share of collective net OPEB liability if the discount rate used was 1 percent greater than the discount rate that was used (3.96%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.96%)	Current Discount Rate (3.96%)	1% Increase in Discount Rate (4.96%)
Trinity Valley Community College's proportionate share of the net OPEB liability	$31,258,955	$26,329,258	$22,598,031

Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 7.30% and the ultimate rate is 4.50%. The following schedule shows the impact on TVCC's proportionate share of the collective net OPEB Liability is the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used in measuring the net OPEB Liability.

	1% Decrease (6.30 decreasing to 3.50%)	Current Healthcare Cost Trend Rates (7.30% decreasing to 4.50%)	1% Increase (9.30% decreasing to 5.50%)
Trinity Valley Community College proportionate share of the net OPEB liability	$22,297,476	$26,329,258	$31,530,263

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

At August 31, 2019, Trinity Valley Community College reported a liability of $26,329,258 for its proportionate share of the ERS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to TVCC for OPEB. The amount recognized by TVCC as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Trinity Valley Community College were as follows:

TVCC District Proportionate share of the collective net OPEB liability	$ 26,329,258
State's proportionate share that is associated with TVCC	20,778,847
Total	$ 47,108,105

The net OPEB liability was measured as of August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period of September 1, 2017 through August 31, 2018.

At the measurement date of August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.08883692%, which was 0.00924622% greater than the proportion measured as of August 31, 2017.

For the year ended August 31, 2019, Trinity Valley Community College recognized OPEB expense of $123,522 and revenue of $123,522 for support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Demographic assumptions (including rates or retirement, disability, termination and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary.

- Assumed expenses, assumed per capita health benefit costs, and assumed heath benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Changes in Benefit Terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary.

These minor benefit changes have been reflected in the fiscal year 2019 assumed per capita health benefit costs.

At August 31, 2019, Trinity Valley Community College reported its proportionate share of the ERS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between the expected and actual economic experience	$ -	$ 926,761
Changes in actuarial assumptions	-	8,567,766
Net difference between projected and actual investment earnings	11,536	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,594,320	696,584
Contributions paid to ERS subsequent to the measurement date	283,785	-
Total	$ 3,889,641	$ 10,191,111

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

Year ended August 31:	OPEB Expense Amount
2019	$ (1,810,729)
2020	(1,810,729)
2021	(1,810,729)
2022	(968,844)
2023	(184,223)
Thereafter	-
	$ (6,585,255)

NOTE 18 — PROPERTY TAXES

TVCC's 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 TVCC.

As of August 31, 2019:

Assessed Valuation of TVCC	$ 16,701,757,646
Less: Exemptions	5,227,871,042
Net Taxable Valuation of TVCC	$ 11,473,886,604

The authorized rates for the year ended August 31, 2019 were as follows:

	Current Operations	Total
Authorized Tax Rate per $100 valuation (Maximum per enabling legislation)	$ .19429	$ .19429
Assessed Tax Rate per $100 valuation for assessed	$ .13854	$ .13854
Assessed Tax Rate per $100 valuation for Branch Campus Maintenance	$ .05000	$ .05000

The authorized rates for the year ended August 31, 2018 were as follows:

	Current Operations	Total
Authorized Tax Rate per $100 valuation (Maximum per enabling legislation)	$ .19429	$ .19429
Assessed Tax Rate per $100 valuation for assessed	$ .13854	$ .13854
Assessed Tax Rate per $100 valuation for Branch Campus Maintenance	$ .05000	$ .05000

Taxes levied for the years ended August 31, 2019 and 2018 amounted to $15,088,168 and $14,131,380, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Tax collections for the year ended August 31, 2019 and 2018 were as follows:

	08-31-19	08-31-18
Current taxes collected	$ 14,740,102	$ 13,731,022
Delinquent taxes collected	385,736	343,696
Penalties and interest collected	213,456	214,705
Total Collections	$ 15,339,294	$ 14,289,413

Tax collections for the year ended August 31, 2019 and 2018 were approximately 97.57 percent and 97.44 percent, 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 for the use of maintenance and/or general obligation debt service.

A branch campus maintenance tax, which is established by election, is normally levied by a county or independent school district as applicable. However, due to an agreement between TVCC and the Palestine Independent School District, TVCC administers this tax, which is levied on property located in the Palestine Independent School District. The amount of collections (including penalties and interest) for fiscal year ending August 31, 2019 from Palestine ISD was $628,113. This amount is included in the preceding collection amounts.

NOTE 19 — INCOME TAXES

TVCC is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, etc. Organizations*. TVCC had no material unrelated business income tax liability for the years ended August 31, 2019 and 2018.

NOTE 20 — CONTRACTUAL AGREEMENTS

Trinity Valley Community College recorded contingent obligations under contractual commitments at August 31, 2019 were as follows:

Year Ending 8/31	Terrell Health Science Academy	City of Athens Scholarships	City of Terrell Scholarships	Aramark Contract	Total
2020	$ 17,324	$ 29,375	$ 68,575	$ 66,667	$ 181,941
2021	17,324	24,375	68,575	66,667	176,941
2022	17,324	24,375	68,575	66,667	176,941
2023	17,324	19,375	68,575	66,667	171,941
2024	17,324	-	68,575	49,998	135,897
2025	17,324	-	68,575	-	85,899
2026	17,324	-	68,575	-	85,899
2027	17,324	-	68,575	-	85,899
2028	17,324	-	68,575	-	85,899
2029	17,324	-	68,575	-	85,899
2030	17,324	-	-	-	17,324
2031	17,324	-	-	-	17,324
2032	17,324	-	-	-	17,324
2033	17,324	-	-	-	17,324
2034	17,325	-	-	-	17,325
	259,861	97,500	685,750	316,666	1,359,777

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

City of Athens and Terrell Scholarships – In 2017, TVCC entered into two agreements for the purchase of real property. Both agreements included, as a component of the purchase price, a contractual commitment to provide scholarships over a future time period. The purchase of the Armory/City Park property from the City of Athens, Texas included a commitment of ten scholarships per year for five years at an approximate value of $100,000. The purchase of the Terrell community hospital property from the City of Terrell, Texas included a commitment of twenty-five health science scholarships per year for ten years at an approximate value of $685,750.

Aramark Contract – In 2015, TVCC entered into a contract with its food service provider, Aramark, to install equipment and fixtures in the amount of $650,000, with the provision that if the contract was terminated, TVCC would repay the food services provider any unamortized balance.

Trinity Valley Community College has the following contractual agreements:

TVCC has a contract for the food services for students, faculty, staff, employees, and invited guests. The college awarded a new contract for food services effective June 1, 2014 through May 30, 2024. Under this agreement, the food service provider bills the college for mandatory resident meal plans plus other special events. For consideration for right to operate on campus, TVCC is paid commission rates as follows:

Revenue Category	Commission
Retail/Direct Sales	10% of the first $250,000 of net receipts in tier; 15% of net receipts in excess of $250,000
Catering	10% of net receipts
Concessions	17% of net receipts

TVCC participates in a tax increment financing agreement under Chapter 311 of the Texas Tax Code through the City of Chandler Tax Reinvestment Zone No. 1. The Reinvestment Zone was created on December 8, 2015 for the purpose of promoting the development of an area of Chandler, Texas that was determined would not develop solely through private investment in the foreseeable future.

NOTE 21 – SUBSEQUENT EVENTS

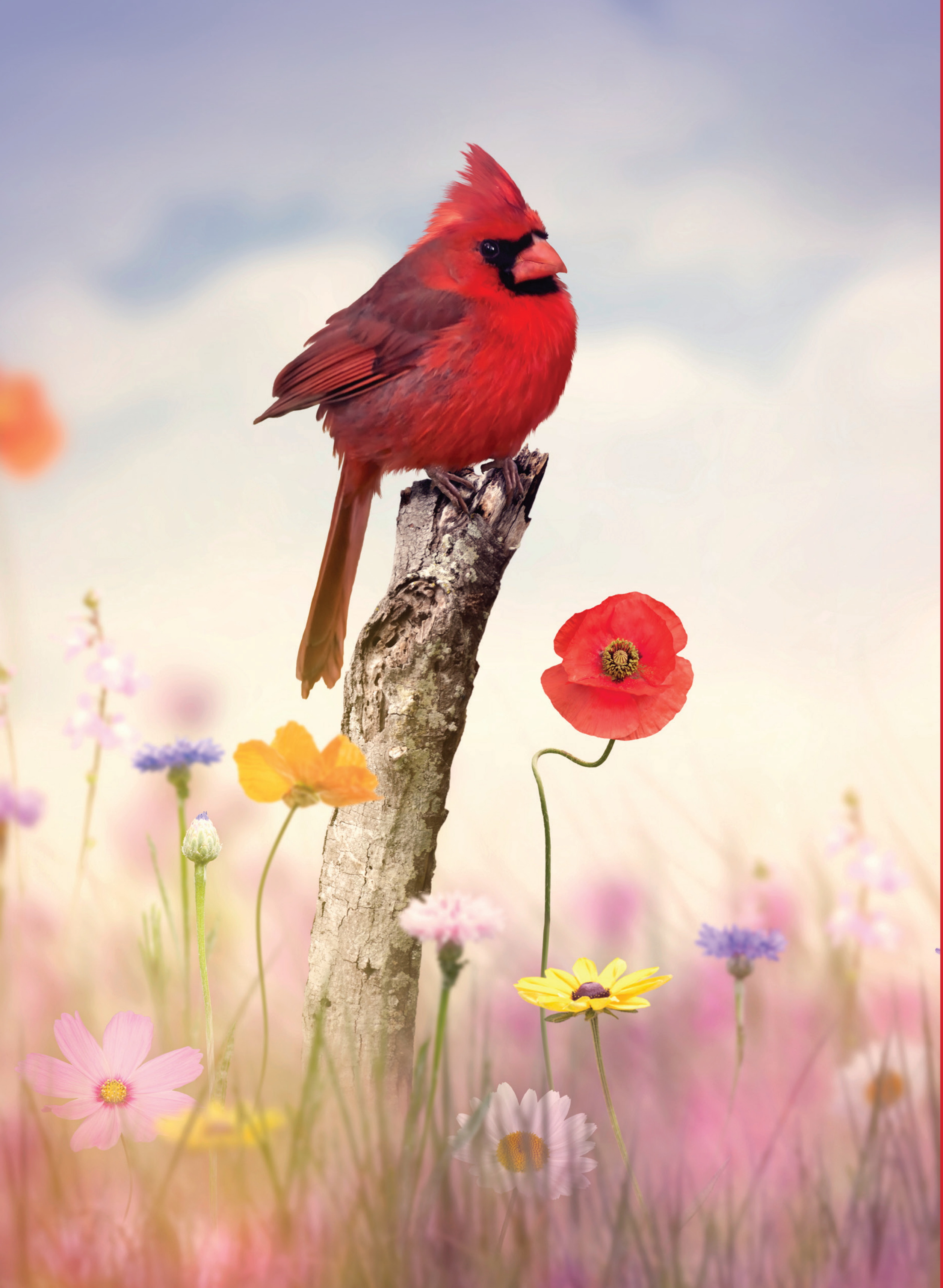
Subsequent events have been evaluated through December 13, 2019, the date which the financial statements were available to be issued.

TVCC

TRINITY VALLEY COMMUNITY COLLEGE

TRINITY VALLEY
COMMUNITY COLLEGE

Athens Kaufman Palestine Terrell



REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS PENSION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

Fiscal year ending August 31,	**2019**	**2018**	**2017**	**2016**	**2015**
TRS net position as percentage of total pension liability	73.74%	80.50%	79.70%	80.20%	80.25%
TVCC's proportionate share of collective net pension liability (%)	0.0186780%	0.0178887%	0.0178952%	0.0185170%	0.0204755%
TVCC's proportionate share of collective net pension liability ($)	10,280,832	5,719,850	6,762,598	6,545,512	5,469,289
Portion of NECE's total proportionate share of NPL associated with TVCC	7,260,901	4,355,356	5,095,729	4,900,394	3,976,221
Total	17,541,733	10,075,206	11,858,327	11,445,906	9,445,510
Trinity Valley Community College covered payroll	15,270,409	14,783,586	14,168,817	13,665,170	12,723,591
Ratio of: ER Proportionate share of collective NPL/ER's covered payroll amount	67.33%	38.69%	47.73%	47.90%	42.99%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be displayed as they become available.
The amounts presented above are as of the measurement date of the collective net pension liability, which is the prior fiscal year's 8/31.

SCHEDULE 2

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
TEACHERS PENSION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

Fiscal year ending August 31,	**2019**	**2018**	**2017**	**2016**	**2015**
Legally required contributions	629,215	626,631	585,520	568,571	549,297
Actual contributions	629,215	626,631	585,520	568,571	549,297
Contribution deficiency (excess)	-	-	-	-	-
Trinity Valley Community College covered payroll	15,691,874	15,270,409	14,783,586	14,168,817	13,665,170
Ratio of: Actual contributions/ER covered payroll amount	4.01%	4.10%	3.96%	4.01%	4.02%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
The amounts presented above are as of the Trinity Valley Community College's most recent fiscal year end.

SCHEDULE 3

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
EMPLOYEES RETIREMENT SYSTEM
FISCAL YEAR ENDED AUGUST 31, 2019

Fiscal year ending August 31	**2019**	**2018**
Plan fiduciary net position as a percentage of the total OPEB liability	1.27%	2.04%
Trinity Valley Community College's proportion share of the collective net OPEB liability (%)	0.08883692%	0.07959070%
Trinity Valley Community College's proportionate share of collective net OPEB liability ($)	26,329,258	27,118,949
Portion of NECE's total proportionate share of NPL associated with TVCC District	20,778,847	22,023,191
Total	47,108,105	49,142,140
Trinity Valley Community College covered payroll	17,988,500	17,648,300
District's proportionate share of the net OPEB liability as a percentage of its covered payroll amount	146.37%	153.66%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be displayed as they become available.

The amounts presented above are as of the measurement date of the collective net OPEB liability.

SCHEDULE 4

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
EMPLOYEES RETIREMENT SYSTEM
FISCAL YEAR ENDED AUGUST 31, 2019

Fiscal year ending August 31	**2019**	**2018**
Statutorily required contributions	272,755	708,942
Actual contribution	272,755	708,942
Annual contribution deficiency (excess)	-	-
Trinity Valley Community College covered payroll	18,245,339	17,988,500
Actual contributions as a percentage of covered payroll	1.49%	3.94%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be displayed as they become available.

<u>Changes Since the Prior Actuarial Valuation for TRS Pension:</u>

Demographic Assumptions

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Economic Assumptions

- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent.
- Economic assumptions, including rates of salary increase for individual participants was updated based on the experience study performed for TRS for the period ending August 31, 2017.
- The long term assumed rate of return changed from 8.0 percent to 7.25 percent.

Other

- A change was made in the measurement date of the total pension liability for the current fiscal year. The actuarial valuation was performed as of August 31, 2017. Updated procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using roll forward procedures.

<u>Changes Since the Prior Actuarial Valuation for ERS OPEB:</u>

Changes to Benefit Terms

- Benefit revisions have been adopted since the prior valuation. The only benefit change for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from $6,550 to $6,650 for individuals and from $13,100 to $13,300 for families in order to remain consistent with Internal Revenue Service maximums. The minor benefit change is provided for in the FY 2019 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Demographic Assumptions

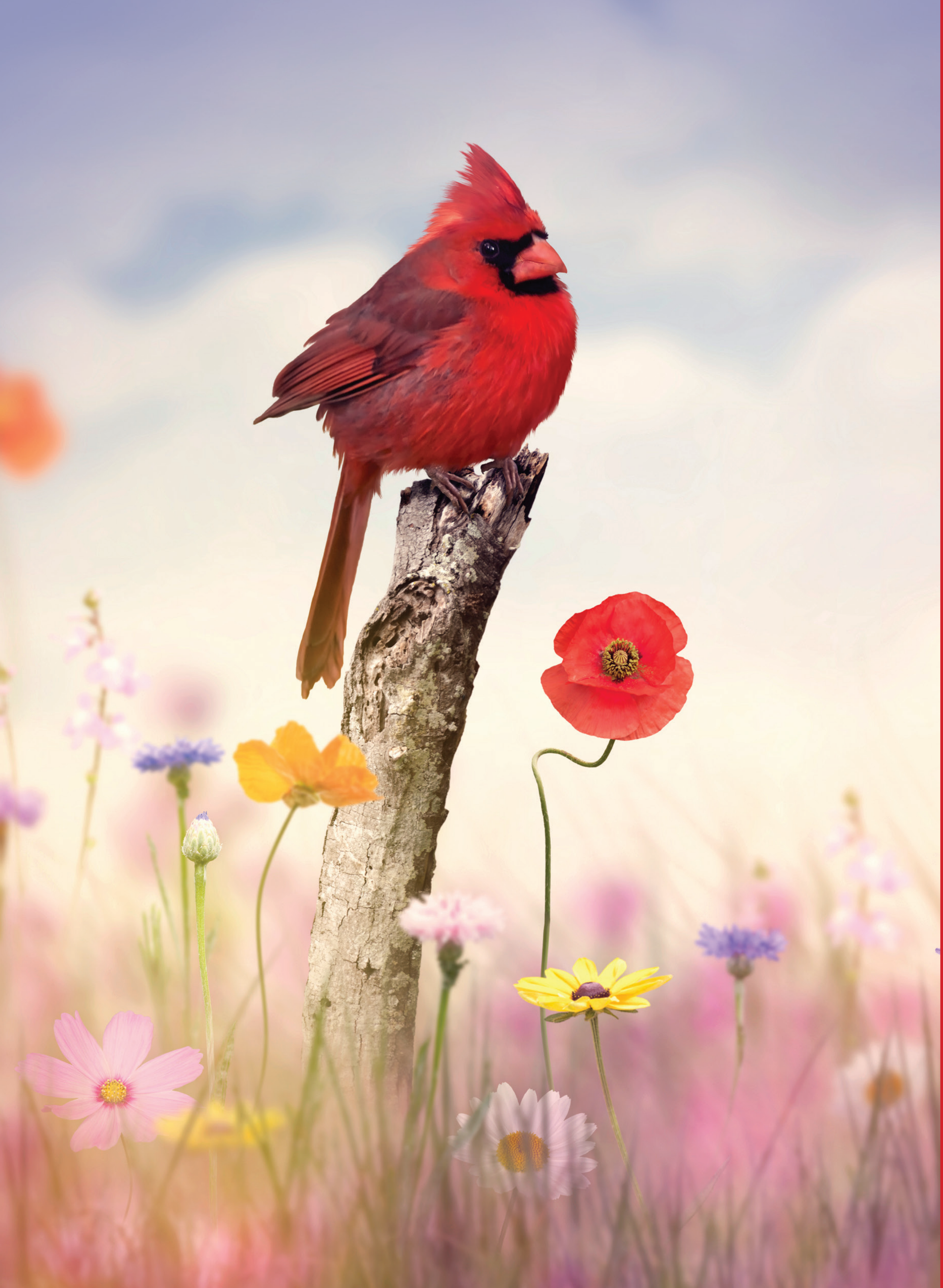
- Demographics assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary.
- The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:
    - Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
    - Percentage of future retirees assumed to be married and electing coverage for their spouse.

Economic Assumptions

- Assumptions for expenses, assumed per capita health benefit costs and health benefit cost and retiree contribution and expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- The discount rate was changed from 3.51% to 3.96% as a result of requirements by GASB No. 75 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

TRINITY VALLEY COMMUNITY COLLEGE

Athens Kaufman Palestine Terrell



SUPPLEMENTARY INFORMATION

SCHEDULE A

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2019
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Activities	Total 08/31/19	Total 08/31/18
Tuition						
State Funded Courses						
In-District Resident Tuition	$ 2,396,125	$ -	$ 2,396,125	$ -	$ 2,396,125	$ 2,858,126
Out-of-District Resident Tuition	1,792,667	-	1,792,667	-	1,792,667	1,885,970
TPEG - Credit **	316,624	-	316,624	-	316,624	422,996
Non-Resident Tuition	402,069	-	402,069	-	402,069	308,713
State Funded Continuing Education	94,114	-	94,114	-	94,114	99,012
TPEG - Non-Credit **	3,979	-	3,979	-	3,979	6,497
Non-State Funded Educational Programs	49,382	-	49,382	-	49,382	51,952
Total Tuition	5,054,960	-	5,054,960	-	5,054,960	5,633,266
Fees						
General Fee	5,464,506	-	$ 5,464,506	-	5,464,506	5,748,919
Out-of-District Fee	2,915,106	-	2,915,106	-	2,915,106	3,066,829
Laboratory Fee	565,145	-	565,145	-	565,145	594,559
Distance Learning Fee	634,405	-	634,405	-	634,405	667,424
Installment Plan Fee	12,472	-	12,472	-	12,472	13,121
Non-Funded Course Fee	113,994	-	113,994	-	113,994	119,927
Other Fees	16,767	-	16,767	-	16,767	17,640
Total Fees	9,722,395	-	9,722,395	-	9,722,395	10,228,419
Allowances and Discounts						
Bad Debt Allowance	(218,378)	-	(218,378)	-	(218,378)	(201,408)
Scholarships and Performance Grants	(1,326,761)	-	(1,326,761)	-	(1,326,761)	(1,287,046)
Waivers and Exemptions - State	(466,344)	-	(466,344)	-	(466,344)	(478,669)
Waivers and Exemptions - Local	(1,589,237)	-	(1,589,237)	-	(1,589,237)	(1,237,485)
TPEG Allowances	(194,924)	-	(194,924)	-	(194,924)	(373,678)
Private and Other Local	(31,297)	-	(31,297)	-	(31,297)	(34,174)
Federal Grants to Students	(3,244,217)	-	(3,244,217)	-	(3,244,217)	(4,429,103)
State Grants to Students	(457,033)	-	(457,033)	-	(457,033)	(51,804)
Total Scholarship Allowances and Discounts	(7,528,191)	-	(7,528,191)	-	(7,528,191)	(8,093,367)
Net Tuition and Fees	7,249,164	-	7,249,164	-	7,249,164	7,768,318
Additional Operating Revenues						
Federal Grants and Contracts	51,952	665,115	717,067	-	717,067	549,552
State Grants and Contracts	-	1,003,422	1,003,422	-	1,003,422	585,685
Non-Government Grants and Contracts	31,842	-	31,842	-	31,842	35,209
Sales and Service of Educational Activities	159,082	-	159,082	-	159,082	198,300
General Operating Revenues	177,132	-	177,132	-	177,132	149,611
Total Additional Operating Revenues	420,008	1,668,537	2,088,545	-	2,088,545	1,518,357
Auxiliary Enterprises						
Housing and Meals	-	-	-	2,236,399	2,236,399	2,083,690
Bad Debt Allowance	-	-	-	(11,883)	(11,883)	(12,834)
Scholarship Allowances and Discounts	-	-	-	(1,010,272)	(1,010,272)	(917,195)
Net Housing and Meals	-	-	-	1,214,244	1,214,244	1,153,661
Bookstore Commissions	-	-	-	2,423,296	2,423,296	2,589,482
Bad Debt Allowance	-	-	-	(32,218)	(32,218)	(38,518)
Scholarship Allowances and Discounts	-	-	-	(567,587)	(567,587)	(950,371)
Net Bookstore	-	-	-	1,823,491	1,823,491	1,600,593
Athletics	-	-	-	42,030	42,030	38,699
Other Auxiliary Revenues	-	-	-	61,641	61,641	37,489
Total Net Auxiliary Enterprises	-	-	-	3,141,406	3,141,406	2,830,442
Total Operating Revenues	$ 7,669,172	$ 1,668,537	$ 9,337,709	$ 3,141,406	$ 12,479,115	$ 12,117,117

** In accordance with Education Code 56.033, $316,624 and $422,996 for years August 31, 2019 and 2018, respectively, of tuition was set aside for Texas Public Education Grants.

SCHEDULE B

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2019
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)

	Salaries	Benefits		Other	Total	Total
	and Wages	State	Local	Expenses	08/31/19	08/31/18
Unrestricted - Educational Activities						
Instruction	$ 11,640,133	$ -	$ 2,972,404	$ 1,098,028	$ 15,710,565	$ 14,585,561
Public Service	184,517	-	82,559	40,353	307,429	313,724
Academic Support	2,537,594	-	945,359	1,880,370	5,363,323	5,622,131
Student Services	2,336,736	-	757,944	442,995	3,537,675	3,431,469
Institutional Support	2,960,839	-	890,617	1,571,777	5,423,233	4,525,678
Operation and Maintenance of Plant	553,383	-	243,916	2,014,425	2,811,724	2,859,755
Scholarships and Fellowships	-	-	-	428,946	428,946	266,063
Total Unrestricted	20,213,202	-	5,892,799	7,476,894	33,582,895	31,604,381
Restricted - Education and General						
Instruction	106,438	1,845,512	20,358	141,609	2,113,917	2,500,554
Public Service	171,552	54,116	51,998	36,104	313,770	287,495
Academic Support	-	585,294	-	19,810	605,104	728,168
Student Services	195,367	483,419	37,861	181,636	898,283	1,017,498
Institutional Support	-	467,063	-	1,130	468,193	616,267
Operation and Maintenance of Plant	-	19,660	-	-	19,660	25,766
Scholarships and Fellowships	-	-	3,849,374	-	3,849,374	3,475,709
Total Restricted	473,357	3,455,064	3,959,591	380,289	8,268,301	8,651,457
Total Educational and General	20,686,559	3,455,064	9,852,390	7,857,183	41,851,196	40,255,838
Auxiliary Enterprises	457,349	-	364,849	4,175,278	4,997,476	6,094,510
Depreciation Expense - Buildings and Improvements	-	-	-	1,282,663	1,282,663	1,228,030
Depreciation Expense - Equipment	-	-	-	572,460	572,460	344,995
Depreciation Expense - Library Books	-	-	-	78,373	78,373	-
Total Operating Expenses	$ 21,143,908	$ 3,455,064	$ 10,217,239	$ 13,965,957	$ 48,782,168	$ 47,923,373

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)

	Unrestricted	Restricted	Auxiliary Enterprises	Total 08/31/19	Total 08/31/18
NON-OPERATING REVENUES:					
State Appropriations:					
Education and General State Support	$ 11,768,747	$ -	$ -	$ 11,768,747	$ 11,760,887
State Group Insurance	-	1,939,462	-	1,939,462	2,023,521
State Retirement Matching	-	1,185,126	-	1,185,126	2,213,876
Other	-	-	-	-	690
Total State Appropriations	11,768,747	3,124,588	-	14,893,335	15,998,974
Property Taxes	15,339,294	-	-	15,339,294	14,298,413
Federal Revenue, Non Operating	-	8,646,211	-	8,646,211	8,728,820
Gifts	450,000	24,774	-	474,774	543,356
Reduction of Contractual Commitment	91,667	-	-	91,667	94,167
Other Income	15,010	-	-	15,010	17,363
Investment Income	301,801	-	-	301,801	154,264
Total Non-Operating Revenues	27,966,519	11,795,573	-	39,762,092	39,835,357
NON-OPERATING EXPENSES:					
Payments for Collection of Taxes	391,148	-	-	391,148	389,574
Interest on Capital Related Debt	96,660	-	-	96,660	55,192
Issuance Costs on Capital Related Debt	-	-	-	-	24,307
Loss on Disposal of Fixed Assets	-	-	-	-	88,101
Total Non-Operating Expenses	487,808	-	-	487,808	557,174
Net Non-Operating Revenues	$ 27,478,711	$ 11,795,573	$ -	$ 39,274,284	$ 39,278,183

SCHEDULE D

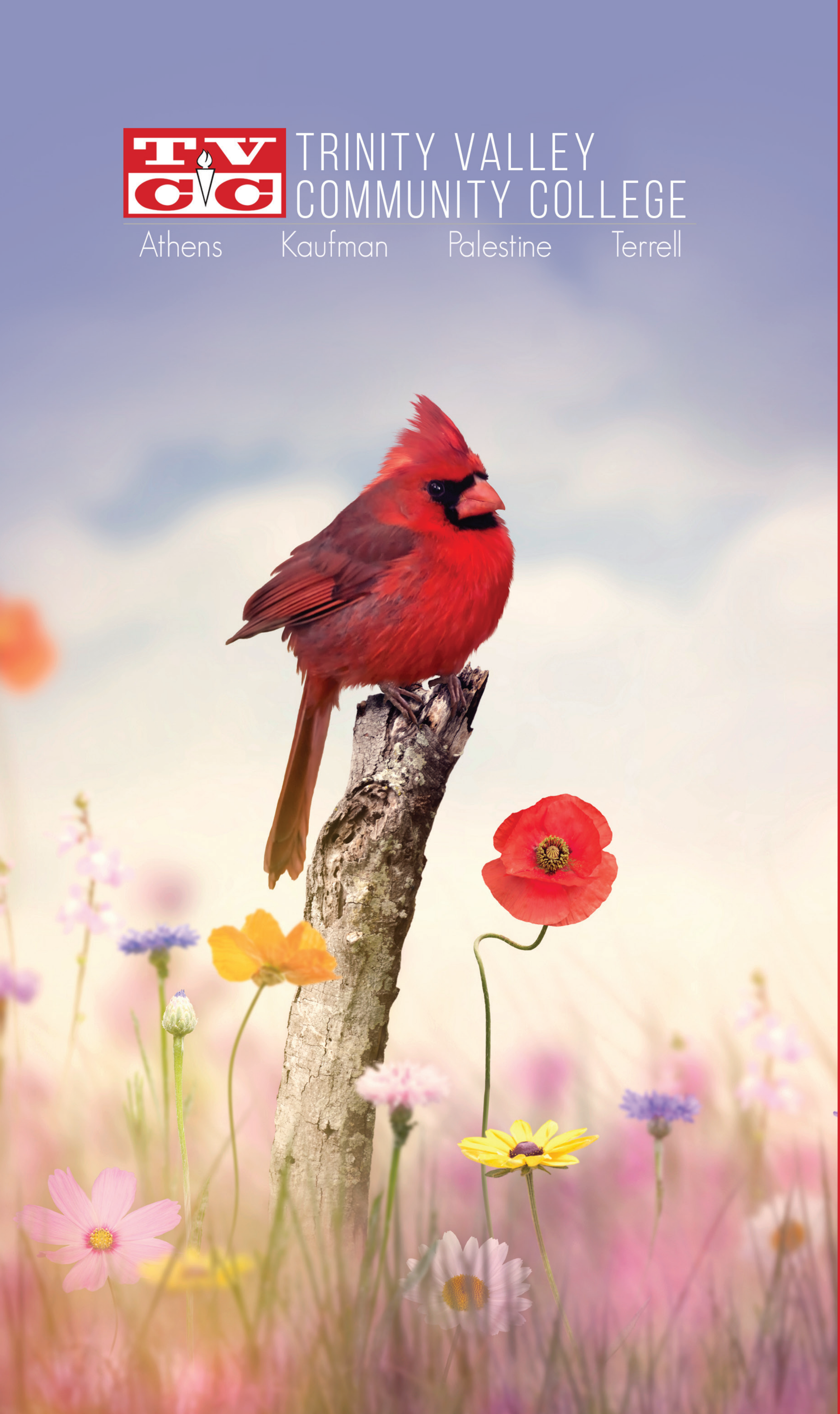
TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2019
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)

	Detail by Source					Available for Current Operations	
		Restricted		Capital Assets			
	Unrestricted	Expendable	Non-Expendable	Net of Depreciation & Related Debt	Total	Yes	No
Current:							
Unrestricted	$ (23,784,785)	$ -	$ -	$ -	$ (23,784,785)	$ (23,784,785)	$ -
Restricted	-	11,840	-	-	11,840	11,840	-
Loan	(440,734)	-	-	-	(440,734)	-	(440,734)
Endowment:							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Endowment							
True	-	-	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-	-	-
Life Income Contracts	-	-	-	-	-	-	-
Annuities	-	-	-	-	-	-	-
Plant:							
Investment in Plant	-	-	-	47,998,269	47,998,269	-	47,998,269
Total Net Position, August 31, 2019	(24,225,519)	11,840	-	47,998,269	23,784,590	(23,772,945)	47,557,535
Total Net Position, August 31, 2018	(16,512,606)	679,237	-	36,646,728	20,813,359	(20,371,821)	41,185,180
Net Increase (Decrease) in Net Position	$ (7,712,913)	$ (667,397)	$ -	$ 11,351,541	$ 2,971,231	$ (3,401,124)	$ 6,372,355

TRINITY VALLEY COMMUNITY COLLEGE

TRINITY VALLEY COMMUNITY COLLEGE

Athens Kaufman Palestine Terrell



SINGLE AUDIT SECTION

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE E
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Pass Through Disbursements and Expenditures
U.S. Department of Education			
Direct Programs:			
Student Financial Assistance Cluster			
SEOG	84.007	--	$ 151,820
Federal College Workstudy Program	84.033	--	89,038
Federal Pell Grant Program	84.063	--	8,258,720
Direct Student Loans	84.268	--	6,239,459
Total Student Financial Assistance Cluster			14,739,037
Pass Through From:			
Texas Workforce Commission			
Adult Education - Basic Grants to States	84.002A	0818ALA000	87,820
Adult Education - Basic Grants to States	84.002A	0818ALA00B	16,287
Total Adult Education - Basic Grants to States			104,107
Texas Higher Education Coordinating Board			
Carl Perkins Career and Technical Education-Basic Grants	84.048	21326	451,622
Austin Community College			
Carl Perkins Career and Technical Education-Leadership Grants	84.048	20417	725
Total Career and Technical Education			452,347
Total U. S. Department of Education			15,295,491
U.S. Small Business Administration (SBA)			
Pass Through From:			
Community College District, Business Development Center	59.037	SBAHQ-18-B-005	11,399
Community College District, Business Development Center	59.037	SBAHQ-19-B-0021	78,340
Total U.S. Small Business Administration (SBA)			89,739
U.S. Department of Health and Human Services			
Pass Through From:			
Texas Workforce Commission to Literacy Council of Tyler East Texas			
Adult Basic Education - TANF	93.558	0818ALA000	16,538
Texas Workforce Commission to Workforce Solutions East Texas Board			
Childcare Local Match Agreement	93.596	04161C93	2,382
Total U.S. Department of Health and Human Services			18,920
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 15,404,150

See Notes to Schedule on following page.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Trinity Valley Community College under programs of the federal government for the year ended August 31, 2019 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by Trinity Valley Community 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.

NOTE 2 – FEDERAL FINANCIAL ASSISTANCE RECONCILIATION

Federal Grants and Contracts per Schedule A	$ 717,067
Non Operating Revenue From Schedule C	8,646,211
Direct Student Loans	6,239,459
Revenues reported on Schedule A not included on Schedule E (revenues reflected for agent)	(198,587)
Total Federal Financial Assistance – Schedule E	$15,404,150

NOTE 3 – INDIRECT COST RATES

Trinity Valley Community College did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE F
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

Grantor Agency/Program Title	Grant Contract Number		Expenditures
Texas Higher Education Coordinating Board			
Nursing Shortage Reduction	--	$	7,591
Texas College Work Study	--		9,037
Texas Educational Opportunity Grant Program	--		552,103
Certified Educational Aide Program	--		792
Total Texas Higher Education Coordinating Board			569,523
Texas Workforce Commission			
Direct Programs:			
Job and Education for Texas Grant Program	0418JET000		271,881
Pass-Through Programs:			
TWC to Literacy Council of Tyler to East Texas Consortium			
State Adult Education	0818ALA000		51,773
Total Texas Workforce Commission			323,654
Texas Small Business Adminstration			
Pass-Through Programs:			
Dallas County Community College District, Small Business Development Center	SBAHQ-18B-005		6,535
Dallas County Community College District, Small Business Development Center	SBAHQ-19-B-0021		104,756
Total Texas Small Business Administration			111,291
TOTAL EXPENDITURES OF STATE AWARDS		$	1,004,468

See Notes to Schedule on following page.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The accompanying schedule of expenditures of state awards includes the state award activity of Trinity Valley Community College, under programs of the state government for the year ended August 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and the State of Texas Uniform Grant Management Standards (UGMS). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basis financial statements.

Expenditures reported in the schedule is presented on the modified accrual basis of accounting, which is described in Note 2 to the District's financial statement. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and UGMS, wherein certain types of expenditures are not allowable or limited as to reimbursement.

Trinity Valley Community College did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 – STATE FINANCIAL ASSISTANCE RECONCILIATION

State Grants and Contracts per Schedule A	$1,003,422
Matching Contributions Included in Schedule F	1,046
Total State Financial Assistance – Schedule F	$1,004,468

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

Board of Trustees
Trinity Valley Community College
Athens, Texas

Board of Trustees:

We have audited, 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, the financial statements of the Trinity Valley Community College as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Trinity Valley Community College's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trinity Valley Community 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trinity Valley Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Trinity Valley Community 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trinity Valley Community 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.

Gollob Morgan Peddy PC
1001 ESE Loop 323, Suite 300, Tyler, TX 75701
Tel 903-534-0088 Fax 903-581-3915 www.gmpcpa.com

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Trinity Valley Community College's Response to Findings

Trinity Valley Community College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Trinity Valley Community College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
December 13, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Trinity Valley Community College
Athens, Texas

Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Trinity Valley Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Trinity Valley Community College's major federal programs for the year ended August 31, 2019. Trinity Valley Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Trinity Valley Community 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Trinity Valley Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Student Financial Assistance Cluster

As described in the accompanying schedule of findings and questioned costs, Trinity Valley Community College did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2019-001	Various	Student Financial Assistance Cluster	Various
2019-002	Various	Student Financial Assistance Cluster	Various
2019-003	Various	Student Financial Assistance Cluster	Various
2019-004	84.063, 84.268	Federal Pell Grant Program and Federal Direct Student Loan (Student Financial Assistance Cluster)	Special Tests and Provisions – Return of Title IV Funds
2019-005	Various	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds
2019-006	Various	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds
2019-007	Various	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds
2019-008	84.268	Federal Direct Student Loan (Student Financial Assistance Cluster)	Special Tests and Provisions – Disbursement To or On Behalf of Students
2019-009	84.268	Federal Direct Student Loan (Student Financial Assistance Cluster)	Special Tests and Provisions – Student Loan Repayments
2019-010	84.268	Federal Direct Student Loan (Student Financial Assistance Cluster)	Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)
2019-011	Various	Student Financial Assistance Cluster	Special Tests and Provisions – Verification
2019-012	Various	Student Financial Assistance Cluster	Reporting - Special Reporting
2019-013	84.033	Federal College Workstudy Program (Student Financial Assistance Cluster)	Earmarking
2019-014	84.063, 84.268	Federal Pell Grant Program and Federal Direct Student Loan (Student Financial Assistance Cluster)	Special Tests and Provisions – Enrollment Reporting

Compliance with such requirements is necessary, in our opinion, for Trinity Valley Community College to comply with the requirements applicable to that program.

Qualified Opinion on Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Trinity Valley Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended August 31, 2019.

Other Matters

Trinity Valley Community College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Trinity Valley Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Trinity Valley Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered Trinity Valley Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each federal major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Trinity Valley Community College's internal control over compliance. Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weaknesses and significant deficiencies.

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 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 program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-005, 2019-006, 2019-007, 2019-010, 2019-011, 2019-013, and 2019-014 to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-008, 2019-009, and 2019-012 to be a significant deficiencies.

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.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
December 13, 2019

TRINITY VALLEY COMMUNITY COLLEGE

,
.TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

• Material weakness(es) identified?	____	Yes	X	No
• Significant deficiencies identified that are not considered to be material weaknesses?	X	Yes	____	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	X	Yes	____	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	X	Yes	____	No

Type of auditors' report issued on compliance for major programs: *Qualified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	Yes	____	No

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
	Student Financial Assistance Programs:
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal College Workstudy Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish Between type A and type B programs: $750,000

Auditee qualified as low-risk auditee:	____	Yes	X	No

Section II – Financial Statement Findings

Finding 2019-001:

Type of Finding: Internal Control Deficiency - Significant Deficiency

Criteria: An entity should design, implement, and maintain a system of internal controls over financial reporting, including Information Technology General Controls (ITCG), to ensure complete and accurate financial reporting. ITGCs are the basic controls that can be applied to IT systems such as applications, operating systems, databases, and supporting IT infrastructure. The objectives of ITGCs are to ensure the integrity of the data and processess that the systems support.

Condition: At the time of testing, records within the institution's ERP software could be altered by an individual who should not have access to the information. Additionally, the software does not track changes made to any records.

Context: We noted that there was a lack of quality audit information and a lack of appropriate review of user access.

Questioned Costs: $0

Cause: The current ERP software being utilized requires significant manual intervention to produce relevant data. In addition, there are very little controls in place to ensure proper authorization of appropriate personnel as well as no audit trail of changes made to records.

Effect or Potential Effect: The risk exists that inappropriate changes (unintential or intentional) could be made as well as incomplete and inaccurate records being utilized.

Repeat Finding: Not a repeat finding.

Recommendation: The institution should implement an ERP system that has appropriate and sufficient controls in place to ensure that users with administrator rights should be limited and only include appropriate people and access to configurations parameters and data should be restricted to authorized personnel. Additionally, the ERP system should be able to show an audit trail of changes made to records as well as who changed them. Parameters should be programmed into this system that removes the need for manual intervention to receive results.

Views of Responsible Official: We agree with this finding and recommendation. The college entered into an agreement in 11/2017 for the purchase and implementation of a new ERP system to resolve the issues mentioned in this finding. Please see the attached action plan related to the findings in this report.

Finding 2019-002:

Type of Finding: Internal Control Deficiency - Significant Deficiency

Criteria: An entity is responsible for having financial and accounting processes to achieve the timely closing of the general ledger, timely preparation of account reconciliations, and proper accounting and timely reporting of financial transactions.

Condition: Trinity Valley Community College was not able to provide complete reconciliations for all balance sheet accounts during the year-end fieldwork. Such reconciliations were achieved through the audit process and numerous entries were required.

Context: Trinity Valley Community College has a lack of implemented procedures and cross-training necessary for in a large, complex organization. Additionally, TVCC is short-staffed in key accounting positions.

Questioned Costs: $0

Cause: An effective internal control environment is evidenced by documented procedures with strong ongoing communications between key departments where employees implement and maintain those internal control activities with the ultimate goal of producing accurate and timely financial statements. The lack of implemented procedures for monthly and year-end processes creates a deficiency to prepare accurate and timely financial reports. Additionally, the current ERP software being utilized requires significant manual intervention to produce relevant data, which consumes the majority of the time available for employees.

Effect or Potential Effect: Trinity Valley Community College was unable to provide accurate financial report documentation in a timely manner.

Repeat Finding: Not a repeat finding.

Recommendation: Develop and institute a sustainable internal controls management program to ensure controls are adequately designed, implemented, executed, and monitored on an ongoing basis to achieve the goal of timely closing the general ledger, timely preparation of account reconciliations, and proper accounting and timely reporting of financial transactions.

Evaluate the need for key accounting positions. Review the current assignment and qualifications of individuals responsible for controls to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various accounting functions.

Views of Responsible Official: We agree with this finding and recommendation. The college entered into an agreement in 11/2017 for the purchase and implementation of a new ERP system to resolve the issues mentioned in this finding. Accounting positions will be evaluated during the 2020-2021 budget process. Please see the action plan attached.

Finding 2019-003:

Type of Finding: Internal Control Deficiency - Significant Deficiency

Criteria: The entity is responsible for preparing a Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards. These schedules should be reconciled between the District's financial records and those reports available from the Texas Comptroller's Report of payments to the community college and U.S. Department of Education G5 Report of Direct Payments to the community college by award.

Condition: Trinity Valley Community College's Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards were not reconciled prior to the year-end fieldwork. The reconciliations were achieved throughout the audit process.

Context: Trinity Valley Community College has a lack of implemented procedures and cross-training necessary for in a large, complex organization. Personnel in charge of federal and state grant accounting, reconciling, and reporting were not reconciling the reports available from the State and U.S. Department of Education to relevant accounting balances.

Questioned Costs: $0

Cause: The lack of routine processes for preparing reconciliations for each grant and the responsibility for monitoring and approving such reconciliations are essential to prepare an accurate and timely Schedule of Expenditures of Federal and State Awards for grant accounting and reporting. An effective internal control environment for grant accounting is evidenced by documented procedures with strong ongoing communications between key departments managing grants and the business office. Additionally, the current ERP software being utilized requires significant manual intervention to produce relevant data, which consumes the majority of the time available of employees.

Effect or Potential Effect: Trinity Valley Community College was unable to provide accurate Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards in a timely manner.

Repeat Finding: Not a repeat finding.

Recommendation: Develop routine processes for reconciling federal and state grants to the reports available from the Texas Comptroller and U.S. Department of Education and the monitoring of such activity so that timely and accurate Schedule of Expenditures of Federal and State Awards can be prepared for financial reporting and budgeting. Review the current assignment and qualifications of individuals responsible for each grant reconciliation to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various grant accounting functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Views of Responsible Official: We agree with this finding and recommendation. Colleague implementation will significantly enhance and greatly assist staff in accomplishing this objective. Colleague will enable TVCC to use the software itself as an internal control tool that will significantly enhance the college's ability to perform more thorough, accurate and timely reconciliations between the TVCC financial aid, the TVCC general ledger, and the Texas Higher Education Coordinating Board, Texas Comptroller and U.S. Department of Education. Please see the attached action plan.

Section III – Federal Award Findings and Questioned Costs

Finding 2019-001: See Section II for detailed description.

Finding 2019-002: See Section II for detailed description.

Finding 2019-003: See Section II for detailed description.

Finding 2019-004:

Information on the Federal Program: CFDA 84.063 – Federal Pell Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Special Tests and Provisions – Return of Title IV Funds.

Type of Finding: Significant deficiency.

Criteria: Program requirements (34 CFR 668.22(i)) state that the institution must return Title IV funds to the programs from which the student received aid during the period of enrollment in a prescribed order.

Condition: For each student in the sample selection of Title IV students who withdrew, dropped out, or never began attendance during the audit perform and for whom a refund calculation was required to be made, we reviewed the applicable student information as well as the completed Return of Title IV Aid Worksheet.

Questioned Costs: $608

Context: One student in the sample selection returned amounts associated with the Pell program rather than Federal Direct Loans.

Effect or Potential Effect: Funds were incorrectly refunded to the wrong program.

Cause: Trinity Valley Community College's Financial Aid department attaches a document at the end of the completed Return of Title IV Aid Worksheet titled 'Return of Title IV Fund Calculation Memo.' This document offers a breakdown of aid to return to the Department of Education for the purpose of the Business Office to process the refund. However, this internal memo contained the incorrect Title IV program sequence for refunding. This was later discovered by the Financial Aid department, and corrected. However, the student identified in our sample was overlooked for correction.

Repeat Finding: Not a repeat finding.

Recommendation: The Financial Aid Office should implement an internal control process/procedure to better implement the return of Title IV funds.

Views of Responsible Official: We agree with this finding and recommendation. The college entered into an agreement in 11/2017 for the purchase and implementation of a new ERP system to resolve the issues mentioned in this finding. The college's Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system. Please see the attached action plan related to the findings in this report.

Finding 2019-005:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.007 – Federal Supplemental Educational Opportunity Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Special Tests and Provisions – Return of Title IV Funds.

Type of Finding: Material weakness.

Criteria: Program requirements (34 CFR 668.22) require nonfederal entities to determine the amount of Title IV aid earned by a student when they withdraw. When a student completes greater than 60 percent of a term, they are considered to have fully earned their aid. If a student completes less than 60 percent of the term, the nonfederal entity is required to return a portion of the aid to the Department of Education based on various criteria discussed. Additionally, 34 CFR 668.22(j) and 668.173(b)(1) require an institution to return amounts of unearned Title IV aid as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew.

Condition: For each student in the sample selection of Title IV students who withdrew, dropped out, or never began attendance during the audit period and for whom a refund calculation was required to be made, we reviewed disbursement and accounting records to verify that returned Title IV funds were applied to programs within 45 days of the institution becoming aware that the student had withdrawn.

Questioned Costs: $0

Context: Every student in our sample of Return of Title IV refunds were not returned to the Department of Education within 45 days of withdrawal determination. All Return of Title IV calculations were done at the end of each semester and not the date of withdrawal determination.

Effect or Potential Effect: Return of Title IV refunds were not returned within the required timeframe and are thus considered late for compliance purposes.

Cause: The Financial Aid Office experienced turnover of personnel. During this period of time, only one individual in the Financial Aid Office had knowledge on how to complete the Return of Title IV process. Additionally, the current ERP software being utilized requires significant manual intervention to produce relevant data.

Repeat Finding: Not a repeat finding.

Recommendation: Review the current assignment and qualifications of individuals responsible for refunds to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various Financial Aid functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training. Additionally, the institution should implement an ERP system that reduces the need for manual intervention.

Views of Responsible Official: We agree with this finding and recommendation. The college entered into an agreement in 11/2017 for the purchase and implementation of a new ERP system to resolve the issues mentioned in this finding. The college Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system. Please see the attached action plan related to the findings in this report.

Finding 2019-006:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.007 – Federal Supplemental Educational Opportunity Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Special Tests and Provisions – Return of Title IV Funds.

Type of Finding: Material weakness.

Criteria: The Federal Code of Regulations 34 CFR 668.22(a)(5) states that if the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement.

Condition: For each student in the sample selection of Title IV students who withdrew, dropped out, or never began attendance during the audit perform and for whom a refund calculation was required to be made, we reviewed the applicable student information as well as the completed Return of Title IV Aid Worksheet.

Questioned Costs: $0

Context: For testing, there was no reasonable way to determine if a student qualified for a post-withdrawal disbursement due to the fact that relevant information involving the amounts that could have been disbursed could not be determined or obtained.

Effect or Potential Effect: Post-withdrawal disbursements could potentially be misstated.

Cause: The existing student information ERP software did not show an audit trail of changes made to records as well as who changed them. Additionally, documentation of changes was not appropriately retained.

Repeat Finding: Not a repeat finding.

Recommendation: The institution should implement an ERP system that should be able to show an audit trail of changes made to records as well as who changed them. TVCC should develop and institute a sustainable internal control system for appropriate documentation retention.

Views of Responsible Official: We agree with this finding and recommendation. The college entered into an agreement in 11/2017 for the purchase and implementation of a new ERP system to resolve the issues mentioned in this finding. The college Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system. Please see the attached action plan related to the findings in this report.

Finding 2019-007:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.007 – Federal Supplemental Educational Opportunity Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Special Tests and Provisions – Return of Title IV Funds.

Type of Finding: Material weakness.

Criteria: If a recipient of Title IV grant or loan funds withdraws from a school after beginning attendance, the school must perform a Return of Title IV (R2T4) calculation to determine the amount of Title IV assistance earned by the student.

Condition: For each student in the sample selection of Title IV students who withdrew, dropped out, or never began attendance during the audit period and for whom a refund calculation was required to be made, we reviewed the applicable student information as well as the completed Return of Title IV Aid Worksheet.

Questioned Costs: $0

Context:

- All Return of Title IV calculations were done with the incorrect total days for the semester. It was determined that Trinity Valley Community College was improperly not including the final day in their calculations.
- One student did not have a R2T4 calculation performed despite withdrawing prior to the 60 percent point of the semester.
- One student had a R2T4 calculation performed when it was unnecessary. TVCC performed the R2T4 calculation due to calculating the student as if he unofficially withdrew due to receiving an 'F'. However, the student received an 'A' for the other class he was enrolled in during the semester. Per the Financial Aid Handbook, pg. 5-60, if one instructor reports that the student attended through the end of the period, then the student is not a withdrawal.
- One student had the wrong withdrawal date used in performing the R2T4 calculation. TVCC used 3/7/19 instead of the official withdrawal date of 3/13/19, as noted on the student's transcript.

Effect or Potential Effect: Return of Title IV refunds were not properly calculated or performed.

Cause: The Financial Aid Office experienced turnover of personnel. During this period of time, only one individual in the Financial Aid Office had knowledge on how to complete the Return of Title IV process. Additionally, the current ERP software being utilized requires significant manual intervention to produce relevant data.

Repeat Finding: Not a repeat finding.

Recommendation: Review the current assignment and qualifications of individuals responsible for refunds to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various Financial Aid functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training. Additionally, the institution should implement an ERP system that reduces the need for manual intervention.

Views of Responsible Official: We agree with this finding and recommendation. The college entered into an agreement in 11/2017 for the purchase and implementation of a new ERP system to resolve the issues mentioned in this finding. The college's Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system. Please see the attached action plan related to the findings in this report.

Finding 2019-008:

Information on the Federal Program: CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Special Tests and Provisions – Disbursement To or On Behalf of Students

Type of Finding: Significant deficiency.

Criteria: Program requirements state that the institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan. Institutions that implement an affirmation confirmation process must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan funds.

Condition: For each student in the sample selection receiving loans, we reviewed the school's documentation to determine if the student or parent were sent the required disbursement notification and the date of notification was sent to determine if it was sent within the required timeframe.

Questioned Costs: $0

Context: We were unable to determine if ten students in the sample selection were sent the required disbursement notification due to a lack of documentation.

Effect or Potential Effect: Student were not notified of their rights to cancel loan funding. It was noted that due to the corruption of the EDExpress software, six students in the sample selection had incorrect disbursement amounts entered into the Common Origination and Disbursement (COD) system since the Financial Aid department had to manually enter awards.

Cause: The Financial Aid Office was not able to obtain these letters due to a malfunction with the Federal Student Aid software, EDExpress, which was utilized for loan packaging.

Repeat Finding: Not a repeat finding.

Recommendation: The institution should implement an ERP system that should be able to show an audit trail of changes made to records as well as who changed them. TVCC should develop and institute a sustainable internal control system for appropriate documentation retention.

Views of Responsible Official: We agree with this finding and recommendation. The college entered into an agreement in 11/2017 for the purchase and implementation of a new ERP system to resolve the issues mentioned in this finding. The college's Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system. Please see the attached action plan related to the findings in this report.

Finding 2019-009:

Information on the Federal Program: CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Special Tests and Provisions – Student Loan Repayments

Type of Finding: Significant deficiency.

Criteria: Program requirements state that the institution must exercise due care and diligence in the collection of loans. This due diligence includes a requirement to conduct exit counseling for direct loan student borrowers who are graduating, leaving school, or dropping below half-time enrollment. The exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. If a student borrower withdraws from school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must be completed, within 30 days after the school learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required, be provided either through interactive electronic means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials. Additionally, program requirements state specify requirements for students that are in their first year of undergraduate study and are a first-time borrower; the institution may not disburse the first installment of the direct loan until thirty calendar days after the program of study begins.

Condition: For each student in the sample selection receiving direct loans, we reviewed the school's documentation to determine if the student was sent the required exit counseling materials. We also viewed disbursement timing to ensure that students that are considered a first time student, first time borrower were properly delayed.

Questioned Costs: $0

Context: We were unable to determine if ten students in the sample selection were sent the required exit counseling due to a lack of documentation. We identified one student in the sample selection that was disbursed the first installment of the direct loan before the thirty day requirement despite identifying as a first time student, first time borrower.

Effect or Potential Effect: Students were not provided information concerning the repayment of federal student loans that were made available during exit counseling. Additionally, the timing of disbursements are out of compliance.

Cause: Internal control process failure and an issue with the current ERP system.

Repeat Finding: Not a repeat finding.

Recommendation: The institution should implement an ERP system that removes the need for manually identifying and notifying students of exit counseling as well as properly identifying first time student, first time borrowers. TVCC should develop and institute a sustainable internal control system for appropriate documentation retention.

Views of Responsible Official: We agree with this finding and recommendation. The college entered into an agreement in 11/2017 for the purchase and implementation of a new ERP system to resolve the issues mentioned in this finding. The college's Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system. Please see the attached action plan related to the findings in this report.

Finding 2019-010:

Information on the Federal Program: CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Special Tests and Provisions – Borrower Data Transmission and Reconciliation (Direct Loan)

Type of Finding: Material weakness.

Criteria: The Federal Code of Regulations 34 CFR 685.300(b)(5) states that a school that participates in the Direct Loan Program is required monthly to reconcile cash (funds it received from the G5 System to pay its students) with disbursements (actual disbursement records) it submitted to the Common Origination and Disbursement (COD) system. Each month, the COD provides institutions with a School Account Statement (SAS) data file that is required to be reconciled to financial records.

Condition: We requested documentation of the SAS to ascertain that reconciliations are being performed and to determine whether dates and amounts of disbursements to borrowers recorded were supported by the institution's records on individual borrowers.

Questioned Costs: $0

Context: It was determined that no monthly reconciliations were performed during the period under audit.

Effect or Potential Effect: Direct loan financial data and reporting could be inaccurate.

Cause: An effective internal control environment is evidenced by documented procedures with strong ongoing communications between key departments where employees implement and maintain those internal control activities. The lack of implemented procedures for monthly and year-end processes creates a deficiency to prepare accurate and timely financial reports and federal compliance. As noted in the Federal Student Aid Handbook, pg. 4-114, the direct loan reconciliation is a team effort by the business and financial aid offices. Since both have information that is needed to reconcile, cooperation between these two departments is essential for successful reconciliation. Additionally, the current ERP software being utilized requires significant manual intervention to produce relevant data, which consumes the majority of the time available for employees.

Repeat Finding: Not a repeat finding.

Recommendation: Review the current assignment and qualifications of individuals responsible for direct loan reconciliation to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various grant accounting functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Views of Responsible Official: We agree with this finding and recommendation. Colleague implementation will significantly enhance and greatly assist staff in accomplishing this objective. Colleague will enable TVCC to use the software itself as an internal control tool that will significantly enhance the college's ability to perform more thorough, accurate and timely reconciliations between the TVCC financial aid, the TVCC general ledger, and the Texas Higher Education Coordinating Board, Texas Comptroller and U.S. Department of Education. The college Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system. Please see the attached action plan.

Finding 2019-011:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.007 – Federal Supplemental Educational Opportunity Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Special Tests and Provisions – Verification

Type of Finding: Material weakness.

Criteria: An institution shall require each applicant whose application is selected by the Department of Education to verify the information required for the Verification Tracking Group to which the applicant is assigned.

Condition: For each student in the sampling of applications that were selected by the Department of Education for verification, we reviewed the student aid files for those applications to ascertain that the institution (1) obtained acceptable documentation to verify the information required for the Verification Tracking Group to which the applicant is assigned; (2) matched information on the documentation to the student aid application; (3) if necessary, submitted data corrections to the central processor and recalculated awards and (4) whether the institution correctly coded the student's verification status in the Common Origination and Disbursement (COD) system.

Questioned Costs: $0

Context: One student in the sample selection that was selected for verification had no documentation of a high school transcript.

Effect or Potential Effect: Failing to follow procedures in place over verification can lead to noncompliance due to error or fraud over the student verification process.

Cause: The Financial Aid Office experienced turnover of personnel, which resulted in the department failing to request this transcript.

Repeat Finding: Not a repeat finding.

Recommendation: Review the current assignment and qualifications of individuals responsible for financial aid functions to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various Financial Aid functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Views of Responsible Official: We agree with this finding and recommendation. The college's Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system.

Finding 2019-012:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.007 – Federal Supplemental Educational Opportunity Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Reporting - Special Reporting

Type of Finding: Significant deficiency.

Criteria: ED Form 646-1, Fiscal Operations Report and Application to Participate (FISAP) is submitted annually to receive funds for the campus-based programs. The school uses the Fiscal Operations Report portion to report its expenditures in the previous award year and the Application to Participate portion to apply for the following year. A school must keep financial records that reflect all campus-based program transactions and must keep all records supporting the school's application for campus-based funds.

Condition: For the most recently submitted FISAP report, which would be the June 30, 2019 report that was due October 1, 2019, traced key line items to supporting documentation and relevant financial information.

Questioned Costs: $0

Context: Certain key items such as Pell, FSEOG, and FWS did not agree to financial records.

Effect or Potential Effect: Incorrect amounts were reported on the FISAP.

Cause: There was no reconciliation or review of relevant financial data to Financial Aid information or reporting.

Repeat Finding: Not a repeat finding.

Recommendation: There needs to be a review process in place for the FISAP submission to reduce the likelihood of errors in the completion of this form. Consider the need for cross-training of employees in various Financial Aid functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Views of Responsible Official: We agree with this finding and recommendation. Colleague will enable TVCC to use the software itself as an internal control tool that will significantly enhance the college's ability to perform more thorough, accurate and reconciliation between financial aid and financial records. The college's Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system. Please see the attached action plan.

Finding 2019-013:

Information on the Federal Program: CFDA 84.033 – Federal College Workstudy Program. United States of Department of Education.

Compliance Requirements: Earmarking

Type of Finding: Material weakness.

Criteria: The Federal Code of Regulations 34 CFR 675.18 states that institutions must use at least seven percent of the sum of its initial and supplemental Federal Workstudy (FWS) allocations for an award year to compensate students employed in community service activities. In meeting this requirement, at least one or more of the school's FWS students must be employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project.

Condition: We requested FWS documentation and detail, including the breakdown of wages paid to students.

Questioned Costs: $6,233

Context: It was determined that no community service wages were paid to students during the period under audit. A school may request a waiver of the community service and tutor requirements; the request must be submitted electronically before the annual deadline using the Common Origination and Disbursement (COD) website. TVCC did not request a waiver.

Effect or Potential Effect: If a school fails to meet the community service requirements or to request a waiver, the school may be required to return FWS federal funds in an amount that represents the difference between the amount a school should have spent for community service and the amount actually spent. The school may also be subject to a Limitation, Suspension, and Termination proceeding, through which the school may be denied future participation in the FWS program or fined.

Cause: Internal control process failure and lack of training.

Repeat Finding: Not a repeat finding.

Recommendation: Review the current assignment and qualifications of individuals responsible for direct loan reconciliation to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various grant accounting functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Views of Responsible Official: We agree with this finding and recommendation. The college's Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system. Please see the attached action plan.

Finding 2019-014:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Special Tests and Provisions – Enrollment Reporting

Type of Finding: Material weakness.

Criteria: Institutions must complete and return within fifteen days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by the Department of Education via NSLDS. The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every sixty days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website.

Condition: We reviewed, evaluated, and documented procedures for updating student status. We determined if the school is meeting reporting requirements by having the school access the NSLDS website and create the SCHER1. The dates on the roster file are compared to verify that the school returned the roster files within fifteen days. We tested the accuracy and timeliness of the enrollment data certification by selecting a sample of students from the institution's records and compared the data to the NSLDS Enrollment Detail.

Questioned Costs: $0

Context: Trinity Valley Community College was unable to provide Enrollment Reporting roster files and other needed information in a timely manner.

Effect or Potential Effect: A student's enrollment status determines eligibility for in-school status, deferment, and grace periods. Enrollment reporting in a timely and accurate manner is critical for effective management of programs.

Cause: Internal control process failure and lack of training.

Repeat Finding: Not a repeat finding.

Recommendation: Review the current assignment and qualifications of individuals responsible for direct loan reconciliation to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various grant accounting functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Views of Responsible Official: We agree with this finding and recommendation. The college's Financial Aid Office is in the process of developing and implementing new written policy and procedures that line up with all Department of Education rules and regulations and the new ERP system. Please see the attached action plan.

TRINITY VALLEY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2019

Finding: 2018-001

Status: Corrected.

Finding: 2018-002

Status: Corrected.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

. . . . .

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Federal Single Audit

Trinity Valley Community College respectfully submits the following action plan for the year ended August 31, 2019.

Audit Period September 1, 2018 to August 31, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding 2019-001:

Type of Finding: Internal Control Deficiency - Significant Deficiency

Cause: The current ERP software being utilized requires significant manual intervention to produce relevant data. In addition, there are very little controls in place to ensure proper authorization of appropriate personnel as well as no audit trail of changes made to records.

Recommendation: The institution should implement an ERP system that has appropriate and sufficient controls in place to ensure that users with administrator rights should be limited and only include appropriate people and access to configurations parameters and data should be restricted to authorized personnel. Additionally, the ERP system should be able to show an audit trail of changes made to records as well as who changed them. Parameters should be programmed into this system that removes the need for manual intervention to receive results.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

. . . . .

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Action taken in response to finding:

- In November 2017 TVCC, entered into an agreement with Ellucian to purchase and install their product "Colleague" as our new Enterprise Resource System. Implementation has been ongoing with the Payroll system going live in January 2019 and most other modules scheduled to be implemented in fiscal year 2019-20. Student facing systems such as registration and Financial Aid went live for the fall 2019 semester.

- In the spring or summer of 2020, the college intends to enter into an agreement with Gollob Morgan Peddy PC to perform agreed upon procedures on the financial aid area as a follow up and review of these findings and previous issues in the financial aid area.

- TVCC has addressed and is in the process of addressing additional internal control and risk management concerns. TVCC staff, administration and trustees fully support the recommendation and are committed to implementing future actions. An implementation plan and schedule will be developed after further evaluation of specific needs and prioritization by administration to modifying (restricting or expanding as appropriate) computer login and application access to specified staff members as a part of the ERP installation.

Finding 2019-002:

Type of Finding: Internal Control Deficiency - Significant Deficiency

Cause: An effective internal control environment is evidenced by documented procedures with strong ongoing communications between key departments where employees implement and maintain those internal control activities with the ultimate goal of producing accurate and timely financial statements. The lack of implemented procedures for monthly and year-end processes creates a deficiency to prepare accurate and timely financial reports. Additionally, the current ERP software being utilized requires significant manual intervention to produce relevant data, which consumes the majority of the time available for employees.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Recommendation: Develop and institute a sustainable internal controls management program to ensure controls are adequately designed, implemented, executed, and monitored on an ongoing basis to achieve the goal of timely closing the general ledger, timely preparation of account reconciliations, and proper accounting and timely reporting of financial transactions.

Evaluate the need for key accounting positions. Review the current assignment and qualifications of individuals responsible for controls to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various accounting functions.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- Colleague implementation will significantly enhance and greatly assist staff in accomplishing this objective. During implementation, appropriate accounting services staff documented procedures and created written procedures. The director of accounting services and CFO will review the documentation to ensure internal control processes and the procedures provide a clear understanding of the task.

- Review of procedures will be ongoing periodically until all modules are complete and implemented at TVCC.

- During the next 6 months, staff evaluation will occur to determine administrative capability. Additional staff request (two full time positions) will occur with the 2020-2021 budget development.

Finding 2019-003:

Type of Finding: Internal Control Deficiency - Significant Deficiency

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

. . . . .

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Cause: The lack of routine processes for preparing reconciliations for each grant and the responsibility for monitoring and approving such reconciliations are essential to prepare an accurate and timely Schedule of Expenditures of Federal and State Awards for grant accounting and reporting. An effective internal control environment for grant accounting is evidenced by documented procedures with strong ongoing communications between key departments managing grants and the business office. Additionally, the current ERP software being utilized requires significant manual intervention to produce relevant data, which consumes the majority of the time available of employees.

Recommendation: Develop routine processes for reconciling federal and state grants to the reports available from the Texas Comptroller and U.S. Department of Education and the monitoring of such activity so that timely and accurate Schedule of Expenditures of Federal and State Awards can be prepared for financial reporting and budgeting. Review the current assignment and qualifications of individuals responsible for each grant reconciliation to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various grant accounting functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- Colleague implementation will significantly enhance and greatly assist staff in accomplishing this objective. Colleague will enable TVCC to use the software itself as an internal control tool that will significantly enhance the college's ability to perform more thorough, accurate and timely reconciliations between the TVCC financial aid, the TVCC general ledger, and the Texas Higher Education Coordinating Board, Texas Comptroller and U.S. Department of Education.

- Accounting Services and Financial Aid will evaluate Federal Student Aid Handbook recommendations and coordinate implementation of the handbook's recommendations with Colleague implementation.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

- The director of accounting services will provide additional training to the Senior Accountant-Grant Accounting for the reconciliation of general ledger grant accounts. During the training, the Senior Accountant-Grants Accounting will document the procedures that will provide written procedures to follow each month.

- Monthly, the Senior Accountant- Grant Accounting will reconcile grant general ledger accounts including account types of assets, liability, income and expense. The Senior Accountant-Grant Accounting must submit monthly reconciliation reports to the director of accounting services for review and approval. All reconciliations must be prepared using the approved reconciliation form.

- If there are reconciliation discrepancies, the Senior Accountant-Grant Accounting will work with the appropriate personnel to resolve, within 30 days, at the direction of the director of accounting services. If a resolution does not occur, the director of accounting services will notify the VP of Admin Services of the discrepancies.

- The Senior Accountant-Grant Accounting must communicate with the director of accounting services daily to inform of tasks, projects, deadlines, etc. in relation to all grant accounting aspects of the college.

Finding 2019-004:

Information on the Federal Program: CFDA 84.063 – Federal Pell Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Compliance Requirements: Special Tests and Provisions – Return of Title IV Funds.

Type of Finding: Significant deficiency.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Cause: Trinity Valley Community College's Financial Aid department attaches a document at the end of the completed Return of Title IV Aid Worksheet titled 'Return of Title IV Fund Calculation Memo.' This document offers a breakdown of aid to return to the Department of Education for the purpose of the Business Office to process the refund. However, this internal memo contained the incorrect Title IV program sequence for refunding. This was later discovered by the Financial Aid department, and corrected. However, the student identified in our sample was overlooked for correction.

Recommendation: The Financial Aid Office should implement an internal control process/procedure to better implement the return of Title IV funds.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- The Financial Aid Office's new written policy and procedures have a job aide that will instruct and guide staff to follow the required regulations to perform the Return of Title IV aid in the new ERP system. The new ERP system will also perform the function automatically upon running a report without it having to be processed manually. The policy and procedures manual will be available on the Financial Aid Office shared network drive and is considered a living document, which will be updated as necessary to maintain all DOE regulations.

Finding 2019-005:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.007 – Federal Supplemental Educational Opportunity Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Type of Finding: Material weakness.

Cause: The Financial Aid Office experienced turnover of personnel. During this period of time, only one individual in the Financial Aid Office had knowledge on how to complete the Return of Title IV process. Additionally, the current ERP software being utilized requires significant manual intervention to produce relevant data.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Recommendation: Review the current assignment and qualifications of individuals responsible for refunds to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various Financial Aid functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training. Additionally, the institution should implement an ERP system that reduces the need for manual intervention.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- In November 2017, TVCC entered into an agreement with Ellucian to purchase and install their product "Colleague" as our new Enterprise Resource System. Implementation has been ongoing with the Payroll system going live in January 2019 and most other modules scheduled to be implemented in fiscal year 2019-20. Student facing systems such as registration and Financial Aid went live for the fall 2019 semester.

- In the spring or summer of 2020, the college intends to enter into an agreement with Gollob Morgan Peddy PC to perform agreed upon procedures on the financial aid area as a follow up and review of these findings and previous issues in the financial aid area.

- The Financial Aid Office has implemented a quarterly training for all financial aid staff for updates, re-training and cross-training. Financial Aid employees are also required to complete on-line training modules through the Department of Education's website along with a Certificate of Completion. The new written policy and procedures manual will allow us to streamline processes and cross-train employees with the same information to ensure DOE regulations are being followed and met.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Finding 2019-006:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.007 – Federal Supplemental Educational Opportunity Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Type of Finding: Material weakness.

Cause: The existing student information ERP software did not show an audit trail of changes made to records as well as who changed them. Additionally, documentation of changes was not appropriately retained.

Recommendation: The institution should implement an ERP system that should be able to show an audit trail of changes made to records as well as who changed them. TVCC should develop and institute a sustainable internal control system for appropriate documentation retention

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- In November 2017, TVCC entered into an agreement with Ellucian to purchase and install their product “Colleague” as our new Enterprise Resource System. Implementation has been ongoing with the Payroll system going live in January 2019 and most other modules scheduled to be implemented in fiscal year 2019-20. Student facing systems such as registration and Financial Aid went live for the fall 2019 semester.

- In the spring or summer of 2020, the college intends to enter into an agreement with Gollob Morgan Peddy PC to perform agreed upon procedures on the financial aid area as a follow up and review of these findings and previous issues in the financial aid area.

- The new ERP system allows all entered data to be recorded with employee credentials. This will give an audit trail of changes and who changed the data. Specific roles have been defined for more than one employee, to ensure a checks and balance system for all job functions. Job aides have been developed according to Title IV rules and regulations to be followed by all employees performing the task.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Finding 2019-007:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.007 – Federal Supplemental Educational Opportunity Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Type of Finding: Material weakness.

Cause: The Financial Aid Office experienced turnover of personnel. During this period of time, only one individual in the Financial Aid Office had knowledge on how to complete the Return of Title IV process. Additionally, the current ERP software being utilized requires significant manual intervention to produce relevant data.

Recommendation: Review the current assignment and qualifications of individuals responsible for refunds to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various Financial Aid functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training. Additionally, the institution should implement an ERP system that reduces the need for manual intervention.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- In November 2017, TVCC entered into an agreement with Ellucian to purchase and install their product “Colleague” as our new Enterprise Resource System. Implementation has been ongoing with the Payroll system going live in January 2019 and most other modules scheduled to be implemented in fiscal year 2019-20. Student facing systems such as registration and Financial Aid went live for the fall 2019 semester.

- In the spring or summer of 2020, the college intends to enter into an agreement with Gollob Morgan Peddy PC to perform agreed upon procedures on the financial aid area as a follow up and review of these findings and previous issues in the financial aid area.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

- The new ERP system that was implemented for the fall 2019 school term, has allowed us to enter correct data for the R2T4 process to function and calculate correctly according to the DOE regulations. Job aides have been created to ensure the R2T4 process is being performed correctly and employees assigned to that job task are trained and have the appropriate skills to perform the assigned duties.

Finding 2019-008:

Information on the Federal Program: CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Type of Finding: Significant deficiency.

Cause: The Financial Aid Office was not able to obtain these letters due to a malfunction with the Federal Student Aid software, EDExpress, which was utilized for loan packaging.

Recommendation: The institution should implement an ERP system that should be able to show an audit trail of changes made to records as well as who changed them. TVCC should develop and institute a sustainable internal control system for appropriate documentation retention.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- In November 2017, TVCC entered into an agreement with Ellucian to purchase and install their product “Colleague” as our new Enterprise Resource System. Implementation has been ongoing with the Payroll system going live in January 2019 and most other modules scheduled to be implemented in fiscal year 2019-20. Student facing systems such as registration and Financial Aid went live for the fall 2019 semester.

- In the spring or summer of 2020, the college intends to enter into an agreement with Gollob Morgan Peddy PC to perform agreed upon procedures on the financial aid area as a follow up and review of these findings and previous issues in the financial aid area.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Finding 2019-009:

Information on the Federal Program: CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Type of Finding: Significant deficiency.

Cause: Internal control process failure and an issue with the current ERP system.

Recommendation: The institution should implement an ERP system that removes the need for manually identifying and notifying students of exit counseling as well as properly identifying first time student, first time borrowers. TVCC should develop and institute a sustainable internal control system for appropriate documentation retention.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- In November 2017, TVCC entered into an agreement with Ellucian to purchase and install their product "Colleague" as our new Enterprise Resource System. Implementation has been ongoing with the Payroll system going live in January 2019 and most other modules scheduled to be implemented in fiscal year 2019-20. Student facing systems such as registration and Financial Aid went live for the fall 2019 semester.

- In the spring or summer of 2020, the college intends to enter into an agreement with Gollob Morgan Peddy PC to perform agreed upon procedures on the financial aid area as a follow up and review of these findings and previous issues in the financial aid area.

Finding 2019-010:

Information on the Federal Program: CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Type of Finding: Material weakness.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Cause: An effective internal control environment is evidenced by documented procedures with strong ongoing communications between key departments where employees implement and maintain those internal control activities. The lack of implemented procedures for monthly and year-end processes creates a deficiency to prepare accurate and timely financial reports and federal compliance. As noted in the Federal Student Aid Handbook, pg. 4-114, the direct loan reconciliation is a team effort by the business and financial aid offices. Since both have information that is needed to reconcile, cooperation between these two departments is essential for successful reconciliation. Additionally, the current ERP software being utilized requires significant manual intervention to produce relevant data, which consumes the majority of the time available for employees.

Recommendation: Review the current assignment and qualifications of individuals responsible for direct loan reconciliation to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various grant accounting functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- Colleague implementation will significantly enhance and greatly assist staff in accomplishing this objective. Colleague will enable TVCC to use the software itself as an internal control tool that will significantly enhance the college's ability to perform more thorough, accurate and timely reconciliations between the TVCC financial aid, the TVCC general ledger, and the Texas Higher Education Coordinating Board, Texas Comptroller and U.S. Department of Education.

- Accounting Services and Financial Aid will evaluate Federal Student Aid Handbook recommendations and coordinate implementation of the handbook's recommendations with Colleague implementation.

- The director of accounting services will provide additional training to the Senior Accountant-Grant Accounting for the reconciliation of general ledger grant accounts. During the training, the Senior Accountant-Grant Accounting will document the procedures that will provide written procedures to follow each month.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

. . . . .

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

- Monthly, the Senior Accountant- Grant Accounting will reconcile grant general ledger accounts including account types of assets, liability, income and expense. The Senior Accountant-Grant Accounting must submit monthly reconciliation reports to the director of accounting services for review and approval. All reconciliations must be prepared using the approved reconciliation form.

- If there are reconciliation discrepancies, the Senior Accountant-Grant Accounting will work with the appropriate personnel to resolve within 30 days at the direction of the director of accounting services. If a resolution does not occur, the director of accounting services will notify the VP of Admin Services of the discrepancies.

- The Senior Accountant-Grant Accounting must communicate with the director of accounting services daily to inform of tasks, projects, deadlines, etc. in relation to all grant accounting aspects of the college.

- During the next 6 months, staff evaluation will occur to determine administrative capability.

- The new written policy and procedure manual has been developed along with job aides to correct this task. The job aide will ensure that those individuals performing this task will follow all required regulations in order to perform the task correctly as well as perform it in a timely manner with proper documentation. The financial aid office has been working in conjunction with the business office to ensure that the task at hand is performed and is streamlined as we learn and grow with the new ERP system. The collaboration between the two offices will ensure that reconciliation procedures are followed according to the regulations stated by the DOE.

Finding 2019-011:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.007 – Federal Supplemental Educational Opportunity Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Type of Finding: Material weakness.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

. . . . .

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Cause: The Financial Aid Office experienced turnover of personnel, which resulted in the department failing to request this transcript.

Recommendation: Review the current assignment and qualifications of individuals responsible for financial aid functions to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various Financial Aid functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- The new ERP system that has been implemented, has allowed the financial aid office the ability to put rules in place that will notify the student as well as the financial aid counselor of all required documentation needed in order to complete the verification process. Job aides have been developed for employees to follow regarding the verification process, quarterly training with all campus financial aid employees have been put in place as well as DOE online training to reaffirm understanding of this task.

Finding 2019-012:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.007 – Federal Supplemental Educational Opportunity Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Type of Finding: Significant deficiency.

Cause: There was no reconciliation or review of relevant financial data to Financial Aid information or reporting.

Recommendation: There needs to be a review process in place for the FISAP submission to reduce the likelihood of errors in the completion of this form. Consider the need for cross-training of employees in various Financial Aid functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

. . . . .

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

. . . . .

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- Colleague will enable TVCC to use the software itself as an internal control tool that will significantly enhance the college's ability to perform more thorough, accurate and reconciliation between financial aid and financial records.

- The new ERP system that was implemented fall 2019, will ensure that the financial aid office has the ability to record and review all required Title IV, state and institutional aid to perform the FISAP task. Job aides are still being processed, as the learning curve to the new system continues, for the FISAP. The new system will dissolve the need for manual completion of the form and will be done automatically with a FISAP report process built in the system.

Finding 2019-013:

Information on the Federal Program: CFDA 84.033 – Federal College Workstudy Program. United States of Department of Education.

Type of Finding: Material weakness.

Cause: Internal control process failure and lack of training.

Recommendation: Review the current assignment and qualifications of individuals responsible for direct loan reconciliation to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various grant functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

Action taken in response to finding:

- The new ERP system that has been implemented, has allowed the financial aid office the ability to put rules in place that will notify the student as well as the financial aid counselor of all required documentation needed in order to complete the verification process. Job aides are being developed for employees to follow regarding the verification process, reconciliation of PELL and Loans and Federal work-study. Quarterly training with all campus financial aid employees have been put in place as well as DOE online training to reaffirm understanding of this task.

Finding 2019-014:

Information on the Federal Program: Student Financial Assistance Programs - CFDA 84.063 – Federal Pell Grant Program; CFDA 84.268 – Federal Direct Student Loan. United States of Department of Education.

Type of Finding: Material weakness.

Cause: Internal control process failure and lack of training.

Recommendation: Review the current assignment and qualifications of individuals responsible for direct loan reconciliation to ensure they have the appropriate skills to perform their assigned duties. Ensure that those individuals have been appropriately trained, and possess the proper understanding of both the controls they are performing and the transactions that they are responsible for recording. Consider the need for cross-training of employees in various grant functions. Consider developing written procedures that can be easily disseminated to employees to aid in cross-functional training.

Explanation of Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

- The new ERP system that has been implemented, has allowed the financial aid office the ability to put rules in place that will notify the student as well as the financial aid counselor of all required documentation needed in order to complete the verification process. Job aides are being developed for employees to follow regarding the verification process, reconciliation of PELL and Loans and Federal work-study. Quarterly training with all campus financial aid employees have been put in place as well as DOE online training to reaffirm understanding of this task.

TRINITY VALLEY
COMMUNITY COLLEGE
— ATHENS
100 Cardinal Drive
Athens, Texas 75751
(903) 677-TVCC

TRINITY VALLEY
COMMUNITY COLLEGE
— TERRELL
I-20 at Wilson Road
P.O. Box 668
Terrell, Texas 75160
(972) 563-9573

TRINITY VALLEY
COMMUNITY COLLEGE
— PALESTINE
Hwy. 19 North at 287
P.O. Box 2530
Palestine, Texas 75802
(903) 729-0256

TVCC
HEALTH SCIENCE CENTER
800 Ed Hall Drive
Kaufman, Texas 75142
(972) 932-4309

David Hopkins,
Vice President of Administrative Services and CFO

Jay M. Kinzer
Vice President of Student Services

Tonya Richardson-Dean
Director of Financial Aid and Veteran Services