ANNUAL FINANCIAL REPORT

For the fiscal year ended August 31, 2020

TRINITY VALLEY COMMUNITY COLLEGE

Athens Kaufman Palestine Terrell

TRINITY VALLEY COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED

AUGUST 31, 2020 AND 2019

Prepared By:

DEPARTMENT OF BUSINESS SERVICES

TRINITY VALLEY COMMUNITY COLLEGE

TRINITY VALLEY COMMUNITY COLLEGE

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FINANCIAL SECTION

TRINITY VALLEY COMMUNITY COLLEGE

Athens Kaufman Palestine Terrell

TRINITY VALLEY COMMUNITY COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

Principal Administrative Officers

Dr. Jerry King	President
Dr. Kristen Bennett	Vice-President of Institutional Advancement
Brett Daniel	Vice-President of Information Technology
Vacant	Vice-President of Student Services
Kristin Spizzirri	Vice-President of Instruction
David Hopkins, CPA	Vice-President of Administrative Services and Chief Financial Officer
David Graem	Associate Vice-President of Facilities Management
Tammy Denney	Associate Vice-President of Enrollment Management
Dr. Sam Hurley	Associate Vice-President of Correctional Education
Kelley Townsend	Associate Vice-President of Workforce Education
Erica Richardson	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
Stephanie Golem, CPA	Director of Accounting Services and Controller

TVCC

TRINITY VALLEY COMMUNITY COLLEGE

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, 2020 and 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, 2020 and 2019, and the results of its operations and its cash flows for the years 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 5-11 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, 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 18, 2020

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, 2020. 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, Terrell 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 (GAS).

The Statement of Net Position

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

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

As shown on the SONP, net position is $30,663,054 at August 31, 2020, an increase of $6,878,464 over net position at August 31, 2019. The increase is due mainly to increased Federal revenue, property tax revenue, and gifts of land and cash . Presented on the following page is a condensed SONP showing fiscal years 2020 and 2019 for comparative purposes.

Statement of Net Position

Fiscal Year Ended August 31

	2020	2019	Change
Assets			
Cash and Cash Equivalents, Current	$ 5,694,086	$ 7,886,470	$ (2,192,384)
Cash and Cash Equivalents, Noncurrent	5,873,389	1,627,699	4,245,690
Investments, Unrestricted	9,862,261	9,182,472	679,789
Capital Assets, Net	55,748,480	52,873,269	2,875,211
Other Assets	8,421,117	8,930,682	(509,565)
Total Assets	**$ 85,599,333**	**$ 80,500,592**	**$ 5,098,741**
Deferred Outflows of Resources	$ 9,829,643	$ 8,946,265	$ 883,378
Liabilities			
Current Liabilities	$ 10,692,178	$ 12,111,120	(1,418,942)
Long Term Liabilities	$ 43,170,716	$ 41,877,169	1,293,547
Total Liabilities	**$ 53,862,894**	**$ 53,988,289**	**$ (125,395)**
Deferred Inflows of Resources	$ 10,903,028	$ 11,673,978	(770,950)
Net Position			
Invested in Capital Assets, Net of Debt	$ 52,098,480	$ 47,998,269	4,100,211
Restricted			
Expendable			
Financial Aid and Scholarships	$ 4,097,594	$ 11,840	4,085,754
Unrestricted	(25,533,020)	(24,225,519)	(1,307,501)
Total Net Position	**$ 30,663,054**	**$ 23,784,590**	**6,878,464**

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

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

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

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

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

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

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

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

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

Total operating revenue was $11,464,984, a decrease of $1,014,131 under prior year operating revenue of $12,479,115. This decrease was primarily due to decreases in tuition and fees related to COVID and changes in accounting systems and better tracking of revenue on an accrual basis especially between fiscal years as well as decreases in State grants.

Operating expenses totaled $52,577,341, an increase of $3,795,173 over the previous year which is primarily attributable to a modest raise for faculty and staff, changes in accounting systems and better tracking of revenue on an accrual basis especially between fiscal years. Net non-operating revenue, the majority of which is normally state appropriations, property tax revenue and federal Title IV funding, increased by $8,716,537 compared to the previous year. This increase is primarily attributable to an increase in State appropriations, increased property tax revenue, donations of cash and land as well as changes in accounting systems and better tracking of revenue on an accrual basis especially between fiscal years. Presented on the following page is a condensed SRECNP showing fiscal years 2020 and 2019 for comparative purposes.

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

	2020	2019	Change
Operating Revenues			
Tuition and Fees - net	$ 4,962,566	$ 7,249,164	$ (2,286,598)
Auxiliary Enterprises - net	3,433,834	3,141,406	292,428
Federal Grants/Contracts	2,409,362	717,067	1,692,295
State Grants/Contracts	398,168	1,003,422	(605,254)
Non-government Grants/Contracts		31,842	(31,842)
Sales and Services of Educational Activities	132,509	159,082	(26,573)
Other	128,545	177,132	(48,587)
Total Operating Revenues	**$ 11,464,984**	**$ 12,479,115**	**$ (1,014,131)**
Operating Expenses			
Instruction	$ 16,435,843	$ 17,824,482	$ (1,388,639)
Public Service	721,524	621,199	100,325
Academic Support	7,651,067	5,968,427	1,682,640
Student Services	5,036,995	4,435,958	601,037
Institutional Support	5,274,705	5,891,426	(616,721)
Operation and Maintenance of Plant	2,983,723	2,831,384	152,339
Scholarships and Fellowships - net	6,663,054	4,278,320	2,384,734
Auxiliary Enterprises	5,526,571	4,997,476	529,095
Depreciation	2,283,859	1,933,496	350,363
Total Operating Expenses	**$ 52,577,341**	**$ 48,782,168**	**$ 3,795,173**
Operating Income (Loss)	**$ (41,112,357)**	**$ (36,303,053)**	**$ (4,809,304)**
Non-Operating Revenues (Expenses)			
State Appropriations	$ 15,765,734	$ 14,893,335	$ 872,399
Ad Valorem Taxes	17,218,609	15,339,294	1,879,315
Federal Non-op Revenue	12,833,944	8,646,211	4,187,733
Payments for Collection of Taxes	(446,272)	(391,148)	(55,124)
Gifts	2,219,219	474,774	1,744,445
Other Non-op Revenue	296,256	316,811	(20,555)
Investment Income	191,722	91,667	100,055
Loss on Disposal of Fixed Assets	(12,811)		(12,811)
Interest on Capital-related Debt	(75,580)	(96,660)	21,080
Total Non-Operating Revenues (Expenses)	**$ 47,990,821**	**$ 39,274,284**	**$ 8,716,537**
Increase in Net Position	**$ 6,878,464**	**$ 2,971,231**	**$ 3,907,233**
Net Position, Beginning of The Year	23,784,590	20,813,359	2,971,231
Ending Net Position	$ 30,663,054	$ 23,784,590	$ 6,878,464

Statement of Cash Flows

Another way to assess the financial health of an institution is to analyze cash flow. The College's Statement of Cash Flows is presented as Exhibit 3 on page 17-18. 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 2020, there was more cash provided (inflow) than used (outflow) resulting in positive cash flow of $2,053,306 an increase of $16,719,856 compared to fiscal year 2019's negative cash flow of $14,666,550. While there are many offsetting variables contributing to the increase in cash flow, the primary contributors are decrease in payments for major capital projects $6,699,895, increase in contributions received for capital related financing $1,723,890, decreased purchase of investments $8,502,683,an increase in property taxes $1,861,291 as well as various offsets.

Capital Asset and Debt Administration

Capital Assets

At August 31, 2020, the College had $55,748,480 invested in capital assets, net of accumulated depreciation of $30,756,480. 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 2020 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 $3,600,000 in outstanding revenue bond obligations and $50,000 in outstanding capital lease debt as of August 31, 2020.

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

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 $8,038,968 an increase of $602,275 compared to the previous year primarily due to capital donations and other generous donor contributions. The Foundation's Statement of Financial Position and Statement of Activities are presented on pages 14 and 16 respectively. Endowment funds of the Foundation are under professional investment management.

FUTURE FINANCIAL 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:

Transforming lives through affordable and accessible education.

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.

Fiscal Year 20-21:

Like most colleges TVCC continues to battle the effects of COVID-19. Fall enrollment was down approximately 12% at the time of this writing. The financial situation continues to be positive due to increased property tax revenues. Most classes continue to be online at this time. Many expense categories are down due to restrictions on travel and on campus activities. $1,937,300 is budgeted to be added to the capital reserve fund for future capital projects. $1,759,880 is budgeted as contingency in case of unanticipated revenue loss or other unforeseen events.

TRINITY VALLEY COMMUNITY COLLEGE

EXHIBIT 1

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 5,694,086	$ 7,886,470
Accounts Receivable (net of allowance for doubtful accounts of $1,215,951 and $1,587,151 respectively)	6,716,045	3,619,752
Receivable From TVCC Foundation	438,488	2,000
Inventory	346,507	363,166
Prepaid Expenses	920,077	4,945,764
Total Current Assets	14,115,203	16,817,152
Noncurrent Assets		
Cash and Cash Equivalents	5,873,389	1,627,699
Investments	9,862,261	9,182,472
Capital Assets (Net)	55,748,480	52,873,269
Total Noncurrent Assets	71,484,130	63,683,440
TOTAL ASSETS	85,599,333	80,500,592
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	4,404,432	5,056,624
Deferred Outflows Related to Other Post Employment Benefits	5,425,211	3,889,641
Total Deferred Outflows of Resources	9,829,643	8,946,265
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	2,702,452	2,986,820
Unearned Revenues	6,523,499	7,524,723
Current Portion of Compensated Absences	56,275	48,805
Current Portion of Capital Lease	25,000	25,000
Current Portion of Contingent Liability	-	143,831
Current Portion of Contractual Commitments	184,952	181,941
Current Portion of Bonds Payable	1,200,000	1,200,000
Total Current Liabilities	10,692,178	12,111,120
Noncurrent Liabilities		
Accrued Compensable Absences Payable	506,474	439,242
Net Pension Liability	9,680,885	10,280,832
Net Other Post Employment Benefits Liability	29,550,414	26,329,258
Capital Lease Payable	25,000	50,000
Contractual Commitments	1,007,943	1,177,837
Bonds Payable	2,400,000	3,600,000
Total Noncurrent Liabilities	43,170,716	41,877,169
TOTAL LIABILITIES	53,862,894	53,988,289
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	2,345,416	1,482,867
Deferred Inflows Related to Other Post Employment Benefits	8,557,612	10,191,111
Total Deferred Inflows of Resources	10,903,028	11,673,978
NET POSITION		
Net investment in capital assets	52,098,480	47,998,269
Restricted		
Expendable		
Financial Aid and Scholarships	4,097,594	11,840
Unrestricted	(25,533,020)	(24,225,519)
TOTAL NET POSITION	$ 30,663,054	$ 23,784,590

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

TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,558,434	$ 1,442,877
Prepaid Expenses	376,338	-
Total Current Assets	1,934,772	1,442,877
Non-Current Assets:		
Capital Assets (Net)	854,888	854,888
Investments	5,249,308	5,138,928
Total Non-Current Assets	6,104,196	5,993,816
Total Assets	$ 8,038,968	$ 7,436,693
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Payable to TVCC	$ 438,488	$ 2,000
Total Current Liabilities	438,488	2,000
NET ASSETS		
Without Donor Restrictions:		
Designated for Capital Assets	854,888	854,888
Designated for Capital Projects	16,746	16,161
Designated for Student Aid	1,715,179	1,529,549
Unrestricted	36,690	33,979
	2,623,503	2,434,577
With Donor Restrictions	4,976,977	5,000,116
Total Net Assets	7,600,480	7,434,693
TOTAL LIABILITIES & NET ASSETS	$ 8,038,968	$ 7,436,693

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, 2020 AND 2019

	2020	2019
REVENUES		
Operating revenues		
Pledged Revenues:		
Tuition and Fees (net of $9,990,272 and $7,528,191 in discounts)	$ 4,962,566	$ 7,249,164
Auxiliary Enterprises (net of $977,558 and $1,621,960 in discounts)	3,433,834	3,141,406
Federal Grants and Contracts	2,409,362	717,067
State Grants and Contracts	398,168	1,003,422
Non-Government Grants and Contracts	-	31,842
Sales and Service of Educational Activities	132,509	159,082
Miscellaneous Operating Revenues	128,545	177,132
Total Operating Revenues	11,464,984	12,479,115
EXPENSES		
Operating expenses		
Instruction	16,435,843	17,824,482
Public Service	721,524	621,199
Academic Support	7,651,067	5,968,427
Student Services	3,969,777	4,435,958
Institutional Support	6,341,923	5,891,426
Operations and Maintenance of Plant	2,983,723	2,831,384
Scholarship and Fellowships (net of $10,967,830 and $9,150,151 in discounts)	6,663,054	4,278,320
Auxiliary Enterprises	5,526,571	4,997,476
Depreciation	2,283,859	1,933,496
Total Operating Expenses	52,577,341	48,782,168
Operating (Loss)	(41,112,357)	(36,303,053)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations (non-capital)	15,765,734	14,893,335
Property Taxes	17,218,609	15,339,294
Federal Revenue, Non-Operating	12,833,944	8,646,211
Payments for Collection of Taxes	(446,272)	(391,148)
Gifts	2,219,219	474,774
Other Non-Operating Revenue	296,256	316,811
Investment Income	191,722	91,667
Loss on Disposal of Fixed Asset	(12,811)	-
Interest on Capital Related Debt	(75,580)	(96,660)
Total Non-Operating Revenues (Expenses)	47,990,821	39,274,284
Increase in Net Position	6,878,464	2,971,231
Net Position, Beginning of the Year	23,784,590	20,813,359
Net Position, End of the Year	$ 30,663,054	$ 23,784,590

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

EXHIBIT 2-1

TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
AUGUST 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Prepaid Expenses						
Contributions and Fund-Raising (net)	$ 550,114	$ -	$ 550,114	$ 3,690	$ -	$ 3,690
Unrealized Gain (loss)						
on Investments	-	52,928	52,928	-	(176,556)	(176,556)
Realized Gain (Loss)	-	(12,895)	(12,895)	-	49,130	49,130
Special Events	-	-	-	13,108	16,190	29,298
Investment Income	114,876	-	114,876	139,476	-	139,476
Gifts	-	-	-	12,804	2,764,146	2,776,950
Net Assets						
Released from Restrictions	63,172	(63,172)	-	2,089,579	(2,089,579)	-
Total Revenues	728,162	(23,139)	705,023	2,258,657	563,331	2,821,988
Expenses						
Scholarships	473,531	-	473,531	258,327	-	258,327
Contributions to TVCC and Affiliated Organizations	15,000	-	15,000	454,077	-	454,077
General and Administrative	37,983	-	37,983	47,032	-	47,032
Loss on Disposal	-	-	-	2,623	-	2,623
Fundraising	12,722	-	12,722	-	-	-
Total Expenses	539,236	-	539,236	762,059	-	762,059
Change in Net Assets	188,926	(23,139)	165,787	1,496,598	563,331	2,059,929
Net Assets, September 1	2,434,577	5,000,116	7,434,693	937,979	4,436,785	5,374,764
Net Assets, August 31	$ 2,623,503	$ 4,976,977	$ 7,600,480	$ 2,434,577	$ 5,000,116	$ 7,434,693

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	$ 11,946,660	$ 21,925,767
Receipt of grants and contracts	2,807,530	1,753,616
Receipt from auxiliary enterprises	3,433,834	2,845,474
Loans issued to students	-	(772,858)
Collection of loans to students	-	788,769
Receipt from other operating revenues	261,054	336,214
Payments for scholarships and fellowships	(10,529,342)	(11,325,631)
Payments for salaries and benefits to employees	(35,420,009)	(24,741,885)
Payments to suppliers for goods and services	(7,809,138)	(18,390,329)
Net cash used in operating activities	(35,309,411)	(27,580,863)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt from state educational contracts	12,310,670	11,438,271
Receipts from non-operating federal revenue	12,840,747	8,251,258
Property tax revenues	17,100,025	15,238,734
Payment for collection of taxes	(446,272)	(391,148)
Receipts from student organizations	652,356	758,986
Payments to student organizations	(375,390)	(724,823)
Net cash provided by noncapital financing activities	42,082,136	34,571,278
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets and construction costs	(5,135,533)	(11,835,428)
Payments on contingent liability	(143,831)	(133,990)
Payments on contractual commitments	(166,883)	(66,667)
Principal payments on capital related debt	(1,225,000)	(1,225,000)
Interest on capital related debt	(75,580)	(96,660)
Contributions received for capital related financing	2,515,475	791,585
Net cash (used in) provided by capital and related financing activities	(4,231,352)	(12,566,160)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(679,789)	(9,182,472)
Investment income	191,722	91,667
Net cash (used in) provided by investing activities	(488,067)	(9,090,805)
Increase (decrease) in cash and cash equivalents	2,053,306	(14,666,550)
Cash and cash equivalents, September 1	9,514,169	24,180,719
Cash and cash equivalents, August 31	$ 11,567,475	$ 9,514,169
Reconciliation of cash on Exhibit 1:		
Cash and cash equivalents - current	$ 5,694,086	$ 7,886,470
Cash and cash equivalents - noncurrent	5,873,389	1,627,699
Total cash and cash equivalents	$ 11,567,475	$ 9,514,169

(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, 2020 AND 2019

	2020	2019
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (41,112,357)	$ (36,303,053)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	2,283,859	1,933,496
Bad debt expense	220,284	262,479
Payments made directly by state for benefits	3,812,521	3,455,064
(Increase) decrease in assets		
Receivables (net)	(3,202,796)	(1,511,065)
Receivable from TVCC Foundation	438,488	-
Inventory	(16,659)	(55,626)
Prepaid expenses	4,025,687	(4,788,154)
Deferred outflows on pensions	(652,192)	3,205,314
Deferred outflows on other post employment benefits	(862,549)	1,107,257
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	284,369	(4,581,687)
Unearned revenues	(1,001,224)	6,263,502
Deferred inflows on pensions	1,535,570	3,065,682
Deferred inflows on other post employment benefits	1,633,499	4,194,981
Pension liability	599,947	(4,560,982)
Other post employment benefits liability	(3,221,156)	789,691
Compensated absences	(74,702)	(57,762)
Net cash used in operating activities	$ (35,309,411)	$ (27,580,863)

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

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.

Unearned Revenues

TVCC has recorded unearned tuition and related fees as well as housing and related fees in the amount of $6,523,499 and $7,524,723 as of August 31, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019, TVCC had the following deposits and investments:

	August 31, 2020		August 31, 2019	
	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	10,566,275	12,200,507	8,513,416	11,215,834
Total Deposits	11,566,275	13,200,507	9,513,416	12,215,834
Petty cash on hand	1,200	-	753	-
Total Cash and Cash Equivalents	$ 11,567,475	$ 13,200,507	$ 9,514,169	$ 12,215,834
Investments				
Texas Trust Credit Union (6 Months) CD	$ 6,290,978	$ 6,290,978	$ -	$ -
Texas Trust Credit Union (6 Months) CD	2,013,253	2,013,253	-	-
Texas Trust Credit Union (9 Months) CD	1,558,030	1,558,030	-	-
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	$ 9,862,261	$ 9,862,261	$ 9,182,472	$ 9,182,472

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

	August 31, 2020		August 31, 2019	
	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	558,434	1,557,899	442,877	1,443,702
Total Deposits	1,558,434	2,557,899	1,442,877	2,443,702
Total Cash and Cash Equivalents	$ 1,558,434	$ 2,557,899	$ 1,442,877	$ 2,443,702

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

August 31, 2020:	Cost	Fair Value
TVCC:		
Certificates of Deposit	$ 9,862,261	$ 9,862,261
TVCC Foundation:		
Certificates of Deposit	157,913	157,913
Stocks	1,756,495	2,044,433
Bonds:		
Federal Agency	317,843	327,053
Municipal	585,050	589,846
Corporate	2,125,180	2,130,063
Total Foundation	4,942,481	5,249,308
Total College and Foundation	$ 14,804,742	$ 15,111,569

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

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, 2020 and 2019:

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, 2020:

	Level 1	Level 2	Level 3
TVCC:			
Certificates of Deposit	$ 9,862,261	$ -	$ -
TVCC Foundation:			
Certificates of Deposit	157,913	-	-
Stocks	2,044,433	-	-
Bonds:			
Federal Agency	-	327,053	-
Municipal	-	589,846	-
Corporate	-	2,130,063	-
Total Foundation	2,202,346	3,046,962	-
Total College and Foundation	$ 12,064,607	$ 3,046,962	$ -

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	$ -

NOTE 6 — DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables at August 31, 2020 and August 2019, were as follows:

	08-31-20	08-31-19
Student tuition and fees receivable (net of allowance for doubtful accounts of $1,155,856 and $1,532,897, respectively)	$ 1,105,653	$ 1,941,221
Taxes receivable (net of allowance for doubtful accounts of $60,095 and $54,254, respectively)	1,174,205	1,055,621
Local, Federal, and State receivable	4,411,449	601,806
Other receivables	24,738	21,104
Total Receivables	$ 6,716,045	$ 3,619,752

Accounts payable and accrued liabilities at August 31, 2020 and August 2019, were as follows:

	08-31-20	08-31-19
Vendors payable	$ 1,411,233	$ 1,555,307
Salaries and benefits payable	1,279,233	1,367,446
Sales tax payable	11,986	64,067
Total Accounts Payable and Accrued Liabilities	$ 2,702,452	$ 2,986,820

The Foundation had accounts payable and accrued liabilities balances of $438,488 and $2,000 for August 31, 2020 and 2019, respectively. These balances were comprised solely of amounts due to the college.

NOTE 7 — CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2020 was as follows:

	Balance September 1, 2019	Additions	Reductions	Balance August 31, 2020
Non Depreciated Assets				
Land	$ 2,587,769	$ 885,605.00	$ -	$ 3,473,374
Construction in progress	15,182,216	3,278,893	3,470,569	14,990,540
Subtotal	17,769,985	4,164,498	3,470,569	18,463,914
Other Capital Assets				
Leasehold Improvements	712,811	-	-	712,811
Buildings	48,784,262	373,926	-	49,158,188
Facilities & Improvements	2,938,574	2,098,540	-	5,037,114
Library Books	2,547,158	62,505	23,536	2,586,127
Furniture, Machinery, And Equipment	5,529,804	122,780	-	5,652,584
Computer Equipment	3,074,021	1,820,201	-	4,894,222
Subtotal	63,586,630	4,477,952	23,536	68,041,046
Total Capital Assets	81,356,615	8,642,450	3,494,105	86,504,960
Accumulated Depreciation				
Leasehold Improvements	220,946	66,826	-	287,772
Buildings	18,023,200	1,102,437	-	19,125,637
Facilities & Improvements	1,956,454	185,598	-	2,142,052
Library Books	1,930,024	77,510	10,725	1,996,809
Furniture, Machinery, And Equipment	3,558,363	415,759	-	3,974,122
Computer Equipment	2,794,359	435,729	-	3,230,088
Total Accumulated Depreciation	28,483,346	2,283,859	10,725	30,756,480
Net Capital Assets	$ 52,873,269	$ 6,358,591	$ 3,483,380	$ 55,748,480

As of August 31, 2020, 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	$ 11,991,666	$ 586,151
Terrell Health Science Academy	1,124,891	-
Terrell Health Science Center - Furniture, Fixtures, and Equipment	1,873,983	6,312

Capital asset activity for the year ended August 31, 2020 was as follows for the Foundation:

	Balance September 1, 2019	Additions	Reductions	Balance August 31, 2020
Non Depreciated Assets				
Land	$ 854,888	$ -	$ -	$ 854,888
Subtotal	854,888	-	-	854,888
Total Capital Assets	$ 854,888	$ -	$ -	$ 854,888

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

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

NOTE 8 — LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds					
2017 Revenue Bond Series	$ 4,800,000	$ -	$ 1,200,000	$ 3,600,000	$ 1,200,000
Capital Leases					
EOC/PARK Capital Lease	75,000	-	25,000	50,000	25,000
Contract Agreements					
Contractual Commitments	1,359,777	24,839	191,721	1,192,895	184,952
Other Liabilities					
Contingent Liabilities	143,831	-	143,831	-	-
Compensable Absences	488,047	74,702	-	562,749	56,275
Net OPEB Liability	26,329,258	4,648,434	1,427,278	29,550,414	-
Net Pension Liability	10,280,832	51,885	651,832	9,680,885	-
Total Other Liabilities	37,241,968	4,775,021	2,222,941	39,794,048	56,275
Total Long-term Liabilities	$ 43,476,745	$ 4,799,860	$ 3,639,662	$ 44,636,943	$ 1,466,227

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	$ -	$ 1,200,000.00	$ 4,800,000	$ 1,200,000
Capital Lease					
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

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, 2020 and August 31, 2019 are comprised of the following:

	08-31-20	08-31-19
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.	$ 3,600,000	$ 4,800,000
Net Outstanding Bonds Payable	$ 3,600,000	$ 4,800,000

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, 2020 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
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
	$ 3,600,000		$ 64,440	$ 32,220	$ 3,696,660

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, 2020 were as follows:

Year Ending August 31	Total Payments
2021	$ 25,000
2022	25,000
Total minimum lease payments	50,000
Less: interest costs	-
Present value of minimum lease payments	$ 50,000

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 2019 and 2020.

Contribution Rates

	2020	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	6.8%
Employers	7.5%	6.8%

FY 2020 Employer Contributions	$ 589,536
FY 2020 NECE On-behalf Contributions	$ 448,642

TVCC's contributions to the TRS pension plan in fiscal year 2020 were $589,536 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 2020 were $448,642.

- 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, 2019, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return*	7.25%
Municipal Bond Rate*	2.63%*
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	3.00%
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, 2019 was developed using a roll-forward method from the August 31, 2018 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 6.907 percent as of August 31, 2018 to 7.25 percent as of August 31, 2019.
- The long-term assumed rate of return remained unchanged 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 7.25 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 2.63 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, 2019 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 2019 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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Trinity Valley Community College's proportionate share of the net pension liability	$14,880,927	$9,680,885	$5,467,848

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

At August 31, 2020, Trinity Valley Community College reported a liability of $9,680,885 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	$ 9,680,885
State's proportionate share that is associated with TVCC	6,663,423
Total	$ 16,344,308

The net pension liability was measured as of August 31, 2019, 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, 2018 thru August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net pension liability was .0186231 percent which was a decrease of .00000549 percent from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, Trinity Valley Community College recognized pension expense of $1,046,730 and revenue of $1,046,730 for support provided by the State. Refer to the 2020 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB Statements 67 and 68.

At August 31, 2020, 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	$ -	$ (295,468)
Changes in actuarial assumptions	1,762,303	-
Net difference between projected and actual investment earnings	97,207	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	(92,778)
Contributions paid to TRS subsequent to the measurement date	589,536	-
Total	$ 2,449,046	$ (388,246)

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
2020	$ 207,128
2021	124,330
2022	517,242
2023	530,030
2024	182,879
Thereafter	(90,343)
	$ 1,471,266

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 $113,348 and $110,649 for the fiscal years ended August 31, 2020 and 2019, 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 $21,877,552 and $21,189,443 for fiscal years ended August 31, 2020 and 2019, respectively. The total payroll of employees covered by the TRS was $16,261,795 and $15,691,874, and the total payroll of employees covered by the Optional Retirement Program was $3,828,560 and $3,776,008 for the fiscal years ended August 31, 2020 and 2019, 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, 2020, TVCC withheld and remitted $303,696 for 32 employees. For the year ended August 31, 2019, TVCC withheld and remitted $210,897 for 37 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 $562,749 and $488,047 for 2020 and 2019. 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, 2020 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, 2020 was $50,332.

TVCC's obligations under operating leases at August 31, 2020 were as follows:

Year Ending August 31	Total Payments
2021	$ 51,870
2022	36,774
2023	1,699
Total minimum lease payments	$ 90,343

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 participates 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 2020 are as follows:

Retiree only	$ 624.82
Retiree & Spouse	1,340.82
Retiree & Children	1,104.22
Retiree & Family	1,820.22

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

	08/31/20	08/31/19
Employer Contributions	$ 343,091	$ 272,755
Member (Employee) Contributions	179,406	180,448
NECE On-behalf Contributions	17,256	14,734

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	August 31, 2019
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	2.97%
Inflation	2.50%
Salary Increases including inflation	2.50% to 9.50%
Healthcare Cost Trend Rates	7.30% for FY 21, 7.40% for FY 22, 7.00% for FY 23, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 28 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 2019 ERS CAFR except for mortality assumptions obtained from ERS FY 2019 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 3.96%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.97%, which amounted to a decrease of 0.99%. 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 (2.97%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (1.97%)	Current Discount Rate (2.97%)	1% Increase in Discount Rate (3.97%)
Trinity Valley Community College's proportionate share of the net OPEB liability	$35,263,834	$29,550,414	$25,154,912

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	$24,813,220	$29,550,414	$35,740,839

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

At August 31, 2020, Trinity Valley Community College reported a liability of $29,550,414 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	$ 29,550,414
State's proportionate share that is associated with TVCC	24,678,074
Total	$ 54,228,488

The net OPEB liability was measured as of August 31, 2019 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, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.08549805%, which was 0.00333887% less than the proportion measured as of August 31, 2018.

For the year ended August 31, 2020, Trinity Valley Community College recognized OPEB expense of $27,958 and revenue of $27,958 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 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.

- 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 decreased from 3.96% to 2.97% 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 2020 assumed per capita health benefit costs.

At August 31, 2020, 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	$ -	$ (1,002,862)
Changes in actuarial assumptions	-	(2,839,216)
Net difference between projected and actual investment earnings	11,685	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	200,090	-
Contributions paid to ERS subsequent to the measurement date	497,900	-
Total	$ 709,675	$ (3,842,078)

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
2020	$ (1,522,305)
2021	(1,522,305)
2022	(712,061)
2023	31,326
2024	95,042
Thereafter	-
	$ (3,630,303)

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, 2020:

Assessed Valuation of TVCC	$ 16,334,624,624
Less: Exemptions	1,912,259,871
Net Taxable Valuation of TVCC	$ 14,422,364,753

The authorized rates for the year ended August 31, 2020 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, 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

Taxes levied for the years ended August 31, 2020 and 2019 amounted to $17,031,586 and $15,088,168, 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, 2020 and 2019 were as follows:

	08-31-20	08-31-19
Current taxes collected	$ 16,696,067	$ 14,740,102
Delinquent taxes collected	292,915	385,736
Penalties and interest collected	229,627	213,456
Total Collections	$ 17,218,609	$ 15,339,294

Tax collections for the year ended August 31, 2020 and 2019 were approximately 98.03 percent and 97.57 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, 2020 and 2019 from Palestine ISD was $635,466 and $628,113, respectively. 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, 2020 and 2019.

NOTE 20 — CONTRACTUAL AGREEMENTS

Trinity Valley Community College recorded contingent obligations under contractual commitments at August 31, 2020 were as follows:

Year Ending 8/31	Terrell Health Science Academy	City of Athens Scholarships	City of Terrell Scholarships	Aramark Contract	Total
2021	$ 18,980	$ 20,000	$ 68,575	$ 66,666	$ 174,221
2022	18,980	20,000	68,575	66,666	174,221
2023	18,980	20,000	68,575	66,666	174,221
2024	18,980	-	68,575	50,002	137,557
2025	18,980	-	68,575	-	87,555
2026	18,980	-	68,575	-	87,555
2027	18,980	-	68,575	-	87,555
2028	18,980	-	68,575	-	87,555
2029	18,980	-	68,575	-	87,555
2030	18,980	-	-	-	18,980
2031	18,980	-	-	-	18,980
2032	18,980	-	-	-	18,980
2033	18,980	-	-	-	18,980
2034	18,980	-	-	-	18,980
	265,720	60,000	617,175	250,000	1,192,895

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 $677,175.

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 18, 2020, the date which the financial statements were available to be issued.

TRINITY VALLEY COMMUNITY COLLEGE

TRINITY VALLEY
COMMUNITY COLLEGE

Athens Kaufman Palestine Terrell

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS PENSION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

Fiscal year ending August 31,	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
TRS net position as percentage of total pension liability	75.24%	73.74%	80.50%	79.70%	80.20%	80.25%
TVCC's proportionate share of collective net pension liability (%)	0.0186231%	0.0186780%	0.0178887%	0.0178952%	0.0185170%	0.0204755%
TVCC's proportionate share of collective net pension liability ($)	9,680,885	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	6,663,423	7,260,901	4,355,356	5,095,729	4,900,394	3,976,221
Total	16,344,308	17,541,733	10,075,206	11,858,327	11,445,906	9,445,510
Trinity Valley Community College covered payroll	15,691,874	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	61.69%	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, 2020

Fiscal year ending August 31,	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Legally required contributions	589,536	520,090	629,215	585,520	568,571	549,297
Actual contributions	589,536	520,090	629,215	585,520	568,571	549,297
Contribution deficiency (excess)	-	-	-	-	-	-
Trinity Valley Community College covered payroll	16,261,795	15,691,874	15,270,409	14,783,586	14,168,817	13,665,170
Ratio of: Actual contributions/ER covered payroll amount	3.63%	3.31%	4.12%	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 COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
FISCAL YEAR ENDED AUGUST 31, 2020

Fiscal year ending August 31	**2020**	**2019**	**2018**
Plan fiduciary net position as a percentage of the total OPEB liability	0.17%	1.27%	2.04%
Trinity Valley Community College's proportion share of the collective net OPEB liability (%)	0.08549805%	0.08883692%	0.07959070%
Trinity Valley Community College's proportionate share of collective net OPEB liability ($)	29,550,414	26,329,258	27,118,949
Portion of NECE's total proportionate share of NPL associated with TVCC District	24,678,074	20,778,847	22,023,191
Total	54,228,488	47,108,105	49,142,140
Trinity Valley Community College covered payroll	18,245,339	17,988,500	17,648,300
District's proportionate share of the net OPEB liability as a percentage of its covered payroll amount	161.96%	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 COLLEGE'S OPEB CONTRIBUTIONS
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
FISCAL YEAR ENDED AUGUST 31, 2020

Fiscal year ending August 31	**2020**	**2019**	**2018**
Statutorily required contributions	343,091	272,755	708,942
Actual contribution	343,091	272,755	708,942
Annual contribution deficiency (excess)	-	-	-
Trinity Valley Community College covered payroll	18,450,069	18,245,339	17,988,500
Actual contributions as a percentage of covered payroll	1.86%	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.

Changes Since the Prior Actuarial Valuation for TRS Pension:

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.
- HB 3 in the 2019 Legislative session created a new mechanism for salary increases to be provided from the State. It is our understanding that approximately $825 million was budgeted to provide salary increases to teachers, librarians, counselors, and nurses with at least 5 years of service. To estimate the impact in this valuation, we have assumed the $825 million would be provided uniformly to all members in the data with the applicable position codes and at least 5 years of service. This averages to a $2,700 increase for members impacted. In addition, we have assumed aggregate covered payroll for Fiscal Year 2020 would be $825 million more than the typical 3% annual growth from actual Fiscal Year 2019 payroll. Finally, we have assumed half of the $825 million would be eligible for the supplemental contribution from employers. All assumptions are then assumed to continue thereafter without adjustment. This increased the UAAL in this valuation by approximately $1.4 billion and increased the funding period by 1 year.

- The actual data collected as of August 31, 2020 will provide the actual amount and distribution of the salary increases, as well as the actual increase in aggregate payroll and the portion eligible for supplemental contributions, meaning the 2020 valuation will provide much clarity on the actual impact from the HB 3 as the school districts do have discretion on how the actual increases are distributed. In addition, the true ultimate cost of the increases will not be fully known until the valuations for the following years are completed as it is possible that future salary decisions by employers are impacted by this one large decision. We believe it is possible that overall salary increases for the next few valuation cycles could be dampened compared to current assumptions and thus believe the proposed approach to projecting the impact is more likely to overestimate the impact than underestimate, but given the lack of detail from how local employers will distribute the increases and how it may impact future decisions, we believe the methods used in this valuation are appropriate and reasonable.

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.

Changes Since the Prior Actuarial Valuation for ERS OPEB:

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 $6,650 to $6,750 for individuals and from $13,300 to $13,500 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the FY2020 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.
- 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 male retirees assumed to be married and electing coverage for their spouse.
- Percentage of future retirees and future retiree spouses assumed to use tobacco.

Economic Assumptions

- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution 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 3.96% to 2.97% as a result of requirements by GASB No. 75 to reflect 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.

SUPPLEMENTARY INFORMATION

TRINITY VALLEY
COMMUNITY COLLEGE

Athens Kaufman Palestine Terrell

SCHEDULE A

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2020
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Activities	Total 08/31/20	Total 08/31/19
Tuition						
State Funded Courses						
In-District Resident Tuition	$ 2,157,537	$ -	$ 2,157,537	$ -	$ 2,157,537	$ 2,396,125
Out-of-District Resident Tuition	2,536,704	-	2,536,704	-	2,536,704	1,792,667
TPEG - Credit **	307,853	-	307,853	-	307,853	316,624
Non-Resident Tuition	532,043	-	532,043	-	532,043	402,069
State Funded Continuing Education	50,296	-	50,296	-	50,296	94,114
TPEG - Non-Credit **	4,226	-	4,226	-	4,226	3,979
Non-State Funded Educational Programs	70,428	-	70,428	-	70,428	49,382
Total Tuition	5,659,087	-	5,659,087	-	5,659,087	5,054,960
Fees						
General Fee	5,410,913	-	$ 5,410,913	-	5,410,913	5,464,506
Out-of-District Fee	2,478,103	-	2,478,103	-	2,478,103	2,915,106
Laboratory Fee	522,759	-	522,759	-	522,759	565,145
Distance Learning Fee	738,736	-	738,736	-	738,736	634,405
Installment Plan Fee	45,000	-	45,000	-	45,000	12,472
Non-Funded Course Fee	98,240	-	98,240	-	98,240	113,994
Other Fees	-	-	-	-	-	16,767
Total Fees	9,293,751	-	9,293,751	-	9,293,751	9,722,395
Allowances and Discounts						
Bad Debt Allowance	(220,284)	-	(220,284)	-	(220,284)	(218,378)
Scholarships and Performance Grants	(2,005,520)	-	(2,005,520)	-	(2,005,520)	(1,326,761)
Waivers and Exemptions - State	(761,553)	-	(761,553)	-	(761,553)	(466,344)
Waivers and Exemptions - Local	(1,626,211)	-	(1,626,211)	-	(1,626,211)	(1,589,237)
TPEG Allowances	(197,239)	-	(197,239)	-	(197,239)	(194,924)
Private and Other Local	(31,669)	-	(31,669)	-	(31,669)	(31,297)
Federal Grants to Students	(4,935,835)	-	(4,935,835)	-	(4,935,835)	(3,244,217)
State Grants to Students	(211,962)	-	(211,962)	-	(211,962)	(457,033)
Total Scholarship Allowances and Discounts	(9,990,272)	-	(9,990,272)	-	(9,990,272)	(7,528,191)
Net Tuition and Fees	4,962,566	-	4,962,566	-	4,962,566	7,249,164
Additional Operating Revenues						
Federal Grants and Contracts	40,694	2,368,668	2,409,362	-	2,409,362	717,067
State Grants and Contracts	-	398,168	398,168	-	398,168	1,003,422
Non-Government Grants and Contracts	-	-	-	-	-	31,842
Sales and Service of Educational Activities	132,509	-	132,509	-	132,509	159,082
General Operating Revenues	128,545	-	128,545	-	128,545	177,132
Total Additional Operating Revenues	301,748	2,766,836	3,068,584	-	3,068,584	2,088,545
Auxiliary Enterprises						
Housing and Meals	-	-	-	1,882,902	1,882,902	2,236,399
Bad Debt Allowance	-	-	-	-	-	(11,883)
Scholarship Allowances and Discounts	-	-	-	(450,792)	(450,792)	(1,010,272)
Net Housing and Meals	-	-	-	1,432,110	1,432,110	1,214,244
Bookstore Commissions	-	-	-	2,164,430	2,164,430	2,423,296
Bad Debt Allowance	-	-	-	-	-	(32,218)
Scholarship Allowances and Discounts	-	-	-	(526,766)	(526,766)	(567,587)
Net Bookstore	-	-	-	1,637,664	1,637,664	1,823,491
Athletics	-	-	-	35,804	35,804	42,030
Other Auxiliary Revenues	-	-	-	328,256	328,256	61,641
Total Net Auxiliary Enterprises	-	-	-	3,433,834	3,433,834	3,141,406
Total Operating Revenues	$ 5,264,314	$ 2,766,836	$ 8,031,150	$ 3,433,834	$ 11,464,984	$ 12,479,115

** In accordance with Education Code 56.033, $312,079 and $320,603 for years August 31, 2020 and 2019, respectively, of tuition was set aside for Texas Public Education Grants.

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2020
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)

	Salaries and Wages	Benefits		Other Expenses	Total 08/31/20	Total 08/31/19
		State	Local			
Unrestricted - Educational Activities						
Instruction	$ 11,312,044	$ -	$ 1,247,717	$ 527,516	$ 13,087,277	$ 15,710,565
Public Service	206,576	-	87,108	9,387	303,071	307,429
Academic Support	3,512,111	-	1,365,759	2,110,557	6,988,427	5,363,323
Student Services	2,333,005	-	920,975	275,402	3,529,382	3,537,675
Institutional Support	2,489,033	-	2,497,741	1,017,121	6,003,895	5,423,233
Operation and Maintenance of Plant	512,061	-	248,451	2,212,933	2,973,445	2,811,724
Scholarships and Fellowships	-	-	-	883,966	883,966	428,946
Total Unrestricted	20,364,830	-	6,367,751	7,036,882	33,769,463	33,582,895
Restricted - Education and General						
Instruction	84,643	2,991,727	-	272,196	3,348,566	2,113,917
Public Service	230,632	97,379	-	90,442	418,453	313,770
Academic Support	-	168,093	-	494,547	662,640	605,104
Student Services	225,174	215,221	-	-	440,395	898,283
Institutional Support	-	338,028	-	-	338,028	468,193
Operation and Maintenance of Plant	-	2,073	-	8,205	10,278	19,660
Scholarships and Fellowships	-	-	5,779,088	-	5,779,088	3,849,374
Total Restricted	540,449	3,812,521	5,779,088	865,390	10,997,448	8,268,301
Total Educational and General	20,905,279	3,812,521	12,146,839	7,902,272	44,766,911	41,851,196
Auxiliary Enterprises	972,273	-	354,035	4,200,263	5,526,571	4,997,476
Depreciation Expense - Buildings and Improvements	-	-	-	1,354,861	1,354,861	1,282,663
Depreciation Expense - Equipment	-	-	-	851,488	851,488	572,460
Depreciation Expense - Library Books	-	-	-	77,510	77,510	78,373
Total Operating Expenses	$ 21,877,552	$ 3,812,521	$ 12,500,874	$ 14,386,394	$ 52,577,341	$ 48,782,168

SCHEDULE C

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)

	Unrestricted	Restricted	Auxiliary Enterprises	Total 08/31/20	Total 08/31/19
NON-OPERATING REVENUES:					
State Appropriations:					
Education and General State Support	$ 11,953,213	$ -	$ -	$ 11,953,213	$ 11,768,747
State Group Insurance	-	2,059,029	-	2,059,029	1,939,462
State Retirement Matching	-	1,753,492	-	1,753,492	1,185,126
Other	-	-	-	-	-
Total State Appropriations	11,953,213	3,812,521	-	15,765,734	14,893,335
Property Taxes	17,218,609	-	-	17,218,609	15,339,294
Federal Revenue, Non Operating	-	12,833,944	-	12,833,944	8,646,211
Gifts	346,219	1,873,000	-	2,219,219	474,774
Reduction of Contractual Commitment	191,722	-	-	191,722	91,667
Other Income	35,633	5,859	-	41,492	15,010
Investment Income	254,764	-	-	254,764	301,801
Total Non-Operating Revenues	30,000,160	18,525,324	-	48,525,484	39,762,092
NON-OPERATING EXPENSES:					
Payments for Collection of Taxes	446,272	-	-	446,272	391,148
Interest on Capital Related Debt	75,580	-	-	75,580	96,660
Loss on Disposal of Fixed Assets	12,811	-	-	12,811	-
Total Non-Operating Expenses	534,663	-	-	534,663	487,808
Net Non-Operating Revenues	$ 29,465,497	$ 18,525,324	$ -	$ 47,990,821	$ 39,274,284

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2020
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)

	Detail by Source					Available for Current Operations	
		Restricted		Capital Assets			
	Unrestricted	Expendable	Non-Expendable	Net of Depreciation & Related Debt	Total	Yes	No
Current:							
Unrestricted	$ (26,036,137)	$ -	$ -	$ -	$ (26,036,137)	$ (26,036,137)	$ -
Restricted	-	4,097,594	-	-	4,097,594	4,097,594	-
Loan	503,117	-	-	-	503,117	-	503,117
Endowment:							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Endowment							
True	-	-	-	-	-	-	-
Term (per instructions at maturity)	-	-	-	-	-	-	-
Life Income Contracts	-	-	-	-	-	-	-
Annuities	-	-	-	-	-	-	-
Plant:							
Investment in Plant	-	-	-	52,098,480	52,098,480	-	52,098,480
Total Net Position, August 31, 2020	(25,533,020)	4,097,594	-	52,098,480	30,663,054	(21,938,543)	52,601,597
Total Net Position, August 31, 2019	(24,225,519)	11,840	-	47,998,259	23,784,580	(23,772,945)	47,557,525
Net Increase (Decrease) in Net Position	$ (1,307,501)	$ 4,085,754	$ -	$ 4,100,221	$ 6,878,474	$ 1,834,402	$ 5,044,072

TVCC

TRINITY VALLEY COMMUNITY COLLEGE

SINGLE AUDIT SECTION

TRINITY VALLEY
COMMUNITY COLLEGE

Athens Kaufman Palestine Terrell

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE E
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

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	--	$ 87,045
Federal College Workstudy Program	84.033	--	90,406
Federal Pell Grant Program	84.063	--	12,754,024
Direct Student Loans	84.268	--	6,248,962
Total Student Financial Assistance Cluster			19,180,437
COVID-19 Emergency Acts Funding			
HEERF Student Portion	84.425E	P425E200646	932,620
HEERF Institutional Portion	84.425F	P425F200186	530,762
			1,463,382
Pass Through From:			
Texas Workforce Commission			
Adult Education - Basic Grants to States	84.002A	0818ALA00B	80,160
Adult Education - Basic Grants to States	84.002A	0818ALA00C	1,398
Total Adult Education - Basic Grants to States			81,558
Texas Higher Education Coordinating Board			
Carl Perkins Career and Technical Education-Basic Grants	84.048	22161	544,624
Total Career and Technical Education			544,624
Total U. S. Department of Education			21,270,001
U.S. Small Business Administration (SBA)			
Pass Through From:			
Dallas Community College District			
Small Business Development Center	59.037	SBAHQ-19-B-0014	155,367
Small Business Development Center/CARES Act	59.037	SBAHQ-19-B-0059	20,464
Total U.S. Small Business Administration (SBA)			175,831
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	17,439
Texas Workforce Commission to Workforce Solutions East Texas Board			
Childcare Local Match Agreement	93.596	04161C93	2,000
Total U.S. Department of Health and Human Services			19,439
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 21,465,271

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, 2020

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, 2020 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	$ 2,409,362
Non Operating Revenue From Schedule C	12,833,944
Direct Student Loans	6,248,962
Revenues reported on Schedule A not included on Schedule E (revenues reflected for agent)	(26,997)
Total Federal Financial Assistance – Schedule E	$ 21,465,271

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, 2020

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Higher Education Coordinating Board		
Nursing Shortage Reduction	--	$ 14,217
Texas College Work Study	--	4,950
Texas Educational Opportunity Grant Program	--	256,053
Total Texas Higher Education Coordinating Board		275,220
Texas Workforce Commission		
Pass-Through Programs:		
TWC to Literacy Council of Tyler to East Texas Consortium		
State Adult Education	0818ALA00B	24,638
Total Texas Workforce Commission		24,638
Texas Small Business Adminstration		
Pass-Through Programs:		
Dallas County Community College District, Small Business Development Center	SBAHQ-19-B-0014	111,750
Total Texas Small Business Administration		111,750
TOTAL EXPENDITURES OF STATE AWARDS		$ 411,608

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, 2020

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, 2020. 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 are 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	$ 398,168
Matching Contributions Included in Schedule F	13,440
Total State Financial Assistance – Schedule F	$ 411,068

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, 2020, 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 18, 2020.

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 or 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.

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

Gollob Morgan Peddy PC
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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 18, 2020

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member of
CPAmerica International
Member Crowe Global™

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, 2020. 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:

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Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2020-001	Various	Student Financial Assistance Cluster	Special Tests and Provisions – Return of Title IV Funds
2020-002	Various	Student Financial Assistance Cluster	Special Tests and Provisions – Student Loan Repayments
2020-003	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, 2020.

Unmodified Opinion on Each Other Major Federal Programs

In our opinion, 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 each of its other major federal programs for the year ended August 31, 2020.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency

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.

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 2020-001, 2020-002, 2020-003, and 2020-004,to be 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 18, 2020

TRINITY VALLEY COMMUNITY COLLEGE

,
.TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020

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?	_____	Yes	X	None Reported
Noncompliance material to financial statements noted?	_____	Yes	X	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	_____	Yes	X	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)?	_____	Yes	X	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
84.425E	COVID-19 Emergency Acts Funding – HEERF Student
84.425F	COVID-19 Emergency Acts Funding – HEERF Institution

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

No findings for this area.

Section III – Federal Award Findings and Questioned Costs

Finding 2020-001:

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: Significant deficiency.

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: $321

Context:

- One student did not have a R2T4 calculation performed despite withdrawing prior to the 60 percent point of the semester.
- One student did not have their award amount updated in the Colleague System as a result of the R2T4 calculation

Effect or Potential Effect: Return of Title IV refunds were not properly calculated, performed or returned to the Department of Education.

Cause: The financial Aid Office has to complete R2T4 calculations by hand for summer sessions due to limitations of the new ERP system Colleague. During the beginning, the FAO was unaware that the system was incapable of calculating returns for modules in the system and had to go back and begin manually calculating them upon notification of withdrawal from the Advising office. Additionally, once the calculations are complete, the award amount has to be updated to reflect the related adjustments.

Repeat Finding: Repeat finding.

Recommendation: The Financial Aid Office should implement an internal control process/procedure to ensure that all students that take courses during the summer terms are considered in the R2T4 calculation for possible refund to DOE while also confirming that awards are updated accordingly.

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. The system implementation was ongoing at the time. This was our first experience having to do this process manually in the summer. This will be corrected and costs will be submitted to the Department of Education. Please see the attached action plan related to the findings in this report.

Finding 2020-002:

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.

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.

Questioned Costs: $0

Context: We identified three students in the sample selection that were not sent the required exit counseling due to a lack of documentation

Effect or Potential Effect: Students were not provided information concerning the repayment of federal student loans that were made available during exit counseling.

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

Repeat Finding: Repeat finding.

Recommendation: TVCC should develop and institute a sustainable internal control system for appropriate documentation retention and identification of errors.

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. The process of implementation was ongoing and the new documentation and policies were not fully in place. They are now in place to resolve this issue, and we are working towards implementing a trackable process within Colleague. Please see the attached action plan related to the findings in this report.

Finding 2020-003:

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: Significant Deficiency.

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: 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 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. The process of implementation was ongoing and the new documentation and policies were not fully in place. They are now in place to resolve this issue. Please see the attached action plan related to the findings in this report.

TRINITY VALLEY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2020

Finding: 2019-001

Status: Corrected.

Finding: 2019-002

Status: Corrected.

Finding: 2019-003

Status: Corrected.

Finding: 2019-004

Status: Corrected.

Finding: 2019-005

Status: Corrected.

Finding: 2019-006

Status: Corrected.

Finding: 2019-007

Status: Repeat Finding – 2020-001

Finding: 2019-008

Status: Corrected.

Finding: 2019-009

Status: Repeat Finding – 2020-002

Finding: 2019-010

Status: Corrected.

Finding: 2019-011

Status: Corrected.

Finding: 2019-012

Status: Corrected.

Finding: 2019-013

Status: Corrected.

Finding: 2019-014

Status: Repeat Finding – 2020-003

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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 Hwy. 243 West
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, 2020.

Audit Period September 1, 2019 to August 31, 2020

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 2020-001:

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: Significant deficiency.

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: $321

Context:

- One student did not have a R2T4 calculation performed despite withdrawing prior to the 60 percent point of the semester.
- One student did not have their award amount updated in the Colleague System as a result of the R2T4 calculation

Effect or Potential Effect: Return of Title IV refunds were not properly calculated, performed or returned to the Department of Education.

TRINITY VALLEY
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Cause: The Financial Aid Office has to complete R2T4 calculations by hand for summer sessions due to limitations of the new ERP system Colleague. During the beginning, the FAO was unaware that the system was incapable of calculating returns for modules in the system and had to go back and begin manually calculating them upon notification of withdrawal from the Advising office. Additionally, once the calculations are complete, the award amount has to be updated to reflect the related adjustments.

Repeat Finding: Repeat finding.

Recommendation: The Financial Aid Office should implement an internal control process/procedure to ensure that all students that take courses during the summer terms are considered in the R2T4 calculation for possible refund to DOE while also confirming that awards are updated accordingly.

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

Action taken in response to finding:

- On top of creating a report from the CROA system, the Financial Aid Office has collaborated with the Advising offices, on all campuses, to forward any and all drops to the Financial Aid Office by email after they process a withdrawal and/or class drops. This will allow us a checks and balance system to catch those not found on the CROA report and will allow us to process the R2T4 in a timelier manner as well as sent out Exit Counseling information to those that have Federal Direct Student Loans.

Finding 2020-002:

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.

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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.

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.

Questioned Costs: $0

Context: We identified three students in the sample selection that were not sent the required exit counseling due to a lack of documentation.

Effect or Potential Effect: Students were not provided information concerning the repayment of federal student loans that were made available during exit counseling.

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

Repeat Finding: Repeat finding.

Recommendation: TVCC should develop and institute a sustainable internal control system for appropriate documentation retention and identification of errors.

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

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Action taken in response to finding:

- On top of creating a report from the CROA system, the Financial Aid Office has collaborated with the Advising offices, on all campuses, to forward any and all drops to the Financial Aid Office by email after they process a withdrawal and/or class drops. This will allow us a checks and balance system to catch those not found on the CROA report and will allow us to process the R2T4 in a timelier manner as well as send out Exit Counseling information to those that have Federal Direct Student Loans.

Finding 2020-003:

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: Significant deficiency.

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.

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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: 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.

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

Action taken in response to finding:

- After the conversion to the new ERP system, we worked with Ferrelli to be able to correctly pull these reports in order to get them submitted. The procedures are in place, and TVCC reports enrollment to the Clearinghouse once a month beginning with the Spring 2021 term. We use reports within Colleague to create the files to send to the Clearinghouse. Once the Clearinghouse has processed the files, errors are sent back for us to correct. When the reports are sent to NSLDS, TVCC receives notification of any issues with the file on the NSLDS side, and we go in and correct those within the allotted time.

David Hopkins
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Dr. Philip Parnell
Vice President of Student Services

Tonya Richardson-Dean
Director of Financial Aid and Veteran Services