

TRINITY VALLEY COMMUNITY COLLEGE
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2012

TRINITY VALLEY COMMUNITY COLLEGE
Annual Financial Report for
the Year Ended AUGUST 31, 2012

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TRINITY VALLEY COMMUNITY COLLEGE
 ORGANIZATIONAL DATA
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2012

Board of Trustees

Officers

Ray Raymond	President
Paula Kimball	Vice President
Glendon Forgey	Secretary

Members

	<u>Term Expires</u>
	<u>April 30,</u>
Homer L. Norville	Kaufman, Texas 2016
Dr. Charlie Risinger	Terrell, Texas 2016
Jerry Stone	Malakoff, Texas 2016
Ron Day	Mabank, Texas 2018
Paula Kimball	Seven Points, Texas 2018
David Monk	Tyler, Texas 2018
Jack Endres	Athens, Texas 2014
Ray Raymond	Kaufman, Texas 2014
Kenneth McGee	Athens, Texas 2014

Principal Administrative Officers

Dr. Glendon Forgey	President
Mike Abbott	Vice-President of Information Technology
Dr. Jerry King	Vice-President of Instruction
Dr. Jay Kinzer	Vice-President of Student Services
Jean McSpadden, CPA	Vice-President of Administrative Services and Chief Financial Officer
Mary Nicholson	Vice-President of Institutional Advancement
Brett Daniel	Associate Vice-President of Information Technology
Dr. Sam Hurley	Associate Vice-President of Correctional Education
Wendy Mays	Associate Vice-President of Instruction for Academic Education
David McAnally	Associate Vice-President of Instruction for Workforce Education
Dr. Algia Allen	Provost of Terrell Campus
Dr. Helen Reid	Provost of Health Occupations
Dr. Jeffrey Watson	Provost of Palestine Campus
Joyce Helberg	Controller

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

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INDEPENDENT AUDITOR'S REPORT

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

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of Trinity Valley Community College (the "College"), a special purpose government engaged only in business - type activities, as of and for the year ended August 31, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's administration. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business - type activities of the College as of August 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

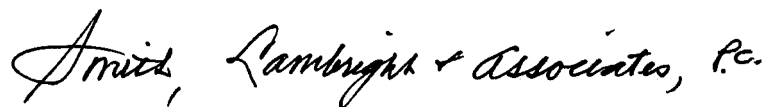
In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the College. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Texas Coordinating Board requires Texas colleges to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in schedules identified in the Table of Contents as Schedules A through D and F, and portfolio composition with compliance report. The schedules A through D and F and portfolio composition have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Smith, Lambright & Associates, P.C." The signature is written in black ink and is positioned above the printed name of the firm.

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

November 16, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Trinity Valley Community College's financial statements provides an overview of the College's financial activities for the year ending August 31, 2012. 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, Terrell campus, Kaufman Health Science Center, Texas Department of Criminal Justice, area high schools and through distance education. In order to maintain financial stability, the College strives to have adequate revenue streams to accumulate net assets to ensure sufficient funding to accomplish its mission.

USING THIS REPORT

The College's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 33 "Accounting and Financial Reporting for Nonexchange Transactions," Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and Statement 35 "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." These statements require a comprehensive one-line look at the entity. Financial data is presented in a form similar to that used by corporations. This presentation contrasts with financial statements prepared prior to implementation of GASB 33, 34 and 35 which focused on accountability of funds ,i.e., current, auxiliary, endowment, loan and plant funds.

The annual financial report is presented in 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 Assets,
- The Statement of Revenues, Expenses, and Changes in Net Assets, and
- The Statement of Cash Flows.

The Statement of Net Assets

The Statement of Net Assets (SONA) includes all assets and liabilities 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 asset balance (the difference between assets and liabilities) is one indicator of the College's financial health. Over time, increases or decreases in net assets is one indicator of the improvement or deterioration of the College's financial health. Of course, other non-financial data such as enrollment levels and condition of facilities should also be considered in this assessment.

As shown on the SONA, net assets increased by \$1,673,718, a 4% over net assets at fiscal year-end 2011.

Presented on the following page is a condensed SONA showing fiscal years 2012, 2011 and 2010 for comparative purposes.

Assets and Liabilities (\$000)			
(Condensed)			
	2012	2011	2010
Assets			
Cash and Cash Equivalents, Unrestricted	\$ 3,492	\$ 4,992	\$ 3,577
Cash and Cash Equivalents, Restricted	224	198	221
Investments, Unrestricted	4,011	1,000	7,499
Investments, Restricted	-	-	885
Capital Assets, Net	36,476	37,273	30,887
Other Assets	4,081	4,261	5,005
Total Assets	\$ 48,284	\$ 47,724	\$ 47,189
Liabilities			
Long Term Liabilities	\$ 1,468	\$ 2,153	\$ 2,455
Other Liabilities	3,989	4,418	3,152
Total Liabilities	\$ 5,457	\$ 6,571	\$ 5,607
Net Assets			
Invested in Capital Assets, Net of Debt	\$ 34,380	\$ 34,444	\$ 27,877
Restricted	-	-	932
Unrestricted	8,447	6,709	12,773
Total Net Assets	\$ 42,827	\$ 41,153	\$ 41,582

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

The Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) 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 as well.

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 Assets. If state appropriations, property tax revenue, and federal Title IV funds are added to operating revenues, overall 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 SRECNA, the terminology “scholarships” used under operating expenses are monies paid directly to students and were not included as a “discount” against tuition, fees, room, board and book revenues. (See paragraph on tuition discounting above.) The majority of these monies are Federal Financial Aid that flow from the U.S. Department of Education through the College to the students for their own use after educational costs have been paid.

Total operating revenue was \$12,750,505, a decrease of \$1,914,788 or 13% over the prior year. The primary contributor to the decrease was that prior year revenue contained one-time grant-provided (non-governmental) revenues of \$1,900,000 representing the value of software licenses for the college’s new mechanical engineering technology program.

Operating expenses totaled \$43,999,370 a decrease of \$3,575,397 or 7.8% over the previous year. The primary components of this decrease were 1) lower scholarship expenses (which are cash balances paid out to students after TVCC charges have been paid) of approximately \$2,000,000 comprised of a) a reduction in Pell funds paid to students because the college increased tuition and fee rates for the academic year, thereby increasing the amount of Pell funds paid to the college and less directly to the student, b) the elimination of the Academic Competitiveness Grant by the US Department of Education, and c) the elimination of the JET and ADN scholarships by the State of Texas; and 2) the absence of one-time grant-funded (non-governmental) expenditures of \$1,900,000 for software licenses associated with the college’s new mechanical engineering technology program incurred in the prior year. These decreases were offset by an increase of approximately \$205,000 in the cost of employee benefits, and an increase in Auxiliary Enterprise expenses of approximately \$321,000 due to a price increase in the college’s food services contract and an increase in bad debt expense to more adequately allow for outstanding Room & Board and Bookstore accounts receivable (mostly due to Return of Title IV funds) that will likely need to be written off over the next year or two.

Net non-operating revenue, the majority of which is state appropriations, property tax revenue and federal Title IV funding, decreased \$488,972 or 1.5% compared to the previous year. The decrease is primarily attributable to 1) a reduction in state funding of ~\$238,000, 2) a reduction in federal Title IV funding of ~\$532,000 due to

the elimination of the Academic Competitiveness Grant by the US Department of Education (\$305,000) and a reduction in Pell Grant funding of ~\$265,000 (although more students received Pell Grants this year vs. last year, the total dollar amount awarded was lower) and 3) a decrease of ~\$63,000 in investment income due to lower interest rates. These revenue decreases were offset by an increase in property tax revenue of ~\$313,000 due to an increase in tax rates and a decrease in miscellaneous other non-operating expenses of ~\$29,000.

Presented on the following page is a condensed SRECNA showing fiscal years 2012, 2011 and 2010 for comparative purposes

Revenues and Expenses (\$000)
(Condensed)

	2012	2011	2010
Operating Revenues			
Tuition and Fees - net	\$ 6,697	\$ 6,393	\$ 4,824
Federal Grants/Contracts	1,726	1,540	1,056
State Grants/Contracts	1,033	1,664	1,239
Local Grants/Contracts	-	-	-
Non-government Grants/Contracts	2	1,900	26
Sales and Services of Educational Activities	184	227	285
Auxiliary Enterprises - net	2,864	2,603	2,835
Other	244	338	223
Total Operating Revenues	\$ 12,750	\$ 14,665	\$ 10,488
Operating Expenses			
Instruction	\$ 15,840	\$ 18,292	\$ 14,924
Public Service	573	537	534
Academic Support	4,498	3,970	3,767
Student Services	3,162	3,383	3,226
Institutional Support	3,745	3,609	3,324
Operation and Maintenance of Plant	2,807	3,036	3,167
Scholarships and Fellowships	6,420	8,457	6,716
Auxiliary Enterprises	5,359	4,929	4,764
Depreciation	1,595	1,361	1,303
Total Operating Expenses	\$ 43,999	\$ 47,574	\$ 41,725
Operating Income (Loss)	\$ (31,249)	\$ (32,909)	\$ (31,237)
Non-Operating Revenues (Expenses)			
State Appropriations	\$ 12,870	\$ 13,109	\$ 14,361
Ad Valorem Taxes	7,983	7,670	7,296
Federal Non-op Revenue	12,326	12,859	10,759
Payments for Collection of Taxes	(225)	(214)	(205)
Gifts	22	-	9
Other Non-op Revenue	11	28	32
Investment Income	53	115	225
Bond Issuance Costs	(14)	-	-
Interest on Capital-related Debt	(89)	(120)	(142)
Loss on Disposal of Fixed Assets	(14)	(36)	(12)
Net Non-Operating Revenues	\$ 32,923	\$ 33,411	\$ 32,323
Income Before Other Items	\$ 1,674	\$ 502	\$ 1,086
Capital Contributions	\$ -	\$ -	\$ -
Endowment Contributions	-	-	-
Other Contributions	-	-	-
Special and Extraordinary Items	-	(931)	-
Total Other Items	\$ -	\$ (931)	\$ -
Change in Net Assets	\$ 1,674	\$ (429)	\$ 1,086
Beginning Net Assets	\$ 41,153	\$ 41,582	\$ 40,496
Ending Net Assets	42,827	41,153	41,582

Statement of Cash Flows

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

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

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

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

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

For fiscal year 2012, there was more cash provided (inflow) than used (outflow) resulting in positive cash flow of \$1,537,185 as compared to fiscal year 2011 negative cash flow of \$7,514,946. While the increase in positive cash flow over the prior year is attributable to many offsetting inflows and outflows, the change can be primarily attributed to the absence of significant capital spending in 2012 compared to capital spending for the new residence hall in 2011.

Capital Asset and Debt Administration

Capital Assets

At August 31, 2012, the College had \$36,476,311 invested in capital assets, net of accumulated depreciation of \$17,429,513. Refer to Note 6 in the Notes to the Financial Statements (page 23) for further details on the College's capital assets.

The College remains committed to maintaining adequate physical resources to support its mission, and in early 2009 completed a major update to the campus master plan. A new residence hall was completed in 2011 and funded with cash reserves. Architectural plans for the Health Science Center expansion have been prepared; the college is building back up its cash reserves before moving further with the project.

There were no significant capital projects undertaken during the year.

Debt

The College refunded the remaining obligation under its Series 2005 general revenue bond with a new Series 2012 general revenue bond in order to take advantage of lower interest rates; the rate was reduced from 4% to 1.7%. Outstanding debt on the new bond at fiscal year-end is \$1,875,000 with \$595,000 (plus interest) due in fiscal year 2013.

Outstanding debt under the College's lease/purchase agreement entered into in 2011 to finance the acquisition of a new telecommunications and telephone system is \$221,723 with \$33,519 due in fiscal year 2013.

The college has no other debt as of August 31, 2012.

Refer to Notes 7 and 9 in the Notes to the Financial Statements (pages 25 and 26) for additional information regarding debt.

Contingencies

As explained further in Note 29 regarding TRS/ORP employee retirement system funding: The State of Texas contributed six percent of each community college district's unrestricted general revenue appropriation for each year of the legislative biennium spanning fiscal years 2012 and 2013, rather than the constitutionally provided minimum of six percent of the aggregate compensation paid to individuals participating in the system.

There is no pending litigation concerning this issue to construe the constitutional funding requirements; or to hold that the State biennium appropriations satisfy those requirements; or to attempt to collect any shortfall contributions from any community college district.

The college has calculated that as of August 31, 2012 the contribution that has not been paid to TRS on behalf of college employees is \$260,091.

Affiliated Organization

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

The Foundation plays a key role in helping the college fulfill its mission primarily through the awarding of scholarships to TVCC students. The Foundation's Net Asset balance at fiscal year-end August 31, 2012 is \$3,426,271, a net increase of approximately \$187,000 after scholarship and other expenses. The Foundation's Statement of Net Assets and Statement of Activities are presented on pages 14 and 16 respectively. Endowment funds of the Foundation are under professional investment management.

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

FUTURE FINANCIAL AFFECTS

Trinity Valley Community College strives to provide quality educational programs at an affordable cost. The College maintains one of the lowest tuition rates as well as one of the lowest property tax rates among all Texas community colleges. Through fiscally responsible leadership by the Board of Trustees and the College's administration, the College has generated continued growth in net assets. The financial statements attest to its sound financial base and financial stability.

The Trinity Valley Community College mission statement reads:

Trinity Valley Community College is a learning-centered college that provides quality academic, workforce, and community service programs to meet the educational needs of our students and the citizens of our service area.

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 in past years with an emphasis among minority groups. 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. Additionally, escalation of salaries, benefits, and unfunded state and federal mandates require continual fiscal oversight. The College will scrutinize potential avenues for additional revenue and will endeavor to keep operating costs at a minimum while striving to keep the price of education affordable for all students.

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EXHIBITS AND NOTES

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
AUGUST 31, 2012 AND AUGUST 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,491,722	\$ 4,991,653
Short-Term Investments	4,010,910	1,000,000
Accounts Receivable (Net)	3,489,609	3,645,050
Deferred Charges	73,727	71,708
Inventories	490,795	513,159
Prepaid Expenses	27,000	31,600
Total Current Assets	<u>11,583,763</u>	<u>10,253,170</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	223,889	197,683
Capital Assets, (Net) (See Note)	36,476,311	37,273,425
Total Noncurrent Assets	<u>36,700,200</u>	<u>37,471,108</u>
Total Assets	<u>48,283,963</u>	<u>47,724,278</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	966,863	1,439,003
Accrued Compensable Absences - Current Portion	327,304	348,277
Funds Held for Others	131,511	123,020
Deferred Revenues	1,611,587	1,491,332
Deposits	323,459	340,078
Capital Leases Payable - Current Portion	33,519	96,393
Bonds Payable - Current Portion	595,000	580,000
Total Current Liabilities	<u>3,989,243</u>	<u>4,418,103</u>
Noncurrent Liabilities		
Capital Leases Payable	188,204	278,377
Bonds Payable	1,280,000	1,875,000
Total Noncurrent Liabilities	<u>1,468,204</u>	<u>2,153,377</u>
Total Liabilities	<u>5,457,447</u>	<u>6,571,480</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	34,379,588	34,443,655
Restricted for		
Non-expendable		
Student Aid	0	0
Expendable		
Student Aid	0	0
Unexpended Bond Funds (Net of Bonded Debt)	0	
Unrestricted	8,446,928	6,709,143
Total Net Assets (Schedule D)	<u>\$ 42,826,516</u>	<u>\$ 41,152,798</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
 AFFILIATED ORGANIZATION
 TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
 STATEMENT OF NET ASSETS
 AUGUST 31, 2012 AND AUGUST 31, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 217,555	\$ 471,154
Investments	3,206,053	2,766,815
Accrued Receivables	48	
Capital Assets (Net)	<u>2,621</u>	<u>2,621</u>
Total Assets	<u>3,426,277</u>	<u>3,240,590</u>
LIABILITIES		
Accounts Payable	<u>6</u>	<u>1,429</u>
NET ASSETS		
Invested in Capital Assets	2,621	2,621
Restricted for:		
Nonexpendable		
Student Aid	2,874,202	2,713,574
Expendable		
Student Aid	474,600	459,768
Capital Projects	27,161	24,208
Unrestricted	<u>47,687</u>	<u>38,990</u>
Total Net Assets	<u>\$ 3,426,271</u>	<u>\$ 3,239,161</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2012 AND AUGUST 31, 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Tuition and Fees (Net of Discounts of \$6,884,249 And \$4,770,107 respectively)	\$ 6,697,098	\$ 6,393,018
Federal Grants and Contracts	1,725,661	1,539,583
State Grants and Contracts	1,032,894	1,663,982
Local Grants and Contracts	0	
Non-government Grants and Contracts	1,804	1,900,000
Sales and Services of Educational Activities	184,211	226,789
Auxiliary Enterprises (Net of Discounts of \$2,589,259 And \$2,171,525 respectively)	2,864,761	2,603,642
General Operating Revenue	<u>244,076</u>	<u>338,279</u>
Total Operating Revenues (Schedule A)	<u>12,750,505</u>	<u>14,665,293</u>
Operating Expenses		
Instruction	15,840,503	18,292,194
Public Service	573,631	536,937
Academic Support	4,498,345	3,970,555
Student Services	3,162,029	3,382,862
Institutional Support	3,744,891	3,609,126
Operation and Maintenance of Plant	2,806,801	3,035,843
Scholarships and Fellowships	6,419,551	8,457,280
Auxiliary Enterprises	5,358,734	4,928,746
Depreciation	<u>1,594,885</u>	<u>1,361,224</u>
Total Operating Expenses (Schedule B)	<u>43,999,370</u>	<u>47,574,767</u>
Operating Income (Loss)	<u>(31,248,865)</u>	<u>(32,909,474)</u>
Non-Operating Revenues (Expenses)		
State Appropriations	12,869,894	13,108,635
Maintenance Ad Valorem Taxes	7,983,304	7,670,212
Federal Revenues, non-operating	12,326,539	12,859,396
Payments for Collection of Taxes	(225,301)	(214,128)
Gifts	21,658	0
Other Non-operating Revenue	11,477	28,184
Investment Income	52,564	115,827
Bond Issuance Costs	(13,813)	0
Interest on Capital Related Debt	(89,411)	(120,400)
Loss on Disposal of Fixed Assets	<u>(14,328)</u>	<u>(36,171)</u>
Net Non-Operating Revenues (Schedule C)	<u>32,922,583</u>	<u>33,411,555</u>
Income Before Extraordinary Item	<u>1,673,718</u>	<u>502,081</u>
Extraordinary Item:		
Transfer of Endowment Fund to the TVCC Foundation	<u>0</u>	<u>(931,558)</u>
Increase(Decrease) in Net Assets	1,673,718	(429,477)
Net Assets		
Net Assets - Beginning of Year	41,152,798	41,582,275
Net Assets - End of Year	<u>\$ 42,826,516</u>	<u>\$ 41,152,798</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
 AFFILIATED ORGANIZATIONS
 TRINITY VALLEY COMMUNITY COLLEGE FOUNDATION
 STATEMENT OF ACTIVITIES
 FOR THE YEARS ENDED AUGUST 31, 2012 AND AUGUST 31, 2011

	2012	2011
REVENUES		
Investment Income	\$ 68,849	\$ 63,564
Fund Raising Events (Net of Expense)	6,072	4,110
Gifts	137,169	111,044
Realized Gain on Sale of Securities	18,485	62,696
Unrealized Gain (Loss) on Sale of Securities	87,523	23,335
Total Revenues	318,098	264,749
 EXPENSES		
Scholarships	107,358	121,125
Contributions to TVCC		8,974
Administrative Expense	21,000	13,298
General Fundraising Expense	2,630	
Total Expenses	130,988	143,397
Change in Net Assets	187,110	121,352
Transfer of TVCC Endowment Fund to TVCC Foundation	0	931,558
Net Assets at Beginning of Year	3,239,161	2,186,251
Net Assets at End of Year	\$ 3,426,271	\$ 3,239,161

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

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2012 AND AUGUST 31, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	\$ 18,628,206	\$ 15,840,213
Receipts of Grants and Contracts	2,738,719	5,179,103
Payments to Suppliers for Goods or Services	(10,324,836)	(11,542,342)
Payments to or on Behalf of Employees	(24,531,797)	(24,438,626)
Payments to Scholarships and Fellowships	(14,210,436)	(14,672,516)
Loans Issued to Students	(959,383)	(1,178,942)
Collection of Loans to Students	960,620	1,216,601
Other Receipts	<u>26,230</u>	<u>116,588</u>
Net Cash Provided (Used) by Operating Activities	<u>(27,672,677)</u>	<u>(29,479,921)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from State Appropriations	11,442,783	11,490,113
Receipts from Ad Valorem Taxes	7,933,343	7,670,619
Receipts from non-operating federal Revenue	12,181,576	12,840,314
Payment for Collections of Taxes	(225,468)	(214,128)
Receipts from Student Organizations and Other Agency Transactions	10,964,923	14,992,576
Payments to Student Organizations and Other Agency Transactions	(10,956,432)	(15,001,714)
Other Receipts	33,133	28,184
Transfer of Endowment Fund Cash to TVCC Foundation	<u>0</u>	<u>(930,022)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>31,373,858</u>	<u>30,875,942</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Capital Debt	2,469,000	374,770
Purchases of Capital Assets	(1,437,923)	(7,214,316)
Bond Issuance Costs	(13,813)	0
Payments on Capital Debt - Principal	(3,145,393)	(555,000)
Payments on Capital Debt - Interest	<u>(89,411)</u>	<u>(120,400)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>(2,217,540)</u>	<u>(7,514,946)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	<u>53,544</u>	<u>126,402</u>
Net Cash Provided (Used) by Investing Activities	<u>53,544</u>	<u>126,402</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,537,185	(5,992,523)
CASH AND CASH EQUIVALENTS - September 1	<u>6,189,336</u>	<u>12,181,859</u>
CASH AND CASH EQUIVALENTS - August 31	<u>\$ 7,726,521</u>	<u>\$ 6,189,336</u>

TRINITY VALLEY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEARS ENDED AUGUST 31, 2012 AND AUGUST 31, 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (31,248,865)	\$ (32,909,474)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used)		
by Operating Activities:		
Depreciation Expense	1,594,885	1,361,224
Payments Made Directly by State for Benefits	1,427,111	1,618,522
Changes in Assets and Liabilities		
Receivables, Net	349,385	(253,749)
Deferred Expenses	(2,019)	(9,952)
Inventories	22,364	91,149
Prepaid Expenses	4,600	7,745
Accounts Payable	97,199	175,908
Deposit	(16,619)	131,109
Compensated Absences	(20,973)	34,106
Deferred Revenue	120,255	273,491
Net Cash Provided (Used) by Operating Activities	<u>\$ (27,672,677)</u>	<u>\$ (29,479,921)</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

1. REPORTING ENTITY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Report Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

B. Tuition Discounting

Texas Public Education Grants

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

Title IV, Higher Education Act Program Funds

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

Other tuition discounts

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Basis of Accounting

The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

D. Budgetary Data

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

E. Cash and cash equivalents

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

F. Investments

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

G. Inventories

Inventories consist of consumable office supplies, physical plant supplies, food service supplies, and bookstore stock. Inventories are valued at cost and are charged to expense as consumed.

H. Capital assets

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

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2012 have been deferred.

J. Estimates

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

K. Operating and Non-Operating Revenue and Expense Policy

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

L. Characterization of Title IV Grant Revenue

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

3. AUTHORIZED INVESTMENTS

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

4. DEPOSITS AND INVESTMENTS

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

Cash and Deposits

	2012	2011
Bank Deposits:		
Demand Deposits	\$ 1,920,773	\$ 2,627,833
Cash and Cash Equivalents:		
Petty Cash on Hand	4,635	4,917
Total Cash and Deposits	\$ 1,925,408	\$ 2,632,750

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Market Value August 31, 2012	Market Value August 31, 2011
U. S. Government	\$ 0	\$ 0
U. S. Instrumentality	0	0
Real Estate Investments	0	0
Totals	\$ 0	\$ 0
Total Cash and Deposits	1,925,408	2,632,750
Total Investments	5,801,113	3,556,586
Total Deposit and Investments	7,726,521	6,189,336
Cash and Temporary Investments (Exhibit 1)	5,936,319	3,632,750
Investments (Exhibit 1)	1,790,202	2,556,586
Total Deposits and Investments	\$ 7,726,521	\$ 6,189,336
Investment Type		Weighted Average Maturity (Years)
Certificate of Deposit	\$ 4,010,911	.1671
Money Market Accounts	1,790,202	.0822
Total Fair Value	\$ 5,801,113	

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

5. DERIVATIVES

The College had no derivatives at August 31, 2012.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

6. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2012 was as follows:

	Balance September 1, 2011	Increases	Decreases / Adjustments	Balance August 31, 2012
<u>Not Depreciated:</u>				
Land	\$ 1,158,469	\$	\$	\$ 1,158,469
Construction in Progress	<u>7,473,644</u>	<u>43,312</u>	<u>7,015,073</u>	<u>501,883</u>
				0
Subtotal	<u>8,632,113</u>	<u>43,312</u>	<u>7,015,073</u>	<u>1,660,352</u>
 <u>Other Capital Assets:</u>				
Building	35,447,129	6,551,757		41,998,886
Facilities & Improvements	2,640,645			2,640,645
Library Books	2,760,096	110,321	25,935	2,844,482
Furniture, Machinery, Vehicles, and Other Equipment	1,752,316	712,457	11,802	2,452,971
Telecommunications and Peripheral Equipment	<u>1,887,361</u>	<u>477,782</u>	<u>56,655</u>	<u>2,308,488</u>
Subtotal	<u>44,487,547</u>	<u>7,852,317</u>	<u>94,392</u>	<u>52,245,472</u>
 <u>Accumulated Depreciation:</u>				
Buildings	10,502,764	849,644		11,352,408
Facilities & Improvements	1,057,766	119,302		1,177,068
Library Books	1,955,988	99,009	11,607	2,043,390
Furniture, Machinery, Vehicles, and Other Equipment	1,154,320	190,012		1,344,332
Telecommunications and Peripheral Equipment	<u>1,175,397</u>	<u>336,918</u>		<u>1,512,315</u>
Subtotal	<u>15,846,235</u>	<u>1,594,885</u>	<u>11,607</u>	<u>17,429,513</u>
Net Other Capital Assets	<u>28,641,312</u>	<u>6,257,432</u>	<u>82,785</u>	<u>34,815,959</u>
Net Capital Assets	<u>\$ 37,273,425</u>	<u>\$ 6,300,744</u>	<u>\$ 7,097,858</u>	<u>\$ 36,476,311</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

6. CAPITAL ASSETS (continued)

Capital assets activity for the year ended August 31, 2011 was as follows:

	Balance September 1, 2010	<u>Increases</u>	<u>Decreases</u>	Balance August 31, 2011
<u>Not Depreciated:</u>				
Land	\$ 1,158,469	\$	\$	\$ 1,158,469
Construction in Progress	<u>423,631</u>	<u>7,050,013</u>	<u> </u>	<u>7,473,644</u>
				0
Subtotal	<u>1,582,100</u>	<u>7,050,013</u>	<u>0</u>	<u>8,632,113</u>
 <u>Other Capital Assets:</u>				
Building	35,199,962	247,167		35,447,129
Facilities & Improvements	2,640,645			2,640,645
Library Books	2,739,081	113,805	92,790	2,760,096
Furniture, Machinery, Vehicles, and Other Equipment	1,625,079	134,569	7,332	1,752,316
Telecommunications and Peripheral Equipment	<u>1,707,196</u>	<u>237,931</u>	<u>57,766</u>	<u>1,887,361</u>
Subtotal	<u>43,911,963</u>	<u>733,472</u>	<u>157,888</u>	<u>44,487,547</u>
 <u>Accumulated Depreciation:</u>				
Buildings	9,752,884	749,880		10,502,764
Facilities & Improvements	938,464	119,302		1,057,766
Library Books	1,916,185	101,820	62,017	1,955,988
Furniture, Machinery, Vehicles, and Other Equipment	1,013,191	156,964	15,835	1,154,320
Telecommunications and Peripheral Equipment	<u>986,004</u>	<u>233,258</u>	<u>43,865</u>	<u>1,175,397</u>
Subtotal	<u>14,606,728</u>	<u>1,361,224</u>	<u>121,717</u>	<u>15,846,235</u>
Net Other Capital Assets	<u>29,305,235</u>	<u>(627,752)</u>	<u>36,171</u>	<u>28,641,312</u>
Net Capital Assets	<u>\$ 30,887,335</u>	<u>\$ 6,422,261</u>	<u>\$ 36,171</u>	<u>\$ 37,273,425</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

7. LONG - TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2012 was as follows:

	Balance September 1 2011	Additions	Reductions	Balance August 31 2012	Current Portion
Bonds:					
Revenue Bonds - Series 2005	\$ 2,455,000	\$	\$ 2,455,000	\$ 0	\$
Revenue Bonds - Series 2012		2,469,000	594,000	1,875,000	595,000
Subtotal	2,455,000	2,469,000	3,049,000	1,875,000	595,000
Capital Lease	374,790		153,067	221,723	33,519
Total Long-Term Liabilities	<u>\$ 2,829,790</u>	<u>\$ 2,469,000</u>	<u>\$ 3,202,067</u>	<u>\$ 2,096,723</u>	<u>\$ 628,519</u>

Long-term liability activity for the year ended August 31, 2011 was as follows:

	Balance September 1 2010	Additions	Reductions	Balance August 31 2011	Current Portion
Bonds:					
Revenue Bonds-Series 2005	\$ 3,010,000	\$	\$ 555,000	\$ 2,455,000	\$ 580,000
Capital Lease	0	374,790		374,790	96,393
Total Long-Term Liabilities	<u>\$ 3,010,000</u>	<u>\$ 374,790</u>	<u>\$ 555,000</u>	<u>\$ 2,829,790</u>	<u>\$ 676,393</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

8. DEBT AND LEASE OBLIGATIONS

Debt service requirements at August 31, 2012 were as follows:

For the Year Ended August 31	Revenue Bonds		
	Principal	Interest	Total
2013	\$ 595,000	\$ 32,318	\$ 627,318
2014	625,000	22,062	647,062
2015	<u>655,000</u>	<u>11,290</u>	<u>666,290</u>
Totals	\$ <u>1,875,000</u>	\$ <u>65,670</u>	\$ <u>1,940,670</u>

Obligations under capital leases at August 31, 2012 were as follows:

For the Year Ended August 31	Capital Lease		
	Principal	Interest	Total
2013	\$ 33,519	\$ 7,964	\$ 41,483
2014	92,775	5,384	98,159
2015	<u>95,429</u>	<u>2,730</u>	<u>98,159</u>
Totals	\$ <u>221,723</u>	\$ <u>16,078</u>	\$ <u>237,801</u>

Obligations under operating leases at August 31, 2012, were as follows:

For the Year Ended August 31	Total
2013	\$ 32,963
2014	32,963
2015	32,963
2016	32,963
2017	<u>32,963</u>
Total Minimum Lease Payments	\$ <u>164,815</u>

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

9. BONDS PAYABLE

General information related to bonds payable is summarized as follows:

- A. Consolidated Fund Revenue Bonds, Series 2005
Purpose of the bond issue - To construct a classroom building
Issue date - June 27, 2005
Original amount of issue - \$5,500,000
Source of revenue for debt service - Pledged tuition fee, building use fee, student services fee, laboratory fee, other fees and Auxiliary Enterprise Fund System revenue including all interest income on such funds.
Bonds payable were due in annual installments varying from \$670,000 to \$681,200 with an interest rate to maturity of 4.0 percent with the final installment due in 2015.
This bond issue was refunded on April 5, 2012 with the issuance of the Series 2012 bonds.

- B. Consolidated Fund Revenue Bonds, Series 2012
Purpose of the bond issue - To refund the Series 2005 bonds
Issue date - April 5, 2012
Original amount of issue - \$2,469,000
Source of revenue for debt service - Pledged tuition fee, building use fee, student services fee, laboratory fee, other fees and Auxiliary Enterprise Fund System revenue including all interest income on such funds.
Bonds payable are due in annual installments varying from \$595,000 to \$655,000 with an interest rate to maturity of 1.7 percent with the final installment due in 2015.

10. REFUNDING BONDS

The Consolidated Fund Revenue Bonds, Series 2005 were refunded on April 5, 2012 with the issuance of the Consolidated Fund Revenue Bonds, Series 2012. The proceeds of the Series 2012 were used to repay the principal balance of the Series 2005 bonds and to provide funds to pay the costs of issuance.

11. DEFEASED BONDS OUTSTANDING

The College had no defeased bonds outstanding for the year ending August 31, 2012.

12. SHORT - TERM DEBT

The College had no short - term debt for the year ending August 31, 2012.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

13. EMPLOYEES' RETIREMENT

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the College participates is administered by the Teacher Retirement System of Texas.

Teacher Retirement System of Texas

Plan Description. The Trinity Valley Community College District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.4% for fiscal years 2012 and 2011 and a state contribution rate of 6.4% for fiscal year 2012 and 6% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contribution.

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6% and 6.65%, respectively. The College contributes 2.5% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

The retirement expense to the State for the College was \$1,427,111 and \$1,007,320 for the fiscal years ended August 31, 2012 and 2011, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$19,975,901 and \$19,961,651 for fiscal years 2012 and 2011, respectively. The total payroll of employees covered by the Teacher Retirement System was \$12,426,996 and \$12,141,575, and the total payroll of employees covered by the Optional Retirement Program was \$5,600,382 and \$5,974,763 for fiscal years 2012 and 2011, respectively.

14. DEFERRED COMPENSATION PROGRAM

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The College acts as a withholding agent for the employee contracts with their individual plan. The College has no liability to the employee other than withholding from their salary check and remitting to their designated plan. For the year ended August 31, 2012 the College withheld and remitted \$198,642 for 32 employees. For the year ended August 31, 2011, the College withheld and remitted \$183,675 for 29 employees.

15. COMPENSABLE ABSENCES

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

Compensable absence balances have been recorded. The College recognized the accrued liability for unused annual vacation leave, compensatory time and personal days in the amounts of \$327,304 at August 31, 2012. The College recognized the accrued liability for the unused annual vacation leave and personal days in the amount of \$348,277 at August 31, 2011. Also, all full-time employees are granted sick leave at the rate of one day per month of service to up 45 days depending on length of employment. If this leave is not used for medical purposes, it lapses upon the retirement or resignation of the employee and the employee is not paid for it. Therefore, no accrued liability has been recorded for sick leave.

16. PENDING LAWSUITS AND CLAIMS

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

17. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2012, were as follows:

	2012		2011	
	Primary Institution	Component Unit (Foundation)	Primary Institution	Component Unit (Foundation)
Student Receivables	\$ 2,451,914	\$ 0	\$ 2,124,579	\$ 0
Taxes Receivables	824,526	0	816,463	0
Federal Receivables	928,029	0	925,713	0
Accounts Receivables	174,085	0	194,449	0
Interest Receivables	2,268	0	3,247	0
Other Receivables	0	0	0	0
Subtotal	4,380,822	0	4,064,451	0
Allowance for Doubtful Accounts	(891,213)	0	(419,401)	
Total Receivables	<u>\$ 3,489,609</u>	<u>\$ 0</u>	<u>\$ 3,645,050</u>	<u>\$ 0</u>

Payables

Payables at August 31, 2012, were as follows:

	2012		2011	
	Primary Institution	Component Unit (Foundation)	Primary Institution	Component Unit (Foundation)
Vendors Payable	\$ 181,120	\$ 6	\$ 819,420	\$ 1,429
Students Payable	785,743	0	619,583	0
Total	<u>\$ 966,863</u>	<u>\$ 6</u>	<u>\$ 1,439,003</u>	<u>\$ 1,429</u>

18. FUNDS HELD IN TRUST BY OTHERS

There were no known funds held in trust by others on behalf of Trinity Valley Community College for the year ending August 31, 2012.

19. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide and Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedules A and C. Contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g. multi-year awards, or funds awarded during fiscal years ending August 31, 2012 and 2011 respectively for which monies have not been received nor funds expended totaled \$531,268 and \$586,592. Of these amounts, \$512,567 and \$447,321 were from Federal Contract and Grant Awards; \$18,701 and \$139,271 were from State Contract and Grant Awards; \$-0- and \$-0- were from Local Contract and Grant Awards; and \$-0- and \$-0- were from Private Contract and Grant Awards for the fiscal years ended August 31, 2012 and 2011, respectively.

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

20. SELF-INSURED PLANS

The College did not participate in any self-insured plans as of August 31, 2012.

21. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$438.30 per month for the year ended August 31, 2012 (\$413.26 per month for year ended August 31, 2011) and totaled \$2,664,672 for the year ended August 31, 2012 (\$2,509,316 for the year ended August 31, 2011). The cost of providing those benefits for 112 retirees in the year ended August 31, 2012 was \$693,203 (retiree benefits for 112 retirees cost \$655,758 for the year ended August 31, 2011). For 287 active employees, the cost of providing benefits was \$1,971,468 for the year ended August 31, 2012 (active employee benefits for 286 employees cost \$1,853,558 for the year ended August 31, 2011).

22. AD VALOREM TAX

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

At August 31:

	2012	2011
Assessed Valuation of the College	\$ 13,516,718,720	\$ 14,066,018,727
Less: Exemptions	(2,955,174,392)	(3,476,990,722)
Less: Abatements		(18,143,218)
Net Assessed Valuation of the College	\$ 10,561,544,328	\$ 10,570,884,787

	2012		2011	
	Current Operations	Total	Current Operations	Total
Authorized Tax Rate per \$100 valuation (Maximum Per Enabling Legislation)	\$ 0.5000	\$ 0.500	\$ 0.5000	\$ 0.5000
Assessed Tax Rate per \$100 valuation	\$ 0.0815	\$ 0.0815	\$ 0.0775	\$ 0.0775
Assessed Tax Rate per \$100 Valuation for Branch Campus Maintenance	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

22. PROPERTY TAX (continued)

Tax levied during the year ended August 31, 2012 and 2011 is \$7,853,355 and \$7,546,436 which includes any penalty and interest assessed if applicable. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

<u>Taxes Collected (Includes Maintenance Tax)</u>	<u>2012</u>		<u>2011</u>	
	<u>Current Operations</u>	<u>Total</u>	<u>Current Operations</u>	<u>Total</u>
Current Taxes Collected	\$ 7,551,437	\$ 7,551,437	\$ 7,258,072	\$ 7,258,072
Delinquent Taxes Collected	234,798	234,798	253,456	253,456
Penalties and Interest Collected	<u>154,170</u>	<u>154,170</u>	<u>159,092</u>	<u>159,092</u>
Total Collections	<u>\$ 7,940,405</u>	<u>\$ 7,940,405</u>	<u>\$ 7,670,620</u>	<u>\$ 7,670,620</u>

Tax collections for the year ended August 31, 2012 and 2011 were 96.2% and 96.2%, respectively of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and/or operations.

23. BRANCH CAMPUS MAINTENANCE TAX

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

<u>County or Independent School District</u>	<u>Collections (including Penalties and Interest) 2012</u>	<u>Collections (including Penalties and Interest) 2011</u>
Palestine ISD	\$ 562,299 *	\$ 561,812 *

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

24. INCOME TAXES

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc. Unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the year ended August 31, 2012.

25. COMPONENT UNITS

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

26. RELATED PARTIES

The only noted and possible related party instance is that Brenda Boyd, sister of Texas Agriculture Commissioner, Todd Staples, is an instructor at Trinity Valley Community College.

27. SUBSEQUENT EVENTS

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

28. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

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

The college's contributions to SRHP for the years ended August 31, 2012 and 2011 were \$693,203 and \$655,758 respectively, which equaled the required contributions each year.

29. Contingencies

Texas Constitution article 16, section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system," referring to the State's Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP). During the 2011 legislative session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the State's contribution to TRS/ORP on behalf of community colleges to only six percent of each district's unrestricted general revenue appropriation for each year of the biennium state budget.

There is no pending litigation concerning this issue to construe the constitutional funding requirements; or to hold that the State biennium appropriations satisfy those requirements; or to attempt to collect any shortfall contributions from any community college district.

The college has calculated that as of August 31, 2012 the contribution that has not been paid to TRS on behalf of college employees is \$260,091.

SCHEDULES

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2012
(with Memorandum Totals for the Year Ended August 31, 2011)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2012 Total</u>	<u>2011 Total</u>
Tuition:						
State Funded Credit Courses:						
In-District Resident Tuition	\$ 2,747,934	\$	\$ 2,747,934	\$	\$ 2,747,934	\$ 2,764,296
Out-of-District Resident Tuition	1,574,437		1,574,437		1,574,437	1,174,246
Non-resident Tuition	414,728		414,728		414,728	264,142
TPEG - Credit (Set Aside)*	290,353		290,353		290,353	257,433
State Funded Continuing Education	237,679		237,679		237,679	304,195
TPEG -Non- Credit (Set Aside)*	13,020		13,020		13,020	18,058
Non-State Funded Educational Programs	110,803		110,803		110,803	145,909
Total Tuition	<u>5,388,954</u>	<u>0</u>	<u>5,388,954</u>	<u>0</u>	<u>5,388,954</u>	<u>4,928,279</u>
Fees:						
General Fee	4,729,007		4,729,007		4,729,007	3,769,881
Out-of-District Fee	2,500,700		2,500,700		2,500,700	1,707,013
Laboratory Fee	485,888		485,888		485,888	436,654
Distance Learning Fee	324,034		324,034		324,034	190,757
Installment Plan Fee	13,761		13,761		13,761	10,135
Non-Funded Course Fee	105,533		105,533		105,533	91,175
Other Fees	33,470		33,470		33,470	29,231
Total Fees	<u>8,192,393</u>	<u>0</u>	<u>8,192,393</u>	<u>0</u>	<u>8,192,393</u>	<u>6,234,846</u>
Scholarship Allowances and Discounts:						
Bad Debt Allowance	(390,717)		(390,717)		(390,717)	0
Scholarship Allowances	(950,702)		(950,702)		(950,702)	(747,749)
Remissions and Exemptions - State	(328,868)		(328,868)		(328,868)	(176,828)
Remissions and Exemptions - Local	(430,030)		(430,030)		(430,030)	(379,992)
TPEG Allowances	(210,867)		(210,867)		(210,867)	(150,605)
Federal Grants to Students	(4,485,244)		(4,485,244)		(4,485,244)	(3,154,862)
State Grants to Students	(87,821)		(87,821)		(87,821)	(160,071)
Total Scholarship Allowances	<u>(6,884,249)</u>	<u>0</u>	<u>(6,884,249)</u>	<u>0</u>	<u>(6,884,249)</u>	<u>(4,770,107)</u>
Total Net Tuition and Fees	<u>6,697,098</u>	<u>0</u>	<u>6,697,098</u>	<u>0</u>	<u>6,697,098</u>	<u>6,393,018</u>
Additional Operating Revenues:						
Federal Grants and Contracts	64,766	1,660,895	1,725,661		1,725,661	1,539,583
State Grants and Contracts	4,607	1,028,287	1,032,894		1,032,894	1,663,982
Non-Governmental Grants and Contracts	0	1,804	1,804		1,804	1,900,000
Sales and Services of Educational Activities	184,211		184,211		184,211	226,789
General Operating Revenues	244,076		244,076		244,076	338,279
Total Additional Operating Revenues	<u>497,660</u>	<u>2,690,986</u>	<u>3,188,646</u>	<u>0</u>	<u>3,188,646</u>	<u>5,668,633</u>
Auxiliary Enterprises:						
Residential Life			0	2,016,426	2,016,426	1,289,140
Less: Scholarship Allowances and Discounts			0	(974,789)	(974,789)	(765,493)
Less: Bad Debt Allowance			0	(65,228)	(65,228)	0
Bookstore			0	3,345,919	3,345,919	3,443,640
Less: Scholarship Allowances and Discounts			0	(1,483,563)	(1,483,563)	(1,406,032)
Less: Bad Debt Allowance			0	(65,679)	(65,679)	0
Athletics			0	25,279	25,279	14,418
Other Auxiliary Enterprises			0	66,396	66,396	27,969
Total Auxiliary Enterprises	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,864,761</u>	<u>2,864,761</u>	<u>2,603,642</u>
Total Operating Revenues	<u>\$ 7,194,758</u>	<u>\$ 2,690,986</u>	<u>\$ 9,885,744</u>	<u>\$ 2,864,761</u>	<u>\$ 12,750,505</u>	<u>\$ 14,665,293</u>
				(Exhibit 2)	(Exhibit 2)	

* In accordance with Education Code 56.033, \$303,372 and \$275,491, for years August 31, 2012 and August 31, 2011, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF OPERATING EXPENSES BY OBJECT
 FOR THE YEAR ENDED AUGUST 31, 2012
 (with Memorandum Totals for the Year Ended August 31, 2011)

	Operating Expenses			August 31,	August 31,	
	Salaries and Wages	Benefits		2012 Total	2011 Total	
		State	Local			Other Expenses
Unrestricted - Educational Activities						
Instruction	\$ 10,586,910	\$	\$ 1,907,517	\$ 904,491	\$ 13,398,918	\$ 13,220,265
Public Service	185,596		78,436	36,968	301,000	257,925
Academic Support	2,353,010		498,754	1,374,724	4,226,488	3,592,083
Student Services	1,772,960		410,585	415,601	2,599,146	2,579,489
Institutional Support	2,263,601		527,614	698,383	3,489,598	3,244,284
Operation and Maintenance of Plant	828,333		414,634	1,545,610	2,788,577	3,003,051
Scholarships and Fellowships				1,316	1,316	2,150
Total Unrestricted Educational Activities	<u>17,990,410</u>	<u>0</u>	<u>3,837,540</u>	<u>4,977,093</u>	<u>26,805,043</u>	<u>25,899,247</u>
Restricted - Educational Activities						
Instruction	724,723	989,707	132,950	594,204	2,441,584	5,071,929
Public Service	157,318	21,310	42,401	51,601	272,630	279,011
Academic Support		248,417		23,440	271,857	378,472
Student Services	276,941	208,683	39,669	37,591	562,884	803,374
Institutional Support		254,012		1,282	255,294	364,842
Operation and Maintenance of Plant		18,223			18,223	32,792
Scholarship and Fellowship				6,418,236	6,418,236	8,455,130
Total Restricted Educational Activities	<u>1,158,982</u>	<u>1,740,352</u>	<u>215,020</u>	<u>7,126,354</u>	<u>10,240,708</u>	<u>15,385,550</u>
Total Educational Activities	19,149,392	1,740,352	4,052,560	12,103,447	37,045,751	41,284,797
Auxiliary Enterprises	796,968		294,202	4,267,563	5,358,733	4,928,746
Depreciation Expense - Building and Other Real Estate Improvements				968,946	968,946	869,182
Depreciation Expense - Equipment and Furniture				625,939	625,939	492,042
Total Operating Expenses	<u>\$ 19,946,360</u>	<u>\$ 1,740,352</u>	<u>\$ 4,346,762</u>	<u>\$ 17,965,895</u>	<u>\$ 43,999,369</u>	<u>\$ 47,574,767</u>
				(Exhibit 2)	(Exhibit 2)	

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
 FOR THE YEAR ENDED AUGUST 31, 2012
 (with Memorandum Totals for the Year Ended August 31, 2011)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2012 Total</u>	<u>2011 Total</u>
NON-OPERATING REVENUES:					
State Appropriations:					
Education and General State Support	\$ 11,128,260	\$	\$ 0	\$ 11,128,260	\$ 10,480,931
State Group Insurance		1,072,072		1,072,072	1,618,522
State Retirement Matching		668,280		668,280	1,007,320
Other		1,282		1,282	1,862
Total State Appropriations	11,128,260	1,741,634	0	12,869,894	13,108,635
Maintenance Ad Valorem Taxes	7,983,304			7,983,304	7,670,212
Federal Revenues, Non Operating		12,326,539		12,326,539	12,859,396
Gifts	21,658			21,658	0
Other Income	11,477			11,477	28,184
Investment Income	52,564			52,564	115,827
Total Non-Operating Revenues	<u>19,197,263</u>	<u>14,068,173</u>	<u>0</u>	<u>33,265,436</u>	<u>33,782,254</u>
NON-OPERATING EXPENSES:					
Payments for Collection of Taxes	225,301			225,301	214,128
Interest on Capital Related Debt	89,411			89,411	120,400
Bond Issuance Costs	13,813			13,813	0
Loss on Disposal of Fixed Assets	14,328			14,328	36,171
Total Non-Operating Expenses	<u>342,853</u>	<u>0</u>	<u>0</u>	<u>342,853</u>	<u>370,699</u>
Net Non-Operating Revenues	<u>\$ 18,854,410</u>	<u>\$ 14,068,173</u>	<u>\$ 0</u>	<u>\$ 32,922,583</u>	<u>\$ 33,411,555</u>
				(Exhibit 2)	(Exhibit 2)

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY
AUGUST 31, 2012
(with Memorandum Totals for August 31, 2011)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 8,446,928				\$ 8,446,928	\$ 8,446,928	
Board Designated					0		
Restricted					0		
Auxiliary Enterprise					0		
Loan					0		
Endowment:					0		
Quasi:					0		
Unrestricted					0		
Restricted					0		
Endowment:					0		
True					0		
Term (Per Instructions at Maturity)					0		0
Life Income Contracts					0		
Annuities					0		
Plant:					0		
Unexpended					0		
Renewals					0		
Debt Service					0		
Investment in Plant				34,379,588	34,379,588		34,379,588
Total Net Assets, August 31, 2012	8,446,928	0	0	34,379,588	42,826,516	8,446,928	34,379,588
Total Net Assets, August 31, 2011	6,709,143	0	0	34,443,655	41,152,798	6,709,143	34,443,655
					(Exhibit 1)		
					(Exhibit 1)		
Net Increase (Decrease) in Net Assets	<u>\$ 1,737,785</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (64,067)</u>	<u>\$ 1,673,718</u>	<u>\$ 1,737,785</u>	<u>\$ (64,067)</u>
					(Exhibit 2)		

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures and Pass-Through Disbursements
U.S. DEPARTMENT OF LABOR			
Pass-Through Program From:			
Texas Workforce Commission:			
Wagner Peyser: Mech. Eng. Biotech Program	17.207	0811WPB000	\$ 26,101
Wagner Peyser: Mech. Eng. Biotech Program	17.207	0812WPB000	331,294
Subtotal Wagner Peyser: Mech. Eng. Biotech Program			357,395
University of Texas Med. Branch - Galveston:			
Nursing Education & Placement Program (ARRA)	17.275	GJ-20057-10-60-A-48	<u>894</u>
TOTAL U.S. DEPARTMENT OF LABOR			\$ 358,289
U.S. SMALL BUSINESS ADMINISTRATION			
Pass-Through Programs From:			
Dallas Community College District			
Business Development Center:			
Small Business Development Center Program	59.037		
09/01/11 - 09/30/11		0-603001-Z-0046-25	\$ 5,240
10/01/11 - 08/31/12		2-603001-Z-0046	<u>62,710</u>
Subtotal Small Business Development Center Program			67,950
Small Business Jobs Act	59.037	1-603001-Z-0152	<u>15,958</u>
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			83,908
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Student Financial Aid Cluster (SFA Cluster)			
Federal Supplemental Education			
Opportunity Grant (SEOG)	84.007		
09/01/11 - 06/30/12			98,572
07/01/12 - 08/31/12			<u>1,324</u>
Subtotal SEOG			99,896
Federal Family Education Loans (Note 4)	84.032		
Federal College Work - Study Program (FCWS)	84.033		
09/01/11 - 06/30/12			121,116
07/01/12 - 08/31/12			<u>7,747</u>
Subtotal FCWS			128,863
Federal Perkins Loan Program (Note 4)	84.038		
Federal Pell Grant Program (PELL)	84.063		
09/01/11 - 06/30/12			11,092,307
07/01/12 - 08/31/12			<u>1,005,473</u>
Subtotal PELL			12,097,780
Federal Direct Student Loans (Note 1)	84.268		<u>6,304,087</u>
Total Student Financial Aid Cluster			<u>18,630,626</u>
Total Direct Programs			<u>18,630,626</u>

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

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

Federal Grantor Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures and Pass-Through Disbursements
<u>Pass-Through Programs From:</u>			
Texas Education Agency:			
National Literacy Act (Federal) Adult Basic Education (ABE)			
Section 231	84.002	124100017110436	281,691
Section 231 - EL Civics	84.002	114100087110444	<u>102,000</u>
Subtotal ABE / Total Texas Education Agency			383,691
Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education - Basic	84.048	06600 & 08374	479,710
Carl Perkins Vocational Education - Leadership	84.048	06555	73,327
Carl Perkins Tech - Prep Education	84.243	08482	<u>12,533</u>
Subtotal Texas Higher Education Coordinating Board			565,570
State of Texas to Windham School District:			
Incarcerated Individuals Program Grant	84.331	-	<u>199,998</u>
Total Pass-Through Programs			<u>1,149,259</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			19,779,885
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
<u>Pass-Through Programs From:</u>			
Texas Education Agency:			
Adult Basic Education - Temporary Assistance for Needy Families (TANF)	93.558	123625017110410	27,481
Workforce Solutions East Texas to ETCOG:			
TANF:	93.558		
09/01/11 - 09/30/11		TVCC-TANF PY10-01	6,335
10/01/11 - 08/31/12		TVCC-TANF PY11-01	<u>34,031</u>
Subtotal TANF/WSET/ETCOG			40,366
Texas Workforce Commission:			
Childcare (Local Match East Texas Workforce Board)	93.596	04161C23	<u>1,593</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>69,440</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDITURES			<u><u>\$ 20,291,522</u></u>

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

Note 1: Federal Assistance Reconciliation

Federal Grants Revenue - Per Schedule A	\$ 1,725,661
Federal Grants Revenue - Per Schedule C	12,326,539
Administration	(64,767)
Federal Direct Loans	6,304,087
Rounding	<u>2</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 20,291,522</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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

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

None

Note 4: Student Loans Processed and Administrative Costs Recovered

The following are student loans from financial institutions processed/facilitated by Trinity Valley Community College during the period from September 1, 2011 through August 31, 2012.

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

Note 5: Nonmonetary Federal Assistance Received

None

Note 6: Amounts Passed Through by the College

None

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

Grantor Agency / Program Title	Grant Contract Number		State Expenditures
TEXAS HIGHER EDUCATION COORDINATING BOARD (THECB)			
Direct Programs:			
College Students Taking STAAR Study	06416	\$ 9,838	
College Work Study (Texas)		25,353	
Early High School Graduation		36,013	
Nursing - Innovation Grant	05684	31,478	
Professional Nursing Shortage Reduction		39,246	
Professional Nursing Shortage Reduction - Over 70%		96,152	
Texas Educational Opportunity Grant		109,443	
Texas Grant Allocation		385,133	
Top 10% Scholarship		<u>24,000</u>	
Total Direct Programs THECB			\$ 756,656
Pass-through Programs From:			
East Texas Medical Center - Hospital Based Nursing Ed	02299	15,616	
El Paso Community College - Dev. Education Incentive		<u>737</u>	
Total Pass-through Programs THECB			<u>16,353</u>
Total Texas Higher Education Coordinating Board			\$ 773,009
TEXAS EDUCATION AGENCY			
Direct Programs:			
State Adult Education	120100017110436		69,170
State Adult Education	100100017110360		3,308
Adult Basic Education - TANF	123625017110410		<u>14,225</u>
Total Texas Education Agency			86,703
TEXAS SMALL BUSINESS ADMINISTRATION			
Pass - Through Programs From:			
Dallas County Community College District			
Small Business Development Center			
09/01/11 - 09/30/11	0-603001-Z-0046-25		21,967
10/01/11 - 08/31/12	2-603001-Z-0046		<u>97,694</u>
Total Texas Small Business Administration			119,661
TEXAS WORKFORCE COMMISSION			
Direct Program:			
Skill Development: Partner with Warehouse & Logistics	0412SDF001		<u>36,412</u>
Total Texas Workforce Commission			36,412
TEXAS DEPARTMENT OF STATE HEALTH SERVICES			
Direct Programs:			
EMS - Local Projects	2012-040078		<u>12,500</u>
Total Texas Department of State Health Services			<u>12,500</u>
Total State Financial Assistance Expenditures			\$ <u><u>1,028,285</u></u>

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

TRINITY VALLEY COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

Note 1: State Assistance Reconciliation

State Grants Revenues - Per Schedule A	\$ 1,032,894
Administration	(4,607)
Rounding	<u>(2)</u>
Total per Schedule of Expenditures of State Awards	<u>\$ 1,028,285</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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

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

OTHER REPORTS

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board of Trustees:

We have audited the basic financial statements of Trinity Valley Community College as of and for the year ended August 31, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Trinity Valley Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

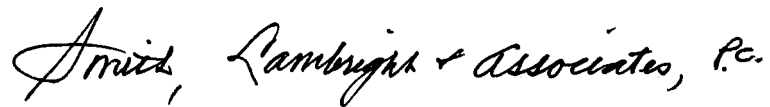
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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*.

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

Respectfully submitted,

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

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

November 16, 2012

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND
STATE OF TEXAS SINGLE AUDIT CIRCULAR

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board of Trustees:

Compliance

We have audited Trinity Valley Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and *State of Texas Single Audit Circular* that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2012. Trinity Valley Community College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Trinity Valley Community College's management. Our responsibility is to express an opinion on Trinity Valley Community College's compliance based on our audit.

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

In our opinion, Trinity Valley Community College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2012.

Internal Control Over Compliance

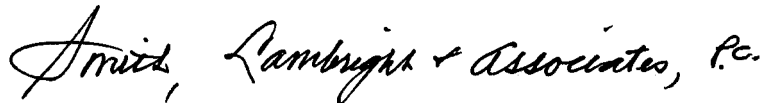
The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

Respectfully submitted,



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

November 16, 2012

TRINITY VALLEY COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards and State Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal or State Program or Cluster</u>
17.275	Nursing Education/Placement (ARRA)
84.007; 84.032; 84.033; 84.038; 84.063; 84.268	Student Financial Aid - Cluster
84.331	Incarcerated Individuals Program
State of Texas / THECB	Texas Grant Allocation
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No
College Contact Person	Jean McSpadden, CPA Vice President of Administrative Services and CFO

TRINITY VALLEY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no finding required to be reported.

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

The audit disclosed no finding required to be reported.

SMITH, LAMBRIGHT & ASSOCIATES, P.C.

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REPORT ON COMPLIANCE WITH PROVISIONS OF THE PUBLIC FUNDS INVESTMENT ACT

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

Members of the Board:

We have completed our audit of the Trinity Valley Community College for the year ended August 31, 2012. During the course of our audit, we noted that you have an investment policy which complies with the Public Funds Investment Act (Act). This compliance report is in response to the provisions of Chapter 2256.005 (m) of the Act.

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

Please see the following schedule that is a schedule of portfolio composition as of August 31, 2012, which is part of this compliance report.

Respectfully submitted,



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

November 16, 2012

Trinity Valley Community College
 Portfolio Composition as of August 31, 2012

Investment Type	Book Value August 31, 2012	Market Value August 31, 2012
Savings Account(s) in Financial Institutions		
Certificates of Deposit	\$ 4,010,911	\$ 4,010,911
Repurchase Agreements		
Bankers Acceptances		
Commercial Paper		
Money Market Funds		
No-Load Mutual Fund		
Investment Pool (s): (1) <i>Constant Net Asset Value</i> _____ (Name of investment pool) _____ (Name of investment pool) <i>Variable Net Asset Value</i> _____ (Name of investment pool) _____ (Name of investment pool)		
U.S. Government Securities: Long-term Short-term		
U.S. Government Securities: Long-term Short-term		

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