TEXARKANA COLLEGE
TEXARKANA, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED
AUGUST 31, 2019 AND 2018

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

TEXARKANA COLLEGE
TABLE OF CONTENTS
AUGUST 31, 2019 AND 2018

TEXARKANA COLLEGE
TABLE OF CONTENTS (continued)
AUGUST 31, 2019 AND 2018

ORGANIZATIONAL DATA

TEXARKANA COLLEGE
ORGANIZATIONAL DATA
FOR THE YEAR ENDED AUGUST 31, 2019

Board of Trustees

Officers

Kyle Davis	President
Kaye Ellison	Vice President
Jane Daines	Secretary

Members

		Term Expires December 31
Ernie Cochran	Texarkana, Texas	2024
Anne Farris	Texarkana, Texas	2024
George Moore	Texarkana, Texas	2020
Derrick McGary	Texarkana, Texas	2022

Key Officers

Dr. Jason Smith	President
Kimberly Jones	Vice President of Finance/ Chief Financial Officer
Donna McDaniel	Vice President of Instruction
Mike Dumdei	Vice President of Information Technology
Phyllis Deese	Vice President of Administrative Services
Katie Andrus	Executive Director – Development/Foundation
Mindy Preston	Executive Director – Presidential and Board Activities
Dixon Boyles	Chief Instructional Officer/Dean – BSS
Catherine Howard	Dean – STEM
Robert Jones	Dean of Students
Courtney Shoalmire	Dean – Health Sciences
Brandon Washington	Dean – Workforce and Continuing Education
Mary Ellen Young	Dean – Liberal and Performing Arts
Rick Boyette	Director of Facility Services
Suzy Irwin	Director of Institutional Advancement and Public Relations
Steve Mitchell	Director of Radio Station
Brad Hoover	Controller

INDEPENDENT AUDITOR'S REPORT

Thomas & Thomas PLLC
Certified Public Accountants

Members American Institute Certified Public Accountants
Center for Public Company Audit Firms and PCPS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Texarkana College and the
Texarkana College Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit (the Texarkana College Foundation, Inc., hereinafter referred to as the Foundation) of the Texarkana College (the College) as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

♦ 2900 St. Michael Drive, Suite 302, Texarkana, Texas 75503 ♦ Telephone (903) 831-3477 ♦ FAX (903) 831-3482 ♦
www.thomasthomascpas.com

Opinions

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of August 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 9, the schedule of the College's share of net pension liability on page 49, the schedule of the College's contributions for pensions on page 50, the schedule of the College's share of net OPEB liability on page 51, the schedule of the College's contributions for OPEB on page 52, and the notes to the required supplemental information on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Texarkana College and the Texarkana College Foundation, Inc.'s basic financial statements.

The Statement of Income and Expenses – Auxiliary Enterprises and the Schedule of Insurance in Force are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenues and Expenses, Schedule of Net Position by Source and Availability, and the Schedule of Expenditures of State Awards presented on pages 54 through 62 are presented for purposes of additional analysis as required by the *Texas Higher Education Coordinating Board* and are also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenues and Expenses, Schedule of Net Position by Source and Availability, Schedule of Expenditures of Federal Awards, Schedule of Expenditures of State Awards, and Statement of Income and Expenses – Auxiliary Enterprises are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules referenced in the first sentence of this paragraph are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Insurance in Force has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Thomas & Thomas PLLC
Certified Public Accountants

Texarkana, Texas
December 13, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Texarkana College's annual financial report presents management's discussion and analysis of the financial performance of the College during the fiscal years ending 2019, 2018, and 2017. This discussion should be read in conjunction with the accompanying financial statements, notes to the financial statements, and supplemental information. This discussion focuses on currently known facts, decisions, and conditions that have an impact on the financial activities for the College, and is intended to assist the reader in the interpretation of the financial statements. The financial statements, notes to the financial statements, supplemental information, and this discussion are the responsibility of Texarkana College's management.

A Brief Discussion of the Basic Financial Statements

This annual report contains financial statements prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities* and as amended by GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These financial statements differ significantly, in both the form and the accounting principles utilized, from financial statements issued prior to 2002. The financial statements presented in years prior to 2002 focused on the accountability of fund groups, while these statements focus on the financial condition, the results of operations, and cash flows of the College as a whole.

The financial statements prescribed by GASB No. 35, 63, and 65 (the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) present financial information similar to that used by commercial enterprises. The statements are 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, regardless of when cash is exchanged. In addition, the statements recognize liabilities, deferred inflows, and deferred outflows related to pensions and other post-employment benefits as prescribed by GASB No. 68 and 75.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, when applicable. Decreases over time in the net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows or resources) would be one indicator of the deterioration of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related financing, and investing activities. The statement helps measure the ability to pay operating expenses with operating revenues and the extent that capital assets are financed.

The financial statements for the College's discrete component unit, Texarkana College Foundation, Inc., are issued independent of the College. The Foundation's financial information is shown on separate pages behind the College's basic financial statements. Refer to Note 20 in the Notes to the Basic Financial Statements for more detail on the Foundation.

Financial Position Summary

	2019	2018	2017
Assets			
Current and other assets	$ 32,706,887	$ 21,714,299	$ 18,922,931
Capital assets, net	19,641,021	19,990,794	21,102,360
Total assets	52,347,908	41,705,093	40,025,291
Deferred Outflows of Resources			
Deferred outflows related to pensions	2,686,711	642,306	1,223,630
Deferred outflows related to OPEB	230,131	632,509	-
Total Deferred Outflows of Resources	2,916,842	1,274,815	1,223,630
Liabilities			
Current liabilities	7,106,223	7,273,827	6,247,756
Noncurrent liabilities	35,986,157	31,621,298	6,637,575
Total liabilities	43,092,380	38,895,125	12,885,331
Deferred Inflows of Resources			
Deferred inflows related to pensions	622,675	897,656	1,113,741
Deferred inflows related to OPEBs	11,379,850	5,710,757	-
Total Deferred Inflows of Resources	12,002,525	6,608,413	1,113,741
Net Position			
Invested in capital assets, net of debt	15,264,096	17,507,705	18,405,041
Restricted	1,245,814	1,281,830	1,409,519
Unrestricted	(16,340,065)	(21,313,165)	7,435,289
Total net position	169,845	(2,523,630)	27,249,849

The College's capital assets, net of accumulated depreciation, represent 38% and 48% of the total assets at August 31, 2019 and 2018, respectively. The largest component of capital assets is the College's investment in buildings. The buildings represent 74% of the capital assets at the end of the 2019 fiscal year, compared to 76% for 2018. Adequate facilities are an important factor in the ability of the College to meet the educational needs of current and future students.

Summary of Changes in Net Position

Operating Revenues:	2019	2018	2017
Net Tuition and Fees	6,173,965	5,848,482	6,617,193
Federal Grants and Contracts	1,015,263	678,182	596,806
State Grants and Contracts	736,966	452,794	1,088,291
Non-Governmental Grants	293,266	459,408	397,796
Sales and Services Activities	224,515	253,242	234,844
Net Auxiliary Enterprises	290,728	366,280	308,234
Other	194,621	196,341	326,025
Total Operating Revenue	8,929,324	8,254,729	9,569,189
Operating Expenses:			
Instruction	12,229,050	13,268,980	13,051,312
Academic Support	2,254,339	2,437,023	2,405,096
Student Services	1,981,870	2,365,083	2,332,353
Institutional Support	4,449,071	4,409,841	4,380,326
Operation and Maintenance of Plant	2,447,553	2,619,049	2,444,627
Scholarships and Fellowships	3,717,002	3,395,838	2,813,785
Auxiliary Enterprises	1,839,281	1,934,819	1,863,905
Depreciation	1,710,193	1,782,463	1,784,395
Total Operating Expenses	30,628,359	32,213,096	31,075,799
Operating Loss	(21,699,035)	(23,958,367)	(21,506,610)
Non-Operating Income (Expenses)			
State Appropriations	8,628,187	9,550,866	8,834,966
Taxes	6,532,330	6,265,405	5,834,054
Federal Grants Non Operating	9,165,973	8,550,334	7,521,288
Gifts	-	313	40,936
Investment Income	534,764	217,199	128,030
Rent Income	136,295	178,635	216,660
Other Non-Operating Income	8,499	4,997	5,252
Gain (Loss) on Disposal of Assets	(547,469)	(362,997)	(531,824)
Interest on Capital Related Debt	(66,069)	(70,701)	(75,073)
Net Non-Operating Revenues	24,392,510	24,334,051	21,974,289
Increase in Net Position	2,693,475	375,684	467,679
Net Position-Beginning of Year, as previously reported	(2,523,630)	27,249,849	26,782,170
Cumulative Effect of Change in Accounting Principle	-	(30,149,163)	-
Net Position-Beginning of Year, as restated	(2,523,630)	(2,899,314)	26,782,170
Net Position-End of Year	$ 169,845	$ (2,523,630)	$ 27,249,849

Summary of Changes in Net Position (continued)

The College's net position increased $2,693,475 for the year ended August 31, 2019, compared to an increase of $375,684 for the year ended August 31, 2018.

The College's net position increased $375,684 and $467,679 for the years ended August 31, 2018 and 2017, respectively. The 2018 and 2017 increase was from the continued focused objective of conservative budgeting and sound financial planning.

As discussed in Note 2, the College implemented GASB 75, which required accounting changes related to other post-employment benefits for the year ended August 31, 2018. However, information was not available for restatement of the years ended August 31, 2017.

The District's net position at August 31, 2019, reflected an excess of $169,845 as compared to a deficit of $2.5 million at August 31, 2018. This increase of $2.7 million is primarily attributable an increase in student attendance for the 2019 year and investment income. It is also attributable to the recognition of the net other post-employment benefits (OPEB) liability and related deferred inflows and outflows, as required by the implementation of GASB 75. Had GASB 75 not been implemented, the District's net position would have increased by approximately $1.6 million resulting from excess revenues over expenses.

The College's cash and cash equivalents increased $8,567,544 during the year ended August 31, 2019, and decreased $2,060,594 during the year ended August 31, 2018.

Analysis of College's Overall Financial Position and Results of Operation

Current and other assets, as of August 31, 2019, totaled $32,706,887 which is 62% of the total assets. Approximately 76% of the current assets are in cash or are invested in certificates of deposit at August 31, 2019.

Current and other assets, as of August 31, 2018, totaled $21,714,299 which is 52% of the total assets. Approximately 75% of the current assets are in cash or are invested in certificates of deposit at August 31, 2018.

Current and other assets, as of August 31, 2017, totaled $18,922,931 which is 47% of the total assets. Approximately 71% of the current assets are in cash or are invested in certificates of deposit at August 31, 2017.

Current liabilities total $7,106,223 for 2019 and $7,273,827 for 2018. Unearned revenue is 56% for 2019 and 58% for 2018 of the total current liabilities. Unearned revenue is the tuition and fees collected prior to year-end for the fall classes. These are unearned because the revenue has not been earned as of the end of the year. These monies are for classes that will be primarily conducted in the next fiscal year.

The college incurred a net operating loss for the year ended August 31, 2019, 2018, and 2017, because state appropriations, Title IV funds, and property tax collections are classified as non-operating revenues.

Net operating loss is an excess of the cost to provide educational instruction to our students over income from grants and funds charged to students.

Analysis of College's Overall Financial Position and Results of Operation (continued)

Net operating income is an excess of grants and funds charged to students over the cost to provide educational instruction to our students.

State and Federal funds amounted to 59% and charges to students amounted to 20% of total revenues for each of the years ended August 31, 2019 and 2018.

Salaries and benefits are approximately 56% and 61% of total operating expenses for the years ended August 31, 2019 and 2018, respectively.

Non-operating revenues primarily consist of state appropriations, property tax, federal grants and contracts, gifts, and investment income.

The College had negative cash flows from operating activities for the years ended August 31, 2019, 2018 and 2017 because a significant portion of the revenue, state appropriations, Title IV funds, and taxes, are considered non-operating revenue.

The College purchased capital assets during the years ended August 31, 2019 and 2018, totaling $1,984,801 and $1,089,023, respectively.

Changes in credit ratings

There has not been a change in the credit rating of Texarkana College.

Debt limitations that may affect the financing of planned facilities or services

In February of 2019, the College Board of Trustees authorized a maintenance tax note in the amount of $10,000,000 to provide funds for the implementation of the board approved capital projects fund. A combination of unencumbered general fund reserves and tax revenue will be utilized during the twenty-year repayment period to make the note payments.

In March of 2013, the College Board of Trustees authorized a maintenance note in the amount of $3,500,000 to provide funds for an energy management and roofing project. A portion of the note is anticipated to be repaid by energy savings generated by the HVAC project.

Discussion of currently known facts, decisions, or conditions

Texarkana College has continued the focused objective of returning to the historically sound financial principles and stability for which the institution was known. Based on the actions taken by the board, administration, and the continued evaluations of performance measures, Texarkana College was able, once again, to add to the total net position during this past fiscal year.

Discussion of currently known facts, decisions, or conditions (continued)

The College relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. Over the past several years, the College has been forced to respond to declining state funds by reducing costs and increasing revenue from tuition and fees and local taxes. In November 2012, the College was successfully able to expand the taxing district through annexation of territory that lies within the state designated service area. The voters of Bowie county approved the annexation, which increased the college's appraised values. This increase in tax revenue brought the college a much-needed perpetual revenue source. The College will continue to make focused, data driven decisions to ensure sound financial results. The College's 2019 budget is balanced and structurally sound; however, the College will continue to face challenges in the future to fund anticipated increases in demands for community college services.

The College has many aging facilities. Over the past seven years, the College has done some major renovations and repairs, roof replacements, and furnishing upgrades. While these renovations and repairs have made much needed improvements to the campus, additional improvements are still necessary. The College has recently completed a master facilities plan, and in 2019 placed the plan into action.

In December 2019, the board approved a resolution to initiate proceeding relating to the issuance of $15 million in maintenance tax notes, $10 million to be issued in 2019 and $5 million to be issued in 2020, to address the board's strategic goal to enhance, upgrade and renovate facilities to meet state and federal ADA compliance standards and modernize instructional space. After a thorough review by architects and engineers in the fall, a plan was developed to renovate the former Health Sciences Facility, current Chemistry, and current Biology buildings into a newly remodeled STEM center. Parking lot repairs, replacements, and improvements, HVAC work and campus wide Americans with Disabilities compliance are also a part of the capital projects plan. Work began on these projects during 2019 and is scheduled for completion during the summer of 2022.

While it is not possible to predict the effects of future economic conditions, management believes the College has a solid and stable financial position and is well equipped to handle the increasing demands to provide our community with a better educated workforce. The college is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the subsequent fiscal year.

Based on the continued evaluations, data-driven decisions, and future plans, Texarkana College is prepared to sustain its strong financial position and will continue to serve the constituents of this region with affordable, accessible, and high-quality educational opportunities for many future generations.

Texarkana College affirms its mission to provide, within the resources available, quality educational programs and services that meet individual and community needs.

FINANCIAL STATEMENTS

TEXARKANA COLLEGE
EXHIBIT 1 – STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,191,117	$ 3,854,347
Investments - other	13,904,612	11,709,790
Accounts receivable, net of allowance for doubtful accounts	4,742,054	4,472,693
Prepaid expenses	154,553	143,744
Inventories	592,647	642,595
Total Current Assets	22,584,983	20,823,169
Noncurrent Assets		
Restricted cash and cash equivalents	10,121,904	891,130
Capital assets, net of accumulated depreciation	19,641,021	19,990,794
Total Noncurrent Assets	29,762,925	20,881,924
Total Assets	52,347,908	41,705,093
DEFERRED OUTFLOWS OF RESOURSES		
Deferred outflows related to pensions	2,686,711	642,306
Deferred outflows related to OPEB	230,131	632,509
Total Deferred Outflows of Resources	2,916,842	1,274,815
LIABILITIES		
Current Liabilities		
Accounts payable	718,751	516,134
Accrued liabilities	585,029	599,441
Accrued interest	50,308	19,110
Funds held for others	922,855	1,569,248
Deposits	2,412	2,412
Unearned revenues	3,983,590	4,216,481
Notes payable - current portion	571,029	219,946
Net OPEB liability - current portion	272,249	131,055
Total Current Liabilities	7,106,223	7,273,827
Noncurrent Liabilities		
Accrued compensable absences payable	421,605	408,948
Note payable - non-current portion	11,522,251	2,263,143
Net pension liability	5,806,554	3,251,982
Net OPEB liability - non-current portion	18,235,747	25,697,225
Total Noncurrent Liabilities	35,986,157	31,621,298
Total Liabilities	43,092,380	38,895,125
DEFERRED INFLOWS OR RESOURCES		
Deferred inflows related to pensions	622,675	897,656
Deferred inflows related to OPEB	11,379,850	5,710,757
Total Deferred Inflows of Resources	12,002,525	6,608,413
NET POSITION		
Invested in capital assets, net of related debt	15,264,096	17,507,705
Restricted for:		
Nonexpendable Student Aid	1,231,370	1,200,864
Expendable Student Aid	14,444	80,966
Unrestricted	(16,340,065)	(21,313,165)
Total Net Position	**$ 169,845**	**$ (2,523,630)**

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 667,347	$ 466,654
Investments - Other	430,304	345,569
Investments	2,169,311	2,207,984
Accrued interest and dividends	17,218	15,980
TOTAL CURRENT ASSETS	3,284,180	3,036,187
NONCURRENT ASSETS		
Investments - restricted	5,638,102	5,220,010
TOTAL NONCURRENT ASSETS	5,638,102	5,220,010
TOTAL ASSETS	8,922,282	8,256,197

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Due to College	580	-
TOTAL CURRENT LIABILITIES	580	-
TOTAL LIABILITIES	580	-
NET POSITION		
Without donor restrictions	3,266,791	2,995,837
With donor restrictions	5,654,911	5,260,360
TOTAL NET POSITION	8,921,702	8,256,197
TOTAL LIABILITIES AND NET POSITION	$ 8,922,282	$ 8,256,197

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

TEXARKANA COLLEGE

EXHIBIT 2 – STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
REVENUES		
Operating Revenues		
Tuition and fees (net of grant and scholarship allowances of $4,456,322 and $4,155,561, respectively)	$ 6,173,965	$ 5,848,482
Federal grants and contracts	1,015,263	678,182
State grants and contracts	736,966	452,794
Non-Governmental grants and contracts	293,266	459,408
Sales and services of educational activities	224,515	253,242
Auxiliary enterprises (net of grant and scholarship allowances of $1,440,774 and $1,540,386, respectively)	290,728	366,280
Other operating revenues	194,621	196,341
Total Operating Revenues	**8,929,324**	**8,254,729**
EXPENSES		
Operating Expenses		
Instruction	12,229,050	13,268,980
Academic Support	2,254,339	2,437,023
Student Services	1,981,870	2,365,083
Institutional Support	4,449,071	4,409,841
Operation and maintenance of plant	2,447,553	2,619,049
Scholarships and fellowships	3,717,002	3,395,838
Auxiliary enterprises	1,839,281	1,934,819
Depreciation	1,710,193	1,782,463
Total Operating Expenses	**30,628,359**	**32,213,096**
Operating Loss	**(21,699,035)**	**(23,958,367)**
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	8,628,187	9,550,866
Maintenance ad-valorem taxes		
Taxes for maintenance & operations	6,532,330	6,265,405
Federal grants and contracts non-operating	9,165,973	8,550,334
Gifts	-	313
Investment income (net of investment expenses)	534,764	217,199
Rent income	136,295	178,635
Other non-operating revenues	8,499	4,997
Loss on disposal of fixed assets	(547,469)	(362,997)
Interest on capital related debt	(66,069)	(70,701)
Net non-operating revenues	**24,392,510**	**24,334,051**
Increase in Net Position	**2,693,475**	**375,684**
NET POSITION		
Net Position - Beginning of Year, as previously reported	**(2,523,630)**	**27,249,849**
Cumulative Effect of Change in Accounting Principle (Note 2)	**-**	**(30,149,163)**
Net Position - Beginning of Year, as restated	**(2,523,630)**	**(2,899,314)**
Net Position - End of Year	**$ 169,845**	**$ (2,523,630)**

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
NET POSITION WITHOUT DONOR RESTRICTIONS		
Revenues and gains:		
Contributions and fund raising	$ 271,426	$ 240,694
Interest income	27,444	23,450
Dividend income	49,927	40,076
Net realized loss on investments	(9,953)	(6,980)
Net unrealized gain (loss) on investments	26,493	170,769
Total revenues and gains without donor restrictions	365,337	468,009
Changes in net position restrictions:		
Reclassification of contributions	(7,500)	-
Satisfaction of scholarships and other restrictions	54,733	178,693
Total changes in net position restrictions	47,233	178,693
Total support and gains without donor restrictions	412,570	646,702
EXPENSES		
Program services:		
Donation to Texarkana College	7,835	189,581
Scholarships	57,102	38,997
Management and general services	16,006	25,337
Fundraising activities	60,673	81,131
Total expenses	141,616	335,046
Increase in net position without donor restrictions	270,954	311,656
NET POSITION WITH DONOR RESTRICTIONS		
Support:		
Contributions	281,610	608,789
Interest income	47,831	40,560
Dividend income	87,375	69,038
Net realized gain (loss) on investments	(17,427)	(12,047)
Net unrealized gain (loss) on investments	42,395	290,308
Changes in net position restriction:		
Reclassification of contributions	7,500	-
Satisfaction of scholarship and other restrictions	(54,733)	(178,693)
Increase in net position with donor restrictions	394,551	817,955
INCREASE IN NET POSITION	665,505	1,129,611
NET POSITION, BEGINNING OF YEAR	8,256,197	7,126,586
NET POSITION, END OF YEAR	$ 8,921,702	$ 8,256,197

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

TEXARKANA COLLEGE
EXHIBIT 3 – STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

Cash Flows From Operating Activities	**2019**	**2018**
Receipts from students and other customers	$ 1,434,773	$ 1,061,564
Receipts of grants and contracts	2,045,495	1,590,384
Other receipts	194,621	196,341
Payments to or on behalf of employees	(12,852,725)	(11,553,290)
Payments to suppliers for goods or services	(7,554,650)	(6,480,647)
Payments of scholarships	(3,717,002)	(3,395,838)
Net cash used by operating activities	**(20,449,488)**	**(18,581,486)**
Cash Flows From Non-capital Financing Activities		
Receipts from state appropriations	7,201,083	7,209,237
Ad valorem tax revenues	6,518,801	6,252,363
Federal revenue non-operating	9,165,973	8,550,334
Gifts and grants (other than capital)	-	313
Other receipts	144,794	183,632
Net cash provided by non-capital financing activities	**23,030,651**	**22,195,879**
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of capital debt	10,000,000	-
Payments on capital debt - principal	(389,809)	(214,230)
Payments on capital debt - interest	(208,940)	(72,349)
Proceeds from sale of capital assets	55,923	40,901
Purchases of capital assets	(1,810,735)	(1,089,023)
Net cash provided / (used) by capital and related financing activities	**7,646,439**	**(1,334,701)**
Cash Flows From Investing Activities		
Investment earnings	534,764	217,199
Payments for purchase of investments	(2,194,822)	(4,557,485)
Net cash used by investing activities	**(1,660,058)**	**(4,340,286)**
Change in cash and cash equivalents	**8,567,544**	**(2,060,594)**
Cash and cash equivalents - September 1,	**4,745,477**	**6,806,071**
Cash and cash equivalents - August 31,	**$ 13,313,021**	**$ 4,745,477**
Noncash investing, capital, and financing activities		
Interest capitalized	$ 174,069	$ -

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

TEXARKANA COLLEGE
EXHIBIT 3 – STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (21,699,035)	$ (23,958,367)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Staff benefits paid directly by state	1,427,104	2,341,629
Depreciation expense	1,731,185	1,796,691
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable, net	(255,832)	(261,698)
Prepaid expenses	(10,809)	(9,546)
Inventories	49,948	(10,191)
Deferred outflows of resources related to pensions	(2,044,405)	581,324
Deferred outflows of resources related to OPEB	402,378	77,632
Accounts payable	202,617	(180,948)
Accrued Expenses	(14,412)	16,824
Funds held for others	(646,393)	692,639
Unearned revenue	(232,891)	362,434
Compensated absences	12,657	(17,405)
Deferred inflows of resources related to pensions	(274,981)	(216,085)
Deferred inflows of resources related to OPEB	5,669,093	5,710,757
Net pension liability	2,554,572	(476,152)
Net OPEB liability	(7,320,284)	(5,031,024)
Net cash used by operating activities	**$ (20,449,488)**	**$ (18,581,486)**

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	$ 665,505	$ 1,129,611
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Net realized and unrealized investment gains	41,508	442,050
(Increase) decrease in assets:		
Accrued interest and dividends	(1,238)	(1,990)
Unconditional promises to Give - Net	-	21,250
Increase (decrease) in liabilities:		
Due to College	580	(32,232)
Accrued expenses	-	(21,250)
CASH PROVIDED BY OPERATING ACTIVITIES	706,355	1,537,439
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(84,735)	(345,569)
Net purchases of unrestricted investments	(420,927)	(1,462,466)
CASH USED FOR INVESTING ACTIVITIES	(505,662)	(1,808,035)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	200,693	(270,596)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	466,654	737,250
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 667,347	$ 466,654

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY

Texarkana College (the College) was established in 1927 in accordance with the laws of the State of Texas to serve the educational needs of Texarkana 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 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.

The College Board of Trustees (the Board), a seven-member group, has governance responsibilities over all activities related to the College. The Board receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

These statements include, as a component unit, Texarkana College Foundation, Inc. (the Foundation), as discussed in Note 20.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting 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 Colleges*. The College applies all applicable GASB pronouncements and is reported as a special-purpose government engaged in business-type activities.

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.

Inventories

Inventories consist of bookstore stock as of August 31, 2019 and 2018. Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method and are charged to expense as consumed.

Texarkana College Foundation, Inc. – Net Position

Net position with donor restrictions is available for the purposes designated by the donor, primarily scholarships. This net position consists primarily of temporarily restricted contributions and investment earnings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Texarkana College Foundation, Inc. – Net Position (continued)

Net position with donor restrictions also includes permanent endowments. The investment income from these endowments is restricted to fund scholarship grants.

When an expense is incurred for purposes for which both net position with and without donor restrictions is available, the College's policy is to first apply restricted resources. Management has determined that net position is properly recognized under this policy.

Tuition Discounting

Texas Public Education Grants - Certain tuition amounts must be set aside for use as scholarships by qualifying students. This set-aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set-aside amount (Texas Education Code §56.033). When the award is used by the student for tuition and fees, the College records the amount as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act (HEA) Program Funds - Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds initially are 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.

The College also originates direct student loans under Title IV. These loans are not included as revenues in the accompanying financial statements. Student loans remitted to students are not recorded as revenues or expenses in the accompanying financial statements as they are not revenues of the College and instead are passed through from the Department of Education. The amounts passed through the College are included as a reconciling item in the notes to the supplemental Schedule E – Schedule of Expenditures of Federal Awards.

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 college records the amount as a tuition discount. If the amount is dispersed directly to the student, the College records the amount as a scholarship expense.

Budgetary Data

The College is required by Texas 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The College considers cash and cash equivalents as cash on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The College had no cash equivalents as of August 31, 2019 and 2018.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the College reports investments 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 the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase. The College's investments included certificates of deposit with original maturities greater than three months. These investments are carried at cost, which approximates fair value. The Foundation's investments consisted of certificates of deposit, money market funds, U.S. government agencies securities, corporate debt instruments, and exchange traded funds, which are recorded at fair value.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB. The College's deferred inflows of resources are related to pensions and other post-employment benefits.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. The College's deferred outflows of resources are related to pensions and other post-employment benefits.

Operating and Non-Operating Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. The College's activities are shown as a business-type activity 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, federal grants, state grants and auxiliary enterprises. The major non-operating revenues are state appropriations, property taxes, Title IV funds, gifts, and investment income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 requires capitalization of items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations of $100,000 or more to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The cost 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. Estimated useful lives for depreciable assets are as follows:

Building	50 years
Facilities and Other Improvements	20 years
Library Books	15 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years
Software Costs	3 years

Unearned Revenues

Tuition and fees of $3,681,863 and $3,963,805 and federal, state, and local grants of $301,727 and $252,676 have been reported as unearned revenues at August 31, 2019 and 2018, respectively.

Estimates

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

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. None of the reclassifications affect the previously reported change in net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For the year ended August 31, 2015, the College implemented the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of the Teacher Retirement System of Texas has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

Prior Year Restatement

Effective for fiscal year 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, a restatement to beginning net position was required for the recording of the beginning net OPEB liability and for the recording of deferred outflows of resources related to OPEB for contributions made to the ERS OPEB plan subsequent to the measurement date of the beginning net OPEB liability.

Because audited beginning balances could not be obtained for all of the deferred outflows of resources and deferred inflows of resources related to OPEB, the College determined it was impractical to restate its fiscal year 2017 financial statements. As such, the College recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beginning net position as of September 1, 2017, was restated as follows for the implementation of GASB Statement No. 75:

Beginning net position, as previously reported	27,249,849
Prior period adjustment - Implementation of GASB 75:	
Net OPEB liability (measurement date of August 31, 2017; adoped as of August 31, 2018)	(30,859,304)
Deferred outflows - the College's contributions made during the year ended August 31, 2018	710,141
Adjustment to beginning net position	(30,149,163)
Beginning net position, as restated as of August 31, 2017	(2,899,314)

NOTE 3 - AUTHORIZED INVESTMENTS

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

The Foundation is not subject to the Public Funds Investment Act for contributions received from outside sources. Authorized investments of the Foundation are governed by an investment policy approved by the Board of Directors.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	2019	2018
Bank Deposits		
Demand Deposits	$ 13,310,216	$ 4,742,672
Certificates of Deposit	13,904,612	11,709,790
Cash and Cash Equivalents		
Petty Cash on Hand	2,805	2,805
Total Cash and Deposits	$ 27,217,633	$ 16,455,267

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation of deposits and investments to the Statement of Net Position:

Type of Security	Market Value 2019	Market Value 2018
Total Cash and Investments	$ 27,217,633	$ 16,455,267
Cash and Cash Equivalents (Exhibit 1)	3,191,117	3,854,347
Restricted cash and cash equivalents (Exhibit 1)	10,121,904	891,130
Total Cash and Cash equivalents	13,313,021	4,745,477
Short-term investments (Exhibit 1)	13,904,612	11,709,790
Total Investments	13,904,612	11,709,790
Total Deposits and Investments	$ 27,217,633	$ 16,455,267

Cash and deposits for the Foundation reported on the Statement of Net Position consist of the following:

	August 31, 2019	August 31, 2018
Cash and Cash Equivalents		
Cash on Deposit	$ 10,359	$ 23,370
Cash Held by Custodian	656,988	443,284
Total Cash and Deposits	$ 667,347	$ 466,654

Investments for the Foundation reported on the Statements of Financial Net Position are as follows:

Type of Security	Fair Value August 31, 2019	Fair Value August 31, 2018
Certificates of Deposit	$ 430,304	$ 345,569
U.S. Government Agencies Securities	24,820	123,069
Corporate Debt Instruments	2,723,353	2,419,719
Municipal bonds	109,892	101,448
Equity funds and ETFs	4,949,348	4,783,758
Total Investments	$ 8,237,717	$ 7,773,563

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of August 31, 2019, the College had the following investments and maturities:

Investment Type	Credit Rating	Cost	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	N/A	$ 13,904,612	$ 13,904,612	0.82
Total Texarkana College		$ 13,904,612	$ 13,904,612	

As of August 31, 2019, the Foundation had the following investments and maturities:

	Credit Rating	Cost	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	N/A	425,000	430,304	3.23
U.S. Government Agencies Securities	AAA	25,000	24,820	3.98
Corporate Debt Instruments	BAA3 to AAA	3,100,003	2,723,353	3.43
Municipal bonds	A2	100,000	109,892	8.34
Equity funds and ETFs	N/A	3,743,606	4,949,348	N/A
Total Texarkana College Foundation, Inc.		$ 7,393,609	$ 8,237,717	

Interest Rate Risk: In accordance with state law and the College policy, the College does not purchase any investments with maturities greater than 10 years.

Credit Risk: In accordance with state law and the College's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc., must be rated at least A as well.

Concentration of Credit Risk: The College and the Foundation do not place a limit on the amount that may be invested in any one issuer.

More than 5% of the Foundation's investments are in Vanguard (40%) and MSCI (10%).

Custodial Credit Risk: At August 31, 2019, the carrying amount of the College's bank deposits was $27,217,633 and total bank balances equaled $27,640,744. Bank balances totaling $250,000 at one financial institution were secured by the Federal Deposit Insurance Corporation (FDIC), $22,200,000 were secured by collateral pledged in the College's name, and approximately $9,500,000 were secured through Insured Cash Sweep (ICS) accounts. The collateral was held in the safekeeping departments of banks which act as agents for the College.

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

At August 31, 2018, the carrying amount of the College's bank deposits was $16,455,268 and total bank balances equaled $17,012,278. Bank balances totaling $250,000 at one financial institution were secured by the Federal Deposit Insurance Corporation (FDIC) and $19,700,000 were secured by collateral pledged in the College's name. The collateral was held in the safekeeping departments of banks which act as agents for the College.

Fair Value Measurements: GASB Statement 72 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the framework are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of August 31, 2019 and 2018:

	August 31, 2019				2018
	Level 1	**Level 2**	**Level 3**	**Total**	**Total**
U.S. Government Securities	$ 24,820	$ -	$ -	$ 24,820	$ 123,069
Corporate Debt Instruments	-	2,723,353	-	2,723,353	2,419,719
Municipal bonds	-	109,892	-	109,892	101,448
Exchange Traded Funds	4,949,348	-	-	4,949,348	4,783,758
Total investments	$ 4,974,168	$ 2,833,245	$ -	$ 7,807,413	$ 7,427,994

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

All investments have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in the valuation techniques during the current year. These methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 - DELINQUENT PROPERTY TAXES AND TAXES RECEIVABLE

The College's *ad valorem* property tax is levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College's district. The Board contracted with the Bowie Central Appraisal District for the collection of district taxes. Collections of current taxes are remitted to the College daily; delinquent taxes are remitted monthly.

	August 31	
	2019	**2018**
Assessed valuation of the District	$ 5,691,632,218	$ 5,499,455,542
Less: Exemptions	(102,746,402)	(96,360,368)
Net assessed Valuation of the District	$ 5,588,885,816	$ 5,403,095,174

	Current Operations	**Debt Service**	**Total**
Tax rate authorized per $100 valuation	1.000000	0.000000	1.000000
Tax rate assessed per $100 valuation for 2019	0.118115	0.000000	0.118115
Tax rate assessed per $100 valuation for 2018	0.118115	0.000000	0.118115

Taxes levied for the years ended August 31, 2019 and 2018, were $6,483,494 and $6,267,029, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed.

	Current Operations	
Taxes Collected	**2019**	**2018**
Current Taxes Collected	$ 6,326,997	$ 6,082,855
Delinquent Taxes Collected	119,820	112,918
Penalties and Interest Collected	85,513	69,632
Total Collections	$ 6,532,330	$ 6,265,405

Tax collections for the year ended August 31, 2019 and 2018, were 100.8% and 100.0% of the current tax levy, respectively. Uncollected taxes are pledged as collateral for the notes payable held by the College.

NOTE 6 – CAPITAL ASSETS

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

	2018	Increases	Decreases	2019
Not Depreciated:				
Land	$ 1,174,515	$ 1,040	$ -	$ 1,175,555
Construction in Process	617,550	876,925	(617,550)	876,925
Total Not Depreciated	1,792,065	877,965	(617,550)	2,052,480
Buildings and Other Capital Assets:				
Infrastructure	462,825	-	-	462,825
Buildings	29,191,456	990,158	(1,135,065)	29,046,549
Land Improvements	3,192,804	-	-	3,192,804
Software	490,109	-	-	490,109
Library Books	2,507,700	15,520	-	2,523,220
Furniture and Equipment	7,037,151	718,708	(84,176)	7,671,683
Total Building and Other	42,882,045	1,724,386	(1,219,241)	43,387,190
Accumulated Depreciation				
Infrastructure	461,425	400	-	461,825
Buildings	14,056,951	1,089,757	(587,629)	14,559,079
Land Improvements	3,071,791	37,306	-	3,109,097
Software	428,104	54,356	-	482,460
Library Books	2,128,732	55,461	-	2,184,193
Furniture and Equipment	4,536,313	493,905	(28,223)	5,001,995
Total Accumulated Depreciation	24,683,316	1,731,185	(615,852)	25,798,649
Net Capital Assets	$ 19,990,794	$ 871,166	$ (1,220,939)	$ 19,641,021

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

	2017	Increases	Decreases	2018
Not Depreciated:				
Land	$ 1,174,515	$ -	$ -	$ 1,174,515
Construction in Process	-	617,550	-	617,550
Total Not Depreciated	1,174,515	617,550	-	1,792,065
Buildings and Other Capital Assets:				
Infrastructure	462,825	-	-	462,825
Buildings	29,903,148	-	(711,692)	29,191,456
Land Improvements	3,323,236	-	(130,432)	3,192,804
Software	490,109	-	-	490,109
Library Books	2,483,543	24,157	-	2,507,700
Furniture and Equipment	6,807,792	447,316	(217,957)	7,037,151
Total Building and Other	43,470,653	471,473	(1,060,081)	42,882,045
Accumulated Depreciation				
Infrastructure	461,025	400	-	461,425
Buildings	13,442,258	1,112,165	(497,472)	14,056,951
Land Improvements	3,112,576	51,615	(92,400)	3,071,791
Software	330,082	98,022	-	428,104
Library Books	2,074,054	54,678	-	2,128,732
Furniture and Equipment	4,122,813	479,811	(66,311)	4,536,313
Total Accumulated Depreciation	23,542,808	1,796,691	(656,183)	24,683,316
Net Capital Assets	$ 21,102,360	$ (707,668)	$ (403,898)	$ 19,990,794

NOTE 7 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended August 31, 2019, was as follows:

	Balance August 31, 2018	Additions	Reductions	Balance August 31, 2019	Current Portion
Notes payable	$ 2,263,143	$ 10,000,000	$ (740,892)	$ 11,522,251	$ 571,029
Compensated absences	408,948	12,657	-	421,605	-
Net pension liability	3,251,982	2,554,572	-	5,806,554	-
Net OPEB liability	25,697,225	-	(7,461,478)	18,235,747	272,249
Total long-term liabilities	$ 31,621,298	$ 12,567,229	$ (8,202,370)	$ 35,986,157	$ 843,278

Noncurrent liability activity for the year ended August 31, 2018, was as follows:

	Balance August 31, 2017	Additions	Reductions	Balance August 31, 2018	Current Portion
Notes payable	$ 2,483,088	$ -	$ (219,945)	$ 2,263,143	$ 219,946
Compensated absences	426,353	-	(17,405)	408,948	-
Net pension liability	3,728,134	-	(476,152)	3,251,982	-
Net OPEB liability	-	25,697,225	-	25,697,225	131,055
Total long-term liabilities	$ 6,637,575	$ 25,697,225	$ (713,502)	$ 31,621,298	$ 351,001

The debt service requirements as of August 31, 2019, were as follows:

For the Year Ended August 31,	Maintenance Note		
	Principal	Interest	Total
2020	$ 571,029	$ 430,289	1,001,318
2021	591,722	411,058	1,002,780
2022	611,798	391,107	1,002,905
2023	632,687	370,458	1,003,145
2024	647,567	349,083	996,650
2025-2029	3,342,287	2,993,382	6,335,669
2030-2034	2,740,375	856,227	3,596,602
2035-2039	2,955,815	287,967	3,243,782

NOTE 8 – CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99), *State and Local Governments*. Contracts and grant revenues are recognized on Exhibit 2 and Schedule A as funds are actually expended. For federal and non-federal contracts and grants awards, funds expended, but not collected, are reported as Accounts Receivables on Exhibit 1. Contracts and grant awards that are not funded and for which the institution has not performed services are not included in the financial statements. Contract and grant award funds already committed or funds awarded during the fiscal year 2019 for which monies have not been received nor funds expended totaled $1,743,540 from federal contracts and grant awards and $781,361 from state contracts and grant awards.

Federal funds receivable included in accounts receivable on Exhibit 1 are as follows:

	2019	2018
Pell Grant Program	$ 98,368	$ 110,534
Student Loan Program	97,960	100,391
Federal Work-study Program	-	51,602
TRIO - Student Support Services Grant	59,369	41,850
TRIO - Talent Search Grant	75,840	46,529
TRIO - Educational Opportunity Centers	38,898	42,201
Adult Education and Family Leave Act	197,692	25,192
Carl Perkins Grant	114,475	99,607
Total	$ 682,602	$ 517,906

NOTE 9 – EMPLOYEES' RETIREMENT PLAN

The State of Texas has joint contributory retirement plans for almost all its employees.

Teacher Retirement System of Texas – Defined Benefit Plan

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

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

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2018 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan Fiduciary net position as of August 31, 2018.

Net Pension Liability

Total Pension Liability	$	209,611,328,793
Less: Plan Fiduciary Net Position		(154,568,901,833)
Net Pension Liability	$	55,042,426,960
Net Position as a percentage of Total Pension Liability		73.74%

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

Contributions - Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Texas Legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS's 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.

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 85th Texas Legislature, General Appropriations Act (GAA), established the employer contribution rates for fiscal years 2018 and 2019.

Contribution Rates

		2019	2018
Member		7.7%	7.7%
Non-Employer Contribution Entity (State)		6.8%	6.8%
Employers		6.8%	6.8%
FY 2019 College Contributions	$	372,169	
FY 2019 Member Contributions	$	722,548	
FY 2018 State of Texas On-behalf Contributions	$	257,408	

The College's contributions to the TRS pension plan for the year ended August 31, 2019, were $372,169 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for the year ended August 31, 2019, were $262,384.

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

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

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

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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

• Valuation Date	August 31, 2017, rolled forward to August 31, 2018
• Actuarial Cost Method	Individual Entry Age Normal
• Asset Valuation Method	Market Value
• Actuarial Assumptions	
o Single Discount Rate	6.907%
o Long-term expected Investment Rate of Return	7.25%
o Municipal Bond Rate	3.69%*
o Last year ending August 31 in the 2016 to 2115 Projection period (100 years)	2116
o Inflation	2.3%
o Salary Increases including inflation	3.05% to 9.05%
o Ad hoc post-employment benefit changes	None

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

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8 percent as of August 31, 2017, to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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

NOTE 9 – EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Discount Rate - The discount rate used to measure the total pension liability was 6.907 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2018, are summarized on the following page.

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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

** Target allocations are based on the FY2016 model.*
*** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.*

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

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
College's proportionate share of the net pension liability	$ 8,763,483	$ 5,806,554	$ 3,412,745

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2019, the College reported a liability of $5,806,554 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the collective net pension liability	$	5,806,554
State's proportionate share that is associated with College		4,208,444
Total	$	10,014,998

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

At the measurement date of August 31, 2018, the employer's proportion of the collective net pension liability was 0.010549234%, which was an increase of 0.000378723% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019, the College recognized revenue of $416,524 for support provided by the State and pension expense of $1,028,608. Refer to the 2019 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB Statements 67 and 68.

At August 31, 2019, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	$	36,193	$	142,470
Changes in actuarial assumptions		2,093,543		65,423
Net difference between projected and actual investment earnings		-		110,176
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		184,806		304,606
Contributions paid to TRS subsequent to the measurement date		372,169		-
Total	$	2,686,711	$	622,675

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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

Year ended August 31:	Pension Expense Amount
2020 (measurement date of August 31, 2019)	$ 402,923
2021 (measurement date of August 31, 2020)	171,071
2022 (measurement date of August 31, 2021)	126,344
2023 (measurement date of August 31, 2022)	370,510
2024 (measurement date of August 31, 2023)	378,525
Thereafter	242,494

Optional Retirement Plan

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

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% in fiscal years 2019 and 2018 and 6.65% in fiscal years 2019 and 2018, respectively. The College contributes no amounts 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. Senate Bill (SB) 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

The retirement expense related to ORP contributions paid by the state for the College was $94,926 and $97,349 for the fiscal years ended August 31, 2019 and 2018, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the College.

The total payroll for all of the College employees was $14,292,485 and $13,877,513 for fiscal years 2019 and 2018, respectively. The total payroll of employees covered by the Teacher Retirement System was $9,383,727 and $9,063,322, and the total payroll of employees covered by the Optional Retirement Program was $3,147,621 and $3,200,213 for fiscal years 2019 and 2018, respectively.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description - The College participates in a cost-sharing multiple-employer other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life, and dental insurance benefits to retired employees of participating universities, community colleges, and state agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the state and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by state law and may be amended by the Texas Legislature.

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018, are as follows:

Net OPEB Liability

Total OPEB Liability	$	50,729,490,103
Less: Plan Fiduciary Net Position		(798,574,633)
Net OPEB Liability	$	49,930,915,470
Net Position as a percentage of Total OPEB Liability		1.57%

Benefits Provided - Retiree health benefits offered through the GBP are available to most state of Texas retirees and their eligible dependents. Participants need at least 10 years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

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

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
August 31, 2018

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

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

Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31, 2019 and 2018

	2019		2018	
Employers	$	654,012	$	624,862
Members (Employees)		782,475		785,602
Nonemployer Contributing Entity (State of Texas)		526,297		548,346

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

• Valuation Date	August 31, 2018
• Actuarial Cost Method	Entry Age
• Amortization method	Level Percent of Pay, Open
• Remaining amortization period	30 years
• Asset Valuation Method	Not applicable
• Actuarial Assumptions	
o Discount Rate	3.96%
o Projected annual salary increase	2.50% to 9.50%, including inflation
o Annual healthcare trend rate	7.30% for FY2020, 7.40% for FY2021, 7.00% for FY2022, decreasing 0.50% per year to be an ultimate rate of 4.50% for FY2027 and later years
o Inflation assumption rate	2.50%
o Ad hoc post-employment benefit changes	None

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

- Mortality Assumptions
  - Service retirees, survivor and other inactive members

    Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018

  - Disability retirees

    Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members

  - Active members

    Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period (ex. September 1, 2010 to August 31, 2014) for higher education members.

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

Discount Rate - Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of 0.45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets. and therefore. the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis - The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.96%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.96%)	Discount Rate (3.96%)	1% Increase in Discount Rate (4.96%)
College's proportionate share of the net OPEB liability	$ 21,973,301	$ 18,507,996	$ 15,885,155

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Healthcare Trent Rate Sensitivity Analysis - The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (7.3%) in measuring the net OPEB liability.

	1% Decrease (6.30% decreasing to 3.50%)	Current Healthcare Cost Trent Rates (7.30% decreasing to 4.50%)	1% Increase in (8.30% decreasing to 5.50%)
College's proportionate share of the net pension liability	$ 15,673,883	$ 18,507,996	$ 22,164,015

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At August 31, 2019, the College reported a liability of $18,507,996 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective net OPEB liability	$ 18,507,996
State's proportionate share that is associated with College	15,188,278
Total	$ 33,696,274

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

At the measurement date of August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.0624474%, which was a decrease of 0.0133554% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019, the College recognized OPEB expense of $(1,158,525) and revenue of $(90,288) for support provided by the State.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

- Demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the Trustees from the Teachers Retirement System of Texas.
- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

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

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

These minor benefit changes have been reflected in the 2019 Assumed Per Capita Health Benefit Costs.

At August 31, 2019, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 678,073
Changes in actuarial assumptions	-	6,485,708
Net difference between projected and actual investment earnings	8,765	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	4,216,069
Contributions paid to ERS subsequent to the measurement date	221,366	-
Total	$ 230,131	$ 11,379,850

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Year ended August 31:		OPEB Expense Amount
2020 (measurement date of August 31, 2019)	$	(2,738,498)
2021 (measurement date of August 31, 2020)		(2,738,498)
2022 (measurement date of August 31, 2021)		(2,738,498)
2023 (measurement date of August 31, 2022)		(2,146,700)
2024 (measurement date of August 31, 2023)		(1,008,891)
Thereafter		-

NOTE 11 – COMPENSABLE ABSENCES

Sick leave is accumulated by employees of the College at the rate of one day per thirty calendar days worked up to a maximum of ninety days. Effective September 1, 2000, upon retirement or termination, employees with ten years or more service with the College may be paid for any accumulated sick leave in excess of thirty days at a rate of one-half of the employee's current salary. Full-time non-contractual personnel or employees with twelve-month contracts accrue vacation benefits from the date of employment at the rate of one day for each full calendar month worked up to ten vacation days per year. Employees may carry a maximum of 40 hours of accrued vacation forward from one fiscal year through September 30 of the next fiscal year. All vacation accrued in the prior fiscal year is forfeited on December 1 unless administrative approval is granted on a case-by-case basis. All accrued unused vacation time computed at the employee's daily rate of compensation is paid to the employee or his beneficiary in the event of termination, retirement, or death. Sick leave and vacation benefits of $421,605 and $408,948 have been accrued and reported in the accompanying Statement of Net Position as "accrued compensable absences payable" at August 31, 2019 and 2018, respectively.

NOTE 12 - STAFF BENEFITS

The College provides staff benefits for its employees in the form of hospital/medical insurance, salary continuance insurance, and life insurance equal to twice the employee's annual contractual salary up to a maximum of $45,000.

NOTE 13 - DEFERRED COMPENSATION PLAN

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 employees' investments are held in tax-deferred annuity plans pursuant to Internal Revenue Code Section 403(b).

As of August 31, 2019 and 2018, the College had 28 and 30 employees, respectively, participating in the program. A total of $182,360 and $168,586 in payroll deductions were invested in approved plans during the years ended August 31, 2019 and 2018, respectively.

NOTE 14 - 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 of the employees may become eligible for those benefits if they reach normal retirement age while working for the College. 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 and retiree was $624.82 per month plus fifty percent of spouse and/or dependent coverage as of August 31, 2019, and totaled $1,551,901 for the year then ended. The cost of providing those benefits for 139 retirees was $526,297 and for 215 active employees was $1,025,604.

The state's contribution per full-time employee and retiree was $617.30 per month plus fifty percent of spouse and/or dependent coverage as of August 31, 2018, and totaled $1,484,186 for the year then ended. The cost of providing those benefits for 135 retirees was $544,831 and for 216 active employees was $939,355.

NOTE 15 - RISK MANAGEMENT - CLAIMS AND JUDGMENTS

In the normal course of operations, the College is exposed to risks of loss from a number of sources including fire and casualty, errors and omissions by board members and employees, and injuries to employees during the course of performing their duties.

The College attempts to cover these losses by the purchase of insurance. Significant risks are covered by commercial insurance for property and liability programs. There has been no significant reduction in coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. In management's estimation, there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The College participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability may be impaired of any related receivable at August 31, 2019. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 17 – FUND ENDOWMENTS

The fund balances of the various Endowment Funds included in the Statement of Net Position are as follows:

	2019	2018
Endowment Funds		
Palmer Foundation	$ 115,523	$ 112,433
Endowed Chair for Teaching Excellence	190,153	186,090
J.R. Johnson	327,656	318,893
Parker-Akin Memorial	8,731	8,497
B & PW Scholarship	29,380	28,594
Leonard Scholarship	195,506	191,710
Teachers Credit Union Scholarship	25,011	24,343
Music Scholarship	29,200	28,419
General Scholarship	298,964	290,970
Al Barton Bladesmithing	5,404	5,260
Elizabeth Shaw Memorial	5,792	5,637
Conner Student Loan	31	-
Business Administration	19	18
Quasi Endowment Funds		
Eldridge Scholarship	14,444	80,966
Totals	$ 1,245,814	$ 1,281,830

NOTE 18 - CONTINGENT LIABILITY

The College entered into an agreement with the Texas Community College Employee Benefits Consortium to self-fund their workers' compensation plan. The agreement was effective September 1, 1991, and is administered by Hibbs - Hallmark & Company.

The College agreed to pay into the fund a fixed cost amount of $31,944 and a maximum loss fund amount of $73,582 for the year ended August 31, 2019. The loss fund amount was for Texarkana College's claims and for claims of other group members in excess of their loss fund maximum.

The College agreed to pay into the fund a fixed cost amount of $33,016 and a maximum loss fund amount of $75,606 for the year ended August 31, 2018. The loss fund amount was for Texarkana College's claims and for claims of other group members in excess of their loss fund maximum.

NOTE 18 - CONTINGENT LIABILITY (CONTINUED)

The College incurred expenses under the plan as follows:

	2019	2018
Fixed cost	$ 31,944	$ 33,016
Actual claims	16,265	11,833
Increase (decrease) in accrued liabilities	(15,488)	22,154
Total Expense	$ 32,721	$ 67,003

The College's maximum liability for the three years ended August 31, 2019 under this agreement is $243,995 computed as follows:

2016-2017 Maximum loss fund	$ 94,807
2017-2018 Maximum loss fund	75,606
2018-2019 Maximum loss fund	73,582
Total	$ 243,995

The administration of the Plan has estimated the liability for claims that have been reported but not paid and claims incurred but not reported to be $95,006 and $110,494 as of August 31, 2019 and 2018, respectively. This liability has been accrued in the financial statements as of August 31, 2019 and 2018.

NOTE 19 – DISAGGREGATING RECEIVABLES AND PAYABLES BALANCES

Receivables were as follows:

	2019	2018
Student Receivables	$ 6,198,524	$ 6,022,291
Due from Foundation	580	-
Taxes Receivable, Net of Allowances	200,801	187,272
Federal Receivables	682,602	517,906
State Receivables	40,520	39,147
Other Receivables	66,647	12,581
Allowance for Uncollectible	(2,447,620)	(2,306,504)
Total Accounts Receivable	$ 4,742,054	$ 4,472,693

NOTE 19 – DISAGGREGATING RECEIVABLES AND PAYABLES BALANCES (CONTINUED)

Payables were as follows:

	2019	2018
Accounts Payable		
Vendors Payable	$ 718,752	$ 516,134
Accrued Liabilities:		
Salaries & Benefits Payable	$ 534,437	$ 496,006
Sales Tax Payable	42,458	48,714
Other Liabilities	8,134	54,721
Total Accrued Liabilities	$ 585,029	$ 599,441

NOTE 20 - COMPONENT UNIT

The Foundation is a separate nonprofit corporation organized under the Texas Nonprofit Corporation Act in 1959. The purpose of the Foundation is to solicit and manage funds for the sole benefit of Texarkana College. The Foundation primarily provides scholarships to students at the College. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Under GASB Statement No. 39 (*Determining Whether Certain Organizations are Component Units*), an organization should report as a discretely presented component those organizations that raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation financial statements are included in the College's annual report as a discretely presented component unit.

NOTE 21 – RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended August 31, 2019, the Foundation provided support to the College in the aggregate of $7,835.

NOTE 22 – CONSTRUCTION IN PROCESS

During 2019, the College began multiple projects on campus which were not completed as of August 31, 2019. These projects have been recorded in the financial statements as construction in process in the accompanying financial statements. The projects are:

STEM Phase I- Biology Building
STEM Phase II- Chemistry Building
Pavement Improvements
Media Center Restrooms
Pinker Restrooms/Locker rooms
Library/Humanities Elevator Repairs
Interest Capitalized during Construction

NOTE 23 – INCOME TAXES

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

NOTE 24 – PENDING LAWSUITS AND CLAIMS

As of August 31, 2019, there were no known pending lawsuits or claims involving the College. While unasserted lawsuits and claims may exist, for which a liability cannot be reasonably estimated, any potential liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

NOTE 25 – TEXAS COMMUNITY COLLEGE CONSORTIUM

In December 2014, the College entered into an interlocal agreement with two other area community colleges, Kilgore College and Northeast Texas Community College, whereby the Texas Community College Consortium (TC3) was created.

Effective September 1, 2015, TC3 entered into an agreement with the University of Texas Health Science Center at Tyler (on behalf of Northeast Texas Network) (referred to hereinafter as "UT Entity"). The agreement with UT Entity establishes a group arrangement for the collective licensing, implementation, and maintenance of administrative software, hardware, and services for use in internal operations. The project is organized to create a consistent, identifiable structure to facilitate joint purchasing, training, and implementation of enterprise software, as well as shared services, when mutually beneficial.

The agreement with UT Entity provides a budget not to exceed $2,500,000 to TC3, funded by Texas appropriations provided to UT Entity for special item support. This amount was to be paid in installments over the term of the contract, which expired August 30, 2017, based on certain deliverables required by the contract.

The College has agreed to act as the fiscal agent for the project. The budget of $2,500,000 included $350,000 in development assistance to the members of TC3, which increased to five members, and $50,000 to the fiscal agent, in addition to various other expenses. As of August 31, 2019 and 2018, the College held approximately $226,257 and $891,130 in cash on behalf of TC3, respectively. In addition, the College recognized revenues of $25,000 for its role as fiscal agent during the years ended August 31, 2019 and 2018.

NOTE 26 – SUBSEQUENT EVENTS

The College has evaluated events through December 13, 2019, the date the financial statements were available to be issued, and has determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

TEXARKANA COLLEGE

SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Last Five Fiscal Years**

Fiscal year ending August 31*,	**2019**	**2018**	**2017**	**2016**	**2015**
College's proportionate share of the collective net pension liability (%)	0.0105492%	0.0101705%	0.0098658%	0.0102680%	0.0119553%
College's proportionate share of the collective net pension liability ($)	$ 5,806,554	$ 3,251,982	$ 3,728,134	$ 3,629,601	$ 3,193,426
State's proportionate share of the net pension liability associated with the College	4,208,444	2,451,729	2,800,343	2,682,914	2,306,110
Total	$ 10,014,998	$ 5,703,711	$ 6,528,477	$ 6,312,515	$ 5,499,536
College's covered payroll amount	$ 9,063,322	$ 8,583,822	$ 8,023,502	$ 7,753,711	$ 7,614,974
College's share of the net pension liability as a percentage of covered payroll	64.07%	37.89%	46.47%	46.81%	41.94%
Plan fiduciary net position as a percentage of total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

** The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.*

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

TEXARKANA COLLEGE

SCHEDULE OF COLLEGE CONTRIBUTIONS FOR PENSIONS

Last Five Fiscal Years**

Fiscal year ending August 31*,	**2019**	**2018**	**2017**	**2016**	**2015**
Legally required contributions	$ 372,169	$ 357,006	$ 333,131	$ 313,393	$ 303,710
Actual contributions	372,169	357,006	333,131	313,393	303,710
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll amount	$ 9,383,727	$ 9,063,322	$ 8,583,822	$ 8,023,502	$ 7,753,711
College's actual contributions as a percentage of covered payroll	3.97%	3.94%	3.88%	3.91%	3.92%

** The amounts presented above are as of the College's respective fiscal year-end.*

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

TEXARKANA COLLEGE

SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY

Last Three Fiscal Years**

Fiscal year ending August 31*,	**2019**	**2018**	**2017**
College's proportionate share of the collective net pension liability (%)	0.0624474%	0.0758028%	0.0758028%
College's proportionate share of the collective net pension liability ($)	$ 18,507,996	$ 25,828,280	$ 30,859,304
State's proportionate share of the net pension liability associated with the College	15,188,278	20,870,938	24,936,333
Total	$ 33,696,274	$ 46,699,218	$ 55,795,637
College's covered-employee payroll amount	$ 11,578,814	$ 11,094,823	$ 11,032,875
College's share of the net pension liability as a percentage of covered-employee payroll	159.84%	232.80%	279.70%
Plan fiduciary net position as a percentage of total pension liability	1.27%	2.04%	1.22%

** The amounts presented above are as of the measurement date of the collective net OPEB liability for the respective fiscal year.*

*** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS FOR OPEB
Last Three Fiscal Years**

Fiscal years ending August 31*,	**2019**	**2018**	**2017**
Legally required contributions	$ 654,012	$ 624,862	$ 710,141
Actual contributions	654,012	624,862	710,141
Contributions deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll amount	$ 11,618,438	$ 11,578,814	$ 11,094,823
College's actual contributions as a percentage of covered-employee payroll	5.63%	5.40%	6.40%

** The amounts presented above are as of the College's respective fiscal year-end.*

*** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

Notes to the supplementary information related to pensions:

Changes of Benefit Terms

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

Changes of Assumptions

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

Notes to the supplementary information related to OPEB:

Changes of Benefit Terms

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

Changes of Assumptions

- Demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the Trustees from the Teachers Retirement System of Texas.
- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

SUPPLEMENTAL INFORMATION

TEXARKANA COLLEGE
SCHEDULE A – SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2019 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total 8/31/19	Totals 8/31/18
Tuition						
State funded courses						
In-district resident tuition	$ 2,472,303	$ -	$ 2,472,303	$ -	$ 2,472,303	$ 2,246,218
Out-of-district resident tuition	449,908	-	449,908	-	449,908	460,545
TPEG (set aside)	-	157,000	157,000	-	157,000	153,200
Non-resident tuition	770,138	-	770,138	-	770,138	691,105
State funded continuing education	1,354,391	-	1,354,391	-	1,354,391	1,275,027
Non-State funded educational programs	644,084	-	644,084	-	644,084	473,679
Total Tuition	**5,690,824**	**157,000**	**5,847,824**	**-**	**5,847,824**	**5,299,774**
Fees						
General Fees	2,107,792	-	2,107,792	-	2,107,792	2,084,390
Student Service fees	295,370	-	295,370	-	295,370	297,142
Course Fees	1,097,671	-	1,097,671	-	1,097,671	1,029,474
Out-of-District Fees	1,281,630	-	1,281,630	-	1,281,630	1,293,263
Total Fees	**4,782,463**	**-**	**4,782,463**	**-**	**4,782,463**	**4,704,269**
Scholarship allowances and discounts						
Scholarship allowances	-	(368,906)	(368,906)	-	(368,906)	(330,779)
Remissions and exemptions	(204,565)	-	(204,565)	-	(204,565)	(276,363)
TPEG allowances	-	(157,000)	(157,000)	-	(157,000)	(153,200)
Title IV allowances	-	(3,725,851)	(3,725,851)	-	(3,725,851)	(3,395,219)
Total Scholarship Allowances	**(204,565)**	**(4,251,757)**	**(4,456,322)**	**-**	**(4,456,322)**	**(4,155,561)**
Total Net Tuition and Fees	**10,268,722**	**(4,094,757)**	**6,173,965**	**-**	**6,173,965**	**5,848,482**

TEXARKANA COLLEGE
SCHEDULE A – SCHEDULE OF OPERATING REVENUES (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2019 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total 8/31/19	Totals 8/31/18
Other Operating Revenues						
Federal grants and contracts	95,703	919,560	1,015,263	-	1,015,263	678,182
State grants and contracts	36,323	700,643	736,966	-	736,966	452,794
Nongovernmental grants and contracts	228,145	65,121	293,266	-	293,266	459,408
Sales and Services of educational activities	224,515	-	224,515	-	224,515	253,242
Other operating revenues	194,621	-	194,621	-	194,621	196,341
Total Other Operating Revenues	**779,307**	**1,685,324**	**2,464,631**	**-**	**2,464,631**	**2,039,967**
Auxiliary Enterprises						
Bookstore	-	-	-	1,353,684	1,353,684	1,517,647
Less discounts	-	-	-	(1,058,141)	(1,058,141)	(1,148,587)
Less scholarships				(365,433)	(365,433)	(373,199)
Residential Life	-	-	-	17,200	17,200	24,025
Less discounts	-	-	-	(17,200)	(17,200)	(18,600)
Cafeteria	-	-	-	135,897	135,897	130,983
Radio	-	-	-	224,721	224,721	234,011
Total Net Auxiliary Enterprises	**-**	**-**	**-**	**290,728**	**290,728**	**366,280**
Total Operating Revenues	**$ 11,048,029**	**$ (2,409,433)**	**$ 8,638,596**	**$ 290,728**	**$ 8,929,324**	**$ 8,254,729**

TEXARKANA COLLEGE
SCHEDULE B – SCHEDULE OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2019 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)

	Operating Expenses					
	Salaries and Wages	Benefits State	Benefits Local	Other Expenses	Total 8/31/19	Total 8/31/18
Unrestricted - Educational Activities						
Instruction	$ 7,469,935	$ -	$ 548,972	$ 2,444,657	$ 10,463,564	$ 11,175,686
Academic Support	1,353,745	-	137,420	603,924	2,095,089	2,182,033
Student Services	778,026	-	67,584	140,575	986,185	1,261,974
Institutional Support	2,529,730	-	250,424	1,370,248	4,150,402	3,983,656
Operation and Maintenance of Plant	849,433	-	224,138	1,373,982	2,447,553	2,619,049
Total Unrestricted Educational Activities	**12,980,869**	**-**	**1,228,538**	**5,933,386**	**20,142,793**	**21,222,398**
Restricted - Educational Activities						
Instruction	365,429	878,740	82,625	438,692	1,765,486	2,093,294
Academic Support	-	159,250	-	-	159,250	254,990
Student Services	610,510	91,525	134,684	158,966	995,685	1,103,109
Institutional Support	1,000	297,589	80	-	298,669	426,185
Scholarships and Fellowships	-	-	-	3,717,002	3,717,002	3,395,838
Total Restricted Educational Activities	**976,939**	**1,427,104**	**217,389**	**4,314,660**	**6,936,092**	**7,273,416**
Total Educational Activities	**13,957,808**	**1,427,104**	**1,445,927**	**10,248,046**	**27,078,885**	**28,495,814**
Auxiliary Enterprises	334,677	65,470		1,439,134	1,839,281	1,934,819
Depreciation Expense:						
Building & Improvements	-	-	-	1,114,636	1,114,636	1,157,363
Software	-	-	-	54,355	54,355	98,022
Equipment & Furniture	-	-	-	485,741	485,741	472,400
Library Books	-	-	-	55,461	55,461	54,678
Total Auxiliary Activities & Depreciation	**334,677**	**65,470**	**-**	**3,149,327**	**3,549,474**	**3,717,282**
Total	**$ 14,292,485**	**$ 1,492,574**	**$ 1,445,927**	**$ 13,397,373**	**$ 30,628,359**	**$ 32,213,096**

TEXARKANA COLLEGE
SCHEDULE C – SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)

	Unrestricted	Restricted	Auxiliary Enterprises	Total 8/31/19	Total 8/31/18
Non-operating revenues					
Education and general state support	$ 7,201,083	$ -	$ -	$ 7,201,083	$ 7,209,237
State group insurance	-	915,654	-	915,654	2,057,272
State retirement matching	-	511,450	-	511,450	284,357
Total State Appropriation	**7,201,083**	**1,427,104**	**-**	**8,628,187**	**9,550,866**
Other non-operating revenues					
Ad-valorem taxes	6,532,330	-	-	6,532,330	6,265,405
Federal Revenue non operating	-	9,165,973	-	9,165,973	8,550,334
Gifts	-	-	-	-	313
Investment income	442,584	92,180	-	534,764	217,199
Rent Income	136,295	-	-	136,295	178,635
Other non-operating revenues	8,499	-	-	8,499	4,997
Total Other Non-operating Revenues	**7,119,708**	**9,258,153**	**-**	**16,377,861**	**15,216,883**
Total Non-operating Revenues	**14,320,791**	**10,685,257**	**-**	**25,006,048**	**24,767,749**
Non-Operating (Expenses)					
Loss on disposal of fixed assets	(547,469)	-	-	(547,469)	(362,997)
Interest on capital related debt	-	(66,069)	-	(66,069)	(70,701)
Total Non Operating (Expenses)	**(547,469)**	**(66,069)**	**-**	**(613,538)**	**(433,698)**
Net Non-Operating Revenues	**$ 13,773,322**	**$ 10,619,188**	**$ -**	**$ 24,392,510**	**$ 24,334,051**

TEXARKANA COLLEGE
SCHEDULE D – SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2019 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)

	Detail By Source					Available for Current Operations	
		Restricted		Capital Assets Net of Depreciation			
	Unrestricted	Expendable	Non Expendable	& Related Debt	Total	Yes	No
Current:							
Unrestricted	(16,840,446)				(16,840,446)	(16,840,446)	
Restricted							
Auxiliary	500,381				500,381	500,381	
Endowment:							
Restricted		14,444	1,231,370		1,245,814		1,245,814
Plant:							
Unexpended					-		-
Investment in Plant				15,264,096	15,264,096		15,264,096
Total Net Position, August 31, 2019	**(16,340,065)**	**14,444**	**1,231,370**	**15,264,096**	**169,845**	**(16,340,065)**	**16,509,910**
Total Net Position, August 31, 2018	**(21,313,165)**	**80,966**	**1,200,864**	**17,507,705**	**(2,523,630)**	**(21,313,165)**	**18,789,535**
Net Increase (Decrease) in Net Position	**$ 4,973,100**	**$ (66,522)**	**$ 30,506**	**$ (2,243,609)**	**$ 2,693,475**	**$ 4,973,100**	**$ (2,279,625)**

TEXARKANA COLLEGE
SCHEDULE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
U.S. Department of Education			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grants (FSEOG)	84.007 *	P007A184134	$ 132,875
Federal Work Study Program (FWS)	84.033 *	P033A184134	80,347
Direct Student Loans	84.268 *	P268K192318	4,748,082
Federal Pell Grant	84.063 *	P063P182318	8,385,319
Allocated Indirect Costs - Federal Pell Grant	84.063 *	P063P182318	10,616
Subtotal Student Financial Assistance Cluster			13,357,239
TRIO Cluster:			
TRIO - Student Support Services (SSS)	84.042	P042A160405	258,595
Allocated Indirect Costs - SSS	84.042	P042A160405	20,688
TRIO - Talent Search (TS)	84.044	P044A160080	308,837
Allocated Indirect Costs - TS	84.044	P044A160080	24,707
TRIO - Educational Opportunity Centers (EOC)	84.066	P066A160244	243,575
Allocated Indirect Costs - EOC	84.066	P066A160244	19,486
Subtotal TRIO Cluster			875,888
Passed Through the Texas Higher Education Coordinating Board			
Vocational Education - Basic Grant	84.048	194202067120001	404,131
Allocated Indirect Costs - Vocational Education	84.048	194202067120001	20,207
Total Passed Through the Texas Higher Education Coordinating Board			424,338
Passed Through the Texas Workforce Commission			
Adult Education and Family Leave Act (AEFLA)	84.002A	V002A180044	237,310
Total Passed Through the Texas Workforce Commission			237,310
Total U.S Department of Education			14,894,775
U.S. Department of Health and Human Services			
Passed Through the Texas Association of Community Colleges			
Temporary Assistance for Needy Families	93.558	1901TXTANF	34,543
Total Passed Through the Texas Association of Community Colleges			34,543
Total U.S. Department of Health and Human Services			34,543
Total Federal Financial Assistance			$ 14,929,318

** Major Program*

Notes to the Schedule of Expenditures of Federal Awards

Note 1 – Federal Assistance Reconciliation

Note 1- Federal Assistance Reconciliation

Federal Grants and Contract Revenue -		
Per Schedule of Operating Revenues (Schedule A)	$	1,015,263
Per Schedule of Operating Revenues (Schedule C)		9,165,973
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets	$	10,181,236
Reconciling item:		
Add: Direct Student Loans	$	4,748,082
Total Federal Revenues per Schedule of Expenditures of Federal Awards	$	14,929,318

Note 2 – Significant Accounting Policies

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that 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. Since the College has agency approved Indirect Recovery Rate it has elected not to use the 10% de minimis cost rate as permitted in the Uniform Guidance, section 200.414.

Note 3 – Expenditures Not Subject to Federal Single Audit

None

Note 4 – Student Loans Processed and Administrative Costs Recovered

None

Note 5 – Amounts Passed Through by the College

None

TEXARKANA COLLEGE

SCHEDULE F – SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED AUGUST 31, 2019

Grantor/Pass Through Grantor/Program Title	Pass Through Grantors Number	Expenditures and Pass Through Disbursements
Texas Higher Education Coordinating Board		
Texas Educational Opportunity Grant	**N/A**	247,280
Nursing Innovation Grant	**N/A**	910
Texas College Work Study	**N/A**	10,324
Professional Nursing Shortage Reduction	**N/A**	56,360
Total Texas Higher Education Coordinating Board		314,874
Texas Workforce Commission		
Skills for Small Business Program	0719SSD001	26,577
Allocated Indirect Costs - Skills for Small Business Program	0717SSD002	1,881
Allocated Indirect Costs - Skills for Small Business Program	0719SSD001	1,262
Lone Star Trucking - Skills Development Fund	0718SDF001	218,980
Allocated Indirect Costs - Lone Star Trucking	0718SDF001	31,918
International Graphics Packaging - Skills Development Fund	0719SDF001	84,508
Adult Education and Family Leave Act (AEFLA)	0718ALA001	21,420
Total Texas Workforce Commission		386,546
Texas Commission of Environmental Quality		
Passed Through Sulphur River Basin Authority		
Clean Rivers Grant	**N/A**	33,065
Total Texas Commission on Environmental Quality		33,065
Total State Financial Assistance		$ 734,485

Notes to the Schedule of Expenditures of State Awards

Note 1 – State Assistance Reconciliation

Reconciliation	
State Grants and Contract Revenue - Per Schedule of Operating Revenues (Schedule A)	$ 736,966
Reconciling item:	
Subtract: Grants from other states	(2,481)
Total Expenditures of State Awards	$ 734,485

Notes to the Schedule of Expenditures of State Awards (continued)

Note 2 – Significant Accounting Policies

The accompanying schedule of expenditures of state awards has been prepared on the accrual basis of accounting. The expenditures included in this schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the College for the purposes of the award. The College has followed the applicable guidelines issued by the various entities in the preparation of the schedule.

TEXARKANA COLLEGE
SCHEDULE G – AUXILIARY ENTERPRISES - STATEMENT OF INCOME AND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2019 (WITH COMPARATIVE FIGURES FOR THE YEAR ENDED AUGUST 31, 2018)

	2019					2018				
	Cafeteria	Bookstore	Housing	Radio	Total	Cafeteria	Bookstore	Housing	Radio	Total
Sales and Gross Profit										
Sales	$ 135,897	$ 1,353,684	$ 17,200	$ 224,721	$ 1,731,502	$ 130,983	$ 1,517,647	$ 24,025	$ 234,011	$ 1,906,666
Total Sales	135,897	1,353,684	17,200	224,721	1,731,502	130,983	1,517,647	24,025	234,011	1,906,666
Less Direct Cost										
Cost of goods sold	67,213	1,096,795	-	-	1,164,008	68,794	1,186,557	-	-	1,255,351
Salaries	44,812	150,847	2,750	136,268	334,677	44,955	149,979	2,750	132,770	330,454
Total Direct Cost	112,025	1,247,642	2,750	136,268	1,498,685	113,749	1,336,536	2,750	132,770	1,585,805
Gross Profit/(Loss)	**23,872**	**106,042**	**14,450**	**88,453**	**232,817**	**17,234**	**181,111**	**21,275**	**101,241**	**320,861**
Operating Expenditures										
Benefits	9,543	29,937	343	25,647	65,470	11,373	36,386	168	33,759	81,686
Supplies	43,980	12,483	-	3,245	59,708	45,614	8,982	-	459	55,055
Contracted Services	5,044	6,429	-	165,511	176,984	3,364	6,749	-	173,420	183,533
Depreciation	-	-	-	20,992	20,992	-	-	-	14,228	14,228
Miscellaneous	124	17,318	-	-	17,442	128	14,384	-	-	14,512
Total Operating Expenditures	58,691	66,167	343	215,395	340,596	60,479	66,501	168	221,866	349,014
Excess (Deficiency) of Income Over Expense	**$ (34,819)**	**$ 39,875**	**$ 14,107**	**$ (126,942)**	**$ (107,779)**	**$ (43,245)**	**$ 114,610**	**$ 21,107**	**$ (120,625)**	**$ (28,153)**

See independent auditor's report

TEXARKANA COLLEGE
SCHEDULE H – INSURANCE IN FORCE
AS OF AUGUST 31, 2019

Company	Policy Number	Coverage	Coverage (in thousands)		Expiration Date
Texas Political Subdivisions	19-F0697	General Liability	$	2,000	July 1, 2020
Texas Political Subdivisions	19-F0697	School Board Legal Liability	$	1,000	July 1, 2020
Texas Political Subdivisions	19-F0697	Law Enforcement	$	1,000	July 1, 2020
Texas Political Subdivisions	19-F0697	Automobile Liability	$	1,000	July 1, 2020
Texas Political Subdivisions	19-F0697	Property & Equipment:			July 1, 2020
		Blanket Building & Contents	$	99,401	
		Contractors Equipment	$	121	
		Electronic Data, Media and Hardware	$	500	
Texas Political Subdivisions	19-F0697	Crime:			July 1, 2020
		Employee Dishonesty	$	150	
		Forgery or Alteration	$	50	
		Theft, Disappearance, and Destruction	$	50	
		Computer Fraud	$	50	
Texas Political Subdivisions	S716-85001	Crisis Management	$	2,000	July 1, 2020
Texas Political Subdivisions	G290120520 001	Cyber Liability	$	1,000	July 1, 2020

FEDERAL FINANCIAL ASSISTANCE INFORMATION
SINGLE AUDIT

INDEPENDENT AUDITOR'S 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*

To the Board of Trustees of
Texarkana College
Texarkana, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of Texarkana College (the College), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

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

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

♦ 2900 St. Michael Drive, Suite 302, Texarkana, Texas 75503 ♦ Telephone (903) 831-3477 ♦ FAX (903) 831-3482 ♦
www.thomasthomascpas.com

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the Public Funds Investment Act (Chapter 2256, of the Texas Government Code), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Thomas & Thomas PLLC
Certified Public Accountants

Texarkana, Texas
December 13, 2019

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

To the Board of Trustees
of Texarkana College
Texarkana, Texas

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

♦ 2900 St. Michael Drive, Suite 302, Texarkana, Texas 75503 ♦ Telephone (903) 831-3477 ♦ FAX (903) 831-3482 ♦
www.thomasthomascpas.com

Opinion on Each Major Federal Program

In our opinion, Texarkana College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control over Compliance

Management of Texarkana College, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Thomas & Thomas PLLC

Certified Public Accountants

Texarkana, Texas
December 13, 2019

TEXARKANA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019

Section I – Summary of Auditor's Results

Financial Statements

The Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	None Reported

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	None Reported

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.007	Student Financial Assistance Cluster – FSEOG
84.033	Student Financial Assistance Cluster – FWS
84.063	Student Financial Assistance Cluster – PELL
84.268	Student Financial Assistance Cluster – Direct Loans

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

TEXARKANA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019

Section II – Federal Award Findings and Questioned Costs

During the year ended August 31, 2019, there were no findings or questioned costs reported for federal major programs.

TEXARKANA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019

Section III – Findings and Questioned Costs – Major Federal Award Programs

Prior Year Findings and Questioned Costs Relating to Federal Awards

During the year ended August 31, 2018, there were no findings or questioned costs reported for federal major programs.

THIS PAGE LEFT BLANK INTENTIONALLY