

Grayson College
Annual Financial Report
August 31, 2015

**Grayson College
Annual Financial Report
Year Ended August 31, 2015**

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Grayson College
Organizational Data
For the Fiscal Year 2014 - 2015

Board of Trustees

Officers

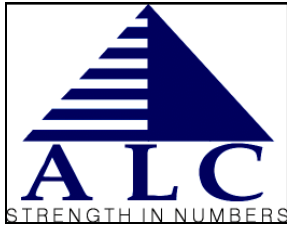
		<u>Term Expires</u>
Mr. Ronnie Cole	President	2018
Dr. Debbie Barnes-Plyler	Vice-President	2018
Mrs. Jackie Butler	Secretary	2016

Members

Dr. Mack Broiles	2018
Mr. Ralph Jones	2020
Mr. Bill McFatridge	2016
Mr. Rad Richardson	2020

Principal Administrative and Business Officers

Dr. Jeremy McMillen	President
Mr. Giles Brown	Vice President for Business Services
Mr. Gary Paikowski	Vice President for Information Technology
Dr. Regina Organ	Vice President for Academic and Student Affairs



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JAMES A. LINDSEY
DAROLD P. ADAMI, JR.
BELINDA W. DEVINCENTIS

Independent Auditor's Report

Board of Trustees
Grayson College
6101 Grayson Drive
Denison, Texas

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Grayson College (College) as of and for the years ended August 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Grayson College as of August 31, 2015 and 2014, 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 the Management's Discussion and Analysis, Schedule of the College's Proportionate Share of Net Pension Liability - Teachers Retirement System of Texas, and Schedule of College Contributions - Teachers Retirement System of Texas on pages 4 through 8 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying supplementary schedules and statistical supplement listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements.

The supplementary schedules of operating revenues, operating expenses by object, non-operating revenues and expenses, net assets by source and availability, schedule of expenditures of federal awards and schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The organizational data and the statistical supplement have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, 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.

Adami, Lindsey & Company, L.L.P.

Sherman, Texas
December 15, 2015

**GRAYSON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

Management's discussion and analysis of Grayson College's financial performance provides an overview of the College's financial activities for the fiscal year ended August 31, 2015. It should be read in conjunction with the College's financial statements which follow.

In this fiscal year, Grayson College implemented a major accounting pronouncement which deals with the college's pension liability. This pronouncement is Statement 68 from the Government Accounting Standards Board (GASB). The implementation resulted in a pension liability of \$2,958,179. The effect from prior accounting periods is shown in the financial statements as a prior period adjustment to net position. Net position at the start of the fiscal year was restated from \$49,821,643 to \$46,470,015.

FINANCIAL HIGHLIGHTS

- Grayson College continued its pattern of good financial performance as evidenced by the increase in net position. The changes in net position are discussed below.
- Total assets grew from \$101,694,440 at August 31, 2014 to \$103,537,875 at August 31, 2015.
- In fiscal year 2014-2015, the college implemented GASB Statement 68. As a result of that implementation, the financial statements now contain a pension liability, deferred pension outflows, and deferred pension inflows.
- Total liabilities were \$53,434,077 at August 31, 2015, up from \$52,423,172 at August 31, 2014.
- Operating revenue decreased \$759,089, or 7.86%, to \$8,902,949.
- Operating expenses decreased \$1,034,397, or 2.86%, to \$35,101,309.
- Net non-operating revenues increased \$247,287, or 0.83%, to \$30,029,130.
- Net position at the start of the fiscal year was restated to \$46,470,015, which is \$3,351,628 lower than originally reported, to reflect the cumulative effects of changes in the accounting principles for pension liability in accordance with GASB Statement 68.

EXPLANATION OF FINANCIAL STATEMENTS

The Annual Financial Report consists of a series of financial statements. The core statements are known as the *Statement of Net Position*, the *Statement of Revenue, Expenses, and Changes in Net Position* and the *Statement of Cash Flows*. These statements comply with all the Statements issued by the Governmental Accounting Standards Board (GASB) that are currently in effect.

The *Statement of Net Position* is similar to a balance sheet in many respects. This financial statement reflects the adoption of GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. In addition to Assets, Liabilities and Net Position at a particular date of measurement as reported in the past, the new format includes "Deferred Outflows of Resources" and "Deferred Inflows of Resources." Under this new format, Total Assets plus Deferred Outflows of Resources minus Total Liabilities and Deferred Inflows equals Total Net Position.

The *Statement of Revenues, Expenses and Changes in Net Position* provides information on the change in net position from the end of the prior fiscal year to the end of the current fiscal year by reporting on operating revenues, operating expenses, non-operating revenues and expenses and other revenues and expenses. Operating income (loss), which is the net of operating revenue and operating expenses, shows the financial result of the college's operations. Significantly, appropriations from the State of Texas and ad valorem taxes from local property owners are reported in non-operating revenues and expenses because they do not come from our users, but rather from taxes on those that do not directly benefit from our services.

The *Statement of Cash Flows* provides relevant information about the cash receipts and cash payments of the college during the fiscal year. The *Statement of Cash Flows* is intended to compliment the accrual basis of accounting used in the financial statements by providing information about financing, capital and investing activities.

CONDENSED COMPARATIVE FINANCIAL INFORMATION

The following statements are condensed presentations of the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position*. These are provided as summaries. For more complete presentations, please see the actual statements shown in following sections of this Annual Financial Report.

Condensed Statements of Financial Position August 31, 2015, 2014 and 2013

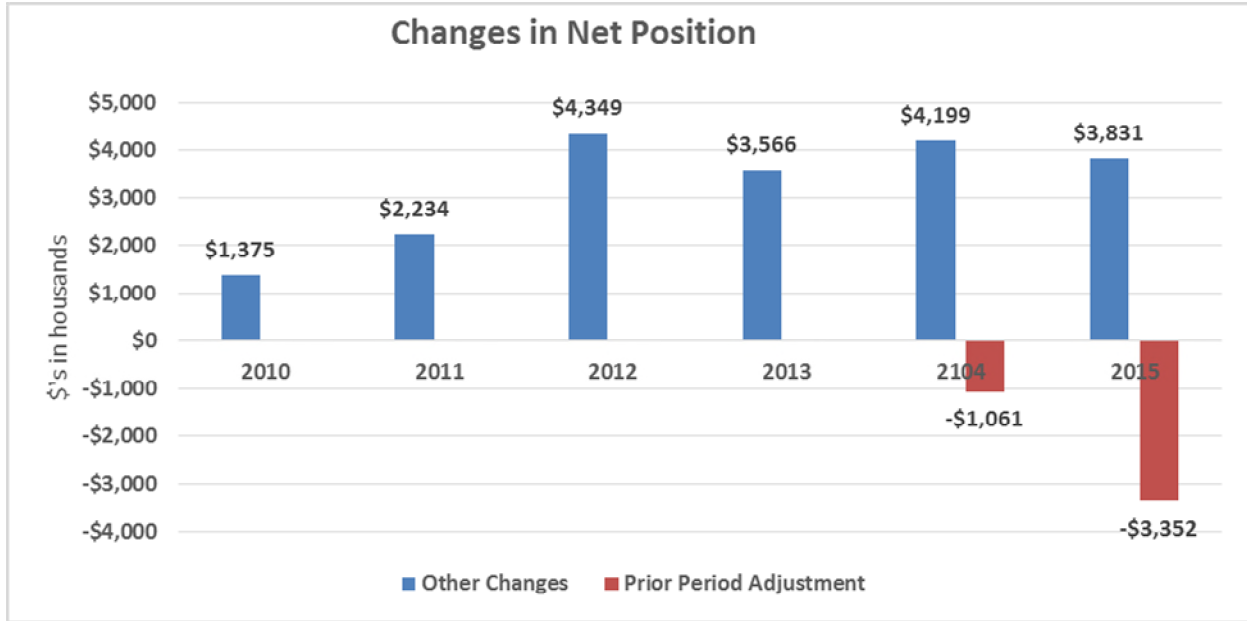
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Assets</u>			
Capital assets (net of accumulated depreciation)	\$ 69,462,559	\$ 70,150,197	\$ 69,644,728
All other	34,075,316	31,544,243	32,453,666
Total Assets	<u>103,537,875</u>	<u>101,694,440</u>	<u>102,098,394</u>
<u>Deferred Outflows of Resources</u>			
	<u>1,101,902</u>	<u>550,375</u>	<u>-</u>
<u>Liabilities</u>			
Non-current liabilities	46,464,764	46,608,121	49,396,515
All other liabilities	6,969,283	5,815,051	6,018,448
Total Liabilities	<u>53,434,047</u>	<u>52,423,172</u>	<u>55,414,963</u>
<u>Deferred Inflows of Resources</u>			
	<u>904,915</u>	<u>-</u>	<u>-</u>
<u>Net Position</u>			
Net investment in capital assets	23,451,110	21,018,847	18,669,846
Restricted	2,962,102	2,747,945	2,360,516
Unrestricted	23,887,573	26,054,851	25,653,069
Total Net Position	<u>\$ 50,300,785</u>	<u>\$ 49,821,643</u>	<u>\$ 46,683,431</u>

Condensed Statements of Revenues, Expenses and Changes in Net Position
August 31, 2015, 2014 and 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Operating Revenue</u>			
Tuition and fees (net of discounts)	\$ 4,670,880	\$ 4,813,795	\$ 4,877,086
Operating grants and contracts	3,165,181	2,976,556	2,526,858
Auxiliary enterprises (net of discounts)	868,900	1,549,396	1,859,497
Other operating revenues	197,988	322,291	251,406
Total operating revenues	<u>8,902,949</u>	<u>9,662,038</u>	<u>9,514,847</u>
<u>Operating Expenses</u>			
Instruction	13,007,346	13,158,701	12,660,386
Public Service	765,742	598,566	596,817
Academic Support	1,775,333	1,823,300	1,618,817
Student Services	2,751,568	2,632,018	2,217,698
Institutional Support	4,226,314	3,857,182	3,805,382
Operation and Maintenance of Plant	3,146,448	3,321,440	4,374,472
Scholarships and Fellowships	5,831,178	5,008,040	5,450,594
Auxiliary Enterprises	1,368,797	3,640,275	3,715,719
Depreciation	2,228,583	2,096,184	2,047,191
Total operating expenses	<u>35,101,309</u>	<u>36,135,706</u>	<u>36,487,076</u>
<u>Operating Income (Loss)</u>	<u>(26,198,360)</u>	<u>(26,473,668)</u>	<u>(26,972,229)</u>
<u>Non-Operating Revenues (Expenses)</u>			
State appropriations	9,209,940	9,426,603	8,966,973
Ad valorem taxes	13,996,426	13,044,419	12,822,687
Net other non-operating revenue (expenses)	6,822,764	7,310,821	7,629,332
Net non-operating revenue (expenses)	<u>30,029,130</u>	<u>29,781,843</u>	<u>29,418,992</u>
<u>Income before Contributions and Transfers</u>	3,830,770	3,308,175	2,446,763
Capital contributions	-	891,246	1,108,754
Transfers	-	-	10,000
<u>Increase in Net Position</u>	<u>3,830,770</u>	<u>4,199,421</u>	<u>3,565,517</u>
<u>Net Position - Beginning of Year</u>	49,821,643	46,683,431	43,117,914
Restatements - implementation of accounting pronouncements	(3,351,628)	(1,061,209)	-
<u>Net Position - Beginning of Year (Restated)</u>	<u>46,470,015</u>	<u>45,622,222</u>	<u>43,117,914</u>
<u>Net Position - End of Year</u>	<u>\$ 50,300,785</u>	<u>\$ 49,821,643</u>	<u>\$ 46,683,431</u>

DISCUSSION OF NET POSITION AND GASB STATEMENT 65

Net position indicates the wealth of a school. As stated earlier, it is the remainder when total liabilities and deferred inflows of resources are taken from total assets and deferred outflows. Grayson College has enjoyed an increase in net position in each of its recent fiscal years. There have been two prior period adjustments to restate net position to lower amounts. These resulted from the changes in accounting principles contained in GASB Statements 65 and 68. The following chart shows the change in net position in each recent fiscal year.



No attempt has been made to relate the prior period adjustments to each prior fiscal year.

DISCUSSION OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The college continues to have an excellent financial position, despite recent accounting pronouncements that have removed over \$4 million from its net position. Also, as noted above, Grayson College enjoyed successful financial results in fiscal year 2014-2015, continuing a pattern of good financial results.

The primary reserves ratio measures the college’s financial strength and flexibility. It is computed by dividing expendable net assets by total expenses. At August 31, 2015, Grayson College’s primary reserves ratio was .72. This compares favorably to a benchmark that this ratio should be at least in the .25 to .33 range. Expressed in another way, this ratio indicates that the college could go over eight months with no revenue before it exhausted its financial reserves.

The return on net position ratio measures the total economic return during a fiscal year. A positive ratio indicates an increase in net position. The ratio is calculated by dividing the increase in net position by the total net position at the end of the fiscal year. If the \$3.4 million prior period adjustment is removed from the calculation, then Grayson’s return on net position is a substantial 7.75%. If, on the other hand, the prior period adjustment is netted against the increase in net position, the college’s return on net position is still a positive 0.95%.

The Grayson College Foundation is a component unit of Grayson College. In accordance with GASB Statement 39, the financial statements of the foundation are presented with those of the college. The prescribed presentation is for the foundation’s statement to be presented separately in a format known as a discrete presentation. For fiscal year 2014-2015 the net position of the foundation decreased \$161,347 to \$12,027,309. The decrease was caused by a drop in the market value of the foundation’s investments during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

In May 2007, local voters approved the issuance of \$44,790,000 in general obligation bonds. These funds were used in prior fiscal years to renovate each building on the Main Campus and build new facilities for career and technical education and for culinary arts and hospitality. In fiscal year 2015, a portion of these funds were used to rehabilitate an internal road and a sewer main in the Main Campus. The sewer main rehabilitation project continues into the 2016 fiscal year.

Also, the college completed the construction of a facility to provide technical instruction on our South Campus in Van Alstyne. The facility houses programs in occupational safety, medical laboratory technician, welding, and electrician. Instruction began in the new building for the Spring 2015 semester. The total cost of the new facility for technical instruction was approximately \$4,000,000, with approximately one-half of the funding provided by the U. S. Department of Commerce and the remaining funding coming from Grayson College's resources.

No debt issuance or significant construction is anticipated in the 2015-2016 fiscal year.

OPERATING OUTLOOK

Management is not aware of any facts, decisions, or conditions that are expected to have a significant effect of the college's financial position or results of operations. The college will close its golf course at December 31, 2015. The closure will stop a series of net losses in this operation that average approximately \$100,000 per year.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, students and other customers, investors and creditors with a general overview of the college's finances and to demonstrate the college's accountability for the money it receives. Requests for additional financial information may be directed to the Vice President for Business Services, Grayson College, Denison, Texas, 75020.

Basic Financial Statements

Grayson College
Statement of Net Position
August 31, 2015 and 2014

Exhibit 1

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 18,722,960	\$ 14,842,796
Short-Term Investments	6,656,118	6,655,043
Receivables (net of allowance for doubtful / uncollectible accounts)	1,482,401	1,328,467
Prepaid Expenses	103,937	297,933
Inventories for Resale	44,504	865,247
Total Current Assets	27,009,920	23,989,486
Noncurrent Assets		
Other Long-Term Investments	7,065,396	7,554,757
Capital Assets (net of accumulated depreciation)	69,462,559	70,150,197
Total Noncurrent Assets	76,527,955	77,704,954
Total Assets	103,537,875	101,694,440
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension Plan	607,559	-
Deferred Charge on Bond Refundings	494,343	550,375
Total Deferred Outflows of Resources	1,101,902	550,375
LIABILITIES		
Current Liabilities		
Accounts Payable	631,103	797,574
Accrued Liabilities	189,023	205,128
Funds Held for Others	619,086	526,459
Unearned Revenues	2,335,839	1,019,691
Deposits Payable	41,005	40,505
Notes and Leases Payable (current portion)	62,190	90,387
Bonds Payable (current portion)	3,091,037	3,135,307
Total Current Liabilities	6,969,283	5,815,051
Noncurrent Liabilities		
Accrued Compensated Absences	154,050	152,091
Notes and Leases Payable (net of current portion)	-	12,428
Bonds Payable (net of current portion)	43,352,565	46,443,602
Pension Liability	2,958,179	-
Total Noncurrent Liabilities	46,464,794	46,608,121
Total Liabilities	53,434,077	52,423,172
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension Plan	904,915	-
NET POSITION		
Net Investment in Capital Assets	23,451,110	21,018,847
Restricted for:		
Expendable:		
Student Financial Aid Programs	528,374	529,642
Instructional Programs	58,361	41,754
Loans	47,558	47,558
Capital Projects	408,415	637,405
Debt Service	1,914,530	1,486,723
Other	4,864	4,863
Unrestricted	23,887,573	26,054,851
Total Net Position (Schedule D)	\$ 50,300,785	\$ 49,821,643

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

**Grayson College
Affiliated Organizations
Statement of Financial Position
August 31, 2015 and 2014**

	Grayson College Foundation, Inc.	
	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,759,197	\$ 1,389,728
Short-Term Investments	407,942	518,560
Accrued Interest Receivable	622	339
Total Current Assets	2,167,761	1,908,627
Noncurrent Assets		
Long-Term Investments	9,382,124	9,773,969
Capital Assets (net of accumulated depreciation)	477,424	506,626
Total Noncurrent Assets	9,859,548	10,280,595
Total Assets	\$ 12,027,309	\$ 12,189,222
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	-	66
Unearned Revenues	-	500
Total Liabilities	-	566
Net Assets		
Unrestricted	477,424	506,626
Temporarily Restricted	2,454,758	2,516,828
Permanently Restricted	9,095,127	9,165,202
Total Net Assets	12,027,309	12,188,656
Total Liabilities and Net Assets	\$ 12,027,309	\$ 12,189,222

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

Grayson College
Statement of Revenues, Expenses and Changes in Net Position
Years Ended August 31, 2015 and 2014

Exhibit 2

	2015	2014
Operating Revenues		
Tuition and Fees (net of discounts of \$4,766,114 and \$4,433,871)	\$ 4,670,880	\$ 4,813,795
Federal Grants and Contracts	1,051,598	1,090,413
State Grants and Contracts	1,759,263	1,526,448
Non-Governmental Grants and Contracts	354,320	359,695
Sales and Services of Educational Activities	44,804	48,921
Auxiliary Enterprises (net of discounts of \$300,700 and \$1,652,018)	868,900	1,549,396
Other Operating Revenues	153,184	273,370
Total Operating Revenues (Schedule A)	8,902,949	9,662,038
Operating Expenses		
Instruction	13,007,346	13,158,701
Public Service	765,742	598,566
Academic Support	1,775,333	1,823,300
Student Services	2,751,568	2,632,018
Institutional Support	4,226,314	3,857,182
Operation and Maintenance of Plant	3,146,448	3,321,440
Scholarships and Fellowships	5,831,178	5,008,040
Auxiliary Enterprises	1,368,797	3,640,275
Depreciation	2,228,583	2,096,184
Total Operating Expenses (Schedule B)	35,101,309	36,135,706
Operating Income (Loss)	(26,198,360)	(26,473,668)
Non-Operating Revenues (Expenses)		
State Appropriations	9,209,940	9,426,603
Ad-Valorem Taxes for Maintenance and Operations	10,096,252	9,296,000
Ad-Valorem Taxes for General Obligation Bonds	3,900,174	3,748,419
Federal Grants and Contracts, Non-Operating	8,492,808	9,227,901
Gifts	116,374	-
Investment Income (Net of Investment Expenses)	130,450	81,026
Interest on Capital Related Debt	(1,914,728)	(1,999,127)
Gain (Loss) of Disposition of Property	(2,140)	-
Other Non-Operating Revenues (Expenses)	-	1,021
Net Non-Operating Revenues (Expenses) (Schedule C)	30,029,130	29,781,843
Income Before Contributions and Transfers	3,830,770	3,308,175
Federal Grants and Contracts (Capital Contributions)	-	891,246
Increase in Net Position	3,830,770	4,199,421
Net Position - Beginning of Year	49,821,643	45,622,222
Restatement for Implementation of GASB 68 (Note 2 - B)	(3,351,628)	-
Net Position - Beginning of Year (Restated)	46,470,015	45,622,222
Net Position - End of Year	\$ 50,300,785	\$ 49,821,643

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

**Grayson College
Affiliated Organizations
Statement of Activities
Years Ended August 31, 2015 and 2014**

	Grayson College Foundation, Inc.	
	2015	2014
Revenues		
Gifts and Contributions	\$ 689,579	\$ 751,838
Gifts in Kind - Grayson College	235,063	178,452
Federal Grants	-	10,000
Other Grants	500	-
Building Rentals	-	19,206
Interest / Investment Income	198,760	171,614
Unrealized Investment Income (Loss)	(450,082)	360,363
Total Revenues	673,820	1,491,473
Expenses		
Salary and Wages	179,643	134,674
Services and Supplies	189,455	136,238
Scholarships	436,867	383,839
Depreciation	29,202	29,202
Total Expenses	835,167	683,953
Change in Net Position	(161,347)	807,520
Net Assets - Beginning of Year	12,188,656	11,381,136
Net Assets - End of Year	\$ 12,027,309	\$ 12,188,656

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

Grayson College
Statement of Cash Flows
Years Ended August 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Receipts from Students and Other Customers	\$ 6,722,446	\$ 6,639,220
Receipts of Grants and Contracts	3,033,287	3,029,513
Other Cash Receipts	250,000	-
Payments to or on Behalf of Employees	(18,183,673)	(17,628,104)
Payments to Suppliers for Goods and Services	(6,328,708)	(9,684,112)
Payments of Scholarships	(5,831,178)	(5,008,040)
Net Cash Flows from Operating Activities	(20,337,826)	(22,651,523)
Cash Flows from Noncapital Financing Activities		
Ad-Valorem Tax Revenues	13,992,239	13,080,625
Receipts of State Appropriations	7,501,692	7,501,692
Receipts of Grants and Contracts (Nonoperating)	8,492,808	9,226,687
Receipts from Student Organizations and Other Agency Transactions	1,466,640	1,487,801
Payments to Student Organizations and Other Agency Transactions	(1,370,080)	(1,435,614)
Receipts of Gifts	116,374	-
Other	-	1,021
Net Cash Flows from Noncapital Financing Activities	30,199,673	29,862,212
Cash Flows from Capital and Related Financing Activities		
Capital Contracts, Gifts and Grants	-	1,377,219
Purchases of Capital Assets	(1,558,698)	(3,185,364)
Payment on Capital Debt and Leases	(5,039,190)	(4,907,610)
Net Cash Flows from Capital and Related Financing Activities	(6,597,888)	(6,715,755)
Cash Flows from Investing Activities		
Proceeds from Sale and Maturity of Investments	4,488,286	2,964,240
Investment Earnings	127,919	82,084
Purchase of Investments	(4,000,000)	(2,000,000)
Net Cash Flows from Investing Activities	616,205	1,046,324
Increase in Cash and Cash Equivalents	3,880,164	1,541,258
Cash and Cash Equivalents - Beginning of Year	14,842,796	13,301,538
Cash and Cash Equivalents - End of Year	\$ 18,722,960	\$ 14,842,796

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

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Flows from Operating Activities		
Operating Income (Loss)	\$ (26,198,360)	\$ (26,473,668)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Flows from Operating Activities		
Depreciation	2,228,583	2,096,184
State-Paid Employee Benefits	1,708,248	1,924,911
Change in Assets and Liabilities		
Receivables (net)	(147,217)	(90,857)
Prepaid Expenses	193,996	(192,848)
Inventories for Resale	820,743	30,834
Escrow Deposit for Sewer Line	-	159,529
Deferred Outflows of Resources - Pension Plan	(326,788)	-
Accounts Payable	(154,790)	(178,493)
Accrued Liabilities	(9,584)	(5,727)
Unearned Revenues	1,316,148	81,087
Deposits Payable	500	(2,475)
Deferred Inflows of Resources - Pension Plan	904,915	-
Net Pension Liability	(674,220)	-
Total Adjustments	<u>5,860,534</u>	<u>3,822,145</u>
Net Cash Flows from Operating Activities	<u>\$ (20,337,826)</u>	<u>\$ (22,651,523)</u>

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

**Grayson College
Affiliated Organizations
Statement of Cash Flows
Years Ended August 31, 2015 and 2014**

	Grayson College Foundation, Inc.	
	2015	2014
Cash Flows from Operating Activities		
Change in Net Position	\$ (161,347)	\$ 807,520
Adjustments to Reconcile Change in Net Position to Net Cash		
Flows from Operating Activities:		
Depreciation	29,202	29,202
Net (Gains) Losses on Investments	555,602	(284,208)
Return of Prior Year Non-Cash Gift to Grantor	-	500,000
Change in Operating Assets and Liabilities:		
Accrued Interest Receivable	(283)	139
Accounts Payable	(66)	(929)
Unearned Revenues	(500)	500
Net Cash Flows from Operating Activities	422,608	1,052,224
Cash Flows from Investing Activities		
Purchases of Investments	(1,933,573)	(2,218,833)
Proceeds from Sale of Investments	1,880,434	1,587,983
Net Cash Flows from Investing Activities	(53,139)	(630,850)
Cash Flows from Financing Activities	-	-
Net Increase in Cash	369,469	421,374
Cash - Beginning of Year	1,389,728	968,354
Cash - End of Year	\$ 1,759,197	\$ 1,389,728

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

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 1 - REPORTING ENTITY

Grayson College (College) was established in 1963, in accordance with the laws of the State of Texas, to serve the educational needs of Grayson County and the surrounding areas. The Board of Trustees (Board), a seven-member group, has governance responsibilities over all activities related to the College. The Board has decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters of the College.

Generally accepted accounting principles, as established by the Government Accounting Standards Board (GASB), defines the financial reporting entity as consisting of (1) the primary government; (2) organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A primary government is financially accountable for those organizations if the primary government appoints a voting majority of an organization's governing body, and either can impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The College is considered to be a special purpose, primary government according to these standards. Although the College receives funding from local, state and federal agencies and must comply with the spending, reporting and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity. One organization, the Grayson College Foundation (Foundation) meets the criteria of GASB pronouncements and has been presented as a discrete component unit of the College (see Note 18).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Guidelines

The College prepares its financial statements in conformity with accounting principles generally accepted in the United States of America applicable to governmental units in conjunction with the *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges* issued by the Texas Higher Education Coordinating Board (Coordinating Board). The College applies all GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

The College presents its net position (or equity) into the following three components:

Net Investment in Capital Assets – This component consists of capital assets net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction or improvement of those assets.

Restricted – This component includes those assets upon which constraints have been placed on their utilization. Such constraints may be placed externally (by creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component represents the net position that is available for use to fulfill the educational purposes of the College. It includes all net position that are not classified as “invested in capital assets, net of related debt” or “restricted.”

B. Adoption of New Accounting Standard

The College adopted GASB Statement Number 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, in the current year. The objective of this statement is to improve accounting and financial reporting by state and local government pensions and improve the decision-usefulness of information in contributing entity financial reports by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Adoption of New Accounting Standards (Continued)

The adoption of GASB Statement Number 68 requires certain restatements to the statement of net position as of August 31, 2014. The net decrease in the College's net position is \$3,351,628, as shown in the following schedule::

	Originally Reported	Record Net Pension Liability	Contributions After Measurement Date	Pro Forma Presentation
Assets	\$ 101,694,440	\$ -	\$ -	\$ 101,694,440
Deferred Outflows of Resources	550,375	-	280,771	831,146
Total Assets and Deferred Outflows of Resources	<u>\$ 102,244,815</u>	<u>\$ -</u>	<u>\$ 280,771</u>	<u>\$ 102,525,586</u>
Liabilities	\$ 52,423,172	\$ 3,632,399	\$ -	\$ 56,055,571
Net Position	49,821,643	(3,632,399)	280,771	46,470,015
Total Liabilities and Net Position	<u>\$ 102,244,815</u>	<u>\$ -</u>	<u>\$ 280,771</u>	<u>\$ 102,525,586</u>

The College does not have all of the audited beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions required to properly restate the FY2014 financial statements. As a result, the restatement will be made directly to the beginning net position in the FY2015 financial statements as a cumulative effect of a change in accounting principle.

C. Basis of Accounting

The financial statements of the College are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Revenue Classifications

The College distinguishes operating revenues and expenses from non-operating items. 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. Operating revenues include charges for services and program-specific grants and contributions. Charges for services include assessments to students and others who purchase, use or directly benefit from the goods, services or privileges provided. Revenues in this category include tuition and fees, and sales of auxiliary or educational activities. Program-specific grants and contributions arise from nonexchange transactions with other governments, organizations or individuals that are restricted for use in a particular program. Revenues in this category include program-specific grants and contracts with federal, state and other organizations, and investment income restricted to a specific program.

Non-operating revenues include all revenues that are not classified as operating revenues as discussed above. Revenues in this category include state allocations, property taxes and grants, contributions and investment earnings that are not restricted to a specific program.

E. Tuition Discounting

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

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Tuition Discounting (Continued)

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

Texas Grants – Texas Grant funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

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

F. Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting except that depreciation expense is not budgeted. A copy of the approved budget and subsequent amendments must be filed with the Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

G. Cash and Cash Equivalents

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

H. Investments

The College's investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The information for determining the fair value of investments is derived from published sources, if available, and from professional investment advisors. Short-term investments have an original maturity greater than three months but less than one year at the time of purchase. Public funds investment pools are also considered to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

I. Property Taxes

The College's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within the taxing district of the College. The assessed value of the roll on January 1, 2014, was \$11,303,968,000. Exemptions and abatements of \$3,527,285,000 are allowed, resulting in a taxable value of \$7,776,683,000. The tax levy of \$13,707,017 is the result of multiplying the value of the tax roll by the tax rates set by the Board. The tax rates assessed for the year ended August 31, 2015 to finance Unrestricted Current Fund operations and debt service for general obligation bonds were \$0.130588 and \$0.050912 per \$100 valuation, respectively.

Property tax collections during the year ended August 31, 2015 were \$13,450,704 for current taxes, \$253,669 for delinquent taxes, and \$168,535 for penalties, interest and attorney fees. Tax collections for the year ended August 31, 2015 were 98% of the current tax levy. Other taxes (from non-property sources) collected during the year ended August 31, 2015 totaled \$73,979.

Property taxes are due on October 1 each year and become delinquent on February 1. The allowance for uncollectible taxes is based upon historical experience of the College.

J. Inventories

Goods held for resale by the College's auxiliary enterprises as of August 31, 2015 and 2014 are recorded as inventory. The inventory items are valued at cost or estimated cost calculated as a percentage of retail.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. The College's capitalization policy includes real or personal property with a value equal to or greater than \$5,000 and has an estimated life of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are charged to operating expense in the year in which the expense is incurred. The College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Buildings	50 years
Facilities and Other Improvements	20 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years
Library Books	15 years

The College does not own any collections and has not adopted any specific policies in regard to accounting for collections.

L. Unearned Revenues

Tuition, fees and other revenues received and related to future periods have not been recognized in the current year and have been presented as a liability (unearned revenues) in these financial statements.

M. Estimates

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

N. 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 year ended August 31, 2015.

O. Restricted Resources

When the College incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

P. Pensions

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

NOTE 3 - AUTHORIZED INVESTMENTS

Authorized Investments

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Section 2256.001 Texas Government Code). These 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 or obligations authorized by statute.

The Foundation, as a nonprofit organization, is not subject to the Public Funds Investment Act. As a result, the Foundation can and does invest in other types of investments, including corporate equities, corporate debt instruments, mutual funds and common investment trusts investing in corporate equities and debt, and land and other property.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 4 - DEPOSITS AND INVESTMENTS

Cash and Deposits

Cash and Deposits at August 31, 2015 and 2014, as reported on the Statement of Net Position (Exhibit 1), consist of the following items:

	2015	2014
Petty Cash	\$ 2,820	\$ 4,220
Bank Deposits:		
Demand Accounts	18,720,139	14,838,576
Time and Savings Accounts	7,287,296	7,779,280
Total Cash and Deposits	\$ 26,010,255	\$ 22,622,076

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be returned or the College will not be able to recover collateral securities in the possession of an outside party. The College's policy requires deposits to be 100% secured by collateral valued at market less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2015 and 2014, the College's deposits are not exposed to custodial credit risk.

Investments

The following schedule summarizes the College's investments as of August 31, 2015:

<u>Type of Security</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less than 1</u>	<u>1 to 2 Years</u>	<u>More than 2</u>
Investment Pools	\$ 6,434,219	AAA	\$ 6,434,219	\$ -	\$ -
Total Investments	\$ 6,434,219		\$ 6,434,219	\$ -	\$ -

The following schedule summarizes the College's investments as of August 31, 2014:

<u>Type of Security</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less than 1</u>	<u>1 to 2 Years</u>	<u>More than 2</u>
Investment Pools	\$ 6,430,520	AAA	\$ 6,430,520	\$ -	\$ -
Total Investments	\$ 6,430,520		\$ 6,430,520	\$ -	\$ -

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. In accordance with State law and the College's investment policy, investments in mutual funds and external 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.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The College's policy provides that investments to be purchased must have final maturities of five years or less.

Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investments in a single issuer. The College's policy does not place a limit on the amount that may be invested in any one issuer. This risk does not apply to U.S. Government securities or investments in an external investment pool. At August 31, 2015 and 2014, the College did not have a concentration of credit risk in its investment portfolio.

The Public Funds Investment Act (discussed on previous pages) also requires the College to have independent auditors perform test procedures related to investment practices as prescribed by that legislation. The College is in substantial compliance with the requirements of the Public Funds Investment Act.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Reconciliation

The following table reconciles Deposits and Investments presented with this note and amounts reported in the Statement of Net Position (Exhibit 1):

	2015	2014
Cash and Deposits	\$ 26,010,255	\$ 22,622,076
Investments	6,434,219	6,430,520
Total Deposits and Investments	<u>\$ 32,444,474</u>	<u>\$ 29,052,596</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 18,722,960	\$ 14,842,796
Short-Term Investments (Exhibit 1)	6,656,118	6,655,043
Other Long-Term Investments (Exhibit 1)	7,065,396	7,554,757
Total Deposits and Investments	<u>\$ 32,444,474</u>	<u>\$ 29,052,596</u>

NOTE 5 - RECEIVABLES

Details of the College's receivables, including the allowance for uncollectible amounts, as of August 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Accounts Receivable	\$ 58,268	\$ 87,982
Tuition and Fees Receivable	1,685,574	1,451,243
Property Taxes Receivable	789,470	784,543
Interest Receivable	3,965	1,435
Loans Receivable	29,759	29,759
Federal Receivables	209,938	193,215
State Receivables	389,066	164,008
Total Receivables	3,166,040	2,712,185
Allowance for Uncollectible Accounts	(1,683,639)	(1,383,718)
Totals	<u>\$ 1,482,401</u>	<u>\$ 1,328,467</u>

NOTE 6 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The following schedule summarizes the College's deferred outflows of resources and deferred inflows of resources reported in the statement of financial position at August 31, 2015:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Charge on Bond Refundings	\$ 494,343	\$ -
Pension Plan - Teachers Retirement System of Texas	607,559	904,915
Total	<u>\$ 1,101,902</u>	<u>\$ 904,915</u>

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 6 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

The deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The deferrals related to the pension plan are actuarial and other differences arising from the operation of the TRS plan. Depending on the deferral, these items are amortized over a fixed five-year period or over the average expected remaining service life of all members of TRS as of the beginning of the measurement period. More details on the deferred outflows of resources and deferred inflows of resources related to the pension plan are available in Note 9.

NOTE 7 - CAPITAL ASSETS

A summary of the changes in the College's capital assets during the year ended August 31, 2015 is shown below:

	Balance Sept. 1, 2014	Additions	Retirements	Balance August 31, 2015
Not Depreciated				
Land	\$ 1,251,740	\$ -	\$ -	\$ 1,251,740
Construction in Progress	-	179,441	-	179,441
Total - Not Depreciated	<u>1,251,740</u>	<u>179,441</u>	<u>-</u>	<u>1,431,181</u>
Other Capital Assets				
Buildings and Improvements	70,918,617	19,476	15,348	70,922,745
Facilities and Other Improvements	7,384,534	14,239	-	7,398,773
Furniture, Vehicles and Other Equipment	6,881,722	1,310,759	5,919	8,186,562
Library Books	1,148,518	19,170	-	1,167,688
Subtotal	<u>86,333,391</u>	<u>1,363,644</u>	<u>21,267</u>	<u>87,675,768</u>
Accumulated Depreciation				
Buildings and Improvements	9,763,010	1,276,579	13,208	11,026,381
Facilities and Other Improvements	2,558,370	308,850	-	2,867,220
Furniture, Vehicles and Other Equipment	4,234,293	604,363	5,919	4,832,737
Library Books	879,261	38,791	-	918,052
Subtotal	<u>17,434,934</u>	<u>2,228,583</u>	<u>19,127</u>	<u>19,644,390</u>
Net - Other Capital Assets	<u>68,898,457</u>	<u>(864,939)</u>	<u>2,140</u>	<u>68,031,378</u>
Totals	<u>\$ 70,150,197</u>	<u>\$ (685,498)</u>	<u>\$ 2,140</u>	<u>\$ 69,462,559</u>

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 7 - CAPITAL ASSETS (Continued)

A summary of the changes in the College's capital assets for the year ended August 31, 2014 is shown below:

	Balance Sept. 1, 2013	Additions	Retirements	Balance August 31, 2014
Not Depreciated				
Land	\$ 1,251,740	\$ -	\$ -	\$ 1,251,740
Construction in Progress	2,561,737	1,778,438	4,340,175	-
Total - Not Depreciated	<u>3,813,477</u>	<u>1,778,438</u>	<u>4,340,175</u>	<u>1,251,740</u>
Other Capital Assets				
Buildings and Improvements	67,103,985	3,814,632	-	70,918,617
Facilities and Other Improvements	6,844,852	539,682	-	7,384,534
Furniture, Vehicles and Other Equipment	6,922,448	783,250	823,976	6,881,722
Library Books	1,122,692	25,826	-	1,148,518
Subtotal	<u>81,993,977</u>	<u>5,163,390</u>	<u>823,976</u>	<u>86,333,391</u>
Accumulated Depreciation				
Buildings and Improvements	8,520,807	1,242,203	-	9,763,010
Facilities and Other Improvements	2,263,067	295,303	-	2,558,370
Furniture, Vehicles and Other Equipment	4,539,319	518,950	823,976	4,234,293
Library Books	839,533	39,728	-	879,261
Subtotal	<u>16,162,726</u>	<u>2,096,184</u>	<u>823,976</u>	<u>17,434,934</u>
Net - Other Capital Assets	<u>65,831,251</u>	<u>3,067,206</u>	<u>-</u>	<u>68,898,457</u>
Totals	<u>\$ 69,644,728</u>	<u>\$ 4,845,644</u>	<u>\$ 4,340,175</u>	<u>\$ 70,150,197</u>

NOTE 8 - LONG-TERM DEBT

The following schedule summarizes the changes in the long-term indebtedness of the College for the year ended August 31, 2015:

	Balance Sept. 1, 2014	Additions	Retirements	Balance August 31, 2015	Due Within One Year
General Obligations Bonds	\$ 37,455,000	\$ -	\$ 1,885,000	\$ 35,570,000	\$ 1,955,000
Revenue Bonds	10,780,000	-	1,140,000	9,640,000	1,035,000
Unamortized Premium on Bonds	1,343,909	-	110,307	1,233,602	110,307
Total Bonds Payable	<u>49,578,909</u>	<u>-</u>	<u>3,135,307</u>	<u>46,443,602</u>	<u>3,100,307</u>
Notes and Capital Leases Payable	102,815	-	40,625	62,190	62,190
Total Bonds and Notes Payable	<u>49,681,724</u>	<u>-</u>	<u>3,175,932</u>	<u>46,505,792</u>	<u>3,162,497</u>
Compensated Absences	190,113	221,938	223,989	188,062	37,612
Totals	<u>\$ 49,871,837</u>	<u>\$ 221,938</u>	<u>\$ 3,399,921</u>	<u>\$ 46,693,854</u>	<u>\$ 3,200,109</u>

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 8 - LONG-TERM DEBT (Continued)

The following schedule summarizes the changes in the long-term indebtedness of the College for the year ended August 31, 2014:

	Balance Sept. 1, 2013	Additions	Retirements	Balance August 31, 2014	Due Within One Year
General Obligations Bonds	\$ 39,145,000	\$ -	\$ 1,690,000	\$ 37,455,000	\$ 1,885,000
Revenue Bonds	11,900,000	-	1,120,000	10,780,000	1,140,000
Unamortized Premium on Bonds	1,454,216	-	110,307	1,343,909	110,307
Total Bonds Payable	52,499,216	-	2,920,307	49,578,909	3,135,307
Notes and Capital Leases Payable	141,342	-	38,527	102,815	90,387
Total Bonds and Notes Payable	52,640,558	-	2,958,834	49,681,724	3,225,694
Compensated Absences	196,392	208,132	214,411	190,113	38,023
Totals	<u>\$ 52,836,950</u>	<u>\$ 208,132</u>	<u>\$ 3,173,245</u>	<u>\$ 49,871,837</u>	<u>\$ 3,263,717</u>

Bonds Payable

The College has the following bond issues outstanding as of August 31, 2015:

On November 27, 2007, the College issued General Obligation Bonds, Series 2007 in the amount of \$9,630,000 for the purposes of renovating, constructing and equipping College buildings. These bonds are payable from a continuing direct annual ad valorem tax levied by the College on all taxable property to provide for the payment of principal and interest. Principal payments from \$300,000 to \$695,000 are due beginning on August 15, 2009 through 2029. Semiannual interest payments at interest rates ranging from 4% to 5% are due beginning February 15, 2009. The balance outstanding on this bond issue as of August 31, 2015 is \$7,580,000.

On January 22, 2008, the College issued General Obligation Bonds, Series 2008 in the amount of \$35,135,000 for the purposes of renovating, constructing and equipping College buildings. These bonds are payable from a continuing direct annual ad valorem tax levied by the College on all taxable property to provide for the payment of principal and interest. Principal payments from \$100,000 to \$2,600,000 are due beginning on August 15, 2009 through 2029. Semiannual interest payments at interest rates ranging from 3.375% to 5% are due beginning February 15, 2009. The balance outstanding on this bond issue as of August 31, 2015 is \$27,990,000.

On October 1, 2010, the College issued Consolidated Fund Revenue Refunding Bonds, Series 2010 in the amount of \$15,215,000 for the purpose of advance refunding of \$15,560,000 of the College's revenue bonds (Series 2002, 2003 and 2004). Various revenues, including tuition, general use fees and gross revenues of the College's auxiliary enterprises, are pledged for the debt service of the bonds. Principal payments from \$605,000 to \$1,300,000 are due beginning August 15, 2011 through 2024. Semiannual interest payments ranging from 2% to 4% are due beginning February 15, 2011. The balance outstanding on this bond issue as of August 31, 2015 is \$9,640,000.

The principal and interest requirements related to the bonded indebtedness are listed below:

Year Ended August 31,	General Obligation Bonds		Revenue Bonds		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,955,000	\$ 1,504,261	\$ 1,035,000	\$ 364,600	\$ 2,990,000	\$ 1,868,861
2017	2,030,000	1,429,761	1,065,000	333,550	3,095,000	1,763,311
2018	2,105,000	1,352,336	1,100,000	301,600	3,205,000	1,653,936
2019	2,185,000	1,275,324	1,150,000	257,600	3,335,000	1,532,924
2020	2,265,000	1,195,362	1,200,000	211,600	3,465,000	1,406,962
2021 - 2025	12,720,000	4,565,956	4,090,000	363,000	16,810,000	4,928,956
2026 - 2030	12,310,000	1,520,169	-	-	12,310,000	1,520,169
Total	<u>\$ 35,570,000</u>	<u>\$ 12,843,169</u>	<u>\$ 9,640,000</u>	<u>\$ 1,831,950</u>	<u>\$ 45,210,000</u>	<u>\$ 14,675,119</u>

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 8 - LONG-TERM DEBT (Continued)

Advance Refunding

In prior years, the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the assets of the trust account and liabilities for the defeased bonds are not included in the College's financial statements. In accordance with accounting standards, the difference between the book value of the old debt and the amount required to retire the debt is deferred and is not reported on the statement of activities. This deferred amount is reported as a deferred outflow of resources. See Note 6.

As of August 31, 2015, all of the defeased bonds have been retired.

Notes and Capital Leases Payable

On May 3, 2011, the College executed a tax-exempt equipment lease with PNC Equipment Finance LLC for the acquisition of golf course equipment (golf cars). This note bears interest at the rate of 10.67% and is payable in monthly installments of \$2,711, including principal and interest, beginning July 3, 2011 through June 3, 2015. On October 3, 2015, a final balloon payment of \$50,000 is due to retire the balance of the note. The value of the equipment purchased under this lease totaled \$155,550. Amortization of these assets is included with depreciation expense.

On June 21, 2011, the College executed a tax-exempt equipment lease with PNC Equipment Finance LLC for the acquisition of golf course equipment (mowers and utility vehicle). This note bears interest at the rate of 5.29% and is payable in monthly installments of \$1,274, including principal and interest, beginning July 21, 2011 through June 21, 2016. The value of the equipment purchased under this lease totaled \$67,146. Amortization of these assets is included with depreciation expense.

The following table shows the debt service requirements for these equipment leases.

Year Ended August 31,	PNC Equipment Finance LLC		
	Golf Cars	Equipment	Total
2016	\$ 50,000	\$ 12,739	\$ 62,739
Thereafter	-	-	-
Total Debt Service	50,000	12,739	62,739
Less Interest Portion	(238)	(311)	(549)
Notes and Leases Payable	\$ 49,762	\$ 12,428	\$ 62,190

Interest Expense

During the year ended August 31, 2015, the College incurred interest costs of \$1,914,728 on its bonds, notes and capital leases payable. This entire amount was charged to expense.

During the year ended August 31, 2014, the College incurred interest costs of \$1,999,127 on its bonds, notes and capital leases payable. This entire amount was charged to expense.

Compensated Absences

The sole component of the compensated absences liability as of August 31, 2015 is accrued annual (vacation) leave for employees. See Note 9 for fuller discussion. This obligation will be paid by the fund or department for which the employee works at the time of utilization. As of August 31, 2015, \$185,225 is expected to be paid by the Current Unrestricted Fund and \$2,837 is expected to be paid by the College's auxiliary enterprises. The College believes that approximately \$37,612 of this liability will be paid to employees during the year ending August 31, 2015 and, accordingly, has classified that portion of the liability as a current obligation. The balance of the liability (\$150,450) is considered long-term.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 9 - EMPLOYEES' RETIREMENT PLAN

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

Teacher Retirement System of Texas

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

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

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

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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

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

Contribution Rates

	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State of Texas)	6.8%	6.8%
Employers	6.8%	6.8%
College's 2014 Employer Contributions	\$	280,771
College's 2014 Member Contributions	\$	519,831
College's 2014 NECE On-Behalf Contributions	\$	290,918

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)

Teacher Retirement System of Texas (Continued)

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. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

Actuarial Assumptions. The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Method	30 Years
Asset Valuation Method	5 Year Market Value
Discount Rate	8.00%
Long-Term Expected Investment Rate of Return *	8.00%
Salary Increases *	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

* *Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period that ended August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)

Teacher Retirement System of Texas (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation at August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	100%	82.6%	8.7%

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

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)

Teacher Retirement System of Texas (Continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's Proportionate Share of the Net Pension Liability	\$ 5,286,086	\$ 2,958,179	\$ 1,217,338

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, the College reported a liability of \$2,958,179 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 Collective Net Pension Liability	\$ 2,958,179
State's Proportionate Share that is Associated with the College	3,146,824
Total	\$ 6,105,003

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's contributions to the plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014 the College's proportion of the collective net pension liability was 0.0110746% which was a decrease of 0.0003954% from its proportion measured as of August 31, 2013. The change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

For the year ended August 31, 2015, the District recognized pension expense of \$290,918 and revenue of \$290,918 for support provided by the State.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)

Teacher Retirement System of Texas (Continued)

At August 31, 2015, 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	\$ 45,749	\$ -
Changes in Actuarial Assumptions	192,285	-
Difference Between Projected and Actual Investment Earnings	-	904,140
Changes in Proportion and Difference Between the College's Contributions and the Proportionate Share of Contributions	-	775
Contributions Paid to TRS Subsequent to the Measurement Date	369,525	-
Total	\$ 607,559	\$ 904,915

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (in the amount of \$369,525) will be recognized as a reduction of net pension liability for the year ending August 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31,	Pension Expense Amount
2016	\$ (186,097)
2017	(186,097)
2018	(186,097)
2019	(186,097)
2020	39,938
Thereafter	37,569

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the State are 6.6% and by each participant are 6.65% for both fiscal years 2015 and 2014. The College contributes 1.31% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the State has no additional or unfunded liability for this program. S. B. 1812, effective September 1, 2013 limits the amount of the State's contribution to 50% of the College's eligible employees.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)

Optional Retirement Plan (Continued)

Contribution / Payroll Information. The retirement expense to the state for the College was \$110,593 and \$117,203 for the fiscal years ended August 31, 2015 and 2014, respectively. The retirement paid by the State represents the expended appropriations made by the State Legislature on behalf of the College and are recorded as State Appropriations in the financial statements.

The total payroll for all College employees was \$14,793,644 and \$14,426,117 for the years ended August 31, 2015 and 2014, respectively. The total payroll for employees covered by the optional retirement program was \$3,488,970 and \$3,689,290 for the fiscal years ended August 31, 2015 and 2014, respectively.

NOTE 10 - COMPENSATED ABSENCES

Full-time employees who work twelve months during the year are allowed to accumulate annual leave based upon the number of hours required for the workweek and the number of years employed at the College. For employees with a 35-hour regular workweek, six (6) hours per month are accrued for those employees with less than 15 years of service and nine (9) hours are accrued per month with more than 15 years of service. For employees with a 40-hour regular workweek, seven (7) hours per month are accrued for those employees with less than 15 years of service and 10 hours per month are accrued with more than 15 or more years of service, 9 hours of annual leave are accrued. The maximum number of hours that may be carried forward to the next fiscal year is 105 and 120 for employees with 35-hour and 40-hour workweeks, respectively. A calculated percentage is applied to part-time contractual employees to determine their accrual rates.

Full-time hourly employees with less than 15 years of employment are allowed to accumulate annual leave at the rate of four percent of regular hours worked. Full-time hourly employees with 15 or more years of service have an accumulation rate of six percent of regular hours worked. The maximum number of hours that may be carried forward to the next fiscal year is 105 for this group of employees. One-half of vacation leave accrued during a fiscal year must be utilized during that year for all employees that are eligible to accrue vacation.

The College has recognized the accrued liability for the unpaid annual leave in the fund in which the employee works. Accrued compensated absences payable of \$188,062 and \$190,113 is recorded in the financial statements as of August 31, 2015 and 2014, respectively. These amounts are payable to the employees (or their beneficiaries) upon termination or death.

Full-time employees who work twelve months during the year are allowed to accumulate sick leave based upon the number of hours required for the workweek. Six (6) hours per month are accrued for employees with a 35-hour regular workweek and seven (7) hours per month are accrued for employees with a 40-hour regular workweek. Sick leave for instructional employees with nine-month or ten-and-one-half month contracts is accrued over a ten-month period. Full-time hourly employees are allowed to accumulate sick leave at the rate of four percent of regular hours worked. Full-time instructional employees shall accrue a maximum of 400 hours. Full-time noninstructional employees may accrue a maximum of 420 hours for those employees whose regular workweek is 35 hours and 480 hours for those employees whose regular workweek is 40 hours. A calculated percentage is applied to part-time employees to determine their accrual rates. The College's policy is to recognize sick leave when paid. No liability has been recorded in the financial statements since the College's experience indicates the expenditure for sick leave to be minimal.

Additionally, the College has established a sick leave pool to benefit employees who suffer or are affected by a catastrophic injury or illness. Employees may contribute up to ten percent of accumulated sick leave to the pool. Receipt of benefits from the pool is not contingent upon prior contributions. A committee of College personnel makes benefit payment decisions. No liability for the sick leave pool has been recorded in these financial statements.

NOTE 11 - DEFERRED COMPENSATION PROGRAM

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

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 12 - PENDING LAWSUITS AND CLAIMS

As of August 31, 2015, there are no material lawsuits and claims pending or threatened against the College.

NOTE 13 - CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years August 31, 2015 and 2014 for which monies have not been received nor funds expended totaled \$1,575,278 and \$840,290, respectively. Of these amounts, \$604,831 and \$332,010 were from Federal Contract and Grant Awards; \$944,622 and \$493,216 were from State Contract and Grant Awards; and \$25,825 and \$15,064 were from Other Contract and Grant Awards for the fiscal years ended August 31, 2015 and 2014, respectively.

The College receives a portion of its revenues from government grants and contracts, all of which are subject to audit by federal and state agencies. The determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the respective agencies. As a result, there exists a contingency to refund any amount received in excess of allowable costs. The amount, if any, of expenses which may be disallowed by the grantor agencies cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

NOTE 14 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for workers' compensation insurance, the College carries commercial insurance for all risks of loss. The College accounts for risk management issues in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

The College participates in the Workers' Compensation Fund of the Texas Public Junior and Community College Employee Benefits Consortium (Fund) administered by Claims Administrative Services, Inc. The College is responsible for the payment of all claims until a certain threshold is reached. Whenever the claims exceed the threshold, a commercial insurance policy pays the excess claims. The Fund's specific retention of loss is \$200,000, with an aggregate limit of \$5,000,000; the College's maximum fund loss is \$109,450. Premiums of \$25,640 and \$28,864 for this insurance were allocated to the College for the years ended August 31, 2015 and 2014, respectively.

The following schedule summarizes the changes in claims liabilities for the years ended August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Claims Liabilities - Beginning of Year	\$ 80,622	\$ 80,070
Incurred Claims	25,919	35,218
Change in Prior Year Claim Estimates	(20,153)	(13,191)
Payment on Claims	<u>(13,299)</u>	<u>(21,475)</u>
Claims Liabilities - End of Year	<u>\$ 73,089</u>	<u>\$ 80,622</u>

The claims liability is reported in accrued liabilities in the financial statements and includes \$35,666 and \$39,060 of estimated claims incurred but not reported, as determined actuarially by the administrator at August 31, 2015 and 2014, respectively.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 15 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

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

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

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

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

The College's contributions to SRHP for the years ended August 31, 2015, 2014 and 2013 were \$83,737, \$76,346 and \$77,080, respectively, which equaled the required contributions each year.

NOTE 16 - SUBSEQUENT EVENTS

No events have occurred subsequent to August 31, 2015 that would require adjustment to, or disclosure in, these financial statements.

NOTE 17 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT

The Foundation was established as a separate nonprofit organization in 1991 to raise funds to provide student scholarships and assistance in the development and growth of the College. Under GASB standards, the Foundation is a component unit of the College because: 1) the College provides financial resources to the Foundation and the economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the College; 2) the College is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the Foundation; and 3) the economic resources held by the Foundation that the College is entitled or has the ability to otherwise access are significant to the College.

Accordingly, the Foundation's financial statements are included in the College's annual report as a discrete component unit (see table of contents). Separate financial statements of the Foundation are not prepared; therefore, selected disclosures are included in the College's financial statements.

GENERAL AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 17 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT

GENERAL AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Foundation maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the Foundation classifies net position and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Foundation and changes therein are classified and reported as follows:

Unrestricted – Net position that is not subject to donor-imposed restrictions and may be used for any operating purpose of the Foundation.

Temporarily Restricted – Net position that is subject to donor-imposed stipulations that require the passage of time and / or the occurrence of a specific event.

Permanently Restricted – Net position that is required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The carrying amounts of other investments (real estate) are based upon the historical cost of those investments. Realized and unrealized gains and losses are reported in the statement of activities.

Capital Assets and Depreciation

Capital assets are recorded at cost or at estimated fair market value at the date of the gift if donated. Such donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Assets donated with specific restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net position to unrestricted net position at that time.

Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are fifty years for buildings and improvements and ten years for equipment.

Contributions

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributed Services

The services of the Foundation employees and certain operating costs have been donated by the College. The estimated value of these contributed services is \$235,063 and \$178,452 for the years ended August 31, 2015 and 2014, respectively, and has been included in revenues and expenses in the accompanying financial statements.

Federal Income Taxes

The income of the Foundation, except for unrelated business income, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation had no unrelated business income during the years ended August 31, 2015 and 2014.

Grayson College
Notes to the Financial Statements
August 31, 2015 and 2014

NOTE 17 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT

GENERAL AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

INVESTMENTS

The following schedule summarizes the Foundation's investments as of August 31, 2015 and 2014:

Type of Security	2015		2014	
	Cost	Fair Value	Cost	Fair Value
U.S. Government Securities	\$ 463,623	\$ 464,539	\$ 392,636	\$ 395,506
U.S. Government Agency Securities	44,473	42,876	55,049	54,828
Equity Securities	4,890,496	5,874,362	4,348,850	5,894,080
Corporate Obligations	2,291,358	2,190,114	2,045,972	2,034,260
Municipal Bonds	25,677	30,970	207,774	230,358
Real Estate	-	-	269,385	269,385
Money Market and Investment Pools	1,187,219	1,187,205	1,414,861	1,414,112
Total Investments	<u>\$ 8,902,846</u>	<u>\$ 9,790,066</u>	<u>\$ 8,734,527</u>	<u>\$ 10,292,529</u>

CAPITAL ASSETS

The following schedule summarizes the Foundation's capital assets as of August 31, 2015 and 2014:

	2015	2014
Land	\$ 6,000	\$ 6,000
Buildings and Improvements	507,350	507,350
Facilities and Other Improvements	17,345	17,345
Equipment	192,893	192,893
Less:		
Accumulated Depreciation	(246,164)	(216,962)
Net Capital Assets	<u>\$ 477,424</u>	<u>\$ 506,626</u>

Land valued at \$500,000 was gifted to the Foundation during the year ended August 31, 2009; this land is subject to a reversionary clause if construction of an educational facility in Fannin County is not begun by January 1, 2014. On May 8, 2010, the Fannin County electorate voted down a proposal to join the Grayson County Junior College District. Ownership of the land reverted to the donor on January 1, 2014. The reversion of the land has been recorded as a reduction of prior year revenue (contributions and gifts) in these financial statements.

Required Supplementary Information

Grayson County College
Schedule of the College's Proportionate Share of the Net Pension Liability -
Teachers Retirement System of Texas
Year Ended August 31, 2015

	2015
College's Proportion of Net Pension Liability (Asset)	0.0110746%
College's Proportionate Share of Net Pension Liability (Asset)	\$ 2,958,179
State's Proportionate Share of the Net Pension Liability (Asset) Associated with Grayson College	3,146,824
Total	\$ 6,105,003
College's Covered-Employee Payroll	\$ 8,122,358
College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	36.42%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.25%

Note: Only one year 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."

Notes to Required Supplementary Information

Changes in Benefit Terms

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

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

**Grayson County College
Schedule of the College Contributions -
Teachers Retirement System of Texas
Year Ended August 31, 2015**

	2015
Contractually Required Contributions	\$ 369,525
Contribution in Relation to the Contractually Required Contribution	369,525
Contribution Deficiency (Excess)	\$ -
College's Covered-Employee Payroll	\$ 8,689,765
Contributions as a Percentage of Covered-Employee Payroll	4.25%

Note: Only one year 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."

Supplementary Schedules and Reports

Grayson College
Schedule of Operating Revenues
Year Ended August 31, 2015
With Memorandum Totals for Year Ended August 31, 2014

Schedule A

	Unrestricted	Restricted	Total		Totals	
			Educational Activities	Auxiliary Enterprises	2015	2014
Tuition						
State Funded Courses						
In-District Resident Tuition	\$4,041,645	\$ -	\$ 4,041,645	\$ -	\$ 4,041,645	\$ 4,058,613
Out-of-District Resident Tuition	1,935,883	-	1,935,883	-	1,935,883	2,150,455
Non-Resident Tuition	254,349	-	254,349	-	254,349	291,184
TPEG *	383,578	-	383,578	-	383,578	399,926
Non-State Funded Educational Programs	310,822	-	310,822	-	310,822	52,825
Total Tuition	6,926,277	-	6,926,277	-	6,926,277	6,953,003
Fees						
General Fee	1,151,008	-	1,151,008	-	1,151,008	832,471
Student Service Fee	-	-	-	671,168	671,168	728,158
Laboratory Fee	305,735	-	305,735	-	305,735	345,289
Other	382,806	-	382,806	-	382,806	388,745
Total Fees	1,839,549	-	1,839,549	671,168	2,510,717	2,294,663
Scholarship Allowances and Discounts						
Bad Debt Allowances	(300,938)	-	(300,938)	-	(300,938)	(215,553)
Scholarship Allowances	(323,279)	-	(323,279)	(24,850)	(348,129)	(285,757)
Remissions and Exemptions	(212,940)	-	(212,940)	(3,026)	(215,966)	(291,823)
TPEG Allowances	(270,933)	-	(270,933)	(8,783)	(279,716)	(296,278)
Federal Grants to Students	(2,458,155)	-	(2,458,155)	(240,490)	(2,698,645)	(2,938,530)
Other Federal Grants	(23,449)	-	(23,449)	(1,875)	(25,324)	(13,429)
State Grants to Students	(146,945)	(735,973)	(882,918)	(14,478)	(897,396)	(392,501)
Total Scholarship Allowances and Discounts	(3,736,639)	(735,973)	(4,472,612)	(293,502)	(4,766,114)	(4,433,871)
Total Net Tuition and Fees	5,029,187	(735,973)	4,293,214	377,666	4,670,880	4,813,795
Other Operating Revenues						
Federal Grants and Contracts	35,231	1,016,367	1,051,598	-	1,051,598	1,090,413
State Grants and Contracts	4,625	1,754,638	1,759,263	-	1,759,263	1,526,448
Non-Governmental Grants and Contracts	-	354,320	354,320	-	354,320	359,695
Sales and Services of Educational Activities	44,804	-	44,804	-	44,804	48,921
Other Operating Revenues	152,880	-	152,880	304	153,184	273,370
Total Other Operating Revenues	237,540	3,125,325	3,362,865	304	3,363,169	3,298,847
Auxiliary Enterprises						
Residential Life (Net of Discounts of \$231,540)	-	-	-	296,144	296,144	299,216
Bookstore (Net of Discounts of \$69,160)	-	-	-	276,894	276,894	929,227
Golf Course	-	-	-	295,862	295,862	320,953
Total Net Auxiliary Enterprises	-	-	-	868,900	868,900	1,549,396
Total Operating Revenues	\$5,266,727	\$2,389,352	\$ 7,656,079	\$1,246,870	\$ 8,902,949	\$ 9,662,038
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$383,578 of tuition was set aside for Texas Public Education Grants (TPEG).

Grayson College
Schedule of Operating Expenses by Object
Year Ended August 31, 2015
With Memorandum Totals for Year Ended August 31, 2014

Schedule B

	Operating Expenses				Totals	
	Salaries and Wages	Benefits		Other Expenses	2015	2014
		State Benefits	Local Benefits			
EDUCATIONAL ACTIVITIES						
Unrestricted						
Instruction	\$ 8,128,793	\$ -	\$1,766,934	\$ 1,039,088	\$10,934,815	\$10,562,447
Public Service	230,376	-	71,597	67,282	369,255	317,271
Academic Support	970,521	-	194,080	490,911	1,655,512	1,679,292
Student Services	1,497,244	-	358,451	432,129	2,287,824	2,056,465
Institutional Support	1,742,891	-	361,440	1,906,790	4,011,121	3,552,424
Operation and Maintenance of Plant	735,908	-	283,886	2,106,338	3,126,132	2,600,414
Total Unrestricted	13,305,733	-	3,036,388	6,042,538	22,384,659	20,768,313
Restricted						
Instruction	705,580	1,091,226	131,995	143,730	2,072,531	2,596,254
Public Service	128,012	44,244	29,408	194,823	396,487	281,295
Academic Support	-	119,821	-	-	119,821	144,008
Student Services	218,513	211,987	6,198	27,046	463,744	575,553
Institutional Support	-	215,193	-	-	215,193	304,758
Operation and Maintenance of Plant	-	20,316	-	-	20,316	721,026
Scholarships and Fellowships	-	-	-	5,831,178	5,831,178	5,008,040
Total Restricted	1,052,105	1,702,787	167,601	6,196,777	9,119,270	9,630,934
Total Educational Activities	14,357,838	1,702,787	3,203,989	12,239,315	31,503,929	30,399,247
Auxiliary Enterprises	403,317	5,461	130,880	829,139	1,368,797	3,640,275
Depreciation Expense						
Buildings and Other Improvements	-	-	-	1,585,430	1,585,430	1,537,505
Equipment and Furniture	-	-	-	643,153	643,153	558,679
Total	\$14,761,155	\$1,708,248	\$3,334,869	\$ 15,297,037	\$35,101,309	\$36,135,706
				(Exhibit 2)	(Exhibit 2)	

Grayson College
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2015
With Memorandum Totals for Year Ended August 31, 2014

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	Totals	
				2015	2014
Non-Operating Revenues					
State Appropriations					
Education and General State Support	\$ 7,501,692	\$ -	\$ -	\$ 7,501,692	\$ 7,474,575
Dramatic Enrollment Growth	-	-	-	-	27,117
State Group Insurance	-	1,306,737	-	1,306,737	1,217,494
State Retirement Matching	-	401,511	-	401,511	707,417
Total State Appropriations	7,501,692	1,708,248	-	9,209,940	9,426,603
Ad-Valorem Taxes for Maintenance and Operations	10,096,252	-	-	10,096,252	9,296,000
Ad-Valorem Taxes for General Obligation Bonds	3,900,174	-	-	3,900,174	3,748,419
Federal Grants and Contracts, Non-Operating	-	8,492,808	-	8,492,808	9,227,901
Gifts	116,374	-	-	116,374	-
Investment Income (net of Investment Expenses)	129,167	1,283	-	130,450	81,026
Other	-	-	-	-	1,021
Total Non-Operating Revenues	21,743,659	10,202,339	-	31,945,998	31,780,970
Non-Operating Expenses					
Interest on Capital-Related Debt	1,914,728	-	-	1,914,728	1,999,127
Loss of Disposition of Property	2,140	-	-	2,140	-
Total Non-Operating Expenses	1,916,868	-	-	1,916,868	1,999,127
Net Non-Operating Revenues	\$19,826,791	\$ 10,202,339	\$ -	\$30,029,130	\$29,781,843
				(Exhibit 2)	(Exhibit 2)

Grayson College
Schedule of Net Position by Source and Availability
Year Ended August 31, 2015
With Memorandum Totals for Year Ended August 31, 2014

Schedule D

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted Expendable	Non- Expendable	Capital Assets, Net of Depreciation & Related Debt	Total	Yes	No
Current Funds:							
Unrestricted	\$ 15,876,617	\$ -	\$ -	\$ -	\$ 15,876,617	\$ 15,876,617	\$ -
Restricted	-	591,599	-	-	591,599	-	591,599
Auxiliary Enterprises	2,216,278	-	-	-	2,216,278	2,216,278	-
Loan Funds	-	47,558	-	-	47,558	-	47,558
Plant Funds:							
Unexpended	4,389,574	-	-	-	4,389,574	4,389,574	-
Renewals and Replacements	1,405,104	-	-	-	1,405,104	1,405,104	-
Unexpended Bond Proceeds	-	408,415	-	-	408,415	-	408,415
Debt Service	-	1,914,530	-	-	1,914,530	-	1,914,530
Investment in Plant	-	-	-	23,451,110	23,451,110	-	23,451,110
Total Net Position - August 31, 2015	23,887,573	2,962,102	-	23,451,110	50,300,785	23,887,573	26,413,212
					(Exhibit 1)		
Total Net Position - August 31, 2014 (Restated)	22,703,223	2,747,945	-	21,018,847	46,470,015	22,703,223	23,766,792
					(Exhibit 1)		
Net Increase (Decrease) in Net Position	\$ 1,184,350	\$ 214,157	\$ -	\$ 2,432,263	\$ 3,830,770	\$ 1,184,350	\$ 2,646,420
					(Exhibit 2)		

Grayson College
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
U.S. Department of Labor			
Passed through Texas Workforce Commission:			
WIA Title V Incentive Grant	17.267	2915WSW004	73,376
Total U.S. Department of Labor			<u>73,376</u>
U.S. Small Business Administration			
Passed through Dallas County Community College District:			
Small Business Development Center (SBDC)	59.037	SBAHQ-14-B-0018	2,779
Small Business Development Center (SBDC)	59.037	SBAHQ-15-B-0019	96,524
Small Business Development Center (SBDC)	59.037	SBAHQ-14-B-0018	1,325
Subtotal - Small Business Development Center (SBDC)			<u>100,628</u>
Total U.S. Small Business Administration			<u>100,628</u>
U.S. Department of Education			
Direct Programs:			
Federal Supplemental Education			
Opportunity Grant (FSEOG) *	84.007		70,000
Federal Workstudy Program * (2014-2015)	84.033		133,272
Federal Workstudy Program * (2015-2016)	84.033		16,432
Subtotal - Federal Workstudy Program			<u>149,704</u>
Federal Pell Grant Program *	84.063		8,286,266
Direct Student Loans *	84.268		6,257,981
Passed through Texas Workforce Commission:			
Adult Basic Education (Section 231) 2013-2014		2514ABE000	74,269
Adult Basic Education (Section 231) 2014-2015	84.002	2514AELA00	247,179
Adult Basic Education (Section 231) 2015-2016	84.002	2514AELB00	2,050
English Literacy and Civics Education (Section 231) 2014-2015	84.002	2514ELC000	57,742
Subtotal - Adult Basic Education			<u>381,240</u>
Passed through Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education - Annual Application	84.048	142039	463,454
Total U.S. Department of Education			<u>15,608,645</u>
U.S. Department of Health and Human Services			
Passed through Texas Workforce Commission:			
Temporary Assistance for Needy Families (TANF) 2014-2015	93.558	2514AELA00	19,738
Total U.S. Department of Health and Human Services			<u>19,738</u>
Total Federal Financial Assistance			<u>\$ 15,802,387</u>

* Indicates clustered programs.

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts per Schedule A	\$ 1,051,598
Federal Grants and Contracts, Non-operating per Schedule C	8,492,808
Reconciling Items:	
Direct Student Loans	<u>6,257,981</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 15,802,387</u></u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

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 represent funds which have been expended by the College for the purposes of the award. The expenditures reported may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts included in the schedule may differ from amounts used in 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 applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures Not Subject to Single Audit

None

Note 4: Student Loans Processed and Administrative Costs Recovered - If Not Included in Schedule

Federal Grantor and CFDA Number Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Admin. Costs Recovered
None			

Note 5: Nonmonetary Federal Assistance Received

None

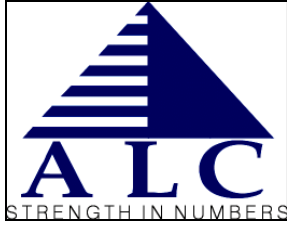
Note 6: Amounts Passed-Through by the College

None

Grayson College
Schedule of Expenditures of State Awards
Year Ended August 31, 2015

Schedule F

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
Passed through Texas Higher Education Coordinating Board		
College Work Study Program (2014-2015)		\$ 29,459
Top Ten Percent		1,200
Student Financial Aid (Texas Grant)		20,540
Student Financial Aid (Texas Educational Opportunity Grant)		338,223
Nursing Shortage Reduction		94,402
Nursing and Allied Health		113,080
Texas Science, Technology, Engineering, & Math (T-STEM) Challenge		97,110
Total Passed through Texas Higher Education Coordinating Board		<u>694,014</u>
Passed through Dallas County Community College District		
Small Business Development Center (SBDC) 2013-2014	SBAHQ-14-B-0018	13,963
Small Business Development Center (SBDC) 2014-2015	SBAHQ-15-B-0019	61,161
Total Passed through Dallas County Community College District		<u>75,124</u>
Passed through Texas Workforce Commission		
Adult Basic Education	2514AELA00	73,760
Skills Development Fund	2513SDF001	78,705
Skills Development Fund	2513SDF002	48,504
Skills Development Fund	2514SDF000	135,762
Skills Development Fund	2514SDF001	26,481
Skills Development Fund	2514SDF002	307,386
Skills Development Fund	2514SDF003	132,502
Skills Development Fund	2514SDF004	104,422
Skills Development Fund	2515SDF000	3,964
Skills Development Fund	2515SDF001	43,836
Skills Development Fund	2515SSD000	3,748
Total Passed through Texas Workforce Commission		<u>959,070</u>
Passed through Texas Department of Agriculture		
Parallel Pathways to Success Grant	PP-1416-02	21,081
Total Passed through Texas Department of Agriculture		<u>21,081</u>
Passed through Denison Business Development		
North Texas Wine Grape Cultivar & Rootstock Evaluation	SC-1415-19	9,974
Total Passed through Denison Business Development		<u>9,974</u>
Total State Financial Assistance		<u>\$ 1,759,263</u>
Note 1: State Assistance Reconciliation		
State Grants and Contracts per Exhibit 2		\$ 1,759,263
Reconciling Items:		
None		-
Total Expenditures per Schedule of State Financial Assistance		<u>\$ 1,759,263</u>



ADAMI, LINDSEY & COMPANY, L.L.P.

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DAROLD P. ADAMI, JR.
BELINDA W. DEVINCENTIS

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*

Board of Trustees
Grayson College
6101 Grayson Drive
Denison, Texas

Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Grayson College (College) as of and for the year ended August 31, 2015, 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 15, 2015.

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.

Our consideration of the 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 weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Texas Public Funds Investment Act

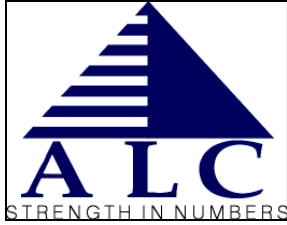
We have performed tests designed to verify the College's compliance with the requirements of Public Funds Investment Act (the "Act"). However, providing an opinion on compliance with the Act was not an objective of our audit and accordingly, we do not express an opinion. During the year ended August 31, 2015, no instance of non-compliance with the Act was found.

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.

Adami, Lindsey & Company, L.L.P.

Sherman, Texas
December 15, 2015



ADAMI, LINDSEY & COMPANY, L.L.P.

Certified Public Accountants

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DAROLD P. ADAMI, JR.
BELINDA W. DEVINCENTIS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 and the State of Texas Single Audit Circular

Board of Trustees
Grayson College
6101 Grayson Drive
Denison, Texas

Members of the Board:

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of Grayson College (College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the Texas Single Audit Circular that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2015. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about 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 and state program. However, our audit does not provide a legal determination of the College's compliance.

Opinion of Each Major Federal and State Program

In our opinion, the 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 and state programs for the year ended August 31, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and the Texas Single Audit Circular and which are described in the accompanying schedule of findings and questioned costs as item #2015-1 and #2015-2. Our opinion on each major federal and state program is not modified with respect to these matters.

The College's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the 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 and state 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 and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Adami, Lindsey & Company, L.L.P.

Sherman, Texas
December 15, 2015

Grayson College
Schedule of Findings and Questioned Costs
Year Ended August 31, 2015

Part I Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued on the Financial Statements
 Unmodified

Internal Control Findings Disclosed in the Audit of the Financial Statements	
Material Weaknesses Identified	No
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None Reported

Noncompliance Material to the Financial Statements
 None

Federal and State Awards

Internal Control Findings Disclosed in the Audit of Major Programs	
Material Weaknesses Identified	No
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None Reported

Type of Auditor's Report on Compliance for Major Programs
 Unmodified

Did the Audit Disclose Findings Required to be Reported under Section 510(a)
 Yes

Major Programs - Federal

Student Financial Aid Programs Cluster	
Federal Supplemental Educational Opportunity Grant (FSEOG)	CFDA #84.007
Federal Workstudy Program	CFDA #84.033
Federal Pell Grant Program	CFDA #84.063
Federal Direct Student Loan Program	CFDA #84.268

Major Programs - State

 Skills Development Grants

- Skills Development Fund (2513SDF001)
- Skills Development Fund (2513SDF002)
- Skills Development Fund (2514SDF000)
- Skills Development Fund (2514SDF001)
- Skills Development Fund (2514SDF002)
- Skills Development Fund (2514SDF003)
- Skills Development Fund (2514SDF004)
- Skills Development Fund (2515SDF000)
- Skills Development Fund (2515SDF001)
- Skills Development Fund (2515SSD000)

 Texas Grants

- Towards Excellence, Access and Success
- Texas Educational Opportunity Grant

Dollar Threshold Used to Distinguish Between Type A and Type B Programs

- Federal - \$300,000
- State - \$300,000

Low Risk Auditee
 Yes

Grayson College
Schedule of Findings and Questioned Costs (continued)
Year Ended August 31, 2015

Part II Findings Related to the Financial Statements

None

Part III Findings and Questioned Costs Related to the Federal and State Awards

Finding #2015-1

Program:

U.S. Department of Education	
Federal Supplemental Educational Opportunity Grant (FSEOG)	CFDA #84.007
Federal Family Education Loan Program	CFDA #84.032
Federal Pell Grant Program	CFDA #84.063

Criteria:

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date.

Condition:

The College did not identify all recipients for whom a return to Title IV calculation was required. The College's grade structure utilizes a "Z" grade for labs associated with courses. The College's software and procedures did not disregard the "Z" grade when searching for recipients who could be subject to Return to Title IV consideration (i.e., recipients who may have unofficially withdrawn from classes). Consequently, return to Title IV calculations for 15 students were not performed by the institution.

Questioned Cost:

\$ 12,146

The auditor's sample identified two recipients with questioned costs totaling \$1,903; the sample size was 60 recipients of whom 13 were subject to consideration for a return to Title IV calculation. Further investigation by the Office of Student Financial Aid identified an additional 13 recipients with questioned costs totaling \$10,243.

Instances / Universe:

15 Instances / 289 in Universe

Effect:

Recipients received Title IV grant or loan assistance in excess of amounts earned.

Recommendation:

The College should modify its procedures to ensure that the review for potential return to Title IV situations is performed with consideration of valid grades posted to the recipient's transcript.

Part III Findings and Questioned Costs Related to the Federal and State Awards (Continued)

Finding #2015-2

Program:

Texas Higher Education Coordinating Board
Texas Educational Opportunity Grant (TEOG)

Criteria:

Awards to recipients are calculated using a tiered structure based on the enrollment status (full-time, half-time, etc.) of the student.

Condition:

The College made calculation errors in the awarding of grants to recipients for the Spring 2015 semester, overpaying some students while underpaying others. A clerical error by College personnel resulted in the mismatching of recipients and their number of enrolled hours for the semester.

Questioned Cost:

\$ 17,214

The auditor's sample identified eight recipients with questioned costs totaling \$4,388 (4 with underpayments totaling \$2,026 and 4 overpayments totaling \$2,362) from a sample of 25 recipients. Further investigation by the Office of Student Financial Aid identified an additional 24 recipients with questioned costs totaling \$12,826 (12 underpayments totaling \$6,414 and 12 overpayments totaling \$6,412).

Instances / Universe:

32 Instances / 59 in Universe

Effect:

Recipients received TEOG grants in excess of amounts to which they were entitled.

Recommendation:

The College should modify its procedures to provide supervisory review to ensure that awards are calculated based on the number hours in which the recipients are enrolled.

**Grayson College
Corrective Action Plan
Year Ended August 31, 2015**

Finding #2015-1

The College did not identify all recipients for whom a return to Title IV calculation was required. The College's grade structure utilizes a "Z" grade for labs associated with courses. The College's software and procedures did not disregard the "Z" grade when searching for recipients who could be subject to Return to Title IV consideration (i.e., recipients who may have unofficially withdrawn from classes). Consequently, return to Title IV calculations for 16 students were not performed by the institution.

Response

We reviewed our records for the Fall 2014 semester and found 16 students that should have been calculated for Return to Title IV who never showed up on our reports as needing calculation. During our review, we found that each of these students had a grade of "Z" posted for a lab course as well as a withdrawal date or date of last attendance.

At that point, we reviewed our records for the Spring 2015 and Summer 2015 semesters and found no errors in the Return to Title IV calculations.

Corrective Action Plan

Person Responsible for Corrective Action: Donna King, Director of Financial Aid

We performed a detail review to identify all instances in which a Return to Title IV calculation was required but was not initially identified and performed. See discussion above.

Two full-time employees in the College's Office of Financial Aid have recently completed the NASFAA University course: NASFAA Return to Title IV Funds 2015. The Director of Financial Aid has registered for the May 2016 NASFAA University course.

For the 2016-2017 school term, the College has changed the way that grades are posted for science courses and the associated labs. Grades of "Z" will no longer be used in the grading system.

Finding #2015-2

The College made calculation errors in the awarding of grants to recipients for the Spring 2015 semester, overpaying some students while underpaying others. A clerical error by College personnel resulted in the mismatching of recipients and their number of enrolled hours for the semester.

Response

The Office of Financial Aid identified that there was a sorting error that resulted in incorrect enrollment status for eligible TEOG students.

Once the error was identified, the Office of Financial Aid attended a telephone conference with the Texas Higher Education Coordinating Board to discuss the clerical error made when calculating the TEOG awards for the Spring 2015 semester. The College is correcting and recertifying the FY15 EOY TEOG Report and properly awarding the eligible students based on their correct enrollment status as of the census date.

Corrective Action Plan

Person Responsible for Corrective Action: Donna King, Director of Financial Aid

A new business procedure has been developed that will ensure that two staff members in the Office of Financial Aid will review the calculations for awarding all state grants. Additionally, a staff member of the Business Office will review all calculations for state grants before disbursing funds.

Expected completion date: December 15, 2015

Grayson College
Schedule of Status of Prior Year Findings
Year Ended August 31, 2015

Finding #2014-1

The College did not identify all recipients for whom a return to Title IV calculation was required. Inclement weather during finals delayed completion of the Fall 2013 semester and posting of grades. The Office of Student Financial Aid closed their review of the Fall 2013 semester prior to all faculty submitting grades and last date of attendance for all students. Consequently, return to Title IV calculations for 60 students were not performed by the institution.

Response

Grayson College developed a corrective action plan on December 11, 2014. All required recalculations were completed and necessary funds were returned to the Department of Education. New policies and procedures were written, added to the policy and procedure manual and implemented effective December 11, 2014.

Statistical Supplement

(Unaudited)

Grayson College
Net Position by Component
Last Ten Fiscal Years
(Unaudited)

	For the Fiscal Year Ended August 31,									
	(amounts expressed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Invested in Capital Assets, Net of										
Related Debt	\$ 23,451	\$ 21,019	\$ 18,670	\$ 15,298	\$ 13,420	\$ 13,066	\$ 13,664	\$ 13,102	\$ 11,667	\$ 9,567
Restricted - Expendable	2,962	2,748	2,360	2,713	3,359	3,172	2,750	1,241	1,945	1,797
Restricted - Nonexpendable	-	-	-	-	-	-	-	-	398	389
Unrestricted	23,888	26,087	25,653	25,107	21,990	20,298	18,747	16,198	15,926	14,332
Total Primary Government Net Position	<u>\$ 50,301</u>	<u>\$ 49,854</u>	<u>\$ 46,683</u>	<u>\$ 43,118</u>	<u>\$ 38,769</u>	<u>\$ 36,536</u>	<u>\$ 35,161</u>	<u>\$ 30,541</u>	<u>\$ 29,936</u>	<u>\$ 26,085</u>

Grayson College
Revenues by Source
Last Ten Fiscal Years
(Unaudited)

For the Fiscal Year Ended August 31,

(amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tuition and Fees (Net of Discounts)	\$ 4,671	\$ 4,795	\$ 4,877	\$ 4,923	\$ 4,591	\$ 4,435	\$ 4,394	\$ 4,022	\$ 3,832	\$ 3,288
Governmental Grants and Contracts										
Federal Grants and Contracts	1,052	1,112	1,246	1,833	1,223	1,112	1,017	946	2,216	1,258
State Grants and Contracts	1,759	1,549	999	1,365	1,671	1,618	952	1,640	1,326	1,265
Local Grants and Contracts	-	-	-	-	-	-	-	-	-	960
Non-Governmental Grants and Contracts	354	360	282	247	309	379	329	14	10	18
Sales & Services of Educational Activities	45	49	51	49	47	53	49	50	45	39
Investment Income (Program Restricted)	-	-	-	-	-	-	-	-	97	58
Auxiliary enterprises	869	1,549	1,860	1,701	2,082	2,027	2,518	2,552	2,199	2,046
Other Operating Revenue	153	273	200	181	240	190	161	153	179	139
Total Operating Revenues	<u>8,903</u>	<u>9,687</u>	<u>9,515</u>	<u>10,299</u>	<u>10,163</u>	<u>9,814</u>	<u>9,420</u>	<u>9,377</u>	<u>9,904</u>	<u>9,071</u>
State Appropriations	9,210	9,427	8,967	9,002	9,038	9,095	9,059	8,993	8,469	8,372
Ad Valorem Taxes	13,996	13,044	12,823	12,579	12,550	12,231	11,796	8,664	8,451	7,402
Federal Revenue, Non-Operating	8,493	9,228	9,745	11,188	11,802	9,092	4,963	3,180	3,183	3,141
Gifts	116	-	-	-	-	-	43	-	-	-
Investment Income	130	81	65	93	136	149	358	592	891	706
Gain on Disposition of Fixed Assets	-	-	-	-	-	-	-	-	-	-
Other non-operating revenues	-	1	-	-	-	1	-	-	-	-
Total Non-Operating Revenues	<u>31,945</u>	<u>31,781</u>	<u>31,600</u>	<u>32,862</u>	<u>33,526</u>	<u>30,568</u>	<u>26,219</u>	<u>21,429</u>	<u>20,994</u>	<u>19,621</u>
Total Revenues	<u>\$ 40,848</u>	<u>\$ 41,468</u>	<u>\$ 41,115</u>	<u>\$ 43,161</u>	<u>\$ 43,689</u>	<u>\$ 40,382</u>	<u>\$ 35,639</u>	<u>\$ 30,806</u>	<u>\$ 30,898</u>	<u>\$ 28,692</u>

For the Fiscal Year Ended August 31,

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tuition and Fees (Net of Discounts)	11.44%	11.56%	11.86%	11.41%	10.51%	10.98%	12.33%	13.06%	12.40%	11.46%
Governmental Grants and Contracts										
Federal Grants and Contracts	2.58%	2.68%	3.03%	4.25%	2.80%	2.75%	2.85%	3.07%	7.17%	4.38%
State Grants and Contracts	4.31%	3.74%	2.43%	3.16%	3.82%	4.01%	2.67%	5.32%	4.29%	4.41%
Local Grants and Contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.35%
Non-Governmental Grants and Contracts	0.87%	0.87%	0.69%	0.57%	0.71%	0.94%	0.92%	0.05%	0.03%	0.06%
Sales & Services of Educational Activities	0.11%	0.12%	0.12%	0.11%	0.11%	0.13%	0.14%	0.16%	0.15%	0.14%
Investment Income (Program Restricted)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.31%	0.20%
Auxiliary enterprises	2.13%	3.74%	4.52%	3.94%	4.77%	5.02%	7.07%	8.28%	7.12%	7.13%
Other Operating Revenue	0.37%	0.66%	0.49%	0.42%	0.55%	0.47%	0.45%	0.50%	0.58%	0.48%
Total Operating Revenues	<u>21.80%</u>	<u>23.36%</u>	<u>23.14%</u>	<u>23.86%</u>	<u>23.26%</u>	<u>24.30%</u>	<u>26.43%</u>	<u>30.44%</u>	<u>32.05%</u>	<u>31.62%</u>
State Appropriations	22.55%	22.73%	21.81%	20.86%	20.69%	22.52%	25.42%	29.19%	27.41%	29.18%
Ad Valorem Taxes	34.26%	31.46%	31.19%	29.14%	28.73%	30.29%	33.10%	28.12%	27.35%	25.80%
Federal Revenue, Non-Operating	20.79%	22.25%	23.70%	25.92%	27.01%	22.51%	13.93%	10.32%	10.30%	10.95%
Gifts	0.28%	0.00%	0.00%	0.00%	0.00%	0.00%	0.12%	0.00%	0.00%	0.00%
Investment Income	0.32%	0.20%	0.16%	0.22%	0.31%	0.37%	1.00%	1.92%	2.88%	2.46%
Gain on Disposition of Fixed Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other non-operating revenues	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Non-Operating Revenues	<u>78.20%</u>	<u>76.64%</u>	<u>76.86%</u>	<u>76.14%</u>	<u>76.74%</u>	<u>75.70%</u>	<u>73.57%</u>	<u>69.56%</u>	<u>67.95%</u>	<u>68.38%</u>
Total Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Grayson College
Program Expenses by Function
Last Ten Fiscal Years
(Unaudited)

For the Fiscal Year Ended August 31,

(amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction	\$ 13,007	\$ 12,953	\$ 12,660	\$ 13,236	\$ 13,088	\$ 12,498	\$ 11,237	\$ 10,379	\$ 11,242	\$ 9,864
Public Service	766	599	597	631	694	706	623	543	448	473
Academic Support	1,775	1,823	1,618	1,512	1,490	1,531	1,517	1,276	1,175	944
Student Services	2,752	2,632	2,218	2,155	2,264	2,098	1,972	2,013	1,660	1,509
Institutional Support	4,226	3,878	3,805	3,899	3,731	3,492	3,147	3,253	2,731	2,568
Operation and Maintenance of Plant	3,146	3,497	4,375	3,073	4,421	4,909	3,574	3,425	3,038	2,765
Scholarships and Fellowships	5,831	5,012	5,451	6,511	7,469	5,920	2,974	2,298	1,853	1,999
Auxiliary Enterprises	1,369	3,636	3,716	3,590	4,151	3,970	3,825	3,269	3,026	3,037
Depreciation Expense	2,229	2,096	2,047	1,990	1,790	1,405	1,085	988	887	742
Total Operating Expenses	35,101	36,126	36,487	36,597	39,098	36,529	29,954	27,444	26,060	23,901
Interest on Capital Related Debt	1,914	1,999	2,160	2,227	2,332	2,071	943	820	792	817
Loss on Disposal of Fixed Assets	2	-	21	-	36	417	132	67	205	123
Total Nonoperating Expenses	1,916	1,999	2,181	2,227	2,368	2,488	1,075	887	997	940
Total Expenses	\$ 37,017	\$ 38,125	\$ 38,668	\$ 38,824	\$ 41,466	\$ 39,017	\$ 31,029	\$ 28,331	\$ 27,057	\$ 24,841

For the Fiscal Year Ended August 31,

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction	35.13%	33.97%	32.73%	34.08%	31.55%	32.02%	36.20%	36.63%	41.55%	39.71%
Public Service	2.07%	1.57%	1.54%	1.63%	1.67%	1.81%	2.01%	1.92%	1.66%	1.90%
Academic Support	4.80%	4.78%	4.18%	3.89%	3.59%	3.92%	4.89%	4.50%	4.34%	3.80%
Student Services	7.43%	6.90%	5.74%	5.55%	5.46%	5.38%	6.36%	7.11%	6.14%	6.07%
Institutional Support	11.42%	10.17%	9.84%	10.04%	9.00%	8.95%	10.14%	11.48%	10.09%	10.34%
Operation and Maintenance of Plant	8.50%	9.17%	11.31%	7.92%	10.66%	12.58%	11.52%	12.09%	11.23%	11.13%
Scholarships and Fellowships	15.75%	13.15%	14.10%	16.77%	18.01%	15.17%	9.58%	8.11%	6.85%	8.05%
Auxiliary Enterprises	3.70%	9.54%	9.61%	9.25%	10.01%	10.18%	12.33%	11.54%	11.18%	12.23%
Depreciation Expense	6.02%	5.50%	5.29%	5.13%	4.32%	3.60%	3.50%	3.49%	3.28%	2.99%
Total Operating Expenses	94.82%	94.76%	94.36%	94.26%	94.29%	93.62%	96.54%	96.87%	96.32%	96.22%
Interest on Capital Related Debt	5.17%	5.24%	5.59%	5.74%	5.62%	5.31%	3.04%	2.89%	2.93%	3.29%
Loss on Disposal of Fixed Assets	0.01%	0.00%	0.05%	0.00%	0.09%	1.07%	0.43%	0.24%	0.76%	0.50%
Total Nonoperating Expenses	5.18%	5.24%	5.64%	5.74%	5.71%	6.38%	3.46%	3.13%	3.68%	3.78%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**Grayson College
Tuition and Fees
Last Ten Academic Years
(Unaudited)**

Resident Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Fees per student			In-District Tuition	Out-of District Tuition	General Fee	Student Service Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
	Matriculation Fee	Student ID Fee	International Fee								
2014	\$ 10	\$ 2	\$ -	\$ 49	\$ 87	\$ 12	\$ 7	\$ 828	\$ 1,284	9.52%	3.88%
2013	10	2	-	47	87	8	7	756	1,236	3.28%	7.29%
2012	10	2	-	45	80	8	7	732	1,152	15.09%	12.94%
2011	10	2	-	42	74	8	2	636	1,020	10.42%	13.33%
2010	10	2	-	37	64	8	2	576	900	4.35%	15.38%
2009	10	2	-	35	54	8	2	552	780	0.00%	0.00%
2008	10	2	-	35	54	8	2	552	780	4.55%	18.18%
2007	10	2	-	33	44	8	2	528	660	0.00%	0.00%
2006	10	2	-	33	44	8	2	528	660	0.00%	0.00%
2005	10	2	-	33	44	8	2	528	660		

Non-Resident Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Fees per student			Non-Resident Tuition Out of State	Non-Resident Tuition International	General Fee	Student Service Fee	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
	Matriculation Fee	Student ID Fee	International Fee								
2014	\$ 10	\$ 2	\$ 225	\$ 133	\$ 133	\$ 12	\$ 7	\$ 1,836	\$ 2,061	2.68%	2.38%
2013	10	2	225	133	133	8	7	1,788	2,013	2.76%	2.44%
2012	10	2	225	129	129	8	7	1,740	1,965	8.21%	7.20%
2011	10	2	225	123	123	8	2	1,608	1,833	8.06%	7.01%
2010	10	2	225	113	113	8	2	1,488	1,713	8.77%	7.53%
2009	10	2	225	103	103	8	2	1,368	1,593	0.00%	0.00%
2008	10	2	225	103	103	8	2	1,368	1,593	9.62%	8.15%
2007	10	2	225	93	93	8	2	1,248	1,473	0.00%	0.00%
2006	10	2	225	93	93	8	2	1,248	1,473	0.00%	0.00%
2005	10	2	225	93	93	8	2	1,248	1,473		

Grayson College
Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2014 - 2015	\$ 11,303,968	\$ 3,527,285	\$ 7,776,683	68.80%	\$0.13059	\$0.05091	\$0.18150
2013 - 2014	10,501,985	3,184,658	7,317,327	69.68%	0.12925	0.05236	0.18161
2012 - 2013	10,359,392	3,175,512	7,183,880	69.35%	0.13060	0.05120	0.18180
2011 - 2012	10,239,690	3,168,077	7,071,613	69.06%	0.13617	0.04563	0.18180
2010 - 2011	10,223,678	3,088,600	7,135,078	69.79%	0.13300	0.04880	0.18180
2009 - 2010	9,979,063	3,079,341	6,899,722	69.14%	0.13278	0.05094	0.18372
2008 - 2009	9,300,832	2,926,033	6,374,799	68.54%	0.13000	0.05436	0.18436
2007 - 2008	8,602,533	2,736,999	5,865,534	68.18%	0.13974	0.00000	0.13974
2006 - 2007	8,022,443	2,479,299	5,543,144	69.10%	0.14774	0.00000	0.14774
2005 - 2006	7,241,918	2,221,560	5,020,358	69.32%	0.14002	0.00000	0.14002

Source: Local Appraisal District

Notes: Property is assessed at full market value
(a) per \$100 Taxable Assessed Valuation

Grayson College
State Appropriations per FTSE and Contact Hour
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	State Appropriation (amounts expressed in thousands)	Appropriation per FTSE		Appropriation per Contact Hour			State Appropriation per Contact Hour
		FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	
2014 - 2015	\$ 7,502	3,971	\$ 1,889	1,248	837	2,085	\$ 3.60
2013 - 2014	7,502	4,322	1,736	1,283	962	2,245	3.34
2012 - 2013	7,499	4,382	1,711	1,364	850	2,214	3.39
2011 - 2012	7,576	4,711	1,608	1,509	936	2,445	3.10
2010 - 2011	6,912	4,966	1,392	1,643	932	2,575	2.68
2009 - 2010	6,979	4,541	1,537	1,481	895	2,376	2.94
2008 - 2009	6,955	3,927	1,771	1,312	734	2,046	3.40
2007 - 2008	6,955	3,490	1,993	1,171	621	1,792	3.88
2006 - 2007	6,539	3,487	1,875	1,195	602	1,797	3.64
2005 - 2006	6,489	3,368	1,927	1,135	611	1,746	3.72

Note:

FTSE is defined as the number of full-time students plus total hours taken by part-time students divided by 24.

(a) Source: CBM001

(b) Source: CBM00A

**Grayson College
Principal Taxpayers
Last Ten Years
(Unaudited)**

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Oncor Electric	Utility	\$ 94,632	\$ 75,454	\$ 70,708	\$ 67,556	\$ 65,690	\$ 68,250	\$ 69,764	\$ 75,177	\$ 72,258	\$ 74,687
UHS of Texoma, Inc	Hospital	107,474	78,111	30,001	30,251	30,251	99,900	61,845	31,914	-	-
Gulf Crossing Pipeline Co	Energy	39,859	36,586	35,429	46,723	51,810	58,747	-	-	-	-
Sherman Town Center LP	Retail	49,343	47,955	46,291	45,316	44,295	43,125	43,236	49,469	50,862	50,654
Texas Instruments	Manufacturing	31,326	34,413	-	-	-	27,981	39,745	-	-	20,007
Universal Health Services	Medical	-	-	-	-	40,080	44,400	-	-	-	-
Jetta Operating Co. Inc	Energy	-	37,095	47,525	31,638	-	-	-	-	-	-
XTO Energy, Inc.	Utility	-	34,020	39,835	43,979	41,227	53,261	35,486	46,631	34,646	38,453
Kwikset Corporation	Manufacturing	-	-	32,446	28,907	29,004	31,103	34,073	40,953	29,886	27,786
Union Pacific Railroad	Transportation	47,257	42,079	41,162	33,596	33,616	34,277	33,798	30,712	-	-
BNSF Railway Co	Transportation	30,582	-	29,067	-	-	-	-	-	-	-
Energy Transfer Fuel LP	Energy	-	-	-	-	28,126	-	28,288	28,625	36,113	21,584
Verizon Southwest	Utility	-	-	-	-	-	-	22,691	30,765	27,310	25,633
Sherman Grayson Hospital LLC	Hospital	-	-	30,816	42,530	42,333	27,309	-	-	-	-
MEMC Southwest, Inc.	Manufacturing	-	-	-	-	-	-	21,693	23,722	23,450	18,995
Globitech Incorporated	Manufacturing	-	-	-	49,626	-	-	-	21,942	21,000	-
Woodmont Sherman LP	Retail	-	-	-	-	-	-	-	-	17,920	-
Walmart Stores, Inc.	Retail	-	-	-	-	-	-	-	-	18,786	18,807
Tyson Fresh Meats, Inc.	Food	-	-	-	-	-	-	-	-	-	41,385
Silver Creek Oil & Gas LLC	Energy	33,850	-	-	-	-	-	-	-	-	-
Panda Sherman Power LLC	Energy	396,130	261,142	-	-	-	-	-	-	-	-
Caterpillar Global	Manufacturing	50,645	55,699	-	-	-	-	-	-	-	-
Totals		\$ 881,098	\$ 702,554	\$ 403,280	\$ 420,122	\$ 406,432	\$ 488,353	\$ 390,619	\$ 379,910	\$ 332,231	\$ 337,991
Total Taxable Assessed Value		\$ 7,776,683	\$ 7,317,327	\$ 7,183,880	\$ 7,071,613	\$ 7,135,078	\$ 6,899,722	\$ 6,374,799	\$ 5,865,534	\$ 5,543,144	\$ 5,020,358

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Oncor Electric	Utility	1.22%	1.03%	0.98%	0.96%	0.92%	0.99%	1.09%	1.28%	1.30%	1.49%
UHS of Texoma, Inc	Hospital	1.38%	1.07%	0.42%	0.43%	0.42%	1.45%	0.97%	0.54%	0.00%	0.00%
Gulf Crossing Pipeline Co	Energy	0.51%	0.50%	0.49%	0.66%	0.73%	0.85%	0.00%	0.00%	0.00%	0.00%
Sherman Town Center LP	Retail	0.63%	0.66%	0.64%	0.64%	0.62%	0.63%	0.68%	0.84%	0.92%	1.01%
Texas Instruments	Manufacturing	0.40%	0.47%	0.00%	0.00%	0.00%	0.41%	0.62%	0.00%	0.00%	0.40%
Universal Health Services	Medical	0.00%	0.00%	0.00%	0.00%	0.56%	0.64%	0.00%	0.00%	0.00%	0.00%
Jetta Operating Co. Inc	Energy	0.00%	0.51%	0.66%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
XTO Energy, Inc.	Utility	0.00%	0.46%	0.55%	0.62%	0.58%	0.77%	0.56%	0.80%	0.63%	0.77%
Kwikset Corporation	Manufacturing	0.00%	0.00%	0.45%	0.41%	0.41%	0.45%	0.53%	0.70%	0.54%	0.55%
Union Pacific Railroad	Transportation	0.61%	0.58%	0.57%	0.48%	0.47%	0.50%	0.53%	0.52%	0.00%	0.00%
BNSF Railway Co	Transportation	0.39%	0.00%	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Energy Transfer Fuel LP	Energy	0.00%	0.00%	0.00%	0.00%	0.39%	0.00%	0.44%	0.49%	0.65%	0.43%
Verizon Southwest	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.36%	0.52%	0.49%	0.51%
Sherman Grayson Hospital LLC	Hospital	0.00%	0.00%	0.43%	0.60%	0.59%	0.40%	0.00%	0.00%	0.00%	0.00%
MEMC Southwest, Inc.	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.34%	0.40%	0.42%	0.38%
Globitech Incorporated	Manufacturing	0.00%	0.00%	0.00%	0.70%	0.00%	0.00%	0.00%	0.37%	0.38%	0.00%
Woodmont Sherman LP	Retail	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.32%	0.00%
Walmart Stores, Inc.	Retail	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.34%	0.37%
Tyson Fresh Meats, Inc.	Food	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.82%
Silver Creek Oil & Gas LLC	Energy	0.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Panda Sherman Power LLC	Energy	5.09%	3.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Caterpillar Global	Manufacturing	0.65%	0.76%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Totals		11.32%	9.61%	5.59%	5.95%	5.69%	7.09%	6.12%	6.46%	5.99%	6.73%

Source: County Appraisal District

**Grayson College
Property Tax Levies and Collections
Last Ten Tax Years
(Unaudited)**

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C + D + E)	Cumulative Collections of Adjusted Levy
2015	\$ 13,680	\$ 26	\$ 13,706	\$ 13,442	98.07%	\$ -	\$ -	\$ 13,442	98.07%
2014	12,825	6	12,831	12,546	97.78%	-	154	12,700	98.98%
2013	12,566	(49)	12,517	12,217	97.60%	140	39	12,396	99.03%
2012	12,384	(63)	12,321	11,973	97.18%	50	22	12,045	97.76%
2011	12,350	(92)	12,258	11,903	97.10%	23	10	11,936	97.37%
2010	12,064	(86)	11,978	11,535	96.30%	15	5	11,555	96.47%
2009	11,414	81	11,495	11,108	96.63%	8	4	11,120	96.74%
2008	8,261	122	8,383	8,126	96.93%	3	2	8,131	96.99%
2007	8,314	(28)	8,286	8,038	97.01%	2	1	8,041	97.04%
2006	7,102	133	7,235	6,995	96.68%	1	1	6,997	96.71%

Amounts expressed in thousands

Source: Local Tax Assessor Collector and College records

(a) As reported in the notes to the financial statements for the year of the levy.

(b) As of August 31st of the current reporting year.

(c) Property tax only -- does not include penalties and interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of levy.

(e) Represents current year collections of prior year levies.

Grayson College
Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)

For the Year Ended August 31 (amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Bonded Debt										
General Obligation Bonds	\$ 35,570	\$ 37,455	\$ 39,145	\$ 40,720	\$ 42,155	\$ 43,465	\$ 44,665	\$ 44,765	\$ -	\$ -
Notes and Capital Leases	-	-	-	-	-	-	-	-	-	-
Less: Funds Restricted for Debt Service	(1,915)	(1,487)	(1,080)	(794)	(784)	(800)	(471)	-	-	-
Net General Bonded Debt	33,655	35,968	38,065	39,926	41,371	42,665	44,194	44,765	-	-
Other Debt										
Revenue Bonds	9,640	10,780	11,900	12,995	14,065	15,560	16,525	17,460	18,360	19,239
Notes and Capital Leases	62	103	141	180	217	67	93	119	142	60
Total Outstanding Debt	\$ 43,357	\$ 46,851	\$ 50,106	\$ 53,101	\$ 55,653	\$ 58,292	\$ 60,812	\$ 62,344	\$ 18,502	\$ 19,299
General Bonded Debt Ratios										
Per Capita	\$ 272.44	\$ 293.97	\$ 312.17	\$ 328.83	\$ 342.26	\$ -	\$ -	\$ -	\$ -	\$ -
Per FTSE	8,475	8,322	8,687	8,475	8,331	9,396	11,254	12,827	-	-
As a percentage of Taxable Assessed Value	0.43%	0.49%	0.53%	0.56%	0.58%	0.62%	0.69%	0.76%	0.00%	0.00%
Total Outstanding Debt Ratios										
Per Capita	\$ 350.97	\$ 382.92	\$ 410.92	\$ 437.34	\$ 460.41	\$ 485.65	\$ 511.87	\$ 525.48	\$ 156.16	\$ 165.28
Per FTSE	10,918	10,840	11,435	11,272	11,207	12,837	15,486	17,864	5,306	5,730
As a Percentage of Taxable Assessed Value	0.56%	0.64%	0.70%	0.75%	0.78%	0.84%	0.95%	1.06%	0.33%	0.38%

Notes:

Ratios calculated using population and TAV from corresponding fiscal year.

Debt per student ratios calculated using full-time equivalent enrollment for corresponding fiscal year.

**Grayson College
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)**

For the Year Ended August 31 (amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Taxable Assessed Value	<u>\$7,776,683</u>	<u>\$7,317,327</u>	<u>\$7,183,880</u>	<u>\$7,071,613</u>	<u>\$7,135,078</u>	<u>\$6,899,722</u>	<u>\$6,374,799</u>	<u>\$5,865,534</u>	<u>\$5,543,144</u>	<u>\$5,020,358</u>
General Obligations Bonds										
Statutory Tax Levy Limit for Debt Service	\$ 38,883	\$ 36,587	\$ 35,919	\$ 35,358	\$ 35,675	\$ 34,499	\$ 31,874	\$ 29,328	\$ 27,716	\$ 25,102
Less Funds Restricted for Repayment of General Obligation Bonds	1,915	1,487	1,080	794	875	800	471	-	-	-
Total Net General Obligation Debt	36,968	35,100	34,839	34,564	34,800	33,699	31,403	29,328	27,716	25,102
Current Year Debt Service Requirements	3,408	3,276	3,228	3,148	3,078	3,011	1,916	1,007	-	-
Excess of Statutory Limit for Debt Service over Current Requirements	<u>\$ 33,560</u>	<u>\$ 31,824</u>	<u>\$ 31,611</u>	<u>\$ 31,416</u>	<u>\$ 31,722</u>	<u>\$ 30,688</u>	<u>\$ 29,487</u>	<u>\$ 28,321</u>	<u>\$ 27,716</u>	<u>\$ 25,102</u>
Net Current Requirements as a % of Statutory Limit	<u>3.84%</u>	<u>4.89%</u>	<u>5.98%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

**Grayson College
Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year Ended August 31,	Pledged Revenues (\$000 omitted)									Debt Service Requirements (\$000 omitted)			Coverage Ratio
	Tuition	General Use Fee	Student Service Fee	Registration Fees	Laboratory Fees	Community Education Fees	Investment Income	Auxiliary Enterprises	Total	Principal	Interest	Total	
2015	\$ 1,653	\$ 1,151	\$ 671	\$ 257	\$ 306	\$ 310	\$ 128	\$ 829	\$ 5,305	\$ 1,140	\$ 335	\$ 1,475	3.60
2014	1,725	832	728	261	345	53	77	2,814	6,835	1,120	358	1,478	4.62
2013	1,622	845	740	288	328	74	57	3,298	7,252	1,095	380	1,475	4.92
2012	1,781	915	529	309	311	107	72	3,315	7,339	1,070	401	1,471	4.99
2011	1,661	968	242	334	357	112	113	3,590	7,377	1,150	464	1,614	4.57
2010	1,386	888	222	307	353	80	158	3,197	6,591	965	667	1,632	4.04
2009	1,178	772	193	276	246	44	168	3,210	6,087	935	694	1,629	3.74
2008	1,042	676	169	231	201	89	354	2,841	5,603	900	722	1,622	3.45
2007	984	674	168	223	184	162	532	2,595	5,522	880	747	1,627	3.39
2006	845	648	162	189	175	144	368	2,392	4,923	850	772	1,622	3.04

**Grayson College
Demographic and Economic Statistics - Taxing District
Last Ten Fiscal Years
(Unaudited)**

<u>Calendar Year</u>	<u>District Population</u>	<u>District Personal Income</u>	<u>District Personal Income per Capita</u>	<u>District Unemployment Rate</u>
2014	123,534	(a)	(a)	4.8%
2013	122,353	\$ 4,416,638,000	\$ 36,098	6.6%
2012	121,935	4,225,608,000	34,655	7.2%
2011	121,419	4,055,831,000	33,404	8.3%
2010	120,877	3,848,851,000	32,066	8.4%
2009	120,030	3,848,851,000	32,066	8.1%
2008	118,804	3,624,919,000	30,015	5.3%
2007	118,641	3,412,174,000	28,901	4.7%
2006	118,478	3,230,638,000	27,591	4.9%
2005	116,763	3,059,973,000	26,207	5.2%

(a) Information is not yet available

Sources:

Population from U.S. Bureau of Census

Person income from U.S. Bureau of Economic Analysis

Unemployment rate from Texas Workforce Commission

**Grayson College
Principal Employers
Current Year and Nine Years Prior
(Unaudited)**

Current Fiscal Year

Employer	Number of Employees	Percentage of Total County Employment
Texoma Health Care Systems	2,000 - 2,249	3.62%
Tyson Fresh Meats	1,500 - 1,749	2.59%
Texas Instruments	1,000 - 1,249	2.07%
CIGNA Company	1,000 - 1,249	1.72%
Ruiz Foods	1,000 - 1,249	1.72%
Sherman ISD	750 - 999	1.63%
Denison ISD	500 - 749	1.08%
Texas Health Presbyterian - WNJ	500 - 749	1.01%
Grayson County	500 - 749	0.91%
Caterpillar, Inc.	250 - 499	0.72%
Total	<u>9,000 - 11,490</u>	

Source:

Texas Workforce Commission

Notes:

Percentages are calculated using the midpoints of the ranges.

Information for nine years prior is unavailable and the College has chosen to implement this schedule prospectively.

Grayson College
Faculty, Staff and Administrators Statistics
Last Ten Fiscal Years
(Unaudited)

	For the Year Ended August 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Faculty										
Full-Time	108	100	98	97	97	95	90	86	88	87
Part-Time	131	143	135	154	150	124	116	118	115	112
Total	<u>239</u>	<u>243</u>	<u>233</u>	<u>251</u>	<u>247</u>	<u>219</u>	<u>206</u>	<u>204</u>	<u>203</u>	<u>199</u>
 Percent										
Full-Time	45.2%	41.2%	42.1%	38.6%	39.3%	43.4%	43.7%	42.2%	43.3%	43.7%
Part-Time	54.8%	58.8%	57.9%	61.4%	60.7%	56.6%	56.3%	57.8%	56.7%	56.3%
 Staff and Administrators										
Full-Time	136	135	132	129	136	135	134	130	116	119
Part-Time	--	--	--	--	--	--	--	--	--	--
Total	<u>136</u>	<u>135</u>	<u>132</u>	<u>129</u>	<u>136</u>	<u>135</u>	<u>134</u>	<u>130</u>	<u>116</u>	<u>119</u>
 Percent										
Full-Time	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Part-Time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
 FTSE per Full-Time Faculty	36.8	43.2	44.7	48.6	51.2	47.8	43.6	40.6	39.6	38.7
FTSE per Full-Time Staff Member	29.2	32.0	33.2	36.5	36.5	33.6	29.3	26.8	30.1	28.3
 Average Annual Faculty Salary	\$ 54,443	\$ 53,822	\$ 53,725	\$ 53,695	\$ 54,762	\$ 53,734	\$ 53,058	\$ 47,740	\$ 46,836	\$ 46,500

**Grayson College
Enrollment Details
Last Five Fiscal Years
(Unaudited)**

Student Classification	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
00-30 hours	2,465	51.57%	3,184	61.16%	3,130	61.36%	3,429	62.32%	3,443	63.14%
31-60 hours	988	20.67%	1,250	24.01%	1,198	23.49%	1,332	24.21%	1,302	23.88%
> 60 hours	1,327	27.76%	772	14.83%	773	15.15%	741	13.47%	708	12.98%
Total	4,780	100.00%	5,206	100.00%	5,101	100.00%	5,502	100.00%	5,453	100.00%

Semester Hour Load	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	13	0.27%	17	0.33%	12	0.24%	10	0.18%	18	0.33%
3-5 semester hours	765	16.00%	839	16.12%	829	16.25%	794	14.43%	740	13.57%
6-8 semester hours	1,102	23.05%	1,173	22.53%	1,143	22.41%	1,176	21.37%	1,041	19.09%
9-11 semester hours	877	18.35%	940	18.06%	966	18.94%	942	17.12%	903	16.56%
12-14 semester hours	1,470	30.77%	1,679	32.24%	1,693	33.18%	1,991	36.19%	2,005	36.77%
15-17 semester hours	472	9.87%	482	9.26%	395	7.74%	467	8.49%	602	11.04%
18 & over	81	1.69%	76	1.46%	63	1.24%	122	2.22%	144	2.64%
Total	4,780	100.00%	5,206	100.00%	5,101	100.00%	5,502	100.00%	5,453	100.00%

Tuition Status	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (In-District)	3,551	74.29%	3,736	71.76%	3,666	71.86%	3,932	71.46%	3,771	69.16%
Texas Resident (Out-of-District)	1,002	20.96%	1,116	21.44%	1,121	21.98%	1,239	22.52%	1,255	23.01%
Non-Resident Tuition	227	4.75%	354	6.80%	314	6.16%	331	6.02%	427	7.83%
Total	4,780	100.00%	5,206	100.00%	5,101	100.00%	5,502	100.00%	5,453	100.00%

**Grayson College
Student Profile
Last Five Fiscal Years
(Unaudited)**

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	2,900	60.67%	3,103	59.60%	3,155	61.85%	3,396	61.72%	3,283	60.21%
Male	1,880	39.33%	2,103	40.40%	1,946	38.15%	2,106	38.28%	2,170	39.79%
Total	<u>4,780</u>	<u>100.00%</u>	<u>5,206</u>	<u>100.00%</u>	<u>5,101</u>	<u>100.00%</u>	<u>5,502</u>	<u>100.00%</u>	<u>5,453</u>	<u>100.00%</u>

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	3,397	71.07%	3,759	72.20%	3,737	73.27%	3,972	72.18%	3,917	71.83%
African American	640	13.39%	637	12.24%	547	10.72%	561	10.20%	513	9.41%
Hispanic	347	7.26%	352	6.76%	319	6.25%	379	6.89%	369	6.77%
Native American	179	3.74%	208	4.00%	198	3.88%	232	4.22%	249	4.57%
International	129	2.70%	112	2.15%	111	2.18%	145	2.64%	155	2.84%
Asian	46	0.96%	84	1.61%	124	2.43%	165	3.00%	204	3.74%
Multi-Racial	42	0.88%	54	1.04%	65	1.27%	48	0.87%	46	0.84%
Total	<u>4,780</u>	<u>100.00%</u>	<u>5,206</u>	<u>100.00%</u>	<u>5,101</u>	<u>100.00%</u>	<u>5,502</u>	<u>100.00%</u>	<u>5,453</u>	<u>100.00%</u>

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age										
Under 18	194	4.06%	865	16.62%	811	15.90%	785	14.27%	668	12.25%
18-19	1,130	23.64%	1,054	20.23%	1,022	20.03%	1,175	21.36%	1,220	22.37%
20-21	832	17.41%	699	13.43%	666	13.06%	738	13.41%	740	13.57%
22-24	691	14.46%	610	11.72%	572	11.21%	623	11.32%	649	11.90%
25-29	657	13.74%	637	12.24%	601	11.78%	689	12.52%	731	13.41%
30-34	401	8.39%	409	7.86%	462	9.06%	525	9.54%	499	9.15%
35-39	270	5.65%	260	4.99%	291	5.70%	328	5.96%	334	6.13%
40-49	407	8.51%	438	8.41%	425	8.33%	416	7.56%	413	7.57%
50-64	182	3.81%	220	4.23%	239	4.69%	216	3.93%	189	3.47%
65 & over	16	0.33%	14	0.27%	12	0.24%	7	0.13%	10	0.18%
Total	<u>4,780</u>	<u>100.00%</u>	<u>5,206</u>	<u>100.00%</u>	<u>5,101</u>	<u>100.00%</u>	<u>5,502</u>	<u>100.00%</u>	<u>5,453</u>	<u>100.00%</u>

Average Age	26	26	26	26	26
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Grayson College
Transfers to Senior Texas Institutions
2013 - 2014 Graduates, Completers and Non-Returners
(Unaudited)

Institution	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
Angelo State University	2			2	0.39%
Lamar University	3			3	0.58%
Midwestern State University	16	2	1	19	3.68%
Sam Houston State University	5		1	6	1.16%
Stephen F. Austin State University	16	1		17	3.29%
Sul Ross State University	1			1	0.19%
Tarleton State University	29		1	30	5.81%
Texas A & M University	29	1	2	32	6.21%
Texas A & M University at Commerce	68	10	6	84	16.29%
Texas A & M University at Corpus Christi	3			3	0.58%
Texas A & M University at Galveston			1	1	0.19%
Texas A & M University at Texarkana	1			1	0.19%
Texas A & M University at San Antonio			1	1	0.19%
Texas State University	10	3	1	14	2.71%
Texas Tech University	30	2		32	6.21%
Texas Tech University Health Sciences Center	1		5	6	1.16%
Texas Woman's University	41	2	5	48	9.31%
The University of Texas at Arlington	25		26	51	9.89%
The University of Texas at Austin	9	2		11	2.13%
The University of Texas at Dallas	11	2	1	14	2.71%
The University of Texas at Pan American	1			1	0.19%
The University of Texas at the Permian Basin	1			1	0.19%
The University of Texas at San Antonio			1	1	0.19%
The University of Texas at Tyler	4	1		5	0.97%
The University of Texas Medical Branch at Galveston			2	2	0.39%
University of Houston	2			2	0.39%
University of Houston-Victoria			1	1	0.19%
University of North Texas	105	10	5	120	23.27%
University of North Texas at Dallas	1			1	0.19%

Grayson College
Capital Asset Information
Fiscal Years 2011 to 2015
(Unaudited)

	Fiscal Year				
	2015	2014	2013	2012	2011
Academic Buildings	21	21	20	20	19
Square Footage	426,515	426,515	407,848	407,848	399,848
Libraries	1	1	1	1	1
Square Footage	18,503	18,503	18,503	18,503	18,503
Number of Volumes	51,800	51,800	51,800	51,800	51,800
Administrative and support buildings	3	3	3	3	3
Square Footage	39,953	39,953	39,953	39,953	39,953
Dormitories	2	2	2	2	2
Square Footage	51,121	51,121	51,121	51,121	51,121
Number of Beds	180	180	180	180	180
Golf Course	2	2	2	2	2
Square Footage	4,122	4,122	4,122	4,122	4,122
Dining Facilities	1	1	1	1	1
Square Footage	9,750	9,750	9,750	9,750	9,750
Average Daily Customers	300	300	300	300	300
Athletic Facilities	4	4	4	4	4
Square Footage	30,003	30,003	30,003	30,003	29,753
Gymnasiums	1	1	1	1	1
Baseball Field	1	1	1	1	1
Softball Field	1	1	1	1	1
Batting Cage	1	1	1	1	1
Plant Facilities	3	3	3	3	3
Square Footage	6,797	6,797	6,797	6,797	6,797
Transportation					
Cars	3	3	3	3	3
Light Trucks/Vans	16	16	24	24	24
Buses	2	2	3	3	3