

**Grayson College**  
**Annual Financial Report**  
**August 31, 2018**

**Grayson College  
Annual Financial Report  
Year Ended August 31, 2018**

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**Grayson College  
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Year Ended August 31, 2018**

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**Grayson College**  
**Organizational Data**  
**For the Fiscal Year 2017 - 2018**

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**Board of Trustees**

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Officers

|                          |               | <u>Term Expires</u> |
|--------------------------|---------------|---------------------|
| Mr. Ronnie Cole          | Chairman      | 2024                |
| Dr. Debbie Barnes-Plyler | Vice-Chairman | 2024                |
| Mrs. Jackie Butler       | Secretary     | 2022                |

Members

|                     |      |
|---------------------|------|
| Dr. Mack Broiles    | 2024 |
| Mr. Ralph Jones     | 2020 |
| Mr. Rad Richardson  | 2020 |
| Mrs. Krista Hartman | 2022 |

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**Principal Administrative and Business Officers**

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|                     |   |
|---------------------|---|
| 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 Student Affairs        |
| Dr. Dava Washburn   | Vice President for Instruction            |

**McClanahan and Holmes, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

STEVEN W. MOHUNDRO, CPA  
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INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Grayson College  
Denison, Texas

We have audited the accompanying financial statements of the business-type activities of Grayson College (the College) and Grayson College Foundation (the Foundation), a discretely presented component unit, as of and for the years ended August 31, 2018 and 2017, 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 from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Grayson College and Grayson College Foundation, a discretely presented component unit, as of August 31, 2018 and 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, the College adopted new accounting guidance prescribed by GASB Statement No. 75 for its post-employment benefits other than pensions. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the financial statements. The Schedule of the College's Proportionate Share of the Net OPEB Liability discloses the College's Net OPEB Liability. The Schedule of the College OPEB Contributions discloses the College's contributions to the Employees Retirement System of Texas. Our opinion is not modified with respect to the matter.

## 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, Schedule of the College's Pension Contributions, Schedule of the College's Proportionate Share of the Net OPEB Liability, and Schedule of the College's OPEB Contributions 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of expenditures of State of Texas awards, required by the State of Texas Single Audit Circular and the supplemental schedules, is also not a required part of the basic financial statements.

Board of Trustees  
Grayson College

The schedule of expenditures of federal awards, the schedule of expenditures of State of Texas Awards, and the supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the schedule of expenditures of State of Texas awards, and the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary schedules and 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 14, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Grayson College's 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.

*McClanahan and Holmes, LLP*  
Certified Public Accountants

Denison, Texas  
December 14, 2018

**GRAYSON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

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, 2018. It should be read in conjunction with the college's financial statements which follow.

**IMPLEMENTATION OF NEW ACCOUNTING STANDARD**

As of August 31, 2018, Grayson College implemented Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*, from the Governmental Accounting Standards Board (GASB). This new standard had a profound negative effect on the college's financial statements. Total net position, and especially unrestricted net position, were particularly affected.

While net position in the financial statements is correctly stated under the current accounting standards, its meaning should be considered in the context of other factors:

- Total net position increased \$5,235,401 before the effect of the new pronouncement.
- Total net position remains at \$35,592,885 after applying GASB Statement 75.
- Cash, Cash Equivalents, and Current Investments total \$27,787,073.

Taken as a whole, and considering that the school will not be called on to make any cash disbursements due to the new pronouncement, Grayson College remains in solid financial condition.

**FINANCIAL HIGHLIGHTS**

- Total assets grew from \$108,052,762 at August 31, 2017 to \$113,883,174 at August 31, 2018.
- Total liabilities were \$76,238,278 at August 31, 2018, up from \$50,998,068 at August 31, 2017. Essentially all of this increase came for the establishment of the Other Post-Employment Benefits liability in the amount of \$25,701,904.
- Operating revenue increased \$997,728, or 11.08%, to \$10,003,002.
- Operating expenses increased \$2,459,159, or 6.95%, to \$37,823,329.
- Net non-operating revenues increased \$2,251,161, or 7.31%, to \$33,055,728

**CHANGES IN UNRESTRICTED NET POSITION**

Total net position can be thought of as the total wealth of an entity. Unrestricted net position is that portion of total net position that is not committed to a particular purpose and can therefore be used for any legitimate need. As mentioned above, GASB Statement 75 has had a profound negative effect on Grayson College's unrestricted net position. Furthermore, the college's building program has moved a significant amount of resources from unrestricted net position to the portion of total net position that reports the college's investment in buildings and other fixed assets, known as Investment in Plant.

A summary of changes in unrestricted net position from the published 2017 Annual Financial Report (AFR) to the 2018 AFR is shown below:

|  |                       |
|--|-----------------------|
| Total Unrestricted Net Position at 8/31/17 from the 2017 AFR   | \$ 29,229,579         |
| Effect of GASB Statement 75                                    | <u>\$(30,001,644)</u> |
| Re-stated Total Unrestricted Net Position at 8/31/2017         | \$ (772,065)          |
| Changes in Total Unrestricted Net Position related Plant Funds | \$(9,742,010)         |
| All other changes in Total Unrestricted Net Position           | <u>\$ 2,200,248</u>   |
| Total Unrestricted Net Position at 8/31/18                     | \$(8,313,827)         |

Additional details about Net Position can be found on the Schedule of Net Position by Source and Availability (Schedule D) in the Supplemental Schedules and Reports section of the AFR.

**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 accounting principles issued by the Governmental Accounting Standards Board (GASB) that are currently in effect.



**GRAYSON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

**EXPLANATION OF FINANCIAL STATEMENTS (Continued)**

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 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 services we provide, but rather from taxes on those that do not directly benefit from our services. As mentioned above the implementation of GASB 75 as of August 31, 2018 was the source of a major change in net position.

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 Net Position  
August 31, 2018, 2017, and 2016**

|  | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          |
|--|----------------------|----------------------|----------------------|
| <b><u>Assets</u></b>                             |                      |                      |                      |
| Capital Assets (net of accumulated depreciation) | \$ 75,853,245        | \$ 67,019,493        | \$ 67,855,889        |
| All other  | 38,029,929           | 41,033,269           | 39,064,199           |
| Total Assets                                     | <u>113,883,174</u>   | <u>108,052,762</u>   | <u>106,920,088</u>   |
| <b><u>Deferred Outflows of Resources</u></b>     | 5,115,046            | 4,179,685            | 2,421,751            |
| <b><u>Liabilities</u></b>                        |                      |                      |                      |
| Non-current liabilities                          | 64,819,660           | 43,108,922           | 44,663,850           |
| All other liabilities                            | 11,418,618           | 7,889,145            | 7,762,080            |
| Total Liabilities                                | <u>76,238,278</u>    | <u>50,998,067</u>    | <u>52,425,930</u>    |
| <b><u>Deferred Inflows of Resources</u></b>      | 7,167,057            | 875,251              | 1,002,452            |
| <b><u>Net Position</u></b>                       |                      |                      |                      |
| Invested in capital assets (net of related debt) | 40,029,470           | 27,620,363           | 25,065,503           |
| Restricted                                       | 3,877,242            | 3,509,186            | 3,138,294            |
| Unrestricted                                     | (8,313,827)          | 29,229,579           | 27,709,660           |
| Total Net Position                               | <u>\$ 35,592,885</u> | <u>\$ 60,359,128</u> | <u>\$ 55,913,457</u> |

**GRAYSON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

**Condensed Statements of Revenues, Expenses and Changes in Net Position  
for Years Ended August 31, 2018, 2017 and 2016**

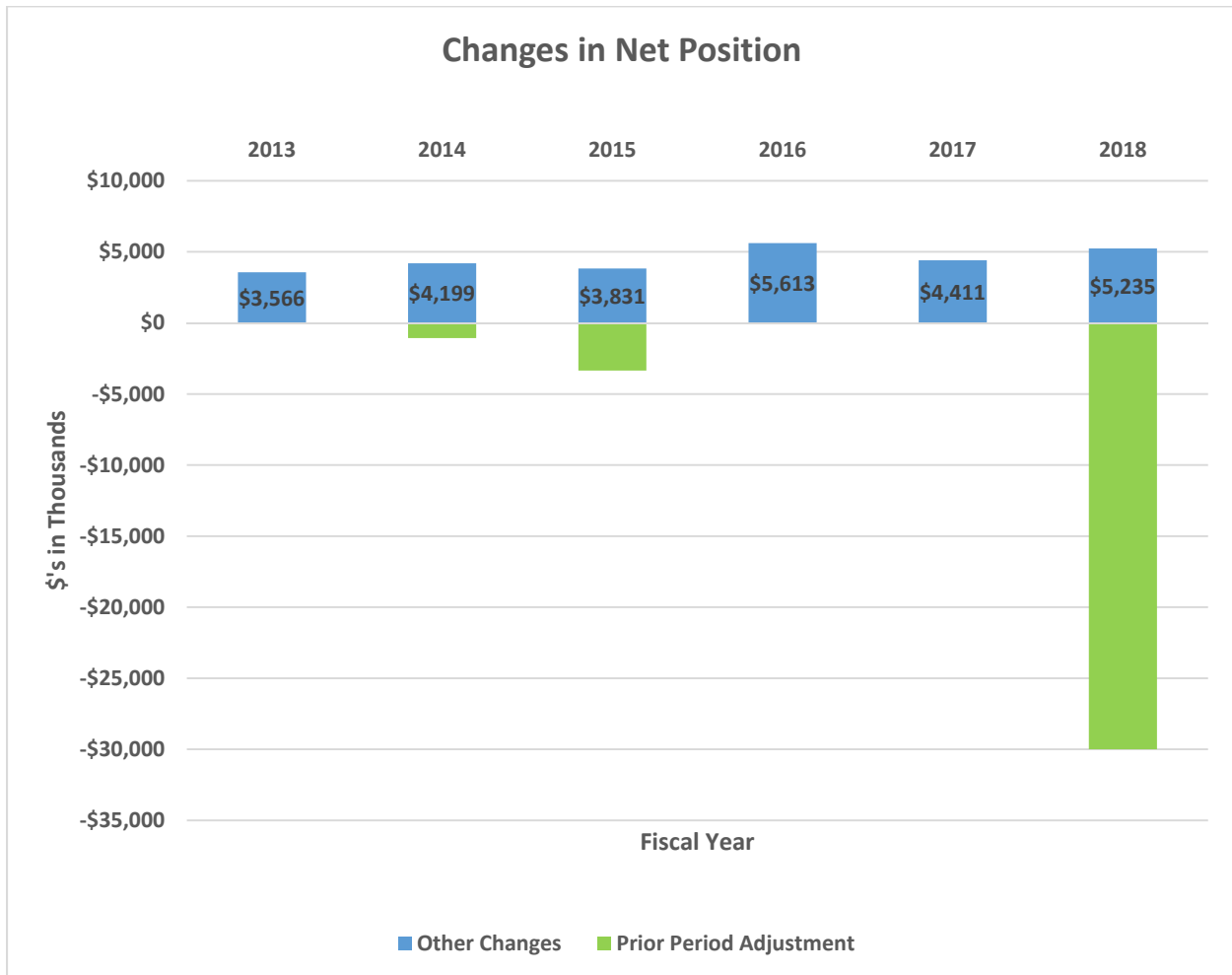
|  | <u>2018</u>                 | <u>2017</u>                 | <u>2016</u>                 |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b><u>Operating Revenue</u></b>                                |                             |                             |                             |
| Tuition and fees (net of discounts)                            | \$ 4,840,486                | \$ 4,766,418                | \$ 5,540,489                |
| Operating grants and contracts                                 | 4,202,851                   | 3,359,554                   | 3,366,885                   |
| Auxiliary enterprises (net of discount)                        | 646,064                     | 627,588                     | 724,979                     |
| Other operating revenues                                       | 313,601                     | 251,714                     | 220,851                     |
| Total operating revenues                                       | <u>10,003,002</u>           | <u>9,005,274</u>            | <u>9,853,204</u>            |
| <b><u>Operating Expenses</u></b>                               |                             |                             |                             |
| Instruction  | 14,411,123                  | 13,271,750                  | 14,159,229                  |
| Public service   | 962,715                     | 733,782                     | 729,463                     |
| Academic support   | 2,297,141                   | 1,935,157                   | 1,794,448                   |
| Student services   | 3,325,364                   | 2,944,852                   | 2,763,685                   |
| Intitutional support   | 5,394,854                   | 4,776,633                   | 4,333,013                   |
| Operation and maintenance of plant                             | 3,810,054                   | 4,029,832                   | 3,170,334                   |
| Scholarships and fellowships                                   | 4,004,851                   | 4,110,334                   | 4,331,281                   |
| Auxiliary enterprises  | 1,179,694                   | 1,253,462                   | 1,181,570                   |
| Depreciation   | 2,437,533                   | 2,308,368                   | 2,301,359                   |
| Total operating expenses                                       | <u>37,823,329</u>           | <u>35,364,170</u>           | <u>34,764,382</u>           |
| <b><u>Operating Income (Loss)</u></b>                          | <b>(27,820,327)</b>         | <b>(26,358,896)</b>         | <b>(24,911,178)</b>         |
| <b><u>Non-Operating Revenues (Expenses)</u></b>                |                             |                             |                             |
| State appropriations   | 10,454,983                  | 9,383,887                   | 9,461,785                   |
| Ad valorem taxes   | 16,665,559                  | 15,699,416                  | 14,966,903                  |
| Net other non-operating revenues (expenses)                    | 5,935,186                   | 5,721,264                   | 6,095,162                   |
| Net non-operating revenues (expenses)                          | <u>33,055,728</u>           | <u>30,804,567</u>           | <u>30,523,850</u>           |
| <b><u>Increase in Net Position</u></b>                         | <b>5,235,401</b>            | <b>4,445,671</b>            | <b>5,612,672</b>            |
| <b><u>Net Position - Beginning of Year</u></b>                 | <b>60,359,128</b>           | <b>55,913,457</b>           | <b>50,300,785</b>           |
| Restatement due to implementation of accounting pronouncements | (30,001,644)                | -                           | -                           |
| <b><u>Net Position - Beginning of Year (Restated)</u></b>      | <b>30,357,484</b>           | <b>55,913,457</b>           | <b>50,300,785</b>           |
| <b><u>Net Position - End of Year</u></b>                       | <b><u>\$ 35,592,885</u></b> | <b><u>\$ 60,359,128</u></b> | <b><u>\$ 55,913,457</u></b> |

**DISCUSSION OF NET POSITION**

Net position indicates the wealth of a school. It is the remainder when total liabilities and deferred inflows of resources are taken from total assets and deferred outflows. Until fiscal year 2018, Grayson College had enjoyed an increase in net position in each of its recent fiscal years. The implementation of GASB Statement 75 resulted in a significant decrease in net position. There were also 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.

**GRAYSON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

**DISCUSSION OF NET POSITION (Continued)**



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

During the 2015-16 fiscal year, the college designated \$500,000 in net position to begin a bachelor's of science in nursing (BSN) degree program. This designation is to be used to fund the start-up this program when the college receives permission from the State of Texas to grant this degree. The designation demonstrates the college's financial ability and resolve to bring this valuable degree to our service area.

**DISCUSSION OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The chart above illustrates the magnitude of implementing GASB Statement 75.

The Texas Higher Education Coordinating Board (THECB) has stated its intention of measuring public community colleges in its annual Financial Condition Analysis of Texas Public Community Colleges on a basis that negates the effect the GASB 75. Following that agency's lead, the financial indicators below are present both with and without the implementation of this pronouncement.

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, 2018, Grayson College's primary reserves ratio was -.11 with the implementation of GASB Statement 75 and .66 if that pronouncement is not considered. This THECB sets a standard of .14 for this indicator.

**GRAYSON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

**DISCUSSION OF FINANCIAL POSITION AND RESULTS OF OPERATIONS (Continued)**

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 beginning of the fiscal year. For fiscal year 2018, Grayson College's return on net position is -41.0% with the implementation of GASB Statement 75 and 17.3% if that pronouncement is not considered. The THECB sets a standard of 0.00% (any positive return) for this indicator.

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 2018 the net position of the foundation increased \$805,019 to \$14,819,629.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

At August 31, 2018, Grayson College had two construction projects underway.

An administrative/academic building to be called the Student Success Center, which will hold testing and tutoring facilities, executive offices, and the boardroom, is under construction. As part of that project, the existing Administration Building, to be renamed the Student Affairs Building, will be renovated to expand office space for student services, human resources, financial aid, and the business office. Estimated cost for this entire project is approximately \$6,600,000 with completion anticipated in June 2019.

The other project is the Teaching Distillery that will add distilling processes to the viticulture/enology program. Estimated cost is \$1,550,000 with completion planned for December 2018.

Jones Hall, a new residence dormitory, was essentially completed and occupied by residents in August 2018. The budget for this facility was \$7,358,503.

Additionally, an Advanced Manufacturing Laboratory, which is a machining addition to the Career and Technology Center, was completed in January 2018. It houses a program to complete training in industrial machine operation in conjunction with local high schools and industry and cost \$1,577,000.

The college will fund these projects from its current resources.

In November 2017, the college completed an advance refunding of its general obligation debt. The refunding resulted in a total reduction of debt service payments of just over \$3,800,000.

The college does not anticipate issuing any debt in the foreseeable future.

**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.

**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, 2018 and 2017**

**Exhibit 1**

|   | <b>2018</b>          | <b>2017</b>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| <b>Current Assets</b>   |                      |                      |
| Cash and Cash Equivalents   | \$ 20,187,994        | \$ 24,575,048        |
| Short-Term Investments  | 7,599,079            | 6,225,705            |
| Receivables (Net of Allowance for Doubtful /Uncollectible Accounts) | 1,853,364            | 1,567,361            |
| Prepaid Expenses  | 37,495               | 49,011               |
| <b>Total Current Assets</b>   | <b>29,677,932</b>    | <b>32,417,125</b>    |
| <b>Noncurrent Assets</b>  |                      |                      |
| Other Long-Term Investments   | 8,351,997            | 8,616,144            |
| Capital Assets (Net of Accumulated Depreciation)                    | 75,853,245           | 67,019,493           |
| <b>Total Noncurrent Assets</b>                                      | <b>84,205,242</b>    | <b>75,635,637</b>    |
| <b>Total Assets</b>   | <b>113,883,174</b>   | <b>108,052,762</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                               |                      |                      |
| Deferred Outflows - Pension Plan                                    | 2,091,843            | 2,437,641            |
| Deferred Outflows - OPEB  | 1,336,949            | -                    |
| Deferred Charge on Bond Refundings                                  | 1,686,254            | 1,742,044            |
| <b>Total Deferred Outflows of Resources</b>                         | <b>5,115,046</b>     | <b>4,179,685</b>     |
| <b>LIABILITIES</b>  |                      |                      |
| <b>Current Liabilities</b>  |                      |                      |
| Accounts Payable  | 1,212,842            | 1,307,732            |
| Construction Contracts Payable                                      | 2,196,985            | -                    |
| Accrued Liabilities   | 197,160              | 173,974              |
| Funds Held for Others   | 719,235              | 696,678              |
| Unearned Revenues   | 3,504,624            | 2,040,277            |
| Deposits Payable  | 40,315               | 39,340               |
| Bonds Payable (Current Portion)                                     | 3,547,457            | 3,631,145            |
| <b>Total Current Liabilities</b>                                    | <b>11,418,618</b>    | <b>7,889,146</b>     |
| <b>Noncurrent Liabilities</b>                                       |                      |                      |
| Accrued Compensated Absences  | 155,458              | 155,562              |
| Bonds Payable (Net of Current Portion)                              | 34,123,711           | 37,671,168           |
| Pension Liability   | 4,838,587            | 5,282,192            |
| OPEB Liability  | 25,701,904           | -                    |
| <b>Total Noncurrent Liabilities</b>                                 | <b>64,819,660</b>    | <b>43,108,922</b>    |
| <b>Total Liabilities</b>  | <b>76,238,278</b>    | <b>50,998,068</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                      |                      |
| Deferred Inflows - Pension Plan                                     | 1,484,242            | 875,251              |
| Deferred Inflows - OPEB   | 5,682,815            | -                    |
| <b>Total Deferred Inflows of Resources</b>                          | <b>7,167,057</b>     | <b>875,251</b>       |
| <b>NET POSITION</b>   |                      |                      |
| Net Investment in Capital Assets                                    | 40,029,470           | 27,620,363           |
| Restricted for:   |                      |                      |
| Expendable:   |                      |                      |
| Student Financial Aid Programs                                      | 455,479              | 480,149              |
| Instructional Programs  | 45,553               | 52,186               |
| Loans   | 47,558               | 47,558               |
| Capital Projects  | -                    | 12,276               |
| Debt Service  | 3,325,124            | 2,913,255            |
| Other   | 3,528                | 3,762                |
| Unrestricted  | (8,313,827)          | 29,229,579           |
| <b>Total Net Position (Schedule D)</b>                              | <b>\$ 35,592,885</b> | <b>\$ 60,359,128</b> |

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

**Grayson College  
Affiliated Organizations  
Statement of Financial Position  
August 31, 2018 and 2017**

|  | <b>Grayson College Foundation, Inc.</b> |                      |
|--|---|----------------------|
|  | <b>2018</b>                             | <b>2017</b>          |
| <b>ASSETS</b>                                    |   |                      |
| <b>Current Assets</b>                            |   |                      |
| Cash and Cash Equivalents                        | \$ 974,153                              | \$ 896,137           |
| Short-Term Investments                           | 522,546                                 | 2,083,102            |
| Accrued Interest Receivable                      | 249                                     | 186                  |
| Current Portion of Notes Receivable              | 3,138                                   | -                    |
| <b>Total Current Assets</b>                      | <b>1,500,086</b>                        | <b>2,979,425</b>     |
| <b>Noncurrent Assets</b>                         |   |                      |
| Notes Receivable                                 | 209,431                                 | -                    |
| Long-Term Investments                            | 12,909,023                              | 10,607,846           |
| Capital Assets (Net of Accumulated Depreciation) | 205,672                                 | 428,663              |
| <b>Total Noncurrent Assets</b>                   | <b>13,324,126</b>                       | <b>11,036,509</b>    |
| <b>Total Assets</b>                              | <b>\$ 14,824,212</b>                    | <b>\$ 14,015,934</b> |
| <b>LIABILITIES AND NET ASSETS</b>                |   |                      |
| <b>Liabilities</b>                               |   |                      |
| Accounts Payable                                 | \$ 4,583                                | \$ 1,324             |
| <b>Total Liabilities</b>                         | <b>4,583</b>                            | <b>1,324</b>         |
| <b>Net Assets</b>                                |   |                      |
| Unrestricted                                     | 205,672                                 | 428,663              |
| Temporarily Restricted                           | 2,696,450                               | 2,644,391            |
| Permanently Restricted                           | 11,917,507                              | 10,941,556           |
| <b>Total Net Assets</b>                          | <b>14,819,629</b>                       | <b>14,014,610</b>    |
| <b>Total Liabilities and Net Assets</b>          | <b>\$ 14,824,212</b>                    | <b>\$ 14,015,934</b> |

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, 2018 and 2017**

**Exhibit 2**

|   | <b>2018</b>          | <b>2017</b>          |
|---|----------------------|----------------------|
| <b>Operating Revenues</b>   |                      |                      |
| Tuition and Fees (Net of Discounts of \$5,246,954 and \$5,010,016)  | \$ 4,840,486         | \$ 4,766,418         |
| Federal Grants and Contracts  | 1,442,151            | 1,543,898            |
| State Grants and Contracts  | 2,517,651            | 1,566,851            |
| Non-Governmental Grants and Contracts                               | 243,049              | 248,805              |
| Sales and Services of Educational Activities                        | 49,950               | 51,151               |
| Auxiliary Enterprises (Net of Discounts of \$232,892 and \$208,276) | 646,064              | 627,588              |
| Other Operating Revenues  | 263,651              | 200,563              |
| <b>Total Operating Revenues (Schedule A)</b>                        | <b>10,003,002</b>    | <b>9,005,274</b>     |
| <b>Operating Expenses</b>   |                      |                      |
| Instruction   | 14,411,123           | 13,271,750           |
| Public Service  | 962,715              | 733,782              |
| Academic Support  | 2,297,141            | 1,935,157            |
| Student Services  | 3,325,364            | 2,944,852            |
| Institutional Support   | 5,394,854            | 4,776,633            |
| Operation and Maintenance of Plant                                  | 3,810,054            | 4,029,832            |
| Scholarships and Fellowships  | 4,004,851            | 4,110,334            |
| Auxiliary Enterprises   | 1,179,694            | 1,253,462            |
| Depreciation  | 2,437,533            | 2,308,368            |
| <b>Total Operating Expenses (Schedule B)</b>                        | <b>37,823,329</b>    | <b>35,364,170</b>    |
| <b>Operating Income (Loss)</b>                                      | <b>(27,820,327)</b>  | <b>(26,358,896)</b>  |
| <b>Non-Operating Revenues (Expenses)</b>                            |                      |                      |
| State Appropriations  | 10,454,983           | 9,383,887            |
| Ad-Valorem Taxes for Maintenance and Operations                     | 12,903,863           | 11,789,443           |
| Ad-Valorem Taxes for General Obligation Bonds                       | 3,761,696            | 3,909,973            |
| Federal Grants and Contracts, Non-Operating                         | 6,598,428            | 6,862,346            |
| Gifts   | 53,735               | 35,077               |
| Investment Income (Net of Investment Expenses)                      | 442,634              | 218,578              |
| Interest on Capital Related Debt                                    | (1,155,106)          | (1,379,560)          |
| Gain (Loss) of Disposition of Property                              | (4,505)              | (15,177)             |
| <b>Net Non-Operating Revenues (Expenses) (Schedule C)</b>           | <b>33,055,728</b>    | <b>30,804,567</b>    |
| <b>Increase in Net Position</b>                                     | <b>5,235,401</b>     | <b>4,445,671</b>     |
| <b>Net Position - Beginning of Year</b>                             | <b>60,359,128</b>    | <b>55,913,457</b>    |
| <b>Restatement of Implementation of GASB 75</b>                     | <b>(30,001,644)</b>  | <b>-</b>             |
| <b>Net Position - End of Year</b>                                   | <b>\$ 35,592,885</b> | <b>\$ 60,359,128</b> |

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



**Grayson College  
Affiliated Organizations  
Statement of Activities  
Years Ended August 31, 2018 and 2017**

|                                       | <b>Grayson College Foundation, Inc.</b> |                      |
|---------------------------------------|---|----------------------|
|                                       | <b>2018</b>                             | <b>2017</b>          |
| <b>Revenues</b>                       |   |                      |
| Gifts and Contributions               | \$ 634,957                              | \$ 1,052,566         |
| Gifts in Kind - Grayson College       | 345,564                                 | 260,281              |
| Other Grants                          | -                                       | 36,215               |
| Interest / Investment Income          | 334,294                                 | 276,617              |
| Unrealized Investment Income (Loss)   | 472,604                                 | 592,739              |
| <b>Total Revenues</b>                 | <b>1,787,419</b>                        | <b>2,218,418</b>     |
| <b>Expenses</b>                       |   |                      |
| Salary and Wages                      | 257,804                                 | 185,240              |
| Services and Supplies                 | 178,543                                 | 232,151              |
| Scholarships                          | 535,631                                 | 324,030              |
| Depreciation                          | 9,913                                   | 19,559               |
| Loss on Sale of Asset                 | 509                                     | -                    |
| <b>Total Expenses</b>                 | <b>982,400</b>                          | <b>760,980</b>       |
| <b>Change in Net Position</b>         | <b>805,019</b>                          | <b>1,457,438</b>     |
| <b>Net Assets - Beginning of Year</b> | <b>14,014,610</b>                       | <b>12,557,172</b>    |
| <b>Net Assets - End of Year</b>       | <b>\$ 14,819,629</b>                    | <b>\$ 14,014,610</b> |

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

**Grayson College**  
**Statement of Cash Flows**  
**Years Ended August 31, 2018 and 2017**

**Exhibit 3**

|   | <b>2018</b>          | <b>2017</b>          |
|---|----------------------|----------------------|
| <b>Cash Flows from Operating Activities</b>                         |                      |                      |
| Receipts from Students and Other Customers                          | \$ 7,010,401         | \$ 5,929,677         |
| Receipts of Grants and Contracts                                    | 4,202,139            | 3,228,087            |
| Payments to or on Behalf of Employees                               | (20,386,978)         | (19,702,476)         |
| Payments to Suppliers for Goods and Services                        | (7,841,980)          | (7,703,572)          |
| Payments of Scholarships  | (3,874,966)          | (4,110,334)          |
| <b>Net Cash Flows from Operating Activities</b>                     | <b>(20,891,384)</b>  | <b>(22,358,618)</b>  |
| <b>Cash Flows from Noncapital Financing Activities</b>              |                      |                      |
| Ad-Valorem Tax Revenues   | 16,634,648           | 15,607,289           |
| Receipts of State Appropriations                                    | 7,157,933            | 7,583,243            |
| Receipts of Grants and Contracts (Nonoperating)                     | 7,156,430            | 6,852,888            |
| Receipts from Student Organizations and Other Agency Transactions   | 575,606              | 1,788,449            |
| Payments to Student Organizations and Other Agency Transactions     | (598,163)            | (1,785,924)          |
| Receipts of Gifts   | 53,735               | 35,077               |
| <b>Net Cash Flows from Noncapital Financing Activities</b>          | <b>30,980,189</b>    | <b>30,081,022</b>    |
| <b>Cash Flows from Capital and Related Financing Activities</b>     |                      |                      |
| Purchases of Capital Assets   | (9,078,805)          | (1,226,587)          |
| Payment on Capital Debt and Leases                                  | (4,730,461)          | (4,729,705)          |
| <b>Net Cash Flows from Capital and Related Financing Activities</b> | <b>(13,809,266)</b>  | <b>(5,956,292)</b>   |
| <b>Cash Flows from Investing Activities</b>                         |                      |                      |
| Proceeds from Sale and Maturity of Investments                      | 4,340,720            | -                    |
| Investment Earnings   | 343,185              | 112,757              |
| Purchase of Investments   | (5,350,498)          | (2,000,000)          |
| <b>Net Cash Flows from Investing Activities</b>                     | <b>(666,593)</b>     | <b>(1,887,243)</b>   |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>             | <b>(4,387,054)</b>   | <b>(121,131)</b>     |
| <b>Cash and Cash Equivalents - Beginning of Year</b>                | <b>24,575,048</b>    | <b>24,696,179</b>    |
| <b>Cash and Cash Equivalents - End of Year</b>                      | <b>\$ 20,187,994</b> | <b>\$ 24,575,048</b> |

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

**Grayson College**  
**Statement of Cash Flows**  
**Years Ended August 31, 2018 and 2017**

**Exhibit 3**  
**(continued)**

|   | 2018                   | 2017                   |
|---|------------------------|------------------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash</b>        |                        |                        |
| <b>Flows from Operating Activities</b>                              |                        |                        |
| Operating Income (Loss)   | \$ (27,820,327)        | \$ (26,358,896)        |
| <b>Adjustments to Reconcile Operating Income (Loss) to Net Cash</b> |                        |                        |
| <b>Flows from Operating Activities</b>                              |                        |                        |
| Depreciation  | 2,437,533              | 2,308,368              |
| State-Paid Employee Benefits  | 2,078,347              | 1,800,644              |
| <b>Change in Assets and Liabilities</b>                             |                        |                        |
| Receivables (Net)   | (286,003)              | 88,348                 |
| Prepaid Expenses  | 11,516                 | 28,858                 |
| Deferred Outflows of Resources - OPEB                               | (2,021)                | (458,810)              |
| Deferred Outflows of Resources - Pension Plan                       | (1,336,949)            | -                      |
| Accounts Payable  | 2,102,095              | (634,290)              |
| Accrued Liabilities   | 23,186                 | (2,200)                |
| Accrued Compensated Absences  | (104)                  | -                      |
| Unearned Revenues   | 1,486,904              | 70,975                 |
| Deposits Payable  | 975                    | (1,650)                |
| Deferred Inflows of Resources - Pension Plan                        | 608,991                | (127,201)              |
| Deferred Inflows of Resources - OPEB                                | 33,217                 | -                      |
| Net Pension Liability   | (443,605)              | -                      |
| Net OPEB Liability  | 214,861                | -                      |
| Prior Period Adjustment   | -                      | 927,236                |
| <b>Total Adjustments</b>  | <b>6,928,943</b>       | <b>4,000,278</b>       |
| <b>Net Cash Flows from Operating Activities</b>                     | <b>\$ (20,891,384)</b> | <b>\$ (22,358,618)</b> |

**SUPPLEMENTARY SCHEDULE TO STATEMENT OF CASH FLOWS**

**Noncash Investing, Capital, and Financing Activities**

|   |           |               |
|---|-----------|---------------|
| Bond Proceeds Deposited with Advance Refunding Escrow Agent | \$ -      | \$ 31,589,927 |
| Payment of Bond Issuance Cost Withheld from Bond Proceeds   | \$ -      | \$ 179,043    |
| Investment Income Reinvested                                | \$ 99,449 | \$ 105,751    |

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

**Grayson College  
Affiliated Organizations  
Statement of Cash Flows  
Years Ended August 31, 2018 and 2017**

|   | <b>Grayson College Foundation, Inc.</b> |                    |
|---|---|--------------------|
|   | <b>2018</b>                             | <b>2017</b>        |
| <b>Cash Flows from Operating Activities</b>                 |   |                    |
| Change in Net Position                                      | \$ 805,019                              | \$ 1,457,438       |
| Adjustments to Reconcile Change in Net Position to Net Cash |   |                    |
| Flows from Operating Activities:                            |   |                    |
| Depreciation  | 9,913                                   | 19,559             |
| Net (Gains) Losses on Investments                           | (806,835)                               | (863,666)          |
| Loss on Sale of Assets                                      | 509                                     | -                  |
| Change in Operating Assets and Liabilities:                 |   |                    |
| Accrued Interest Receivable                                 | (63)                                    | (1)                |
| Accounts Payable  | 3,259                                   | (26,502)           |
| <b>Net Cash Flows from Operating Activities</b>             | <b>11,802</b>                           | <b>586,828</b>     |
| <b>Cash Flows from Investing Activities</b>                 |   |                    |
| Purchases of Investments                                    | (352,908)                               | (1,822,787)        |
| Proceeds from Sale of Investments                           | 419,122                                 | -                  |
| <b>Net Cash Flows from Investing Activities</b>             | <b>66,214</b>                           | <b>(1,822,787)</b> |
| <b>Cash Flows from Financing Activities</b>                 | <b>-</b>                                | <b>-</b>           |
| <b>Net Increase in Cash</b>                                 | <b>78,016</b>                           | <b>(1,235,959)</b> |
| <b>Cash - Beginning of Year</b>                             | <b>896,137</b>                          | <b>2,132,096</b>   |
| <b>Cash - End of Year</b>                                   | <b>\$ 974,153</b>                       | <b>\$ 896,137</b>  |

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

**Grayson College**  
**Notes to the Financial Statements**  
**August 31, 2018 and 2017**

**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 involved in business-type activities, in accordance with these standards. While 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 “net investment in capital assets” or “restricted.”

**B. 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.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. 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. Other operating revenues include program-specific grants and contributions, sales of auxiliary activities and other miscellaneous income not applicable to any other category. Operating expenses include the costs of sales and services, administrative expenses, and depreciation of capital assets. The operations of the bookstore and cafeteria are performed by a third party contracted by the College.

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

**D. 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.

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.

**E. 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.

**F. 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.

**G. Investments**

The College's investments are reported at fair value in accordance with accounting standards. 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.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. 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, 2017, was \$13,842,348,235. Exemptions and abatements of \$4,331,865,052 are allowed, resulting in a taxable value of \$9,510,483,183. The tax levy of \$16,500,906 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, 2018 to finance Unrestricted Current Fund operations and debt service for general obligation bonds were \$0.14034 and \$0.04086 per \$100 valuation, respectively.

Property tax collections during the year ended August 31, 2018 were \$16,224,819 for current taxes, \$230,388 for delinquent taxes, and \$179,441 for penalties, interest, and attorney fees. Tax collections for the year ended August 31, 2018 were 98.3% of the current tax levy. Other taxes (from non-property sources) collected during the year ended August 31, 2018 totaled \$5,767.

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.

**I. 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.

**J. 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.

**K. 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.

**L. 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, 2018.

**M. 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.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Other Post-Employment Benefits (OPEB)**

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

**O. 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.

**P. Operating and Non-Operating Revenue and Expense Policy**

The college distinguishes operating revenues and expenses from non-operating items. The college reports as a business-type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the college's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of food services and the bookstore is not performed by the college.

**Q. Change in Accounting Principle**

The college implemented the provisions of GASB Statement No. 75, Accounting for Postemployment Benefits Other than Pensions. The implementation of this statement resulted in an adjustment to net position in 2018 of (\$30,001,644).

**R. Reclassifications**

Certain amounts in the prior-year financial statements have been reclassified to conform with presentation in the current-year financial statements.

**S. Prior Year Restatement**

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

Because audited balances could not be obtained for all of the deferred outflows of resources and deferred inflows of resources related to OPEB, the College determined it was impractical to restate its fiscal 2017 financial statements. As such, the College recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle. Beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement No 75:

|   |               |
|---|---------------|
|   | 2018          |
| Increase (Decrease) in Net Position                 | \$ 5,235,401  |
| <br>NET POSITION                                    |               |
| Net Position – Beginning of Year                    | 60,359,128    |
| Cumulative Effect of Change in Accounting Principle | ( 30,001,644) |
| Net Position - Beginning of Year, as restated       | 30,357,484    |
| Net Position-End of Year                            | \$ 35,592,885 |



**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**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.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**Cash and Deposits**

Cash and Deposits at August 31, 2018 and 2017, as reported on the Statement of Net Position (Exhibit 1), consist of the following items:

|                           | 2018          | 2017          |
|---------------------------|---------------|---------------|
| Petty Cash                | \$ 2,700      | \$ 2,700      |
| Bank Deposits:            |               |               |
| Demand Accounts           | 20,185,294    | 24,572,348    |
| Time and Savings Accounts | 9,361,287     | 8,347,391     |
| Total Cash and Deposits   | \$ 29,549,281 | \$ 32,922,439 |

*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, 2018 and 2017, the College's deposits are not exposed to custodial credit risk.

**Investments**

The following schedule summarizes the College's investments as of August 31, 2018:

| Type of Security  | Fair Value   | Credit Rating | Investment Maturities (in Years) |              |             |
|-------------------|--------------|---------------|----------------------------------|--------------|-------------|
|                   |              |               | Less than 1                      | 1 to 2 Years | More than 2 |
| Investment Pools  | \$ 6,589,789 | AAA           | \$ 6,589,789                     | \$ -         | \$ -        |
| Total Investments | \$ 6,589,789 |               | \$ 6,589,789                     | \$ -         | \$ -        |

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

The following schedule summarizes the College's investments as of August 31, 2017:

| Type of Security  | Fair Value          | Credit Rating | Investment Maturities (in Years) |              |             |
|-------------------|---------------------|---------------|----------------------------------|--------------|-------------|
|                   |                     |               | Less than 1                      | 1 to 2 Years | More than 2 |
| Investment Pools  | \$ 6,494,458        | AAA           | \$ 6,494,458                     | \$ -         | \$ -        |
| Total Investments | <u>\$ 6,494,458</u> |               | <u>\$ 6,494,458</u>              | <u>\$ -</u>  | <u>\$ -</u> |

The College has investments with the Texas Short-Term Asset Reserve Program (TexStar), an investment pool organized in conformity with the Interlocal Cooperation Act and the Public Funds Investment Act of the Texas Government Code. A governing board manages the business and affairs of TexStar, and it has appointed an advisory board consisting of representatives of participants and other persons who do not have a business relationship with the pool. TexStar operates in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940 and are rated AAA by Standard and Poors. All investments are stated at amortized cost, which generally approximates the fair value of the securities. There are no limitations or restrictions on withdrawals from TexStar. The College's investment in TexStar is not subject to custodial credit risk.

*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, 2018 and 2017, 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 (continued)**  
**August 31, 2018 and 2017**

**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):

|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| Cash and Deposits                       | \$ 29,549,281        | \$ 32,922,439        |
| Investments                             | 6,589,789            | 6,494,458            |
| Total Deposits and Investments          | <u>\$ 36,141,088</u> | <u>\$ 39,418,914</u> |
| <br>                                    |                      |                      |
| Cash and Cash Equivalents (Exhibit 1)   | \$ 20,187,994        | \$ 24,575,048        |
| Short-Term Investments (Exhibit 1)      | 7,599,079            | 6,225,705            |
| Other Long-Term Investments (Exhibit 1) | 8,351,997            | 8,616,144            |
| Total Deposits and Investments          | <u>\$ 36,139,070</u> | <u>\$ 39,416,897</u> |

**NOTE 5 - RECEIVABLES**

Details of the College's receivables, including the allowance for uncollectible amounts, as of August 31, 2018 and 2017 are as follows:

|                                      | <u>2018</u>         | <u>2017</u>         |
|--------------------------------------|---------------------|---------------------|
| Accounts Receivable                  | \$ 212,583          | \$ 93,785           |
| Tuition and Fees Receivable          | 2,328,457           | 2,062,609           |
| Property Taxes Receivable            | 871,890             | 910,104             |
| Interest Receivable                  | 9,268               | 3,867               |
| Loans Receivable                     | 29,759              | 29,759              |
| Federal Receivables                  | 310,538             | 404,499             |
| State Receivables                    | 257,011             | 120,965             |
| Total Receivables                    | 4,019,506           | 3,625,588           |
| Allowance for Uncollectible Accounts | <u>(2,166,142)</u>  | <u>(2,058,227)</u>  |
| Totals                               | <u>\$ 1,853,364</u> | <u>\$ 1,567,361</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.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

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

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, 2018 and 2017:

|  | Deferred Outflows<br>of Resources |                     | Deferred Inflows<br>of Resources |                   |
|--|-----------------------------------|---------------------|----------------------------------|-------------------|
|  | 2018                              | 2017                | 2018                             | 2017              |
| Pension Plan - Teachers Retirement System of Texas | \$ 2,091,843                      | \$ 2,437,641        | \$ 1,484,242                     | \$ 875,251        |
| Other Post Employment Benefits                     | 1,336,949                         | -                   | 5,682,815                        | -                 |
| Deferred Charge on Bond Refundings                 | 1,686,254                         | 1,742,044           | -                                | -                 |
| Total  | <u>\$ 5,115,046</u>               | <u>\$ 4,179,685</u> | <u>\$ 7,167,057</u>              | <u>\$ 875,251</u> |

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, 2018 is shown below:

|   | Balance<br>Sept. 1, 2017 | Additions            | Retirements         | Balance<br>August 31, 2018 |
|---|--------------------------|----------------------|---------------------|----------------------------|
| <b>Not Depreciated</b>                      |                          |                      |                     |                            |
| Land  | \$ 1,343,562             | \$ -                 | \$ -                | \$ 1,343,562               |
| Construction in Progress                    | 883,091                  | 10,560,585           | 9,333,051           | 2,110,625                  |
| Total - Not Depreciated                     | <u>2,226,653</u>         | <u>10,560,585</u>    | <u>9,333,051</u>    | <u>3,454,187</u>           |
| <b>Other Capital Assets</b>                 |                          |                      |                     |                            |
| Buildings and Improvements                  | 70,922,745               | 7,983,574            | -                   | 78,906,319                 |
| Facilities and Other Improvements           | 7,567,973                | 1,579,447            | 32,125              | 9,115,295                  |
| Furniture, Vehicles, and<br>Other Equipment | 7,586,260                | 461,279              | 27,013              | 8,020,526                  |
| Library Books                               | 1,220,263                | 23,956               | -                   | 1,244,219                  |
| Subtotal                                    | <u>87,297,241</u>        | <u>10,048,256</u>    | <u>59,138</u>       | <u>97,286,359</u>          |
| <b>Accumulated Depreciation</b>             |                          |                      |                     |                            |
| Buildings and Improvements                  | 13,557,267               | 1,315,312            | -                   | 14,872,579                 |
| Facilities and Other Improvements           | 3,284,737                | 364,338              | 26,175              | 3,622,900                  |
| Furniture, Vehicles, and<br>Other Equipment | 4,670,543                | 721,647              | 27,013              | 5,365,177                  |
| Library Books                               | 991,854                  | 34,791               | -                   | 1,026,645                  |
| Subtotal                                    | <u>22,504,401</u>        | <u>2,436,088</u>     | <u>53,188</u>       | <u>24,887,301</u>          |
| Net - Other Capital Assets                  | <u>64,792,840</u>        | <u>7,612,168</u>     | <u>5,950</u>        | <u>72,399,058</u>          |
| Totals                                      | <u>\$ 67,019,493</u>     | <u>\$ 18,172,753</u> | <u>\$ 9,339,001</u> | <u>\$ 75,853,245</u>       |

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 7 - CAPITAL ASSETS (Continued)**

A summary of the changes in the College's capital assets for the year ended August 31, 2017 is shown below:

|   | Balance<br>Sept. 1, 2016 | Additions           | Retirements       | Balance<br>August 31, 2017 |
|---|--------------------------|---------------------|-------------------|----------------------------|
| <b>Not Depreciated</b>                      |                          |                     |                   |                            |
| Land  | \$ 1,251,740             | \$ 91,822           | \$ -              | \$ 1,343,562               |
| Construction in Progress                    | 125,869                  | 883,091             | 125,869           | 883,091                    |
| <b>Total - Not Depreciated</b>              | <b>1,377,609</b>         | <b>974,913</b>      | <b>125,869</b>    | <b>2,226,653</b>           |
| <b>Other Capital Assets</b>                 |                          |                     |                   |                            |
| Buildings and Improvements                  | 70,922,745               | -                   | -                 | 70,922,745                 |
| Facilities and Other Improvements           | 7,542,438                | 25,535              | -                 | 7,567,973                  |
| Furniture, Vehicles, and<br>Other Equipment | 8,254,550                | 586,630             | 1,254,920         | 7,586,260                  |
| Library Books                               | 1,194,323                | 25,940              | -                 | 1,220,263                  |
| <b>Subtotal</b>                             | <b>87,914,056</b>        | <b>638,105</b>      | <b>1,254,920</b>  | <b>87,297,241</b>          |
| <b>Accumulated Depreciation</b>             |                          |                     |                   |                            |
| Buildings and Improvements                  | 12,302,990               | 1,254,277           | -                 | 13,557,267                 |
| Facilities and Other Improvements           | 2,958,599                | 326,138             | -                 | 3,284,737                  |
| Furniture, Vehicles, and<br>Other Equipment | 5,218,553                | 691,733             | 1,239,743         | 4,670,543                  |
| Library Books                               | 955,634                  | 36,220              | -                 | 991,854                    |
| <b>Subtotal</b>                             | <b>21,435,776</b>        | <b>2,308,368</b>    | <b>1,239,743</b>  | <b>22,504,401</b>          |
| <b>Net - Other Capital Assets</b>           | <b>66,478,280</b>        | <b>(1,670,263)</b>  | <b>15,177</b>     | <b>64,792,840</b>          |
| <b>Totals</b>                               | <b>\$ 67,855,889</b>     | <b>\$ (695,350)</b> | <b>\$ 141,046</b> | <b>\$ 67,019,493</b>       |

**Construction in Progress / Construction Commitments**

As of August 31, 2018, the College is involved in the planning and / or construction phase of two projects for the construction, renovation, and improvement to buildings. The estimated total cost of these projects is approximately \$7,723,382, which will be paid from the College's current resources.

Contracts have been executed with an architectural firm and, in some cases, with a general contractor for these projects. The following table summarizes the amounts of these contracts as of August 31, 2018.

| Project                                  | Total Contracts<br>as of<br>August 31, 2018 | Costs Incurred<br>as of<br>August 31, 2018 | Total Contracts<br>as of<br>August 31, 2017 | Costs Incurred<br>as of<br>August 31, 2017 |
|--|---|--|---|--|
| <b>Advanced Manufacturing Laboratory</b> |   |  |   |  |
| Architectural                            | \$ -  | \$ -                                       | \$ 124,269                                  | \$ 88,631                                  |
| Construction                             | -   | -  | 1,448,130                                   | 220,956                                    |
| <b>New Dormitory Building</b>            |   |  |   |  |
| Architectural                            | -   | -  | 345,100                                     | 250,650                                    |
| Construction                             | -   | -  | 6,455,700                                   | -  |
| <b>New Student Services Center</b>       |   |  |   |  |
| Architectural                            | 332,875                                     | 324,126                                    | 332,875                                     | 222,731                                    |
| Construction                             | 5,963,288                                   | 1,328,560                                  | -   | -  |
| <b>Teaching Distillery</b>               |   |  |   |  |
| Architectural                            | 107,300                                     | 99,653                                     | 107,300                                     | 72,524                                     |
| Construction                             | 1,319,919                                   | 358,286                                    | -   | -  |
| <b>Total</b>                             | <b>\$ 7,723,382</b>                         | <b>\$ 2,110,625</b>                        | <b>\$ 8,813,374</b>                         | <b>\$ 855,492</b>                          |

Additional amounts will be added to the contracts as the work progresses and costs can be more accurately estimated. The above projects are anticipated to be completed at various times during the fiscal year ending August 31, 2019.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**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, 2018:

|   | Balance<br>Sept. 1, 2017 | Additions            | Retirements         | Balance<br>August 31, 2018 | Due Within<br>One Year |
|---|--------------------------|----------------------|---------------------|----------------------------|------------------------|
| General Obligations Bonds                   | \$ 29,495,000            | \$ -                 | \$ 2,105,000        | \$ 27,390,000              | \$ 2,005,000           |
| Revenue Bonds                               | 7,540,000                | -                    | 1,100,000           | 6,440,000                  | 1,150,000              |
| Unamortized Premium on Bonds                | 4,267,313                | -                    | 426,145             | 3,841,168                  | 392,457                |
| Total Bonds Payable                         | 41,302,313               | -                    | 3,631,145           | 37,671,168                 | 3,547,457              |
| Compensated Absences                        | 194,452                  | 220,378              | 220,507             | 194,323                    | 38,865                 |
| Pension Liability                           | 5,282,192                | -                    | 443,605             | 4,838,587                  | -                      |
| Other Post Employment Benefits<br>Liability | -                        | 25,701,904           | -                   | 25,701,904                 | -                      |
| Totals                                      | <u>\$ 46,778,957</u>     | <u>\$ 25,922,282</u> | <u>\$ 4,295,257</u> | <u>\$ 68,405,982</u>       | <u>\$ 3,586,322</u>    |

The following schedule summarizes the changes in the long-term indebtedness of the College for the year ended August 31, 2017:

|                              | Balance<br>Sept. 1, 2016 | Additions            | Retirements          | Balance<br>August 31, 2017 | Due Within<br>One Year |
|------------------------------|--------------------------|----------------------|----------------------|----------------------------|------------------------|
| General Obligations Bonds    | \$ 33,615,000            | \$ 27,640,000        | \$ 31,760,000        | \$ 29,495,000              | \$ 2,105,000           |
| Revenue Bonds                | 8,605,000                | -                    | 1,065,000            | 7,540,000                  | 1,100,000              |
| Unamortized Premium on Bonds | 1,123,295                | 4,128,970            | 984,952              | 4,267,313                  | 426,145                |
| Total Bonds Payable          | 43,343,295               | 31,768,970           | 33,809,952           | 41,302,313                 | 3,631,145              |
| Compensated Absences         | 213,632                  | 231,451              | 250,631              | 194,452                    | 38,890                 |
| Pension Liability            | 4,354,956                | 927,236              | -                    | 5,282,192                  | -                      |
| Totals                       | <u>\$ 47,911,883</u>     | <u>\$ 32,927,657</u> | <u>\$ 34,060,583</u> | <u>\$ 46,778,957</u>       | <u>\$ 3,670,035</u>    |

**Bonds Payable**

The College has the following bond issues outstanding as of August 31, 2018:

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, 2018 is \$6,440,000.

On October 11, 2016, the College issued General Obligation Refunding Bonds, Series 2016 in the amount of \$27,640,000 for the purpose of advance refunding \$29,480,000 of the College's general obligation bonds (Series 2007 and 2008). 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 \$250,000 to \$3,070,000 are due beginning on February 15, 2017 through 2029. Semiannual interest payments at interest rates ranging from 3% to 5% are due beginning February 15, 2017. The balance outstanding on this bond issue as of August 31, 2018 is \$27,390,000.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 8 - LONG-TERM DEBT (Continued)**

**Bonds Payable (Continued)**

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

| Year Ended<br>August 31, | General Obligation Bonds |                     | Revenue Bonds       |                   | Total Requirements   |                     |
|--------------------------|--------------------------|---------------------|---------------------|-------------------|----------------------|---------------------|
|                          | Principal                | Interest            | Principal           | Interest          | Principal            | Interest            |
| 2019                     | \$ 2,005,000             | \$ 1,125,625        | \$ 1,150,000        | \$ 257,600        | \$ 3,155,000         | \$ 1,383,225        |
| 2020                     | 2,070,000                | 1,064,500           | 1,200,000           | 211,600           | 3,270,000            | 1,276,100           |
| 2021                     | 2,140,000                | 990,650             | 1,250,000           | 163,600           | 3,390,000            | 1,154,250           |
| 2022                     | 2,230,000                | 903,250             | 1,300,000           | 113,600           | 3,530,000            | 1,016,850           |
| 2023                     | 2,335,000                | 800,275             | 935,000             | 61,600            | 3,270,000            | 861,875             |
| 2024 - 2028              | 13,540,000               | 2,137,050           | 605,000             | 24,200            | 14,145,000           | 2,161,250           |
| 2029 - 2032              | 3,070,000                | 61,400              | -                   | -                 | 3,070,000            | 61,400              |
| Total                    | <u>\$ 27,390,000</u>     | <u>\$ 7,082,750</u> | <u>\$ 6,440,000</u> | <u>\$ 832,200</u> | <u>\$ 33,830,000</u> | <u>\$ 7,914,950</u> |

**Interest Expense**

During the year ended August 31, 2018, the College incurred interest costs of \$1,155,106 on its bonds, notes, and capital leases payable. This entire amount was charged to expense.

During the year ended August 31, 2017, the College incurred interest costs of \$1,379,560 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, 2018 is accrued annual (vacation) leave for employees. See Note 10 for expanded 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, 2018, \$194,323 is expected to be paid by the Current Unrestricted Fund. The College believes that approximately \$38,865 of this liability will be paid to employees during the year ending August 31, 2019 and, accordingly, has classified that portion of the liability as a current obligation. The balance of the liability (\$155,458) is considered long-term.

**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 the 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.* Detail 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 [https://www.trs.texas.gov/TRS%20Documents/cafr 2017.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr%202017.pdf); or by calling (512) 542-6592.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)**

**Teacher Retirement System of Texas (Continued)**

*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 Cost of Living Adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

*Contributions.* Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% 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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. The 85<sup>th</sup> Texas Legislature, GAA established the employer contribution rates for fiscal years 2017 and 2018.

**Contribution Rates**

|   | 2017 | 2018 |
|---|------|------|
| Member  | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State of Texas) | 6.8% | 6.8% |
| Employers   | 6.8% | 6.8% |

|   |    |         |
|---|----|---------|
| College's 2018 Member Contributions         | \$ | 808,215 |
| State of Texas 2018 Employer Contributions  | \$ | 111,796 |
| State of Texas 2018 On-Behalf Contributions | \$ | 601,952 |

Grayson College's contributions to the TRS pension plan in 2018 were \$111,796 as reported in the Schedule of the College's Pension Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2018 were \$601,952.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Public Junior Colleges or Junior College Districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.



**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)**

**Teacher Retirement System of Texas (Continued)**

- 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 TRS, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

|  |                             |
|--|-----------------------------|
| Valuation Date                                 | August 31, 2017             |
| Actuarial Cost Method                          | Individual Entry Age Normal |
| Asset Valuation Method                         | Market Value                |
| Single Discount Rate                           | 8.00%                       |
| Long-Term Expected Investment Rate of Return   | 8.00%                       |
| Municipal Bond Rate *                          | N/A *                       |
| Last Year Ending August 31 in the 2017 to 2116 |                             |
| Projection Period (100 Years)                  | 2116                        |
| Inflation                                      | 2.50%                       |
| Payroll Growth Rate                            | 2.50%                       |
| Salary Increases Including Inflation           | 3.50% to 9.50%              |
| Ad Hoc Post-Employment Benefit Changes         | None                        |

If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e., the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

Actuarial methods and assumptions were updated based on a study of actual experience for the four-year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

*Discount Rate.* The discount rate used to measure the total pension liability was 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, 2017 are summarized on the following page:

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)**

**Teacher Retirement System of Texas (Continued)**

| Asset Class                   | Target<br>Allocation | Long-Term<br>Expected<br>Geometric Real<br>Rate of Return | Expected<br>Contribution to<br>Long-Term<br>Portfolio Returns * |
|-------------------------------|----------------------|---|---|
| <b>Global Equity</b>          |                      |   |   |
| U.S.                          | 18%                  | 4.6%  | 1.0%  |
| Non-U.S. Developed            | 13%                  | 5.1%  | 0.8%  |
| Emerging Markets              | 9%                   | 5.9%  | 0.7%  |
| Directional Hedge Funds       | 4%                   | 3.2%  | 0.1%  |
| Private Equity                | 13%                  | 7.0%  | 1.1%  |
| <b>Stable Value</b>           |                      |   |   |
| U.S. Treasuries               | 11%                  | 0.7%  | 0.1%  |
| Absolute Return               | 0%                   | 1.8%  | 0.0%  |
| Hedge Funds (Stable Value)    | 4%                   | 3.0%  | 0.1%  |
| Cash                          | 1%                   | -0.2%   | 0.0%  |
| <b>Real Return</b>            |                      |   |   |
| Global Inflation Linked Bonds | 3%                   | 0.9%  | 0.0%  |
| Real Assets                   | 16%                  | 5.1%  | 1.1%  |
| Energy and Natural Resources  | 3%                   | 6.6%  | 0.2%  |
| Commodities                   | 0%                   | 1.2%  | 0.0%  |
| <b>Risk Parity</b>            |                      |   |   |
| Risk Parity                   | 5%                   | 6.7%  | 0.3%  |
| Inflation Expectation         |                      |   | 2.2%  |
| Alpha                         |                      |   | 1.0%  |
| <b>Total</b>                  | <b>100%</b>          |   | <b>8.7%</b>   |

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

Source: Teacher Retirement System of Texas 2017 Comprehensive Annual Financial Report

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

|   | 1% Decrease<br>in Discount<br>Rate (7.0%) | Discount<br>Rate (8.0%) | 1% Increase<br>in Discount<br>Rate (9.0%) |
|---|---|-------------------------|---|
| College's Proportionate Share of<br>the Net Pension Liability | \$ 8,156,902                              | \$ 4,838,587            | \$ 2,075,552                              |

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)**

**Teacher Retirement System of Texas (Continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2018, the College reported a liability of \$4,838,587 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 is as follows:

|   |           |                  |
|---|-----------|------------------|
| College's Proportionate Share of Collective Net Pension Liability | \$        | 4,838,587        |
| State's Proportionate Share that is Associated with the College   |           | 1,963,721        |
| <b>Total</b>  | <b>\$</b> | <b>6,802,308</b> |

The net pension liability was measured as of August 31, 2017 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, 2016 through August 31, 2017.

At August 31, 2017 the College's proportion of the collective net pension liability was 0.0151326% which was an increase of 0.0013343% from its proportion measured as of August 31, 2016.

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior 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, 2018, the District recognized pension expense of \$149,785 and revenue of \$149,785 for support provided by the State.

At August 31, 2018, 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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience   | \$ 70,791                            | \$ 260,939                          |
| Changes in Actuarial Assumptions  | 220,405                              | 126,177                             |
| Difference Between Projected and Actual Investment Earnings   | 744,119                              | 1,096,744                           |
| Changes in Proportion and Difference Between the College's Contributions and the Proportionate Share of Contributions | 944,732                              | 382                                 |
| Contributions Paid to TRS Subsequent to the Measurement Date  | 111,796                              | -                                   |
| <b>Total</b>  | <b>\$ 2,091,843</b>                  | <b>\$ 1,484,242</b>                 |

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)**

**Teacher Retirement System of Texas (Continued)**

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (in the amount of \$111,796) will be recognized as a reduction of net pension liability for the year ending August 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>August 31, | Pension<br>Expense<br>Amount |
|--------------------------|------------------------------|
| 2019                     | \$ 36,975                    |
| 2020                     | 345,834                      |
| 2021                     | 13,248                       |
| 2022                     | (64,761)                     |
| 2023                     | 126,819                      |
| Thereafter               | 37,690                       |

**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 2018 and 2017. 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. Senate Bill 1812, 83<sup>rd</sup> Texas Legislature Regular Session, effective September 1, 2013 limits the amount of the State's contribution to 50% of the College's eligible employees.

*Contribution / Payroll Information.* The retirement expense to the state for the College was \$149,785 and \$104,064 for the fiscal years ended August 31, 2018 and 2017, 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 \$15,913,160 and \$15,326,196 for the years ended August 31, 2018 and 2017, respectively. The total payroll for employees covered by the optional retirement program was \$3,304,042 and \$3,319,426 for the fiscal years ended August 31, 2018 and 2017, respectively.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**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, 2.70 hours per bi-weekly payroll are accrued for those employees with less than 15 years of service and 4.04 hours per bi-weekly payroll are accrued for those employees with more than 15 years of service. For employees with a 40-hour regular workweek, 3.08 hours per bi-weekly payroll are accrued for those employees with less than 15 years of service and 4.62 hours per bi-weekly payroll are accrued for those employees with more than 15 or more years of service. 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.

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 \$194,323 and \$194,452 is recorded in the financial statements as of August 31, 2018 and 2017, 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. Employees with a 35-hour workweek accrue 2.70 hours per bi-weekly payroll and employees with a 40-hour workweek accrue 3.08 hours per bi-weekly payroll. Sick leave for instructional employees with nine-month or ten-and-one-half month contracts is accrued over the length of the contract. 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.

**NOTE 12 – OTHER POST-EMPLOYEE BENEFITS (OPEB)**

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

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

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 12 – OTHER POST-EMPLOYEE BENEFITS (OPEB) (Continued)**

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

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

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

Maximum Monthly Employer  
 Contribution Retiree Health and Basic  
 Life Premium  
 Fiscal Year 2017

|                    |             |
|--------------------|-------------|
| Retiree Only       | \$ 617.30   |
| Retiree & Spouse   | \$ 970.98   |
| Retiree & Children | \$ 854.10   |
| Retiree & Family   | \$ 1,207.78 |

Contributions of premiums to the GBP plan is shown below:

|  |            |
|--|------------|
|  | 2017       |
| Grayson College                                  | \$ 697,350 |
| Nonemployer Contributing Entity (State of Texas) | \$ 631,989 |

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 12 – OTHER POST-EMPLOYEE BENEFITS (OPEB) (Continued)**

*Actuarial Assumptions.* The total OPEB liability was determined by an actuarial valuation as of August 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|   |   |
|---|---|
| Valuation Date  | August 31, 2017   |
| Actuarial Cost Method                                   | Individual Entry Age Normal   |
| Amortization Method                                     | Level percent of pay, open  |
| Remaining Amortization Period                           | 30 years  |
| Asset Valuation Method                                  | N/A   |
| Projected Annual Salary Increase (includes inflation)   | 2.5% to 9.5%  |
| Annual Healthcare Trend Rate                            | 8.50% for FY2019, decreasing 0.5% per year to 4.50% for FY11 and after  |
| Inflation Assumption Rate                               | 2.50%   |
| Ad hoc Postemployment Benefit Changes                   | None  |
| Mortality Assumptions:                                  |   |
| Service Retirees, Survivors, and other Inactive Members | Tables based on TRS experience with full generational projection using Scale 88 from Base Year 2014   |
| Disability Retirees                                     | Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members. |
| Active Members  | Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB  |

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

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 12 – OTHER POST-EMPLOYEE BENEFITS (OPEB) (Continued)**

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

*Discount Rate.* Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.84%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.51%, which amounted to an increase of 0.67%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

*Discount Rate Sensitivity Analysis.* The following schedule shows the impact on the College's share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.51%) in measuring the net OPEB Liability.

|   | 1% Decrease<br>In Discount<br>Rate (2.51%) | Discount Rate<br>(3.51%) | 1% Increase in<br>Discount Rate<br>(4.51%) |
|---|--|--------------------------|--|
| Grayson College's Proportionate<br>Share of the Net OPEB Liability: | \$ 30,680,562                              | \$ 25,701,904            | \$ 21,845,488                              |

*Healthcare Trend Rate Sensitivity Analysis.* The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used in measuring the net OPEB liability.

|   | 1% Decrease in<br>Healthcare Cost<br>Trend Rates (ex.<br>7.5% to 3.5%) | Current<br>Healthcare Cost<br>Trend Rates (ex.<br>8.5% to 4.5%) | 1% Increase in<br>Healthcare Cost<br>Trend Rates (ex.<br>9.5% to 5.5%) |
|---|--|---|--|
| Grayson College's Proportionate<br>Share of the Net OPEB Liability: | \$ 21,606,817  | \$ 25,701,904   | \$ 31,015,511  |



**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 12 – OTHER POST-EMPLOYEE BENEFITS (OPEB) (Continued)**

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At August 31, 2018, the College reported a liability of \$25,701,904 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College is as follows:

|  |                      |
|--|----------------------|
| Grayson College's Proportionate Share of the Collective Net OPEB Liability | \$ 25,701,904        |
| State's proportionate share that is associated with Grayson College        | <u>22,772,641</u>    |
| Total  | <u>\$ 48,474,545</u> |

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

For the year ended August 31, 2018, the College recognized OPEB expense of \$1,218,703 and revenue of \$1,218,703 for support provided by the State.

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

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study;
- The percentage of current and future retirees and retirees' spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends;
- Assumptions for administrative expenses, assumed per Capita Health Benefit Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience;
- Effects in short-term expectations and revised assumed rate of general inflation.

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

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- An elimination of the copayment for virtual visits;
- A copay reduction for Airrosti and for out-of-state participants;
- Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 12 – OTHER POST-EMPLOYEE BENEFITS (OPEB) (Continued)**

At August 31, 2018, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences Between Expected and Actual Economic Experience   | \$ -  | \$ 308,855                                   |
| Changes in Actuarial Assumptions  | -   | 5,373,960                                    |
| Difference Between Projected and Actual Investment Earnings   | 7,609   | -  |
| Changes in Proportion and Difference Between the Employer's<br>Contributions and the Proportionate Share of Contributions | -   | -  |
| Contributions Paid to ERS Subsequent to the Measurement Date  | <u>1,329,340</u>                              | <u>-</u>                                     |
| Total   | <u>\$ 1,336,949</u>                           | <u>\$ 5,682,815</u>                          |

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

| <u>Year ended August 31:</u> | <u>Pension Expense Amount</u> |
|------------------------------|-------------------------------|
| 2019                         | \$( 1,278,011)                |
| 2020                         | ( 1,278,011)                  |
| 2021                         | ( 1,278,011)                  |
| 2022                         | ( 1,278,011)                  |
| 2023                         | ( 563,164)                    |

**NOTE 13 - TAX ABATEMENT**

The College is authorized by Texas Tax Code 312 to enter into property tax abatement agreements. In accordance with this law, the College has passed a resolution that establishes guidelines and criteria for the administration of its tax abatements. Among other things, the guidelines and criteria specify:

1. That an agreement may not require extraordinary capital improvement financing by the College,
2. That the percentage abated must not be less than 10% nor more than 100% of the appraised value of the property,
3. That the College will receive an economic impact study which shows that the project and abatement are in the College's economic interest,
4. That taxes may not be abated on equipment that has already been ordered or received,
5. That taxes may not be abated on real property if construction on the property to be abated has already begun, and
6. That the Board of Trustees for the College is the sole judge as to whether the College will enter into an agreement.

The College grants tax abatements to primary employers in conjunction with other local taxing entities for the purpose of stimulating the local economy. The stimulus is quantified by the creation of jobs, the construction of facilities, the purchase of equipment, or a combination of these factors.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 13 - TAX ABATEMENT (Continued)**

The College currently has abatement agreements with Ruiz Food Products, Champion Cooler Corporation, and GlobiTech Incorporated.

The abatement agreements with Ruiz Food Products and Champion Cooler Corporation contain provisions that give the College the right to recapture all tax revenue lost as a result of the agreement in the event that the company fails to perform on any term or covenant of the agreement.

The abatement agreement with GlobiTech Incorporated contains a provision that, in the event GlobiTech defaults on the provisions of the agreement, the College's sole remedy shall be the termination of the agreement. All future abatements under the agreement would cease, but the College would not be allowed to recapture any taxes that were abated prior to the default.

The abatement agreement with Ruiz Food Products calls for the company to construct an addition to its facility at an estimated cost of \$10,000,000. It also calls for the company to purchase and install equipment at an estimated cost of \$30,000,000. In exchange, the College agreed to abate the property taxes on the building improvements for six years at rates ranging from 20% to 100%, and to abate property taxes on the equipment for eight years at 50% each year. This abatement began in 2017 and will expire in 2021. For the fiscal year ended August 31, 2018, the College abated \$43,620 in property taxes for Ruiz Food Products.

The abatement agreement with Champion Cooler Corporation calls for the company to construct an addition to its facility at an estimated cost of \$1,200,000, to purchase and install equipment at an estimated cost of \$844,000, and to create and maintain 25 new jobs with a projected annual payroll of \$570,000. In exchange, the College agreed to abate the property taxes on the building improvements and the installed equipment for ten years at rates ranging from 10% to 100%. This abatement began in 2009 and will expire in 2018. For the fiscal year ended August 31, 2018, the College abated \$280 in property taxes for Champion Cooler Corporation.

The abatement agreement with GlobiTech Incorporated calls for the company to construct improvements to its facility at an estimated cost of \$7,500,000. It also calls for the company to purchase and install equipment at an estimated cost of \$26,500,000. In exchange, the College agreed to abate the property taxes on the building improvements for eight years at rates ranging from 50% to 100%, and to abate property taxes on the equipment for five years at rates ranging from 50% to 100%. The abatement will expire December 31, 2020. For the fiscal year ended August 31, 2018, the College abated \$18,908 in property taxes for GlobiTech Incorporated.

In total, Grayson College abated property tax revenue of \$62,808 for the fiscal year ended August 31, 2018.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 14 - PENDING LAWSUITS AND CLAIMS**

As of August 31, 2018, there are no known material lawsuits and claims pending or threatened against the College.

**NOTE 15 - 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, 2018 and 2017 for which monies have not been received nor funds expended totaled \$4,115,101 and \$1,432,324, respectively. Of these amounts, \$1,099,286 and \$743,728 were from Federal Contract and Grant Awards; and \$3,015,815 and \$688,596 were from State Contract and Grant Awards for the fiscal years ended August 31, 2018 and 2017, 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 16 - 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 \$29,673 and \$10,828 for this insurance were allocated to the College for the years ended August 31, 2018 and 2017, respectively.

The following schedule summarizes the changes in claims liabilities for the years ended August 31, 2018 and 2017:

|  | <u>2018</u>      | <u>2017</u>      |
|--|------------------|------------------|
| Claims Liabilities - Beginning of Year | \$ 67,827        | \$ 50,846        |
| Incurred Claims                        | 65,783           | 33,486           |
| Change in Prior Year Claim Estimates   | (13,116)         | (4,655)          |
| Payment on Claims                      | <u>(24,151)</u>  | <u>(11,850)</u>  |
| Claims Liabilities - End of Year       | <u>\$ 96,343</u> | <u>\$ 67,827</u> |

The claims liability is reported in accrued liabilities in the financial statements and includes \$32,881 and \$26,519 of estimated claims incurred but not reported, as determined actuarially by the administrator at August 31, 2018 and 2017, respectively.

**NOTE 17 – RELATED PARTY**

A board member of Grayson College is the spouse to the owner of the construction company awarded contract bids for multiple projects throughout the year. Said board member abstained from discussions and votes related to construction projects.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 18 - SUBSEQUENT EVENTS**

No events have occurred subsequent to August 31, 2018 that would require adjustment to, or disclosure in, these financial statements.

**NOTE 19 - 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.

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.

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 19 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT (Continued)**

**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 \$345,564 and \$260,281 for the years ended August 31, 2018 and 2017, 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, 2018 and 2017.

**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, 2018 and 2017:

| Type of Security                  | 2018                 |                      | 2017                 |                      |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                   | Cost                 | Fair Value           | Cost                 | Fair Value           |
| U.S. Government Securities        | \$ 1,155,785         | \$ 968,616           | \$ 846,649           | \$ 845,266           |
| U.S. Government Agency Securities | 714,618              | 863,216              | 630,371              | 628,866              |
| Equity Securities                 | 6,593,577            | 7,643,423            | 5,759,094            | 6,559,933            |
| Corporate Obligations             | 1,555,040            | 1,534,997            | 1,046,774            | 1,061,195            |
| Alternate Investments             | 1,615,077            | 1,627,673            | 1,196,565            | 1,243,833            |
| Money Market and Investment Pools | 522,546              | 522,546              | 2,351,855            | 2,351,855            |
| Certificates of Deposit           | 271,098              | 271,098              | -                    | -                    |
| <b>Total Investments</b>          | <b>\$ 12,427,741</b> | <b>\$ 13,431,569</b> | <b>\$ 11,831,308</b> | <b>\$ 12,690,948</b> |

**Grayson College**  
**Notes to the Financial Statements (continued)**  
**August 31, 2018 and 2017**

**NOTE 19 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT (Continued)**

**GENERAL AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS**

The following schedule summarizes the Foundation's capital assets as of August 31, 2018 and 2017:

|                                   | 2018       | 2017       |
|-----------------------------------|------------|------------|
| Land                              | \$ -       | \$ 6,000   |
| Buildings and Improvements        | 246,217    | 507,350    |
| Facilities and Other Improvements | 17,345     | 17,345     |
| Equipment                         | -          | 192,893    |
| Less:                             |            |            |
| Accumulated Depreciation          | (57,890)   | (294,925)  |
| Net Capital Assets                | \$ 205,672 | \$ 428,663 |

**Note Receivable**

A \$212,569 note from Gabriel N. Parker was entered into on August 30, 2018. The note is payable in monthly installments of \$1,077 including interest of 4.5%. A final payment of all unpaid principal and accrued interest is due at maturity on September 1, 2028. The note is secured by real estate and equipment.

|   | 2018       | 2017 |
|---|------------|------|
|   | \$ 212,569 | \$ - |
| Less: Current Portion                                       | 3,138      | -    |
| Total Due After One Year                                    | \$ 209,431 | \$ - |
| Accrued Interest Receivable on Note Receivable at August 31 | \$ -       | \$ - |

At August 31, 2018, the allowance was \$0 as there are no doubts to collectability.

**Required Supplementary Information**



**Grayson County College**  
**Schedule of the College's Proportionate Share of the Net Pension Liability**  
**Year Ended August 31, 2018**

|   | <u>2018</u>                | <u>2017</u>                | <u>2016</u>                | <u>2015</u>                |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| College's Proportion of Net Pension Liability (Asset)   | 0.0151326%                 | 0.0139783%                 | 0.0123200%                 | 0.0110746%                 |
| College's Proportionate Share of Net Pension Liability (Asset)  | \$ 4,838,587               | \$ 5,282,192               | \$ 4,354,956               | \$ 2,958,179               |
| State's Proportionate Share of the Net Pension Liability (Asset)<br>Associated with Grayson College                   | <u>1,963,721</u>           | <u>2,299,826</u>           | <u>2,991,911</u>           | <u>3,146,824</u>           |
| <b>Total</b>  | <b><u>\$ 6,802,308</u></b> | <b><u>\$ 7,582,018</u></b> | <b><u>\$ 7,346,867</u></b> | <b><u>\$ 6,105,003</u></b> |
| College's Covered-Employee Payroll  | \$ 10,496,293              | \$ 9,423,102               | \$ 8,689,765               | \$ 81,122,358              |
| College's Proportionate Share of the Net Pension Liability (Asset) as a<br>Percentage of its Covered-Employee Payroll | 46.10%                     | 56.06%                     | 50.12%                     | 36.42%                     |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability  | 82.17%                     | 78.00%                     | 78.43%                     | 83.25%                     |

**Note:** Only four years of data are 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."

**Grayson County College**  
**Schedule of the College's Pension Contributions**  
**Year Ended August 31, 2018**

|   | <u>2018</u>    | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    |
|---|----------------|----------------|----------------|----------------|
| Contractually Required Contributions                                | \$ 111,796     | \$ 416,084     | \$ 423,293     | \$ 369,525     |
| Contribution in Relation to the Contractually Required Contribution | <u>111,796</u> | <u>416,084</u> | <u>423,293</u> | <u>369,525</u> |
| Contribution Deficiency (Excess)                                    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| College's Covered-Employee Payroll                                  | \$ 10,496,293  | \$ 9,852,740   | \$ 9,423,102   | \$ 8,689,765   |
| Contributions as a Percentage of Covered-Employee Payroll           | 1.07%          | 4.22%          | 4.49%          | 4.25%          |

**Note:** Only four years of data are 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."

**Grayson County College**  
**Schedule of the College's Proportionate Share of**  
**the Net OPEB Liability**  
**Year Ended August 31, 2018**

|  | 2018                 |
|--|----------------------|
| College's Proportion of the Net OPEB Liability (Asset)   | 0.7543185%           |
| College's Proportionate Share of the Net OPEB Liability (Asset)  | \$ 25,701,904        |
| State's Proportionate Share of the Net OPEB Liability (Asset)<br>Associated with Grayson College                   | 22,772,641           |
| <b>Total</b>   | <b>\$ 48,474,545</b> |
| College's Covered-Employee Payroll   | \$ 13,617,571        |
| College's Proportionate Share of the Net OPEB Liability (Asset) as a<br>Percentage of its Covered-Employee Payroll | 188.74%              |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability  | 2.04%                |

**Note:** Only one year of data is presented in accordance with GASB #75, Paragraph 245. "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."

**Grayson County College  
Schedule of the College's OPEB Contributions  
Year Ended August 31, 2018**

|   | 2018              |
|---|-------------------|
| Contractually Required Contributions                                | \$ 697,350        |
| Contribution in Relation to the Contractually Required Contribution | 697,350           |
| Contribution Deficiency (Excess)                                    | \$ -              |
| <br>College's Covered-Employee Payroll                              | <br>\$ 13,617,571 |
| Contributions as a Percentage of Covered-Employee Payroll           | 5.12%             |

**Note:** Only one year of data is presented in accordance with GASB #75, Paragraph 245. "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."

**GRAYSON COLLEGE**  
**Notes to Required Supplementary Information**  
**August 31, 2018**

Defined Benefit Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

Defined Benefit OPEB Plan

Changes of Benefit Terms

Benefit changes have been made since prior valuation of the OPEB plan. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2018, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- elimination of the copayment for virtual visits;
- a reduction in the copayment for Airrosti; and
- for out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for in the FY2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Changes of Assumptions

*Demographic Assumptions*

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age difference for future retirees and their spouses for selected classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees covering dependent children.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

*Economic Assumptions*

The assumed rate of general inflation has been updated since the previous valuation to remain consistent with the ERS retirement plan assumption previously adopted by the ERS Trustees.

Assumptions for Expenses Assumed Per Capita Health Benefit Costs and Health Benefit Cost, Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations and the revised assumed rate of general inflation.

The discount rate was lowered as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher.

Minor benefit changes have been reflected in the FY2018 Assumed Per Capita Health Benefit Costs.

## **Supplementary Schedules and Reports**

**Grayson College**  
**Schedule of Operating Revenues**  
**Year Ended August 31, 2018**

**Schedule A**

**With Memorandum Totals for the Year Ended August 31, 2017**

|   | Unrestricted       | Restricted         | Total                  |                       | Totals              |                     |
|---|--------------------|--------------------|------------------------|-----------------------|---------------------|---------------------|
|   |                    |                    | Educational Activities | Auxiliary Enterprises | 2018                | 2017                |
| <b>Tuition</b>                                    |                    |                    |                        |                       |                     |                     |
| <b>State Funded Courses</b>                       |                    |                    |                        |                       |                     |                     |
| In-District Resident Tuition                      | \$4,142,636        | \$ -               | \$ 4,142,636           | \$ -                  | \$ 4,142,636        | \$ 3,757,873        |
| Out-of-District Resident Tuition                  | 1,300,853          | -                  | 1,300,853              | -                     | 1,300,853           | 1,693,050           |
| Non-Resident Tuition                              | 210,542            | -                  | 210,542                | -                     | 210,542             | 259,440             |
| TPEG *  | 349,345            | -                  | 349,345                | -                     | 349,345             | 351,028             |
| Non-State Funded Educational Programs             | 697,493            | -                  | 697,493                | -                     | 697,493             | 346,787             |
| <b>Total Tuition</b>                              | <b>6,700,869</b>   | <b>-</b>           | <b>6,700,869</b>       | <b>-</b>              | <b>6,700,869</b>    | <b>6,408,178</b>    |
| <b>Fees</b>                                       |                    |                    |                        |                       |                     |                     |
| General Fee                                       | 1,755,385          | -                  | 1,755,385              | -                     | 1,755,385           | 1,718,453           |
| Student Service Fee                               | -                  | -                  | -                      | 585,074               | 585,074             | 604,310             |
| Technology Fee                                    | 417,984            | -                  | 417,984                | -                     | 417,984             | 431,378             |
| Laboratory Fee                                    | 341,015            | -                  | 341,015                | -                     | 341,015             | 391,364             |
| Other   | 287,113            | -                  | 287,113                | -                     | 287,113             | 222,751             |
| <b>Total Fees</b>                                 | <b>2,801,497</b>   | <b>-</b>           | <b>2,801,497</b>       | <b>585,074</b>        | <b>3,386,571</b>    | <b>3,368,256</b>    |
| <b>Scholarship Allowances and Discounts</b>       |                    |                    |                        |                       |                     |                     |
| Bad Debt Allowances                               | (117,529)          | -                  | (117,529)              | -                     | (117,529)           | (181,773)           |
| Scholarship Allowances                            | (174,016)          | -                  | (174,016)              | (15,669)              | (189,685)           | (219,088)           |
| Remissions and Exemptions                         | (548,550)          | -                  | (548,550)              | (26,264)              | (574,814)           | (519,754)           |
| TPEG Allowances                                   | (299,745)          | -                  | (299,745)              | (105)                 | (299,850)           | (326,025)           |
| Federal Grants to Students                        | (2,477,230)        | -                  | (2,477,230)            | (206,836)             | (2,684,066)         | (2,903,087)         |
| Other Federal Grants                              | (11,998)           | -                  | (11,998)               | (1,046)               | (13,044)            | (10,780)            |
| State Grants to Students                          | (242,845)          | (1,103,388)        | (1,346,233)            | (21,733)              | (1,367,966)         | (849,509)           |
| <b>Total Scholarship Allowances and Discounts</b> | <b>(3,871,913)</b> | <b>(1,103,388)</b> | <b>(4,975,301)</b>     | <b>(271,653)</b>      | <b>(5,246,954)</b>  | <b>(5,010,016)</b>  |
| <b>Total Net Tuition and Fees</b>                 | <b>5,630,453</b>   | <b>(1,103,388)</b> | <b>4,527,065</b>       | <b>313,421</b>        | <b>4,840,486</b>    | <b>4,766,418</b>    |
| <b>Other Operating Revenues</b>                   |                    |                    |                        |                       |                     |                     |
| Federal Grants and Contracts                      | 9,050              | 1,433,101          | 1,442,151              | -                     | 1,442,151           | 1,543,898           |
| State Grants and Contracts                        | -                  | 2,517,651          | 2,517,651              | -                     | 2,517,651           | 1,566,851           |
| Non-Governmental Grants and Contracts             | -                  | 243,049            | 243,049                | -                     | 243,049             | 248,805             |
| Sales and Services of Educational Activities      | 49,950             | -                  | 49,950                 | -                     | 49,950              | 51,151              |
| Other Operating Revenues                          | 263,481            | -                  | 263,481                | 170                   | 263,651             | 200,563             |
| <b>Total Other Operating Revenues</b>             | <b>322,481</b>     | <b>4,193,801</b>   | <b>4,516,282</b>       | <b>170</b>            | <b>4,516,452</b>    | <b>3,611,268</b>    |
| <b>Auxiliary Enterprises</b>                      |                    |                    |                        |                       |                     |                     |
| Residential Life (Net of Discounts of \$232,892)  | -                  | -                  | -                      | 308,891               | 308,891             | 292,487             |
| Bookstore (Net of Discounts of \$0)               | -                  | -                  | -                      | 337,173               | 337,173             | 335,101             |
| Golf Course                                       | -                  | -                  | -                      | -                     | -                   | -                   |
| <b>Total Net Auxiliary Enterprises</b>            | <b>-</b>           | <b>-</b>           | <b>-</b>               | <b>646,064</b>        | <b>646,064</b>      | <b>627,588</b>      |
| <b>Total Operating Revenues</b>                   | <b>\$5,952,934</b> | <b>\$3,090,413</b> | <b>\$ 9,043,347</b>    | <b>\$ 959,655</b>     | <b>\$10,003,002</b> | <b>\$ 9,005,274</b> |
|   |                    |                    |                        |                       | (Exhibit 2)         | (Exhibit 2)         |

\* In accordance with Education Code 56.033, \$349,345 of tuition was set aside for Texas Public Education Grants (TPEG).

**Grayson College**  
**Schedule of Operating Expenses by Object**  
**Year Ended August 31, 2018**  
**With Memorandum Totals for the Year Ended August 31, 2017**

**Schedule B**

|                                       | Operating Expenses    |                    |                    |                      |                     | Totals              |      |
|---------------------------------------|-----------------------|--------------------|--------------------|----------------------|---------------------|---------------------|------|
|                                       | Salaries<br>and Wages | Benefits           |                    |                      | Other<br>Expenses   | 2018                | 2017 |
|                                       |                       | State<br>Benefits  | Local<br>Benefits  |                      |                     |                     |      |
| <b>EDUCATIONAL ACTIVITIES</b>         |                       |                    |                    |                      |                     |                     |      |
| <b>Unrestricted</b>                   |                       |                    |                    |                      |                     |                     |      |
| Instruction                           | \$ 8,039,787          | \$ (771,912)       | \$2,870,619        | \$ 1,118,306         | \$11,256,800        | \$10,851,644        |      |
| Public Service                        | 375,856               | (53,900)           | 184,582            | 121,156              | 627,694             | 453,752             |      |
| Academic Support                      | 1,151,044             | (119,771)          | 441,765            | 577,513              | 2,050,551           | 1,808,339           |      |
| Student Services                      | 1,517,700             | (174,829)          | 625,064            | 283,539              | 2,251,474           | 2,132,981           |      |
| Institutional Support                 | 2,266,585             | (227,463)          | 888,438            | 1,975,868            | 4,903,428           | 4,518,349           |      |
| Operation and Maintenance<br>of Plant | 928,701               | (179,665)          | 521,328            | 2,340,729            | 3,611,093           | 4,010,536           |      |
| <b>Total Unrestricted</b>             | <u>14,279,673</u>     | <u>(1,527,540)</u> | <u>5,531,796</u>   | <u>6,417,111</u>     | <u>24,701,040</u>   | <u>23,775,601</u>   |      |
| <b>Restricted</b>                     |                       |                    |                    |                      |                     |                     |      |
| Instruction                           | 746,769               | 1,882,524          | 225,750            | 299,280              | 3,154,323           | 2,420,106           |      |
| Public Service                        | 163,110               | 115,526            | 43,705             | 12,681               | 335,022             | 280,030             |      |
| Academic Support                      | -                     | 246,589            | -                  | -                    | 246,589             | 126,818             |      |
| Student Services                      | 319,932               | 393,867            | 104,016            | 256,076              | 1,073,891           | 811,871             |      |
| Institutional Support                 | -                     | 485,747            | -                  | 5,678                | 491,425             | 258,284             |      |
| Operation and Maintenance<br>of Plant | -                     | 198,961            | -                  | -                    | 198,961             | 19,296              |      |
| Scholarships and Fellowships          | 129,885               | -                  | -                  | 3,874,966            | 4,004,851           | 4,110,334           |      |
| <b>Total Restricted</b>               | <u>1,359,696</u>      | <u>3,323,214</u>   | <u>373,471</u>     | <u>4,448,681</u>     | <u>9,505,062</u>    | <u>8,026,739</u>    |      |
| <b>Total Educational Activities</b>   | 15,639,369            | 1,795,674          | 5,905,267          | 10,865,792           | 34,206,102          | 31,802,340          |      |
| <b>Auxiliary Enterprises</b>          | 254,747               | 4,970              | 129,011            | 790,967              | 1,179,695           | 1,253,462           |      |
| <b>Depreciation Expense</b>           |                       |                    |                    |                      |                     |                     |      |
| Buildings and Other<br>Improvements   | -                     | -                  | -                  | 1,681,094            | 1,681,094           | 1,580,416           |      |
| Equipment and Furniture               | -                     | -                  | -                  | 756,438              | 756,438             | 727,952             |      |
| <b>Total</b>                          | <u>\$15,894,116</u>   | <u>\$1,800,644</u> | <u>\$6,034,278</u> | <u>\$ 14,094,291</u> | <u>\$37,823,329</u> | <u>\$35,364,170</u> |      |
|                                       |                       |                    |                    |                      | (Exhibit 2)         | (Exhibit 2)         |      |



**Grayson College**  
**Schedule of Non-Operating Revenues and Expenses**  
**Year Ended August 31, 2018**  
**With Memorandum Totals for the Year Ended August 31, 2017**

Schedule C

|   | Unrestricted        | Restricted          | Auxiliary<br>Enterprises | Totals              |                     |
|---|---------------------|---------------------|--------------------------|---------------------|---------------------|
|   |                     |                     |                          | 2018                | 2017                |
| <b>Non-Operating Revenues</b>                   |                     |                     |                          |                     |                     |
| <b>State Appropriations</b>                     |                     |                     |                          |                     |                     |
| Education and General State Support             | \$ 7,157,933        | \$ -                | \$ -                     | \$ 7,157,933        | \$ 7,583,243        |
| State Group Insurance                           | -                   | 2,812,727           | -                        | 2,812,727           | 1,457,913           |
| State Retirement Matching                       | -                   | 484,323             | -                        | 484,323             | 342,731             |
| Total State Appropriations                      | 7,157,933           | 3,297,050           | -                        | 10,454,983          | 9,383,887           |
| Ad-Valorem Taxes for Maintenance and Operations | 12,903,863          | -                   | -                        | 12,903,863          | 11,789,443          |
| Ad-Valorem Taxes for General Obligation Bonds   | 3,761,696           | -                   | -                        | 3,761,696           | 3,909,973           |
| Federal Grants and Contracts, Non-Operating     | -                   | 6,598,428           | -                        | 6,598,428           | 6,862,346           |
| Gifts   | 53,735              | -                   | -                        | 53,735              | 35,077              |
| Investment Income (Net of Investment Expenses)  | 441,593             | 1,041               | -                        | 442,634             | 218,578             |
| Gain on Disposition of Property                 | -                   | -                   | -                        | -                   | -                   |
| <b>Total Non-Operating Revenues</b>             | <b>24,318,820</b>   | <b>9,896,519</b>    | <b>-</b>                 | <b>34,215,339</b>   | <b>32,199,304</b>   |
| <b>Non-Operating Expenses</b>                   |                     |                     |                          |                     |                     |
| Interest on Capital-Related Debt                | 1,155,106           | -                   | -                        | 1,155,106           | 1,379,560           |
| Loss on Disposition of Property                 | 4,505               | -                   | -                        | 4,505               | 15,177              |
| <b>Total Non-Operating Expenses</b>             | <b>1,159,611</b>    | <b>-</b>            | <b>-</b>                 | <b>1,159,611</b>    | <b>1,394,737</b>    |
| <b>Net Non-Operating Revenues</b>               | <b>\$23,159,209</b> | <b>\$ 9,896,519</b> | <b>\$ -</b>              | <b>\$33,055,728</b> | <b>\$30,804,567</b> |
|   |                     |                     |                          | (Exhibit 2)         | (Exhibit 2)         |

**Grayson College**  
**Schedule of Net Position by Source and Availability**  
**Year Ended August 31, 2018**  
**With Memorandum Totals for the Year Ended August 31, 2017**

**Schedule D**

|  | Detail by Source      |                   |                    |   |                     | Available for Current Operations |                      |
|--|-----------------------|-------------------|--------------------|---|---------------------|----------------------------------|----------------------|
|  | Unrestricted          | Restricted        |                    | Net<br>Investment<br>in Capital<br>Assets | Total               | Yes                              | No                   |
|  |                       | Expendable        | Non-<br>Expendable |   |                     |                                  |                      |
| <b>Current Funds:</b>                          |                       |                   |                    |   |                     |                                  |                      |
| Unrestricted                                   | \$ (7,485,700)        | \$ -              | \$ -               | \$ -                                      | \$ (7,485,700)      | \$ (7,485,700)                   | \$ -                 |
| Board Designations                             | 500,000               | -                 | -                  | -   | 500,000             | -                                | 500,000              |
| Restricted                                     | -                     | 504,560           | -                  | -   | 504,560             | -                                | 504,560              |
| Auxiliary Enterprises                          | 2,186,548             | -                 | -                  | -   | 2,186,548           | 2,186,548                        | -                    |
| Loan Funds                                     | -                     | 47,558            | -                  | -   | 47,558              | -                                | 47,558               |
| <b>Plant Funds:</b>                            |                       |                   |                    |   |                     |                                  |                      |
| Unexpended                                     | -                     | -                 | -                  | -   | -                   | -                                | -                    |
| Renewals and Replacements                      | (3,514,675)           | -                 | -                  | -   | (3,514,675)         | (3,514,675)                      | -                    |
| Unexpended Bond Proceeds                       | -                     | -                 | -                  | -   | -                   | -                                | -                    |
| Debt Service                                   | -                     | 3,325,124         | -                  | -   | 3,325,124           | -                                | 3,325,124            |
| Investment in Plant                            | -                     | -                 | -                  | 40,029,470                                | 40,029,470          | -                                | 40,029,470           |
| <b>Total Net Position - August 31, 2018</b>    | <b>(8,313,827)</b>    | <b>3,877,242</b>  | <b>-</b>           | <b>40,029,470</b>                         | <b>35,592,885</b>   | <b>(8,813,827)</b>               | <b>44,406,712</b>    |
|  |                       |                   |                    |   | <b>(Exhibit 1)</b>  |                                  |                      |
| <b>Total Net Position - August 31, 2017</b>    | <b>(772,065)</b>      | <b>3,509,186</b>  | <b>-</b>           | <b>27,620,363</b>                         | <b>30,357,484</b>   | <b>(1,272,065)</b>               | <b>31,629,549</b>    |
|  |                       |                   |                    |   | <b>(Exhibit 1)</b>  |                                  |                      |
| <b>Net Increase (Decrease) in Net Position</b> | <b>\$ (7,541,762)</b> | <b>\$ 368,056</b> | <b>\$ -</b>        | <b>\$ 12,409,107</b>                      | <b>\$ 5,235,401</b> | <b>\$ (7,541,762)</b>            | <b>\$ 12,777,163</b> |
|  |                       |                   |                    |   | <b>(Exhibit 2)</b>  |                                  |                      |

**Grayson College**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended August 31, 2018**

**Schedule E**

| <u>Federal Grantor/Pass-Through Grantor/<br/>Program Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's<br/>Number</u> | <u>Pass-Through<br/>Disbursements<br/>and<br/>Expenditures</u> |
|--|------------------------------------|--|--|
| <b>National Science Foundation</b>                             |                                    |  |  |
| Direct Programs:   |                                    |  |  |
| Education and Human Resources                                  | 47.076                             | 1663851                                      | \$ <u>88,695</u>   |
| Total National Science Foundation                              |                                    |  | <u>88,695</u>  |
| <b>U.S. Small Business Administration</b>                      |                                    |  |  |
| Passed through Dallas County Community College District:       |                                    |  |  |
| Small Business Development Center (SBDC)                       | 59.037                             | SBAHQ-17-B-0020                              | 12,246   |
| Small Business Development Center (SBDC)                       | 59.037                             | SBAHQ-18-B-0002                              | <u>113,292</u>   |
| Subtotal - Small Business Development Center (SBDC)            |                                    |  | <u>125,538</u>   |
| Total U.S. Small Business Administration                       |                                    |  | <u>125,538</u>   |
| <b>U.S. Department of Education</b>                            |                                    |  |  |
| Direct Programs:   |                                    |  |  |
| Student Financial Aid Cluster                                  |                                    |  |  |
| Federal Supplemental Education<br>Opportunity Grant (FSEOG)    | 84.007                             |  | <u>67,410</u>  |
| Federal Workstudy Program (2017-2018)                          | 84.033                             |  | 99,281   |
| Federal Pell Grant Program                                     | 84.063                             |  | <u>6,440,787</u>   |
| Direct Student Loans   | 84.268                             |  | <u>3,755,968</u>   |
| Total Student Financial Aid Cluster                            |                                    |  | <u>10,363,446</u>  |
| TRIO Student Support Services                                  | 84.042A                            |  | <u>239,928</u>   |
| Fund for the Improvement of Postsecondary Education            | 84.116G                            |  | <u>122,779</u>   |
| Passed through Texas Workforce Commission:                     |                                    |  |  |
| Adult Basic Education (Section 231) 2016-2017                  | 84.002                             | 2516AEL001                                   | 365,571  |
| Adult Basic Education (Section 231) 2017-2018                  | 84.002                             | 2516AELB01                                   | <u>67,286</u>  |
| Subtotal - Adult Basic Education                               |                                    |  | <u>432,857</u>   |
| Passed through Texas Higher Education Coordinating Board:      |                                    |  |  |
| Career and Technical Education - Basic Grants to States        | 84.048                             |  | <u>394,058</u>   |
| Total U.S. Department of Education                             |                                    |  | <u>11,553,068</u>  |
| <b>U.S. Department of Health and Human Services</b>            |                                    |  |  |
| Passed through Texas Workforce Commission:                     |                                    |  |  |
| Temporary Assistance for Needy Families (TANF) 2017-2018       | 93.558                             | 2516AELB01                                   | <u>29,246</u>  |
| Total U.S. Department of Health and Human Services             |                                    |  | <u>29,246</u>  |
| <b>Total Federal Financial Assistance</b>                      |                                    |  | <u>\$ 11,796,547</u>   |

**Grayson College**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended August 31, 2018**

**Schedule E**

**Note 1: Federal Assistance Reconciliation**

|   |                   |
|---|-------------------|
| Federal Grants and Contracts per Schedule A                               | \$ 1,442,151      |
| Federal Grants and Contracts, Non-operating per Schedule C                | 6,598,428         |
| <br>Reconciling Items:  |                   |
| Direct Student Loans  | 3,755,968         |
| <br>Total Federal Revenues per Schedule of Expenditures of Federal Awards | <br>\$ 11,796,547 |

**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 that 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. Since the College has agency approved Indirect Cost Recovery Rate, it has elected not to use the 10% de minimis cost rate as permitted in the Uniform Guidance, Section 200.414.

**Note 3: Expenditures Not Subject to Single Audit**

None

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

| Federal Grantor and CFDA Number<br>Program Name | New Loans<br>Processed | Administrative<br>Costs<br>Recovered | Total Loans<br>Processed and<br>Admin. Costs<br>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, 2018**

**Schedule F**

| Grantor Agency/<br>Program Title   | Grant<br>Contract<br>Number | Expenditures               |
|--|-----------------------------|----------------------------|
| <b>Texas Higher Education Coordinating Board</b>                                     |                             |                            |
| College Work Study Program (2017-2018)   |                             | \$ 22,974                  |
| Work Study Mentorship  |                             | 12,358                     |
| Student Financial Aid (Texas Educational Opportunity Grant)                          |                             | 340,347                    |
| Nursing Shortage Reduction   |                             | 100,225                    |
| Nursing and Allied Health  |                             | 94,239                     |
| Texas Science, Technology, Engineering, & Math (T-STEM) Challenge Educational Aid    |                             | 30,094                     |
|  |                             | <u>2,265</u>               |
| <b>Total Passed through Texas Higher Education Coordinating Board</b>                |                             | <u><b>602,502</b></u>      |
| <b>Dallas County Community College District</b>                                      |                             |                            |
| Small Business Development Center (SBDC) 2016-2017                                   | SBAHQ-17-B-0020             | 17,224                     |
| Small Business Development Center (SBDC) 2017-2018                                   | SBAHQ-18-B-0002             | 76,734                     |
| <b>Total Passed through Dallas County Community College District</b>                 |                             | <u><b>93,958</b></u>       |
| <b>Texas Workforce Commission</b>  |                             |                            |
| Adult Basic Education  | 2516AEL001                  | 63,306                     |
| Adult Education TANF   | 2516AEL001                  | 8,167                      |
| Skills Development Fund  | 2518ALA000                  | 640,672                    |
| Skills Development Fund  | 2517SDF000                  | 495,580                    |
| Skills Development Fund  | 2517SDF000                  | 40,169                     |
| Skills Development Fund  | 2518SDF001                  | 81,811                     |
| Skills Development Fund  | 2518SDF002                  | 54,118                     |
| Professional Development   | 2518SDF003                  | 1,190                      |
| DOE-Tx Industry Partnership Initiative   | 2517TIP000                  | 195,653                    |
| High Demand Job Grant  | 2517HJT000                  | 200,000                    |
| High Demand Job Grant  | 2518HJT000                  | 31,964                     |
| Skills for Small Business  | 2518SSD000                  | 5,267                      |
| <b>Total Passed through Texas Workforce Commission</b>                               |                             | <u><b>1,817,897</b></u>    |
| <b>Texas Office of the Governor - Criminal Justice Division</b>                      |                             |                            |
| Body Amor Grant  | 2018-BG-ST-0025             | 3,294                      |
| <b>Total Passed through Texas Office of the Governor - Criminal Justice Division</b> |                             | <u><b>3,294</b></u>        |
| <b>Total State Financial Assistance</b>  |                             | <u><b>\$ 2,517,651</b></u> |
| <b>Note 1: State Assistance Reconciliation</b>                                       |                             |                            |
| State Grants and Contracts per Exhibit 2   |                             | \$ 2,517,651               |
| Reconciling Items:   |                             |                            |
| None   |                             | -                          |
| <b>Total Expenditures per Schedule of State Financial Assistance</b>                 |                             | <u><b>\$ 2,517,651</b></u> |

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for Grayson College's significant accounting policies. These expenditures are reported on Grayson College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

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**McClanahan and Holmes, LLP**  
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**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, 2018, 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 14, 2018.

**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.

Board of Trustees  
Grayson College

**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, 2018, 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.

*McClanahan and Holmes, LLP*  
Certified Public Accountants

Bonham, Texas  
December 14, 2018



**McClanahan and Holmes, LLP**  
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**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance 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 *OMB 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, 2018. 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 responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas Single Audit Circular. Those standards, the Uniform Guidance, 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 on 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, 2018.

**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 the Uniform Guidance 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 the Uniform Guidance and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

*McClanahan and Holmes, LLP*  
Certified Public Accountants

Bonham, Texas  
December 14, 2018

**Grayson College**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2018**

**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 2 CFR 200.516(a)        | No            |

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 (2517SDF000) |  |
| Skills Development Fund (2518SDF002) |  |
| Skills Development Fund (2517SDF000) |  |
| Skills Development Fund (2518SDF001) |  |
| Skills Development Fund (2518SDF003) |  |
| Texas Educational Opportunity Grant  |  |

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

|                     |  |
|---------------------|--|
| Federal - \$750,000 |  |
| State - \$300,000   |  |

|                  |     |
|------------------|-----|
| Low Risk Auditee | Yes |
|------------------|-----|

**Part II Findings Related to the Financial Statements**

None

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

None

**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)     |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|                                       | 2018                                 | 2017             | 2016             | 2015             | 2014             | 2013             | 2012             | 2011             | 2010             | 2009             |
| Net Investment in Capital Assets      | \$ 40,030                            | \$ 27,620        | \$ 25,065        | \$ 23,451        | \$ 21,019        | \$ 18,670        | \$ 15,298        | \$ 13,420        | \$ 13,066        | \$ 13,664        |
| Restricted - Expendable               | 3,877                                | 3,509            | 3,138            | 2,962            | 2,748            | 2,360            | 2,713            | 3,359            | 3,172            | 2,750            |
| Unrestricted                          | (8,314)                              | 29,230           | 27,710           | 23,888           | 26,087           | 25,653           | 25,107           | 21,990           | 20,298           | 18,747           |
| Total Primary Government Net Position | <u>\$ 35,593</u>                     | <u>\$ 60,359</u> | <u>\$ 55,913</u> | <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> |

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

|  | For the Fiscal Year Ended August 31, |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|--|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | (amounts expressed in thousands)     |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|  | 2018                                 | 2017             | 2016             | 2015             | 2014             | 2013             | 2012             | 2011             | 2010             | 2009             |
| Tuition and Fees (Net of Discounts)        | \$ 4,840                             | \$ 4,766         | \$ 5,540         | \$ 4,671         | \$ 4,795         | \$ 4,877         | \$ 4,923         | \$ 4,591         | \$ 4,435         | \$ 4,394         |
| Governmental Grants and Contracts          |                                      |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Federal Grants and Contracts               | 1,442                                | 1,544            | 1,275            | 1,052            | 1,112            | 1,246            | 1,833            | 1,223            | 1,112            | 1,017            |
| State Grants and Contracts                 | 2,518                                | 1,567            | 1,790            | 1,759            | 1,549            | 999              | 1,365            | 1,671            | 1,618            | 952              |
| Non-Governmental Grants and Contracts      | 243                                  | 249              | 251              | 354              | 360              | 282              | 247              | 309              | 379              | 329              |
| Sales & Services of Educational Activities | 50                                   | 51               | 51               | 45               | 49               | 51               | 49               | 47               | 53               | 49               |
| Auxiliary enterprises                      | 646                                  | 628              | 725              | 869              | 1,549            | 1,860            | 1,701            | 2,082            | 2,027            | 2,518            |
| Other Operating Revenue                    | 264                                  | 200              | 221              | 153              | 273              | 200              | 181              | 240              | 190              | 161              |
| Total Operating Revenues                   | <u>10,003</u>                        | <u>9,005</u>     | <u>9,853</u>     | <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>     |
| State Appropriations                       | 10,455                               | 9,384            | 9,462            | 9,210            | 9,427            | 8,967            | 9,002            | 9,038            | 9,095            | 9,059            |
| Ad Valorem Taxes                           | 16,665                               | 15,700           | 14,967           | 13,996           | 13,044           | 12,823           | 12,579           | 12,550           | 12,231           | 11,796           |
| Federal Revenue, Non-Operating             | 6,598                                | 6,862            | 7,641            | 8,493            | 9,228            | 9,745            | 11,188           | 11,802           | 9,092            | 4,963            |
| Gifts                                      | 54                                   | 35               | 24               | 116              | -                | -                | -                | -                | -                | 43               |
| Investment Income                          | 443                                  | 218              | 164              | 130              | 81               | 65               | 93               | 136              | 149              | 358              |
| Gain on Disposition of Fixed Assets        | -                                    | -                | 70               | -                | -                | -                | -                | -                | -                | -                |
| Other non-operating revenues               | -                                    | -                | -                | -                | 1                | -                | -                | -                | 1                | -                |
| Total Non-Operating Revenues               | <u>34,215</u>                        | <u>32,199</u>    | <u>32,328</u>    | <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>    |
| Total Revenues                             | <u>\$ 44,218</u>                     | <u>\$ 41,204</u> | <u>\$ 42,181</u> | <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> |

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

For the Fiscal Year Ended August 31,

(amounts expressed in thousands)

|                                    | 2018             | 2017             | 2016             | 2015             | 2014             | 2013             | 2012             | 2011             | 2010             | 2009             |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Instruction                        | \$ 14,411        | \$ 13,272        | \$ 13,419        | \$ 13,007        | \$ 12,953        | \$ 12,660        | \$ 13,236        | \$ 13,088        | \$ 12,498        | \$ 11,237        |
| Public Service                     | 963              | 734              | 729              | 766              | 599              | 597              | 631              | 694              | 706              | 623              |
| Academic Support                   | 2,297            | 1,935            | 1,794            | 1,775            | 1,823            | 1,618            | 1,512            | 1,490            | 1,531            | 1,517            |
| Student Services                   | 3,325            | 2,945            | 2,764            | 2,752            | 2,632            | 2,218            | 2,155            | 2,264            | 2,098            | 1,972            |
| Institutional Support              | 5,395            | 4,777            | 4,333            | 4,226            | 3,878            | 3,805            | 3,899            | 3,731            | 3,492            | 3,147            |
| Operation and Maintenance of Plant | 3,810            | 4,030            | 3,170            | 3,146            | 3,497            | 4,375            | 3,073            | 4,421            | 4,909            | 3,574            |
| Scholarships and Fellowships       | 4,005            | 4,110            | 5,071            | 5,831            | 5,012            | 5,451            | 6,511            | 7,469            | 5,920            | 2,974            |
| Auxiliary Enterprises              | 1,180            | 1,253            | 1,182            | 1,369            | 3,636            | 3,716            | 3,590            | 4,151            | 3,970            | 3,825            |
| Depreciation Expense               | 2,437            | 2,308            | 2,302            | 2,229            | 2,096            | 2,047            | 1,990            | 1,790            | 1,405            | 1,085            |
| <b>Total Operating Expenses</b>    | <b>37,823</b>    | <b>35,364</b>    | <b>34,764</b>    | <b>35,101</b>    | <b>36,126</b>    | <b>36,487</b>    | <b>36,597</b>    | <b>39,098</b>    | <b>36,529</b>    | <b>29,954</b>    |
| Interest on Capital Related Debt   | 1,155            | 1,380            | 1,804            | 1,914            | 1,999            | 2,160            | 2,227            | 2,332            | 2,071            | 943              |
| Loss on Disposal of Fixed Assets   | 5                | 15               | -                | 2                | -                | 21               | -                | 36               | 417              | 132              |
| <b>Total Nonoperating Expenses</b> | <b>1,160</b>     | <b>1,395</b>     | <b>1,804</b>     | <b>1,916</b>     | <b>1,999</b>     | <b>2,181</b>     | <b>2,227</b>     | <b>2,368</b>     | <b>2,488</b>     | <b>1,075</b>     |
| <b>Total Expenses</b>              | <b>\$ 38,983</b> | <b>\$ 36,759</b> | <b>\$ 36,568</b> | <b>\$ 37,017</b> | <b>\$ 38,125</b> | <b>\$ 38,668</b> | <b>\$ 38,824</b> | <b>\$ 41,466</b> | <b>\$ 39,017</b> | <b>\$ 31,029</b> |

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

|   |
|---|
| Resident<br>Fees per Semester Credit Hour (SCH) |
|---|

| Academic<br>Year<br>(Fall) | Fees per student     |                   |                      | In-District<br>Tuition | Out-of-District<br>Tuition | General<br>Fee | Student<br>Service Fee | Technology<br>Fee | Cost for 12 SCH<br>In-District | Cost for 12 SCH<br>Out-of-District | Increase from<br>Prior Year<br>In-District |
|----------------------------|----------------------|-------------------|----------------------|------------------------|----------------------------|----------------|------------------------|-------------------|--------------------------------|------------------------------------|--|
|                            | Matriculation<br>Fee | Student ID<br>Fee | International<br>Fee |                        |                            |                |                        |                   |                                |                                    |  |
| 2017                       | \$ 10                | \$ 6              | \$ -                 | \$ 50                  | \$ 88                      | \$ 18          | \$ 13                  | \$ 5              | \$ 1,036                       | \$ 1,492                           | 5.28%                                      |
| 2016                       | 10                   | 2                 | -                    | 49                     | 87                         | 20             | 7                      | 5                 | 984                            | 1,440                              | 5.13%                                      |
| 2015                       | 10                   | 2                 | -                    | 49                     | 87                         | 16             | 7                      | 5                 | 936                            | 1,392                              | 13.04%                                     |
| 2014                       | 10                   | 2                 | -                    | 49                     | 87                         | 12             | 7                      | -                 | 828                            | 1,284                              | 9.52%                                      |
| 2013                       | 10                   | 2                 | -                    | 47                     | 87                         | 8              | 7                      | -                 | 756                            | 1,236                              | 3.28%                                      |
| 2012                       | 10                   | 2                 | -                    | 45                     | 80                         | 8              | 7                      | -                 | 732                            | 1,152                              | 15.09%                                     |
| 2011                       | 10                   | 2                 | -                    | 42                     | 74                         | 8              | 2                      | -                 | 636                            | 1,020                              | 10.42%                                     |
| 2010                       | 10                   | 2                 | -                    | 37                     | 64                         | 8              | 2                      | -                 | 576                            | 900                                | 4.35%                                      |
| 2009                       | 10                   | 2                 | -                    | 35                     | 54                         | 8              | 2                      | -                 | 552                            | 780                                | 0.00%                                      |
| 2008                       | 10                   | 2                 | -                    | 35                     | 54                         | 8              | 2                      | -                 | 552                            | 780                                | 4.55%                                      |

|   |
|---|
| Non-Resident<br>Fees per Semester Credit Hour (SCH) |
|---|

| Academic<br>Year<br>(Fall) | Fees per student     |                   |                      | Non-Resident            | Non-Resident             | General<br>Fee | Student<br>Service Fee | Technology<br>Fee | Cost for 12 SCH<br>Out of State | Cost for 12 SCH<br>International | Increase from<br>Prior Year<br>Out of State |
|----------------------------|----------------------|-------------------|----------------------|-------------------------|--------------------------|----------------|------------------------|-------------------|---------------------------------|----------------------------------|---|
|                            | Matriculation<br>Fee | Student ID<br>Fee | International<br>Fee | Tuition<br>Out of State | Tuition<br>International |                |                        |                   |                                 |                                  |   |
| 2017                       | \$ 10                | \$ 6              | \$ 225               | \$ 134                  | \$ 134                   | \$ 18          | \$ 13                  | \$ 5              | \$ 2,044                        | \$ 2,269                         | 2.61%                                       |
| 2016                       | 10                   | 2                 | 225                  | 133                     | 133                      | 20             | 7                      | 5                 | 1,992                           | 2,217                            | 2.47%                                       |
| 2015                       | 10                   | 2                 | 225                  | 133                     | 133                      | 16             | 7                      | -                 | 1,944                           | 2,109                            | 5.88%                                       |
| 2014                       | 10                   | 2                 | 225                  | 133                     | 133                      | 12             | 7                      | -                 | 1,836                           | 2,061                            | 2.68%                                       |
| 2013                       | 10                   | 2                 | 225                  | 133                     | 133                      | 8              | 7                      | -                 | 1,788                           | 2,013                            | 2.76%                                       |
| 2012                       | 10                   | 2                 | 225                  | 129                     | 129                      | 8              | 7                      | -                 | 1,740                           | 1,965                            | 8.21%                                       |
| 2011                       | 10                   | 2                 | 225                  | 123                     | 123                      | 8              | 2                      | -                 | 1,608                           | 1,833                            | 8.06%                                       |
| 2010                       | 10                   | 2                 | 225                  | 113                     | 113                      | 8              | 2                      | -                 | 1,488                           | 1,713                            | 8.77%                                       |
| 2009                       | 10                   | 2                 | 225                  | 103                     | 103                      | 8              | 2                      | -                 | 1,368                           | 1,593                            | 0.00%                                       |
| 2008                       | 10                   | 2                 | 225                  | 103                     | 103                      | 8              | 2                      | -                 | 1,368                           | 1,593                            | 9.62%                                       |



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

| Fiscal Year | (amounts expressed in thousands) |                  |                              | Direct Rate                                       |                              |                  |           |
|-------------|----------------------------------|------------------|------------------------------|---|------------------------------|------------------|-----------|
|             | Assessed Valuation of Property   | Less: Exemptions | Taxable Assessed Value (TAV) | Ratio of Taxable Assessed Value to Assessed Value | Maintenance & Operations (a) | Debt Service (a) | Total (a) |
| 2017 - 2018 | \$ 13,842,348                    | \$ 4,331,865     | \$ 9,510,483                 | 68.71%  | \$0.14034                    | \$0.04086        | \$0.18120 |
| 2016 - 2017 | 12,705,357                       | 3,860,473        | 8,844,884                    | 69.62%  | 0.13612                      | 0.04518          | 0.18130   |
| 2015 - 2016 | 12,029,730                       | 3,691,533        | 8,338,197                    | 69.31%  | 0.13384                      | 0.04756          | 0.18140   |
| 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   |

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<br>Appropriation<br>(amounts<br>expressed<br>in thousands) | Appropriation per FTSE |                                    | Appropriation per Contact Hour   |                                  |                           | State<br>Appropriation<br>per Contact<br>Hour |
|-------------|--|------------------------|------------------------------------|----------------------------------|----------------------------------|---------------------------|---|
|             |  | FTSE<br>(a)            | State<br>Appropriation<br>per FTSE | Academic<br>Contact<br>Hours (a) | Voc/Tech<br>Contact<br>Hours (b) | Total<br>Contact<br>Hours |   |
| 2017 - 2018 | \$ 7,158   | 3,467                  | \$ 2,065                           | 1,147                            | 658                              | 1,805                     | \$ 3.97                                       |
| 2016 - 2017 | 7,583  | 3,601                  | 2,106                              | 1,172                            | 722                              | 1,894                     | 4.00  |
| 2015 - 2016 | 7,572  | 3,803                  | 1,991                              | 1,214                            | 827                              | 2,041                     | 3.71  |
| 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  |

**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) |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|-------------------------------------|------------------|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                     |                  | 2018   | 2017                | 2016                | 2015                | 2014                | 2013                | 2012                | 2011                | 2010                | 2009                |
| Panda Sherman Power LLC             | Energy           | \$ 242,310   | \$ 276,203          | \$ 309,565          | \$ 396,130          | \$ 261,142          | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| UHS of Texoma, Inc.                 | Hospital         | 125,000  | 106,000             | 106,000             | 107,474             | 78,111              | 30,001              | 30,251              | 30,251              | 99,900              | 61,845              |
| Oncor Electric                      | Utility          | 95,854   | 95,489              | 96,131              | 94,632              | 75,454              | 70,708              | 67,556              | 65,690              | 68,250              | 69,764              |
| Globitech Incorporated              | Manufacturing    | 48,470   | -                   | -                   | -                   | -                   | -                   | 49,626              | -                   | -                   | -                   |
| Union Pacific Railroad              | Transportation   | 47,174   | 43,470              | 49,407              | 47,257              | 42,079              | 41,162              | 33,596              | 33,616              | 34,277              | 33,798              |
| JMCR Sherman                        |                  | 46,323   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Tyson Fresh Meats Inc.              | Food             | 46,264   | 40,390              | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Sherman Commons                     | Retail           | 39,084   | 37,934              | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| BNSF Railway Co                     | Transportation   | 38,855   | 34,745              | 34,359              | 30,582              | -                   | 29,067              | -                   | -                   | -                   | -                   |
| Gulf Crossing Pipeline Co           | Energy           | 36,084   | 36,279              | 38,379              | 39,859              | 36,586              | 35,429              | 46,723              | 51,810              | 58,747              | -                   |
| Sherman Town Center LP              | Retail           | -  | 60,662              | 55,133              | 49,343              | 47,955              | 46,291              | 45,316              | 44,295              | 43,125              | 43,236              |
| Caterpillar Global                  | Manufacturing    | -  | 45,761              | 85,964              | 50,645              | 55,699              | -                   | -                   | -                   | -                   | -                   |
| Ruiz Foods                          | Food             | -  | -                   | 33,336              | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Heritage Park                       | Hospital         | -  | -                   | 33,288              | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Silver Creek Oil & Gas LLC          | Energy           | -  | -                   | -                   | 33,850              | -                   | -                   | -                   | -                   | -                   | -                   |
| Texas Instruments                   | Manufacturing    | -  | -                   | -                   | 31,326              | 34,413              | -                   | -                   | -                   | 27,981              | 39,745              |
| 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              |
| Kwikset Corporation                 | Manufacturing    | -  | -                   | -                   | -                   | -                   | 32,446              | 28,907              | 29,004              | 31,103              | 34,073              |
| Sherman Grayson Hospital LLC        | Hospital         | -  | -                   | -                   | -                   | -                   | 30,816              | 42,530              | 42,333              | 27,309              | -                   |
| Universal Health Services           | Medical          | -  | -                   | -                   | -                   | -                   | -                   | -                   | 40,080              | 44,400              | -                   |
| Energy Transfer Fuel LP             | Energy           | -  | -                   | -                   | -                   | -                   | -                   | -                   | 28,126              | -                   | 28,288              |
| Verizon Southwest                   | Utility          | -  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 22,691              |
| MEMC Southwest, Inc.                | Manufacturing    | -  | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 21,693              |
| <b>Totals</b>                       |                  | <b>\$ 765,418</b>  | <b>\$ 776,933</b>   | <b>\$ 841,562</b>   | <b>\$ 881,098</b>   | <b>\$ 702,554</b>   | <b>\$ 403,280</b>   | <b>\$ 420,122</b>   | <b>\$ 406,432</b>   | <b>\$ 488,353</b>   | <b>\$ 390,619</b>   |
| <b>Total Taxable Assessed Value</b> |                  | <b>\$ 9,510,483</b>                                      | <b>\$ 8,844,884</b> | <b>\$ 8,338,197</b> | <b>\$ 7,776,683</b> | <b>\$ 7,317,327</b> | <b>\$ 7,183,880</b> | <b>\$ 7,071,613</b> | <b>\$ 7,135,078</b> | <b>\$ 6,899,722</b> | <b>\$ 6,374,799</b> |

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

| Fiscal Year<br>Ended<br>August 31 | Levy<br>(a) | Cumulative<br>Levy<br>Adjustments | Adjusted<br>Tax Levy<br>(b) | Collections -<br>Year of Levy<br>(c) | Percentage | Prior<br>Collections of<br>Prior Levies<br>(d) | Current<br>Collections of<br>Prior Levies<br>(e) | Total<br>Collections<br>(C + D + E) | Cumulative<br>Collections of<br>Adjusted Levy |
|-----------------------------------|-------------|-----------------------------------|-----------------------------|--------------------------------------|------------|--|--|-------------------------------------|---|
| 2018                              | \$ 16,595   | \$ (94)                           | \$ 16,501                   | \$ 16,242                            | 98.43%     | \$ -   | \$ -   | \$ 16,242                           | 98.43%  |
| 2017                              | 15,494      | (91)                              | 15,403                      | 15,173                               | 98.51%     | -  | 103  | 15,276                              | 99.18%  |
| 2016                              | 14,644      | (52)                              | 14,592                      | 14,012                               | 96.03%     | 132  | 58   | 14,202                              | 97.33%  |
| 2015                              | 13,680      | 26                                | 13,706                      | 13,442                               | 98.07%     | 32   | 16   | 13,490                              | 98.42%  |
| 2014                              | 12,825      | 6                                 | 12,831                      | 12,546                               | 97.78%     | 15   | 9  | 12,570                              | 97.97%  |
| 2013                              | 12,566      | (49)                              | 12,517                      | 12,217                               | 97.60%     | 9  | 5  | 12,231                              | 97.72%  |
| 2012                              | 12,384      | (63)                              | 12,321                      | 11,973                               | 97.18%     | 6  | 3  | 11,982                              | 97.25%  |
| 2011                              | 12,350      | (92)                              | 12,258                      | 11,903                               | 97.10%     | 4  | 2  | 11,909                              | 97.15%  |
| 2010                              | 12,064      | (86)                              | 11,978                      | 11,535                               | 96.30%     | 3  | 2  | 11,540                              | 96.34%  |
| 2009                              | 11,414      | 81                                | 11,495                      | 11,108                               | 96.63%     | 2  | 1  | 11,111                              | 96.66%  |

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)

|   | 2018      | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>General Bonded Debt</b>                |           |           |           |           |           |           |           |           |           |           |
| General Obligation Bonds                  | \$ 27,390 | \$ 29,495 | \$ 33,615 | \$ 35,570 | \$ 37,455 | \$ 39,145 | \$ 40,720 | \$ 42,155 | \$ 43,465 | \$ 44,665 |
| Less: Funds Restricted for Debt Service   | (3,325)   | (2,913)   | (2,351)   | (1,915)   | (1,487)   | (1,080)   | (794)     | (784)     | (800)     | (471)     |
| Net General Bonded Debt                   | 24,065    | 26,582    | 31,264    | 33,655    | 35,968    | 38,065    | 39,926    | 41,371    | 42,665    | 44,194    |
| <b>Other Debt</b>                         |           |           |           |           |           |           |           |           |           |           |
| Revenue Bonds                             | 6,440     | 7,540     | 8,605     | 9,640     | 10,780    | 11,900    | 12,995    | 14,065    | 15,560    | 16,525    |
| Notes and Capital Leases                  | -         | -         | -         | 62        | 103       | 141       | 180       | 217       | 67        | 93        |
| Total Outstanding Debt                    | \$ 30,505 | \$ 34,122 | \$ 39,869 | \$ 43,357 | \$ 46,851 | \$ 50,106 | \$ 53,101 | \$ 55,653 | \$ 58,292 | \$ 60,812 |
| <b>General Bonded Debt Ratios</b>         |           |           |           |           |           |           |           |           |           |           |
| Per Capita                                | \$ 187.66 | \$ 211.86 | \$ 249.18 | \$ 272.44 | \$ 293.97 | \$ 312.17 | \$ 328.83 | \$ 342.26 | \$ 355.45 | \$ 371.99 |
| Per FTSE                                  | 6,683     | 6,804     | 8,002     | 8,475     | 8,322     | 8,687     | 8,475     | 8,331     | 9,396     | 11,254    |
| As a percentage of Taxable Assessed Value | 0.27%     | 0.32%     | 0.37%     | 0.43%     | 0.49%     | 0.53%     | 0.56%     | 0.58%     | 0.62%     | 0.69%     |
| <b>Total Outstanding Debt Ratios</b>      |           |           |           |           |           |           |           |           |           |           |
| Per Capita                                | \$ 237.88 | \$ 271.96 | \$ 317.76 | \$ 350.97 | \$ 382.92 | \$ 410.92 | \$ 437.34 | \$ 460.41 | \$ 485.65 | \$ 511.87 |
| Per FTSE                                  | 8,471     | 8,734     | 10,205    | 10,918    | 10,840    | 11,435    | 11,272    | 11,207    | 12,837    | 15,486    |
| As a Percentage of Taxable Assessed Value | 0.34%     | 0.41%     | 0.48%     | 0.56%     | 0.64%     | 0.70%     | 0.75%     | 0.78%     | 0.84%     | 0.95%     |

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)

|  | 2018               | 2017               | 2016               | 2015               | 2014               | 2013               | 2012               | 2011               | 2010               | 2009               |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Taxable Assessed Value   | <u>\$9,510,483</u> | <u>\$8,844,884</u> | <u>\$8,338,197</u> | <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> |
| <b>General Obligations Bonds</b>                                     |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Statutory Tax Levy Limit for Debt Service                            | \$ 47,552          | \$ 44,224          | \$ 41,691          | \$ 38,883          | \$ 36,587          | \$ 35,919          | \$ 35,358          | \$ 35,675          | \$ 34,499          | \$ 31,874          |
| Less Funds Restricted for Repayment of General Obligation Bonds      | 3,325              | 2,913              | 2,351              | 1,915              | 1,487              | 1,080              | 794                | 875                | 800                | 471                |
| Total Net General Obligation Debt                                    | 44,227             | 41,311             | 39,340             | 36,968             | 35,100             | 34,839             | 34,564             | 34,800             | 33,699             | 31,403             |
| Current Year Debt Service Requirements                               | 2,972              | 3,348              | 3,419              | 3,408              | 3,276              | 3,228              | 3,148              | 3,078              | 3,011              | 1,916              |
| Excess of Statutory Limit for Debt Service over Current Requirements | <u>\$ 41,255</u>   | <u>\$ 37,963</u>   | <u>\$ 35,921</u>   | <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>   |
| Net Current Requirements as a % of Statutory Limit                   | <u>0.00%</u>       | <u>0.98%</u>       | <u>2.56%</u>       | <u>3.84%</u>       | <u>4.89%</u>       | <u>5.98%</u>       | <u>6.66%</u>       | <u>6.18%</u>       | <u>6.41%</u>       | <u>4.53%</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<br>Ended<br>August 31, | Pledged Revenues (\$000 omitted) |                    |                           |                   |                      |                    |                                |                      |                          |          | Debt Service Requirements<br>(\$000 omitted) |          |          | Coverage<br>Ratio |
|------------------------------------|----------------------------------|--------------------|---------------------------|-------------------|----------------------|--------------------|--------------------------------|----------------------|--------------------------|----------|--|----------|----------|-------------------|
|                                    | Tuition                          | General<br>Use Fee | Student<br>Service<br>Fee | Technology<br>Fee | Registration<br>Fees | Laboratory<br>Fees | Community<br>Education<br>Fees | Investment<br>Income | Auxiliary<br>Enterprises | Total    | Principal                                    | Interest | Total    |                   |
| 2018                               | \$ 1,500                         | \$ 1,755           | \$ 585                    | \$ 418            | \$ 287               | \$ 341             | \$ 697                         | \$ 401               | \$ 540                   | \$ 6,524 | \$ 1,100                                     | \$ 238   | \$ 1,338 | 4.88              |
| 2017                               | 1,515                            | 1,718              | 604                       | 431               | 223                  | 391                | 347                            | 201                  | 502                      | 5,932    | 1,065  | 262      | 1,327    | 4.47              |
| 2016                               | 1,630                            | 1,490              | 652                       | 466               | 346                  | 397                | 476                            | 158                  | 697                      | 6,312    | 1,035  | 301      | 1,336    | 4.72              |
| 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              |

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

| <u>Calendar Year</u> | <u>District<br/>Population</u> | <u>District Personal<br/>Income</u> | <u>District<br/>Personal<br/>Income per<br/>Capita</u> | <u>District<br/>Unemployment<br/>Rate</u> |
|----------------------|--------------------------------|-------------------------------------|--|---|
| 2017                 | 131,140                        | \$ 5,409,499,000                    | \$ 41,250  | 3.5%                                      |
| 2016                 | 128,235                        | 5,162,730,000                       | 40,216   | 3.8%                                      |
| 2015                 | 125,467                        | 4,915,961,000                       | 39,181   | 4.0%                                      |
| 2014                 | 123,534                        | 4,575,002,000                       | 37,034   | 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                       | 31,841   | 8.4%                                      |
| 2009                 | 120,030                        | 3,848,851,000                       | 32,066   | 8.1%                                      |
| 2008                 | 118,804                        | 3,624,919,000                       | 30,512   | 5.3%                                      |

(a) Information is not yet available

**Sources:**

Population from U.S. Bureau of Census

Personal 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             |                               |   | Nine Years Prior                        |                             |   |
|---------------------------------|-------------------------------|---|---|-----------------------------|---|
| Employer                        | Number of<br>Employees        | Percentage of<br>Total County<br>Employment | Employer                                | Number of<br>Employees      | Percentage of<br>Total County<br>Employment |
| Texoma Health Care Systems      | 3,000 - 3,249                 | 5.22%                                       | Tyson Fresh Meats                       | 1,000 - 1,249               | 2.12%                                       |
| Tyson Fresh Meats               | 1,500 - 1,749                 | 2.71%                                       | Texoma Health Care Systems              | 1,000 - 1,249               | 2.12%                                       |
| Ruiz Foods                      | 1,000 - 1,249                 | 1.88%                                       | CIGNA Company                           | 1,000 - 1,249               | 2.12%                                       |
| Sherman ISD                     | 1,000 - 1,249                 | 1.88%                                       | Wilson N. Jones Regional Health Systems | 1,000 - 1,249               | 2.12%                                       |
| Walmart/Sam's                   | 750 - 999                     | 1.46%                                       | Sherman ISD                             | 750 - 999                   | 1.65%                                       |
| Texas Instruments               | 750 - 999                     | 1.46%                                       | Texas Instruments                       | 750 - 999                   | 1.65%                                       |
| Texas Health Presbyterian - WNJ | 750 - 999                     | 1.46%                                       | Ruiz Foods                              | 500 - 749                   | 1.18%                                       |
| CIGNA Company                   | 500 - 749                     | 1.04%                                       | Denison ISD                             | 500 - 749                   | 1.18%                                       |
| Denison ISD                     | 500 - 749                     | 1.04%                                       | Trailblazer                             | 250 - 499                   | 0.71%                                       |
| Grayson County                  | 500 - 749                     | 1.04%                                       | Grayson County                          | 250 - 499                   | 0.71%                                       |
| <b>Total</b>                    | <b><u>10,250 - 12,740</u></b> |   | <b>Total</b>                            | <b><u>7,000 - 9,490</u></b> |   |

**Source:**

Texas Workforce Commission

**Notes:**

Percentages are calculated using the midpoints of the ranges.

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

|                                 | For the Year Ended August 31, |           |           |           |           |           |           |           |           |           |
|---------------------------------|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                 | 2018                          | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      |
| <b>Faculty</b>                  |                               |           |           |           |           |           |           |           |           |           |
| Full-Time                       | 109                           | 108       | 108       | 108       | 100       | 98        | 97        | 97        | 95        | 90        |
| Part-Time                       | 143                           | 169       | 150       | 131       | 143       | 135       | 154       | 150       | 124       | 116       |
| Total                           | 252                           | 277       | 258       | 239       | 243       | 233       | 251       | 247       | 219       | 206       |
| <b>Percent</b>                  |                               |           |           |           |           |           |           |           |           |           |
| Full-Time                       | 43.3%                         | 39.0%     | 41.9%     | 45.2%     | 41.2%     | 42.1%     | 38.6%     | 39.3%     | 43.4%     | 43.7%     |
| Part-Time                       | 56.7%                         | 61.0%     | 58.1%     | 54.8%     | 58.8%     | 57.9%     | 61.4%     | 60.7%     | 56.6%     | 56.3%     |
| <b>Staff and Administrators</b> |                               |           |           |           |           |           |           |           |           |           |
| Full-Time                       | 163                           | 151       | 146       | 136       | 135       | 132       | 129       | 136       | 135       | 134       |
| Part-Time                       | 258                           | -         | -         | -         | -         | -         | -         | -         | -         | -         |
| Total                           | 421                           | 151       | 146       | 136       | 135       | 132       | 129       | 136       | 135       | 134       |
| <b>Percent</b>                  |                               |           |           |           |           |           |           |           |           |           |
| Full-Time                       | 38.7%                         | 100.0%    | 100.0%    | 100.0%    | 100.0%    | 100.0%    | 100.0%    | 100.0%    | 100.0%    | 100.0%    |
| Part-Time                       | 61.3%                         | 0.0%      | 0.0%      | 0.0%      | 0.0%      | 0.0%      | 0.0%      | 0.0%      | 0.0%      | 0.0%      |
| FTSE per Full-Time Faculty      | 31.8                          | 35.2      | 35.2      | 36.8      | 43.2      | 44.7      | 48.6      | 51.2      | 47.8      | 43.6      |
| FTSE per Full-Time Staff Member | 21.3                          | 25.2      | 26.0      | 29.2      | 32.0      | 33.2      | 36.5      | 36.5      | 33.6      | 29.3      |
| Average Annual Faculty Salary   | \$ 55,309                     | \$ 55,477 | \$ 55,085 | \$ 54,443 | \$ 53,822 | \$ 53,725 | \$ 53,695 | \$ 54,762 | \$ 53,734 | \$ 53,058 |

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

| Student Classification | Fall 2017    |                | Fall 2016    |                | Fall 2015    |                | Fall 2014    |                | Fall 2013    |                |
|------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
|                        | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        |
| 00-30 hours            | 2,786        | 63.27%         | 2,885        | 63.80%         | 2,903        | 61.54%         | 2,465        | 51.57%         | 3,184        | 61.16%         |
| 31-60 hours            | 998          | 22.67%         | 1,017        | 22.49%         | 1,075        | 22.79%         | 988          | 20.67%         | 1,250        | 24.01%         |
| > 60 hours             | 619          | 14.06%         | 620          | 13.71%         | 739          | 15.67%         | 1,327        | 27.76%         | 772          | 14.83%         |
| <b>Total</b>           | <b>4,403</b> | <b>100.00%</b> | <b>4,522</b> | <b>100.00%</b> | <b>4,717</b> | <b>100.00%</b> | <b>4,780</b> | <b>100.00%</b> | <b>5,206</b> | <b>100.00%</b> |

| Semester Hour Load   | Fall 2017    |                | Fall 2016    |                | Fall 2015    |                | Fall 2014    |                | Fall 2013    |                |
|----------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
|                      | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        |
| Less than 3          | 13           | 0.30%          | 12           | 0.27%          | 619          | 13.12%         | 13           | 0.27%          | 17           | 0.33%          |
| 3-5 semester hours   | 833          | 18.92%         | 867          | 19.17%         | 1,009        | 21.39%         | 765          | 16.00%         | 839          | 16.12%         |
| 6-8 semester hours   | 1,265        | 28.72%         | 1,246        | 27.55%         | 1,248        | 26.46%         | 1,102        | 23.05%         | 1,173        | 22.53%         |
| 9-11 semester hours  | 673          | 15.29%         | 700          | 15.48%         | 719          | 15.24%         | 877          | 18.35%         | 940          | 18.06%         |
| 12-14 semester hours | 1,123        | 25.50%         | 1,196        | 26.45%         | 831          | 17.62%         | 1,470        | 30.77%         | 1,679        | 32.24%         |
| 15-17 semester hours | 408          | 9.27%          | 428          | 9.46%          | 245          | 5.19%          | 472          | 9.87%          | 482          | 9.26%          |
| 18 & over            | 88           | 2.00%          | 73           | 1.62%          | 46           | 0.98%          | 81           | 1.69%          | 76           | 1.46%          |
| <b>Total</b>         | <b>4,403</b> | <b>100.00%</b> | <b>4,522</b> | <b>100.00%</b> | <b>4,717</b> | <b>100.00%</b> | <b>4,780</b> | <b>100.00%</b> | <b>5,206</b> | <b>100.00%</b> |

| Tuition Status                   | Fall 2017    |                | Fall 2016    |                | Fall 2015    |                | Fall 2014    |                | Fall 2013    |                |
|----------------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
|                                  | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        |
| Texas Resident (In-District)     | 3,161        | 71.79%         | 3,493        | 77.24%         | 3,557        | 75.41%         | 3,551        | 74.29%         | 3,736        | 71.76%         |
| Texas Resident (Out-of-District) | 1,052        | 23.89%         | 869          | 19.22%         | 1,027        | 21.77%         | 1,002        | 20.96%         | 1,116        | 21.44%         |
| Non-Resident Tuition             | 190          | 4.32%          | 160          | 3.54%          | 133          | 2.82%          | 227          | 4.75%          | 354          | 6.80%          |
| <b>Total</b>                     | <b>4,403</b> | <b>100.00%</b> | <b>4,522</b> | <b>100.00%</b> | <b>4,717</b> | <b>100.00%</b> | <b>4,780</b> | <b>100.00%</b> | <b>5,206</b> | <b>100.00%</b> |

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

|        | Fall 2017    |                | Fall 2016    |                | Fall 2015    |                | Fall 2014    |                | Fall 2013    |                |
|--------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
|        | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        |
| Gender |              |                |              |                |              |                |              |                |              |                |
| Female | 2,650        | 60.19%         | 2,702        | 59.75%         | 2,778        | 58.89%         | 2,900        | 60.67%         | 3,103        | 59.60%         |
| Male   | 1,753        | 39.81%         | 1,820        | 40.25%         | 1,939        | 41.11%         | 1,880        | 39.33%         | 2,103        | 40.40%         |
| Total  | <u>4,403</u> | <u>100.00%</u> | <u>4,522</u> | <u>100.00%</u> | <u>4,717</u> | <u>100.00%</u> | <u>4,780</u> | <u>100.00%</u> | <u>5,206</u> | <u>100.00%</u> |

|                  | Fall 2016    |                | Fall 2016    |                | Fall 2015    |                | Fall 2014    |                | Fall 2013    |                |
|------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
|                  | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        |
| Ethnic Origin    |              |                |              |                |              |                |              |                |              |                |
| White            | 3,172        | 72.03%         | 3,246        | 71.77%         | 3,389        | 71.84%         | 3,397        | 71.07%         | 3,759        | 72.20%         |
| African American | 542          | 12.31%         | 595          | 13.16%         | 634          | 13.44%         | 640          | 13.39%         | 637          | 12.24%         |
| Hispanic         | 304          | 6.90%          | 325          | 7.19%          | 313          | 6.64%          | 347          | 7.26%          | 352          | 6.76%          |
| Multi-Racial     | 98           | 2.23%          | 143          | 3.16%          | 181          | 3.84%          | 179          | 3.74%          | 208          | 4.00%          |
| Native American  | 194          | 4.41%          | 145          | 3.21%          | 123          | 2.61%          | 129          | 2.70%          | 112          | 2.15%          |
| International    | 32           | 0.73%          | 27           | 0.60%          | 27           | 0.57%          | 46           | 0.96%          | 84           | 1.61%          |
| Asian            | 61           | 1.39%          | 41           | 0.91%          | 50           | 1.06%          | 42           | 0.88%          | 54           | 1.04%          |
| Total            | <u>4,403</u> | <u>100.00%</u> | <u>4,522</u> | <u>100.00%</u> | <u>4,717</u> | <u>100.00%</u> | <u>4,780</u> | <u>100.00%</u> | <u>5,206</u> | <u>100.00%</u> |

|           | Fall 2016    |                | Fall 2016    |                | Fall 2015    |                | Fall 2014    |                | Fall 2013    |                |
|-----------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
|           | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        | Number       | Percent        |
| Age       |              |                |              |                |              |                |              |                |              |                |
| Under 18  | 1,119        | 25.42%         | 1,057        | 23.38%         | 966          | 20.47%         | 194          | 4.06%          | 865          | 16.62%         |
| 18-19     | 1,002        | 22.76%         | 1,049        | 23.20%         | 1,055        | 22.37%         | 1,130        | 23.64%         | 1,054        | 20.23%         |
| 20-21     | 610          | 13.85%         | 597          | 13.20%         | 577          | 12.23%         | 832          | 17.41%         | 699          | 13.43%         |
| 22-24     | 415          | 9.43%          | 489          | 10.81%         | 530          | 11.24%         | 691          | 14.46%         | 610          | 11.72%         |
| 25-29     | 432          | 9.81%          | 478          | 10.57%         | 533          | 11.30%         | 657          | 13.74%         | 637          | 12.24%         |
| 30-34     | 289          | 6.56%          | 297          | 6.57%          | 348          | 7.38%          | 401          | 8.39%          | 409          | 7.86%          |
| 35-39     | 206          | 4.68%          | 176          | 3.89%          | 230          | 4.88%          | 270          | 5.65%          | 260          | 4.99%          |
| 40-49     | 222          | 5.04%          | 264          | 5.84%          | 326          | 6.91%          | 407          | 8.51%          | 438          | 8.41%          |
| 50-64     | 101          | 2.29%          | 105          | 2.32%          | 141          | 2.99%          | 182          | 3.81%          | 220          | 4.23%          |
| 65 & over | 7            | 0.16%          | 10           | 0.22%          | 11           | 0.23%          | 16           | 0.33%          | 14           | 0.27%          |
| Total     | <u>4,403</u> | <u>100.00%</u> | <u>4,522</u> | <u>100.00%</u> | <u>4,717</u> | <u>100.00%</u> | <u>4,780</u> | <u>100.00%</u> | <u>5,206</u> | <u>100.00%</u> |

|             |    |    |    |    |    |
|-------------|----|----|----|----|----|
| Average Age | 25 | 24 | 26 | 26 | 26 |
|-------------|----|----|----|----|----|

**Grayson College**  
**Transfers to Senior Texas Institutions**  
**2016 - 2017 Graduates, Completers and Non-Returners**  
**(Unaudited)**

| Institution  | Transfer<br>Student<br>Count<br>Academic | Transfer<br>Student<br>Count<br>Technical | Total of<br>all Sample<br>Transfer<br>Students | % of<br>all Sample<br>Transfer<br>Students |
|--|--|---|--|--|
| Angelo State University                                  | 5  | 1   | 6  | 1.22%                                      |
| Lamar University   |  | 1   | 1  | 0.20%                                      |
| Midwestern State University                              | 15                                       | 1   | 16   | 3.25%                                      |
| Prairie View A & M University                            | 1  |   | 1  | 0.20%                                      |
| Sam Houston State University                             | 3  | 2   | 5  | 1.02%                                      |
| Stephen F. Austin State University                       | 10                                       | 3   | 13   | 2.64%                                      |
| Sul Ross State University                                | 1  | 1   | 2  | 0.41%                                      |
| Tarleton State University                                | 27                                       | 9   | 36   | 7.32%                                      |
| Texas A & M University                                   | 29                                       |   | 29   | 5.89%                                      |
| Texas A & M University at Commerce                       | 62                                       | 5   | 67   | 13.61%                                     |
| Texas A & M University at Corpus Christi                 | 1  |   | 1  | 0.20%                                      |
| Texas A & M University at Galveston                      | 1  |   | 1  | 0.20%                                      |
| Texas A & M University at Texarkana                      | 2  |   | 2  | 0.41%                                      |
| Texas State University                                   | 25                                       | 6   | 31   | 6.30%                                      |
| Texas Tech University                                    | 59                                       |   | 59   | 11.99%                                     |
| Texas Woman's University                                 | 28                                       | 2   | 30   | 6.11%                                      |
| The University of Texas at Arlington                     | 19                                       | 14  | 33   | 6.72%                                      |
| The University of Texas at Austin                        | 15                                       |   | 15   | 3.05%                                      |
| The University of Texas at Dallas                        | 14                                       | 3   | 17   | 3.46%                                      |
| The University of Texas at San Antonio                   | 2  |   | 2  | 0.41%                                      |
| The University of Texas at Tyler                         | 7  | 15  | 22   | 4.47%                                      |
| The University of Texas of the Permian Basin             | 3  | 1   | 4  | 0.81%                                      |
| The University of Texas Health Science Center at Houston | 1  |   | 1  | 0.20%                                      |
| The University of Texas Medical Branch at Galveston      | 1  |   | 1  | 0.20%                                      |
| The University of Health Science Center at San Antonio   |  | 1   | 1  | 0.20%                                      |
| University of Houston                                    | 1  | 1   | 2  | 0.41%                                      |
| University of Houston - Clear Lake                       | 1  |   | 1  | 0.20%                                      |
| University of North Texas at Dallas                      | 77                                       | 14  | 91   | 18.49%                                     |
| West Texas A & M University                              | 2  |   | 2  | 0.41%                                      |
| <b>Totals</b>  | <b>412</b>                               | <b>80</b>                                 | <b>492</b>                                     | <b>100.00%</b>                             |

**Grayson College  
Capital Asset Information  
Fiscal Years 2014 to 2018  
(Unaudited)**

|                                      | Fiscal Year |         |         |         |         |
|--------------------------------------|-------------|---------|---------|---------|---------|
|                                      | 2018        | 2017    | 2016    | 2015    | 2014    |
| Academic Buildings                   | 22          | 21      | 21      | 21      | 21      |
| Square Footage                       | 433,260     | 426,515 | 426,515 | 426,515 | 426,515 |
| 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                          | 3           | 2       | 2       | 2       | 2       |
| Square Footage                       | 82,589      | 51,121  | 51,121  | 51,121  | 51,121  |
| Number of Beds                       | 379         | 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  | 30,003  |
| 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                                 | 1           | 3       | 3       | 3       | 3       |
| Light Trucks/Vans                    | 11          | 16      | 16      | 16      | 16      |
| Buses                                | 2           | 2       | 2       | 2       | 2       |