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FINANCIAL STATEMENTS AND  
SINGLE AUDIT REPORTS

AUGUST 31, 2017 AND 2016

GALVESTON COMMUNITY COLLEGE DISTRICT

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GALVESTON COMMUNITY COLLEGE DISTRICT

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GALVESTON COMMUNITY COLLEGE DISTRICT  
 ORGANIZATIONAL DATA  
 FOR THE YEAR ENDED AUGUST 31, 2017

BOARD OF REGENTS

		Term Expires <u>May 31,</u>
<u>OFFICERS</u>		
Mr. Raymond Lewis, Jr. – Chairperson	Galveston, Texas	2020
Ms. Karen F. Flowers – Vice Chairperson	Galveston, Texas	2018
Mr. Fred D. Raschke - Secretary	Galveston, Texas	2018

<u>MEMBERS</u>		
Mr. Carl E. Kelly	Galveston, Texas	2022
Mr. Florentino F. Gonzalez	Galveston, Texas	2018
Mr. Armin Cantini	Galveston, Texas	2022
Mr. Carroll G. Sunseri	Galveston, Texas	2020
Mr. Michael B. Hughes	Galveston, Texas	2020

<u>KEY OFFICERS</u>	
Myles Shelton, Ed.D.	President
Gaynelle Hayes, Ed.D.	Vice-President for Administration
Cissy Matthews, Ed.D.	Vice-President for Instruction
Mr. Ron Crumedy	Acting Vice-President for Student Services

## **INDEPENDENT AUDITORS' REPORT**

Board of Regents  
Galveston Community College District  
Galveston, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Galveston Community College District (the "College") as of and for the years ended August 31, 2017 and 2016, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditors' 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 College'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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Galveston Community College District as of August 31, 2017 and 2016, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 23, and the schedule of College's proportionate share of net pension liability and the schedule of College contributions on pages 49 and 50, respectively, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Expenditures of Federal Awards for the year ended August 31, 2017, as required by Title 2 U.S. *Code of Federal Regulations* (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the supplementary schedules on pages 52 through 55, as required by the Texas Higher Education Coordinating Board ("THECB") (collectively, the Supplementary Information), are presented for purposes of additional analysis and are not a required as part of the basic financial statements.

Such supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

The Statistical Section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Caru, Riggs & Ingram, L.L.C.*

Houston, Texas  
November 28, 2017

## GALVESTON COMMUNITY COLLEGE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Galveston Community College District (the "College" or "Galveston College") Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal years ended August 31, 2017 and 2016. Since management's discussion and analysis is designed to focus on current activities, and currently known facts, please read this in conjunction with the College's financial statements and the notes thereto.

The financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with reporting requirements as set by the Texas Higher Education Coordinating Board (THECB). The notes to the financial statements are considered an integral part of the financial statements and should be read in conjunction with them. Management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of the financial statements and notes.

The College's financial report includes three basic financial statements: the Statements of Net Position provide a summary of assets, liabilities and net position as of August 31, 2017 and 2016; the Statements of Revenues, Expenses and Changes in Net Position provide a summary of operations for the fiscal year; and the Statements of Cash Flows provide categorized information about cash inflows and outflows for the fiscal year. Highlighted information from each basic financial statement is presented below:

### **Financial Highlights for 2017**

- The College's net position as of August 31, 2017 is reported at \$34.2 million. This represents an increase in net position of 9% from 2016.
- The College decreased its annual tax rate by 4.75% from \$0.17875 to \$0.17025 per \$100 assessed valuation for fiscal year 2017. However, due to an increase in the overall tax base, an additional \$540,000 in property tax revenue was received over the previous period.
- Galveston College continues to adapt to the statute created by SB 11, authorizing a concealed handgun license holder to carry concealed firearms while on a public campus effective August 1, 2017. To provide a safer environment for students, the College entered into a contract with the Galveston County Sheriff's Department to provide armed peace officers for routine law enforcement activities on the College's campuses at a cost of \$33,000 per month. Additional furniture, equipment, and a security vehicle were also purchased in fiscal year 2017 to accommodate the officers.
- Galveston College continued to improve instructional facilities and tools to stay current with technology and maximize the learning process. See "Computers - hardware and software, and equipment purchases in fiscal year 2017" section below. These purchases allowed the College to implement a virtual desktop project thereby upgrading computer labs and enabling the College to repurpose existing computers that are nearing their end of life, saving future expenses and providing our students with real-world experience with this rapidly growing technology. Nine smart classrooms were also upgraded from projectors to interactive 80" touch screen LCDs, related equipment, and integrated software. These upgrades allow annotations of instructional contents as well as the ability to save and share it with students, faculty, and the community. This equipment and concept was demonstrated, evaluated, and well received by faculty prior to being selected. The Radiography Department received two new simulation systems costing \$204,000. This state-of-the-art medical training equipment allows students to practice and hone their skills in a low-pressure safe environment, thus building the confidence needed before performing tasks on real patients.
- A growing body of research has found that school facilities can have a profound impact on both teachers' and students' outcomes. Parking is always a major concern for students, so \$46,000 of additional lighting upgrades was made to the College's parking lots. Galveston College also upgraded its signage to improve brand awareness and provide guidance to visitors and new students. The roof was replaced on Building 2 of the Applied Technology Center at a cost of \$187,000. The College invested \$153,000 into a phone system upgrade, replacing the existing voicemail server and purchasing IP phones to replace all remaining digital phones on campus.

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Financial Highlights for 2017 - Continued**

- Grant funds received in fiscal year 2017:

<b>GRANT NAME</b>	<b>PURPOSE</b>	<b>TERM</b>	<b>TOTAL AMOUNT</b>
Dept. of Education - Federal	Title V	10/01/16 - 09/30/17	\$802,000
Dept. of Education - Federal	TRIO - Upward Bound Program	09/01/16 - 08/31/17	\$259,000
Dept. of Education - Federal	TRIO - Building Bridges to Success Program	09/01/16 - 08/31/17	\$244,000
Dept. of Education - Federal	HSI – STEM Programs	10/01/16 - 09/30/17	\$239,000
Galveston Career Connect - Private	Strengthen Career Skills of High School Students	09/01/16 - 08/31/17	\$110,000
60x30TX Comprehensive College Readiness and Success Models - State	Provide Services to Students to Enable Successful Completion of CERT1 Credentials	09/01/16 – 08/31/17	\$85,000
The Moody Endowment - Private	Purchase Radiography Systems for Radiography Program	11/10/16 - 08/31/17	\$85,000
Carl Perkins Basic Grant Program - Federal	Applied Technology Support	09/01/16 - 08/31/17	\$71,000
National Science Foundation - Federal	STEM Honors Program	09/01/16 - 08/31/17	\$64,000
Texas Guaranteed Student Loan Corporation - Private	Provide Scholarships for TG Charlie Wootan Scholars	09/01/16 - 08/31/17	\$49,000
National Science Foundation - Federal	Engineering Technology Instrumentation	09/01/16 - 08/31/17	\$37,000
UTMB Surgical Technology Program - Private	Provide Support for Surgical Technology Program	09/01/16 - 08/31/17	\$29,000
UTMB President's Cabinet - Private	Provide Program Support	09/01/16 - 08/31/17	\$23,000
Houston Community College System - State	2015-2017 Accelerate Texas	09/01/16 - 08/31/17	\$20,000
National Endowment for the Humanities - Coastal Culinary - Federal	Humanities Initiatives at Hispanic-Serving Institutions	04/01/17 - 08/31/17	\$18,000
US Dept. of Agriculture - National Institute of Food and Agriculture - Federal	Food Science Pathways: A SPECA Planning Conference	09/01/16 - 08/31/17	\$17,000
		<b>TOTAL</b>	<b>\$2,152,000</b>

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Financial Highlights for 2017 - Continued**

- Computers - hardware and software, and equipment purchases in fiscal year 2017:

DESCRIPTION	FUNDING SOURCE	TOTAL AMOUNT
Phase II of Desktop Graphics Virtualization (VDI)	Education & General and Title V Grant	\$218,000
9 Modern Classrooms & Lab Renovations	Education & General and Title V Grant	\$214,000
Two Radiography Simulator Systems	Education & General and UTMB Radiography Grant	\$204,000
Phone System Upgrade	Education & General	\$153,000
Network Server /Switches and Communication Refresh - Phase I of VDI	Education & General and Title V Grant	\$140,000
General Computers, Laptops, and Tablets Refresh	Education & General	\$80,000
Mannequins and Equipment for Nursing Programs	Education & General and Grant Funds	\$49,000
Surgical Tech Program Startup	UTMB President's Cabinet Grant	\$46,000
Security Vehicle - 2018 Chevrolet Tahoe and Equipment	General Operating	\$40,000
	TOTAL	\$1,144,000

- Building renovations and furniture purchases in fiscal year 2017:

DESCRIPTION	FUNDING SOURCE	TOTAL AMOUNT
Building Maintenance and Repairs	Education & General	\$257,000
ATC Building 2 Roof Replacement	Education & General	\$187,000
Campus Signage	Education & General	\$54,000
Completion of Parking Lot Lights - 39 <sup>th</sup> and Ave Q	Education & General	\$46,000
Painting of Regents Hall 2 <sup>nd</sup> and 3 <sup>rd</sup> floors	Education & General	\$39,000
	TOTAL	\$583,000

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Financial Highlights for 2016**

- The College's net position as of August 31, 2016 is reported at \$31.4 million. This represents an increase in net position of 8% from 2015.
- The College decreased its annual tax rate from \$0.1870 to \$0.17875 per \$100 assessed valuation. However, due to an increase in the overall tax base, an additional \$793,000 in property tax revenue was received over the previous period.
- The College fortified its security infrastructure in preparation of and adapting to Senate Bill (SB) 11 which amended the Government and Penal Codes to authorize a concealed handgun license holder to carry a concealed handgun while on a public campus effective August 1, 2017. The College is moving to an armed police force, strengthening its surveillance systems, and has already implemented an automated electronic door access system allowing central control in the event of any incident. The unfunded cost estimate of SB 11 is about \$500,000 annually and is required to protect students and staff in the post SB 11 environment beginning August 1, 2017 and continuing indefinitely.
- Galveston College continued to improve its classroom facilities throughout fiscal year 2016 in an effort to increase student enrollment and retention while positively influencing student learning. With the assistance of state nursing grant funds, the College purchased \$137,000 worth of high-tech simulation mannequins and equipment for its ever-growing nursing program thereby giving students and professors as close to real life simulation of learning as possible. Welding machines and equipment costing \$130,000 were purchased to assure that the College is providing training on the same type of equipment as used by employers. The College sustained its technology refresh plan by purchasing over \$300,000 of new computer equipment and upgrading classrooms.
- The College maintained its commitment to provide comfortable facilities conducive to learning. At a cost of \$297,000, the College redesigned the HVAC cooling system connecting the different buildings. The College also completed \$300,000 in basic maintenance and repairs to existing facilities. Since a major concern of many students is parking, a new parking lot was constructed at a cost of \$164,000 thereby providing students closer access to campus. Additionally, in order to provide more control and real-time access tracking, an automated door locking system costing \$207,000 was installed.

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Financial Highlights for 2016 - Continued**

- Grant funds received in fiscal year 2016:

GRANT NAME	PURPOSE	TERM	TOTAL AMOUNT
Dept. of Education - Federal	Title V	10/01/15 – 09/30/16	\$603,000
Dept. of Education - Federal	HSI – STEM Programs	10/01/15 – 09/30/16	\$349,000
Dept. of Education - Federal	Upward Bound Program	09/01/15 – 08/31/16	\$257,000
Dept. of Education - Federal	Building Bridges to Success Program	09/01/15 – 08/31/16	\$218,000
Nursing Shortage Reduction Programs – State	Increase nursing degree graduation rates	09/01/15 - 08/31/16	\$131,000
Texas Educational Opportunity Grant - State	Provide aid to financially needy students	09/01/15 – 08/31/16	\$106,000
Carl Perkins – Federal	Applied Technology Support	09/01/15 – 08/31/16	\$103,000
HCCS Grant - State	Accelerate Texas Grant	09/01/15 – 08/31/16	\$91,000
Scaling and Sustaining Success - State	Boost student success and college completion of underprepared students	09/01/15 – 08/31/16	\$65,000
Texas Success Center Scholarship for Dual Credit - State	Provide scholarships for dual credit students	02/10/16 - 12/31/16	\$60,000
		TOTAL	\$1,983,000

- Computers - hardware and software, and equipment purchases in fiscal year 2016:

DESCRIPTION	FUNDING SOURCE	TOTAL AMOUNT
Welding Machines and Equipment Refresh (24)	Education & General	\$132,000
Nursing Simulation Mannequins and Equipment	State Nursing Grant	\$130,700
General Computers, Laptops, and Tablets Refresh (121)	Education & General and Hall Center Grant	\$128,000
Network Server and Communication Refresh	Education & General	\$99,200
Smart Class Rooms Refresh	Education & General (70%) and Grant Funds (30%)	\$98,000
Network Infrastructure Upgrade - Phase IV	Title V Grant	\$81,700
	TOTAL	\$669,600

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Financial Highlights for 2016 – Continued**

- Building renovations and furniture purchases in fiscal year 2016:

DESCRIPTION	FUNDING SOURCE	TOTAL AMOUNT
Building Maintenance and Repairs	Education & General	\$300,000
HVAC Overhead Pipe Project	Education & General	\$297,000
Automated Door Access System	Education & General	\$207,000
Parking Lot - 39 <sup>th</sup> and Ave Q	Education & General	\$164,000
Student Success Center Renovations and Furniture N-119	Title V Grant	\$84,000
	<b>TOTAL</b>	<b>\$1,052,000</b>

**Statements of Net Position**

The statements of net position presents financial information on all of the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Deferred outflows of resources represent a consumption of net position applicable to a future reporting period. The College's deferred outflows of resources relates to pensions. Deferred inflows of resources represent an acquisition of net position applicable to a future reporting period and relates to the College's proportional share of the difference between projected and actual investment earnings of the defined pension benefit plan administered by the Teachers' Retirement System of Texas. Increases and decreases to net position are one indicator of whether the overall financial condition has improved or deteriorated during the year when considered with other factors such as enrollment, contact hours of instruction, student retention and other non-financial information. The statement is also useful in determining the assets available to continue operations as well as how much the College owes to vendors and creditors at the end of the year.

In order to show the trends for the two years shown in the Statements of Net Position (Exhibit 1), a summary of three years of data for the years ended August 31 follows:

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statements of Net Position - Continued**

**Net Position  
(in thousands)**

	<u>2017</u>	<u>2016</u>	Increase (Decrease) 2017 - 2016	<u>2015</u>	Increase (Decrease) 2016 - 2015
Assets:					
Current Assets	\$ 20,864	\$ 18,110	\$ 2,754	\$ 16,006	\$ 2,104
Noncurrent Assets:					
Capital Assets, Net of Depreciation	20,510	20,187	323	19,538	649
Other	<u>43</u>	<u>56</u>	<u>(13)</u>	<u>55</u>	<u>1</u>
Total Assets	<u>\$ 41,417</u>	<u>\$ 38,353</u>	<u>\$ 3,064</u>	<u>\$ 35,599</u>	<u>\$ 2,754</u>
Deferred Outflows of Resources:					
Pension Related Deferred Outflows	<u>\$ 1,281</u>	<u>\$ 1,441</u>	<u>\$ (160)</u>	<u>\$ 559</u>	<u>\$ 882</u>
Liabilities:					
Current Liabilities	\$ 3,281	\$ 3,031	\$ 250	\$ 2,599	\$ 432
Noncurrent Liabilities	<u>4,281</u>	<u>4,003</u>	<u>278</u>	<u>3,501</u>	<u>502</u>
Total Liabilities	<u>\$ 7,562</u>	<u>\$ 7,034</u>	<u>\$ 528</u>	<u>\$ 6,100</u>	<u>\$ 934</u>
Deferred Inflows of Resources:					
Pension Related Deferred Inflows	<u>\$ 945</u>	<u>\$ 1,328</u>	<u>\$ (383)</u>	<u>\$ 963</u>	<u>\$ 365</u>
Net Position:					
Invested in Capital Assets, Net of Related Debt	\$ 20,510	\$ 20,188	\$ 322	\$ 19,538	\$ 650
Restricted – Expendable	253	242	11	174	68
Unrestricted	<u>13,428</u>	<u>11,002</u>	<u>2,426</u>	<u>9,383</u>	<u>1,619</u>
<b>Total Net Position</b>	<u><b>\$ 34,191</b></u>	<u><b>\$ 31,432</b></u>	<u><b>\$ 2,759</b></u>	<u><b>\$ 29,095</b></u>	<u><b>\$ 2,337</b></u>

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statements of Net Position - Continued**

***Fiscal Year 2017 Compared to 2016***

Current assets mainly consist of cash investments in Logic, Lone Star, TexPool, Texas Term Investment pools, collateralized certificate of deposits, and receivables. Overall, current assets increased by \$2.8 million, primarily driven by an increase in cash and cash equivalents generated by surplus funds from operations in fiscal year 2017. Short term investments decreased as the College redeemed, but did not replace, a \$1 million collateralized Moody Bank certificate of deposit that matured in September 2016. During 2017, the College replaced the roof on the Applied Technology Center, improved parking lot lighting and signage, refreshed its phone system and computer equipment, and purchased a nursing mannequin and two radiography simulations systems. As a result, capital assets increased as the College capitalized approximately \$1.3 million (note 6) offset by \$950,000 of depreciation expense. Galveston College's current liabilities increased by \$250,000 primarily driven by accounts payable increasing \$463,000 offset by a reduction of \$198,000 in unearned revenue. The increase in accounts payable is a result of the College being closed during the end of the fiscal year due to Hurricane Harvey. Non-current liabilities increased \$278,000 primarily due to a \$306,000 increase in the net pension liability. Based on the TRS audited schedules, the unfunded pension deferred outflow (similar to an asset) decreased by \$160,000 while the deferred inflow (similar to a liability) also decreased by \$384,000. Although GASB Statement No. 68 required the College to book these entries, no cash changed hands nor is there any indication that it will in future periods.

***Fiscal Year 2016 Compared to 2015***

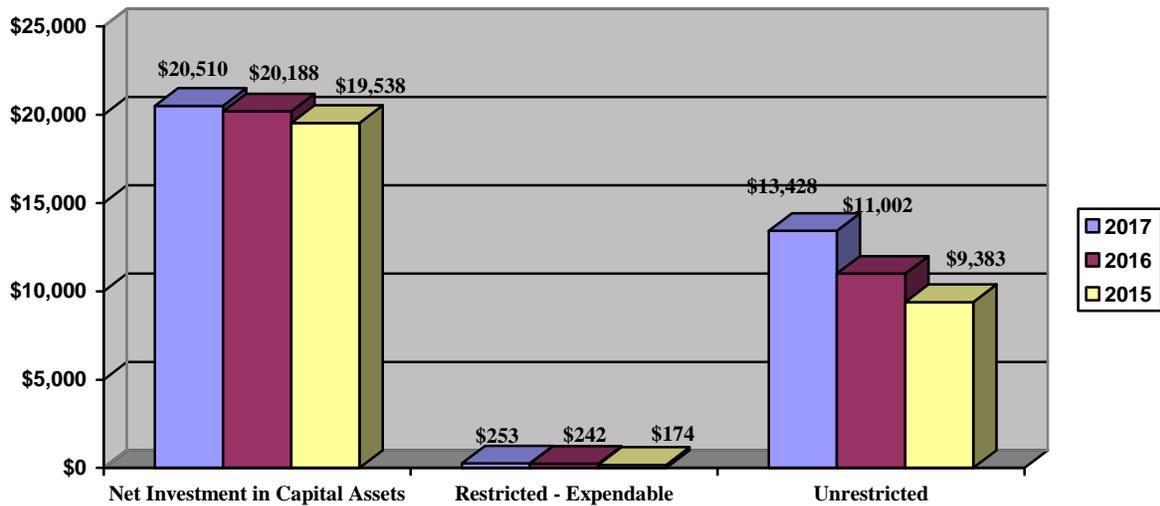
Total net position for fiscal year 2016 was \$31.4 million, representing an 8% increase or \$2.3 million for fiscal year 2015. Current assets mainly consist of cash investments in Logic, Lone Star, TexPool and Texas Term Investment pools, collateralized certificates of deposit, and receivables. Cash and equivalents and short-term investments increased by \$2 million due to surplus funds from fiscal year 2016's operation. Capital assets increased slightly as the College capitalized approximately \$1.5 million due to facility upgrades, a new parking lot, door access system, classrooms, labs, and equipment, offset by \$869,000 of depreciation expense.

Current liabilities increased by \$432,000. The majority of this increase is due to unearned grant revenue from State of Texas grants and fall 2016 registrations. The proportionate share of the College's pension related deferred outflows of resources, deferred inflows of resources, and the net pension liability under GASB 68 increased by \$882,000, \$365,000 and \$498,000, respectively. Pension related deferred inflows of resources and deferred outflows of resources are \$1.33 million and \$1.44 million, respectively, as of August 31, 2016 and will be recognized in pension expense in future periods.

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statements of Net Position - Continued**

The following is a graphic illustration of net position (in Thousands) for the years ended August 31, 2015 through 2017. Total net position – net investment in capital assets has increased over the past three years as the College constructs new buildings and continues to make improvements to existing buildings to support student and program growth. The increase in unrestricted net position over the past three years is due to the College having excess revenues over expenses for the year.



**Statements of Revenues, Expenses and Change in Net Position**

The statements of revenues, expenses, and changes in net position focuses on the “bottom line results” of the College’s operations. This approach summarizes and simplifies the user’s analysis of the cost of various College services to its students and the burden to the public. The statement is divided into operating revenues and expenses and non-operating revenues and expenses. The College (like all other community colleges) is primarily dependent upon three sources of revenue: local property taxes, state appropriations, and tuition and fees. Only tuition represents an exchange for services. Since the Governmental Accounting Standards Board (GASB) requires state appropriations, student financial aid (Title IV), grants and property taxes to be classified as non-operating revenues, community colleges will generally display an operating deficit before taking into account other support. Essentially, this deficit represents the net cost of services to students that must be covered by local taxpayer support, the state and other sources of revenue. Further detail is presented in the Statements of Revenues, Expenses and Changes in Net Position and notes to the financial statements.

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statements of Revenues, Expenses and Change in Net Position - Continued**

The following chart summarizes the College's operating results for the years ended August 31:

**Operating Results**  
**(in thousands)**

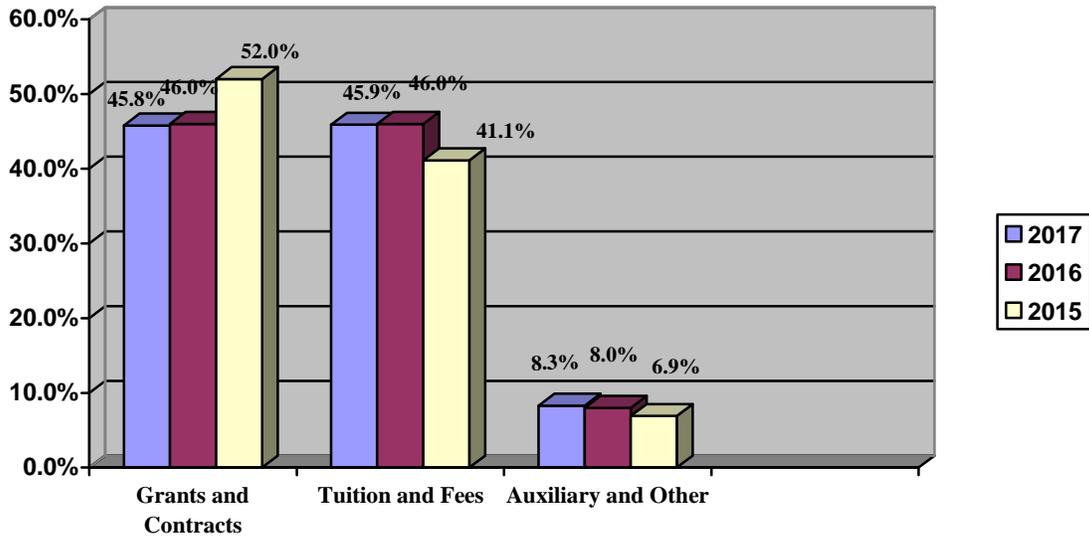
	<u>2017</u>	<u>2016</u>	Increase (Decrease) 2017 - 2016	<u>2015</u>	Increase (Decrease) 2016 - 2015
<b>Operating Revenues:</b>					
Tuition and Fees, Net of Scholarship Allowance	\$ 2,767	\$ 2,605	\$ 162	\$ 2,574	\$ 31
Grants and Contracts	2,762	2,604	158	3,263	(659)
Auxiliary Enterprises, Net	244	233	11	298	(65)
Other Operating Revenues	<u>261</u>	<u>217</u>	<u>44</u>	<u>137</u>	<u>80</u>
Total Operating Revenues	6,034	5,659	375	6,272	(613)
Less Operating Expenses	<u>23,363</u>	<u>22,732</u>	<u>631</u>	<u>22,070</u>	<u>662</u>
Operating Loss	<u>(17,329)</u>	<u>(17,073)</u>	<u>(256)</u>	<u>(15,798)</u>	<u>(1,275)</u>
<b>Non-Operating Revenues (Expenses):</b>					
State Appropriations	4,741	4,766	(25)	4,709	57
Property Taxes	12,355	11,815	540	11,022	793
Federal Student Assistance	2,845	2,729	116	2,852	(123)
Investment and Other Income	261	100	161	19	81
Interest on Capital Related Debt	-	-	-	(28)	28
Loss on Disposal of Capital Assets	-	-	-	(332)	332
Other Non-Operating Expense	<u>(114)</u>	<u>-</u>	<u>(114)</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues, Net	<u>20,088</u>	<u>19,410</u>	<u>678</u>	<u>18,242</u>	<u>1,168</u>
Increase (Decrease) in Net Position	<u>\$ 2,759</u>	<u>\$ 2,337</u>	<u>\$ 422</u>	<u>\$ 2,444</u>	<u>\$ (107)</u>

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

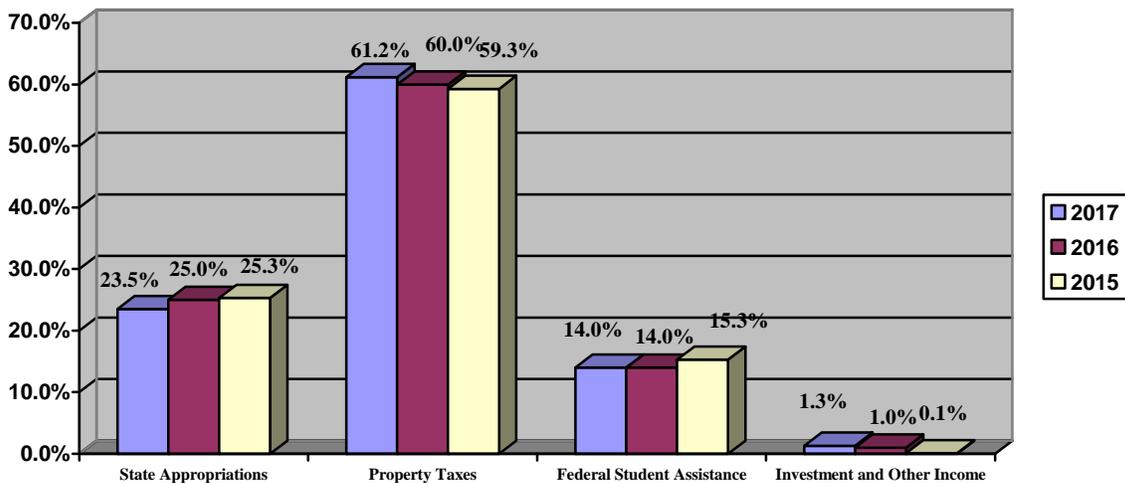
**Statements of Revenues, Expenses and Change in Net Position - Continued**

The following are graphic illustrations of revenues by source for the years ended August 31, 2015 through 2017:

**Revenues by Source  
Operating Revenues**



**Revenues by Source  
Non-Operating Revenues**



GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statements of Revenues, Expenses and Change in Net Position - Continued**

***Fiscal year 2017 compared to 2016***

The College has four major sources of revenues: property taxes, state appropriations, grants and contracts, and tuition and fees. The proportion of these sources remained relatively constant with a total revenue increase of \$1.2 million. Property taxes generated \$12.35 million or about 47% of total revenue earned in fiscal year 2017. The College was able to reduce its tax rate by 4.75% from \$0.17875 to \$0.17025 per \$100 assessed values. However, due to valuation growth within the district, an additional \$540,000 revenue was received. State appropriation revenue remained stable, as the College completed the 2<sup>nd</sup> and final year of the legislative biennium funding. Net tuition and fee revenue increased due to rate increases active for fiscal year 2017. Federal grants and contracts increased by \$213,000 as a result of reaching the final year of the Title V grant and a full year of the National Science Foundation grants. State and local grant revenue decreased by \$281,000 chiefly due the Nursing Shortage, Accelerate Texas, and Developmental Education Scaling and Sustaining Success grants concluding.

***Fiscal Year 2016 Compared to 2015***

For fiscal year 2016, the College's total revenues grew approximately \$200,000. The College has four major sources of revenue: property taxes, state appropriations, grants and contracts, and tuition and fees. The College lowered the tax rate from \$0.1870 to \$0.17875 per \$100 assessed values. However, due to the prevailing tax-base growth on the island, an additional \$793,000 in revenue was received in fiscal year 2016. State appropriations and tuition and fees revenue remained relatively constant compared to fiscal year 2015. Federal grants and contracts revenue decreased by \$535,000 due to the College's Title V and STEM grants ending in fiscal year 2017. The majority of these projects and associated expenses of these grants occurred in prior years. Federal student assistance decreased by \$123,000 as a result of a decrease of about 50 students qualifying for and awarded Pell grants.

Below is a schedule and a graphic illustration of operating expenses by function for the years ended August 31:

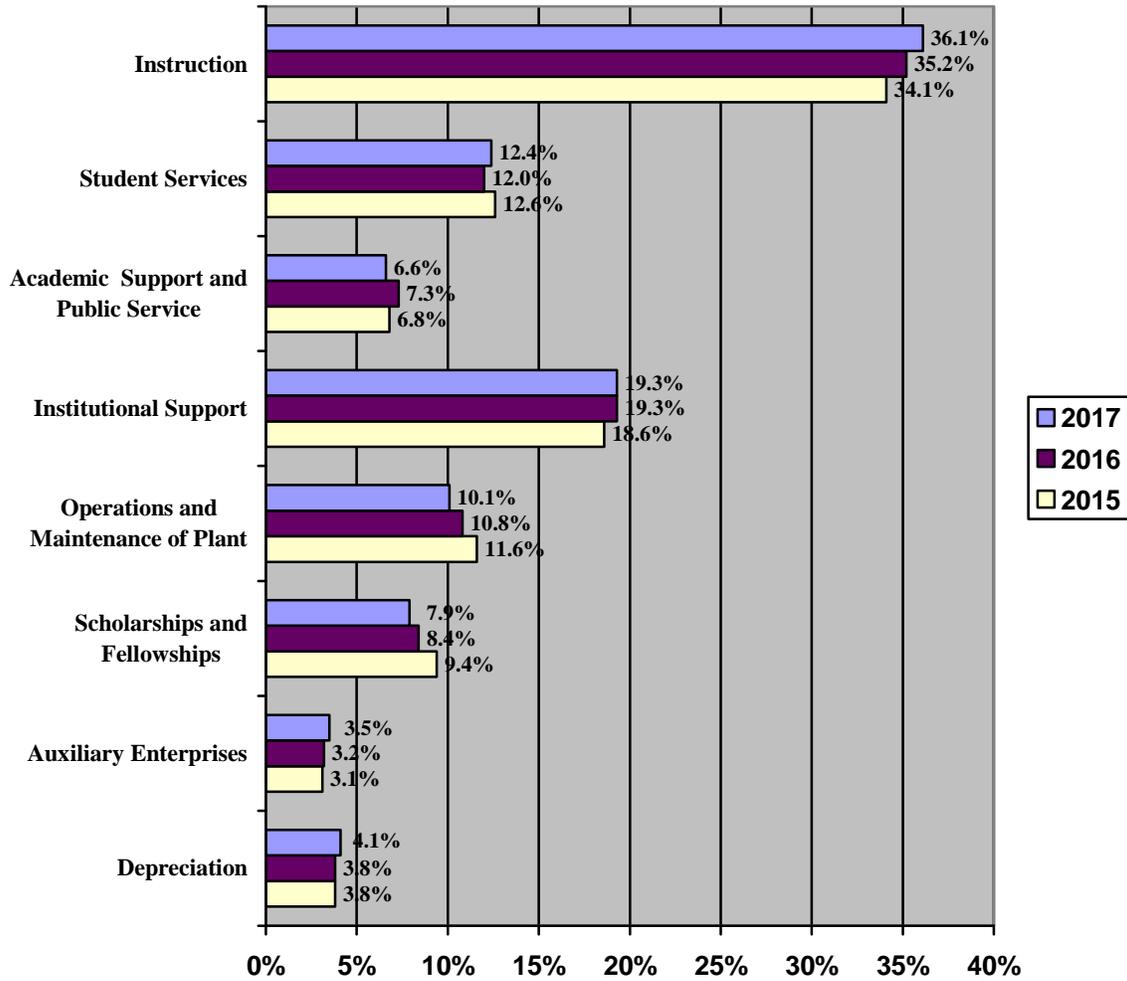
**Operating Expenses  
(in thousands)**

	2017	2016	Increase (Decrease) 2017-2016	2015	Increase (Decrease) 2016-2015
<b>Operating Expenses:</b>					
<b>Instruction</b>	\$ 8,436	\$ 8,008	\$ 428	\$ 7,520	\$ 488
<b>Public Service</b>	25	36	(11)	21	15
<b>Academic Support</b>	1,527	1,620	(93)	1,471	149
<b>Student Services</b>	2,894	2,729	165	2,785	(56)
<b>Institutional Support</b>	4,499	4,399	100	4,099	300
<b>Operation and Maintenance of   Plant</b>	2,359	2,448	(89)	2,558	(110)
<b>Scholarships and Fellowships</b>	1,851	1,905	(54)	2,090	(185)
<b>Auxiliary Enterprises</b>	822	718	104	696	22
<b>Depreciation</b>	950	869	81	830	39
<b>Total</b>	<u>\$ 23,363</u>	<u>\$ 22,732</u>	<u>\$ 631</u>	<u>\$ 22,070</u>	<u>\$ 662</u>

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statements of Revenues, Expenses and Change in Net Position - Continued**

**Operating Expenses**



***Fiscal Year 2017 Compared to 2016***

Galveston College’s total expenses increased by \$631,000 or 3% in fiscal year 2017 as compared to fiscal year 2016. The College’s Board of Regents approved a salary increase of 3% for all employees and general inflation resulted in most expense categories increasing. The largest expense category is instruction, accounting for 36% of the total operating expenses, and increasing 5% compared to fiscal year 2016. This increase was primarily driven by salaries and benefits, and new instructional program development. Academic support decreased as result of less equipment and supplies purchased in the Testing and Media Department. The student service category increased due to increased staffing, and the movement from a security to police force model. Auxiliary enterprises increased primarily due to the expense associated with the College’s 50<sup>th</sup> Anniversary Gala.

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statements of Revenues, Expenses and Change in Net Position - Continued**

***Fiscal Year 2016 Compared to 2015***

Galveston College's operating expenses increased by \$662,000 or 3% in fiscal year 2016 as compared to fiscal year 2015. The College's Board of Regents approved a salary increase of 3% for all employees and general inflation resulted in most expense categories increasing. The largest expense category remains instruction at 35%, increasing \$488,000 or 6% from fiscal year 2015. The increase in institutional support was due to increased marketing efforts and an increase in the College's proportionate share of pension expense. Scholarships and fellowships expense represents the amount disbursed to a student after a scholarship award is credited to the student's account for payment of tuition and fees. Scholarships and fellowships expense is down due to about 50 less students receiving Pell grants. Operations and maintenance of plant is down because of the removal of 6 houses, used as student dormitories, in 2015 which resulted in the College saving on insurance and utilities in the current year.

**Statements of Cash Flow Activity**

The statement of cash flows reports the cash receipts and cash payments that occurred during the fiscal year. This statement helps users assess: 1) the entity's ability to generate future cash flows; 2) its ability to meet its obligations as they come due; and 3) its needs for external financing. The statement of cash flows presents information relative to cash inflows and outflows summarized by operating, financing, and investing activities.

The following chart summarizes the statements of cash flows (rounded to the nearest thousand) for the fiscal years ended August 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash Provided by (Used in):			
Operating Activities	\$(15,046)	\$(14,881)	\$(14,200)
Non-Capital Financing Activities	18,850	18,387	17,730
Capital and Related Financing Activities	(1,273)	(1,519)	(2,737)
Investing Activities	<u>1,115</u>	<u>(1,928)</u>	<u>9</u>
Net Increase in Cash and Cash Equivalents	3,646	59	802
Cash and Cash Equivalents – Beginning of Year	<u>11,141</u>	<u>11,082</u>	<u>10,280</u>
Cash and Cash Equivalents – End of Year	<u>\$ 14,787</u>	<u>\$ 11,141</u>	<u>\$ 11,082</u>

The College's cash flow from operations is always reflected as a use of cash because the College relies heavily on property tax and state appropriation revenue to fund operations. The increase in cash from non-capital financing activities of \$463,000 is due to increases in property taxes and federal student assistance (Title V grant). Cash used in capital activities are down slightly when compared to fiscal year 2016. Cash provided by investment activities increased due to one of the College's collateralized certificates of deposit maturing and the funds were not reinvested. Overall increase in cash and cash equivalents is primarily driven by a surplus of funds from operations in fiscal year 2017.

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Capital Assets**

As shown in Footnote 6 to the financial statements, capital assets increased from \$20.2 million to \$20.5 million due to facility improvements and new equipment purchases; offset by \$950,000 of depreciation expense. The following points explain the material changes in the capital asset categories during fiscal year 2017:

- Land remained constant.
- Construction in progress increased by \$96,000 for architect and engineering fees to evaluate the construction of the student residency, applied technology, and health science buildings.
- Buildings increased by \$210,000 as a result of the new roof installed on Building 2 of the ATC.
- Improvements other than buildings increased by \$131,000 due to new campus signage and improved parking lot lighting.
- Furniture, equipment, and vehicles increased \$762,000 as Galveston College refreshed network equipment, purchased an additional nursing mannequin and two radiography simulator systems, completed Smart Classroom upgrades, and replaced its voice mail system. The College also purchased a police vehicle for the new Galveston College Police Department.
- Computer equipment remained stable, while there were minimal additions to library books.

**Capital Assets  
(in thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Capital Assets:			
Land and Improvements	\$ 7,218	\$ 7,087	\$ 6,372
Construction in Progress	259	163	439
Buildings	19,370	19,160	18,675
Equipment, Furniture, and Software	6,572	5,810	5,303
Library Books	<u>1,142</u>	<u>1,068</u>	<u>997</u>
 Total	 \$ <u>34,561</u>	 \$ <u>33,288</u>	 \$ <u>31,786</u>
Less Accumulated Depreciation	<u>(14,051)</u>	<u>(13,101)</u>	<u>(12,248)</u>
Net Capital Assets	\$ <u>20,510</u>	\$ <u>20,187</u>	\$ <u>19,538</u>

**Currently Known Facts, Decisions and Conditions**

- Based on the 2017 Texas Higher Education Almanac, Galveston College's graduation rates continue to be significantly higher than the average for Texas two-year institutions. The three-year graduation rate (the percentage of students who graduate within three years of enrollment) for Galveston College's full-time students was 33.7%, compared to a state average of 18.6%, ranking the College in the top 10%. The four-year graduation rate for full-time students was 34.1% for Galveston College vs. 24.6% for the state average. The percentage of courses taught by full-time faculty is 56% vs. 38.5% for the state average, which is higher than 80% of comparable institutions. The percentage of students reported to be employed or enrolled is 95.2% for academic and 96.7% for technical programs, ranking the College 3<sup>rd</sup> for technical and 6<sup>th</sup> for academic of the 88 two-year public institutions. Galveston College's cost of attendance is 20% lower than the state average, with over 60% of Texas two-year colleges having a higher cost of attendance.

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Currently Known Facts, Decisions and Conditions - Continued**

- On Friday, August 18, 2017, Galveston College concluded its 50th Anniversary celebration with a nod to both the past and the future. A historical marker from the Texas Historical Commission is now dedicated to Moody Hall, which was once the St. Mary's Orphanage before becoming the hub of activity for registration and financial aid it is today. President Myles Shelton recognized the relevance of the past by stating, "It's important that we recognize those who had the vision of what Galveston College is today." Officials put the final stamp on the 50th Anniversary celebration by burying a time capsule at Regents Hall courtyard, to be opened at Galveston College's 100th year anniversary in 2067. Several items in the capsule include photos, a Whitecaps baseball jersey, pennants, and community reports.
- Galveston College was named #1 Community College in Texas for the third year in a row by Schools.com. This independent ranking was based on key factors, such as a low student to faculty ratio, providing a more personalized learning experience and culminating in higher graduation and transfer rates. Galveston College received national accolades: "Galveston College was one of the five top community colleges in Texas for its graduation and four-year college transfer rates and low student-to-faculty ratio. Particularly impressive: GC tops the list for its relatively low cost of tuition, fees, books, and supplies."
- Galveston College's TRIO - Building Bridges to Success (BBS) program recently celebrated 20 years of success at Galveston College. BBS is a TRIO Student Support Services program that is funded by the U.S. Department of Education to serve first-generation, low-income students at Galveston College. For the past academic year, BBS served 201 students, with 52 students graduating. 98% of participants were in good academic standing (2.0 or above GPA), and 60% of participants earned an associate's degree or certificate within 4 years of entering the program. Of those who graduated with an associate's degree or certificate, 34% also transferred to a four-year institution. Additionally, the persistence rate of BBS students from fall to fall (including graduation or transfer) was 94%.
- Galveston College's TRIO - Upward Bound program has been quite successful in recent years. Using federal grant funds provided by the U. S. Department of Education, the TRIO – Upward Bound program was able to serve 70 high-school students in fiscal year 2016-2017. Of special note, 100% of the seniors served during the academic year passed the required state assessments and graduated with a rigorous degree plan. Of all 70 students served, 69% earned a 2.5 GPA or higher, meeting and exceeding the project objective. The nine Upward Bound students served during the 2016-2017 fiscal year graduated high-school in June 2017, and all went on to continue their education with five students enrolled at Galveston College and four enrolled at universities.
- The College continues to see a growth in dual credit enrollment, waiver agreements, and increased program offerings to these students. Dual credit enrollment increased by 33% in fall of 2016 compared to 2015, having increased 134% from fall 2011. The success rates in fall of 2016 (the percentage of students who received A-C) are dramatically different between dual credit & non-dual credit, for example: BIOL 1406 (100% vs. 60.4%), HIST 1301 (100% vs. 70.8%), & MATH 1314 (100% vs. 64.7%). Galveston College is excited by this growth and the opportunity provided to high school students of the ability to graduate with a high school diploma and an associate's degree from Galveston College.

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

- The following grants will be active in fiscal year 2018:

GRANT NAME	PURPOSE	TERM	TOTAL AMOUNT
US Dept. of Labor - Federal	Building Construction Trades Training Demonstration Project	08/01/17 - 07/31/18	\$325,000
Dept. of Education - Federal	TRIO - Building Bridges to Success Program	09/01/17 - 08/31/18	\$274,000
Dept. of Education - Federal	TRIO - Upward Bound Program	09/01/17 - 08/31/18	\$264,000
60x30TX Comprehensive College Readiness and Success Models 2016-2018 - State	Provide Services to Students to Enable Successful Completion of CERT1 Credentials	09/01/17 - 08/31/18	\$220,000
National Science Foundation - Federal	STEM Honors Program	09/01/17 - 08/31/18	\$176,000
Galveston Career Connect - Private	Strengthen Career Skills of High School Students	09/01/17 - 08/31/18	\$106,000
National Science Foundation - Federal	Engineering Technology Instrumentation	09/01/17 - 08/31/18	\$96,000
Carl Perkins Basic Grant Program - Federal	Applied Technology Support	09/01/17 - 08/31/18	\$95,000
Dept. of Education - Federal	HSI – STEM Programs	09/01/17 - 09/30/17	\$79,000
Texas Higher Education Coordinating Board - State	Nursing Shortage Reduction Under 70 Program FY15/16	09/01/17 - 08/31/18	\$69,000
National Endowment for the Humanities - Coastal Culinary - Federal	Humanities Initiatives at Hispanic-Serving Institutions	09/01/17 - 08/31/18	\$59,000
Texas Guaranteed Student Loan Corporation - Private	Provide Scholarships for TG Charlie Wootan Scholars	09/01/17 - 08/31/18	\$44,000
60x30TX Comprehensive College Readiness and Success Models 2017-2019 - State	Provide Services to Students to Enable Successful Completion of CERT1 Credentials	09/01/17 - 08/31/18	\$25,000
Dept. of Education - Federal	Title V	09/01/17 - 09/30/17	\$24,000
UTMB President's Cabinet - Private	Provide Program Support	09/01/17 - 08/31/18	\$21,000
UTMB Surgical Technology Program - Private	Provide Support for Surgical Technology Program	09/01/17 - 08/31/18	\$21,000
Lee College - Exxon Mobil Community College Petrochemical Initiative - Private	Program Support - Petrochemical/Industrial Trades	09/01/17 - 08/31/18	\$7,000
		<b>TOTAL</b>	<b>\$1,905,000</b>

GALVESTON COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Contacting the College's Financial Management**

This financial report is designed to provide the College's citizens, taxpayers, students, investors, and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Business Office at 4015 Avenue Q, Galveston, Texas 77550.

GALVESTON COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF NET POSITION  
AUGUST 31, 2017 AND 2016

Exhibit 1

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents (Note 4)	\$ 14,744,280	\$ 11,084,645
Short-Term Investment (Note 4)	3,000,000	4,000,000
Accounts Receivable (Note 5)	508,478	323,887
Property Tax Receivable, (Note 5)	617,266	569,215
Student Receivables, Net (Note 5)	1,445,046	1,510,131
Other Assets	548,968	622,178
Total Current Assets	20,864,038	18,110,056
<b>NONCURRENT ASSETS:</b>		
Restricted Agency Funds Cash and Cash Equivalents (Note 4)	43,092	56,147
Capital Assets, Net (Note 6):		
Not Subjected to Depreciation	3,789,636	3,693,959
Subjected to Depreciation	16,719,986	16,493,391
Total Noncurrent Assets	20,552,714	20,243,497
Total Assets	41,416,752	38,353,553
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Deferred Outflows (Note 8)	1,280,806	1,441,137
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable (Note 5)	951,541	488,755
Funds Held for Others - Agency	43,092	56,147
Unearned Revenues	2,238,590	2,436,923
Deposits	7,200	8,944
Compensated Absences - Current Portion (Notes 7 and 11)	40,000	40,000
Total Current Liabilities	3,280,423	3,030,769
<b>NONCURRENT LIABILITIES:</b>		
Compensated Absences (Notes 7 and 11)	329,007	357,578
Net Pension Liability (Note 8)	3,952,159	3,646,003
Total Noncurrent Liabilities	4,281,166	4,003,581
Total Liabilities	7,561,589	7,034,350
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related Deferred Inflows (Note 8)	944,857	1,328,428
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets	20,509,622	20,187,350
Restricted - Expendable:		
Student Aid	253,378	242,272
Unrestricted	13,428,112	11,002,290
Total Net Position (Schedule D)	\$ 34,191,112	\$ 31,431,912

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

GALVESTON COMMUNITY COLLEGE DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

Exhibit 2

	2017	2016
<b>OPERATING REVENUES:</b>		
Tuition and Fees, Net of Scholarship Allowance of \$1,843,089 for 2017 and \$1,546,235 for 2016	\$ 2,766,621	\$ 2,605,353
Federal Grants and Contracts	1,756,010	1,542,820
State and Local Grants and Contracts	223,975	504,892
Private Grants and Scholarships	781,892	555,732
Auxiliary Enterprises, Net of Scholarship Allowance of \$156,448 for 2017 and \$169,905 for 2016	243,658	233,015
Other Operating Revenues	261,834	217,059
Total Operating Revenues (Schedule A)	6,033,990	5,658,871
<b>OPERATING EXPENSES:</b>		
Instruction	8,436,060	8,007,612
Public Service	25,135	35,707
Academic Support	1,527,382	1,619,862
Student Services	2,894,083	2,728,445
Institutional Support	4,499,005	4,399,197
Operation and Maintenance of Plant	2,358,444	2,448,345
Scholarships and Fellowships	1,851,003	1,905,368
Auxiliary Enterprises	821,798	718,033
Depreciation	950,475	869,308
Total Operating Expenses (Schedule B)	23,363,385	22,731,877
<b>OPERATING LOSS</b>	<b>(17,329,395)</b>	<b>(17,073,006)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
State Appropriations	4,741,378	4,765,726
Property Taxes	12,355,185	11,815,295
Federal Student Assistance (Title IV Grants)	2,845,306	2,728,660
Investment Income	123,576	50,816
Other Non-Operating Income	137,217	49,151
Other Non-Operating Expenses	(114,067)	-
Non-Operating Revenues, Net (Schedule C)	20,088,595	19,409,648
<b>INCREASE IN NET POSITION</b>	2,759,200	2,336,642
<b>NET POSITION, BEGINNING OF YEAR</b>	31,431,912	29,095,270
<b>NET POSITION, END OF YEAR</b>	<b>\$ 34,191,112</b>	<b>\$ 31,431,912</b>

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

GALVESTON COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

Exhibit 3

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Students and Other Customers	\$ 2,693,860	\$ 2,636,800
Receipts from Grants and Contracts	2,553,818	2,972,293
Payments to or on Behalf of Employees	(14,241,005)	(13,838,195)
Payments to Suppliers for Goods and Services	(4,707,267)	(5,205,675)
Payments for Scholarships	(1,851,003)	(1,905,368)
Other Cash Receipts	505,492	459,173
Net Cash Used in Operating Activities	(15,046,105)	(14,880,972)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Proceeds from State Appropriations	3,717,736	3,710,017
Proceeds from Property Taxes	12,307,134	11,821,619
Proceeds from Federal Student Assistance (Title IV Grants)	2,836,440	2,743,629
Other Non-Operating Income	102,967	111,251
Other Non-Operating Expenses	(114,067)	-
Net Cash Provided by Non-Capital Financing Activities	18,850,210	18,386,516
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of Capital Assets	(1,272,747)	(1,518,868)
Net Cash Used in Capital and Related Financing Activities	(1,272,747)	(1,518,868)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Reinvestment of Interest Income	-	(1,977,907)
Cash Receipt on Maturity of Short-Term Investment	1,000,000	-
Investment Income	115,222	50,146
Net Cash Provided by (Used in) Investing Activities	1,115,222	(1,927,761)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,646,580	58,915
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	11,140,792	11,081,877
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 14,787,372	\$ 11,140,792

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

GALVESTON COMMUNITY COLLEGE DISTRICT  
 STATEMENTS OF CASH FLOWS - CONTINUED  
 FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

Exhibit 3 - Continued

	2017	2016
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	\$ (17,329,395)	\$ (17,073,006)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	950,475	869,308
Payments Made Directly by State for Benefits	1,023,294	1,056,265
Changes in Assets and Liabilities:		
Receivables, Net	(101,938)	(34,852)
Other Assets	73,210	(54,769)
Deferred Outflows of Resources	160,331	(882,144)
Accounts Payable	462,786	(84,566)
Funds Held for Others - Agency Funds	(13,055)	1,228
Unearned Revenues	(164,083)	442,275
Deposits	(1,744)	744
Compensated Absences	(28,571)	14,630
Net Pension Liability	306,156	498,360
Deferred Inflows of Resources	(383,571)	365,555
Net Cash Used in Operating Activities	\$ (15,046,105)	\$ (14,880,972)

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

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

Galveston Community College District (the “College”) was established in 1967, in accordance with the laws of the State of Texas, to serve the educational needs of the City of Galveston and the surrounding communities. The College is considered to be a special purpose, primary government. While the College receives funding from local, State, and Federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

The Governmental Accounting Standards Board (GASB) gives guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. In 2011, the College adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which changed the criteria for a component unit. The Galveston College Foundation (the “Foundation”) is a legally separate not-for-profit corporation controlled by a separate board of trustees, whose sole purpose is to provide scholarships and other benefits to the students and staff of the College. The Foundation does not provide a financial benefit or impose a financial burden on the College. The College does not appoint any of the Foundation’s board members nor does it fund or is it obligated to pay debt related to the Foundation. The financial position of the Foundation as of August 31, 2017 and 2016 and the cost of services provided by the System to the Foundation during the years then ended are not significant to the System. The Foundation has therefore not been included as a component unit in the financial statements of the System. Financial information for the Foundation may be obtained from its administrative office.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. The accompanying financial statements are also in accordance with the Texas Higher Education Coordinating Board’s *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*.

The College reports as a special-purpose government engaged in business-type activities.

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 for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

*Title IV Higher Education Act (HEA) Program Funds* – Certain Title IV 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 student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Tuition Discounting – Continued

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

Basis of Accounting

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

Net Position: The College's net position is classified as follows:

Net Investment in Capital Assets: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Position: These are resources that are not subject to any external restrictions and may be used at the discretion of the governing board for any lawful purpose of the College.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Budgetary Data

Each community college district 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 Regents adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents that are externally restricted as to their use are classified as noncurrent assets in the Statements of Net Position. The governing board has designated public funds investment pools to be cash equivalents, as the investments are redeemable on demand.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase. The College's short term investments consist of certificates of deposit totaling \$3,000,000 and \$4,000,000 at August 31, 2017 and 2016, respectively.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings	40-50 years
Land Improvements	20 years
Library Books	15 years
Furniture, Equipment and Vehicles	5-10 years
Computer Systems	5 years

Revenue Recognition and Unearned Income

Tuition and fee revenues are recorded when earned. Tuition, fees and other revenues related to periods after August 31, 2017 and 2016, respectively, have been deferred to the subsequent fiscal year.

Pensions

The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of 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 benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the College after the measurement date but before the end of the College's reporting period.

Deferred Inflows of Resources

Deferred inflows of resources represent 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. Deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Operating and Non-Operating Revenues and Expenses 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 exchange transactions, such as payments received for providing services and payments made for goods or services received. The principal operating revenues are tuition, fees and grants. The major non-operating revenues are State appropriations, property tax and Title IV financial aid funds (i.e. Pell grants). The operations of the bookstore and food services are performed by a third party contracted by the College.

Operating expenses include the cost of providing instruction, student services and support, administrative expenses, and depreciation and amortization on capital assets. Expenses related to non-operating federal revenues are reported as operating expenses, either as tuition discounts (if applied to tuition) or as scholarship.

Management Estimates

The preparation of the financial statements in conformity 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.

Income Taxes

The College is exempt from Federal income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to Federal income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc., Organizations*. The College had no unrelated business income tax liability for the years ended August 31, 2017 and 2016.

Subsequent Events

The College has evaluated subsequent events through November 28, 2017 which is the date the financial statements were available to be issued. No matters were identified that require disclosure or adjustment to these financial statements or related disclosures.

NOTE 3 – AUTHORIZED INVESTMENTS

The Board of Regents of the College has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act (Chapter 2256.001 Texas Government Code). The investments of the College are in compliance with the Board of Regents' investment policy and the Public Funds Investment Act. Such investments include (1) obligations of the United States and its agencies, (2) directed obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit and, (5) other instruments and obligations authorized by statute.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of bank failure, the College’s deposits may not be returned to it. All deposits with the depository bank must be collateralized in an amount equal to at least 102% of the amount of uninsured collected funds. The collateral must be held by a third-party collateral bank in the name of the College.

At August 31, 2017 and 2016, the carrying amount of the College’s deposits was \$1,519,006 and \$788,079, respectively; and bank balances equaled \$1,630,901 and \$1,236,116, respectively. Bank balances totaling \$250,000 were covered by Federal depository insurance and the remaining balance is collateralized with securities. The College uses a sweep agreement as a funding mechanism for its demand deposit accounts. Under this agreement the funds are swept nightly into a repurchase agreement account. As needed to cover disbursements, funds are swept into the demand deposit accounts.

The College’s investment in certificates of deposits requires pledged collateral with a market value of at least 102% of the par value of the deposit. In addition, monthly collateral reports reporting the pledged securities and their market values are received from the College’s financial institution. As of August 31, 2017 and 2016, the College had certificates of deposits in the amount of \$3,000,000 and \$4,000,000, respectively.

The following table presents the cash and cash equivalents included in Exhibit 1, Statement of Net Position, as of August 31:

	2017	2016
Cash and Cash Equivalents:		
Petty Cash	\$ 1,200	\$ 1,200
Demand Deposits	1,519,006	788,079
Vanguard Admiral Treasury Money Market Fund	657,102	653,552
Investment Pools:		
Lone Star Investment Pool	6,018,153	3,159,455
Local Government Investment Cooperative	3,049,183	3,018,866
Texas Local Government Investment Pool	2,023,361	2,010,448
TexasTERM Local Government Investment Pool	<u>1,519,367</u>	<u>1,509,192</u>
Total Cash and Cash Equivalents	14,787,372	11,140,792
 Certificates of Deposit	 3,000,000	 4,000,000
Total Deposits and Investments	\$ 17,787,372	\$ 15,140,792

Interest risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods can be subjected to increased risk of adverse interest rate changes. In accordance with its investment policy, the College limits its exposure to interest risk by structuring its portfolio to provide for liquidity for operating funds and maximizing yields for funds not needed within a two year period. The investment policy limits the maximum maturity length of obligations of the United States government, its agencies and instrumentalities and government sponsoring enterprises to two years.

Credit risk is the risk that the issuer of the debt security will not pay its par value upon maturity. The College’s investment policy limits credit risk based on meeting requirements of State law.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEPOSITS AND INVESTMENTS – CONTINUED

The First Public (Lone Star Investment Pool or Lone Star) is a public funds investment pool established in accordance with the Inter-local Cooperation Act, Chapter 791, of the Texas Government Code, and operated under the Public Funds Investment Act, Chapter 2256, of the Texas Government Code. Lone Star is governed by trustees comprised of active participants in Lone Star. The board of trustees for Lone Star has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. First Public is rated AAA by Standard & Poor's.

Local Government Investment Cooperative (LOGIC or the Cooperative) was organized in conformity with the Inter-local Cooperation Act, Chapter 791, of the Texas Government Code, and operated under the Public Funds Investment Act, Chapter 2256, of the Texas Government Code. Participation in the Cooperative is limited to those eligible Government Entities which have become parties to the Participation Agreement. The Cooperative's governing body is a six-member Board of Directors (the Board) comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with the Cooperative and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Cooperative. The Board has entered into a contract with First Southwest Asset Management, Inc. and JPMorgan Asset Management, Inc. to provide administrative, investment management fund accounting, transfer agency, participant and marketing services for the Cooperative. In compliance with the Public Funds Investment Act, all portfolios will maintain a AAA or equivalent rating from at least one nationally recognized rating agency. LOGIC has been assigned a rating of AAAM by Standard & Poor's.

Texas Local Government Investment Pool (TexPool) has been organized in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool invests in securities that meet the requirements of Texas Public Funds Investment Act. Standard & Poor rates TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor, as well as to the Office of Comptroller of Public Accounts, for review.

TexasTERM Local Government Investment Pool (TexasTERM) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"). TexasTERM is directed by an Advisory Board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. TexasTERM provides four (4) investment options that offer investors the flexibility to manage cash flow and optimize earnings. The College has currently invested in TexasDAILY, a money market portfolio with daily liquidity that is rated AAAM by Standard & Poor's.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables consist of the following at August 31:

	2017	2016
Student Receivables	\$ 1,768,832	\$ 1,824,929
Less Allowance for Doubtful Accounts	(323,786)	(314,798)
Total Student Receivable	\$ 1,445,046	\$ 1,510,131
Federal Receivables	\$ 410,145	\$ 254,122
Other Receivables	98,333	69,765
Total Accounts Receivable	\$ 508,478	\$ 323,887
Property Tax Receivable	\$ 703,146	\$ 659,437
Less Allowance for Doubtful Accounts	(85,880)	(90,222)
Total Property Tax Receivable	\$ 617,266	\$ 569,215

Payables consist of the following at August 31:

Vendors Payable	\$ 702,826	\$ 398,970
Benefits Payable	248,715	89,785
Total Payables	\$ 951,541	\$ 488,755

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2017 was as follows:

	Balance September 1, <u>2016</u>	<u>Increase</u>	Decrease/ <u>Transfers</u>	Balance August 31, <u>2017</u>
Not Depreciated:				
Land	\$ 3,531,040	\$ -	\$ -	\$ 3,531,040
Construction in Progress	<u>162,919</u>	<u>95,677</u>	<u>-</u>	<u>258,596</u>
Total Not Depreciated	<u>3,693,959</u>	<u>95,677</u>	<u>-</u>	<u>3,789,636</u>
Other Capital Assets:				
Buildings	19,159,846	210,400	-	19,370,246
Land Improvements	3,556,028	130,606	-	3,686,634
Furniture, Equipment and Vehicles	3,229,760	762,129	-	3,991,889
Computer System	2,580,160	-	-	2,580,160
Library Books	<u>1,068,183</u>	<u>73,935</u>	<u>-</u>	<u>1,142,118</u>
Total Depreciated	<u>29,593,977</u>	<u>1,177,070</u>	<u>-</u>	<u>30,771,047</u>
Less Accumulated Depreciation:				
Buildings	7,146,103	389,759	-	7,535,862
Land Improvements	1,180,694	177,607	-	1,358,301
Furniture, Equipment and Vehicles	1,687,812	262,638	-	1,950,450
Computer System	2,329,163	85,907	-	2,415,070
Library Books	<u>756,814</u>	<u>34,564</u>	<u>-</u>	<u>791,378</u>
Total Accumulated Depreciation	<u>13,100,586</u>	<u>950,475</u>	<u>-</u>	<u>14,051,061</u>
Net Capital Assets	<u>\$ 20,187,350</u>	<u>\$ 322,272</u>	<u>\$ -</u>	<u>\$ 20,509,622</u>

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS – CONTINUED

Capital assets activity for the year ended August 31, 2016 was as follows:

	Balance September 1, 2015	Increase	Decrease/ Transfers	Balance August 31, 2016
Not Depreciated:				
Land	\$ 3,531,040	\$ -	\$ -	\$ 3,531,040
Construction in Progress	<u>438,667</u>	<u>-</u>	<u>(275,748)</u>	<u>162,919</u>
Total Not Depreciated	<u>3,969,707</u>	<u>-</u>	<u>(275,748)</u>	<u>3,693,959</u>
Other Capital Assets:				
Buildings	18,674,856	209,242	275,748	19,159,846
Land Improvements	2,841,287	714,741	-	3,556,028
Furniture, Equipment and Vehicles	2,799,125	447,615	(16,980)	3,229,760
Computer System	2,503,877	76,283	-	2,580,160
Library Books	<u>997,196</u>	<u>70,987</u>	<u>-</u>	<u>1,068,183</u>
Total Depreciated	<u>27,816,341</u>	<u>1,518,868</u>	<u>258,768</u>	<u>29,593,977</u>
Less Accumulated Depreciation:				
Buildings	6,760,278	385,825	-	7,146,103
Land Improvements	1,041,378	139,316	-	1,180,694
Furniture, Equipment and Vehicles	1,481,364	223,428	(16,980)	1,687,812
Computer System	2,238,239	90,924	-	2,329,163
Library Books	<u>726,999</u>	<u>29,815</u>	<u>-</u>	<u>756,814</u>
Total Accumulated Depreciation	<u>12,248,258</u>	<u>869,308</u>	<u>(16,980)</u>	<u>13,100,586</u>
Net Capital Assets	<u>\$ 19,537,790</u>	<u>\$ 649,560</u>	<u>\$ -</u>	<u>\$ 20,187,350</u>

NOTE 7 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended August 31, 2017 was as follows:

	Balance September 1, 2016	Additions	Reductions	Balance August 31, 2017	Current Portion
Other Liabilities -					
Compensated Absences	\$ 397,578	\$ 66,399	\$ (94,970)	\$ 369,007	\$ 40,000
Net Pension Liability (Note 2, 8)	<u>3,646,003</u>	<u>639,114</u>	<u>(332,958)</u>	<u>3,952,159</u>	<u>-</u>
Total Noncurrent Liabilities	<u>\$ 4,043,581</u>	<u>\$ 705,513</u>	<u>\$ (427,928)</u>	<u>\$ 4,321,166</u>	<u>\$ 40,000</u>

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – NONCURRENT LIABILITIES – CONTINUED

Noncurrent liability activity for the year ended August 31, 2016 was as follows:

	Balance September 1, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance August 31, <u>2016</u>	Current <u>Portion</u>
Compensated Absences	\$ 382,948	\$ 60,730	\$ (46,100)	\$ 397,578	\$ 40,000
Net Pension Liability (Note 2, 8)	<u>3,147,643</u>	<u>1,512,570</u>	<u>(1,014,210)</u>	<u>3,646,003</u>	<u>-</u>
Total Noncurrent Liabilities	<u>\$ 3,530,591</u>	<u>\$ 1,573,300</u>	<u>\$(1,060,310)</u>	<u>\$ 4,043,581</u>	<u>\$ 40,000</u>

NOTE 8 – EMPLOYEE RETIREMENT PLANS

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 Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – EMPLOYEE RETIREMENT PLANS – 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 COLAs. 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 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	2016	2017
Member	7.2%	7.7%
Non – employer contributing entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Fiscal year 2016 College contributions		\$ 332,297
Fiscal year 2016 State of Texas on-behalf contributions		\$ 207,786
Fiscal year 2016 Member contributions		\$ 307,867

The College’s contributions to the TRS pension plan in 2017 were \$548,722 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2017 were \$255,952.

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

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – EMPLOYEE RETIREMENT PLANS – CONTINUED

Teacher Retirement System of Texas - Continued

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees

*Actuarial Assumptions.* The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2016
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%
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2115
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

*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.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – EMPLOYEE RETIREMENT PLANS – CONTINUED

Teacher Retirement System of Texas - Continued

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-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
<b>Global Equity</b>			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

\*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 2016 Comprehensive Annual Financial Report

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – EMPLOYEE RETIREMENT PLANS – CONTINUED

Teacher Retirement System of Texas - Continued

*Discount Rate Sensitivity Analysis.* The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 net pension liability.

	<u>7%</u> <u>Discount Rate</u>	<u>8%</u> <u>Discount Rate</u>	<u>9%</u> <u>Discount Rate</u>
The College’s proportionate share of the net pension liability	\$6,116,611	\$3,952,159	\$2,116,266

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2017, the College reported a liability of \$3,952,159 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College’s proportionate share of the collective net pension liability	\$ 3,952,159
State’s proportionate share that is associated with College	<u>2,466,383</u>
 Total	 <u>\$ 6,418,542</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net pension liability was based on the employer’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At the measurement date of August 31, 2016 the employer’s proportion of the collective net pension liability was 0.0104586% which was an increase of 0.0001442% from its proportion measured as of August 31, 2015.

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, 2017, the College recognized pension expense of \$255,952 and revenue of \$255,952 for support provided by the State.

As of August 31, 2017 and 2016, the College had contributions payable to TRS of \$101,298 and \$0, respectively, which is reflected in accounts payable in the accompanying financial statements.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – EMPLOYEE RETIREMENT PLANS – CONTINUED

Teacher Retirement System of Texas - Continued

At August 31, 2017, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 61,969	\$ 118,009
Changes in actuarial assumptions	120,455	109,549
Difference between projected and actual investment earnings	761,586	426,926
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	-	290,373
Contributions paid to TRS subsequent to the measurement date	<u>336,796</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,280,806</u></b>	<b><u>\$ 944,857</u></b>

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

<u>Year Ending August 31,</u>	
2018	\$ (27,883)
2019	(27,883)
2020	185,580
2021	(44,280)
2022	(89,392)
Thereafter	<u>3,011</u>
<b>Total</b>	<b><u>\$ 847</u></b>

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

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – EMPLOYEE RETIREMENT PLANS – CONTINUED

Optional Retirement Plan - Continued

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. In 2017, 2016, and 2015 the percentages of participant salaries contributed by the state and each participant were 6.6% and 6.65%, respectively of annual compensation. In addition, for fiscal years 2017, 2016 and 2015, the College contributed 1.9% of annual compensation for each participant hired on or before August 31, 2005. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. SB 1812, effective September 1, 2013, passed by the 83<sup>rd</sup> Texas Legislature, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

*Retirement expense.* The total payroll for all College employees was \$10,959,772, \$10,779,958 and \$10,274,342 for the fiscal years ended August 31, 2017, 2016 and 2015, respectively. The total payroll of employees covered by ORP was \$1,870,931, \$1,756,348 and \$1,803,179 for fiscal years August 31, 2017, 2016 and 2015, respectively. The total payroll of employees covered by TRS was \$8,069,445, \$7,880,598 and \$7,415,939 for fiscal years August 31, 2017, 2016 and 2015, respectively.

ORP expense to the State for the College, representing the portion of expended appropriations made by the State Legislature on behalf of the College, was \$58,453, \$55,062 and \$59,505 for the fiscal years ended August 31, 2017, 2016 and 2015, respectively.

NOTE 9 – DEFERRED COMPENSATION PROGRAM

The College's employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code Section 609.001. The plan is essentially an unfunded promise to pay by the employer to each of the plan participants. As of August 31, 2017, the College had 33 employees participating in the program and a total of \$184,071 in contributions was invested in the plan during the fiscal year. As of August 31, 2016, the College had 33 employees participating in the program and a total of \$168,558 in contributions was invested in the plan during the fiscal year.

NOTE 10 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for these benefits if they reach normal retirement age while working for the State. These and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's maximum contribution per full-time employee was \$617 and \$577 per month for fiscal years 2017 and 2016, respectively. The State's maximum contribution for dependent coverage was \$1,208 and \$1,128 per month for fiscal years 2017 and 2016 respectively. The table below depicts the cost of providing health care benefits to the College's retired and active employees, and the amount appropriated to the College from the State of Texas. Beginning September 1, 2013, SB 1812 limited the state's contribution to 50% of eligible employees for community colleges.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS – CONTINUED

	2017	2016
Number of retirees	66	68
Cost of health benefits for retirees	\$ 502,669	\$ 509,154
Number of active full time employees	152	155
Cost of health benefits for active full time employees	\$ 1,175,831	\$ 1,268,788
State appropriation for health insurance	\$ 767,342	\$ 716,006
College's expense for health insurance	\$ 911,158	\$ 1,061,936

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

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

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

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

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Beginning September 1, 2013, SB 1812 limited the state's contribution to 50% of eligible employees for community colleges.

The College's contributions to SRHP for the years ended August 31, 2017, 2016, and 2015 were \$0, \$83,840 and 80,578, respectively, which equaled the required contributions each year.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – COMPENSATED ABSENCES

The College has three ways in which compensated absences can be earned.

Sick Leave

All full-time employees earn sick leave at the rate of one day per month. Sick leave can accumulate to a maximum of 60 days for the purpose of carry-over from year to year. Unused accrued sick leave is forfeited upon termination of employment with the College with one exception. Sick leave which was accrued prior to September 1, 1989, is compensated at the rate of one-half the accrued amount up to a maximum of 60 days based on the employee's salary at separation of service. The College's policy is to recognize sick leave when paid. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

Vacation

Classified and administrative full-time employees are eligible for vacation benefits at a rate of one day per full month of employment; and may accrue and carry forward from one year to the next a maximum of 30 vacation days. Upon termination of employment, not more than 30 vacation days shall be compensated. The College has recognized an accrued liability for unpaid vacation leave in the amount of \$369,007 and \$397,578 as of August 31, 2017 and 2016, respectively. Faculty employees are not eligible to earn vacation benefits.

Compensatory Time

For nonexempt employees, it is the policy of the College to compensate overtime hours worked with compensatory time calculated at the rate of 1.5 times for each hour worked over 40 hours per week. All compensatory hours should be used by the end of the month following that in which it was earned; however, a maximum of 40 hours may be accrued and carried forward from year to year. The liability is not shown in the financial statements since experience indicates the expenditure of compensatory time to be minimal.

NOTE 12 – PROPERTY TAX

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

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – PROPERTY TAX – CONTINUED

At August 31:	<u>2017</u>	<u>2016</u>
Certified Taxable Valuation of the College	\$6,673,917,839	\$5,984,833,130
Adjustments	<u>519,167,689</u>	<u>532,189,376</u>
Net Assessed Valuation of the College	<u>\$7,193,085,528</u>	<u>\$6,517,022,506</u>
	<u>2017</u>	
	<u>Current</u>	<u>Debt</u>
	<u>Operations</u>	<u>Service</u>
Authorized Tax rate per \$100 Valuation	\$.270000	-
Assessed Tax rate per \$100 Valuation	\$.170250	-
	<u>2016</u>	
	<u>Current</u>	<u>Debt</u>
	<u>Operations</u>	<u>Service</u>
Authorized Tax rate per \$100 Valuation	\$.270000	-
Assessed Tax rate per \$100 Valuation	\$.178750	-

Taxes levied for the years ended August 31, 2017 and 2016, based on certified rolls, as reported by the taxing authorities amounted to \$12,252,731 and \$11,655,504, respectively. Galveston County Tax Assessor and Collector is the collecting agency for the levy and remits collections to the College, net of a collection fee.

Tax collections for the years ended August 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current Taxes Collected	\$ 11,977,002	\$ 11,409,269
Delinquent Taxes Collected	226,713	251,218
Penalties and Interest Collected	<u>135,386</u>	<u>137,937</u>
Total Collections	<u>\$ 12,339,101</u>	<u>\$ 11,798,424</u>

Tax collections for the years ended August 31, 2017 and 2016 were 97.75% and 97.89%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or interest and sinking fund expenditures.

Property taxes are an imposed non-exchange revenue. Assets from non-exchange transactions are recorded with the entity has an enforceable legal claim to the asset or when the entity receives the resources, whichever comes first. The enforceable legal claim date is the assessment date. Accordingly, the College has recognized all assessed taxes in the current year and has recorded a receivable for uncollected taxes.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with accounting principles generally accepted in the United States of America. Contract and grant awards are recognized as revenues as funds are actually expended. For contracts and grant awards, funds expended but not collected are reported as receivables. Funds received but not expended during the reporting period are deferred until earned. As of August 31, 2017 and 2016, \$291,488 and \$332,524, respectively, of grant funds have been received in advance.

NOTE 14 – DESIGNATED UNRESTRICTED NET POSITION

In fiscal year 2011, the Board approved \$5,128,890 of unrestricted net position to be designated in the event of a natural disaster.

NOTE 15 – COMMITMENTS

Federal and State of Texas Assisted Programs

The College participates in a number of federal and State of Texas assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the College's compliance with applicable grant requirements will be finally determined at some future date. The amount, if any, of expenditures 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 – GALVESTON COLLEGE FOUNDATION AND RELATED PARTY TRANSACTIONS

The Foundation is a nonprofit organization with the sole purpose of supporting the educational and other activities of the College.

The Foundation remitted \$225,084 and \$183,493 to the College for scholarship awards during the years ended August 31, 2017 and 2016, respectively. The Foundation did not fund any grant programs in 2017 and 2016.

During the years ended August 31, 2017 and 2016, the College provided office space and staff assistance to the Foundation at no cost. The College's management estimates the value of the salary, benefits, and operational expense provided to the Foundation to be approximately \$37,613 and 36,811 for fiscal years 2017 and 2016. As of August 31, 2017 and 2016, the amount due from the Foundation was \$41,017 and \$2,230, respectively.

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 17 – NEW ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the Other Postemployment Benefits (OPEB) that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government’s actual OPEB contributions to its contribution requirements. This Statement is effective for the College’s fiscal year ended August 31, 2018.

GASB Statement No. 85, *Omnibus 2017*, will be effective for the College beginning with its year ending August 31, 2018. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to fair value measurement and application, and postemployment benefits.

GASB Statement No. 87, *Leases*, will be effective for the College beginning with its year ending August 31, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

The College is currently evaluating the impact of adopting these GASB Standards, including standards that are effective as of September 1, 2017.

NOTE 18 – OPERATING LEASES

In June 2017, the College entered into a lease agreement for office equipment, expiring June 2021. During the year ended August 31, 2017, rent incurred for leased equipment amounted to \$16,326. Future minimum lease payments under this agreement are as follows:

Year Ending <u>August 31,</u>		
2018	\$	97,955
2019		97,955
2020		97,955
2021		81,629
Total	\$	375,494

NOTE 19 – IN\_KIND CONTRIBUTIONS

During the year ended August 31, 2017, the College received donated equipment for use in its surgical program. These equipment were valued by the donor at \$126,084 and are reflected in the accompanying financial statements under other operating revenues. Equipment meeting the threshold were capitalized while the remaining balance is recorded under instruction expenses.

REQUIRED SUPPLEMENTARY SCHEDULES

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GALVESTON COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
LAST THREE FISCAL YEARS  
(Unaudited)

For the years ended August 31,	2017	2016	2015
College's proportionate share of collective net pension liability	0.0104586%	0.0103144%	0.0117839%
College's proportionate share of collective net pension liability	\$ 3,952,159	\$ 3,646,003	\$ 3,147,643
State's proportionate share of net pension liability associated with College	<u>2,466,383</u>	<u>2,388,048</u>	<u>2,061,454</u>
Total	<u>\$ 6,418,542</u>	<u>\$ 6,034,051</u>	<u>\$ 5,209,097</u>
College's covered-employee payroll	<u>\$ 7,880,598</u>	<u>\$ 7,415,939</u>	<u>\$ 7,235,080</u>
College's proportionate share of collective net pension liability as a percentage of covered-employee payroll	50.15%	49.16%	43.51%
Plan fiduciary net position as percentage of the total pension liability	78.00%	78.43%	83.25%

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the College will present information for those years for which information is available

GALVESTON COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF COLLEGE CONTRIBUTIONS  
 LAST THREE FISCAL YEARS  
 (Unaudited)

<u>For the years ended August 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Legally required contributions	\$ 548,722	\$ 535,881	\$ 504,285
Actual contributions	<u>(548,722)</u>	<u>(535,881)</u>	<u>(504,285)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll amount	<u>\$ 8,069,445</u>	<u>\$ 7,880,598</u>	<u>\$ 7,415,939</u>
Contributions as a percentage of covered-employee payroll	6.80%	6.80%	6.80%

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the College will present information for those years for which information is available

GALVESTON COMMUNITY COLLEGE DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES  
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 1 - CHANGES OF BENEFIT TERMS INCLUDE:

There were no changes in benefit terms for the fiscal year ended August 31, 2017.

NOTE 2 - CHANGES OF ASSUMPTIONS:

There were no changes of assumptions for the fiscal year ended August 31, 2017.

SUPPLEMENTARY SCHEDULES

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GALVESTON COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF OPERATING REVENUES  
FOR THE YEAR ENDED AUGUST 31, 2017  
(With Memorandum Totals for the Year Ended August 31, 2016)

Schedule A

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activity</u>	<u>Auxiliary Enterprises</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Tuition:</b>						
State Funded Credit Courses:						
In-District Resident Tuition	\$ 1,754,330	\$ -	\$ 1,754,330	\$ -	\$ 1,754,330	\$ 1,558,154
TPEG - Credit (set aside) *	116,351	-	116,351	-	116,351	106,032
Non-Resident Tuition	207,172	-	207,172	-	207,172	216,166
Non-State Funded Educational Programs	<u>37,733</u>	<u>-</u>	<u>37,733</u>	<u>-</u>	<u>37,733</u>	<u>63,754</u>
<b>Total Tuition</b>	<u>2,115,586</u>	<u>-</u>	<u>2,115,586</u>	<u>-</u>	<u>2,115,586</u>	<u>1,944,106</u>
<b>Fees:</b>						
Student Service Fee	-	-	-	66,906	66,906	65,274
Course Fees	606,608	-	606,608	-	606,608	511,009
Building Use Fee	962,350	-	962,350	-	962,350	856,379
Out of District Fee	406,742	-	406,742	-	406,742	317,848
General Service Fee	281,000	-	281,000	-	281,000	274,470
Registration Fee	<u>170,518</u>	<u>-</u>	<u>170,518</u>	<u>-</u>	<u>170,518</u>	<u>182,502</u>
<b>Total Fees</b>	<u>2,427,218</u>	<u>-</u>	<u>2,427,218</u>	<u>66,906</u>	<u>2,494,124</u>	<u>2,207,482</u>
<b>Scholarship Allowances and Discounts:</b>						
Scholarship Allowances	(531,869)	-	(531,869)	(5,040)	(536,909)	(387,743)
Remissions and Exemptions - State	(226,182)	-	(226,182)	-	(226,182)	(185,171)
Title IV Federal Grants to Students	<u>(1,063,165)</u>	<u>-</u>	<u>(1,063,165)</u>	<u>(16,833)</u>	<u>(1,079,998)</u>	<u>(973,321)</u>
<b>Total Scholarship Allowances and Discounts</b>	<u>(1,821,216)</u>	<u>-</u>	<u>(1,821,216)</u>	<u>(21,873)</u>	<u>(1,843,089)</u>	<u>(1,546,235)</u>
<b>Total Net Tuition and Fees</b>	<u>2,721,588</u>	<u>-</u>	<u>2,721,588</u>	<u>45,033</u>	<u>2,766,621</u>	<u>2,605,353</u>
<b>Additional Operating Revenues:</b>						
Federal Grants and Contracts	-	1,756,010	1,756,010	-	1,756,010	1,542,820
State Grants and Contracts	-	223,975	223,975	-	223,975	504,892
Private Grants and Scholarships	-	781,892	781,892	-	781,892	555,732
Other Operating Revenues	<u>261,834</u>	<u>-</u>	<u>261,834</u>	<u>-</u>	<u>261,834</u>	<u>217,059</u>
<b>Total Additional Operating Revenues</b>	<u>261,834</u>	<u>2,761,877</u>	<u>3,023,711</u>	<u>-</u>	<u>3,023,711</u>	<u>2,820,503</u>
<b>Auxiliary Enterprises:</b>						
Residential Life	-	-	-	234,363	234,363	212,180
Less Scholarship Allowances and Discounts	-	-	-	(156,448)	(156,448)	(169,905)
Bookstore Commissions	-	-	-	42,264	42,264	41,983
Vending Commissions	-	-	-	4,942	4,942	6,148
Other Auxiliary Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,537</u>	<u>118,537</u>	<u>142,609</u>
<b>Total Auxiliary Enterprises</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,658</u>	<u>243,658</u>	<u>233,015</u>
<b>Total Operating Revenues</b>	<u>\$ 2,983,422</u>	<u>\$ 2,761,877</u>	<u>\$ 5,745,299</u>	<u>\$ 288,691</u>	<u>\$ 6,033,990</u>	<u>\$ 5,658,871</u>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code §56.003, \$116,351 and \$106,032 for years August 31, 2017 and 2016, respectively, of tuition was set aside for Texas Public Education Grants (TPEG)

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF OPERATING EXPENSES BY OBJECT  
FOR THE YEAR ENDED AUGUST 31, 2017  
(With Memorandum Totals for the Year Ended August 31, 2016)

Schedule B

	Operating Expenses			2017 Total	2016 Total	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities:						
Instruction	\$ 4,929,667	\$ -	\$ 913,528	\$ 636,701	\$ 6,479,896	\$ 6,126,080
Public Service	13,306	-	1,728	10,101	25,135	35,707
Academic Support	1,042,317	-	226,188	113,766	1,382,271	1,420,103
Student Services	1,362,845	-	274,267	470,505	2,107,617	1,942,464
Institutional Support	2,000,056	-	481,093	1,632,093	4,113,242	4,154,337
Operation and Maintenance of Plant	492,727	-	214,417	1,651,300	2,358,444	2,448,345
<b>Total Unrestricted Educational Activities</b>	<b>9,840,918</b>	<b>-</b>	<b>2,111,221</b>	<b>4,514,466</b>	<b>16,466,605</b>	<b>16,127,036</b>
Restricted - Educational Activities:						
Instruction	615,678	490,328	155,419	694,739	1,956,164	1,881,532
Academic Support	-	145,111	-	-	145,111	199,759
Student Services	376,546	173,358	98,416	138,146	786,466	785,981
Institutional Support	-	272,518	-	113,245	385,763	244,860
Scholarships and Fellowships	-	-	-	1,851,003	1,851,003	1,905,368
<b>Total Restricted Educational Activities</b>	<b>992,224</b>	<b>1,081,315</b>	<b>253,835</b>	<b>2,797,133</b>	<b>5,124,507</b>	<b>5,017,500</b>
<b>Total Educational Activities</b>	<b>10,833,142</b>	<b>1,081,315</b>	<b>2,365,056</b>	<b>7,311,599</b>	<b>21,591,112</b>	<b>21,144,536</b>
Auxiliary Enterprises	170,130	-	48,316	603,352	821,798	718,033
Depreciation Expense - Buildings and Other Real Estate						
Improvements	-	-	-	567,366	567,366	525,142
Depreciation Expense - Equipment, Furniture and Library Books	-	-	-	383,109	383,109	344,166
<b>Total Operating Expenses</b>	<b>\$ 11,003,272</b>	<b>\$ 1,081,315</b>	<b>\$ 2,413,372</b>	<b>\$ 8,865,426</b>	<b>\$ 23,363,385</b>	<b>\$ 22,731,877</b>
				(Exhibit 2)	(Exhibit 2)	

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES  
 FOR THE YEAR ENDED AUGUST 31, 2017  
 (With Memorandum Totals for the Year Ended August 31, 2016)

Schedule C

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2017 Total</u>	<u>2016 Total</u>
Non-Operating Revenues:					
State Appropriations:					
Education and General State Support	\$ 3,659,631	\$ -	\$ -	\$ 3,659,631	\$ 3,654,400
State Group Insurance	-	767,342	-	767,342	716,006
State Retirement Match	-	314,405	-	314,405	395,320
	<u>3,659,631</u>	<u>1,081,747</u>	<u>-</u>	<u>4,741,378</u>	<u>4,765,726</u>
Total State Appropriations					
Property Taxes	12,355,185	-	-	12,355,185	11,815,295
Federal Student Assistance (Title IV Grants)	-	2,845,306	-	2,845,306	2,728,660
Investment Income	123,576	-	-	123,576	50,816
Other Non-Operating Income	-	-	137,217	137,217	49,151
	<u>12,478,761</u>	<u>2,845,306</u>	<u>137,217</u>	<u>15,461,284</u>	<u>14,643,922</u>
Total Non-Operating Revenues					
Non-Operating Expenses:					
Other Non-Operating Expenses	-	-	114,067	114,067	-
	<u>-</u>	<u>-</u>	<u>114,067</u>	<u>114,067</u>	<u>-</u>
Total Non-Operating Expenses					
NET NON-OPERATING REVENUES	<u>\$ 16,138,392</u>	<u>\$ 3,927,053</u>	<u>\$ 23,150</u>	<u>\$ 20,088,595</u> (Exhibit 2)	<u>\$ 19,409,648</u> (Exhibit 2)

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
FOR THE YEAR ENDED AUGUST 31, 2017  
(With Memorandum Totals for the Year Ended August 31, 2016)

Schedule D

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 12,580,704	\$ -	\$ -	\$ -	\$ 12,580,704	\$ 12,580,704	\$ -
Auxiliary	400,342	-	-	-	400,342	400,342	-
Scholarships	-	253,378	-	-	253,378	253,378	-
Plant:							
Unexpended	447,066	-	-	-	447,066	447,066	-
Investment in Plant	-	-	-	20,509,622	20,509,622	-	20,509,622
<b>Total Net Position, August 31, 2017</b>	<b>13,428,112</b>	<b>253,378</b>	<b>-</b>	<b>20,509,622</b>	<b>34,191,112</b>	<b>13,681,490</b>	<b>20,509,622</b>
<b>Total Net Position, August 31, 2016</b>	<b>11,002,290</b>	<b>242,272</b>	<b>-</b>	<b>20,187,350</b>	<b>31,431,912</b>	<b>11,244,562</b>	<b>20,187,350</b>
<b>Net Increase in Net Position</b>	<b>\$ 2,425,822</b>	<b>\$ 11,106</b>	<b>\$ -</b>	<b>\$ 322,272</b>	<b>\$ 2,759,200</b>	<b>\$ 2,436,928</b>	<b>\$ 322,272</b>

(Exhibit 2)

See Independent Auditors' Report.

SINGLE AUDIT REPORTS  
AND REQUIRED SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS

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Carr, Riggs & Ingram, LLC  
Two Riverway, 15th Floor  
Houston, TX 77056

(713) 621-8090  
(713) 621-6907 (fax)  
www.cricpa.com

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Regents  
Galveston Community College District  
Galveston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Galveston Community College District (the "College") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 28, 2017.

### **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 opinion 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 College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 also performed tests of the College's compliance with the requirements of the Texas Public Funds Investment Act (the Act). The results of our tests disclosed no instances of noncompliance with 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.

### **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 College'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Houston, Texas  
November 28, 2017



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Regents  
Galveston Community College District  
Galveston, Texas

### **Report on Compliance for Each Major Federal Program**

We have audited Galveston Community College District (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of College's major federal programs for the year ended August 31, 2017. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

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

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

#### ***Opinion on Each Major Federal 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 programs for the year ended August 31, 2017.

## 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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

*Carr, Riggs & Ingram, L.L.C.*

Houston, Texas  
November 28, 2017

GALVESTON COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Schedule E

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
U.S. Department of Agriculture			
Direct Program:			
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226		\$ <u>17,497</u>
Total U.S. Department of Agriculture			<u>17,497</u>
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		32,038
Federal Work-Study Program	84.033		54,366
Federal Pell Grant Program	84.063		2,758,902
Federal Direct Student Loans	84.268		<u>1,132,933</u>
Total Student Financial Aid Cluster			3,978,239
TRIO Cluster:			
TRIO _ Student Support Services	84.042		243,897
TRIO _ Upward Bound	84.047		<u>258,582</u>
Total TRIO Cluster			502,479
Higher Education _ Institutional Aid -			
Title V Modern Strategies for Student Success	84.031S		802,445
Higher Education _ Institutional Aid -			
Expanding S.T.E.M. Pathways	84.031C		239,443
Passed-Through From:			
Texas Higher Education Coordinating Board:			
Career and Technical Education - Basic Grants to States	84.048	134232	<u>71,045</u>
Total U.S. Department of Education			<u>5,593,651</u>
U.S. Department of Labor			
Passed-Through From:			
Texas Workforce Commission:			
WIA Adult Program	17.258	2817WOS005	<u>3,575</u>
Total U.S. Department of Labor			<u>3,575</u>
National Endowment for the Humanities			
Direct Program:			
Promotion of the Humanities _ Teaching and Learning Resources and Curriculam Development	45.162		<u>18,065</u>
Total National Endowment for the Humanities			<u>18,065</u>
National Science Foundation			
Direct Programs:			
Education and Human Resources - Engineering Technology Instrumentation Project	47.076		37,129
Education and Human Resources - STEM Honors, Study Abroad, and Scholars Programs	47.076		<u>64,332</u>
Total National Science Foundation			<u>101,461</u>
Total Expenditures of Federal Awards			<u>\$ 5,734,249</u>

See Independent Auditors' Report and Accompanying Notes to the Schedule of Expenditures of Federal Awards.

GALVESTON COMMUNITY COLLEGE DISTRICT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The schedule of expenditures of Federal awards presents the activity of Federal financial assistance programs of the College for the year ended August 31, 2017. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the College for the purposes of the award and may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules.

Expenditures presented on the schedule of expenditures of Federal awards are recognized following the cost principles as found in the Uniform Guidance. The College has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – FEDERAL ASSISTANCE RECONCILIATION

The information in this schedule of expenditures of Federal awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the College’s financial statements. See reconciliation below:

Federal Revenues:	
Federal Grants and Contracts – (Schedule A)	\$ 1,756,010
Federal Student Assistance, Non-Operating – (Schedule C)	<u>2,845,306</u>
Total Federal Revenues, per Statement of Revenues, Expenses and Changes In Net Position	4,601,316
Reconciling Item – Direct Student Loans	<u>1,132,933</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 5,734,249</u>

NOTE 3 – RELATIONSHIP TO FEDERAL REPORTS

Differences between amounts reflected in the financial reports filed with grantor agencies for the programs and in the schedule of expenditures of Federal awards are due to different program year ends and accruals that will be reflected in the next report filed with the agencies.

GALVESTON COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? \_\_\_\_\_ yes   X   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Cluster of Programs – Student Financial Aid:	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.031S	Title V Modern Strategies for Student Success

Dollar threshold used to distinguish between Type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no

GALVESTON COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED AUGUST 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

The audit of Federal awards disclosed no findings that were required to be reported relating to the year ended August 31, 2016.

SUPPLEMENTARY INFORMATION – STATISTICAL SECTION (UNAUDITED)

These statistical tables provide selected financial and demographic information.  
The statistical tables are for informational purposes only and are not audited

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GALVESTON COMMUNITY COLLEGE DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 1

	For the Year Ended August 31, (Amounts Expressed in Thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Invested in Capital Assets, Net of Related Debt	\$ 20,510	\$ 20,188	\$ 19,538	\$ 17,990	\$ 17,273	\$ 14,748	\$ 14,050	\$ 11,662	\$ 8,042	\$ 7,144
Restricted - Expendable	253	242	174	879	887	893	917	926	945	976
Unrestricted	<u>13,428</u>	<u>11,002</u>	<u>9,383</u>	<u>11,349</u>	<u>10,304</u>	<u>11,633</u>	<u>10,279</u>	<u>10,862</u>	<u>11,836</u>	<u>10,695</u>
 Total Net Position	 <u>\$ 34,191</u>	 <u>\$ 31,432</u>	 <u>\$ 29,095</u>	 <u>\$ 30,218</u>	 <u>\$ 28,464</u>	 <u>\$ 27,274</u>	 <u>\$ 25,246</u>	 <u>\$ 23,450</u>	 <u>\$ 20,823</u>	 <u>\$ 18,815</u>

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 2

	For the Year Ended August 31, (Amounts Expressed in Thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tuition and Fees (Net of Discounts)	\$ 2,767	\$ 2,605	\$ 2,574	\$ 2,519	\$ 2,521	\$ 2,524	\$ 1,942	\$ 1,715	\$ 1,384	\$ 1,738
Governmental Grants and Contracts:										
Federal Grants and Contracts	1,756	1,543	2,078	2,222	1,712	1,269	1,193	2,057	1,099	1,163
State Grants and Contracts	224	505	604	265	216	167	344	230	202	124
Non-Governmental Grants and Contracts	782	556	581	681	553	390	262	420	510	441
Auxiliary Enterprises	244	233	298	305	248	220	200	191	82	91
Other Operating Revenues	261	217	137	141	115	97	88	179	133	150
Total Operating Revenues	<u>6,034</u>	<u>5,659</u>	<u>6,272</u>	<u>6,133</u>	<u>5,365</u>	<u>4,667</u>	<u>4,029</u>	<u>4,792</u>	<u>3,410</u>	<u>3,707</u>
State Appropriations	4,741	4,766	4,709	4,662	3,853	4,039	5,710	5,770	6,570	6,146
Property Taxes	12,355	11,815	11,022	10,512	10,086	9,483	8,962	8,160	8,871	8,234
Federal Student Assistance	2,845	2,729	2,852	3,343	3,809	4,189	4,436	3,791	2,357	2,038
Investment and Other Income	124	51	19	20	40	75	25	1,678	208	533
Other Non-Operating Revenues	137	49	-	-	-	-	-	-	507	-
Total Non-Operating Revenues	<u>20,202</u>	<u>19,410</u>	<u>18,602</u>	<u>18,537</u>	<u>17,788</u>	<u>17,786</u>	<u>19,133</u>	<u>19,399</u>	<u>18,513</u>	<u>16,951</u>
Total Revenues	<u>\$ 26,236</u>	<u>\$ 25,069</u>	<u>\$ 24,874</u>	<u>\$ 24,670</u>	<u>\$ 23,153</u>	<u>\$ 22,453</u>	<u>\$ 23,162</u>	<u>\$ 24,191</u>	<u>\$ 21,923</u>	<u>\$ 20,658</u>

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 2 - Continued

	For the Year Ended August 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tuition and Fees (Net of Discounts)	10.55%	10.39%	10.35%	10.21%	10.89%	11.24%	8.38%	7.09%	6.31%	8.41%
Governmental Grants and Contracts:										
Federal Grants and Contracts	6.69%	6.16%	8.35%	9.01%	7.39%	5.65%	5.15%	8.50%	5.01%	5.63%
State Grants and Contracts	0.85%	2.01%	2.43%	1.07%	0.93%	0.75%	1.49%	0.95%	0.92%	0.60%
Non-Governmental Grants and Contracts	2.98%	2.22%	2.34%	2.76%	2.39%	1.74%	1.13%	1.74%	2.33%	2.13%
Auxiliary Enterprises	0.93%	0.93%	1.20%	1.24%	1.07%	0.98%	0.86%	0.79%	0.37%	0.44%
Other Operating Revenues	1.00%	0.87%	0.55%	0.57%	0.50%	0.43%	0.38%	0.74%	0.61%	0.73%
Total Operating Revenues	<u>23.00%</u>	<u>22.58%</u>	<u>25.22%</u>	<u>24.86%</u>	<u>23.17%</u>	<u>20.79%</u>	<u>17.39%</u>	<u>19.81%</u>	<u>15.55%</u>	<u>17.94%</u>
State Appropriations	18.07%	19.01%	18.93%	18.90%	16.64%	17.99%	24.65%	23.85%	29.97%	29.75%
Property Taxes	47.09%	47.13%	44.31%	42.61%	43.56%	42.23%	38.69%	33.73%	40.46%	39.86%
Federal Student Assistance	10.84%	10.89%	11.46%	13.55%	16.45%	18.66%	19.15%	15.67%	10.75%	9.87%
Investment and Other Income	0.47%	0.20%	0.08%	0.08%	0.18%	0.33%	0.12%	6.94%	0.95%	2.58%
Other Non-Operating Revenues, Net of Expenses	0.53%	0.19%	-	-	-	-	-	-	2.32%	-
Total Non-Operating Revenues	<u>77.00%</u>	<u>77.42%</u>	<u>74.78%</u>	<u>75.14%</u>	<u>76.83%</u>	<u>79.21%</u>	<u>82.61%</u>	<u>80.19%</u>	<u>84.45%</u>	<u>82.06%</u>
Total Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
PROGRAM EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 3

	For the Year Ended August 31, (Amounts Expressed in Thousands)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	\$ 8,436	\$ 8,008	\$ 7,520	\$ 7,811	\$ 7,464	\$ 6,121	\$ 6,560	\$ 5,965	\$ 6,057	\$ 6,024
Public Service	25	36	21	12	19	37	76	103	83	118
Academic Support	1,527	1,620	1,471	1,404	1,358	1,261	1,377	1,985	1,936	2,081
Student Services	2,894	2,729	2,785	2,760	2,405	2,527	2,330	2,305	2,233	2,030
Institutional Support	4,499	4,399	4,099	4,191	3,862	3,621	3,844	4,678	4,335	3,619
Operation and Maintenance of Plant	2,359	2,448	2,558	2,695	2,469	2,391	2,394	1,868	2,017	1,829
Scholarships and Fellowships	1,851	1,905	2,090	2,392	2,770	3,008	3,191	3,318	2,178	1,742
Auxiliary Enterprises	822	718	696	731	698	577	662	637	247	199
Depreciation	950	869	830	865	826	787	746	579	481	470
Total Operating Expenses	<u>23,363</u>	<u>22,732</u>	<u>22,070</u>	<u>22,861</u>	<u>21,871</u>	<u>20,330</u>	<u>21,180</u>	<u>21,438</u>	<u>19,567</u>	<u>18,112</u>
Interest on Capital Related Debt	-	-	28	54	76	95	110	125	139	154
Loss on Disposal of Capital Assets	-	-	332	-	-	-	-	-	-	-
Other Expenses	114	-	-	1	16	-	76	1	-	590
Total Non-Operating Expenses	<u>114</u>	<u>-</u>	<u>360</u>	<u>55</u>	<u>92</u>	<u>95</u>	<u>186</u>	<u>126</u>	<u>139</u>	<u>744</u>
Total Expenses	<u>\$ 23,477</u>	<u>\$ 22,732</u>	<u>\$ 22,430</u>	<u>\$ 22,916</u>	<u>\$ 21,963</u>	<u>\$ 20,425</u>	<u>\$ 21,366</u>	<u>\$ 21,564</u>	<u>\$ 19,706</u>	<u>\$ 18,856</u>

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
PROGRAM EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 3 - Continued

	For the Year Ended August 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	35.93%	35.23%	33.53%	34.09%	33.98%	29.97%	30.70%	27.66%	30.74%	31.95%
Public Service	0.11%	0.16%	0.09%	0.05%	0.09%	0.18%	0.36%	0.48%	0.42%	0.63%
Academic Support	6.50%	7.13%	6.56%	6.13%	6.18%	6.17%	6.44%	9.21%	9.82%	11.04%
Student Services	12.33%	12.01%	12.42%	12.04%	10.95%	12.37%	10.91%	10.69%	11.33%	10.77%
Institutional Support	19.16%	19.35%	18.27%	18.29%	17.58%	17.73%	17.99%	21.69%	22.00%	19.19%
Operation and Maintenance of Plant	10.05%	10.77%	11.40%	11.76%	11.24%	11.71%	11.20%	8.66%	10.24%	9.70%
Scholarships and Fellowships	7.88%	8.38%	9.33%	10.44%	12.62%	14.73%	14.93%	15.39%	11.05%	9.24%
Auxiliary Enterprises	3.50%	3.16%	3.10%	3.19%	3.18%	2.82%	3.11%	2.95%	1.25%	1.05%
Depreciation	4.05%	3.81%	3.70%	3.77%	3.76%	3.85%	3.49%	2.69%	2.44%	2.48%
Total Operating Expenses	<u>99.51%</u>	<u>100.00%</u>	<u>98.40%</u>	<u>99.76%</u>	<u>99.58%</u>	<u>99.53%</u>	<u>99.13%</u>	<u>99.42%</u>	<u>99.29%</u>	<u>96.05%</u>
Interest on Capital Related Debt	-	-	0.12%	0.24%	0.35%	0.47%	0.51%	0.58%	0.71%	0.82%
Loss on Disposal of Capital Assets	-	-	1.48%	-	-	-	-	-	-	-
Other Expenses	0.49%	-	-	0.00%	0.07%	-	0.36%	0.00%	-	3.13%
Total Non-Operating Expenses	<u>0.49%</u>	<u>-</u>	<u>1.60%</u>	<u>0.24%</u>	<u>0.42%</u>	<u>0.47%</u>	<u>0.87%</u>	<u>0.58%</u>	<u>0.71%</u>	<u>3.95%</u>
Total Expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
TUITION AND FEES  
LAST TEN ACADEMIC YEARS  
(Unaudited)

Table 4

Academic Year (Fall)	Registration Fee (per student)	Resident Fees per Semester Credit Hour (SCH)					Student Activity Fees (per student)	General Service Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
		In-District Tuition	Out-of-District Tuition	Building Use Fee	Technology Fees							
2017	\$ 30	\$ 40	\$ 20	\$ 22	\$ -	\$ 15	\$ 50	\$ 839	\$ 1079	0.00%	0.00%	
2016	30	40	20	22	-	15	50	839	1079	7.70%	11.12%	
2015	30	37	16	20	-	15	50	779	971	0.00%	5.20%	
2014	30	37	12	20	-	15	50	779	923	0.00%	0.00%	
2013	30	37	12	20	-	15	50	779	923	0.00%	0.00%	
2012	30	37	12	20	-	15	50	779	923	0.00%	0.00%	
2011	30	37	12	20	-	15	50	779	923	34.08%	58.86%	
2010	25	30	-	12	-	15	37	581	581	0.00%	0.00%	
2009	25	30	-	12	-	15	37	581	581	0.00%	0.00%	
2008	25	30	-	12	-	15	37	581	581	0.00%	0.00%	

Academic Year (Fall)	Registration Fee (per student)	Non - Resident Fees per Semester Credit Hour (SCH)					Student Activity Fees	General Service Fee	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
		Non-Resident Tuition Out of State	Non-Resident Tuition International	Building Use Fee	Technology Fees							
2017	\$ 30	\$ 105	\$ 105	\$ 22	\$ -	\$ 15	\$ 50	\$ 1,859	\$ 1,859	0.00%	0.00%	
2016	30	105	105	22	-	15	50	1,859	1,859	7.64%	7.64%	
2015	30	100	100	20	-	15	50	1,727	1,727	2.86%	2.86%	
2014	30	100	100	20	-	15	50	1,679	1,679	0.00%	0.00%	
2013	30	100	100	20	-	15	50	1,679	1,679	0.00%	0.00%	
2012	30	100	100	20	-	15	50	1,679	1,679	0.00%	0.00%	
2011	30	100	100	20	-	15	50	1,679	1,679	78.43%	78.43%	
2010	25	60	60	12	-	15	37	941	941	0.00%	0.00%	
2009	25	60	60	12	-	15	37	941	941	0.00%	0.00%	
2008	25	60	60	12	-	15	37	941	941	0.00%	0.00%	

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees.

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
 ASSESSED VALUE AND TAXABLE ASSESSED VALUE OF PROPERTY  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Table 5

Fiscal Year	(Amounts Expressed in Thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Certified Taxable Valuation	Adjustments	Assessed Valuation of Property		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2016-17	\$ 6,673,918	\$ 519,168	\$ 7,193,086	92.78%	\$ 0.170250	\$ -	\$ 0.170250
2015-16	5,984,833	532,190	6,517,023	91.83%	0.178750	-	0.178750
2014-15	5,300,704	521,565	5,822,269	91.04%	0.187000	-	0.187000
2013-14	5,293,746	269,062	5,562,808	95.16%	0.187000	-	0.187000
2012-13	4,919,249	331,813	5,251,062	93.68%	0.189400	-	0.189400
2011-12	4,664,510	249,166	4,913,676	94.93%	0.189450	-	0.189450
2010-11	4,475,548	166,900	4,642,448	96.40%	0.189475	-	0.189475
2009-10	4,232,865	290,361	4,523,226	93.58%	0.190000	-	0.190000
2008-09	5,148,420	357,183	5,505,603	93.51%	0.170000	-	0.170000
2007-08	4,766,007	340,830	5,106,837	93.33%	0.170000	-	0.170000

Source: Galveston Central Appraisal District  
 Notes: Property is assessed at full market value.  
 (a) per \$100 Taxable Assessed Valuation

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
STATE APPROPRIATION PER FULL TIME STUDENT EQUIVALENT AND CONTACT HOURS  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 6

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour				
		FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Continuing Education Contact Hours (c)	Total Contact Hours	State Appropriation per Contact Hour
2016-2017	\$ 3,659,631	1,414	\$ 2,588	580,608	426,064	28,551	1,035,223	\$ 3.54
2015-2016	3,654,400	1,414	2,584	556,496	413,664	44,763	1,014,923	3.60
2014-2015	3,759,208	1,412	2,662	573,491	389,040	22,975	985,506	3.81
2013-2014	3,759,208	1,483	2,535	619,467	401,440	11,335	1,032,242	3.64
2012-2013	3,143,636	1,560	2,015	677,200	375,472	5,333	1,058,005	2.97
2011-2012	3,364,137	1,575	2,136	701,232	346,672	10,216	1,058,120	3.18
2010-2011	4,378,534	1,651	2,652	702,176	393,088	25,320	1,120,584	3.91
2009-2010	4,398,215	1,522	2,891	648,896	348,880	38,437	1,036,213	4.24
2008-2009	4,729,347	1,324	3,571	561,408	338,380	16,876	916,664	5.16
2007-2008	4,729,793	1,378	3,431	547,520	343,888	34,309	925,717	5.11

Notes:

Full-Time Student Equivalent (FTSE) = Total annual semester credit hours (b) divided by 30 plus total annual continuing education contact hours (c) divided by 900.

(a) - Source - Galveston College Board Report, Revenue Summary Sheet

(b) - Source - CBM004

(c) - Source - CBM00C

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
 PRINCIPAL TAXPAYERS  
 LAST TEN TAX YEARS  
 (Unaudited)

Table 7

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Blanchard Refining Co. LLC	Refinery	\$ 889,743	\$ 1,000,632	\$ 1,152,354	\$ 1,331,771	\$ 1,277,844	\$ -	\$ -	\$ -	\$ -	\$ -
Valero Refining - Texas LP	Refinery	445,689	581,724	615,880	624,770	589,502	580,719	563,156	547,376	737,214	789,303
Praxair Inc.	Supplier	187,765	141,910	211,265	203,332	207,861	169,821	171,220	173,279	179,607	197,696
Marathon Petroleum Co., LLC	Refinery	186,953	200,934	192,058	350,642	234,530	225,231	178,597	129,179	134,120	165,910
Texas-New Mexico Power Co.	Utilities	179,592	162,126	145,785	125,986	105,152	100,499	93,553	91,737	85,034	84,990
Union Carbide Corp	Refinery	150,118	150,355	219,265	241,915	269,300	249,898	219,411	222,150	258,272	351,664
Centerpoint Energy Inc.	Utilities	135,040	103,446	97,269	100,909	103,168	92,488	90,424	92,158	89,391	93,843
BP Amoco Chemical Co.	Refinery	128,810	117,495	139,603	185,987	183,918	164,334	156,054	113,992	121,552	155,126
Galveston Outlets LLC	Retail	87,007	91,170	87,604	82,565	82,476	-	-	-	-	-
ISP Technologies Inc.	Computers	79,706	87,805	74,291	68,414	84,530	82,138	54,880	53,013	57,103	60,476
South Houston Green Power	Utilities	64,135	68,000	228,890	232,068	94,699	178,245	176,234	141,357	130,000	360,516
Eastman Chemical Inc.	Refinery	55,366	56,837	63,792	61,563	65,554	51,430	-	-	-	-
Komatsu America Corp	Refinery	49,642	92,356	73,070	109,981	75,406	38,432	-	-	-	-
Feritta Hospitality INC	Hospitality	45,394	41,061	36,659	35,535	33,165	-	-	-	32,977	-
Comcast of Houston LLC	Utilities	38,547	38,730	-	-	36,052	34,337	41,046	40,663	40,663	26,421
DOW Chemical Company	Refinery	36,365	32,164	-	-	-	-	-	-	-	-
Amalfi & Sorrento Prop LLC	Real Estate	35,976	35,517	34,219	-	-	-	-	-	-	-
INEOS Styrolution America LLC	Supplier	35,007	-	-	-	-	-	-	-	-	-
BNSF Railway Company	Railroad	27,395	-	-	-	-	-	-	-	-	-
Walmart Stores Texas LP	Retail	26,867	-	33,563	33,805	33,216	35,085	34,691	34,240	32,217	-
Styrolution America LLC	Refinery	-	47,173	47,834	46,068	60,035	47,616	-	-	-	-
American National INS Co	Insurance	-	35,525	35,050	35,070	35,095	35,166	37,453	-	-	-
Valero Marketing and Supply Co	Supplier	-	-	37,640	80,519	90,271	103,193	52,150	60,903	-	49,945
Praxair Hydrogen Supply Inc.	Supplier	-	-	32,126	34,811	-	-	31,210	-	33,037	33,767
TRAFIGURA INC	Refinery	-	-	-	32,367	-	-	-	-	-	-
GTE Southwest Inc.	Utilities	-	-	-	-	36,357	39,302	37,431	35,911	35,911	38,575
BP Products (NA) Inc	Refinery	-	-	-	-	-	1,503,012	1,433,426	1,384,642	1,618,991	1,789,680
B.A.S.F. Corp	Refinery	-	-	-	-	-	37,981	-	-	57,266	47,261
BP Alternative Energy	Utilities	-	-	-	-	-	32,900	38,500	54,600	48,930	-
Sterling Chemicals Inc.	Refinery	-	-	-	-	-	-	44,968	46,580	55,409	88,038
Ineds Styrenics	Refinery	-	-	-	-	-	-	38,651	38,540	37,824	72,640
SouthWestern Bell Telephone	Utilities	-	-	-	-	-	-	31,248	35,846	39,451	42,749
Houston Refining LP	Refinery	-	-	-	-	-	-	-	45,454	-	51,855
A-S 85 Victory Lakes	Supplier	-	-	-	-	-	-	-	36,616	-	-
National Onshore LP	Utilities	-	-	-	-	-	-	-	-	-	54,477
<b>Totals</b>		<b>2,885,117</b>	<b>3,084,960</b>	<b>3,558,217</b>	<b>4,018,078</b>	<b>3,698,131</b>	<b>3,801,827</b>	<b>3,524,303</b>	<b>3,378,236</b>	<b>3,824,969</b>	<b>4,554,932</b>
<b>Total Taxable Assessed Value</b>		<b>\$ 25,463,330</b>	<b>\$ 24,239,333</b>	<b>\$ 23,027,051</b>	<b>\$ 21,569,879</b>	<b>\$ 20,456,984</b>	<b>\$ 19,920,511</b>	<b>\$ 19,216,690</b>	<b>\$ 18,763,026</b>	<b>\$ 18,598,310</b>	<b>\$ 20,333,507</b>

Source: Local County Appraisal District

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
 PRINCIPAL TAXPAYERS  
 LAST TEN TAX YEARS  
 (Unaudited)

Table 7 - Continued

Taxpayer	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Blanchard Refining Co. LLC	Refinery	3.49%	4.13%	5.00%	6.17%	6.25%	-	-	-	-	-
Valero Refining - Texas LP	Refinery	1.75%	2.40%	2.67%	2.90%	2.88%	2.92%	2.93%	2.92%	3.96%	3.88%
Praxair Inc.	Supplier	0.74%	0.59%	0.92%	0.94%	1.02%	0.85%	0.89%	0.92%	0.97%	0.97%
Marathon Petroleum Co., LLC	Refinery	0.73%	0.83%	0.83%	1.63%	1.15%	1.13%	0.93%	0.69%	0.72%	0.82%
Texas-New Mexico Power Co.	Utilities	0.71%	0.67%	0.63%	0.58%	0.51%	0.50%	0.49%	0.49%	0.46%	0.42%
Union Carbide Corp	Refinery	0.59%	0.62%	0.95%	1.12%	1.32%	1.25%	1.14%	1.18%	1.39%	1.73%
Centerpoint Energy Inc.	Utilities	0.53%	0.43%	0.42%	0.47%	0.50%	0.46%	0.47%	0.49%	0.48%	0.46%
BP Amoco Chemical Co.	Refinery	0.51%	0.48%	0.61%	0.86%	0.90%	0.82%	0.81%	0.61%	0.65%	0.76%
Galveston Outlets LLC	Retail	0.34%	0.38%	0.38%	0.38%	0.40%	-	-	-	-	-
ISP Technologies Inc.	Computers	0.31%	0.36%	0.32%	0.32%	0.41%	0.41%	0.29%	0.28%	0.31%	0.30%
South Houston Green Power	Utilities	0.25%	0.28%	0.99%	1.08%	0.46%	0.89%	0.92%	0.75%	0.70%	1.77%
Eastman Chemical Inc.	Refinery	0.22%	0.23%	0.28%	0.29%	0.32%	0.26%	-	-	-	-
Komatsu America Corp	Refinery	0.19%	0.38%	0.32%	0.51%	0.37%	0.19%	-	-	-	-
Feritta Hospitality INC	Hospitality	0.18%	0.17%	0.16%	0.16%	0.16%	-	-	-	0.18%	-
Comcast of Houston LLC	Utilities	0.15%	0.16%	-	-	0.18%	0.17%	0.21%	0.22%	0.22%	0.13%
DOW Chemical Company	Refinery	0.14%	0.13%	-	-	-	-	-	-	-	-
Amalfi & Sorrento Prop LLC	Real Estate	0.14%	0.15%	0.15%	-	-	-	-	-	-	-
INEOS Styrolution America LLC	Supplier	0.14%	-	-	-	-	-	-	-	-	-
BNSF Railway Company	Railroad	0.11%	-	-	-	-	-	-	-	-	-
Walmart Stores Texas LP	Retail	0.11%	-	0.15%	0.16%	0.16%	0.18%	0.18%	0.18%	0.17%	-
Styrolution America LLC	Refinery	-	0.19%	0.21%	0.21%	0.29%	0.24%	-	-	-	-
American National INS Co	Insurance	-	0.15%	0.15%	0.16%	0.17%	0.18%	0.19%	-	-	-
Valero Marketing and Supply Co	Supplier	-	-	0.16%	0.37%	0.44%	0.52%	0.27%	0.32%	-	0.25%
Praxair Hydrogen Supply Inc.	Supplier	-	-	0.14%	0.16%	-	-	0.16%	-	0.18%	0.17%
TRAFIGURA INC	Refinery	-	-	-	0.15%	-	-	-	-	-	-
GTE Southwest Inc.	Utilities	-	-	-	-	0.18%	0.20%	0.19%	0.19%	0.19%	0.19%
BP Products (NA) Inc	Refinery	-	-	-	-	-	7.55%	7.46%	7.38%	8.71%	8.80%
B.A.S.F. Corp	Refinery	-	-	-	-	-	0.19%	-	-	0.31%	0.23%
BP Alternative Energy	Utilities	-	-	-	-	0.17%	0.20%	0.20%	0.29%	0.26%	-
Sterling Chemicals Inc.	Refinery	-	-	-	-	-	-	0.23%	0.25%	0.30%	0.43%
Ineds Styrenics	Refinery	-	-	-	-	-	-	0.20%	0.21%	0.20%	0.36%
SouthWestern Bell Telephone	Utilities	-	-	-	-	-	-	0.16%	0.19%	0.21%	0.21%
Houston Refining LP	Refinery	-	-	-	-	-	-	-	0.24%	-	0.26%
A-S 85 Victory Lakes	Supplier	-	-	-	-	-	-	-	0.20%	-	-
National Onshore LP	Utilities	-	-	-	-	-	-	-	-	-	0.27%
Totals		<u>11.33%</u>	<u>12.73%</u>	<u>15.44%</u>	<u>18.62%</u>	<u>18.07%</u>	<u>19.08%</u>	<u>18.32%</u>	<u>18.00%</u>	<u>20.57%</u>	<u>22.41%</u>

Source: Local County Appraisal District

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN TAX YEARS  
(Unaudited)  
(Amounts Expressed in Thousands)

Table 8

Fiscal Year Ended August 31	Levy (a)	Collections - Year of Levy (b)	Percentage	Current Collections of Prior Levies (b)	Total Collections	Percentage of Current and Prior Levies
2017	\$ 12,253	\$ 11,977	97.75%	\$ 227	\$ 12,204	99.60%
2016	11,656	11,409	97.89%	251	11,660	100.03%
2015	10,894	10,648	97.74%	213	10,861	99.70%
2014	10,403	10,144	97.52%	215	10,359	99.58%
2013	9,950	9,537	95.85%	382	9,919	99.69%
2012	9,315	8,947	96.05%	350	9,297	99.81%
2011	8,801	8,518	96.78%	254	8,772	99.67%
2010	8,042	7,740	96.24%	271	8,011	99.61%
2009	8,752	8,408	96.07%	173	8,581	98.05%
2008	8,102	7,855	96.95%	213	8,068	99.58%

Source: Local Tax Assessor/Collector and District records.

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

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

GALVESTON COMMUNITY COLLEGE DISTRICT  
 DEMOGRAPHIC AND ECONOMIC STATISTICS - TAXING DISTRICT  
 LAST TEN CALENDAR YEARS  
 (Unaudited)

Table 9

Calendar Year	Galveston County Population	Galveston County Personal Income (in millions of dollars)	Galveston County Personal Income Per Capita	Galveston County Unemployment Rate
2016	329,431 •	\$ *	\$ *	5.8%
2015	322,225	15,464	47,991	5.0%
2014	314,198	14,741	46,917	5.5%
2013	306,782	14,479	47,186	6.2%
2012	300,484	13,652	45,433	6.9%
2011	295,747	12,849	43,444	8.7%
2010	291,309	12,510	42,945	9.2%
2009	287,428	12,075	42,011	8.2%
2008	288,489	12,068	41,833	5.8%
2007	283,540	11,334	39,973	4.6%

Sources:

- County Population from U.S. Bureau of the Economic Analysis <http://www.bea.gov/> (Note: 2010 from US Census, 2011 from Texas Association of Counties - County Profile)
- Personal Income data from U.S. Bureau of Economic Analysis <http://www.bea.gov/regional/reis/drill.cfm>
- Unemployment Rate from Texas Labor and Market Information <http://www.lmci.state.tx.us/>

\* 2016 update is not available at this time

- estimate (Texas Association of Counties -- <http://www.county.org>)

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
PRINCIPAL EMPLOYERS  
LAST FIVE YEARS  
(Unaudited)

Table 10

Employer	2016	2015	2014	2013	2012		
University of Texas Medical Branch		8,254	45.11%	8,272	49.06%	7,500	53.24%
Landry's Inc.		2,788	15.24%	1,366	8.10%	1,300	9.23%
Galveston County (on Island only)		1,340	7.32%	1,340	7.95%	864	6.13%
Galveston Independent School District		1,100	6.01%	1,371	8.13%	1,366	9.70%
Moody Gardens		1,027	5.61%	981	5.82%	-	-
American National Insurance Company		845	4.62%	833	4.94%	866	6.15%
City of Galveston		744	4.07%	700	4.15%	722	5.13%
Schlitterbahn *	Information not available	500	2.73%	300	1.77%	286	2.03%
Wal-Mart		475	2.60%	500	2.97%	-	-
I. L. A. (Local-20, 1665, 1504-8, 1443)		470	2.57%	500	2.97%	-	-
Mitchell Historic Properties		379	2.07%	379	2.25%	460	3.27%
Texas A&M University of Galveston		375	2.05%	319	1.89%	423	3.00%
Landry's Seafood Inc.		-	-	-	-	-	-
Fertitta Hospitality		-	-	-	-	-	-
Galveston College		-	-	-	-	300	2.12%
<b>Total</b>		<b>18,297</b>	<b>100.00%</b>	<b>16,861</b>	<b>100.00%</b>	<b>14,087</b>	<b>100.00%</b>

Source:

Galveston Economic Development Partnership (GEDP)

Notes:

\*Schlitterbahn: Employment increases by 45% - almost 600 additional jobs during the summer.

The numbers above represent only the employees who work on Galveston Island (i.e. this survey does not include total employment for each organization)

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
 FACULTY, STAFF, AND ADMINISTRATORS STATISTICS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Table 11

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Faculty:										
Full-Time	56	56	56	58	52	47	51	52	58	57
Part-Time	42	41	40	43	62	53	61	66	40	69
Total	<u>98</u>	<u>97</u>	<u>96</u>	<u>101</u>	<u>114</u>	<u>100</u>	<u>112</u>	<u>118</u>	<u>98</u>	<u>126</u>
Percent:										
Full-Time	57.1%	57.7%	58.3%	57.4%	45.6%	47.0%	45.5%	44.1%	59.2%	45.2%
Part-Time	42.9%	42.3%	41.7%	42.6%	54.4%	53.0%	54.5%	55.9%	40.8%	54.8%
Staff and Administrators:										
Full-Time	100	102	99	96	90	85	89	90	99	99
Part-Time	56	53	47	46	38	47	57	47	44	51
Total	<u>156</u>	<u>155</u>	<u>146</u>	<u>142</u>	<u>128</u>	<u>132</u>	<u>146</u>	<u>137</u>	<u>143</u>	<u>150</u>
Percent:										
Full-Time	64.1%	65.8%	67.8%	67.6%	70.3%	64.4%	61.0%	65.7%	69.2%	66.0%
Part-Time	35.9%	34.2%	32.2%	32.4%	29.7%	35.6%	39.0%	34.3%	30.8%	34.0%
FTSE per Full-time Faculty	25.3	25.3	25.2	25.6	30.0	33.5	32.4	28.5	22.5	24.2
FTSE per Full-Time Staff Member	14.1	13.9	14.3	15.4	17.3	18.5	18.6	16.5	13.2	13.9
Average Annual Faculty Staff Equated to 9 Month Contract	\$ 74,786	\$ 69,278	\$ 64,486	\$ 64,779	\$ 65,613	\$ 62,016	\$ 59,858	\$ 58,136	\$ 53,498	\$ 49,429

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT  
ENROLLMENT DETAILS  
LAST TEN FISCAL YEARS  
(Unaudited)

Table 12

Student Classification	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent																		
00-30 hours	1,436	65.27%	1,275	61.56%	1,323	64.60%	1,354	63.57%	1,398	63.75%	1,463	66.08%	1,521	65.62%	1,367	63.08%	1,484	66.58%	1,368	66.93%
31-60 hours	451	20.50%	509	24.58%	420	20.51%	496	23.29%	529	24.12%	503	22.72%	498	21.48%	433	19.98%	454	20.37%	401	19.62%
> 60 hours	101	4.59%	95	4.59%	103	5.03%	98	4.60%	78	3.56%	68	3.07%	42	1.81%	145	6.69%	154	6.91%	162	7.93%
Unclassified	212	9.64%	192	9.27%	202	9.86%	182	8.54%	188	8.57%	180	8.13%	257	11.09%	222	10.25%	137	6.14%	113	5.52%
<b>Total</b>	<b>2,200</b>	<b>100.00%</b>	<b>2,071</b>	<b>100.00%</b>	<b>2,048</b>	<b>100.00%</b>	<b>2,130</b>	<b>100.00%</b>	<b>2,193</b>	<b>100.00%</b>	<b>2,214</b>	<b>100.00%</b>	<b>2,318</b>	<b>100.00%</b>	<b>2,167</b>	<b>100.00%</b>	<b>2,229</b>	<b>100.00%</b>	<b>2,044</b>	<b>100.00%</b>

Semester Hour Load	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent																		
Less than 3	19	0.83%	9	0.43%	17	0.83%	17	0.80%	20	0.91%	26	1.17%	24	1.04%	34	1.57%	33	1.48%	28	1.37%
3-5 semester hours	584	23.58%	499	24.09%	483	23.58%	526	24.69%	469	21.39%	452	20.42%	541	23.34%	514	23.72%	630	28.26%	580	28.38%
6-8 Semester hours	672	29.83%	678	32.74%	611	29.83%	592	27.79%	669	30.51%	598	27.01%	582	25.11%	623	28.75%	601	26.96%	541	26.47%
9-11 semester hours	360	19.43%	381	18.40%	398	19.43%	418	19.62%	421	19.20%	416	18.79%	398	17.17%	346	15.97%	371	16.64%	277	13.55%
12-14 semester hours	383	17.19%	332	16.03%	352	17.19%	387	18.17%	478	21.80%	523	23.62%	565	24.37%	522	24.09%	477	21.40%	495	24.22%
15-17 semester hours	173	8.84%	163	7.88%	181	8.84%	187	8.78%	134	6.11%	192	8.67%	202	8.71%	119	5.49%	113	5.07%	110	5.38%
18 & over	9	0.30%	9	0.43%	6	0.30%	3	0.15%	2	0.08%	7	0.32%	6	0.26%	9	0.41%	4	0.19%	13	0.63%
<b>Total</b>	<b>2,200</b>	<b>100.00%</b>	<b>2,071</b>	<b>100.00%</b>	<b>2,048</b>	<b>100.00%</b>	<b>2,130</b>	<b>100.00%</b>	<b>2,193</b>	<b>100.00%</b>	<b>2,214</b>	<b>100.00%</b>	<b>2,318</b>	<b>100.00%</b>	<b>2,167</b>	<b>100.00%</b>	<b>2,229</b>	<b>100.00%</b>	<b>2,044</b>	<b>100.00%</b>

Average Course Load	8.5	8.5	8.7	8.7	8.8	9.1	9.0	8.2	8.3	8.5
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Tuition Status	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent																		
Texas Resident (in-District)	1,230	55.91%	1,139	55.00%	1,068	52.15%	1,106	51.92%	1,197	54.58%	1,207	54.52%	1,442	62.21%	2,069	95.48%	2,119	95.07%	1,951	95.45%
Texas Resident (out-of-District)	823	37.41%	816	39.40%	873	42.63%	907	42.58%	897	40.90%	892	40.29%	786	33.91%	-	0.00%	-	0.00%	-	0.00%
Non-Resident Tuition	91	4.13%	83	4.01%	77	3.76%	80	3.76%	72	3.28%	86	3.88%	82	3.54%	87	4.01%	110	4.93%	60	2.94%
Tuition Exemption/Wavier	56	2.55%	33	1.59%	30	1.46%	37	1.74%	27	1.24%	29	1.31%	8	0.34%	11	0.51%	-	0.00%	33	1.61%
<b>Total</b>	<b>2,200</b>	<b>100.00%</b>	<b>2,071</b>	<b>100.00%</b>	<b>2,048</b>	<b>100.00%</b>	<b>2,130</b>	<b>100.00%</b>	<b>2,193</b>	<b>100.00%</b>	<b>2,214</b>	<b>100.00%</b>	<b>2,318</b>	<b>100.00%</b>	<b>2,167</b>	<b>100.00%</b>	<b>2,229</b>	<b>100.00%</b>	<b>2,044</b>	<b>100.00%</b>

Source:

Data from THECB CBM001 certified reports, does not include flex entry

See Independent Auditors' Report.



GALVESTON COMMUNITY COLLEGE DISTRICT  
 TRANSFERS TO SENIOR INSTITUTIONS  
 2015 STUDENTS AS OF FALL 2016  
 (Includes Only Public Senior Colleges in Texas)

Table 14

	Transfer Student Count <u>ACADEMIC</u>	Transfer Student Count <u>TECHNICAL</u>	Total of All Transfer Students	% of All Transfer Students
1 Lamar University	27	1	28	6.32%
2 Midwestern State University		3	3	0.68%
3 Prairie View A&M University	4		4	0.90%
4 Sam Houston State University	9		9	2.03%
5 Stephen F. Austin State University	6		6	1.35%
6 Tarleton State University	1		1	0.23%
7 Texas A&M University	22		22	4.97%
8 Texas A&M University - Corpus Christi	3		3	0.68%
9 Texas A&M University - Kingsville	1		1	0.23%
10 Texas A&M University at Galveston	184		184	41.53%
11 Texas Southern University	8		8	1.81%
12 Texas State University	21	3	24	5.42%
13 Texas Tech University	6		6	1.35%
14 Texas Woman's University	2		2	0.45%
15 The University of Texas -Rio Grand Valley	1		1	0.23%
16 The University of Texas at Arlington	6	4	10	2.26%
17 The University of Texas at Austin	28		28	6.32%
18 The University of Texas at Dallas	1		1	0.23%
19 The University of Texas at El Paso	1		1	0.23%
20 The University of Texas at San Antonio	8		8	1.81%
21 The University of Texas at Tyler	2		2	0.45%
22 University of Houston	20	1	21	4.74%
23 University of Houston - Clear Lake	57	3	60	13.52%
24 University of Houston - Downtown	2		2	0.45%
25 University of North Texas	6		6	1.35%
26 University of North Dallas	1		1	0.23%
27 West Texas A&M University	1		1	0.23%
Totals	<u>428</u>	<u>15</u>	<u>443</u>	<u>100.00%</u>

Source:  
 Data from THECB Automated Student and Adult Learner Follow-Up System - Students Pursuing Additional Education by Institution

GALVESTON COMMUNITY COLLEGE DISTRICT  
 CAPITAL ASSETS INFORMATION  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Table 15

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Academic buildings	6	6	6	6	6	6	6	5	4	4
Square footage (in thousands)	241	241	241	241	241	241	241	216	213	243
Libraries	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	14	14	14	14	14	14	14	14	14	13
Number of volumes (in thousands)	43	43	43	43	43	43	44	44	42	36
Administrative and support buildings	2	2	2	2	2	2	2	1	1	1
Square footage (in thousands)	53	53	53	53	53	53	53	46	46	46
Apartments	5	5	5	10	11	11	9	8	8	6
Square footage (in thousands)	14	14	14	22	23	23	20	19	19	14
Number of beds	48	48	48	65	65	65	61	55	55	35
Dining Facilities	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	4	4	4	4	4	4	4	4	4	8
Average daily customers	350	350	350	350	350	400	400	400	400	400
Athletic Facilities	2	2	2	2	2	2	2	2	2	2
Square footage (in thousands)	16	16	16	16	16	16	16	16	16	16
Gymnasiums	1	1	1	1	1	1	1	1	1	1
Fitness Centers	1	1	1	1	1	1	1	1	1	1
Plant Facilities	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	3	3	3	3	3	3	3	3	3	3
Light Trucks/Vans	4	4	4	3	3	3	3	3	5	5
Buses	3	3	3	3	3	3	3	3	3	-

See Independent Auditors' Report.