



FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS

AUGUST 31, 2018 AND 2017

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, 2018

BOARD OF REGENTS

		Term Expires
<u>OFFICERS</u>		
Ms. Karen F. Flowers – Chairperson	Galveston, Texas	2024
Mr. Fred D. Raschke – Vice Chairperson	Galveston, Texas	2024
Mr. Michael B. Hughes - Secretary	Galveston, Texas	2020

<u>MEMBERS</u>		
Mr. Carl E. Kelly	Galveston, Texas	2022
Mr. Florentino F. Gonzalez	Galveston, Texas	2024
Mr. Armin Cantini	Galveston, Texas	2022
Mr. Carroll G. Sunseri	Galveston, Texas	2020
Mrs. Rebecca Trout Unbehagen	Galveston, Texas	2022
Mr. Raymond Lewis, Jr.	Galveston, Texas	2020

<u>KEY OFFICERS</u>	
Myles Shelton, Ed.D.	President
Van Patterson, 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Notes 2 and 11 to the financial statements, the College adopted Governmental Accounting Standards Board ("GASB") Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result, net position as of September 1, 2017, has been restated. Our opinion is not modified with respect to this matter.

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 24, and the schedules of College's proportionate share of net pension liability, College's contributions for pensions, College's proportionate share of net OPEB liability and College's contributions for OPEB on pages 54, 55, 57 and 58 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, 2018, 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 60 through 63, 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 14, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
November 14, 2018

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, 2018 and 2017. 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, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of August 31, 2018 and 2017; 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 2018

- In fiscal year 2018, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) to recognize the liability related to retiree health insurance. The Employees Retirement System of Texas (ERS) has determined each College's proportionate share of the unfunded liability based on the ratio of the employer's contributions to the total contributions made by all employers in the plan. The OPEB liability to be recognized under the Standard was actuarially determined and audited by the State Auditor's Office. Additionally, GASB No. 75 requires the recognition of deferred outflows of resources and deferred inflows of resources for OPEB that will be recognized in future periods.
- The College's net position as of August 31, 2018 is reported at \$23.9 million. This represents a 30% reduction of net position from 2017 as a result of the implementation of GASB No. 75. The implementation of GASB No. 75 in fiscal year 2018 reduced the College's opening net position by \$11.6 million. At the end of August 31, 2018, the College's net position is lower by \$10.3 million when compared to 2017 year end, reflecting the net change (increase) in net position by \$1.3 million for the year and arising from surplus from operations for the fiscal year.
- The College decreased its annual tax rate by 2.39% from \$0.17025 to \$0.166188 per \$100 assessed valuation for fiscal year 2018. However, due to an increase in the overall tax base, an additional \$407,000 in property tax revenue was received over the previous period.
- Galveston College renovated several areas on the campus to revitalize and re-position the College to better serve the needs of the 21st century learner. Multiple studies have proven that building designs and components have a measurable influence upon student learning outcomes. Faculty offices on the 3rd floor of the Northen Building were completely renovated, replacing carpet, painting, lighting, and furniture. Additional medical sonography equipment was purchased as we continue to develop the program. Moving to a completely digital process, the Photography Lab was completely renovated by replacing furniture and equipment. Additional computer equipment was purchased for staff and network equipment was upgraded to keep Galveston College current with constantly evolving technology. See "Computers - hardware and software, and equipment purchases in fiscal year 2018" section.

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for 2018 - Continued

- Facility infrastructure was upgraded and evaluated for future expansion to improve the student experience. The College purchased a new cooling tower to fortify the HVAC system, a new bus was purchased to be used by Athletics and student clubs, and a property on Avenue R was purchased to be used for future expansion. The College invested in a new marketing and branding campaign and incurred architect and engineering fees to determine the feasibility of new student housing and a Nursing/Health Science Building. See “Building renovations and furniture purchases in fiscal year 2018” section.
- Grant funds received in fiscal year 2018:

GRANT NAME	PURPOSE	TERM	TOTAL AMOUNT
Dept. of Labor - Federal	Building Construction Trades Training Demonstration Project	09/01/17 - 08/31/18	\$ 269,000
Dept. of Education - Federal	TRIO - Building Bridges to Success Program	09/01/17 - 08/31/18	262,000
Dept. of Education - Federal	TRIO - Upward Bound Program	09/01/17 - 08/31/18	261,000
College Readiness and Success Models for 60x30TX - State	Provide Services to Students to Enable Successful Completion of CERT1 Credentials	09/01/17 - 08/31/18	122,000
Texas Higher Education Coordinating Board - State	Nursing & Allied Health - Building Simulation & Skills Lab Capacity	01/01/18 - 08/31/18	113,000
National Science Foundation - Federal	STEM Honors Program	09/01/17 - 08/31/18	102,000
Carl Perkins Grant - Federal	Applied Technology Support	09/01/17 - 08/31/18	92,000
Galveston Career Connect - Private	Strengthen Career Skills of High School Students	09/01/17 - 08/31/18	68,000
Dept. of Education - Federal	HSI – STEM Programs	09/01/17 - 09/30/17	63,000
National Science Foundation - Federal	Engineering Technology Instrumentation	09/01/17 - 08/31/18	55,000
NEH - Coastal Culinary - Federal	Humanities Initiatives at Hispanic-Serving Institutions	09/01/17 - 08/31/18	51,000
Texas Higher Education Coordinating Board - State	Nursing Shortage Reduction Under 70 Program FY14/15	09/01/17 - 08/31/18	49,000
TG Student Loan Corporation - Private	Provide Scholarships for TG Charlie Wootan Scholars	09/01/17 - 08/31/18	\$ 44,000

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for 2018 - Continued

GRANT NAME	PURPOSE	TERM	TOTAL AMOUNT
Texas Workforce Commission - State	Skills Development Fund - To Increase Skill Level and Wages of Texas Workforce	02/26/18 - 08/31/18	\$ 36,000
Communities Foundation of Texas - State	Provide Emergency Aid Funding to Students Directly Affected by Hurricane Harvey	01/12/18 - 02/28/18	25,000
Dept. of Education - Federal	Title V	09/01/17 - 09/30/17	22,000
Texas Workforce Commission - State	Texas Success Center - Scholarships for Dual Credit Students	09/01/17 - 08/31/18	17,000
TOTAL			\$ 1,651,000

- Computers - hardware and software, and equipment purchases in fiscal year 2018:

DESCRIPTION	FUNDING SOURCE	TOTAL AMOUNT
Replacement of Hyper-V Virtual Operating System	Education & General	\$ 203,000
Network Infrastructure Software (Multiple)	Education & General	\$174,000
Student Travel Bus	Education & General	\$146,000
Nursing Equipment	Nursing State Grant	\$123,000
Faculty and Staff Computer Refresh	Education & General	\$110,000
Sonography Renovation Lab Equipment	Capital Projects Fund	\$106,000
Photography Lab Computers	Capital Projects Fund	\$51,000
STEM Equipment	HSI-STEM Federal Grant	\$34,000
Replace Security Radios System	Education & General	33,000
TOTAL		\$ 980,000

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for 2018 - Continued

- Building renovations and furniture purchases in fiscal year 2018:

DESCRIPTION	FUNDING SOURCE	TOTAL AMOUNT
Cooling Tower Replacement	Education & General	\$ 308,000
Student Housing Architect & Engineering Fees	Education & General	229,000
Avenue R Property Purchase	Education & General	172,000
Faculty Office Renovation Furniture	Education & General	128,000
Faculty Office Renovation-Construction	Education & General	123,000
Building Maintenance & Repairs	Education & General	422,000
Photo Lab Renovation	Capital Projects Fund	75,000
Medical Sonography Lab Renovation	Capital Projects Fund	50,000
Future Nursing Building Architect & Engineering Fees	Education & General	25,000
	TOTAL	\$ 1,532,000

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.

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for 2017 - Continued

- 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.
- Grant funds received in fiscal year 2017:

GRANT NAME	PURPOSE	TERM	TOTAL AMOUNT
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

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for 2017 - Continued

GRANT NAME	PURPOSE	TERM	TOTAL AMOUNT
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
		TOTAL	\$ 2,152,000

- 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

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights for 2017 – Continued

- 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 th and Ave Q	Education & General	\$46,000
Painting of Regents Hall 2 nd and 3 rd floors	Education & General	\$39,000
	TOTAL	\$ 583,000

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. The College's deferred inflows and outflows of resources relates to pensions and OPEB. 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>2018</u>	<u>2017</u>	Increase (Decrease) 2018 - 2017	<u>2016</u>	Increase (Decrease) 2017 - 2016
Assets:					
Current Assets	\$ 21,879	\$ 20,864	\$ 1,015	\$ 18,110	\$ 2,754
Noncurrent Assets:					
Capital Assets, Net of Depreciation	20,901	20,510	391	20,187	323
Other	<u>31</u>	<u>43</u>	<u>(12)</u>	<u>56</u>	<u>(13)</u>
Total Assets	<u>42,811</u>	<u>41,417</u>	<u>1,394</u>	<u>38,353</u>	<u>3,064</u>
Deferred Outflows of Resources:					
Pension Related Deferred Outflows	1,038	1,281	(243)	1,441	(160)
OPEB Related Deferred Outflows	<u>297</u>	<u>-</u>	<u>297</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>1,335</u>	<u>1,281</u>	<u>54</u>	<u>1,441</u>	<u>(160)</u>
Liabilities:					
Current Liabilities	3,150	3,281	(131)	3,031	250
Noncurrent Liabilities	<u>13,578</u>	<u>4,281</u>	<u>9,297</u>	<u>4,003</u>	<u>278</u>
Total Liabilities	<u>16,728</u>	<u>7,562</u>	<u>9,166</u>	<u>7,034</u>	<u>528</u>
Deferred Inflows of Resources:					
Pension Related Deferred Inflows	1,295	945	350	1,328	(383)
OPEB Related Deferred Inflows	<u>2,205</u>	<u>-</u>	<u>2,205</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>3,500</u>	<u>945</u>	<u>2,555</u>	<u>1,328</u>	<u>(383)</u>
Net Position:					
Invested in Capital Assets, Net of Related Debt	20,901	20,510	391	20,188	322
Restricted – Expendable	188	253	(65)	242	11
Unrestricted	<u>2,829</u>	<u>13,428</u>	<u>(10,599)</u>	<u>11,002</u>	<u>2,426</u>
Total Net Position	\$ <u>23,918</u>	\$ <u>34,191</u>	\$ <u>(10,273)</u>	\$ <u>31,432</u>	\$ <u>2,759</u>

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statements of Net Position - Continued

Fiscal Year 2018 Compared to 2017

Current assets mainly consist of cash investments in Logic, Lone Star, TexPool, Texas Term Investment pools, a collateralized certificate of deposit, and receivables. Overall, current assets increased by \$1 million, primarily driven by a net increase of about \$1 million in cash and cash equivalents and short-term investments generated by surplus funds from operations in fiscal year 2018. Short-term investments decreased by \$2 million as the College redeemed \$3 million of collateralized Moody Bank certificates of deposit and replaced them with a \$1 million certificate of deposit that matures in December 2018. During 2018, the College purchased a new property, a Simcab RX cabinet, a Demo Dose Cart RX, nursing mannequins, medical sonography equipment and a new bus for student travel. The College also replaced the cooling towers. As a result, capital assets increased as the College capitalized approximately \$1.4 million (note 6) offset by \$990,000 of depreciation expense. Galveston College's deferred outflows and deferred inflows increased \$54,000 and \$2,555,000, respectively, driven by GASB No. 75, and current liabilities remained stable. Noncurrent liabilities increased \$9.2 million, primarily due to recognizing \$9.9 million of the College's portion of the OPEB retiree health liability. GASB No. 75 fundamentally affected the College's total liabilities which increased by 121% from \$7.6 million to \$16.7 million for the years 2017 and 2018. Although the College was required to book the liability, no cash changed hands nor is there any indication that it will in future periods. Overall, the College's net position decreased by 30% or approximately \$10.3 million and unrestricted net position decreased by \$10.6 million from \$13.4 million to \$2.8 million.

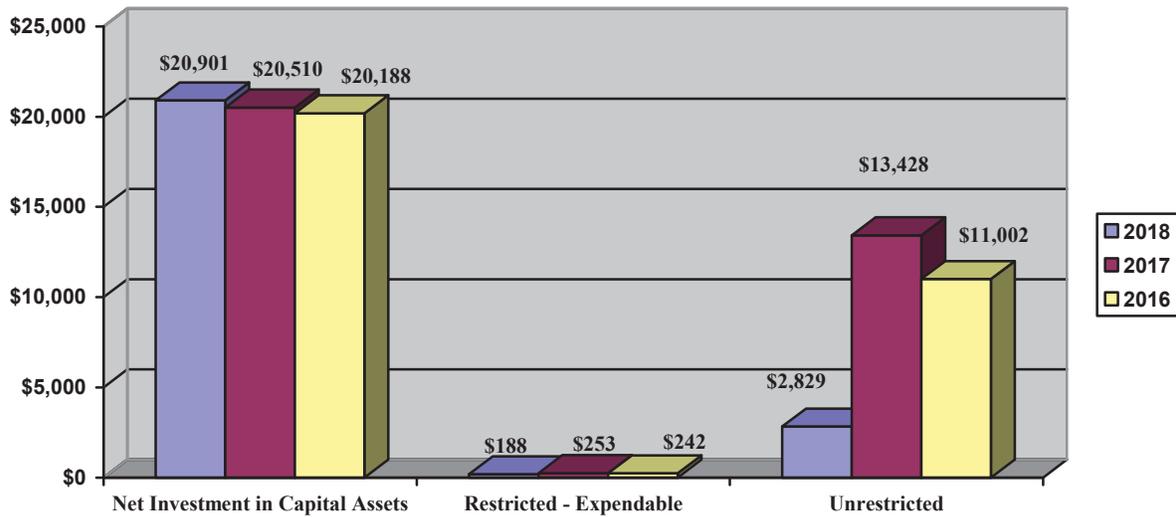
Fiscal Year 2017 Compared to 2016

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.

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, 2016 through 2018. 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 enrollment and program growth. The decrease in unrestricted net position in 2018 is due to the College implementing GASB No. 75 in the current fiscal 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)**

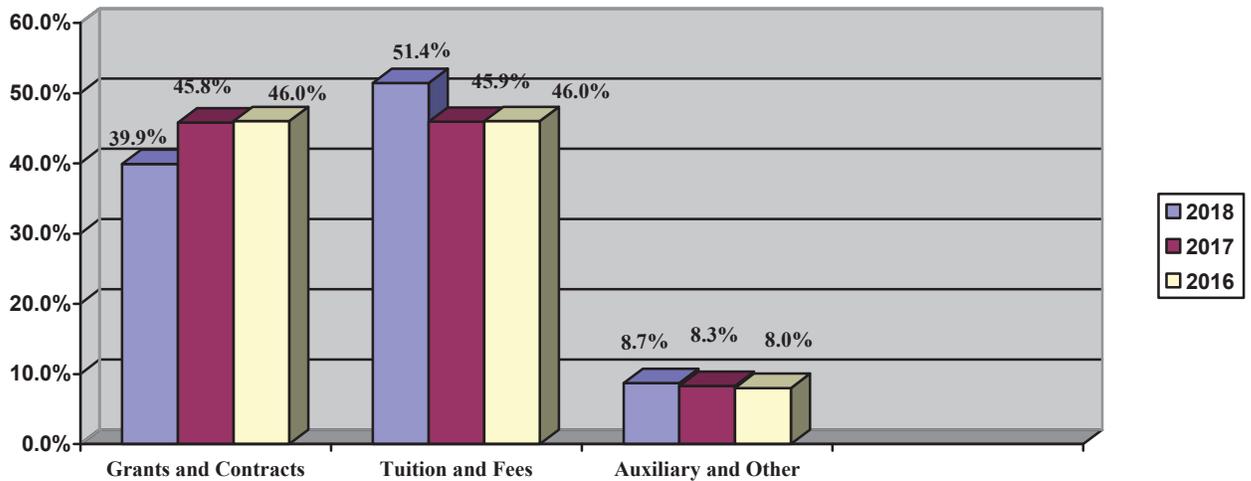
	<u>2018</u>	<u>2017</u>	Increase (Decrease) 2018 - <u>2017</u>	<u>2016</u>	Increase (Decrease) 2017 - <u>2016</u>
Operating Revenues:					
Tuition and Fees, Net of Scholarship Allowance	\$ 2,909	\$ 2,767	\$ 142	\$ 2,605	\$ 162
Grants and Contracts	2,259	2,762	(503)	2,604	158
Auxiliary Enterprises, Net	315	244	71	233	11
Other Operating Revenues	<u>175</u>	<u>261</u>	<u>(86)</u>	<u>217</u>	<u>44</u>
Total Operating Revenues	5,658	6,034	(376)	5,659	375
Less Operating Expenses	<u>25,995</u>	<u>23,363</u>	<u>2,632</u>	<u>22,732</u>	<u>631</u>
Operating Loss	<u>(20,337)</u>	<u>(17,329)</u>	<u>(3,008)</u>	<u>(17,073)</u>	<u>(256)</u>
Non-Operating Revenues (Expenses):					
State Appropriations	5,687	4,741	946	4,766	(25)
Property Taxes	12,762	12,355	407	11,815	540
Federal Student Assistance	2,931	2,845	86	2,729	116
Investment and Other Income	351	261	90	100	161
Other Non-Operating Expense	<u>(28)</u>	<u>(114)</u>	<u>86</u>	<u>-</u>	<u>(114)</u>
Total Non-Operating Revenues, Net	<u>21,703</u>	<u>20,088</u>	<u>1,615</u>	<u>19,410</u>	<u>678</u>
Increase (Decrease) in Net Position	<u>\$ 1,366</u>	<u>\$ 2,759</u>	<u>\$ (1,393)</u>	<u>\$ 2,337</u>	<u>\$ 422</u>

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

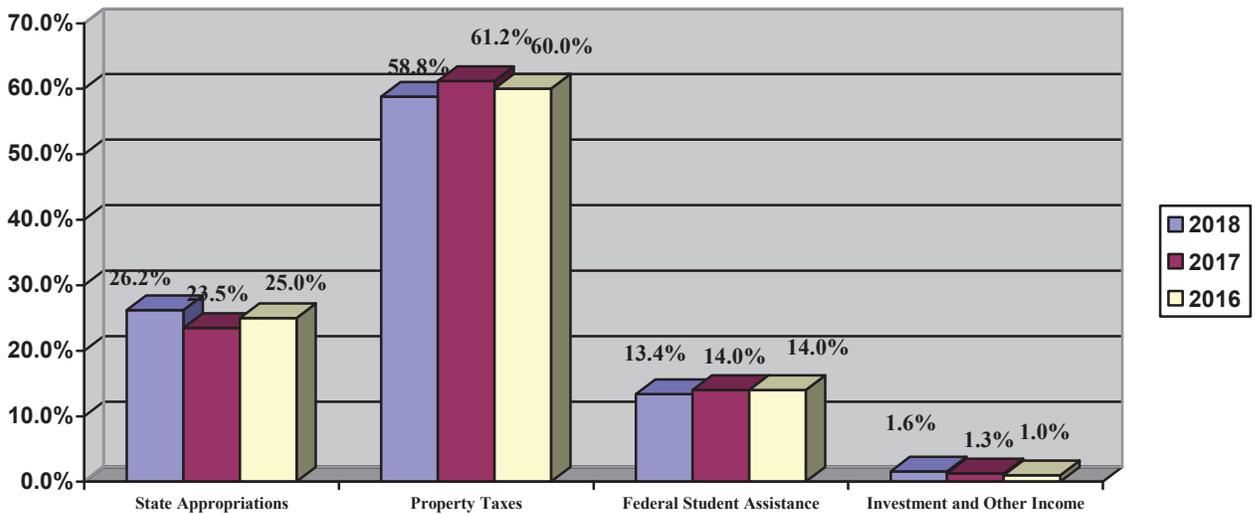
Statements of Revenues, Expenses and Change in Net Position - Continued

The following are graphic illustrations of revenues by source for the years ended August 31, 2016 through 2018:

**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 2018 Compared to 2017

Over the two year period, the proportions of revenue have generally remained constant. The College has four major sources of revenues: property taxes, state appropriations, grants and contracts, and tuition and fees. The College decreased its annual tax rate by 2.39% from \$0.17025 to \$0.166188 per \$100 assessed values. However, due to growth in the overall tax base an additional \$407,000 or 3.3% of property tax revenue was received in fiscal year 2018. State appropriations increased by 19.9% or \$946,000 as the College entered the first year of the legislative biennium funding and recording of matching state income for OPEB in conjunction with the implementation of GASB No. 75. Tuition and Fees revenue increased by \$142,000 or about 5%. Federal grants are down by \$576,000 as the Title V and HSI-STEM federal grants were active only one month in the fiscal year. Federal Student Assistance (Pell and Direct Loans) remained relatively stable in the number of recipients and total funds awarded.

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 2nd 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.

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

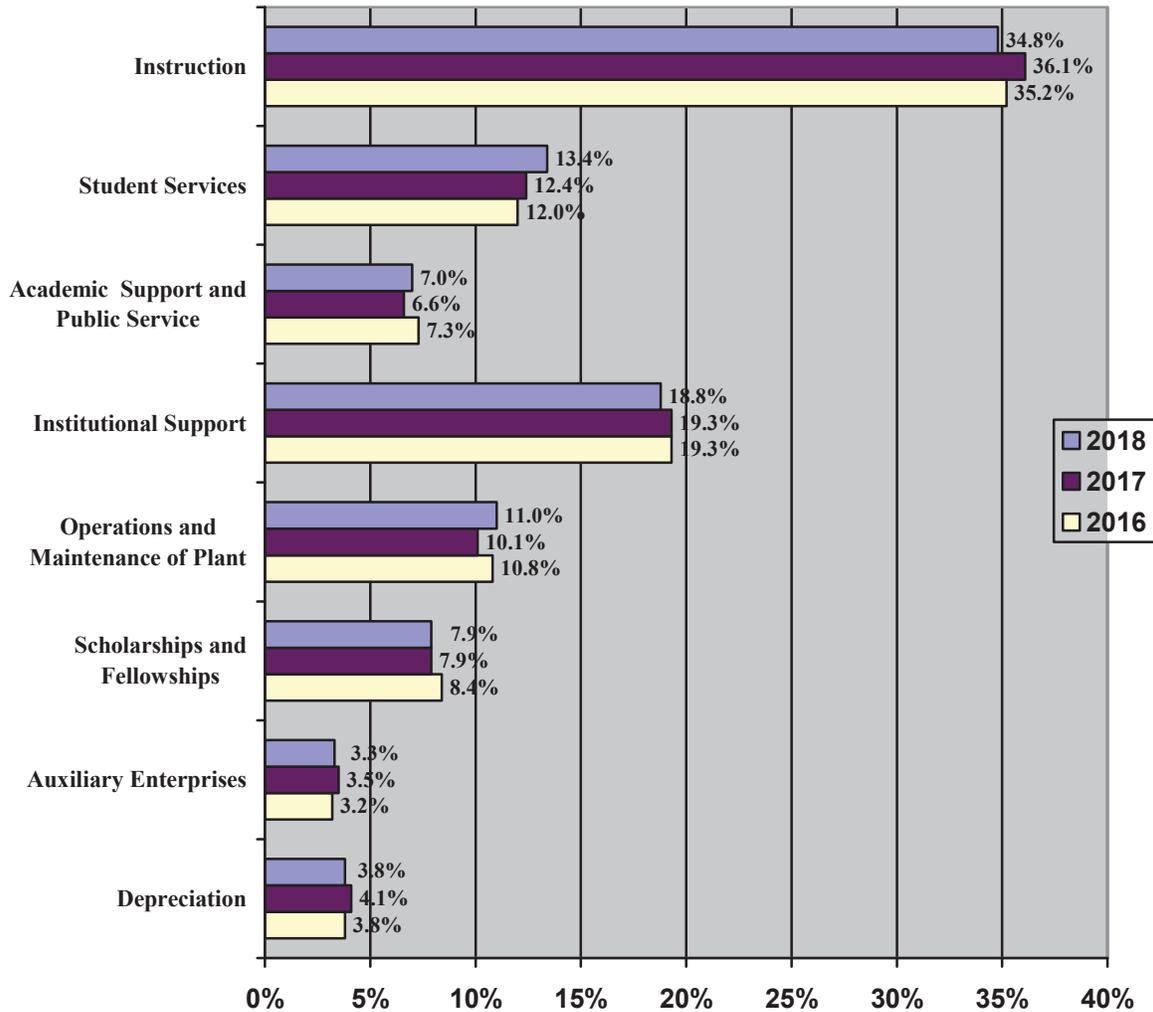
**Operating Expenses
(in thousands)**

	2018	2017	Increase 2018-2017	2016	Increase (Decrease) 2017-2016
Operating Expenses:					
Instruction	\$ 9,052	\$ 8,436	\$ 616	\$ 8,008	\$ 428
Public Service	38	25	13	36	(11)
Academic Support	1,780	1,527	253	1,620	(93)
Student Services	3,491	2,894	597	2,729	165
Institutional Support	4,895	4,499	396	4,399	100
Operation and Maintenance of Plant	2,858	2,359	499	2,448	(89)
Scholarships and Fellowships	2,043	1,851	192	1,905	(54)
Auxiliary Enterprises	848	822	26	718	104
Depreciation	990	950	40	869	81
Total	<u>\$ 25,995</u>	<u>\$ 23,363</u>	<u>\$ 2,632</u>	<u>\$ 22,732</u>	<u>\$ 631</u>

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Operating Expenses



Fiscal Year 2018 Compared to 2017

Galveston College's operating expenses increased by \$2.6 million or 11.3% in fiscal year 2018 as compared to fiscal year 2017. The College's Board of Regents approved a salary increase of 3% for all employees and general inflation resulted in an increase in most expense categories. The largest expense category remains instruction at 34.8%, increasing by \$616,000 in fiscal year 2018. Student services increased as a result of 2018 being the first full year of the contract with the Galveston County Sheriff's Office to provide certified armed officers to protect and serve staff, students, and the community. The increase in operation and maintenance of plant was driven by several remodeling projects and additional maintenance and repairs as a result of Hurricane Harvey.

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

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 50th Anniversary Gala.

Statements of Cash Flows 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>2018</u>	<u>2017</u>	<u>2016</u>
Cash Provided by (Used in):			
Operating Activities	\$(17,775)	\$(15,046)	\$(14,881)
Non-Capital Financing Activities	19,823	18,850	18,387
Capital and Related Financing Activities	(1,381)	(1,273)	(1,519)
Investing Activities	<u>2,297</u>	<u>1,115</u>	<u>(1,928)</u>
Net Increase in Cash and Cash Equivalents	2,964	3,646	59
Cash and Cash Equivalents – Beginning of Year	<u>14,787</u>	<u>11,141</u>	<u>11,082</u>
Cash and Cash Equivalents – End of Year	<u>\$ 17,751</u>	<u>\$ 14,787</u>	<u>\$ 11,141</u>

The College's cash flows 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 \$973,000 is due to increases in property taxes and state appropriations. The increase in cash used in capital and related financing activities was driven by the purchasing of capital equipment and improvements during the year. Cash provided by investment activities increased due to the College's collateralized certificates of deposit maturing which was not reinvested. Overall increase in cash and cash equivalents was primarily driven by a surplus of funds from operations in fiscal year 2018.

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

As shown in Note 6 of the financial statements, capital assets increased from \$20.5 million to \$20.9 million due to a new property purchase, facility improvements, new equipment, and vehicle purchases; offset by \$990,000 of depreciation expense. The following points explain the material changes in the capital asset categories during fiscal year 2018:

- Land increased by \$27,000 due to purchase of a new property and then decreased by \$127,000 due to reclassification of a building, resulting in a net decrease of \$100,000.
- Construction in progress increased by \$320,000 due to architect, engineering and construction fees for the health science building, student residency buildings, renovation of the photo lab and a new hurricane resistant curtain wall.
- Buildings increased by \$146,000 as a result of a new property purchase.
- Improvements for other buildings increased by \$308,000 due to replacement of the cooling towers.
- Furniture, equipment and vehicles increased by \$368,000 due to the purchase of a SimCab RX cabinet, Demo Dose SimCart RX, nursing mannequins, injection arms, and medical sonography equipment. The College also purchased a new bus for student travel.
- Computer equipment increased by \$188,000 due to refreshing the Hyper V Virtual Environment and computer and server equipment.
- Library books increased by \$25,000.

**Capital Assets
(in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital Assets:			
Land and Improvements	\$ 7,426	\$ 7,218	\$ 7,087
Construction in Progress	578	259	163
Buildings	19,643	19,370	19,160
Equipment, Furniture, and Software	7,128	6,572	5,810
Library Books	<u>1,167</u>	<u>1,142</u>	<u>1,068</u>
 Total	 \$ <u>35,942</u>	 \$ <u>34,561</u>	 \$ <u>33,288</u>
Less Accumulated Depreciation	<u>(15,041)</u>	<u>(14,051)</u>	<u>(13,101)</u>
Net Capital Assets	<u>\$ 20,901</u>	<u>\$ 20,510</u>	<u>\$ 20,187</u>

Currently Known Facts, Decisions and Conditions

- Based on the 2018 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 28.2%, compared to a state average of 21.3% and the four-year graduation rate for full-time students was 40.6% for Galveston College vs. 26.9% for the state average. The percentage of full-time faculty was 54.6% vs. 38.7% for the state average, which is higher than 80% of comparable institutions. Galveston College's cost of attendance is 15% lower than the state average, with over 65% 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

- In 2017-18, Galveston College contracted with John Manlove Marketing and Communications (JMMC) to develop a brand strategy and a new marketing plan for the College. The agency worked with staff and faculty to create effective messaging and strategies designed to increase awareness and enhance public support of the specific programs and services the College offers. In addition to the marketing plan, a branding component included in-depth research and strategic meeting sessions with stakeholders to identify the College's core strengths, the needs and aspirations of the next generation of students, and the ever-evolving needs of business and industry. Working with JMMC, the College drafted a brand personality statement, brand promise statements, and brand positioning and messaging. The College identified its core mission as "Opening doors. Changing lives." A marketing plan was developed to actively communicate the College's message to traditional and non-traditional students and to recruit a diverse student body and increase higher education participation rates from the College's service area.
- 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 38% in fall of 2018 compared to 2017, having increased 194% from fall 2011. The success rates in fall of 2017 (the percentage of students who received A-C) are dramatically different between dual credit & non-dual credit students; the overall success rate of dual credit students was 96.2% compared to 73.8% for non-dual credit students. 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 College's TRIO - Building Bridges to Success (BBS) program recently celebrated 21 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 209 students, with 70 students graduating. 99% of participants were in good academic standing (2.0 or above GPA), and 67% 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, 36% also transferred to a four-year institution. Additionally, the persistence rate of BBS students from fall to fall (including graduation or transfer) was 91%.
- 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 67 high-school students in fiscal year 2017-2018. Of special note, 100% of the seniors served during the academic year passed the required state assessments and graduated from high school. There were 80% that graduated on a rigorous degree plan. Of all 67 students served, 75% earned a 2.5 GPA or higher, meeting and exceeding the project objective. 100% of project participants served during the project year continued in school for the next academic year, at the next grade level, or have graduated from secondary school with a regular secondary school diploma. Of the ten Upward Bound students that graduated, 70% went on to continue their education with four students enrolled at Galveston College and three enrolled at universities.

GALVESTON COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

- The following grants will be active in fiscal year 2019:

GRANT NAME	PURPOSE	TERM	TOTAL AMOUNT
Dept. of Education - Federal	Title V - Pathway Model for Improved Teaching, Advising, and Transfer at Hispanic-Serving Community College	09/01/18 - 08/31/19	\$ 550,000
Dept. of Labor - Federal	Building Construction Trades Training Project	09/01/18 - 08/31/19	327,000
Dept. of Education - Federal	TRIO – Upward Bound Program	09/01/18 - 08/31/19	318,000
Dept. of Education - Federal	TRIO - Building Bridges to Success Program	09/01/18 - 08/31/19	275,000
National Science Foundation - Federal	STEM Honors Program	09/01/18 - 08/31/19	239,000
Carl Perkins Basic Grant Program - Federal	Applied Technology Support	09/01/18 - 08/31/19	115,000
College Readiness and Success Models for 60x30TX - State	Provide Services to Students to Enable Successful Completion of Level 1 Certificates	09/01/18 - 08/31/19	115,000
National Science Foundation - Federal	Engineering Technology Instrumentation	09/01/18 - 08/31/19	105,000
College Readiness and Success Models for 60x30TX - State	Provide Services to Students to Enable Successful Completion of CERT1 Credentials	09/01/18 - 08/31/19	100,000
Dept. of Labor - Federal	Building Construction Trades Training Demonstration Project	09/01/18 - 10/31/18	83,000
Galveston Career Connect - Private	Strengthen Career Skills of High School Students	09/01/18 - 08/31/19	64,000
Texas Higher Education Coordinating Board - State	Nursing & Allied Health - Building Simulation & Skills Lab Capacity	09/01/18 - 08/31/19	44,000
Texas Higher Education Coordinating Board - State	Nursing Shortage Reduction Under 70 Program FY16/17	09/01/18 - 08/31/19	40,000
Texas Workforce Commission - State	Texas Success Center - Scholarships for Dual Credit Students	09/01/18 - 12/31/18	36,000
NEH Coastal Culinary - Federal	Humanities Initiatives at Hispanic-Serving Institutions	09/01/18 - 05/31/19	30,000
Texas Workforce Commission - State	Skills Development Fund - To Increase Skill Level and Wages of Texas Workforce	09/01/18 - 02/28/19	25,000
Texas Higher Education Coordinating Board - State	Nursing Shortage Reduction Under 70 Program FY 14/15	09/01/18 - 08/31/19	20,000
Texas Higher Education Coordinating Board - State	Nursing Shortage Reduction Regular Program	09/01/18 - 08/31/19	11,000
College Readiness 60x30TX - State	Provide Staffing for the Developmental Mathematics Math Lab	09/01/18 - 08/31/19	11,000
		TOTAL	\$2,508,000

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, 2018 AND 2017

Exhibit 1

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents (Note 4)	\$ 17,719,526	\$ 14,744,280
Short-Term Investment (Note 4)	1,000,000	3,000,000
Accounts Receivable (Note 5)	392,268	508,478
Property Tax Receivable, Net (Note 5)	648,529	617,266
Student Receivables, Net (Note 5)	1,595,018	1,445,046
Other Assets	523,660	548,968
Total Current Assets	21,879,001	20,864,038
NONCURRENT ASSETS:		
Restricted Agency Funds Cash and Cash Equivalents (Note 4)	31,472	43,092
Capital Assets, Net (Note 6):		
Not Subjected to Depreciation	4,009,335	3,789,636
Subjected to Depreciation	16,891,492	16,719,986
Total Noncurrent Assets	20,932,299	20,552,714
Total Assets	42,811,300	41,416,752
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows (Note 8)	1,038,031	1,280,806
Other Post Employee Benefits Related Deferred Outflows (Note 11)	297,148	-
Total Deferred Outflows of Resources	1,335,179	1,280,806
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable (Note 5)	631,682	951,541
Funds Held for Others - Agency	31,472	43,092
Unearned Revenues	2,436,869	2,238,590
Deposits	10,400	7,200
Compensated Absences - Current Portion (Notes 7 and 12)	40,000	40,000
Total Current Liabilities	3,150,423	3,280,423
NONCURRENT LIABILITIES:		
Compensated Absences (Notes 7 and 12)	321,760	329,007
Net Pension Liability (Note 8)	3,285,796	3,952,159
Net Other Post Employee Benefit Liability (Note 11)	9,970,878	-
Total Noncurrent Liabilities	13,578,434	4,281,166
Total Liabilities	16,728,857	7,561,589
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows (Note 8)	1,294,845	944,857
Other Post Employee Benefits Related Deferred Inflows (Note 11)	2,204,609	-
Total Deferred Inflows of Resources	3,499,454	944,857
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Net Investment in Capital Assets	20,900,827	20,509,622
Restricted - Expendable:		
Student Aid	188,647	253,378
Unrestricted	2,828,694	13,428,112
Total Net Position (Schedule D)	\$ 23,918,168	\$ 34,191,112

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, 2018 AND 2017

Exhibit 2

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Tuition and Fees, Net of Scholarship Allowance of \$1,990,086 for 2018 and \$1,843,089 for 2017	\$ 2,908,930	\$ 2,766,621
Federal Grants and Contracts	1,180,240	1,756,010
State and Local Grants and Contracts	440,360	223,975
Private Grants and Scholarships	638,041	781,892
Auxiliary Enterprises, Net of Scholarship Allowance of \$136,908 for 2018 and \$156,448 for 2017	315,225	243,658
Other Operating Revenues	<u>175,253</u>	<u>261,834</u>
 Total Operating Revenues (Schedule A)	 <u>5,658,049</u>	 <u>6,033,990</u>
OPERATING EXPENSES:		
Instruction	9,052,151	8,436,060
Public Service	38,292	25,135
Academic Support	1,779,597	1,527,382
Student Services	3,491,173	2,894,083
Institutional Support	4,894,705	4,499,005
Operation and Maintenance of Plant	2,857,517	2,358,444
Scholarships and Fellowships	2,043,189	1,851,003
Auxiliary Enterprises	847,764	821,798
Depreciation	<u>990,410</u>	<u>950,475</u>
 Total Operating Expenses (Schedule B)	 <u>25,994,798</u>	 <u>23,363,385</u>
 OPERATING LOSS	 <u>(20,336,749)</u>	 <u>(17,329,395)</u>
NON-OPERATING REVENUES (EXPENSES):		
State Appropriations	5,686,868	4,741,378
Property Taxes	12,761,818	12,355,185
Federal Student Assistance (Title IV Grants)	2,931,508	2,845,306
Investment Income	292,452	123,576
Other Non-Operating Income	58,250	137,217
Other Non-Operating Expenses	<u>(28,158)</u>	<u>(114,067)</u>
 Non-Operating Revenues, Net (Schedule C)	 <u>21,702,738</u>	 <u>20,088,595</u>
 INCREASE IN NET POSITION	 1,365,989	 2,759,200
NET POSITION, BEGINNING OF YEAR	34,191,112	31,431,912
Cumulative Effect of Change in Accounting Principle (Note 2)	(11,638,933)	N/A
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>22,552,179</u>	<u>N/A</u>
 NET POSITION, END OF YEAR	 <u>\$ 23,918,168</u>	 <u>\$ 34,191,112</u>

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, 2018 AND 2017

Exhibit 3

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Students and Other Customers	\$ 2,939,592	\$ 2,693,860
Receipts from Grants and Contracts	2,396,904	2,553,818
Payments to or on Behalf of Employees	(15,145,446)	(14,241,005)
Payments to Suppliers for Goods and Services	(6,413,085)	(4,707,267)
Payments for Scholarships	(2,043,189)	(1,851,003)
Other Cash Receipts	<u>490,478</u>	<u>505,492</u>
Net Cash Used in Operating Activities	<u>(17,774,746)</u>	<u>(15,046,105)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Proceeds from State Appropriations	4,148,430	3,717,736
Proceeds from Property Taxes	12,730,555	12,307,134
Proceeds from Federal Student Assistance (Title IV Grants)	2,942,120	2,836,440
Other Non-Operating Income	30,400	102,967
Other Non-Operating Expenses	<u>(28,158)</u>	<u>(114,067)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>19,823,347</u>	<u>18,850,210</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Capital Assets	<u>(1,381,615)</u>	<u>(1,272,747)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,381,615)</u>	<u>(1,272,747)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Receipt on Maturity of Short-Term Investment	2,000,000	1,000,000
Investment Income	<u>296,640</u>	<u>115,222</u>
Net Cash Provided by Investing Activities	<u>2,296,640</u>	<u>1,115,222</u>
INCREASE IN CASH AND CASH EQUIVALENTS	2,963,626	3,646,580
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,787,372</u>	<u>11,140,792</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 17,750,998</u>	<u>\$ 14,787,372</u>

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, 2018 AND 2017

Exhibit 3 - Continued

	2018	2017
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	\$ (20,336,749)	\$ (17,329,395)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	990,410	950,475
Payments Made Directly by State for Benefits	1,538,660	1,023,294
Changes in Assets and Liabilities:		
Receivables, Net	(48,784)	(101,938)
Other Assets	25,308	73,210
Pension Related Deferred Outflows	242,775	160,331
Other Post Employee Benefits Related Deferred Outflows	(23,002)	-
Accounts Payable	(319,859)	462,786
Funds Held for Others - Agency Funds	(11,620)	(13,055)
Unearned Revenues	226,129	(164,083)
Deposits	3,200	(1,744)
Compensated Absences	(7,247)	(28,571)
Net Pension Liability	(666,363)	306,156
Net Other Post Employee Benefit Liability	(1,942,201)	-
Pension Related Deferred Inflows	349,988	(383,571)
Other Post Employee Benefits Related Deferred Inflows	2,204,609	-
Net Cash Used in Operating Activities	\$ (17,774,746)	\$ (15,046,105)

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, 2018 and 2017 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 \$1,000,000 and \$3,000,000 at August 31, 2018 and 2017, 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, 2018 and 2017, 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 and other postemployment benefits (OPEB) liability, and contributions from the College for pension and OPEB 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 revenue until that time. Deferred inflows of resources consist of unrecognized items not yet charged to pension and other postemployment benefits (OPEB) liability.

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Other Post-Employment Benefits (OPEB)

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

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, 2018 and 2017.

Subsequent Events

The College has evaluated subsequent events through November 14, 2018 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.

Prior Year Restatement

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

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Prior Year Restatement - Continued

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

The College beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75:

Beginning net position, as previously reported	\$ 34,191,112
Cumulative effect of change in accounting principle (GASB No. 75)	(11,913,079)
Beginning Net OPEB liability (measurement date as of August 31, 2107)	
Deferred outflow for College contributions to ERS plan during fiscal year 2017	<u>274,146</u>
Beginning net position, as restated	\$ <u>22,552,179</u>

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.

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, 2018 and 2017, the carrying amount of the College’s deposits was \$896,190 and \$1,519,006, respectively; and bank balances equaled \$1,504,155 and \$1,630,901, 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, 2018 and 2017, the College had certificates of deposits in the amount of \$1,000,000 and \$3,000,000, respectively.

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEPOSITS AND INVESTMENTS - CONTINUED

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

	2018	2017
Cash and Cash Equivalents:		
Petty Cash	\$ 1,200	\$ 1,200
Demand Deposits	896,190	1,519,006
Vanguard Admiral Treasury Money Market Fund	666,487	657,102
Investment Pools:		
Lone Star Investment Pool	6,455,862	6,018,153
Local Government Investment Cooperative	6,136,161	3,049,183
Texas Local Government Investment Pool	2,052,995	2,023,361
TexasTERM Local Government Investment Pool	1,542,103	1,519,367
Total Cash and Cash Equivalents	17,750,998	14,787,372
Certificates of Deposit	1,000,000	3,000,000
Total Deposits and Investments	\$ 18,750,998	\$ 17,787,372

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.

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.

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEPOSITS AND INVESTMENTS – CONTINUED

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.

NOTE 5 – DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables consist of the following at August 31:

	<u>2018</u>	<u>2017</u>
Student Receivables	\$ 1,846,690	\$ 1,768,832
Less Allowance for Doubtful Accounts	<u>(251,672)</u>	<u>(323,786)</u>
Total Student Receivable	<u>\$ 1,595,018</u>	<u>\$ 1,445,046</u>
Federal Receivables	\$ 210,114	\$ 410,145
Other Receivables	<u>182,154</u>	<u>98,333</u>
Total Accounts Receivable	<u>\$ 392,268</u>	<u>\$ 508,478</u>
Property Tax Receivable	\$ 738,969	\$ 703,146
Less Allowance for Doubtful Accounts	<u>(90,440)</u>	<u>(85,880)</u>
Total Property Tax Receivable	<u>\$ 648,529</u>	<u>\$ 617,266</u>

Payables consist of the following at August 31:

Vendors Payable	\$ 501,105	\$ 702,826
Benefits Payable	<u>130,577</u>	<u>248,715</u>
Total Payables	<u>\$ 631,682</u>	<u>\$ 951,541</u>

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

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

	Balance September 1, <u>2017</u>	<u>Increase</u>	Decrease/ <u>Adjustment</u>	Balance August 31, <u>2018</u>
Not Depreciated:				
Land	\$ 3,531,040	\$ 26,552	\$ (126,582)	\$ 3,431,040
Construction in Progress	<u>258,596</u>	<u>319,729</u>	<u>-</u>	<u>578,325</u>
Total Not Depreciated	<u>3,789,636</u>	<u>346,281</u>	<u>(126,582)</u>	<u>4,009,335</u>
Other Capital Assets:				
Buildings	19,370,246	145,851	126,582	19,642,679
Land Improvements	3,686,634	308,000	-	3,994,634
Furniture, Equipment and Vehicles	3,991,889	368,461	-	4,360,350
Computer System	2,580,160	187,609	-	2,767,769
Library Books	<u>1,142,118</u>	<u>25,413</u>	<u>-</u>	<u>1,167,531</u>
Total Depreciated	<u>30,771,047</u>	<u>1,035,334</u>	<u>126,582</u>	<u>31,932,963</u>
Less Accumulated Depreciation:				
Buildings	7,535,862	391,725	-	7,927,587
Land Improvements	1,358,301	182,034	-	1,540,335
Furniture, Equipment and Vehicles	1,950,450	316,060	-	2,266,510
Computer System	2,415,070	63,915	-	2,478,985
Library Books	<u>791,378</u>	<u>36,676</u>	<u>-</u>	<u>828,054</u>
Total Accumulated Depreciation	<u>14,051,061</u>	<u>990,410</u>	<u>-</u>	<u>15,041,471</u>
Net Capital Assets	<u>\$ 20,509,622</u>	<u>\$ 391,205</u>	<u>\$ -</u>	<u>\$ 20,900,827</u>

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS – CONTINUED

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>

NOTE 7 – NONCURRENT LIABILITIES

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

	Balance September 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance August 31, <u>2018</u>	Current <u>Portion</u>
Compensated Absences	\$ 369,007	\$ 69,128	\$ (76,375)	\$ 361,760	\$ 40,000
Net Pension Liability (Note 2, 8)	3,952,159	650	(667,013)	3,285,796	-
Net OPEB Liability (Note 2, 11)	<u>11,913,079</u>	<u>1,033,087</u>	<u>(2,975,288)</u>	<u>9,970,878</u>	<u>-</u>
Total Noncurrent Liabilities	<u>\$16,234,245</u>	<u>\$ 1,102,865</u>	<u>\$(3,718,676)</u>	<u>\$ 13,618,434</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, 2017 was as follows:

	Balance September 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance August 31, <u>2017</u>	Current <u>Portion</u>
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>

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 https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf or 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 cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature established the employer contribution rates for fiscal year 2018.

	Contribution Rates	
	2017	2018
Member	7.7%	7.7%
Non – employer contributing entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Fiscal year 2017 College contributions		\$ 336,796
Fiscal year 2017 State of Texas on-behalf contributions		\$ 212,134
Fiscal year 2017 Member contributions		\$ 333,214

The College’s contributions to the TRS pension plan in 2018 were \$334,968 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 2018 were \$158,192.

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

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Last year ending August 31 in the 2017 to 2116 projection period (100 years)	2116
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, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
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%
Stable Value			
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%
Real Return			
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%
Risk Parity			
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 2017 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 2017 net pension liability.

	<u>7%</u> <u>Discount Rate</u>	<u>8%</u> <u>Discount Rate</u>	<u>9%</u> <u>Discount Rate</u>
College’s proportionate share of the net pension liability	\$5,539,203	\$3,285,796	\$1,409,469

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, the College reported a liability of \$3,285,796 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	\$ 3,285,796
State’s proportionate share that is associated with College	<u>2,073,938</u>
Total	<u>\$ 5,359,734</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2016 through August 31, 2017.

At the measurement date of August 31, 2017 the employer’s proportion of the collective net pension liability was 0.0102763% which was a decrease of 0.0001823% from its proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the College recognized pension expense of \$158,192 and revenue of \$158,192 for support provided by the State.

As of August 31, 2018 and 2017, the College had contributions payable to TRS of \$0 and \$101,298, 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, 2018, the College reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 48,073	\$ 177,199
Changes in actuarial assumptions	149,673	85,684
Difference between projected and actual investment earnings	505,317	744,779
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	-	287,183
Contributions paid to TRS subsequent to the measurement date	<u>334,968</u>	<u>-</u>
 Total	 <u>\$ 1,038,031</u>	 <u>\$ 1,294,845</u>

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>	
2019	\$ (175,971)
2020	33,770
2021	(192,082)
2022	(236,309)
2023	(10,854)
Thereafter	<u>(10,336)</u>
 Total	 <u>\$ (591,782)</u>

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 2018, 2017, and 2016 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 2018, 2017 and 2016, 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 83rd 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 \$11,360,358, \$10,959,772 and \$10,779,958 for the fiscal years ended August 31, 2018, 2017 and 2016, respectively. The total payroll of employees covered by ORP was \$1,882,292, \$1,870,931 and \$1,756,348 for fiscal years August 31, 2018, 2017 and 2016, respectively. The total payroll of employees covered by TRS was \$8,576,788, \$8,069,445 and \$7,880,598 for fiscal years August 31, 2018, 2017 and 2016, 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 \$61,451, \$58,453 and \$55,062 for the fiscal years ended August 31, 2018, 2017 and 2016, 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, 2018, the College had 35 employees participating in the program and a total of \$201,316 in contributions was invested in the plan during the fiscal year. 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.

NOTE 10 – HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance 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 \$622 and \$617 per month for fiscal years 2018 and 2017, respectively. The State's maximum contribution for dependent coverage was \$1,217 and \$1,208 per month for fiscal years 2018 and 2017 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 – HEALTH CARE AND LIFE INSURANCE BENEFITS – CONTINUED

	2018	2017
Number of retirees	70	66
Cost of health benefits for retirees	\$ 571,198	\$ 502,669
Number of active full time employees	159	152
Cost of health benefits for active full time employees	\$ 1,322,558	\$ 1,175,831
State appropriation for health insurance	\$ 848,064	\$ 767,342

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

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

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

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONTINUED

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

**Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
For the year ended August 31, 2017**

Retiree only	\$ 617.30
Retiree & Spouse	\$ 970.98
Retiree & Children	\$ 854.10
Retiree & Family	\$ 1,207.78

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

**Premium Contributions by Source
Group Benefits Program Plan
For the year ended August 31, 2017**

Employers	\$ 890,735,173
Members (Employees)	\$ 195,806,162
Non-Employer Contributing Entity (State)	\$ 44,433,743

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONTINUED

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Entry age
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset Valuation Method	Not applicable
Discount Rate	3.51%
Projected annual salary increase	2.50% to 9.50% including inflation
Annual healthcare trend rate	8.50 for 2019, decreasing 0.5% per year to 4.50% for FY2027 and later years)
Inflation assumption rate	2.5%
Adhoc postemployment benefits changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014
Disability retiree	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB.

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

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

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONTINUED

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

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

	2.51%	3.51%	4.51%
	<u>Discount Rate</u>	<u>Discount Rate</u>	<u>Discount Rate</u>
College’s proportionate share of the net OPEB liability (in thousands)	\$11,902	\$9,971	\$8,475

Health Care Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on the College’s proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than (7.5% decreasing to 3.5%) and 1 percent greater than (9.5% decreasing to 5.5%) the healthcare cost trend rate that was used in measuring the net OPEB liability.

	1 % decrease	Current rate	1 % increase
	<u>Discount Rate</u>	<u>Discount Rate</u>	<u>Discount Rate</u>
College’s proportionate share of the net OPEB liability (in thousands)	\$8,382	\$9,971	\$12,032

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2018, the College reported a liability of \$9,970,878 for its proportionate share of the ERS’s net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College’s proportionate share of the collective net OPEB liability	\$ 9,970,878
State’s proportionate share that is associated with College	<u>9,948,492</u>
Total	<u>\$ 19,919,370</u>

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

The net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016, through August 31, 2017.

At the measurement date of August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.02926237%.

For the year ended August 31, 2018, the College recognized OPEB expense of \$532,404 and revenue of \$532,404 for support provided by the State.

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

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

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

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

These minor benefit changes have been reflected in the fiscal year 2018 assumed per capita health benefit costs.

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 119,818
Changes in actuarial assumptions	-	2,084,791
Difference between projected and actual investment earnings	2,952	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	-	-
Contributions paid to ERS subsequent to the measurement date	<u>294,196</u>	<u>-</u>
Total	\$ <u>297,148</u>	\$ <u>2,204,609</u>

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

<u>Year Ending August 31,</u>	
2019	\$ (495,796)
2020	(495,796)
2021	(495,796)
2022	(495,796)
2023	<u>(218,473)</u>
Total	\$ <u>(2,201,657)</u>

NOTE 12 – 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.

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – COMPENSATED ABSENCES – CONTINUED

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 \$361,760 and \$369,007 as of August 31, 2018 and 2017, 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 13 – 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.

At August 31:	<u>2018</u>	<u>2017</u>	
Certified Taxable Valuation of the College	\$7,192,912,401	\$6,673,917,839	
Adjustments	<u>403,272,451</u>	<u>519,167,689</u>	
Net Assessed Valuation of the College	<u>\$7,596,184,852</u>	<u>\$7,193,085,528</u>	
	<u>2018</u>		
	<u>Current</u>	<u>Debt</u>	
	<u>Operations</u>	<u>Service</u>	<u>Total</u>
Authorized Tax rate per \$100 Valuation	\$.270000	-	\$.270000
Assessed Tax rate per \$100 Valuation	\$.166188	-	\$.166188
	<u>2017</u>		
	<u>Current</u>	<u>Debt</u>	
	<u>Operations</u>	<u>Service</u>	<u>Total</u>
Authorized Tax rate per \$100 Valuation	\$.270000	-	\$.270000
Assessed Tax rate per \$100 Valuation	\$.170250		\$.170250

Taxes levied for the years ended August 31, 2018 and 2017, based on certified rolls, as reported by the taxing authorities amounted to \$12,628,017 and \$12,252,731, 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.

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – PROPERTY TAX – CONTINUED

Tax collections for the years ended August 31, 2018 and 2017 were as follows:

	2018	2017
Current Taxes Collected	\$ 12,329,503	\$ 11,977,002
Delinquent Taxes Collected	276,866	226,713
Penalties and Interest Collected	146,323	135,386
Total Collections	\$ 12,752,692	\$ 12,339,101

Tax collections for the years ended August 31, 2018 and 2017 were 97.64% and 97.75%, 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.

NOTE 14 – 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, 2018 and 2017, \$328,563 and \$291,488, respectively, of grant funds have been received in advance.

NOTE 15 – 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. At August 31, 2018, the unrestricted net position of \$2,828,694 is lower than the board designated net position of \$5,128,890 primarily due to the implementation of GASB No. 75 in the current year. The College expects to build up to the board designated balance in fiscal year 2019.

NOTE 16 – 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.

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 17 – 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 \$312,295 and \$225,084 to the College for scholarship awards during the years ended August 31, 2018 and 2017, respectively. The Foundation did not fund any grant programs in 2018 and 2017.

During the years ended August 31, 2018 and 2017, 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 \$51,114 and 37,613 for fiscal years 2018 and 2017. As of August 31, 2018 and 2017, the amount due from the Foundation was \$2,679 and \$41,017, respectively.

NOTE 18 – NEW ACCOUNTING PRONOUNCEMENTS

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 this standard.

NOTE 19 – OPERATING LEASES

In June 2017, the College entered into a lease agreement for office equipment, expiring June 2021. During the year ended August 31, 2018, rent incurred for leased equipment amounted to \$97,955. Future minimum lease payments under this agreement are as follows:

Year Ending <u>August 31,</u>		
2019	\$	97,955
2020		97,955
2021		81,629
Total	\$	277,539

NOTE 20 – 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. The College did not receive any in kind contribution during the year ended August 31, 2018.

REQUIRED SUPPLEMENTARY SCHEDULES

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

For the years ended August 31*,	2018	2017	2016	2015
College's proportionate share of collective net pension liability	0.0102763%	0.0104586%	0.0103144%	0.0117839%
College's proportionate share of collective net pension liability	\$ 3,285,796	\$ 3,952,159	\$ 3,646,003	\$ 3,147,643
State's proportionate share of net pension liability associated with College	<u>2,073,938</u>	<u>2,466,383</u>	<u>2,388,048</u>	<u>2,061,454</u>
Total	<u>5,359,734</u>	<u>6,418,542</u>	<u>6,034,051</u>	<u>5,209,097</u>
College's covered payroll	<u>\$ 8,069,445</u>	<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 payroll	40.72%	50.15%	49.16%	43.51%
Plan fiduciary net position as percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

* The amounts presented above are as of the measurement date of the collective net pension liability

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

GALVESTON COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR PENSIONS
 LAST TEN FISCAL YEARS**
 (Unaudited)

For the years ended August 31*,	2018	2017	2016	2015
Legally required contributions	\$ 334,968	\$ 336,796	\$ 332,513	\$ 305,714
Actual contributions	<u>(334,968)</u>	<u>(336,796)</u>	<u>(332,513)</u>	<u>(305,714)</u>
Contributions deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
College's covered payroll amount	<u>\$ 8,576,788</u>	<u>\$ 8,069,445</u>	<u>\$ 7,880,598</u>	<u>\$ 7,415,939</u>
Contributions as a percentage of covered payroll	3.91%	4.17%	4.22%	4.12%

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

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

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES FOR PENSIONS
FOR THE YEAR ENDED AUGUST 31, 2018

NOTE 1 - CHANGES OF BENEFIT TERMS INCLUDE:

There were no changes in benefit terms for the fiscal year ended August 31, 2018.

NOTE 2 - CHANGES OF ASSUMPTIONS:

There were no changes of assumptions for the fiscal year ended August 31, 2018.

GALVESTON COMMUNITY COLLEGE DISTRICT
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
EMPLOYEE RETIREMENT SYSTEM OF TEXAS
STATE RETIREE HEALTH PLAN
LAST TEN FISCAL YEARS**
(Unaudited)

For the year ended August 31*,	2018
College's proportion of collective net OPEB liability	0.02926327%
College's proportionate share of collective net OPEB liability	\$ 9,970,878
State's proportionate share of net OPEB liability associated with College	<u>9,948,492</u>
Total	<u><u>19,919,370</u></u>
College's covered-employee payroll	<u><u>\$ 10,018,381</u></u>
College's proportionate share of collective net OPEB liability as a percentage of covered-employee payroll	99.53%
Plan fiduciary net position as percentage of the total OPEB liability	2.04%

* The amounts presented above are as of the measurement date of the collective net OPEB liability

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

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Schedules.

GALVESTON COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR OPEB
 EMPLOYEE RETIREMENT SYSTEM OF TEXAS
 STATE RETIREE HEALTH PLAN
 LAST TEN FISCAL YEARS**
 (Unaudited)

For the year ended August 31*,	2018
Legally required contributions	\$ 1,087,352
Actual contributions	<u>(1,087,352)</u>
Contributions deficiency (excess)	<u><u>-</u></u>
College's covered-employee payroll amount	<u>\$ 10,505,500</u>
Contributions as a percentage of covered-employee payroll	10.35%

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

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

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Schedules.

GALVESTON COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES FOR OPEB
FOR THE YEAR ENDED AUGUST 31, 2018

NOTE 1 - CHANGES OF BENEFIT TERMS INCLUDE:

The latest valuation reflects the benefit changes that became effective September 1, 2017, since these changes were communicated to plan members in advance of the preparation of the latest valuation report. The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

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

These minor benefit changes are provided for in the fiscal year 2018 assumed per capita health benefit costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is primary.

NOTE 2 - CHANGES OF ASSUMPTIONS:

Demographic Assumptions

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

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

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

Economic Assumptions

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

Assumptions for expenses, assumed per capita health benefit costs and health benefit cost, retiree contribution and expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on short-term expectations and the revised assumed rate of general inflation.

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

Minor benefit changes have been reflected in the fiscal year 2018 assumed per capita health benefit costs.

SUPPLEMENTARY SCHEDULES

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GALVESTON COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2018
(With Memorandum Totals for the Year Ended August 31, 2017)

Schedule A

	Unrestricted	Restricted	Total Educational Activity	Auxiliary Enterprises	2018 Total	2017 Total
Tuition:						
State Funded Credit Courses:						
In-District Resident Tuition	\$ 1,919,227	\$ -	\$ 1,919,227	\$ -	\$ 1,919,227	\$ 1,754,330
TPEG - Credit (set aside) *	127,720	-	127,720	-	127,720	116,351
Non-Resident Tuition	255,466	-	255,466	-	255,466	207,172
Non-State Funded Educational Programs	63,385	-	63,385	-	63,385	37,733
Total Tuition	2,365,798	-	2,365,798	-	2,365,798	2,115,586
Fees:						
Student Service Fee	-	-	-	67,942	67,942	66,906
Course Fees	605,583	-	605,583	-	605,583	606,608
Building Use Fee	970,769	-	970,769	-	970,769	962,350
Out of District Fee	429,643	-	429,643	-	429,643	406,742
General Service Fee	286,090	-	286,090	-	286,090	281,000
Registration Fee	173,191	-	173,191	-	173,191	170,518
Total Fees	2,465,276	-	2,465,276	67,942	2,533,218	2,494,124
Scholarship Allowances and Discounts:						
Scholarship Allowances	(564,981)	-	(564,981)	(7,318)	(572,299)	(536,909)
Remissions and Exemptions - State	(302,562)	-	(302,562)	-	(302,562)	(226,182)
Title IV Federal Grants to Students	(1,098,194)	-	(1,098,194)	(17,031)	(1,115,225)	(1,079,998)
Total Scholarship Allowances and Discounts	(1,965,737)	-	(1,965,737)	(24,349)	(1,990,086)	(1,843,089)
Total Net Tuition and Fees	2,865,337	-	2,865,337	43,593	2,908,930	2,766,621
Additional Operating Revenues:						
Federal Grants and Contracts	-	1,180,240	1,180,240	-	1,180,240	1,756,010
State Grants and Contracts	-	440,360	440,360	-	440,360	223,975
Private Grants and Scholarships	-	638,041	638,041	-	638,041	781,892
Other Operating Revenues	175,253	-	175,253	-	175,253	261,834
Total Additional Operating Revenues	175,253	2,258,641	2,433,894	-	2,433,894	3,023,711
Auxiliary Enterprises:						
Residential Life	-	-	-	240,300	240,300	234,363
Less Scholarship Allowances and Discounts	-	-	-	(136,908)	(136,908)	(156,448)
Bookstore Commissions	-	-	-	42,995	42,995	42,264
Vending Commissions	-	-	-	3,765	3,765	4,942
Other Auxiliary Revenue	-	-	-	165,073	165,073	118,537
Total Auxiliary Enterprises	-	-	-	315,225	315,225	243,658
Total Operating Revenues	\$ 3,040,590	\$ 2,258,641	\$ 5,299,231	\$ 358,818	\$ 5,658,049	\$ 6,033,990
				(Exhibit 2)	(Exhibit 2)	

* In accordance with Education Code §56.003, \$127,720 and \$116,351 for years August 31, 2018 and 2017, 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, 2018
 (With Memorandum Totals for the Year Ended August 31, 2017)

	Operating Expenses				2018 Total	2017 Total
	Salaries and Wages	State	Local	Other Expenses		
Unrestricted - Educational Activities:						
Instruction	\$ 5,267,947	\$ -	\$ 1,100,825	\$ 726,026	\$ 7,094,798	\$ 6,479,896
Public Service	10,550	-	1,068	26,674	38,292	25,135
Academic Support	1,080,260	-	267,562	208,193	1,556,015	1,382,271
Student Services	1,470,299	-	351,621	804,040	2,625,960	2,107,617
Institutional Support	2,115,366	-	401,969	1,777,448	4,294,783	4,113,242
Operation and Maintenance of Plant	518,633	-	249,608	2,089,276	2,857,517	2,358,444
Total Unrestricted Educational Activities	10,463,055	-	2,372,653	5,631,657	18,467,365	16,466,605
Restricted - Educational Activities:						
Instruction	430,843	806,862	113,004	606,644	1,957,353	1,956,164
Academic Support	-	223,582	-	-	223,582	145,111
Student Services	336,233	293,802	106,190	128,988	865,213	786,466
Institutional Support	-	275,865	-	324,057	599,922	385,763
Scholarships and Fellowships	-	-	-	2,043,189	2,043,189	1,851,003
Total Restricted Educational Activities	767,076	1,600,111	219,194	3,102,878	5,689,259	5,124,507
Total Educational Activities	11,230,131	1,600,111	2,591,847	8,734,535	24,156,624	21,591,112
Auxiliary Enterprises	178,003	-	56,109	613,652	847,764	821,798
Depreciation Expense - Buildings and Other Real Estate Improvements	-	-	-	573,759	573,759	567,366
Depreciation Expense - Equipment, Furniture and Library Books	-	-	-	416,651	416,651	383,109
Total Operating Expenses	\$ 11,408,134	\$ 1,600,111	\$ 2,647,956	\$ 10,338,597	\$ 25,994,798	\$ 23,363,385
					(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, 2018
 (With Memorandum Totals for the Year Ended August 31, 2017)

	Unrestricted	Restricted	Auxiliary Enterprises	2018 Total	2017 Total
Non-Operating Revenues:					
State Appropriations:					
Education and General State Support	\$ 4,086,757	\$ -	\$ -	\$ 4,086,757	\$ 3,659,631
State Group Insurance	-	848,064	-	848,064	767,342
State Retirement Match	-	752,047	-	752,047	314,405
Total State Appropriations	4,086,757	1,600,111	-	5,686,868	4,741,378
Property Taxes	12,761,818	-	-	12,761,818	12,355,185
Federal Student Assistance (Title IV Grants)	-	2,931,508	-	2,931,508	2,845,306
Investment Income	292,452	-	-	292,452	123,576
Other Non-Operating Income	-	-	58,250	58,250	137,217
Total Non-Operating Revenues	13,054,270	2,931,508	58,250	16,044,028	15,461,284
Non-Operating Expenses:					
Other Non-Operating Expenses	-	-	28,158	28,158	114,067
Total Non-Operating Expenses	-	-	28,158	28,158	114,067
NET NON-OPERATING REVENUES	\$ 17,141,027	\$ 4,531,619	\$ 30,092	\$ 21,702,738	\$ 20,088,595
				(Exhibit 2)	(Exhibit 2)

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
 FOR THE YEAR ENDED AUGUST 31, 2018
 (With Memorandum Totals for the Year Ended August 31, 2017)

	Detail by Source				Capital Assets		Available for Current Operations	
	Restricted		Non-Expendable		Net of Depreciation & Related Debt		Yes	No
	Unrestricted	Expendable	Expendable	Non-Expendable	Total	Total		
Current:								
Unrestricted	\$ 2,026,015	\$ -	\$ -	\$ -	\$ 2,026,015	\$ 2,026,015	\$ 2,026,015	\$ -
Auxiliary	510,368	-	-	-	510,368	510,368	510,368	-
Scholarships	-	188,647	-	-	188,647	188,647	188,647	-
Plant:								
Unexpended Investment in Plant	292,311	-	-	-	292,311	292,311	292,311	-
	-	-	-	-	20,900,827	20,900,827	-	20,900,827
Total Net Position, August 31, 2018	2,828,694	188,647	-	-	20,900,827	23,918,168	3,017,341	20,900,827
Total Net Position, August 31, 2017	13,428,112	253,378	-	-	20,509,622	34,191,112	13,681,490	20,509,622
Restatement relating to implementation of GASB 75 (Note 2)	(11,638,933)	-	-	-	-	(11,638,933)	(11,638,933)	-
Total Net Position, September 1, 2017 as restated	1,789,179	253,378	-	-	20,509,622	22,552,179	2,042,557	20,509,622
Net Increase (Decrease) in Net Position	\$ 1,039,515	\$ (64,731)	\$ -	\$ -	\$ 391,205	\$ 1,365,989	\$ 974,784	\$ 391,205

(Exhibit 2)

See Independent Auditors' Report.

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

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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, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 14, 2018



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, 2018. 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, 2018.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 14, 2018

GALVESTON COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Schedule E

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements	Expenditures to Subrecipients
U.S. Department of Education				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		37,718	-
Federal Work-Study Program	84.033		50,037	-
Federal Pell Grant Program	84.063		2,843,753	-
Federal Direct Student Loans	84.268		<u>1,021,104</u>	-
Total Student Financial Assistance Cluster			<u>3,952,612</u>	-
TRIO Cluster:				
TRIO _ Student Support Services	84.042		261,761	-
TRIO _ Upward Bound	84.047		<u>260,870</u>	-
Total TRIO Cluster			<u>522,631</u>	-
Higher Education _ Institutional Aid - Title V Modern Strategies for Student Success	84.031S		21,730	-
Higher Education _ Institutional Aid - Expanding S.T.E.M. Pathways	84.031C		63,243	-
Passed-Through From:				
Texas Higher Education Coordinating Board:				
Career and Technical Education - Basic Grants to States	84.048	184221	<u>92,387</u>	-
Total U.S. Department of Education			<u>4,652,603</u>	-
U.S. Department of Agriculture				
Direct Program:				
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226		\$ <u>3,028</u>	\$ -
Total U.S. Department of Agriculture			<u>3,028</u>	-
U.S. Department of Labor				
Passed-Through From:				
Texas Workforce Commission:				
Workforce Innovation and Opportunity Act Cluster Building Construction Trades Demonstration Project	17.258	2817WOS005 & 2818WOS002	<u>269,227</u>	-
Total WIOA Cluster and U.S. Department of Labor			<u>269,227</u>	-
National Endowment for the Humanities				
Direct Program:				
Promotion of the Humanities _ Teaching and Learning Resources and Curriculam Development	45.162		<u>51,089</u>	-
Total National Endowment for the Humanities			<u>51,089</u>	-
National Science Foundation				
Direct Programs:				
Education and Human Resources - Engineering Technology Instrumentation Project	47.076		55,043	-
Education and Human Resources - STEM Honors, Study Abroad, and Scholars Programs	47.076		<u>101,862</u>	-
Total National Science Foundation			<u>156,905</u>	-
Total Expenditures of Federal Awards			\$ <u>5,132,852</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, 2018

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, 2018. 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. The College did not receive any federal noncash assistance for the year ended August 31, 2018.

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)	\$ 1,180,240
Federal Student Assistance, Non-Operating – (Schedule C)	<u>2,931,508</u>
Total Federal Revenues, per Statement of Revenues, Expenses and Changes In Net Position	4,111,748
Reconciling Item – Direct Student Loans	<u>1,021,104</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 5,132,852</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, 2018

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 Assistance:	
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

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, 2018

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, 2017.

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

a beacon of light guiding lifelong learning

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)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Invested in Capital Assets, Net of Related Debt	\$ 20,901	\$ 20,510	\$ 20,188	\$ 19,538	\$ 17,990	\$ 17,273	\$ 14,748	\$ 14,050	\$ 11,662	\$ 8,042
Restricted - Expendable	188	253	242	174	879	887	893	917	926	945
Unrestricted	2,829	13,428	11,002	9,383	11,349	10,304	11,633	10,279	10,862	11,836
Total Net Position	\$ 23,918	\$ 34,191	\$ 31,432	\$ 29,095	\$ 30,218	\$ 28,464	\$ 27,274	\$ 25,246	\$ 23,450	\$ 20,823

See Independent Auditors' Report.

Table 2

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

	For the Year Ended August 31, (Amounts Expressed in Thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tuition and Fees (Net of Discounts)	\$ 2,909	\$ 2,767	\$ 2,605	\$ 2,574	\$ 2,519	\$ 2,521	\$ 2,524	\$ 1,942	\$ 1,715	\$ 1,384
Governmental Grants and Contracts:										
Federal Grants and Contracts	1,180	1,756	1,543	2,078	2,222	1,712	1,269	1,193	2,057	1,099
State Grants and Contracts	441	224	505	604	265	216	167	344	230	202
Non-Governmental Grants and Contracts	638	782	556	581	681	553	390	262	420	510
Auxiliary Enterprises	315	244	233	298	305	248	220	200	191	82
Other Operating Revenues	175	261	217	137	141	115	97	88	179	133
Total Operating Revenues	5,658	6,034	5,659	6,272	6,133	5,365	4,667	4,029	4,792	3,410
State Appropriations	5,687	4,741	4,766	4,709	4,662	3,853	4,039	5,710	5,770	6,570
Property Taxes	12,762	12,355	11,815	11,022	10,512	10,086	9,483	8,962	8,160	8,871
Federal Student Assistance	2,932	2,845	2,729	2,852	3,343	3,809	4,189	4,436	3,791	2,357
Investment and Other Income	292	124	51	19	20	40	75	25	1,678	208
Other Non-Operating Revenues	58	137	49	-	-	-	-	-	-	507
Total Non-Operating Revenues	21,731	20,202	19,410	18,602	18,537	17,788	17,786	19,133	19,399	18,513
Total Revenues	\$ 27,389	\$ 26,236	\$ 25,069	\$ 24,874	\$ 24,670	\$ 23,153	\$ 22,453	\$ 23,162	\$ 24,191	\$ 21,923

See Independent Auditors' Report.

Table 2 - Continued

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

	For the Year Ended August 31,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tuition and Fees (Net of Discounts)	10.62%	10.55%	10.39%	10.35%	10.21%	10.89%	11.24%	8.38%	7.09%	6.31%
Governmental Grants and Contracts:										
Federal Grants and Contracts	4.31%	6.69%	6.16%	8.35%	9.01%	7.39%	5.65%	5.15%	8.50%	5.01%
State Grants and Contracts	1.61%	0.85%	2.01%	2.43%	1.07%	0.93%	0.75%	1.49%	0.95%	0.92%
Non-Governmental Grants and Contracts	2.33%	2.98%	2.22%	2.34%	2.76%	2.39%	1.74%	1.13%	1.74%	2.33%
Auxiliary Enterprises	1.15%	0.93%	0.93%	1.20%	1.24%	1.07%	0.98%	0.86%	0.79%	0.37%
Other Operating Revenues	0.64%	1.00%	0.87%	0.55%	0.57%	0.50%	0.43%	0.38%	0.74%	0.61%
Total Operating Revenues	20.66%	23.00%	22.58%	25.22%	24.86%	23.17%	20.79%	17.39%	19.81%	15.55%
State Appropriations	20.76%	18.07%	19.01%	18.93%	18.90%	16.64%	17.99%	24.65%	23.85%	29.97%
Property Taxes	46.60%	47.09%	47.13%	44.31%	42.61%	43.56%	42.23%	38.69%	33.73%	40.46%
Federal Student Assistance	10.71%	10.84%	10.89%	11.46%	13.55%	16.45%	18.66%	19.15%	15.67%	10.75%
Investment and Other Income	1.07%	0.47%	0.20%	0.08%	0.08%	0.18%	0.33%	0.12%	6.94%	0.95%
Other Non-Operating Revenues	0.20%	0.53%	0.19%	-	-	-	-	-	0.00%	2.32%
Total Non-Operating Revenues	79.34%	77.00%	77.42%	74.78%	75.14%	76.83%	79.21%	82.61%	80.19%	84.45%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

See Independent Auditors' Report.

Table 3

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

	For the Year Ended August 31, (Amounts Expressed in Thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	\$ 9,052	\$ 8,436	\$ 8,008	\$ 7,520	\$ 7,811	\$ 7,464	\$ 6,121	\$ 6,560	\$ 5,965	\$ 6,057
Public Service	38	25	36	21	12	19	37	76	103	83
Academic Support	1,780	1,527	1,620	1,471	1,404	1,358	1,261	1,377	1,985	1,936
Student Services	3,491	2,894	2,729	2,785	2,760	2,405	2,527	2,330	2,305	2,233
Institutional Support	4,895	4,499	4,399	4,099	4,191	3,862	3,621	3,844	4,678	4,335
Operation and Maintenance of Plant	2,858	2,359	2,448	2,558	2,695	2,469	2,391	2,394	1,868	2,017
Scholarships and Fellowships	2,043	1,851	1,905	2,090	2,392	2,770	3,008	3,191	3,318	2,178
Auxiliary Enterprises	848	822	718	696	731	698	577	662	637	247
Depreciation	990	950	869	830	865	826	787	746	579	481
Total Operating Expenses	<u>25,995</u>	<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>
Interest on Capital Related Debt	-	-	-	28	54	76	95	110	125	139
Loss on Disposal of Capital Assets	-	-	-	332	-	-	-	-	-	-
Other Expenses	28	114	-	-	1	16	-	76	1	-
Total Non-Operating Expenses	<u>28</u>	<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>
Total Expenses	<u>\$ 26,023</u>	<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>

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	34.78%	35.93%	35.23%	33.53%	34.09%	33.98%	29.97%	30.70%	27.66%	30.74%
Public Service	0.15%	0.11%	0.16%	0.09%	0.05%	0.09%	0.18%	0.36%	0.48%	0.42%
Academic Support	6.84%	6.50%	7.13%	6.56%	6.13%	6.18%	6.17%	6.44%	9.21%	9.82%
Student Services	13.42%	12.33%	12.01%	12.42%	12.04%	10.95%	12.37%	10.91%	10.69%	11.33%
Institutional Support	18.81%	19.16%	19.35%	18.27%	18.29%	17.58%	17.73%	17.99%	21.69%	22.00%
Operation and Maintenance of Plant	10.98%	10.05%	10.77%	11.40%	11.76%	11.24%	11.71%	11.20%	8.66%	10.24%
Scholarships and Fellowships	7.85%	7.88%	8.38%	9.33%	10.44%	12.62%	14.73%	14.93%	15.39%	11.05%
Auxiliary Enterprises	3.26%	3.50%	3.16%	3.10%	3.19%	3.18%	2.82%	3.11%	2.95%	1.25%
Depreciation	3.80%	4.05%	3.81%	3.70%	3.77%	3.76%	3.85%	3.49%	2.69%	2.44%
Total Operating Expenses	99.89%	99.51%	100.00%	98.40%	99.76%	99.58%	99.53%	99.13%	99.42%	99.29%
Interest on Capital Related Debt	-	-	-	0.12%	0.24%	0.35%	0.47%	0.51%	0.58%	0.71%
Loss on Disposal of Capital Assets	-	-	-	1.48%	-	-	-	-	-	-
Other Expenses	0.11%	0.49%	-	-	0.00%	0.07%	-	0.36%	0.00%	-
Total Non-Operating Expenses	0.11%	0.49%	-	1.60%	0.24%	0.42%	0.47%	0.87%	0.58%	0.71%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

See Independent Auditors' Report.

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

Academic Year (Fall)	Resident Fees per Semester Credit Hour (SCH)										Increase from Prior Year Out-of-District
	Registration Fee (per student)	In-District Tuition	Out-of-District Tuition	Building Use Fee	Technology Fees	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	
2018	\$ 30	\$ 40	\$ 20	\$ 22	\$ -	\$ 15	\$ 50	\$ 839	\$ 1079	0.00%	
2017	30	40	20	22	-	15	50	839	1079	0.00%	
2016	30	40	20	22	-	15	50	839	1079	11.12%	
2015	30	37	16	20	-	15	50	779	971	5.20%	
2014	30	37	12	20	-	15	50	779	923	0.00%	
2013	30	37	12	20	-	15	50	779	923	0.00%	
2012	30	37	12	20	-	15	50	779	923	0.00%	
2011	30	37	12	20	-	15	50	779	923	58.86%	
2010	25	30	-	12	-	15	37	581	581	0.00%	
2009	25	30	-	12	-	15	37	581	581	0.00%	

Academic Year (Fall)	Non - Resident Fees per Semester Credit Hour (SCH)										Increase from Prior Year International
	Registration Fee (per student)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Building Use Fee	Technology Fees	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	
2018	\$ 30	\$ 105	\$ 105	\$ 22	\$ -	\$ 15	\$ 50	\$ 1,859	\$ 1,859	0.00%	
2017	30	105	105	22	-	15	50	1,859	1,859	0.00%	
2016	30	105	105	22	-	15	50	1,859	1,859	7.64%	
2015	30	100	100	20	-	15	50	1,727	1,727	2.86%	
2014	30	100	100	20	-	15	50	1,679	1,679	0.00%	
2013	30	100	100	20	-	15	50	1,679	1,679	0.00%	
2012	30	100	100	20	-	15	50	1,679	1,679	78.43%	
2011	30	100	100	20	-	15	50	1,679	1,679	0.00%	
2010	25	60	60	12	-	15	37	941	941	0.00%	
2009	25	60	60	12	-	15	37	941	941	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.

Table 5

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

Fiscal Year	(Amounts Expressed in Thousands)				Direct Rate		
	Certified Taxable Valuation	Adjustments	Assessed Valuation of Property	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2017-18	\$ 7,192,912	\$ 403,273	\$ 7,596,185	94.69%	\$ 0.166188	\$ -	0.166188
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

Source: Galveston Central Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

See Independent Auditors' Report.

Table 6

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

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour					State Appropriation per Contact Hour
		FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Continuing Education Contact Hours (c)	Total Contact Hours		
2017-2018	\$ 4,086,757	1,472	2,776	567,424	461,712	52,360	1,081,496	\$ 3.78	
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	

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.

Table 7

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

Taxpayer	Type of Business	Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)											
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009		
Blanchard Refining Co. LLC	Refinery	\$ 1,070,011	\$ 889,743	\$ 1,000,632	\$ 1,152,354	\$ 1,331,771	\$ 1,277,844	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Valero Refining - Texas LP	Refinery	479,383	445,089	581,724	615,880	624,770	589,502	580,719	563,156	547,376	547,376	737,214	737,214
Praxair Inc.	Supplier	235,242	187,765	141,910	211,265	203,332	207,861	169,821	171,220	173,279	173,279	179,607	179,607
Texas-New Mexico Power Co.	Utilities	188,259	179,592	162,126	145,785	125,986	105,152	100,499	93,553	91,737	91,737	85,034	85,034
Union Carbide Corp	Refinery	186,533	150,118	150,355	219,265	241,915	269,300	249,898	219,411	222,150	222,150	258,272	258,272
BP Amoco Chemical Co.	Refinery	134,971	128,810	117,495	139,603	185,987	183,918	164,334	156,054	113,992	113,992	121,552	121,552
Marathon Petroleum Co., LLC	Refinery	126,953	186,953	200,934	192,058	350,642	234,530	225,231	178,597	129,179	129,179	134,120	134,120
Centerpoint Energy Inc.	Utilities	109,235	135,040	103,446	97,269	100,909	103,168	92,488	90,424	92,158	92,158	89,391	89,391
Galveston Outlets LLC	Retail	80,419	87,007	91,170	87,604	82,565	82,476	-	-	-	-	-	-
South Houston Green Power	Utilities	66,510	64,135	68,000	228,890	232,068	94,699	178,245	176,234	141,357	141,357	130,000	130,000
Eastman Chemical Inc.	Refinery	59,555	55,366	56,837	63,792	61,563	65,554	51,430	-	-	-	-	-
ISP Technologies Inc.	Computers	58,377	79,706	87,805	74,291	68,414	84,530	82,138	54,880	53,013	53,013	57,103	57,103
INEOS Styrolution America LLC	Supplier	51,185	35,007	-	-	-	-	-	-	-	-	-	-
Feritta Hospitality INC	Hospitality	45,496	45,394	41,061	36,659	35,535	33,165	-	-	-	-	32,977	32,977
Valero Marketing and Supply CO	Supplier	40,356	38,547	38,730	37,640	80,519	90,271	103,193	52,150	60,903	60,903	40,663	40,663
Comcast of Houston LLC	Utilities	38,327	35,976	35,517	34,219	-	36,052	34,337	41,046	40,663	40,663	-	-
Amalfi & Sorrento Prop LLC	Real Estate	37,049	36,365	32,164	-	-	-	-	-	-	-	-	-
DOW Chemical Company	Refinery	36,950	-	-	-	-	-	-	-	-	-	-	-
Union Pacific Railroad CO.	Railroad	-	27,395	-	-	-	-	-	-	-	-	-	-
BNSF Railway Company	Railroad	-	26,867	-	-	-	-	-	-	-	-	-	-
Walmart Stores Texas LP	Retail	-	49,642	-	-	-	-	-	-	-	-	-	-
Komatsu America Corp	Refinery	-	92,356	-	33,563	33,805	33,216	35,085	34,691	34,240	34,240	32,217	32,217
Styrolution America LLC	Refinery	-	47,173	-	73,070	109,981	75,406	38,432	38,432	-	-	-	-
American National INS Co	Insurance	-	35,525	-	47,834	46,068	60,035	47,616	37,453	-	-	-	-
Praxair Hydrogen Supply Inc.	Supplier	-	-	-	35,050	35,070	35,095	35,166	31,210	-	-	-	-
TRAFIGURA INC	Refinery	-	-	-	32,126	34,811	-	-	-	-	-	-	-
GTE Southwest Inc.	Utilities	-	-	-	32,367	32,367	36,357	39,302	37,431	35,911	35,911	35,911	35,911
BP Products (NA) Inc	Refinery	-	-	-	-	-	-	1,503,012	1,433,426	1,384,642	1,384,642	1,618,991	1,618,991
B.A.S.F. Corp	Refinery	-	-	-	-	-	-	37,981	-	-	-	57,266	57,266
BP Alternative Energy	Utilities	-	-	-	-	-	-	32,900	38,500	54,600	54,600	48,930	48,930
Sterling Chemicals Inc.	Refinery	-	-	-	-	-	-	44,968	46,580	46,580	46,580	55,409	55,409
Ineds Styrenics	Refinery	-	-	-	-	-	-	-	38,651	38,540	38,540	37,824	37,824
SouthWestern Bell Telephone	Utilities	-	-	-	-	-	-	-	31,248	35,846	35,846	39,451	39,451
Houston Refining LP	Refinery	-	-	-	-	-	-	-	45,454	-	-	-	-
A-S 85 Victory Lakes	Supplier	-	-	-	-	-	-	-	-	36,616	36,616	-	-
Totals		3,082,051	2,885,117	3,084,960	3,558,217	4,018,078	3,698,131	3,801,827	3,524,303	3,378,236	3,378,236	3,824,969	3,824,969
Total Taxable Assessed Value		\$ 26,196,031	\$ 25,463,330	\$ 24,239,333	\$ 23,027,051	\$ 21,569,879	\$ 20,456,984	\$ 19,920,511	\$ 19,216,690	\$ 18,763,026	\$ 18,763,026	\$ 18,598,310	\$ 18,598,310

Source: Local County Appraisal District

See Independent Auditors' Report.

Table 7 - Continued

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

Taxpayer	Type of Business	% of Taxable Assessed Value (TA V) by Tax Year									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Blanchard Refining Co. LLC	Refinery	4.08%	3.49%	4.13%	5.00%	6.17%	6.25%	-	-	-	-
Valero Refining - Texas LP	Refinery	1.83%	1.75%	2.40%	2.67%	2.90%	2.88%	2.92%	2.93%	2.92%	3.96%
Praxair Inc.	Supplier	0.90%	0.74%	0.59%	0.92%	0.94%	1.02%	0.85%	0.89%	0.92%	0.97%
Texas-New Mexico Power Co.	Utilities	0.72%	0.71%	0.67%	0.63%	0.58%	0.51%	0.50%	0.49%	0.49%	0.46%
Union Carbide Corp	Refinery	0.71%	0.59%	0.62%	0.95%	1.12%	1.32%	1.25%	1.14%	1.18%	1.39%
BP Amoco Chemical Co.	Refinery	0.52%	0.51%	0.48%	0.61%	0.86%	0.90%	0.82%	0.81%	0.61%	0.65%
Marathon Petroleum Co., LLC	Refinery	0.48%	0.73%	0.83%	0.83%	1.63%	1.15%	1.13%	0.93%	0.69%	0.72%
Centerpoint Energy Inc.	Utilities	0.42%	0.53%	0.43%	0.42%	0.47%	0.50%	0.46%	0.47%	0.49%	0.48%
Galveston Outlets LLC	Retail	0.31%	0.34%	0.38%	0.38%	0.38%	0.40%	-	-	-	-
South Houston Green Power	Utilities	0.25%	0.25%	0.28%	0.99%	1.08%	0.46%	0.89%	0.92%	0.75%	0.70%
Eastman Chemical Inc.	Refinery	0.23%	0.22%	0.23%	0.28%	0.29%	0.32%	0.26%	-	-	-
ISP Technologies Inc.	Computers	0.20%	0.31%	0.36%	0.32%	0.32%	0.41%	0.41%	0.29%	0.28%	0.31%
INEOS Styrolution America LLC	Supplier	0.20%	0.14%	-	-	-	-	-	-	-	-
Feritta Hospitality INC	Hospitality	0.17%	0.18%	0.17%	0.16%	0.16%	0.16%	-	-	-	0.18%
Valero Marketing and Supply CO	Supplier	0.15%	-	-	0.16%	0.37%	0.52%	0.27%	0.27%	0.32%	-
Comcast of Houston LLC	Utilities	0.15%	0.15%	0.16%	-	-	0.44%	0.17%	0.21%	0.22%	0.22%
Amalfi & Sorrento Prop LLC	Real Estate	0.14%	0.14%	0.15%	0.15%	-	-	-	-	-	-
DOW Chemical Company	Refinery	0.14%	0.14%	0.13%	-	-	-	-	-	-	-
Union Pacific Railroad CO.	Railroad	0.14%	-	-	-	-	-	-	-	-	-
BNSF Railway Company	Railroad	-	0.11%	-	-	-	-	-	-	-	-
Walmart Stores Texas LP	Retail	-	0.11%	-	-	-	-	-	-	-	-
Komatsu America Corp	Refinery	-	0.19%	0.38%	0.32%	0.16%	0.16%	0.18%	0.18%	0.18%	0.17%
Styrolution America LLC	Refinery	-	-	0.19%	0.21%	0.51%	0.37%	0.19%	-	-	-
American National INS Co	Insurance	-	-	0.15%	0.15%	0.16%	0.29%	0.24%	-	-	-
Praxair Hydrogen Supply Inc.	Supplier	-	-	-	0.14%	0.16%	0.17%	0.18%	0.19%	-	0.18%
TRAFIGURA INC	Refinery	-	-	-	-	0.15%	-	-	0.16%	-	-
GTE Southwest Inc.	Utilities	-	-	-	-	-	0.18%	0.20%	0.19%	0.19%	0.19%
BP Products (NA) Inc	Refinery	-	-	-	-	-	-	7.55%	7.46%	7.38%	8.71%
B.A.S.F. Corp	Refinery	-	-	-	-	-	-	0.19%	-	-	0.31%
BP Alternative Energy	Utilities	-	-	-	-	-	-	0.17%	0.20%	0.29%	0.26%
Sterling Chemicals Inc.	Refinery	-	-	-	-	-	-	-	0.23%	0.25%	0.30%
Ineos Styrenics	Refinery	-	-	-	-	-	-	-	0.20%	0.21%	0.20%
SouthWestern Bell Telephone	Utilities	-	-	-	-	-	-	-	0.16%	0.19%	0.21%
Houston Refining LP	Refinery	-	-	-	-	-	-	-	-	-	-
A-S 85 Victory Lakes	Supplier	-	-	-	-	-	-	-	-	0.24%	-
Totals		11.76%	11.33%	12.73%	15.44%	18.62%	18.07%	19.08%	18.32%	18.00%	20.57%

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
2018	\$ 12,628	\$ 12,330	97.64%	\$ 277	\$ 12,607	99.83%
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%

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.

See Independent Auditors' Report.

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
2017	335,036 •	\$ *	\$ *	5.2%
2016	329,431	15,683	47,605	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%

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/>

* 2017 update is not available at this time

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

See Independent Auditors' Report.

Table 10

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

Employer	2017	2016	2015	2014	2013
University of Texas Medical Branch			8,254	8,272	49,06%
Landry's Inc.			2,788	1,366	8.10%
Galveston County (on Island only)			1,340	1,340	7.95%
Galveston Independent School District			1,100	1,371	8.13%
Moody Gardens			1,027	981	5.82%
American National Insurance Company			845	833	4.94%
City of Galveston			744	700	4.15%
Schlitterbahn *		Information not available	500	300	1.77%
Wal-Mart		Information not available	475	500	2.97%
I. L. A. (Local-20, 1665, 1504-8, 1443)			470	500	2.97%
Mitchell Historic Properties			379	379	2.25%
Texas A&M University of Galveston			375	319	1.89%
Landry's Seafood Inc.			-	-	-
Fertitta Hospitality			-	-	-
Galveston College			-	-	-
Total			18,297	16,861	100%

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)

Table 11

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Faculty:										
Full-Time	59	56	56	56	58	52	47	51	52	58
Part-Time	55	42	41	40	43	62	53	61	66	40
Total	114	98	97	96	101	114	100	112	118	98
Percent:										
Full-Time	51.8%	57.1%	57.7%	58.3%	57.4%	45.6%	47.0%	45.5%	44.1%	59.2%
Part-Time	48.2%	42.9%	42.3%	41.7%	42.6%	54.4%	53.0%	54.5%	55.9%	40.8%
Staff and Administrators:										
Full-Time	101	100	102	99	96	90	85	89	90	99
Part-Time	52	56	53	47	46	38	47	57	47	44
Total	153	156	155	146	142	128	132	146	137	143
Percent:										
Full-Time	66.0%	64.1%	65.8%	67.8%	67.6%	70.3%	64.4%	61.0%	65.7%	69.2%
Part-Time	34.0%	35.9%	34.2%	32.2%	32.4%	29.7%	35.6%	39.0%	34.3%	30.8%
FTSE per Full-time Faculty	24.9	25.3	25.3	25.2	25.6	30.0	33.5	32.4	28.5	22.5
FTSE per Full-Time Staff Member	14.6	14.1	13.9	14.3	15.4	17.3	18.5	18.6	16.5	13.2
Average Annual Faculty Staff										
Equated to 9 Month Contract	\$ 77,418	\$ 74,786	\$ 69,278	\$ 64,486	\$ 64,779	\$ 65,613	\$ 62,016	\$ 59,858	\$ 58,136	\$ 53,498

See Independent Auditors' Report.

Table 12

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

Student Classification	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent																		
00-30 hours	1,404	63.91%	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%
31-60 hours	455	20.71%	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%
> 60 hours	138	6.28%	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%
Unclassified	200	9.10%	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%
Total	2,197	100.00%	2,200	100.00%	2,071	100.00%	2,048	100.00%	2,130	100.00%	2,193	100.00%	2,214	100.00%	2,318	100.00%	2,167	100.00%	2,229	100.00%
Semester Hour Load																				
Less than 3	12	0.55%	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%
3-5 semester hours	572	26.04%	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%
6-8 Semester hours	671	30.54%	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%
9-11 semester hours	358	16.29%	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%
12-14 semester hours	379	17.25%	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%
15-17 semester hours	197	8.97%	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%
18 & over	8	0.36%	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%
Total	2,197	100.00%	2,200	100.00%	2,071	100.00%	2,048	100.00%	2,130	100.00%	2,193	100.00%	2,214	100.00%	2,318	100.00%	2,167	100.00%	2,229	100.00%
Average Course Load	8.6		8.5		8.5		8.7		8.7		8.8		9.1		9.0		8.2		8.3	
Tuition Status																				
Texas Resident (in-District)	1,166	53.07%	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%
Texas Resident (out-of-District)	890	40.31%	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%
Non-Resident Tuition	98	4.46%	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%
Tuition Exemption/Waiver	43	1.96%	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%
Total	2,197	100.00%	2,200	100.00%	2,071	100.00%	2,048	100.00%	2,130	100.00%	2,193	100.00%	2,214	100.00%	2,318	100.00%	2,167	100.00%	2,229	100.00%

Source:
Data from THECB CBM(001) certified reports, does not include flex entry

Table 13

GALVESTON COMMUNITY COLLEGE DISTRICT
STUDENT PROFILE
LAST TEN FISCAL YEARS
(Unaudited)

	Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008			
	Number	Percent																				
Gender																						
Female	1,341	61.04%	1,281	58.23%	1,274	61.52%	1,255	61.28%	917	43.05%	1,298	59.19%	1,298	58.63%	1,390	59.97%	1,368	63.13%	1,459	65.46%		
Male	856	38.96%	919	41.77%	797	38.48%	793	38.72%	1,213	56.95%	895	40.81%	916	41.37%	928	40.03%	799	36.87%	770	34.54%		
Total	2,197	100.00%	2,200	100.00%	2,071	100.00%	2,048	100.00%	2,130	100.00%	2,193	100.00%	2,214	100.00%	2,318	100.00%	2,167	100.00%	2,229	100.00%		
Ethnic Origin																						
White	855	38.92%	925	42.05%	878	42.39%	915	44.68%	971	45.59%	971	44.28%	971	43.63%	966	41.63%	1,049	45.25%	1,012	46.70%	1,078	48.36%
Hispanic	342	15.57%	822	37.36%	771	37.23%	668	32.62%	634	29.77%	634	29.77%	678	30.92%	639	28.86%	653	28.17%	603	27.83%	565	25.35%
African American	834	37.95%	314	14.27%	266	12.84%	313	15.28%	357	16.76%	357	16.76%	372	16.96%	420	18.97%	433	18.68%	424	19.57%	439	19.69%
Asian	61	2.78%	52	2.36%	60	2.90%	56	2.73%	59	2.77%	59	2.77%	67	3.06%	61	2.76%	65	2.80%	59	2.72%	65	2.92%
International	7	0.32%	23	1.05%	25	1.21%	18	0.88%	14	0.66%	14	0.66%	8	0.38%	4	0.18%	-	0.00%	19	0.88%	35	1.57%
Native American	22	1.00%	8	0.36%	10	0.48%	8	0.39%	7	0.33%	7	0.33%	7	0.33%	12	0.56%	17	0.73%	8	0.37%	11	0.49%
Multi-racial	22	1.00%	10	0.45%	8	0.39%	12	0.59%	7	0.33%	7	0.33%	9	0.41%	7	0.32%	1	0.04%	-	0.00%	-	0.00%
Native Hawaiian/Pacific Islander	4	0.18%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	1	0.05%	2	0.09%	-	0.00%	-	0.00%
Unknown/Not Reported	50	2.28%	46	2.10%	53	2.56%	58	2.83%	81	3.79%	81	3.79%	81	3.69%	104	4.69%	98	4.24%	42	1.93%	36	1.62%
Total	2,197	100.00%	2,200	100.00%	2,071	100.00%	2,048	100.00%	2,130	100.00%	2,193	100.00%	2,214	100.00%	2,318	100.00%	2,167	100.00%	2,229	100.00%		
Age																						
Under 18	391	17.80%	467	21.23%	316	15.26%	283	13.82%	277	13.00%	277	13.00%	262	11.95%	224	10.12%	209	9.02%	280	12.92%	313	14.04%
18-21	745	33.91%	698	31.73%	705	34.04%	674	32.91%	741	34.79%	741	34.79%	794	36.21%	826	37.31%	885	38.18%	794	36.64%	777	34.86%
22-24	267	12.15%	294	13.36%	288	13.91%	303	14.79%	303	14.23%	303	14.23%	318	14.50%	319	14.41%	354	15.27%	324	14.95%	333	14.94%
25-35	522	23.76%	488	22.18%	531	25.64%	506	24.71%	501	23.52%	501	23.52%	499	22.75%	546	24.66%	517	22.30%	465	21.46%	500	22.43%
36-50	214	9.74%	193	8.77%	176	8.50%	219	10.69%	231	10.85%	231	10.85%	245	11.17%	224	10.12%	260	11.22%	209	9.64%	226	10.14%
51 & over	58	2.64%	60	2.73%	55	2.65%	63	3.08%	77	3.61%	77	3.61%	75	3.42%	75	3.38%	93	4.01%	95	4.39%	80	3.59%
Total	2,197	100.00%	2,200	100.00%	2,071	100.00%	2,048	100.00%	2,130	100.00%	2,193	100.00%	2,214	100.00%	2,318	100.00%	2,167	100.00%	2,229	100.00%		
Average Age	25		25		25		25		26		26		26		26		26		26		25	

Source:
Data from THECB CBM001 certified reports

See Independent Auditors' Report.

GALVESTON COMMUNITY COLLEGE DISTRICT
TRANSFER STUDENTS TO SENIOR INSTITUTIONS
2016 STUDENTS AS OF FALL 2017
(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 Angelo State University	1		1	0.23%
2 Lamar University	23		23	5.24%
3 Midwestern State University	1	3	4	0.91%
4 Prairie View A&M University	6		6	1.37%
5 Sam Houston State University	18		18	4.10%
6 Stephen F. Austin State University	9		9	2.05%
7 Tarleton State University	4		4	0.91%
8 Texas A&M International University	1		1	0.23%
9 Texas A&M University	33		33	7.52%
10 Texas A&M University - Commerce	1		1	0.23%
11 Texas A&M University - Corpus Christi	1		1	0.23%
12 Texas A&M University at Galveston	153	1	154	35.08%
13 Texas Southern University	4		4	0.91%
14 Texas State University	32	1	33	7.52%
15 Texas Tech University	9		9	2.05%
16 Texas Woman's University	3	1	4	0.91%
17 The University of Texas at Arlington	8	3	11	2.51%
18 The University of Texas at Austin	17		17	3.87%
19 The University of Texas at Dallas	2		2	0.45%
20 The University of Texas at El Paso	1	1	2	0.45%
21 The University of Texas at San Antonio	13	1	14	3.18%
22 The University of Texas at Tyler	3		3	0.68%
23 University of Houston	23		23	5.24%
24 University of Houston - Clear Lake	48	4	52	11.85%
25 University of Houston - Downtown	3		3	0.68%
26 University of Houston - Victoria	1		1	0.23%
27 University of North Texas	6		6	1.37%
Totals	<u>424</u>	<u>15</u>	<u>439</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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Academic buildings	6	6	6	6	6	6	6	6	5	4
Square footage (in thousands)	241	241	241	241	241	241	241	241	216	213
Libraries	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	14	14	14	14	14	14	14	14	14	14
Number of volumes (in thousands)	43	43	43	43	43	43	43	44	44	42
Administrative and support buildings	2	2	2	2	2	2	2	2	1	1
Square footage (in thousands)	53	53	53	53	53	53	53	53	46	46
Apartments	5	5	5	5	10	11	11	9	8	8
Square footage (in thousands)	14	14	14	14	22	23	23	20	19	19
Number of beds	48	48	48	48	65	65	65	61	55	55
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	4
Average daily customers	350	350	350	350	350	350	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	4	3	3	3	3	3	5
Buses	4	3	3	3	3	3	3	3	3	3

See Independent Auditors' Report.