

**GRAYSON COLLEGE
DENISON, TEXAS**

**Annual Financial Report
Years Ended August 31, 2023 and 2022**



GRAYSON COLLEGE

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GRAYSON COLLEGE
PRINCIPAL OFFICIALS
For the Year Ended August 31, 2023

Board of Trustees

Officers		Term Expires
Dr. Debbie Barnes Plyer	Chairman	2024
Dr. John Spies	Vice-Chairman	2026
Mr. Terrence Steele	Secretary	2026

Members	Term Expires
Mrs. Jackie Butler	2028
Mrs. Paula Cavender	2024
Mr. Ronnie Cole	2024
Mr. Jared Johnson	2028

Principal Administrative and Business Officers

Dr. Jeremy McMillen	President
Ms. Carolyn Kasdorf	Vice President for Business Services
Mr. Robbie Trissell	Vice President for Information Technology
Dr. Dava Washburn	Vice President for Instruction
Mr. Randall Truxal	Executive Director for Grayson College Foundation
Dr. Molly Harris	Dean of Student Affairs



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grayson College

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Grayson College Grayson College (the "College"), as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of August 31, 2023 and 2022, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Grayson College Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, pension information, and other-post employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Board of Trustees
Grayson College

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. Supplemental Schedules A through D, as required by the Texas Higher Education Coordinating Board's (THECB) *Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*; the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the Schedule of Expenditures of State Awards, as required by the Texas Comptroller of Public Accounts *Texas Grant Management Standards* (TxGMS), are also presented for additional analysis and are not a required part of the basic financial statements.

Such 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. The 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, Supplemental Schedules A through D, the Schedule of Expenditures of Federal Awards, and the Schedule of Expenditures of State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical supplement information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023 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.



Plano, Texas
December 1, 2023



GRAYSON COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Grayson College's (the "College") financial statements provides an overview of the College's financial activities for the years ended August 31, 2023, 2022 and 2021. Management has prepared the financial statements along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

The College's financial report includes three financial statements: the statement of net position, the statement of revenue, expenses and change in net position, and statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. The College's foundation has also been discretely presented within these financial statements in accordance with GASB Statement No. 39; *Determining Whether Certain Organizations are Component Units*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

The annual financial report includes the independent auditor's report, the management's discussion and analysis, the basic financial statements, notes to the financial statements, and supplemental information.

Activities of the College are reported as either operating or non-operating in accordance with GASB Statement No. 35. Charges for services are recorded as operating revenues. Essentially all other types of revenue, including state appropriations, property tax levies, and federal grants and contracts, are non-operating. The College's reliance on state funding, local property taxes, and the Federal Pell Grant assistance to students result in reporting an operating deficit.

Increases or decreases in net position provide one indication of the financial health of an organization. To assess the overall health of the College, many other non-financial factors need to also be considered, such as trends in enrollment, condition of facilities, success of graduates, and the strength of the faculty and staff.

As of August 31, 2018, Grayson College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension (OPEB)*. This standard had a profound negative effect on the college's financial statements. The Statement of Revenues, Expenses, and Changes in Net Position for the year ended August 31, 2018 contained a negative restatement of \$30,001,644. While conformity with this statement is necessary to comply with generally accepted accounting principles (GAAP), the financial analysis performed by the college's accreditation agency, Southern Association of Colleges and Schools – Commission on Colleges, and its primary state regulator, the Texas Higher Education Coordinating Board, removed the effect of this statement in order to arrive at the financial condition of institutions of higher education. More information about OPEB can be found in Note 11.

Financial Highlights

The statement of net position and the statement of revenue, expenses, and changes in net position report information on the College as a whole. These statements report the College's financial position as of August 31, 2023 and 2022 and the change in net position for the years then ended. The College's financial position remained strong at August 31, 2023, with assets and deferred outflows of \$143,788,149 and liabilities and deferred inflows of \$68,501,087. Net position, which represents the residual interest in the College's total assets and deferred outflows of resources after total liabilities and deferred inflows of resources are deducted, increased by \$8,451,909 or 12.6%.

The College's financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. All of the current year's revenue and expenses are recorded as incurred regardless of when cash is received or paid. Revenue and expenses are separated into the categories of operating and non-operating.

GRAYSON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

	2023	2022	2021
Assets			
Current Assets	\$ 54,858,333	\$ 50,804,499	\$ 40,286,495
Capital Assets (Net of Accumulated Depreciation)	75,138,369	74,913,150	76,285,665
Noncurrent Assets	2,260,020	2,187,983	4,176,170
Total Assets	132,256,722	127,905,632	120,748,330
Deferred Outflows of Resources	11,531,426	7,816,680	6,042,632
Liabilities			
Current Liabilities	10,016,108	10,284,224	9,620,980
Noncurrent Liabilities	46,445,516	49,062,537	54,787,474
Total Liabilities	56,461,624	59,346,761	64,408,454
Deferred Inflows of Resources	12,039,464	9,540,400	6,309,376
Net Position			
Unrestricted	12,291,659	7,876,546	(31,372)
Restricted - Expendable	6,057,941	5,569,530	5,138,107
Invested in Capital Assets	56,937,460	53,389,075	50,966,397
Total Net Position	\$ 75,287,060	\$ 66,835,151	\$ 56,073,132

The preliminary changes in assets, liabilities, and net position of the College for fiscal year 2023 were the result of the following:

- Current assets increased by \$4.05 million or 8.0%. This was due to a continued increase in cash and cash equivalents including the Higher Education Emergency Relief Fund (HEERF) offsetting previous College expenses, an increase in county ad-valorem, and higher investment interest rates.
- Capital assets net of accumulated depreciation increased by \$225,220 or less than 1.0%.
- Non-current assets increased by approximately \$72,036 or 3.3%.
- Deferred Outflows of Resources is a consumption of net assets that is applicable to a future reporting period. Deferred Outflows of Resources increased by \$3.71 million or 47.5% primarily due to GASB 68. GASB 68 requires government entities who provide defined benefit pensions to recognize their long-term obligation for pension benefits as a liability including the amount of pension expense within the reporting period. Additional information about the College's Deferred Outflows of Resources can be found in Note 2.
- Current liabilities decreased by \$268,117 or 2.6%. This was due to accounts payable decreasing by \$542,000, accrued liabilities increasing by \$831,000 (accrued payroll), unearned revenue decreasing by \$416,000, funds held for others increasing by \$78,500 and current portion of bonds payable decreasing by \$237,000.
- Non-current liabilities decreased by a total of \$2.62 million or 5.3%. This was primarily due to a reduction of approximately \$3.36 million in bonds payable coupled with the net effect of pension and OPEB liability which increased by \$713,000.
- Deferred Inflows of Resources is an acquisition of net assets that is applicable to a future reporting period. Deferred Inflows of Resources increased by \$2.50 million or 26.2%. Deferred inflows include a pension plan resource reduction of \$917,000 and OPEB resource addition of \$3.42 million. Additional information about the College's Deferred Inflows of Resources can be found in Note 2.
- Net Position includes unrestricted, restricted and invested in capital assets amounts.
 - The unrestricted net position is the residual amount of the net position not included in the net investment in capital assets or the restricted net position. Unrestricted net position increased by \$4.42 million or 56.1%.
 - Restricted – expendable is the difference between assets, deferred outflows, deferred inflows and liabilities that may have constraints placed on their use. Restricted expendable increased by \$488,411 or 8.8%.

GRAYSON COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- The component of net position titled Invested in Capital Assets is the difference between assets, deferred outflows, deferred inflows and liabilities of funds that consists of capital assets less accumulated depreciation, accumulated amortization, the outstanding balance of debt directly attributable to the acquisition, construction or improvement of those assets, deferred outflows and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt. Invested in Capital Assets increased \$3.55 million or 6.7%.
- Total net position increased by \$8,451,909 or 12.6%. This was due to a combination of HEERF funding offsetting expenses, liabilities decreasing, and increasing non-operating revenues.

Operating Revenue

Operating revenue includes charges for all exchange transactions such as tuition and fees, room and board, and the sale of books and supplies. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating Revenue	2023	2022	2021
Net Tuition & Fees	\$ 4,917,431	\$ 4,963,631	\$ 5,138,177
Federal Grants and Contracts	9,556,573	13,958,510	8,224,399
State Grants and Contracts	1,429,699	2,116,159	1,181,796
Non Governmental Grants	226,785	147,625	62,697
Sales and Services of Educational Activities	57,935	45,095	6,972
Auxiliary Income	1,494,320	1,291,464	373,280
Other Operating Revenues	304,607	225,512	209,924
Total Operating Revenue	\$ 17,987,350	\$ 22,747,996	\$ 15,197,245

Operating revenue changes for fiscal year 2023 were the result of the following:

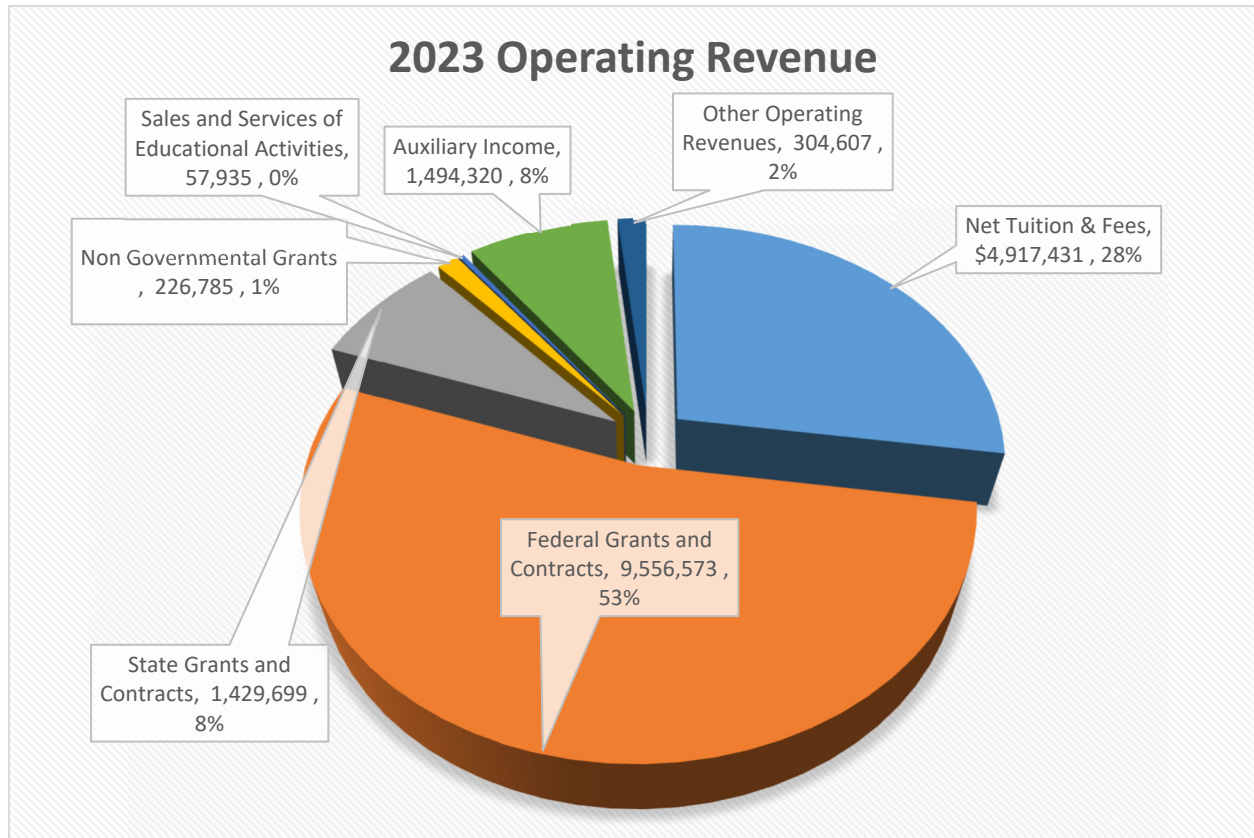
- Net tuition and fees decreased by \$46,200 due to an increase in discounts.
- Federal Grants and Contracts decreased by \$4.40 million primarily due to HEERF III the American Rescue Plan (ARP) ending.
- State grants and Contracts decreased by 686,460. This was primarily due to a reduction in Skills Development Fund (SDF) grants.
- Non-Governmental Grants increased by \$79,160 primarily due to the Promise Program and the Texas Community College Education Initiative.
- Sales and Services of Educational Activities increased by \$12,840 due to an increase of College activities as a result of eliminating COVID protocols and increasing attendance at public venues.
- Auxiliary revenue increased by \$202,856. This was primarily due to an \$86,000 increase in revenue with food services, \$32,000 increase in residence hall revenue and an increase in bookstore access fees.
- Other Operating Revenues increased by \$79,095 due to an increase in testing services, tower rental fees, UIL revenue and auctions held on behalf of surplus property.

Operating revenue changes for fiscal year 2022 were the result of the following:

- Net tuition and fees decreased by \$174,546 due to a decrease in enrollment.
- Federal Grants and Contracts increased by \$5.73 million primarily due to HEERF especially the American Rescue Plan (ARP) – HEERF III.
- State grants and Contracts increased by \$934,363. This was primarily due to the additional Center for Workforce Learning (CWL) Skills Development Fund (SDF) and Jobs and Education for Texans (JET) grants.
- Non-Governmental Grants increased by \$84,928 primarily due to the Promise Program.
- Sales and Services of Educational Activities increased by \$38,123 due to COVID subsiding and the public beginning to use Grayson College services once again.
- Auxiliary revenue increased by \$918,184. This was primarily due to moving revenues from a clearing account to the income statement.
- Other Operating Revenues remained relatively unchanged.

GRAYSON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following is a graphic illustration of operating revenues by source for fiscal year 2023.



Operating Expenses

Operating expenses are all the costs necessary to provide services and conduct the programs of the College.

Operating Expenses	2023	2022	2021
Educational Services:			
Instruction	\$ 19,156,677	\$ 18,251,333	\$ 14,637,826
Public Service	992,019	890,685	978,810
Academic Support	2,866,005	2,874,684	2,585,657
Student Services	2,967,382	2,674,076	2,571,769
Institutional Support	8,044,912	9,004,162	7,200,063
Operation and Maintenance of Plant	6,181,832	3,999,012	3,983,031
Scholarships and Fellowships	3,689,341	5,710,102	5,125,663
Auxiliary Enterprises	3,626,165	3,001,808	1,643,566
Depreciation & Amortization	2,829,685	2,584,356	2,557,416
Total Operating Expenses	\$ 50,354,018	\$ 48,990,218	\$ 41,283,801

GRAYSON COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Operating expense changes for fiscal year 2023 were the result of the following:

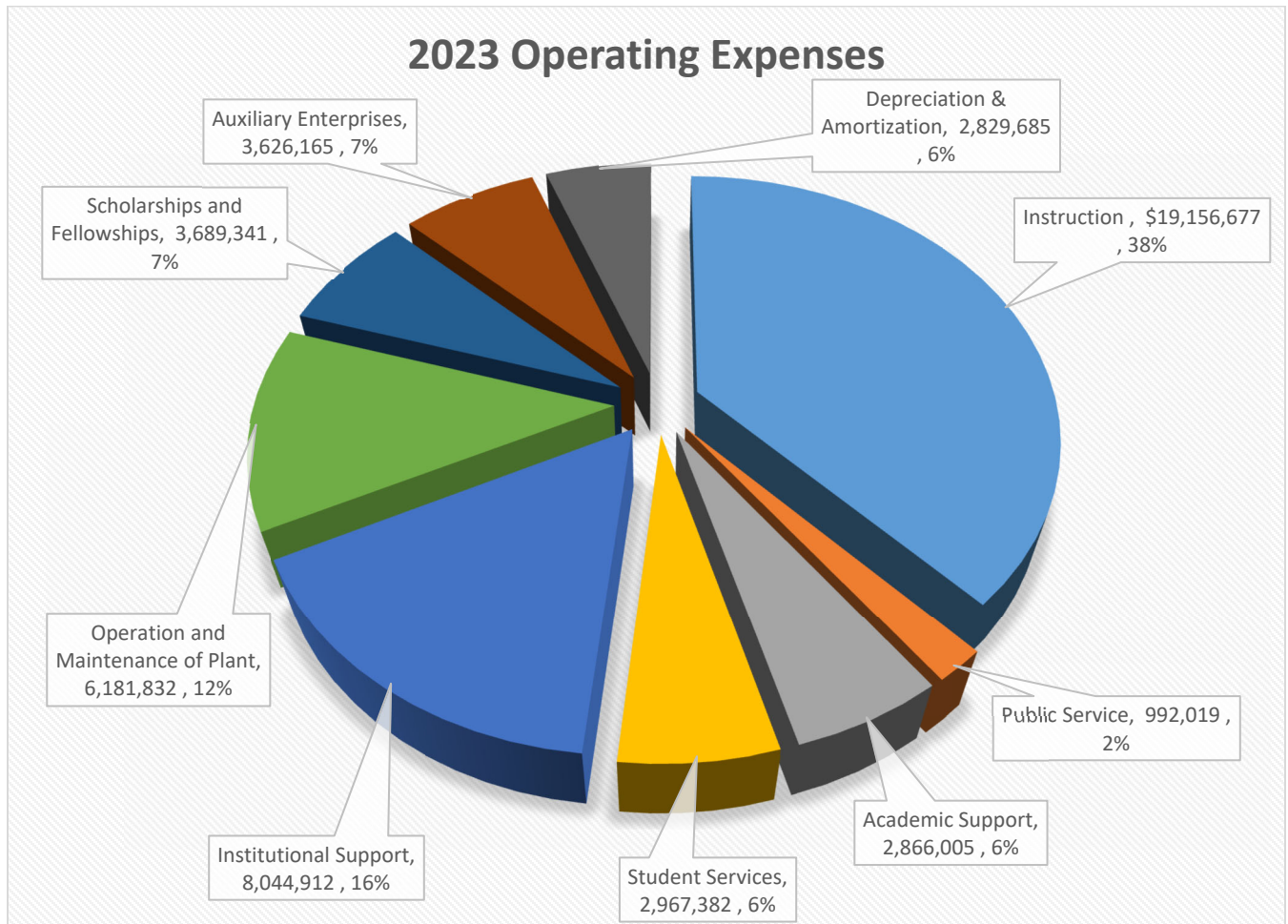
- Instructional expenses increased by \$905,344. This was primarily due to an intentional salary adjustment to demonstrate an investment in faculty and staff including associated benefits.
- Public Service expenses increased by \$101,334 primarily due to advertising, service contracts and an increase in other operating expenses.
- Academic Support remained relatively unchanged.
- Student Services increased by \$293,306 primarily due to an increase in salaries and associated fringe benefits.
- Institutional Support decreased by \$959,250 This was primarily due to a FY 2022 adjustment from scholarships and fellowships to institutional support.
- Operation and Maintenance expenses increased by \$2,182,820 due to an investment in repairs and renovations including a new roof for Arts and Communication building and the Police Department. Grayson College also abated and demolished four structures on the west campus, purchased a chiller for south campus, and began a driveway connecting the new Van Alstyne High School and Grayson College south campus.
- Scholarships and Fellowships decreased by \$2.02 million. This was primarily due to a FY2022 adjustment from scholarships and fellowships to institutional support.
- Auxiliary Enterprises increased by \$624,357 due to an increase in bookstore access fees, other operating expenses and an increase in salaries and associated fringe benefits.
- Depreciation and Amortization increased by \$245,329 due to a significant increase of almost \$2.0 million in capitalized assets compared to fiscal year 2022.

Operating expense changes for fiscal year 2022 were the result of the following:

- Instructional expenses increased by \$3.61 million. This was due to an increase of one million in faculty and staff salaries and corresponding fringe benefits as well as \$2.61 million increase in other instructional expenses.
- Public Service expenses decreased by \$88,125 primarily due to a lack of demand.
- Academic Support increased by \$289,027 due to \$232,883 increase in faculty and staff salaries and corresponding fringe benefits along with an increase of \$56,144 in departmental operating expenses.
- Student Services increased by \$102,307 primarily due to an increase in salaries and associated fringe benefits.
- Institutional Support increased by \$1.80 million due to an increase of \$271,000 in salaries and benefits and \$1.53 million of additional HEERF grant expenses including updating Grayson College main campus HVAC system.
- Operation and Maintenance expenses remained relatively unchanged.
- Scholarships and Fellowships increased by \$584,439 primarily due to HEERF payments awarded to Grayson students.
- Auxiliary Enterprises increased by \$1.35 million due to a \$100,000 increase in salaries and benefits as well as moving \$1.34 million of expenses from a clearing account to the income statement.
- Depreciation and Amortization remained relatively unchanged.

GRAYSON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following is a graphic illustration of operating expenses by source for fiscal year 2023.



GRAYSON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Non-Operating Revenue (Expenses)

Non-operating revenue represents all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, ad-valorem for maintenance, operations and general obligation bonds, investment income (including realized and unrealized gains and losses), interest on capital related debt, gifts and non-operating federal grants.

Non-operating revenues (expenses) were comprised of the following:

Non-Operating Revenues (Expenses)	2023	2022	2021
State Appropriations	\$ 9,077,485	\$ 8,842,196	\$ 9,101,775
Ad-Valorem Taxes for M&O	20,920,625	18,977,558	17,487,416
Ad-Valorem Taxes for General Obligation Bonds	3,754,013	3,650,898	3,657,103
Federal Grants and Contracts, Non Operating	5,918,467	5,810,407	5,820,473
Gifts	22,975	33,245	13,285
Investment Income (Net of Investment Expenses)	1,989,071	400,065	304,889
Interest on Capital Related Debt	(591,047)	(701,312)	(873,369)
Gain (Loss) of Disposition of Property	(189,467)	(8,814)	-
Other non-operating expenses	(83,545)	-	-
Total Non-Operating Revenues (Expenses)	\$ 40,818,577	\$ 37,004,243	\$ 35,511,572

Non-operating revenue (expense) changes for fiscal year 2023 were the result of the following factors:

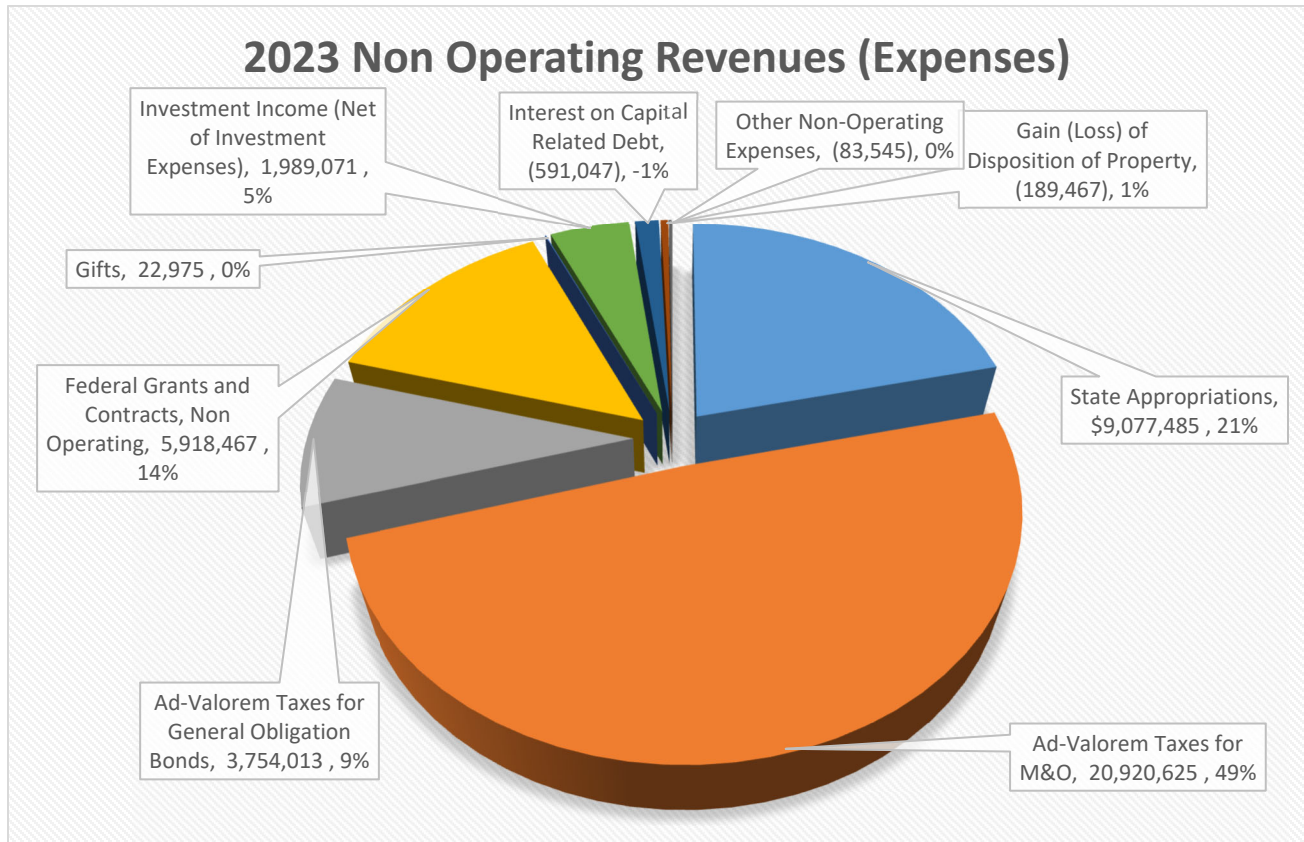
- State appropriations increased by \$235,289 due to reimbursement benefits, enrollments, and full-time equivalents (FTE) healthcare.
- Ad-Valorem for M&O increased by \$1.94 million due to an increase in property values and low delinquency rate.
- Ad-Valorem for General Obligation Bonds remained relatively unchanged.
- Federal Grants and Contracts, Non-Operating remained relatively unchanged.
- Gifts remained relatively unchanged.
- Investment income (net of investment expenses) increased by \$1.59 million primarily due to rising interest rates.
- Interest on Capital Related Debt decreased by \$110,266 due to reducing the outstanding bond balances.
- Gain (loss) of Disposition of Property decreased by \$180,654 due to abating and demolishing properties including the following locations: 3401 McCullum Ave, 3402 McCullum Ave, 3403 McCullum Ave, and 253 Roberts Ave on the West Campus in Denison.
- Other non-operating expenses decreased due to moving fund 49 accounts to the Foundation.

Non-operating revenue (expense) changes for fiscal year 2022 were the result of the following factors:

- State appropriations decreased by \$259,579 due to reimbursement benefits, enrollments, and full-time equivalents (FTE) healthcare.
- Ad-Valorem for M&O increased by \$1.49 million due to an increase in property values and low delinquency rate.
- Ad-Valorem for General Obligation Bonds remained relatively unchanged.
- Federal Grants and Contracts, Non-Operating remained relatively unchanged.
- Gifts remained relatively unchanged.
- Investment income (net of investment expenses) increased by \$95,176 primarily due to rising interest rates.
- Interest on Capital Related Debt decreased by \$172,056 due to reducing the outstanding bond balances.
- Gain (loss) of Disposition of Property remained relatively unchanged.

The following is a graphic illustration of non-operating revenues by source for fiscal year 2023.

The following is a graphic illustration of non-operating revenues by source for fiscal year 2023.



Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. A cash flow statement tells the user how much cash is entering and leaving the College in a fiscal year. The statement of cash flows also may help users assess the following:

- An entity’s ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its need for external financing

GRAYSON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Cash flows for the year consist of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash (used in) Provided by			
Operating Activities	\$ (27,551,994)	\$ (20,805,989)	\$ (22,956,269)
Noncapital Financing Activities	38,043,621	35,362,465	34,067,121
Capital and Related Financing Activities	(7,434,736)	(5,819,285)	(5,165,404)
Investing Activities	1,729,580	2,388,584	7,806,637
Net Increase (Decrease) in Cash and Cash Equivalents	<u>4,786,471</u>	<u>11,125,775</u>	<u>13,752,085</u>
Cash and Cash Equivalents - Beginning of Year	46,778,815	35,653,040	21,900,955
Cash and Cash Equivalents - End of Year	<u>\$ 51,565,286</u>	<u>\$ 46,778,815</u>	<u>\$ 35,653,040</u>

Net cash used for operating activities in 2023 totaled \$27.55 million. This was financed by \$38.04 million of net cash flows from non-capital financing activities such as property taxes and state appropriations. Net cash used for capital and related financing activities totaled \$7.43 million. The net result of all cash flows is an increase of \$4.79 million for 2023.

In 2023, cash flows from operating activities included receipts from students, grants, and contracts in the amount of \$18.24 million less payments to employees, suppliers, scholarships and other cash payments of \$45.79 million for a total outflow of \$27.55 million.

Cash flows from non-capital financing activities include ad-valorem tax revenues, state appropriations, grants and contracts, and gifts less payments to students' organizations leaving a net cash provided by non-capital financing activities in the amount of \$38.04 million which allows the \$27.55 million outflow in operating activities to be covered.

Cash flows from capital and related financing activities include purchases of capital assets in the amount of \$3.24 million and payments on capital debt and leases of \$4.19 million for a total outflow of \$7.43 million.

Cash flows from investing activities include proceeds from sale and maturity of investments and investment earnings of \$1.73 million for a total inflow of \$1.73 million.

Net cash used for operating activities in 2022 totaled \$20.81 million. This was financed by \$35.36 million of net cash flows from non-capital financing activities such as property taxes and state appropriations. Net cash used for capital and related financing activities totaled \$5.82 million. The net result of all cash flows is an increase of \$11.13 million for 2022.

In 2022, cash flows from operating activities included receipts from students, grants, and contracts in the amount of \$23.64 million less payments to employees, suppliers, scholarships and other cash payments of \$44.45 million for a total outflow of \$20.81 million.

Cash flows from non-capital financing activities include ad-valorem tax revenues, state appropriations, grants and contracts, and gifts less payments to students' organizations leaving a net cash provided by non-capital financing activities in the amount of \$35.36 million which allows the \$20.81 million outflow in operating activities to be covered.

Cash flows from capital and related financing activities include purchases of capital assets in the amount of \$1.22 million and payments on capital debt and leases of \$4.60 million for a total outflow of \$5.82 million.

Cash flows from investing activities include proceeds from sale and maturity of investments in the amount of \$1.98 million and investment earnings of \$400,397 for a total inflow of \$2.39 million.

GRAYSON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Asset and Debt Administration

Capital Assets

Capital Assets can be found listed among the non-current assets on the Statement of Net Position. At August 31, 2023, the College had approximately \$75.14 million invested in capital assets, net of accumulated depreciation of \$36.76 million. Capital assets net of accumulated depreciation increased by \$225,220 or less than 1%. Depreciation charges totaled \$2.83 million.

Additional information about the College's capital assets can be found in Note 6.

Debt

Debt can be found among the current and non-current liabilities on the Statement of Net Position. On October 11, 2016, the College issued General Obligation Refunding Bonds, Series 2016 in the amount of \$27,640,000 for the purpose advance refunding \$29,480,000 of the College's general obligation bonds (series 2007 and 2008). These bonds are payable from a continuing direct annual ad valorem tax levied by the College on all taxable property to provide for the payment of principal and interest. Principal payments from \$250,000 to \$3,070,000 are due beginning on February 15, 2017 through 2029. Semiannual interest payments at interest rates ranging from 3% to 5% are due beginning February 15, 2017. The balance outstanding on this bond issue as of August 31, 2023 is \$16,610,000.

On September 22, 2020, the College issued Consolidated Fund Revenue Refunding Bonds, Series 2020 in the amount of \$4,178,000 for the purpose of refunding \$4,090,000 of the College's Consolidated Fund Revenue Refunding Bonds, (Series 2021). Revenues are pledged for the debt service of the bonds. Principal payments from \$577,000 to \$1,377,000 are due beginning on August 15, 2021 through 2024. Semiannual interest payments at an interest rate of 1.07% are due beginning February 15, 2021. The balance outstanding on this bond issue as of August 31, 2023 is \$577,000.

Additional information about the College's debt can be found in Note 7.

Economic Factors That Will Affect the Future

Grayson College continues to see an increase in enrollment annually coupled with an increase in property assessments impacting the continued growth of county ad valorem. The future economic factors also include the addition of new programs to meet the economic needs of the community including Electronics Certification, Automation Certification, Electrical Engineering Technology Associates Degree, and Surgical Technician Associates Degree.

Grayson College receives funding from three major sources – property taxes, tuition and fees, and state appropriations. Property taxes provide the largest proportion of revenues for operations.

<u>Fiscal Year</u>	M&O Ad-Valorem	
	<u>Property Taxes</u>	<u>% Change by Year</u>
2023	\$ 20,920,625	10.24%
2022	18,977,557	8.52%
2021	17,487,416	9.49%
2020	15,972,364	10.22%
2019	14,491,190	12.30%

Property taxes have increased over the past five years as taxable values on properties have increased and delinquent rates have decreased. The College is projecting an increase in future projections of property taxes due to the economic impact of Texas Instruments, Global Tech and influx of Texans moving to north Texas.

GRAYSON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Although the state of Texas economic condition has improved, recent state appropriation revenues continue to remain relatively unchanged.

State Appropriations

<u>Fiscal Year</u>	<u>Operations</u>	<u>% Change by Year</u>
2023	\$ 9,077,485	2.66%
2022	8,842,196	-2.85%
2021	9,101,775	-2.61%
2020	9,345,954	0.05%
2019	9,341,582	-10.65%

With limited growth in revenue, tuition and fees have been increased to maintain programs and services.

Tuition and Fees

<u>Fiscal Year</u>	<u>In-District</u>	<u>% Change by Year</u>
2023	\$ 94	3.30%
2022	91	2.25%
2021	89	2.30%
2020	87	0.00%
2019	87	6.10%

Tuition and Fees

<u>Fiscal Year</u>	<u>Out of District</u>	<u>% Change by Year</u>
2023	\$ 136	3.82%
2022	131	2.34%
2021	128	2.40%
2020	125	0.00%
2019	125	4.17%

Tuition and Fees

<u>Fiscal Year</u>	<u>Non Resident</u>	<u>% Change by Year</u>
2023	\$ 188	3.87%
2022	181	2.84%
2021	176	2.92%
2020	171	0.00%
2019	171	3.01%

Since 2019, in-state tuition rates have increased \$7.00 per credit hour, or 8.0%. Tuition increases implemented since 2019 have remained relatively unchanged and affordable. Tuition charged to Grayson College students remains below the state and national average.

Institutional efforts to increase faculty staff and salaries continue to be a high priority of administration. Grayson College realizes an investment in its employees attracts and retains an excellent workforce. Management continues to be strategic with assessing cost cutting initiatives as much as possible. GC continues to maintain affordable tuition for our community while providing outstanding educational programs and services in an inviting learning environment with qualified instructional and support faculty and staff.

GRAYSON COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Grayson College maintains a healthy reserve. Short-term unanticipated expenses coupled with long-term enrollment challenges, and changes in the state appropriation model to include funding based on outcomes may threaten that strong position. However, the College expects to maintain positive changes in enrollment due to regional growth. Grayson College maintains strong communication efforts and is prepared for whatever may come. The characteristics that comprise GC's unique student experience will not be compromised. Finally, GC remains the best option for current and prospective students in north Texas.

Additional information concerning the financial statements or the financial status of the College can be obtained by contacting the Vice President for Business Services, Grayson College, 6101 Grayson Dr. Denison, TX 75020.

Ms. Carolyn Kasdorf
Vice President for Business Services and
Chief Financial Officer
Grayson College

BASIC FINANCIAL STATEMENTS



GRAYSON COLLEGE
STATEMENTS OF NET POSITION
August 31, 2023 and 2022

Exhibit 1

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 51,565,286	\$ 46,778,815
Short- Term Investments	265,593	254,476
Receivables (Net of Allowance for Doubtful /Uncollectible Accounts)	2,867,071	3,578,975
Prepaid Expenses	160,383	192,233
Total Current Assets	<u>54,858,333</u>	<u>50,804,499</u>
Noncurrent Assets		
Other Long- Term Investments	2,260,020	2,187,983
Capital Assets (Net of Accumulated Depreciation)	75,138,369	74,913,150
Total Noncurrent Assets	<u>77,398,389</u>	<u>77,101,133</u>
Total Assets	<u>132,256,722</u>	<u>127,905,632</u>
Deferred Outflows of Resources		
Deferred Outflows - Pension Plan	6,677,020	2,587,368
Deferred Outflows - OPEB	4,046,236	4,311,464
Deferred Charge on Bond Refundings	808,170	917,848
Total Deferred Outflows of Resources	<u>11,531,426</u>	<u>7,816,680</u>
Liabilities		
Current Liabilities		
Accounts Payable	1,462,848	2,004,592
Accrued Liabilities	1,289,378	523,361
Compensated Absences	59,768	-
Funds Held for Others	455,017	376,522
Unearned Revenues	2,787,865	3,203,810
Deposits Payable	22,161	24,870
Bonds Payable (Current Portion)	3,362,318	3,599,318
OPEB Liability	576,753	551,751
Total Current Liabilities	<u>10,016,108</u>	<u>10,284,224</u>
Noncurrent Liabilities		
Compensated Absences	239,072	206,858
Bonds Payable (Net of Current Portion)	15,641,426	19,003,744
Pension Liability	8,957,127	3,556,635
OPEB Liability	21,607,891	26,295,300
Total Noncurrent Liabilities	<u>46,445,516</u>	<u>49,062,537</u>
Total Liabilities	<u>56,461,624</u>	<u>59,346,761</u>
Deferred Inflows of Resources		
Deferred Inflows - Pension Plan	3,498,132	4,415,175
Deferred Inflows - OPEB	8,541,332	5,125,225
Total Deferred Inflows of Resources	<u>12,039,464</u>	<u>9,540,400</u>
Net Position		
Net Investment in Capital Assets	56,937,460	53,389,075
Restricted for:		
Expendable:		
Student Financial Aid Programs	391,872	403,671
Instructional Programs	19,527	44,324
Loans	47,598	47,598
Debt Service	5,596,676	5,070,734
Other	2,268	3,203
Unrestricted	12,291,659	7,876,546
Total Net Position (Schedule D)	<u>\$ 75,287,060</u>	<u>\$ 66,835,151</u>

GRAYSON COLLEGE
AFFILIATED ORGANIZATIONS - STATEMENTS OF FINANCIAL POSITION
GRAYSON COLLEGE FOUNDATION
August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 767,046	\$ 578,792
Short-Term Investments	336,431	765,518
Accrued Interest Receivable	28,941	21,721
Total Current Assets	<u>1,132,418</u>	<u>1,366,031</u>
Noncurrent Assets		
Notes Receivable	196,530	200,837
Long-Term Investments	17,851,536	16,265,999
Capital Assets (Net of Accumulated Depreciation)	1,095,856	1,101,294
Total Noncurrent Assets	<u>19,143,922</u>	<u>17,568,130</u>
Total Assets	<u>\$ 20,276,340</u>	<u>\$ 18,934,161</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 494	\$ 4,567
Total Current Liabilities	<u>494</u>	<u>4,567</u>
Net Assets		
Without Donor Restrictions	327,112	324,750
With Donor Restrictions	19,948,734	18,604,844
Total Net Assets	<u>20,275,846</u>	<u>18,929,594</u>
Total Liabilities and Net Assets	<u>\$ 20,276,340</u>	<u>\$ 18,934,161</u>

GRAYSON COLLEGE
STATEMENTS OF FIDUCIARY NET POSITION
August 31, 2023 and 2022

	<u>Custodial Funds</u> <u>2023</u>	<u>Custodial Funds</u> <u>2022</u>
Assets		
Cash and Cash Equivalents	\$ 329,375	\$ 324,876
Total Assets	<u>\$ 329,375</u>	<u>\$ 324,876</u>
Net Position		
Restricted for:		
Individuals, Organizations and Other Governments	\$ 329,375	\$ 324,876
Total Net Position	<u>\$ 329,375</u>	<u>\$ 324,876</u>

GRAYSON COLLEGE**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

For the Years Ended August 31, 2023 and 2022

Exhibit 2

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Tuition and fees (net of discounts of \$5,870,322 and \$6,184,122)	\$ 4,917,431	\$ 4,963,631
Federal Grants and Contracts	9,556,573	13,958,509
State Grants and Contracts	1,429,699	2,116,159
Non Governmental Grants and Contracts	226,785	147,625
Sales and services of educational activities	57,935	45,095
Auxiliary enterprises (net of discounts of \$957,837 and \$920,444)	1,494,320	1,291,464
Other operating revenues	304,607	225,512
Total Operating Revenues	<u>17,987,350</u>	<u>22,747,995</u>
Operating Expenses		
Instruction	19,156,677	18,251,333
Public service	992,019	890,685
Academic support	2,866,005	2,874,684
Student services	2,967,382	2,674,076
Institutional support	8,044,912	9,004,163
Operation and maintenance of plant	6,181,832	3,999,012
Scholarships and fellowships	3,689,341	5,710,102
Auxiliary enterprises	3,626,165	3,001,808
Depreciation	2,829,685	2,584,356
Total Operating Expenses	<u>50,354,018</u>	<u>48,990,219</u>
Operating loss	<u>(32,366,668)</u>	<u>(26,242,224)</u>
Nonoperating Revenues (Expenses)		
State appropriations	9,077,485	8,842,196
Ad valorem taxes for maintenance and operations	20,920,625	18,977,558
Ad-Valorem taxes for general obligation bonds	3,754,013	3,650,898
Federal grants and contracts, non-operating	5,918,467	5,810,407
Gifts	22,975	33,245
Investment income	1,989,071	400,065
Interest on capital asset-related debt	(591,047)	(701,312)
Loss on disposition of property	(189,467)	(8,814)
Other non-operating expenses	(83,545)	-
Net Nonoperating Revenues (Expenses)	<u>40,818,577</u>	<u>37,004,243</u>
Increase in net position	8,451,909	10,762,019
Net Position - Beginning of Year	<u>66,835,151</u>	<u>56,073,132</u>
Net Position - End of Year	<u>\$ 75,287,060</u>	<u>\$ 66,835,151</u>

GRAYSON COLLEGE
AFFILIATED ORGANIZATIONS - STATEMENT OF ACTIVITIES
GRAYSON COLLEGE FOUNDATION
For the Year Ended August 31, 2023
With Comparative totals for the August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenues, Gains, and Other Support				
Gifts and Contributions	\$ -	\$ 773,585	\$ 773,585	\$ 1,733,212
Other Grants	-	3,500	3,500	10,000
Investment Income, Net	7,801	1,020,208	1,028,009	(2,306,249)
Other revenues	-	83,546	83,546	-
Net Assets Released from Restrictions	536,949	(536,949)	-	-
Total Revenues, Gains, and Other Support	<u>544,750</u>	<u>1,343,890</u>	<u>1,888,640</u>	<u>(563,037)</u>
Expenses				
Program Services:				
Services and Supplies	22,084	-	22,084	21,253
Scholarships	448,613	-	448,613	472,322
Total Program Services	<u>470,697</u>	<u>-</u>	<u>470,697</u>	<u>493,575</u>
Supporting Services:				
General Administration:				
Services and Supplies	8,834	-	8,834	8,501
Total General Administration	<u>8,834</u>	<u>-</u>	<u>8,834</u>	<u>8,501</u>
Fundraising:				
Services and Supplies	57,419	-	57,419	55,258
Total Fundraising	<u>57,419</u>	<u>-</u>	<u>57,419</u>	<u>55,258</u>
Total Supporting Services	<u>66,253</u>	<u>-</u>	<u>66,253</u>	<u>63,759</u>
Depreciation	<u>5,438</u>		<u>5,438</u>	<u>5,438</u>
Total Expenses	<u>542,388</u>	<u>-</u>	<u>542,388</u>	<u>562,772</u>
Change in Net Assets	2,362	1,343,890	1,346,252	(1,125,809)
Net Assets- Beginning of Year	<u>324,750</u>	<u>18,604,844</u>	<u>18,929,594</u>	<u>20,055,403</u>
Net Assets - End of Year	<u>\$ 327,112</u>	<u>\$ 19,948,734</u>	<u>\$ 20,275,846</u>	<u>\$ 18,929,594</u>

GRAYSON COLLEGE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
August 31, 2023 and 2022

	Custodial Funds	
	2023	2022
Additions		
Contributions	\$ 37,708	\$ 22,046
Dues	126,000	126,000
Total Additions	<u>163,708</u>	<u>148,046</u>
Deductions		
Operating expenses	159,209	146,072
Total Deductions	<u>159,209</u>	<u>146,072</u>
Change in fiduciary net position	4,499	1,974
Total Net Position - (Beginning)	<u>324,876</u>	<u>322,902</u>
Total Net Position - (Ending)	<u>\$ 329,375</u>	<u>\$ 324,876</u>

GRAYSON COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2023 and 2022

Exhibit 3

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Receipts from students and other customers	\$ 7,301,562	\$ 6,150,245
Receipts of grants and contracts	10,936,583	17,495,437
Payments to or on behalf of employees	(26,551,629)	(23,550,971)
Payments to suppliers for goods and services	(15,376,179)	(14,448,860)
Payments of scholarships	(3,689,341)	(5,710,102)
Other cash payments	(172,990)	(741,738)
Net Cash Used In Operating Activities	<u>(27,551,994)</u>	<u>(20,805,989)</u>
Cash Flows From Noncapital Financing Activities		
Ad-Valorem tax revenues	24,588,823	22,477,876
Receipts of state appropriations	7,518,406	7,035,148
Receipts of grants and contracts	5,918,467	5,810,407
Receipts from student organizations and other agency transactions	(83,545)	-
Payments to student organizations and other agency transactions	78,495	5,789
Receipts of gifts	22,975	33,245
Net Cash Provided By Noncapital Financing Activities	<u>38,043,621</u>	<u>35,362,465</u>
Cash Flows From Capital And Related Financing Activities		
Purchases of capital assets	(3,244,371)	(1,220,655)
Payments on capital debt and leases	(4,190,365)	(4,598,630)
Net Cash Used In Capital And Related Financing Activities	<u>(7,434,736)</u>	<u>(5,819,285)</u>
Cash Flows From Investing Activities		
Proceeds from sale and maturity of investments	-	1,988,187
Investment Earnings	1,729,580	400,397
Net Cash Provided By Investing Activities	<u>1,729,580</u>	<u>2,388,584</u>
Net change in cash and cash equivalents	4,786,471	11,125,775
Cash and Cash Equivalents - Beginning of Year	<u>46,778,815</u>	<u>35,653,040</u>
Cash and Cash Equivalents - End of Year	<u>\$ 51,565,286</u>	<u>\$ 46,778,815</u>
Reconciliation of Operating Income Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (32,366,668)	\$ (26,242,224)
Adjustments to reconcile operating income loss to net cash used in operating activities:		
Depreciation	2,829,685	2,584,356
State paid employee benefits	1,559,079	1,807,048
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in receivables, net	974,056	807,757
(Increase) decrease in prepaid expenses	31,850	(49,738)
(Increase) decrease in deferred outflows of resources	(3,714,746)	(1,774,048)
Increase (decrease) in accounts payable	(541,744)	899,083
Increase (decrease) in accrued liabilities	766,017	84,664
Increase (decrease) in accrued compensated absences	91,982	(45,127)
Increase (decrease) in unearned revenue	(415,945)	314,172
Increase (decrease) in deposits payable	(2,709)	1,270
Increase (decrease) in deferred inflows of resources	2,499,064	3,231,024
Increase (decrease) in net pension liability	5,400,492	(3,936,173)
Increase (decrease) in net OPEB liability	(4,662,407)	1,511,947
Total adjustments	<u>4,814,674</u>	<u>5,436,235</u>
Net Cash Flows Used In Operating Activities	<u>\$ (27,551,994)</u>	<u>\$ (20,805,989)</u>

GRAYSON COLLEGE
AFFILIATED ORGANIZATIONS - STATEMENTS OF CASH FLOWS
GRAYSON COLLEGE FOUNDATION
For the Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,346,252	\$ (1,125,809)
Adjustments to reconcile change in net position to net cash		
Flows from operating activities:		
Depreciation	5,438	5,438
Net (gains) losses on investments	4,307	2,548
Change in operating assets and liabilities:		
Accrued interest receivable	(7,220)	(3,561)
Accounts payable	(4,073)	(3,622)
Net Cash Flows Provided By (Used In) From Operating Activities	<u>1,344,704</u>	<u>(1,125,006)</u>
Cash Flows from Investing Activities		
Purchases of investments	(9,275,902)	(12,559,957)
Purchases of capital assets	-	(6,957)
Proceeds from sale of investments	8,119,452	14,122,950
Net Cash Flows Provided By (Used In) Investing Activities	<u>(1,156,450)</u>	<u>1,556,036</u>
Net change in cash	188,254	431,030
Cash - Beginning of Year	<u>578,792</u>	<u>147,762</u>
Cash - End of Year	<u>\$ 767,046</u>	<u>\$ 578,792</u>

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Operations and Reporting Entity

Grayson College (the College) was established in 1963, in accordance with the laws of the State of Texas, to serve the education needs of Grayson County and the surrounding areas. The College is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus: An Amendment of GASB Statements No. 14 and No. 34*. 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 accompanying financial statements present the College and its component unit. The discretely presented component unit (described below) is reported separate to emphasize that it is legally separate from the College.

The Grayson College Foundation (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for purposes of developing and extending the facilities of the College and enhancing the educational opportunities of residents in the geographical area the College serves. The College does not control the timing or amount of receipts from the Foundation. The Foundation is considered a component unit of the College and is discretely presented in the College's financial statements due to the following:

- The majority of resources, or income thereon that the Foundation holds and invests, are for the benefit of the College or its constituents.
- The net position of the Foundation compared to the College is significant.
- Substantially all resources held by the Foundation can only be used by, or for the benefit of, the College.
- The Foundation has historically provided resources to the College or its constituents.

The College is reported as a special-purpose government engaged in business-type activities. The significant accounting policies followed by the College in preparing these financial statements are in accordance with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (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*.

Note 2 - Summary of Significant Accounting Policies

A. 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The College distinguishes operating revenues and expenses from non-operating items. The primary consideration in classifying revenues and expenses is how individual transactions are categorized for purposes of preparing the statement of cash flows. Transactions for which cash flows are reported as capital and related financial activities, non-capital financing activities, or investing activities are reported as components of non-operating income. The principal operating revenues of the College result from providing educational services to students, and consist of tuition and fees, as well as sales of auxiliary goods and services (i.e. bookstore merchandise, meals, and housing). Operating expenses include the cost of providing educational services, auxiliary goods and services, and administrative expenses. All revenues and expenses not meeting this definition - including gifts, contributions, and grants from non-exchange and exchange-like transactions - are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Accounting (continued)

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31; and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

C. Tuition Discounting

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances and discounts in the statements of revenues, expenses, and changes in net position. Scholarship allowances and discounts are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance and discount.

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

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

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

D. Budgetary Data

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

E. Cash and Cash Equivalents

The College considers cash and cash equivalents as cash on hand, demand deposits and certificates of deposit.

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

F. Investments

The College's investments are reported at fair value in accordance with accounting standards. The information for determining the fair value of investments is derived from published sources, if available, and from professional investment advisors. Short-term investments have an original maturity greater than three months but less than one year at the time of purchase. Public funds investment pools are also considered to be short-term investments. Long term investments have an original maturity of greater than one year at the time of purchase.

G. Property Taxes

The College's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within the taxing district of the College. The assessed value of the roll on January 1, 2022, was \$27,782,294. Exemptions and abatements of \$10,621,021 are allowed, resulting in a taxable value of \$17,161,273. The tax levy of \$24,354,970 is the result of multiplying the value of the tax roll by the tax rates set by the Board. The tax rates assessed for the year ended August 31, 2023 to finance Unrestricted Current Fund operations and debt service for general obligation bonds were \$0.12488 and \$0.02182 per \$100 valuation, respectively.

Property tax collections during the year ended August 31, 2023 were \$23,870,793 for current taxes and \$437,868 for delinquent taxes, penalties, interest, and attorney fees. Tax collections for the year ended August 31, 2023 were 97.97% of the current tax levy.

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

H. Capital Assets

Capital assets, which include land, collections, buildings, library books, furniture and equipment and other improvements, are defined by the College as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Renovations to buildings and other improvements that significantly increase the value or extend the useful life of such assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are charged to operating expense in the year in which the expense is incurred. The College reports depreciation under a single line item as a business-type unit.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	50 years
Other improvements	20 years
Library books	8 years
Furniture and equipment	5 - 10 years

I. Unearned Revenue

Unearned revenue relates to student tuition, fees and other revenues received during the current fiscal period for classes or activities to be held in the following period.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

J. Deferred Inflows of Resources

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The College has two items that qualify for reporting in this category:

Deferred inflows of resources for pension - Deferred inflows result primarily from (1) changes in actuarial assumptions; (2) differences between expected and actual actuarial experiences and (3) changes in the College's proportional share of pension liabilities. The pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Deferred inflows of resources for OPEB - Deferred inflows result primarily from (1) changes in actuarial assumptions; (2) differences between expected and actual actuarial experiences and (3) changes in the College's proportional share of OPEB liabilities. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB benefits through the OPEB plan.

K. Deferred Outflows of Resources

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The College has three items that qualify for reporting in this category:

Deferred outflows of resources for refunding - This deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for pension - This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of (1) differences between projected and actual earnings on pension plan investments; (2) changes in actuarial assumptions; (3) differences between expected and actual actuarial experiences and (4) changes in the College's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Deferred outflows of resources for OPEB - This deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of (1) differences between projected and actual earnings on OPEB plan investments; (2) changes in actuarial assumptions; (3) differences between expected and actual actuarial experiences and (4) changes in the College's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with benefits through the OPEB plan.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

L. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined based on the flow of economic resource 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, and liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable, in accordance with the benefit terms. Investments are reported at fair value.

M. Other Post-Employment Benefits (OPEB)

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

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, and certain accrued liabilities. Accordingly, the College is aware that actual results could differ from those estimates.

O. Operating and Non-Operating Revenues and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations, Title IV grant revenue, and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

P. Implementation of New Standards

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, was issued in May 2020 and was effective for periods beginning after June 15, 2022. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The District has evaluated the effects of this standard and has determined that this Statement does not impact to the financial statements.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Reclassifications

Certain accounts in the prior year financial statements have been classified for comparative purposes to conform to the presentation in the current year financial statements.

Note 3 - Authorized Investments

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

Under its local policy, the College is authorized to invest in (1) obligations of the United States or its agencies, (2) certificates of deposit, (3) savings and loan deposits, (4) prime commercial paper that has a stated maturity of 270 days or less and is rated not less than A-1 or P-1 by at least two nationally recognized credit rating agencies, and (5) investment grade obligations of state and local governments, and public authorities.

In accordance with generally accepted accounting principles, inputs to valuation techniques used to measure fair value are prioritized according to a fair value hierarchy, as follows:

- Level I - Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level II - Fair values are based on generally indirect information such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level III - Fair values are based on inputs other than quoted prices included within Level I that are unobservable and include the College's own assumptions about pricing.

This fair value hierarchy gives the highest priority to Level I inputs and the lowest priority to Level III inputs. The College's certificate of deposit investments are classified in Level I of the hierarchy. The investment pools are measured at amortized cost, and are not required to be reported by levels.

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

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Deposits and Investments

Cash and deposits at August 31, 2023 and 2022, as reported on the Statement of Net Position, consists of the following items:

	<u>2023</u>	<u>2022</u>
Cash - demand deposits	\$ 51,562,386	\$ 46,776,115
Cash - petty cash on hand	<u>2,900</u>	<u>2,700</u>
Total Cash Deposits	<u>\$ 51,565,286</u>	<u>\$ 46,778,815</u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be returned or the College will not be able to recover collateral securities in the possession of an outside party. The College's policy requires deposits to be 100% secured by collateral valued at market less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2023 and 2022, the College's deposits are not exposed to custodial credit risk.

The following schedule summarizes the College's investments on a recurring basis as of August 31, 2023:

<u>Type of Security</u>	<u>Fair value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1 to 2 Years</u>	<u>More than 2</u>
Investment Pools	\$ 265,593	AAA	\$ 265,593	\$ -	\$ -
Certificate of Deposits	<u>2,260,020</u>		-	<u>2,260,020</u>	-
Total Investments	<u>\$ 2,525,613</u>		<u>\$ 265,593</u>	<u>\$ 2,260,020</u>	<u>\$ -</u>

The following schedule summarizes the College's investments on a recurring basis as of August 31, 2022:

<u>Type of Security</u>	<u>Fair value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1 to 2 Years</u>	<u>More than 2</u>
Investment Pools	\$ 254,476	AAA	\$ 254,476	\$ -	\$ -
Certificate of Deposits	<u>2,187,983</u>		-	<u>2,187,983</u>	-
Total Investments	<u>\$ 2,442,459</u>		<u>\$ 253,306</u>	<u>\$ 2,187,983</u>	<u>\$ -</u>

The College has investments with the Texas Short-Term Asset Reserve Program (TexStar), an investment pool organized in conformity with the Interlocal Cooperation Act and the Public Funds Investment Act of the Texas Government Code. A governing board manages the business and affairs of TexStar, and it has appointed an advisory board consisting of representatives of participants and other persons who do not have a business relationship with the pool. TexStar operates in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940 and are rated AAA by Standard and Poors. All investments are stated at amortized cost, which generally approximates the fair value of the securities. There are no limitations or restrictions on withdrawals from TexStar. The College's investment in TexStar is not subject to custodial credit risk. TexSTAR's audited financial statements can be obtained at 1201 Elm Street, Dallas, Texas 75270.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. In accordance with State law and the College's investment policy, investments in mutual funds and external pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A.

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Deposits and Investments (continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Certificates of Deposits were covered by depository insurance or by pledged securities held in the College's name. Investments in external investment pools are considered unclassified as to credit risk because they are not evidenced securities that exist in physical or book entry form.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investments in a single issuer. The College's policy does not place a limit on the amount that may be invested in any one issuer. This risk does not apply to U.S. Government securities or investments in an external investment pool. At August 31, 2023 and 2022, the College did not have a concentration of credit risk in its investment portfolio.

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

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

	<u>2023</u>	<u>2022</u>
Cash and Deposits	\$ 53,825,306	\$ 48,966,798
Investments	265,593	254,476
Total Deposits and Investments	<u>\$ 54,090,899</u>	<u>\$ 49,221,274</u>
Cash and Cash Equivalents (Exhibit 1)	\$ 51,565,286	\$ 46,778,815
Short-Term Investments (Exhibit 1)	265,593	254,476
Other Long-Term Investments (Exhibit 1)	2,260,020	2,187,983
Total Deposits and Investments	<u>\$ 54,090,899</u>	<u>\$ 49,221,274</u>

Note 5 - Accounts Receivable

Accounts receivable at August 31, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Tuition and fees	\$ 3,270,442	\$ 3,386,032
Ad valorem property taxes	1,200,310	1,109,979
Federal and state grants	1,024,795	1,794,916
Interest	176,823	486
Auxiliary and other	35,864	49,265
	<u>5,708,234</u>	<u>6,340,678</u>
Less allowance for doubtful accounts	<u>(2,841,163)</u>	<u>(2,761,703)</u>
Accounts receivable, net	<u>\$ 2,867,071</u>	<u>\$ 3,578,975</u>

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Capital Assets

Capital asset activity for the College for the year ended August 31, 2023 was as follows:

	Balance September 1, 2022	Additions	Transfers and Retirements	Balance August 31, 2023
Capital Assets, Not Being				
Depreciated:				
Land	\$ 1,343,562	\$ -	\$ -	\$ 1,343,562
Construction in process	46,225	166,475	(27,650)	185,050
Total Capital Assets, Not Being				
Depreciated	<u>1,389,787</u>	<u>166,475</u>	<u>(27,650)</u>	<u>1,528,612</u>
 Capital Assets, Being Depreciated:				
Buildings and building				
improvements	87,350,967	12,350	(763,933)	86,599,384
Facilities and other improvements	<u>9,442,651</u>	<u>500,453</u>	<u>27,650</u>	<u>9,970,754</u>
Total Buildings and Other				
Improvements	96,793,618	512,803	(736,283)	96,570,138
Library books	1,301,418	-	-	1,301,418
Furniture and equipment	<u>10,766,536</u>	<u>2,565,094</u>	<u>(830,012)</u>	<u>12,501,618</u>
Total Capital Assets, Being Depreciated	<u>108,861,572</u>	<u>3,077,897</u>	<u>(1,566,295)</u>	<u>110,373,174</u>
 Less Accumulated Depreciation:				
Buildings and building				
improvements	(20,987,575)	(1,526,176)	577,256	(21,936,495)
Facilities and other improvements	<u>(5,373,173)</u>	<u>(469,098)</u>	<u>-</u>	<u>(5,842,271)</u>
Total Buildings and Other Real				
Estate Improvements	(26,360,748)	(1,995,274)	577,256	(27,778,766)
Library books	(1,137,211)	(20,331)	-	(1,157,542)
Furniture and equipment	<u>(7,840,250)</u>	<u>(814,080)</u>	<u>827,221</u>	<u>(7,827,109)</u>
Total Accumulated Depreciation	<u>(35,338,209)</u>	<u>(2,829,685)</u>	<u>1,404,477</u>	<u>(36,763,417)</u>
 Total Capital Assets, Being				
Depreciated (Net)	<u>73,523,363</u>	<u>248,212</u>	<u>(161,818)</u>	<u>73,609,757</u>
 Total Capital Assets, Net	<u>\$ 74,913,150</u>	<u>\$ 414,687</u>	<u>\$ (189,468)</u>	<u>\$ 75,138,369</u>

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Capital Assets (continued)

Capital asset activity for the College for the year ended August 31, 2022 was as follows:

	Balance September 1, 2021	Additions	Transfers and Retirements	Balance August 31, 2022
Capital Assets, Not Being				
Depreciated:				
Land	\$ 1,343,562	\$ -	\$ -	\$ 1,343,562
Construction in process	-	46,225	-	46,225
Total Capital Assets, Not Being Depreciated	1,343,562	46,225	-	1,389,787
Capital Assets, Being Depreciated:				
Buildings and building improvements	87,350,967	-	-	87,350,967
Facilities and other improvements	9,398,101	44,550	-	9,442,651
Total Buildings and Other Improvements	96,749,068	44,550	-	96,793,618
Library books	1,301,418	-	-	1,301,418
Furniture and equipment	9,763,081	1,129,880	(126,425)	10,766,536
Total Capital Assets, Being Depreciated	107,813,567	1,174,430	(126,425)	108,861,572
Less Accumulated Depreciation:				
Buildings and building improvements	(19,430,664)	(1,556,911)	-	(20,987,575)
Facilities and other improvements	(4,941,454)	(431,719)	-	(5,373,173)
Total Buildings and Other Real Estate Improvements	(24,372,118)	(1,988,630)	-	(26,360,748)
Library books	(1,114,043)	(23,168)	-	(1,137,211)
Furniture and equipment	(7,385,303)	(572,558)	117,611	(7,840,250)
Total Accumulated Depreciation	(32,871,464)	(2,584,356)	117,611	(35,338,209)
Total Capital Assets, Being Depreciated (Net)	74,942,103	(1,409,926)	(8,814)	73,523,363
Total Capital Assets, Net	\$ 76,285,665	\$ (1,363,701)	\$ (8,814)	\$ 74,913,150

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2023 was as follows:

	<u>Balance</u> <u>September 1,</u> <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>August 31,</u> <u>2023</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Bonds payable					
General obligation bonds	\$ 18,945,000	\$ -	\$ (2,335,000)	\$ 16,610,000	\$ 2,455,000
Revenue bonds	1,511,000	-	(934,000)	577,000	577,000
Issuance premiums	2,147,062	-	(330,318)	1,816,744	330,318
Total Bonds Payable	<u>22,603,062</u>	<u>-</u>	<u>(3,599,318)</u>	<u>19,003,744</u>	<u>3,362,318</u>
Other Liabilities:					
Net pension liability	3,556,635	5,400,492	-	8,957,127	-
Net OPEB liability	26,847,051	-	(4,662,407)	22,184,644	576,753
Compensated absences	206,858	91,982	-	298,840	59,768
	<u>\$ 53,213,606</u>	<u>\$ 5,492,474</u>	<u>\$ (8,261,725)</u>	<u>\$ 50,444,355</u>	<u>\$ 3,998,839</u>

Long-term liability activity for the year ended August 31, 2022 was as follows:

	<u>Balance</u> <u>September 1,</u> <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>August 31,</u> <u>2022</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Bonds payable					
General obligation bonds	\$ 21,175,000	\$ -	\$ (2,230,000)	\$ 18,945,000	\$ 2,335,000
Revenue bonds	2,848,000	-	(1,337,000)	1,511,000	934,000
Issuance premiums	2,477,380	-	(330,318)	2,147,062	330,318
Total Bonds Payable	<u>26,500,380</u>	<u>-</u>	<u>(3,897,318)</u>	<u>22,603,062</u>	<u>3,599,318</u>
Other Liabilities:					
Net pension liability	7,492,808	-	(3,936,173)	3,556,635	-
Net OPEB liability	25,335,104	1,511,947	-	26,847,051	551,751
Compensated absences	251,985	-	(45,127)	206,858	-
	<u>\$ 59,580,277</u>	<u>\$ 1,511,947</u>	<u>\$ (7,878,618)</u>	<u>\$ 53,213,606</u>	<u>\$ 4,151,069</u>

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Long-Term Liabilities (continued)

Bonds Payable

On October 11, 2016, the College issued General Obligation Refunding Bonds, Series 2016 in the amount of \$27,640,000 for the purpose of advance refunding \$29,480,000 of the College's general obligation bonds (Series 2007 and 2008). These bonds are payable from a continuing direct annual ad valorem tax levied by the College on all taxable property to provide for the payment of principal and interest. Principal payments from \$250,000 to \$3,070,000 are due beginning on February 15, 2017 through 2029. Semiannual interest payments at interest rates ranging from 3% to 5% are due beginning February 15, 2017. The balance outstanding on this bond issue as of August 31, 2023 is \$16,610,000.

On September 22, 2020, the College issued Consolidated Fund Revenue Refunding Bonds, Series 2020 in the amount of \$4,178,000 for the purpose of refunding \$4,090,000 of the College's Consolidated Fund Revenue Refunding Bonds, (Series 2021). Revenues are pledged for the debt service of the bonds. Principal payments from \$577,000 to \$1,377,000 are due beginning on August 15, 2021 through 2024. Semiannual interest payments at interest rate 1.07% are due beginning February 15, 2021. The balance outstanding on this bond issue as of August 31, 2023 is \$577,000.

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

For the Year Ended August 31,	General Obligation Bonds		Revenue Bonds		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 2,455,000	\$ 680,525	\$ 577,000	\$ 6,174	\$ 3,032,000	\$ 686,699
2025	2,580,000	554,650	-	-	2,580,000	554,650
2026	2,715,000	422,275	-	-	2,715,000	422,275
2027	2,835,000	297,700	-	-	2,835,000	297,700
2028	2,955,000	181,900	-	-	2,955,000	181,900
2028-2030	3,070,000	61,400	-	-	3,070,000	61,400
	<u>\$ 16,610,000</u>	<u>\$ 2,198,450</u>	<u>\$ 577,000</u>	<u>\$ 6,174</u>	<u>\$ 17,187,000</u>	<u>\$ 2,204,624</u>

Compensated Absences

The sole component of the compensated absences liability as of August 31, 2023 is accrued annual (vacation) leave for employees. This obligation will be paid by the fund or department for which the employee works at the time of utilization. As of August 31, 2023, \$298,840 is expected to be paid by the Current Unrestricted Fund.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employees' Retirement Plan

Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload 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 Annual Comprehensive Financial Report Archived Editions (texas.gov) or by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698.

Benefits Provided

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

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.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employees' Retirement Plan (continued)

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	Contribution Rates	
	Plan Fiscal Year	
	2022	2021
Member (Employee)	8.00%	8.00%
District (Employer) / Non-Employer Contributing Entity (State)	7.75%	7.75%

	Fiscal Year (2023)	
	TRS Contributions	
Member (Employee)	\$	1,235,607
District (Employer)		786,142
Non-employer contributing entity (State)		1,093,642

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate, times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year, reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employees' Retirement Plan (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.00%
Long-Term Expected Investment Rate of Return*	7.00%
Municipal Bond Rate*	3.91% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last Year Ending August 31 in the Projection period (100 Years)	2121
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad HOC post-employment benefit change	None

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

The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the system's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employees' Retirement Plan (continued)

Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity *	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return *	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources, and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation	0.00%	0.00%	2.70%
Volatility Drag ****	0.00%	0.00%	-0.91%
Total	100.00%		8.21%

* Absolute Return includes Credit Sensitive Investments

** Target allocations are based on the FY2022 policy model

*** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)

**** The volatility drag results from conversions between arithmetic and geometric mean returns

Source: Teacher Retirement System of Texas 2022 Annual Comprehensive Financial Report.

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employees' Retirement Plan (continued)

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate	8.00%
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
District's proportional share of the net pension liability	\$ 13,933,893	\$ 8,957,127	\$ 4,923,224

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At August 31, 2023, the College reported a liability of \$8,957,127 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:

District's proportional share of the net pension liability	\$ 8,957,127
State's proportionate share of the net pension liability associated with the District	<u>5,055,609</u>
Total	<u><u>\$ 14,012,736</u></u>

The net pension liability was measured as of August 31, 2022 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, 2021, thru August 31, 2022.

At August 31, 2022, the College's proportion of the collective net pension liability was 0.01509% which was an increase of 0.001122% from its proportion measured as of August 31, 2021.

The changes in assumptions since the prior measurement date are summarized in the notes to required supplemental schedules.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employees' Retirement Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

For the year ended August 31, 2023, the College recognized pension expense of \$1,173,780. The College also recognized an additional on-behalf revenue and expense of \$483,259 representing for support provided by the State.

At August 31, 2023, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,878	\$ (195,282)
Changes of assumptions	1,669,004	(415,962)
Difference between projected and actual earnings on pension plan investments	3,480,203	(2,595,268)
Changes in proportion and differences between District contributions and proportionate share of contributions	627,633	(291,620)
District contributions subsequent to the measurement date	<u>770,302</u>	<u>-</u>
Total	<u>\$ 6,677,020</u>	<u>\$ (3,498,132)</u>

Changes Since the Prior Actuarial Valuation

Deferred outflows of resources resulting from College contributions subsequent to the measurement date in the amount of \$770,302 will be recognized as a reduction of the net pension liability in the year ended August 31, 2024. The net amounts of the College's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending August 31,	Amount
2024	\$ 620,098
2025	305,459
2026	169,146
2027	1,117,845
2028	196,038
Thereafter	<u>-</u>
	<u>\$ 2,408,586</u>

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employees' Retirement Plan (continued)

Optional Retirement Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the State are 6.6% and by each participant are 6.65% for both fiscal years 2023 and 2022. The College contributes 1.31% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the State has no additional or unfunded liability for this program. Senate Bill 1812, 83rd Texas Legislature Regular Session, effective September 1, 2013 limits the amount of the State's contribution to 50% of the College's eligible employees.

Contribution / Payroll Information. The retirement expense to the state for the College was \$118,717 and \$108,835 for the fiscal years ended August 31, 2023 and 2022, respectively. This amount represents the portion of expended appropriations made by the Legislature on behalf of the College.

The total payroll for all College employees was \$22,368,918 and \$19,844,358 for the years ended August 31, 2023 and 2022, respectively. The total payroll of employees covered by the TRS was \$15,450,911 and \$14,211,355, and the total payroll of employees covered by the optional retirement program was \$3,735,457 and \$3,503,995 for the fiscal years ended August 31, 2023 and 2022, respectively.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Compensated Absences

Full-time employees who work twelve months during the year are allowed to accumulate annual leave based upon the number of hours required for the workweek and the number of years employed at the College. For employees with a 35-hour regular workweek, 2.70 hours per bi-weekly payroll are accrued for those employees with less than 15 years of service and 4.04 hours per bi-weekly payroll are accrued for those employees with more than 15 years of service. For employees with a 40-hour regular workweek, 3.08 hours per bi-weekly payroll are accrued for those employees with less than 15 years of service and 4.62 hours per bi-weekly payroll are accrued for those employees with more than 15 or more years of service. The maximum number of hours that may be carried forward to the next fiscal year is 105 and 120 for employees with 35-hour and 40-hour workweeks, respectively. A calculated percentage is applied to part-time contractual employees to determine their accrual rates.

The College has recognized the accrued liability for the unpaid annual leave in the fund in which the employee works. Accrued compensated absences payable of \$298,840 and \$206,858 is recorded in the financial statements as of August 31, 2023 and 2022, respectively. These amounts are payable to the employees (or their beneficiaries) upon termination or death.

Full-time employees who work twelve months during the year are allowed to accumulate sick leave based upon the number of hours required for the workweek. Employees with a 35-hour workweek accrue 2.70 hours per bi-weekly payroll and employees with a 40-hour workweek accrue 3.08 hours per bi-weekly payroll. Sick leave for instructional employees with nine-month or ten-and-one-half month contracts is accrued over the length of the contract. Full-time instructional employees shall accrue a maximum of 480 hours. Full-time non-instructional employees may accrue a maximum of 420 hours for those employees whose regular workweek is 35 hours and 480 hours for those employees whose regular workweek is 40 hours. A calculated percentage is applied to part-time employees to determine their accrual rates. The College's policy is to recognize sick leave when paid. No liability has been recorded in the financial statements since the College's experience indicates the expenditure for sick leave to be minimal.

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

Note 10 - Risk Management

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

The College participates in the Workers' Compensation Fund of the Texas Educational Insurance Association (Fund) administered by Claims Administrative Services, Inc. The College is responsible for the payment of all claims until a certain threshold is reached. Whenever the claims exceed the threshold, a commercial insurance policy pays the excess claims. The Fund's specific retention of loss is \$1,000,000, with an aggregate limit of \$5,000,000; the College's maximum fund loss is \$98,015. Premiums of \$40,821 and \$41,509 for this insurance were allocated to the College for the years ended August 31, 2023 and 2022, respectively.

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 - Risk Management (continued)

The following schedule summarizes the changes in claims liabilities for the years ended August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Claims Liabilities - Beginning of Year	\$ 101,382	\$ 88,466
Incurred Claims	91,185	92,635
Change in Prior Year Claim Estimates	1,843	5,672
Payment on Claims	<u>(80,159)</u>	<u>(85,391)</u>
Claims Liabilities - End of Year	<u>\$ 114,251</u>	<u>\$ 101,382</u>

The claims liability is reported in accrued liabilities in the financial statements and includes \$57,610 and \$47,062 of estimated claims incurred but not reported, as determined actuarially by the administrator at August 31, 2023 and 2022, respectively.

Note 11 - Defined 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 SRHP’s fiduciary net position is available in the separately issued ERS Annual Comprehensive Financial Report 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/gasb-requirements> or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

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.

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Defined Other Post-Employment Benefits (OPEB) (continued)

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. There are no long-term contracts for contributions to the plan.

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

Maximum Monthly Employer Contribution

Retiree Health and Basic Life Premium	
Fiscal Year 2022 (Measurement Year)	
Retiree only	\$ 624.82
Retiree and spouse	1,339.90
Retiree and children	1,103.58
Retiree and family	1,818.66

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 Plan Years Ended August 31, 2023 and 2022

	2023	2022
Employers	\$ 2,496,045	\$ 2,476,304
Members (Employees)	754,082	751,862
Nonemployer Contributing Entity (State of Texas)	1,501,884	1,515,402

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Defined Other Post-Employment Benefits (OPEB) (continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	August 31, 2022
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Discount Rate	3.59%
Projected Annual Salary Increase	2.30% to 8.95%, including inflation
Annual Healthcare Trend Rate	5.60% for FY2024, 5.30% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2031 and later years
Inflation Assumption Rate	2.30%
Ad hoc Post-employment Benefit Changes	None

The mortality assumptions used in the valuation were as follows:

State Agency Members:

Service Retirees, Survivors and other Inactive Members (Regular, Elected, CPO/CO and JRS I and II Employee Classes): 2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP-2019 Projection Scale are projected from the year 2020.

Disability Retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes): 2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with the Ultimate MP-2019 Projection Scale are projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females, respectively.

Active Members: Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members. Pub-2010 Public Safety Active Member Mortality table for CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP-2019 Projection Scale are projected from the year 2010.

Higher Education Members:

Service Retirees, Survivors and other Inactive Members -

Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021.

Disability Retirees -

Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021 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 Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-2021 Projection Scale from the year 2010.

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Defined Other Post-Employment Benefits (OPEB) (continued)

Discount Rate

Because the SRHP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bond rates. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 3.59% to reflect the requirements of GASB 75. 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 SRHP are equal to projected benefit payments out of the plan. Because SRHP operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Investment Policy

The SRHP is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The ERS's Board of Trustees amended the investment policy statement in August 2022 to require that all funds in the SRHP be invested in cash and equivalent securities. The expected rate of return on these investments is currently 4.1%, in line with the prevailing returns on 90-day US treasury bills.

Discount Rate Sensitivity Analysis

The following schedule shows the impact on the College's proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.59%) in measuring the net OPEB Liability.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rate	2.59%	3.59%	4.59%
District's proportionate share of the net OPEB liability	\$ 25,873,998	\$ 22,184,644	\$ 19,234,047

Healthcare Trend Rate Sensitivity Analysis

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 18,998,098	\$ 22,184,644	\$ 26,253,001

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At August 31, 2023, the College reported a liability of \$22,184,643 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the College. 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:

District's proportion of the net OPEB liability	0.07787647%
District's proportionate share of the collective net OPEB liability	\$ 22,184,643
State's proportionate share that is associated with the District	<u>14,510,091</u>
	<u>\$ 36,694,734</u>

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Defined Other Post-Employment Benefits (OPEB) (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (continued)

The net OPEB liability was measured as of August 31, 2022, 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, 2021, thru August 31, 2022.

At the measurement date of August 31, 2022, the employer’s proportion of the collective net OPEB liability was 0.07787647%, which was an increase of .003042% from its proportion measured as of August 31, 2021.

For the fiscal year ended August 31, 2023, the College recognized negative OPEB expense of \$524,868 and an additional negative expense of \$528,528 representing negative OPEB expense incurred by the State on behalf of the College.

At August 31, 2023, the College reported its proportionate share of the ERS plan’s collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (699,952)
Changes of assumptions	1,303,437	(6,857,480)
Difference between projected and actual earnings on OPEB plan investments	3,826	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,284,005	(983,900)
District contributions subsequent to the measurement date	<u>454,968</u>	<u>-</u>
Total	<u>\$ 4,046,236</u>	<u>\$ (8,541,332)</u>

The \$454,968 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2024. The net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending August 31,	Amount
2024	\$ (1,409,270)
2025	(866,162)
2026	(1,014,445)
2027	(1,079,278)
2028	<u>(580,909)</u>
	<u>\$ (4,950,064)</u>

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 12 - Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The College had no unrelated business income tax liability for 2023 or 2022.

The Foundation is an organization generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Note 13 - Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the College expects any such amounts to be immaterial.

Note 14 - Grants and Contracts

Contract and grant revenues are recognized in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Position. Contract and grant awards that are not yet funded and for which the College has not yet performed services are not included in the financial statements.

Note 15 - Transactions with Component Unit

The Foundation made contributions to the College in the amount of \$487,804 in fiscal year 2023, including scholarships of \$448,613, and \$39,191 in support of various other activities at the College. The Foundation made contributions to the College in the amount of \$500,923 in fiscal year 2022, including scholarships of \$472,322, and \$28,601 in support of various other activities at the College.

Note 16 - Tax Abatements

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

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

The College grants tax abatements to primary employers in conjunction with other local taxing entities for the purpose of stimulating the local economy. The amount to be abated is determined by the number and type of jobs to be created, the amount of taxable value to be created by new construction or equipment, or a combination of these factors.

The College currently does not have any active tax abatement agreements.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 17 - Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AI CPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multiyear awards, or funds awarded during fiscal years August 31, 2023 and 2022 for which monies have not been received nor funds expended totaled \$5,354,768 and \$7,311,680, respectively. Of these amounts, \$4,096,377 and \$6,024,375 were from Federal Contract and Grant Awards; and \$1,258,391 and \$1,287,305 were from State Contract and Grant Awards for the fiscal years ended August 31, 2023 and 2022, respectively.

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

Note 18 - Pending Lawsuits and Claims

As of August 31, 2023, there are no known material lawsuits and claims pending or threatened against the College.

Note 19 - Related Party

A board member of Grayson College is the spouse to the owner of a construction company that periodically performs projects for the College. Said board member abstains from discussions and votes related to construction projects.

Note 20 - Grayson College Foundation

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

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

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 20 - Grayson College Foundation (continued)

Basis of Presentation

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

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

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grant) restrictions. The governing board may designate from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
- **Net Assets with Donor Restrictions**- Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents-For purposes of reporting cash flows, the Foundation considers all bank deposits, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes are excluded from this definition.

Investments

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

In accordance with generally accepted accounting principles, investment in financial and nonfinancial assets are reported in a three-tiered hierarchy as follows:

- Level I - Assets are based on quoted prices or unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the Foundation's year end.
- Level II - Assets are based on other than quoted prices or adjusted quoted prices of similar assets or liabilities in markets that are not active.
- Level III-Assets are based on unobservable inputs and shall reflect the Foundation's own assumptions about the assets or liabilities.

This fair value hierarchy gives the highest priority to Level I assets and the lowest priority to Level III assets.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 20 - Grayson College Foundation (continued)

Capital Assets and Depreciation

Capital assets are recorded at cost or at estimated fair market value at the date of the gift if donated. Such donations are reported without donor restrictions support unless the donor has restricted the asset to a specific purpose. Assets donated with specific restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies with donor restrictions net assets to without donor restrictions net assets at that time.

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

Collections: In accordance with guidance issued by the Texas Comptroller of Public Accounts, collections are capitalized but not depreciated. Collections are valued at their historical cost or fair value at the date of donation. The Foundation has a statue which it capitalizes as a collection. This collection is not depreciated due to the inexhaustible nature of this asset.

Revenue and Revenue Recognition

Revenue is recognized when earned. The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promise to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions received with donor stipulations that limit their use are recorded as restricted support.

Contributions

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

Contributed Services

The services of the Foundation employees and certain operating costs have been donated by the College. The estimated value of these contributed services is \$432,226 and \$384,731 for the years ended August 31, 2023 and 2022, respectively, and has been included in revenues and expenses in the accompanying financial statements.

Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents in bank deposit accounts which frequently exceed federally insured limits. However, the Foundation does not believe that it is exposed to any significant credit risk in connection with these accounts.

Functional Allocation of Expenses

The costs of program, support services, and fundraising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs, support services, and fundraising activities benefited on the basis of estimates of time and effort.

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 20 - Grayson College Foundation (continued)

Federal Income Taxes

The income of the Foundation, except for unrelated business income, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation had no unrelated business income during the years ended August 31, 2023 and 2022.

Use of Estimates

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

Risks and Uncertainties

The Foundation invests in various investment securities which are inherently exposed to various risks such as interest rate fluctuations, and market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Investments

Net investment income consists of the following for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Interest, Dividends, and Royalties	\$ 575,435	\$ 883,831
Realized Gains (Losses)	275,384	1,186,185
Unrealized Gains (Losses)	290,667	(4,248,593)
Less: Investment Management and Custodial Fees	(113,477)	(127,672)
Total Investment Income, Net	<u>\$ 1,028,009</u>	<u>\$ (2,306,249)</u>

The following schedule summarizes the Foundation's investment on a recurring basis as of August 31, 2023 and 2022:

<u>Type of Security</u>	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Government Securities	\$ 3,208,221	\$ 3,064,976	\$ 2,234,319	\$ 2,112,725
U.S. Government Agency Securities	1,935,908	1,713,572	1,406,150	1,244,333
Equity Securities	8,941,540	9,458,056	9,759,765	9,516,179
Corporate Obligations	1,992,141	1,688,533	1,799,627	1,528,184
Alternate Investments	1,947,973	1,965,878	1,800,880	1,785,694
Money Market and Investment Pools	296,959	296,952	844,402	844,402
Total Investments	<u>\$ 18,322,742</u>	<u>\$ 18,187,967</u>	<u>\$ 17,845,143</u>	<u>\$ 17,031,517</u>

All of the Foundation's investments are Level 1 investments.

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 20 - Grayson College Foundation (continued)

Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor restrictions limiting their use or without requiring specific action of the Board, within one year of the date of the statements of financial position as of August 31, 2023 and 2022, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 767,046	\$ 578,792
Investments	<u>18,187,967</u>	<u>17,031,517</u>
	18,955,013	17,610,309
Donor-Restricted Funds	<u>(18,813,756)</u>	<u>(17,476,853)</u>
Financial Assets Available to Meet General Expenditures Needs Within One Year	<u>\$ 141,257</u>	<u>\$ 133,456</u>

Capital Assets

The following schedule summarizes the Foundation's capital assets as of August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Collections	\$ 910,000	\$ 910,000
Building and Improvements	253,175	253,175
Facilities and Other Improvements	<u>17,345</u>	<u>17,345</u>
	1,180,520	1,180,520
Less: Accumulated Depreciation	<u>(84,664)</u>	<u>(79,226)</u>
Net Capital Assets	<u>\$ 1,095,856</u>	<u>\$ 1,101,294</u>

Notes Receivable

The following schedule summarizes the Foundation's capital assets as of August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
A \$212,569 note from Gabriel N. Parker was entered into on August 30, 2019. The note is payable in monthly installments of \$1,077 including interest of 4.5%. A final payment of all unpaid principal and accrued interest is due at maturity on September 1, 2028. The note is secured by real estate and equipment.	\$ 196,530	\$ 200,837
Less: Current Portion	<u>-</u>	<u>-</u>
Total Due After One Year	<u>\$ 196,530</u>	<u>\$ 200,837</u>

GRAYSON COLLEGE
NOTES TO FINANCIAL STATEMENTS (continued)

Note 20 - Grayson College Foundation (continued)

Endowment Funds

The Foundation has donor restricted endowments that are to be used only for identified scholarships and other identified purposes and that are maintained in accordance with explicit donor stipulations. The Board of Trustees of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIF A) as requiring the preservation of the fair value of gifts to donor Restricted Endowments as of the date of the gift, absent explicit donor stipulations to the contrary. The Foundation interprets the definition of donor-restricted endowments to include the original value of gifts to an endowment and subsequent gifts donated to the fund, (including promises to give net of discount and allowance for doubtful accounts) (a) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by TUPMIF A. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment funds are maintained in an investment account which is managed by an independent financial firm that follows guidance provided in the investment policy approved by the Board of Trustees.

As of August 31, 2023 and 2022, Donor Restricted Endowment Funds were as follows:

	<u>2023</u>	<u>2022</u>
Donor-Restricted Endowment Fund:		
Original Donor Restricted Gift		
Amount and Amounts Required to be		
Maintained in Perpetuity by Donor	\$ 10,605,144	\$ 10,068,875
Accumulated Investment Gains	<u>5,090,776</u>	<u>4,563,996</u>
Total Funds	<u>\$ 15,695,920</u>	<u>\$ 14,632,871</u>

Funds with Deficiencies

In accordance with accounting standards, the Foundation considers an endowment to be deficient (underwater funds) if its fair value is less than the sum of (a) the original value of initial and subsequent gifts donated to the endowment and (b) any donor imposed accumulations to the endowment that must be maintained in perpetuity. The Foundation has interpreted TUPMIF A to permit spending from underwater endowments in accordance with prudent measures required under law. As of August 31, 2023 and 2022, there were no endowment funds with deficiencies.

GRAYSON COLLEGE

NOTES TO FINANCIAL STATEMENTS (continued)

Note 20 - Grayson College Foundation (continued)

Investment and Spending Policies

The primary goals of the endowments are as follows: (1) Provide the highest sustainable, consistent flow of funds to support the activities of the Foundation or those designated by the donor, (2) Protect the future purchasing power of the principal of the endowed funds by reserving an appropriate portion of investment return to offset the cumulative effects of inflation and provide future real growth of the Foundation assets, and (3) Manage the spending distribution over time to reduce, as far as possible, annual variations in the level of support provided by the Foundation.

The Investment Committee of the Foundation outlines the asset allocations, permissible investments and objectives of the portfolios in the Investment Policy.

Changes in Endowment net assets for the years ended August 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Endowment Net Assets, Beginning of Year	\$ 14,632,871	\$ 15,467,384
Investment Income, Net	872,670	(1,962,215)
Contributions	526,269	1,488,069
Transfer and Reclassification	10,000	-
Net Assets Released from Restrictions	<u>(345,690)</u>	<u>(360,367)</u>
Endowment Net Asset, End of Year	<u>\$ 15,696,120</u>	<u>\$ 14,632,871</u>

Subsequent Events

Subsequent events have been evaluated through December 1, 2023, which is the date the financial statements were available to be issued.



REQUIRED SUPPLEMENTARY INFORMATION

GRAYSON COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Teachers Retirement System of Texas

For the Last Nine Measurement Years Ended August 31st

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net pension liability	0.0150876%	0.0139660%	0.0139901%	0.0132383%	0.0152597%
College's proportionate share of the net pension liability	\$ 8,957,127	\$ 3,556,635	\$ 7,492,808	\$ 6,881,705	\$ 8,399,314
State's proportionate share of the net pension liability associated with the College	<u>5,055,609</u>	<u>2,204,758</u>	<u>4,823,621</u>	<u>4,328,815</u>	<u>3,151,720</u>
Total	<u><u>\$ 14,012,736</u></u>	<u><u>\$ 5,761,393</u></u>	<u><u>\$ 12,316,429</u></u>	<u><u>\$ 11,210,520</u></u>	<u><u>\$ 11,551,034</u></u>
College's covered payroll (for Measurement Year)	\$ 14,211,355	\$ 12,748,818	\$ 12,672,923	\$ 10,816,790	\$ 10,496,293
College's proportionate share of the net pension liability as a percentage of its covered payroll	63.0%	27.9%	59.1%	63.6%	80.0%
Plan fiduciary net position as a percentage of the total pension liability*	75.62%	88.79%	75.54%	75.24%	73.74%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability	0.0151326%	0.0139783%	0.0123200%	0.0110746%
College's proportionate share of the net pension liability	\$ 4,838,587	\$ 5,282,192	\$ 4,354,956	\$ 2,958,179
State's proportionate share of the net pension liability associated with the College	<u>1,963,721</u>	<u>2,299,826</u>	<u>2,991,911</u>	<u>3,146,824</u>
Total	<u><u>\$ 6,802,308</u></u>	<u><u>\$ 7,582,018</u></u>	<u><u>\$ 7,346,867</u></u>	<u><u>\$ 6,105,003</u></u>
College's covered payroll (for Measurement Year)	\$ 9,487,927	\$ 9,032,401	\$ 8,689,765	\$ 8,122,358
College's proportionate share of the net pension liability as a percentage of its covered payroll	51.0%	58.5%	50.1%	36.4%
Plan fiduciary net position as a percentage of the total pension liability*	82.17%	78.00%	78.43%	83.25%

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2014. Net pension liability and related ratios will be presented prospectively as data becomes available.

GRAYSON COLLEGE
SCHEDULE OF COLLEGE PENSION CONTRIBUTIONS
Teachers Retirement System of Texas
For the Last Nine Fiscal Years Ended August 31st

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 786,142	\$ 411,778	\$ 589,069	\$ 575,741	\$ 492,476
Contributions in relation to the contractual required contributions	<u>786,142</u>	<u>411,778</u>	<u>589,069</u>	<u>575,741</u>	<u>492,476</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 15,444,160	\$ 14,211,355	\$ 12,748,818	\$ 12,672,923	\$ 10,816,790
Contributions as a percentage of covered payroll	5.09%	2.90%	4.62%	4.54%	4.55%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually required contributions	\$ 487,408	\$ 416,084	\$ 423,293	\$ 369,525	
Contributions in relation to the contractual required contributions	<u>487,408</u>	<u>416,084</u>	<u>423,293</u>	<u>369,525</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
College's covered payroll	\$ 10,496,293	\$ 9,852,740	\$ 9,423,102	\$ 8,689,765	
Contributions as a percentage of covered payroll	4.64%	4.22%	4.49%	4.25%	

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2014. Additional years will be presented prospectively as data becomes available.

GRAYSON COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Employee Retirement System of Texas - State Retiree Health Plan

For the Last Six Measurement Years Ended August 31st

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
College's proportion of the net OPEB liability	0.07787647%	0.07483393%	0.07666935%	0.06834061%
College's proportionate share of the net OPEB liability	\$ 22,184,644	\$ 26,847,051	\$ 25,335,104	\$ 23,620,343
State's proportionate share of the net OPEB liability associated with the College	<u>14,510,091</u>	<u>18,088,800</u>	<u>16,657,724</u>	<u>19,439,170</u>
Total	<u>\$ 36,694,735</u>	<u>\$ 44,935,851</u>	<u>\$ 41,992,828</u>	<u>\$ 43,059,513</u>
College's covered employee payroll (for Measurement Year)	\$ 16,812,072	\$ 16,055,144	\$ 16,143,250	\$ 14,647,686
College's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	132.0%	167.2%	156.9%	161.3%
Plan fiduciary net position as a percentage of the total OPEB liability*	0.57%	0.38%	0.32%	0.17%
	<u>2018</u>	<u>2017</u>		
College's proportion of the net OPEB liability	0.07154001%	0.07543185%		
College's proportionate share of the net OPEB liability	\$ 21,202,847	\$ 25,701,904		
State's proportionate share of the net OPEB liability associated with the College	<u>16,311,598</u>	<u>22,722,641</u>		
Total	<u>\$ 37,514,445</u>	<u>\$ 48,424,545</u>		
College's covered employee payroll (for Measurement Year)	\$ 13,617,571	\$ 11,563,890		
College's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	155.7%	222.3%		
Plan fiduciary net position as a percentage of the total OPEB liability*	1.27%	2.04%		

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2017. Net OPEB liability and related ratios will be presented prospectively as data becomes available.

* Per ERS' ACFR

GRAYSON COLLEGE
SCHEDULE OF COLLEGE OPEB CONTRIBUTIONS
Employee Retirement System of Texas - State Retiree Health Plan
For the Last Six Fiscal Years Ended August 31st

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contributions	\$ 454,968	\$ 708,065	\$ 690,203
Contributions in relation to the contractual required contributions	<u>454,968</u>	<u>708,065</u>	<u>690,203</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 18,418,627	\$ 16,812,072	\$ 16,055,144
Contributions as a percentage of covered employee-payroll	2.47%	4.21%	4.30%
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 682,199	\$ 686,659	\$ 698,350
Contributions in relation to the contractual required contributions	<u>682,199</u>	<u>686,659</u>	<u>698,350</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 16,143,250	\$ 14,647,686	\$ 13,617,571
Contributions as a percentage of covered employee-payroll	4.23%	4.69%	5.13%

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2017. Additional years will be presented prospectively as data becomes available.

GRAYSON COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended August 31, 2023

1. Schedules for Pensions – Net Pension Liability

The following changes to actuarial assumptions and other inputs affected the measurement of the amounts reported in the RSI schedules related to pensions:

- The discount rate changed from 7.25% to 7.00%.

2. Schedules for Other Post-Employment Benefits (OPEB) – Net OPEB Liability

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

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to cover dependent children. The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effect on our short-term expectations. The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect the most recent information.
- The discount rate was changed from 2.14% to 3.59% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax exempt general obligation bonds rates AA/Aa (or equivalent) or higher in effect on the measurement date.

SUPPLEMENTARY INFORMATION



GRAYSON COLLEGE
SCHEDULE OF OPERATING REVENUES
For the Year Ended August 31, 2023
(With Totals for the Year Ended August 31, 2022)

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2023	2022
Tuition and Fees						
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 3,883,810	\$ -	\$ 3,883,810	\$ -	\$ 3,883,810	\$ 3,774,577
Out-of-district resident tuition	1,890,326	-	1,890,326	-	1,890,326	1,654,739
Non-resident tuition	122,635	-	122,635	-	122,635	125,647
TPEG*	314,837	-	314,837	-	314,837	301,990
Non-state funded educational programs	446,323	-	446,323	-	446,323	1,370,064
Total Tuition	6,657,931	-	6,657,931	-	6,657,931	7,227,017
Fees:						
General fees	2,001,095	-	2,001,095	-	2,001,095	1,780,047
Student services fees	-	-	-	943,976	943,976	946,532
Technology fees	377,568	-	377,568	-	377,568	378,706
Laboratory fees	280,327	-	280,327	-	280,327	280,461
Course fees	224,283	-	224,283	-	224,283	218,406
Other fees	302,573	-	302,573	-	302,573	316,584
Total Fees	3,185,846	-	3,185,846	943,976	4,129,822	3,920,736
Scholarship Allowances and Discounts:						
Bad debt allowances	(82,443)	-	(82,443)	-	(82,443)	(359,030)
Tuition discounts	(130,473)	-	(130,473)	(19,496)	(149,969)	(132,109)
Scholarship allowances	(501,259)	-	(501,259)	(143,431)	(644,690)	(559,500)
Remissions and exemptions	(614,869)	-	(614,869)	(67,113)	(681,982)	(558,777)
TPEG allowances	(225,300)	-	(225,300)	-	(225,300)	(248,415)
Federal grants to students	(2,083,824)	-	(2,083,824)	(289,420)	(2,373,244)	(2,350,506)
Other federal grants	(36,121)	(755,729)	(791,850)	-	(791,850)	(351,252)
State grants to students	(178,373)	(712,742)	(891,115)	(29,729)	(920,844)	(1,624,533)
Total Scholarship Allowances and Discounts	(3,852,662)	(1,468,471)	(5,321,133)	(549,189)	(5,870,322)	(6,184,122)
Total Net Tuition and Fees	5,991,115	(1,468,471)	4,522,644	394,787	4,917,431	4,963,631
Additional Operating Revenues:						
Federal grants and contracts	7,735	9,548,838	9,556,573	-	9,556,573	13,958,509
State grants and contracts	-	1,429,699	1,429,699	-	1,429,699	2,116,159
Non-governmental grants and contracts	-	226,785	226,785	-	226,785	147,625
Sales and services of educational activities	57,935	-	57,935	-	57,935	45,095
Other operating revenues	304,607	-	304,607	-	304,607	225,512
Total Additional Operating Revenues	370,277	11,205,322	11,575,599	-	11,575,599	16,492,900
Auxiliary Enterprises:						
Residential Life (net of discounts of \$382,318)	-	-	-	555,116	555,116	468,280
Bookstore (net of discounts \$575,519)	-	-	-	939,204	939,204	823,184
Total Net Auxiliary Enterprises	-	-	-	1,494,320	1,494,320	1,291,464
Total Operating Revenues	\$ 6,361,392	\$ 9,736,851	\$ 16,098,243	\$ 1,889,107	\$ 17,987,350	\$ 22,747,995

GRAYSON COLLEGE
SCHEDULE OF OPERATING EXPENSES BY OBJECT
For the Year Ended August 31, 2023
(With Totals for the Year Ended August 31, 2022)

Schedule B

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2023	2022
		State	Local			
Unrestricted - Educational Activities:						
Instruction	\$ 9,949,849	\$ -	\$ 1,848,609	\$ 2,029,696	\$ 13,828,154	\$ 10,820,464
Public service	454,985	-	100,595	186,847	742,427	512,980
Academic support	1,865,060	-	442,953	392,522	2,700,535	2,699,039
Student services	1,548,982	-	370,508	331,701	2,251,191	1,975,423
Institutional support	3,246,635	-	742,692	2,529,454	6,518,781	6,031,234
Operation and maintenance of plant	1,079,231	-	535,250	4,018,008	5,632,489	3,924,260
Total Unrestricted - Educational Activities	18,144,742	-	4,040,607	9,488,228	31,673,577	25,963,400
Restricted - Educational Activities:						
Instruction	2,624,992	966,005	538,739	1,198,787	5,328,523	7,430,869
Public service	162,988	47,396	33,256	5,952	249,592	377,705
Academic support	-	143,279	-	22,191	165,470	175,645
Student services	372,623	147,645	124,184	71,739	716,191	698,653
Institutional support	70,793	254,754	20,450	1,180,134	1,526,131	2,972,929
Operation and maintenance of plant	-	-	-	549,343	549,343	74,752
Scholarships and fellowships	160,358	-	-	3,528,983	3,689,341	5,710,102
Total Restricted - Educational Activities	3,391,754	1,559,079	716,629	6,557,129	12,224,591	17,440,655
Total Educational Activities	21,536,496	1,559,079	4,757,236	16,045,357	43,898,168	43,404,055
Auxiliary Enterprises	830,161	-	285,735	2,510,269	3,626,165	3,001,808
Depreciation Expense:						
Buildings and other improvements	-	-	-	1,993,823	1,993,823	1,988,631
Equipment and furniture	-	-	-	835,862	835,862	595,725
Total Depreciation Expense	-	-	-	2,829,685	2,829,685	2,584,356
Total Operating Expenses	\$ 22,366,657	\$ 1,559,079	\$ 5,042,971	\$ 21,385,311	\$ 50,354,018	\$ 48,990,219

See accompanying independent auditor's report.

GRAYSON COLLEGE

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

For the Year Ended August 31, 2023

(With Totals for the Year Ended August 31, 2022)

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2023	2022
Nonoperating Revenues:					
State Appropriations:					
Education and general state support	\$ 7,035,147	\$ -	\$ -	\$ 7,035,147	\$ 7,035,148
State group insurance	-	974,592	-	974,592	1,282,370
State retirement matching	-	1,067,746	-	1,067,746	524,678
Total State Appropriations	7,035,147	2,042,338	-	9,077,485	8,842,196
Maintenance ad valorem taxes	20,920,625	-	-	20,920,625	18,977,558
General obligation bonds ad valorem taxes	3,754,013	-	-	3,754,013	3,650,898
Federal grants and contracts	-	5,918,467	-	5,918,467	5,810,407
Gifts and donations	22,975	-	-	22,975	33,245
Investment income	1,985,071	4,000	-	1,989,071	400,065
Total Nonoperating Revenues	33,717,831	7,964,805	-	41,682,636	37,714,369
Nonoperating Expenses:					
Interest on capital related debt	591,047	-	-	591,047	701,312
Loss on disposition of property	189,467	-	-	189,467	-
Other non-operating expenses	83,545	-	-	83,545	8,814
Total Nonoperating Expenses	864,059	-	-	864,059	710,126
Net Nonoperating Revenues	\$ 32,853,772	\$ 7,964,805	\$ -	\$ 40,818,577	\$ 37,004,243

GRAYSON COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
For the Year Ended August 31, 2023

Schedule D

	Detail by Source				Available for Current Operation	
	Unrestricted	Restricted - Expendable	Net Investment in		Yes	No
			Capital Assets	Total		
Current:						
Unrestricted	\$ (5,407,254)	\$ -	\$ -	\$ (5,407,254)	\$ (5,407,254)	\$ -
Restricted	-	413,667	-	413,667	-	413,667
Auxiliary Enterprises	(283,683)	-	-	(283,683)	(283,683)	-
Loan funds	-	47,598	-	47,598	-	47,598
Plant funds:						
Renewals and Replacements	17,982,596	-	-	17,982,596	17,982,596	-
Debt service	-	5,596,676	-	5,596,676	-	5,596,676
Investment in plant	-	-	56,937,460	56,937,460	-	56,937,460
Total net position, August 31, 2023	12,291,659	6,057,941	56,937,460	75,287,060	12,291,659	62,995,401
Total net position, August 31, 2022	7,876,546	5,569,530	53,389,075	66,835,151	7,876,546	58,958,605
Net increase (decrease) in net position	\$ 4,415,113	\$ 488,411	\$ 3,548,385	\$ 8,451,909	\$ 4,415,113	\$ 4,036,796

STATISTICAL SECTION

Financial Trends Information

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- Net Position by Component
- Revenues by Source
- Expenses by Function and Changes in Net Position

Revenue Capacity Information

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its primary revenues.

- Tuition and Fees
- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Taxpayers
- Property Tax Levies and Collections

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the District's current levels of debt and the District's ability to issue additional debt in the future.

- Ratios of Outstanding Debt
- Legal Debt Margin Information
- Pledged Revenue Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with each other.

- Demographic and Economic Statistics
- Principal Employers

Operating Information

These schedules contain other information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

- State Appropriation per Full-Time Student Equivalents and Contact Hour Faculty, Staff, and Administrators Statistics
- Enrollment Details
- Student Profile
- Transfers to Senior Institutions
- Capital Asset Information

GRAYSON COLLEGE
NET POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS

Table 1
Page 1 of 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net investment in capital assets	\$ 56,937	\$ 53,389	\$ 50,966	\$ 49,241	\$ 47,376
Restricted	6,058	5,570	5,138	4,649	4,293
Unrestricted	<u>12,292</u>	<u>7,876</u>	<u>(31)</u>	<u>(7,242)</u>	<u>(10,763)</u>
Total Net Position	<u><u>\$ 75,287</u></u>	<u><u>\$ 66,835</u></u>	<u><u>\$ 56,073</u></u>	<u><u>\$ 46,648</u></u>	<u><u>\$ 40,906</u></u>

GRAYSON COLLEGE
NET POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS

Table 1
Page 2 of 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net investment in capital assets	\$ 40,030	\$ 27,620	\$ 25,065	\$ 23,451	\$ 21,019
Restricted	3,877	3,509	3,138	2,962	2,748
Unrestricted	<u>(8,314)</u>	<u>29,230</u>	<u>27,710</u>	<u>23,888</u>	<u>26,087</u>
Total Net Position	<u>\$ 35,593</u>	<u>\$ 60,359</u>	<u>\$ 55,913</u>	<u>\$ 50,301</u>	<u>\$ 49,854</u>

GRAYSON COLLEGE
REVENUES BY SOURCE (UNAUDITED)
LAST TEN FISCAL YEARS

Table 2
Page 1 of 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tuition and fees (net of discounts)	\$ 4,917	\$ 4,964	\$ 5,138	\$ 4,978	\$ 4,684
Governmental grants and contracts:					
Federal grants and contracts	9,557	13,959	8,224	4,401	1,511
State grants and contracts	1,430	2,116	1,182	1,359	2,880
Non-Governmental grants and contracts	227	148	63	54	245
Sales and services of educational activities	58	45	7	29	51
Auxiliary enterprises	1,494	1,291	373	533	674
Other operating revenues	304	225	210	212	228
Total Operating Revenues	<u>17,987</u>	<u>22,748</u>	<u>15,197</u>	<u>11,566</u>	<u>10,273</u>
State appropriations	9,078	8,842	9,102	9,346	9,341
Ad valorem taxes	24,675	22,629	21,145	19,489	18,058
Federal revenue, non-operating	5,918	5,810	5,820	7,028	6,556
Gifts	23	33	13	22	38
Investment income	1,989	400	305	505	681
Gain on disposition of fixed assets	-	-	-	-	-
Other non-operating revenues	-	-	-	-	-
Total Non-Operating Revenues	<u>41,683</u>	<u>37,714</u>	<u>36,385</u>	<u>36,390</u>	<u>34,674</u>
Total Revenues	<u>\$ 59,670</u>	<u>\$ 60,462</u>	<u>\$ 51,582</u>	<u>\$ 47,956</u>	<u>\$ 44,947</u>

GRAYSON COLLEGE
REVENUES BY SOURCE (UNAUDITED)
LAST TEN FISCAL YEARS

Table 2
Page 2 of 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tuition and fees (net of discounts)	\$ 4,840	\$ 4,766	\$ 5,540	\$ 4,671	\$ 4,814
Governmental grants and contracts:					
Federal grants and contracts	1,442	1,544	1,275	1,052	1,090
State grants and contracts	2,518	1,567	1,790	1,759	1,527
Non-Governmental grants and contracts	243	249	251	354	360
Sales and services of educational activities	50	51	51	45	49
Auxiliary enterprises	646	628	725	869	1,549
Other operating revenues	264	200	221	153	273
Total Operating Revenues	<u>10,003</u>	<u>9,005</u>	<u>9,853</u>	<u>8,903</u>	<u>9,662</u>
State appropriations	10,455	9,384	9,462	9,210	9,427
Ad valorem taxes	16,665	15,700	14,967	13,996	13,044
Federal revenue, non-operating	6,598	6,862	7,641	8,493	9,228
Gifts	54	35	24	116	-
Investment income	443	218	164	130	81
Gain (loss) on disposition of fixed assets	-	-	70	-	-
Other non-operating revenues	-	-	-	-	1
Total Non-Operating Revenues	<u>34,215</u>	<u>32,199</u>	<u>32,328</u>	<u>31,945</u>	<u>31,781</u>
Total Revenues	<u>\$ 44,218</u>	<u>\$ 41,204</u>	<u>\$ 42,181</u>	<u>\$ 40,848</u>	<u>\$ 41,443</u>

GRAYSON COLLEGE
PROGRAM EXPENSES BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

Table 3
Page 1 of 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Instruction	\$ 19,157	\$ 18,251	\$ 14,638	\$ 15,433	\$ 13,740
Public service	992	891	979	859	799
Academic support	2,866	2,875	2,586	2,669	2,338
Student services	2,967	2,674	2,572	2,683	2,914
Institutional support	8,045	9,004	7,200	6,460	5,714
Operation and maintenance of plant	6,182	3,999	3,983	3,910	4,435
Scholarships and fellowships	3,689	5,710	5,126	4,900	3,927
Auxiliary enterprises	3,626	3,002	1,643	1,652	1,803
Depreciation	2,830	2,584	2,557	2,603	2,824
Total Operating Expenses	<u>50,354</u>	<u>48,990</u>	<u>41,284</u>	<u>41,169</u>	<u>38,494</u>
Interest on capital related debt	591	701	873	1,044	1,141
Loss on disposal of fixed assets	189	9	-	-	-
Other non-operating expenses	84	-	-	-	-
Total Non-Operating Expenses	<u>864</u>	<u>710</u>	<u>873</u>	<u>1,044</u>	<u>1,141</u>
Total Expenses	<u>\$ 51,218</u>	<u>\$ 49,700</u>	<u>\$ 42,157</u>	<u>\$ 42,213</u>	<u>\$ 39,635</u>

GRAYSON COLLEGE
PROGRAM EXPENSES BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

Table 3
Page 2 of 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Instruction	\$ 14,411	\$ 13,272	\$ 14,159	\$ 13,007	\$ 13,159
Public service	963	734	729	766	599
Academic support	2,297	1,935	1,794	1,775	1,823
Student services	3,325	2,945	2,764	2,752	2,632
Institutional support	5,395	4,777	4,333	4,226	3,857
Operation and maintenance of plant	3,810	4,030	3,170	3,146	3,322
Scholarships and fellowships	4,005	4,110	4,333	5,831	5,012
Auxiliary enterprises	1,180	1,253	1,182	1,369	3,636
Depreciation	2,437	2,308	2,302	2,229	2,096
Total Operating Expenses	<u>37,823</u>	<u>35,364</u>	<u>34,766</u>	<u>35,101</u>	<u>36,136</u>
Interest on capital related debt	1,155	1,380	1,804	1,914	1,999
Loss on disposal of fixed assets	5	15	-	2	-
Other non-operating expenses	-	-	-	-	-
Total Non-Operating Expenses	<u>1,160</u>	<u>1,395</u>	<u>1,804</u>	<u>1,916</u>	<u>1,999</u>
Total Expenses	<u>\$ 38,983</u>	<u>\$ 36,759</u>	<u>\$ 36,570</u>	<u>\$ 37,017</u>	<u>\$ 38,135</u>

GRAYSON COLLEGE
TUITION AND FEES
LAST TEN FISCAL YEARS (UNAUDITED)

Table 4
Page 1 of 4

Resident Students (1)

Fiscal Year (Fall)	Tuition		Matriculation Fee	Student ID Fee	General Fee	Student Service Fee	Technology Fee
	In-District	Out-of-District					
2022	\$ 50.00	\$ 92.00	\$ 20.00	\$ 6.00	\$ 26.50	\$ 12.50	\$ 5.00
2021	50.00	90.00	20.00	6.00	23.50	12.50	5.00
2020	50.00	89.00	20.00	6.00	21.50	12.50	5.00
2019	50.00	88.00	10.00	6.00	19.50	12.50	5.00
2018	50.00	88.00	10.00	6.00	17.50	12.50	5.00
2017	50.00	88.00	10.00	6.00	21.00	7.00	5.00
2016	49.00	87.00	10.00	2.00	20.00	7.00	5.00
2015	49.00	87.00	10.00	2.00	16.00	7.00	5.00
2014	49.00	87.00	10.00	2.00	12.00	7.00	-
2013	47.00	87.00	10.00	2.00	8.00	7.00	-

GRAYSON COLLEGE
TUITION AND FEES
LAST TEN FISCAL YEARS (UNAUDITED)

Table 4
Page 2 of 4

Resident Students (1)

Fiscal Year (Fall)	Total Cost		Increase from Prior Year	
	In-District	Out-of-District	In-District	Out-of-District
2022	\$ 1,154	\$ 1,658	3.22%	3.75%
2021	1,118	1,598	2.19%	2.30%
2020	1,094	1,562	3.21%	3.03%
2019	1,060	1,516	2.32%	1.61%
2018	1,036	1,492	2.37%	1.63%
2017	1,012	1,468	2.85%	1.94%
2016	984	1,440	5.13%	3.45%
2015	936	1,392	13.04%	8.41%
2014	828	1,284	9.52%	3.88%
2013	756	1,236	3.28%	7.29%

GRAYSON COLLEGE
TUITION AND FEES
LAST TEN FISCAL YEARS (UNAUDITED)

Table 4
Page 3 of 4

Non-Resident Students (1)

Fiscal Year (Fall)	Out-of-State Tuition	International Tuition	International Fee	Matriculation Fee	Student ID Fee	General Fee
2022	\$ 144.00	\$ 144.00	\$ 225.00	\$ 20.00	\$ 6.00	\$ 26.50
2021	140.00	140.00	225.00	20.00	6.00	23.50
2020	137.00	137.00	225.00	20.00	6.00	21.50
2019	134.00	134.00	225.00	10.00	6.00	19.50
2018	134.00	134.00	225.00	10.00	6.00	17.50
2017	134.00	134.00	225.00	10.00	6.00	21.00
2016	133.00	133.00	225.00	10.00	2.00	20.00
2015	133.00	133.00	225.00	10.00	2.00	16.00
2014	133.00	133.00	225.00	10.00	2.00	12.00
2013	133.00	133.00	225.00	10.00	2.00	8.00

(1) Based on twelve semester credit hour load.

GRAYSON COLLEGE
TUITION AND FEES
LAST TEN FISCAL YEARS (UNAUDITED)

Table 4
Page 4 of 4

Non-Resident Students (1)

Fiscal Year (Fall)	Student Service Fee	Technology Fee	Out of State Total Cost	Increase from Prior Year
2022	\$ 12.50	\$ 5.00	\$ 2,282.00	3.82%
2021	12.50	5.00	2,198.00	2.81%
2020	12.50	5.00	2,138.00	3.38%
2019	12.50	5.00	2,068.00	1.17%
2018	12.50	5.00	2,044.00	1.19%
2017	7.00	5.00	2,020.00	1.41%
2016	7.00	5.00	1,992.00	2.47%
2015	7.00	5	1,944.00	5.88%
2014	7.00	-	1,836.00	2.68%
2013	7.00	-	1,788.00	6.29%

(1) Based on twelve semester credit hour load.

GRAYSON COLLEGE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS (UNAUDITED)

Table 5
Page 1 of 2

Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value	Ratio of Taxable Value to Assessed Value
2023	\$ 27,782,294	\$ 10,621,021	\$ 17,161,273	61.77%
2022	20,240,244	6,319,329	13,920,915	68.78%
2021	18,521,922	5,740,906	12,781,016	69.00%
2020	17,128,678	5,321,699	11,806,979	68.93%
2019	15,286,165	4,839,276	10,446,889	68.34%
2018	13,842,348	4,331,865	9,530,483	68.85%
2017	12,705,357	3,860,473	8,844,884	69.62%
2016	12,029,730	3,691,533	8,338,197	69.31%
2015	11,303,968	3,527,285	7,776,683	68.80%
2014	10,501,985	3,184,658	7,317,327	69.68%

Source: Local Appraisal District

Notes: Property is assessed at full market value.
 (1) per \$100 taxable assessed valuation

GRAYSON COLLEGE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS (UNAUDITED)

Table 5
Page 2 of 2

Fiscal Year	Direct Rates (1)		
	Maintenance and Operations	Debt Service	Total
2023	0.12488	0.02182	0.14670
2022	0.14150	0.02655	0.16805
2021	0.14150	0.02957	0.17107
2020	0.14068	0.03107	0.17175
2019	0.14239	0.03494	0.17733
2018	0.14034	0.04086	0.18120
2017	0.13612	0.04518	0.18130
2016	0.13384	0.04756	0.18140
2015	0.13059	0.05091	0.18150
2014	0.12925	0.05236	0.18161

Source: Local Appraisal District

Notes: Property is assessed at full market value.
 (1) per \$100 taxable assessed valuation

GRAYSON COLLEGE
STATE APPROPRIATION PER FULL-TIME STUDENT EQUIVALENT AND CONTACT HOUR
LAST TEN FISCAL YEARS (UNAUDITED)

Table 6
Page 1 of 2

Fiscal Year	State Appropriation	Appropriation per FTSE	
		FTSE (a)	State Appropriation per FTSE
2023	\$ 7,035	3,111	\$ 2,261
2022	7,035	3,131	2,247
2021	7,094	3,122	2,272
2020	7,094	3,540	2,004
2019	7,158	3,447	2,077
2018	7,158	3,467	2,065
2017	7,583	3,601	2,106
2016	7,572	3,803	1,991
2015	7,502	3,971	1,889
2014	7,502	4,322	1,736

Note: Full-time student equivalent (FTSE) is defined as the number of full-time students plus the total hours taken by part-time students divided by 12.

(a) Source: CBM001

(b) Source: CBM00A

GRAYSON COLLEGE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS (UNAUDITED)

Table 6
Page 2 of 2

Fiscal Year	Appropriation per Contact Hour			State Appropriation per Contact Hour
	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	
2023	970	676	1,646	\$ 4.27
2022	953	663	1,616	4.35
2021	1,107	695	1,802	3.94
2020	1,027	674	1,701	4.17
2019	1,107	695	1,802	3.97
2018	1,147	658	1,805	3.97
2017	1,172	722	1,894	4.00
2016	1,214	827	2,041	3.71
2015	1,248	837	2,085	3.60
2014	1,283	962	2,245	3.34

Note: Full-time student equivalent (FTSE) is defined as the number of full-time students plus the total hours taken by part-time students divided by 12.

(a) Source: CBM001

(b) Source: CBM00A

GRAYSON COLLEGE
PRINCIPAL TAXPAYERS
LAST TEN FISCAL YEARS (UNAUDITED)

Table 7
Page 1 of 2

Taxpayer	Type of Business	Taxable Assessed Value				
		2023	2022	2021	2020	2019
Panda Sherman Power LLC	Energy	\$ 282,011	\$ 270,407	\$ 248,027	\$ 247,789	\$ 250,841
UHS of Texoma, Inc	Hospital	202,200	189,504	162,771	154,531	140,000
Oncor Electric	Utility	166,422	144,075	138,109	128,574	112,257
Texas Instruments	Manufacturing	125,000	-	60,970	90,238	-
Finisar Sherman RE HoldCo LLC	Manufacturing	91,387	86,316	86,484	93,244	83,784
Seaway Crude Pipeline LP	Energy	88,048	96,819	104,363	99,141	90,283
Lacore Nutraceuticals Inc	Manufacturing	75,100	-	-	-	-
Union Pacific Railroad	Transportation	68,018	60,266	54,865	51,621	47,636
Concrete Real Estate Investment	Financial	67,481	-	-	-	-
II-V Coherent	Manufacturing	65,592	-	-	-	-
Universal Health Services	Medical	-	55,309	51,313	-	-
JMCR/Sherman Town Center LP	Retail	-	53,463	47,381	47,159	46,323
Tyson Fresh Meats Inc	Food	-	52,444	-	64,297	49,211
Caterpillar Global	Manufacturing	-	61,957	-	-	-
Finisar Corp	Manufacturing	-	-	55,954	72,122	65,452
Globitech Incorporated	Manufacturing	-	-	-	-	50,148
Sherman Commons	Retail	-	-	-	-	-
BNSF Railway Co	Transportation	-	-	-	-	-
Gulf Crossing Pipeline Co	Energy	-	-	-	-	-
Ruiz Foods	Food	-	-	-	-	-
Heritage Park	Hospital	-	-	-	-	-
Silver Creek Oil & Gas LLC	Energy	-	-	-	-	-
Jetta Operating Co, Inc	Energy	-	-	-	-	-
XTO Energy, Inc.	Utility	-	-	-	-	-
Totals		<u>\$ 1,231,259</u>	<u>\$ 1,070,560</u>	<u>\$ 1,010,237</u>	<u>\$ 1,048,716</u>	<u>\$ 935,935</u>
Net taxable assessed value		<u>\$ 17,161,273</u>	<u>\$ 13,920,915</u>	<u>\$ 12,781,016</u>	<u>\$ 11,806,979</u>	<u>\$ 10,446,889</u>

GRAYSON COLLEGE
PRINCIPAL TAXPAYERS
LAST TEN FISCAL YEARS (UNAUDITED)

Table 7
Page 2 of 2

Taxpayer	Type of Business	Taxable Assessed Value				
		2018	2017	2016	2015	2014
Panda Sherman Power LLC	Energy	\$ 242,310	\$ 276,203	\$ 309,565	\$ 396,130	\$ 261,142
UHS of Texoma, Inc	Hospital	125,000	106,000	106,000	107,474	78,111
Oncor Electric	Utility	95,854	95,489	96,131	94,632	75,454
Texas Instruments	Manufacturing	-	-	-	31,326	34,413
Finisar Sherman RE HoldCo LLC	Manufacturing	-	-	-	-	-
Seaway Crude Pipeline LP	Energy	-	-	-	-	-
Lacore Nutraceuticals Inc	Manufacturing	-	-	-	-	-
Union Pacific Railroad	Transportation	47,174	43,470	49,407	47,257	42,079
Concrete Real Estate Investment	Financial	-	-	-	-	-
II-V Coherent	Manufacturing	-	-	-	-	-
Universal Health Services	Medical	-	-	-	-	-
JMCR/Sherman Town Center LP	Retail	46,323	60,662	55,133	49,343	47,955
Tyson Fresh Meats Inc	Food	46,264	40,390	-	-	-
Caterpillar Global	Manufacturing	-	45,761	85,964	50,645	55,699
Finisar Corp	Manufacturing	-	-	-	-	-
Globitech Incorporated	Manufacturing	48,470	-	-	-	-
Sherman Commons	Retail	39,084	37,934	-	-	-
BNSF Railway Co	Transportation	38,855	34,745	34,359	30,582	-
Gulf Crossing Pipeline Co	Energy	36,084	36,279	38,379	39,859	36,586
Ruiz Foods	Food	-	-	33,336	-	-
Heritage Park	Hospital	-	-	33,288	-	-
Silver Creek Oil & Gas LLC	Energy	-	-	-	33,850	-
Jetta Operating Co, Inc	Energy	-	-	-	-	37,095
XTO Energy, Inc.	Utility	-	-	-	-	34,020
Totals		<u>\$ 765,418</u>	<u>\$ 776,933</u>	<u>\$ 841,562</u>	<u>\$ 881,098</u>	<u>\$ 702,554</u>
Net taxable assessed value		<u>\$ 9,530,483</u>	<u>\$ 8,844,884</u>	<u>\$ 8,338,197</u>	<u>\$ 7,776,683</u>	<u>\$ 7,317,327</u>

GRAYSON COLLEGE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

Table 8
Page 1 of 2

Fiscal Year	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percent
2023	\$ 24,355	\$ (88)	\$ 24,267	\$ 23,792	98.04%
2022	22,186	(87)	22,099	21,739	98.26%
2021	20,831	(84)	20,747	20,406	98.33%
2020	19,298	(82)	19,216	18,859	98.13%
2019	17,801	(115)	17,686	17,385	98.29%
2018	16,595	(66)	16,529	16,242	98.26%
2017	15,494	(47)	15,447	15,173	98.23%
2016	14,644	(44)	14,600	14,281	97.82%
2015	13,680	(10)	13,670	13,442	98.33%
2014	12,825	(15)	12,810	12,546	97.94%

Amounts expressed in thousands

Source: Local Tax Assessor Collector and College records

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

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

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

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

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

GRAYSON COLLEGE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

Table 8
Page 2 of 2

Fiscal Year	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
2023	\$ -	\$ -	\$ 23,792	98.04%
2022	-	206	21,945	98.26%
2021	177	59	20,642	99.19%
2020	252	22	19,133	99.44%
2019	217	21	17,623	98.76%
2018	234	8	16,484	98.49%
2017	226	6	15,405	98.37%
2016	284	5	14,570	97.92%
2015	194	3	13,639	98.41%
2014	235	2	12,783	98.01%

Amounts expressed in thousands

Source: Local Tax Assessor Collector and College records

- (a) As reported in the notes to the financial statements for the year of the levy.
- (b) As of August 31st of the current reporting year.
- (c) Property tax only -- does not include penalties and interest
- (d) Represents cumulative collections of prior years not collected in the current year
- (e) Represents current year collections of prior year levies.

GRAYSON COLLEGE
RATIOS OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS (UNAUDITED)

Table 9
Page 1 of 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
General Bonded Debt					
General obligation bonds	\$ 16,610	\$ 18,945	\$ 21,175	\$ 23,315	\$ 25,385
Less: Funds restricted for debt service	(5,597.00)	(5,071)	(4,634)	(4,122)	(3,750)
Net General Bonded Debt	11,013	13,874	16,541	19,193	21,635
Other Debt					
Revenue bonds	577	1,511	2,848	4,090	5,290
Notes and capital leases	-	-	-	-	-
Total Outstanding Debt	\$ 11,590	\$ 15,385	\$ 19,389	\$ 23,283	\$ 26,925
General Bonded Debt Ratios					
Per capita	\$ 77	\$ 100	\$ 122	\$ 141	\$ 161
Per FTSE	3,540	4,431	5,298	5,422	6,276
As a percentage of taxable assessed value	0.06%	0.10%	0.13%	0.16%	0.21%
Total Outstanding Debt Ratios					
Per capita	\$ 81	\$ 110	\$ 143	\$ 171	\$ 201
Per FTSE	3,725	4,914	6,210	6,577	7,811
As a percentage of taxable assessed value	0.07%	0.11%	0.15%	0.20%	0.26%

Notes:

Ratios calculated using population and TAB from corresponding fiscal year.

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

GRAYSON COLLEGE
RATIOS OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS (UNAUDITED)

Table 9
Page 2 of 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Bonded Debt					
General obligation bonds	\$ 27,390	\$ 29,495	\$ 33,615	\$ 35,570	\$ 37,455
Less: Funds restricted for debt service	(3,325)	(2,913)	(2,351)	(1,915)	(1,487)
Net General Bonded Debt	<u>24,065</u>	<u>26,582</u>	<u>31,264</u>	<u>33,655</u>	<u>35,968</u>
Other Debt					
Revenue bonds	6,440	7,540	8,605	9,640	10,780
Notes and capital leases	-	-	-	62	103
Total Outstanding Debt	<u>\$ 30,505</u>	<u>\$ 34,122</u>	<u>\$ 39,869</u>	<u>\$ 43,357</u>	<u>\$ 46,851</u>
General Bonded Debt Ratios					
Per capita	\$ 184	\$ 207	\$ 249	\$ 272	\$ 294
Per FTSE	6,941	7,382	8,221	8,475	8,322
As a percentage of taxable assessed value	0.25%	0.30%	0.37%	0.43%	0.49%
Total Outstanding Debt Ratios					
Per capita	\$ 233	\$ 266	\$ 318	\$ 351	\$ 383
Per FTSE	8,799	9,476	10,484	10,918	10,840
As a percentage of taxable assessed value	0.32%	0.39%	0.48%	0.56%	0.64%

Notes:

Ratios calculated using population and TAB from corresponding fiscal year.

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

GRAYSON COLLEGE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)

Table 10
Page 1 of 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Taxable Assessed Value	<u>\$ 17,161,273</u>	<u>\$ 13,920,915</u>	<u>\$ 12,781,016</u>	<u>\$ 11,806,979</u>	<u>\$ 10,446,889</u>
General Obligation Bonds					
Statutory tax levy limit for debt service	\$ 85,806	\$ 69,605	\$ 63,905	\$ 59,035	\$ 52,234
Less funds restricted for repayment of General Obligation bonds	<u>5,597</u>	<u>5,071</u>	<u>4,634</u>	<u>4,122</u>	<u>3,750</u>
Total Net General Obligation Bonds	80,209	64,534	59,271	54,913	48,484
Current year debt service requirements	<u>2,800</u>	<u>2,799</u>	<u>2,797</u>	<u>2,801</u>	<u>2,798</u>
Excess of statutory limit for debt service over current requirements	<u>\$ 77,409</u>	<u>\$ 61,735</u>	<u>\$ 56,474</u>	<u>\$ 52,112</u>	<u>\$ 45,686</u>
Net current requirements as a percentage of statutory limit	-3.26%	-3.26%	-2.87%	-2.24%	-1.82%

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

GRAYSON COLLEGE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)

Table 10
Page 2 of 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Taxable Assessed Value	<u>\$ 9,530,483</u>	<u>\$ 8,844,884</u>	<u>\$ 8,338,197</u>	<u>\$ 7,776,683</u>	<u>\$ 7,317,327</u>
General Obligation Bonds					
Statutory tax levy limit for debt service	\$ 47,652	\$ 44,224	\$ 41,691	\$ 38,883	\$ 36,587
Less funds restricted for repayment of General Obligation bonds	<u>3,325</u>	<u>2,913</u>	<u>2,351</u>	<u>1,915</u>	<u>1,487</u>
Total net general obligation bonds	44,327	41,311	39,340	36,968	35,100
Current year debt service requirements	<u>2,972</u>	<u>3,348</u>	<u>3,419</u>	<u>3,408</u>	<u>3,276</u>
Excess of statutory limit for debt service over current requirements	<u>\$ 41,355</u>	<u>\$ 37,963</u>	<u>\$ 35,921</u>	<u>\$ 33,560</u>	<u>\$ 31,824</u>
Net current requirements as a percentage of statutory limit	-0.74%	0.98%	2.56%	3.84%	4.89%

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

GRAYSON COLLEGE
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

Table 11
Page 1 of 2

Fiscal Year	Pledged Revenues (\$000 omitted)									
	Tuition	General Use Fee	Student			Registration Fees	Course Fees	Laboratory Fees	Community	
			Service Fee	Technology Fee	Education Fees					
2023	\$ 1,553	\$ 2,001	\$ 944	\$ 378	\$ 303	\$ 224	\$ 280	\$ 446		
2022	1,464	1,780	947	379	317	218	280	1,370		
2021	1,399	1,625	945	378	346	-	291	373		
2020	1,550	1,678	1,074	430	374	-	288	458		
2019	1,601	1,461	1,043	417	367	-	331	852		
2018	1,500	1,755	585	418	287	-	341	697		
2017	1,515	1,718	604	431	223	-	391	347		
2016	1,630	1,490	652	466	346	-	397	476		
2015	1,653	1,151	671	-	257	-	306	310		
2014	1,725	832	728	-	261	-	345	53		

GRAYSON COLLEGE
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

Table 11
Page 2 of 2

Fiscal Year	Pledged Revenues (\$000 omitted)			Debt Service Requirements (\$000 omitted)			Coverage Ratio
	Investment Income	Auxiliary Enterprises	Total	Principal	Interest	Total	
2023	\$ 1,761	\$ 2,452	\$ 10,342	\$ 934	\$ 8	\$ 942	10.98
2022	398	2,212	9,365	1,337	30	1,367	6.85
2021	303	766	6,426	1,330	51	1,381	4.65
2020	506	867	7,225	1,200	147	1,347	5.36
2019	685	1,033	7,790	1,150	193	1,343	5.80
2018	401	879	6,863	1,100	238	1,338	5.13
2017	201	836	6,266	1,065	262	1,327	4.72
2016	158	955	6,570	1,035	301	1,336	4.92
2015	128	858	5,334	1,140	335	1,475	3.62
2014	77	2,814	6,835	1,120	358	1,478	4.62



GRAYSON COLLEGE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

Table 12

Calendar Year	District Population	District Personal Income	District Personal Income Per Capita	District Unemployment Rate
2022	143,131	\$ 7,642,205,000	\$ 53,393	3.7%
2021	139,336	7,253,087,000	52,055	4.6%
2020	135,543	6,507,177,000	47,045	5.9%
2019	136,212	2,991,490,000	43,987	3.1%
2018	133,991	5,653,755,000	42,195	3.3%
2017	131,140	5,409,499,000	41,250	3.5%
2016	128,235	5,162,730,000	40,216	3.8%
2015	125,467	4,915,961,000	39,181	4.0%
2014	123,534	4,575,002,000	37,034	4.8%
2013	122,353	4,416,638,000	36,098	6.6%

Sources:

Grayson County Profile (txcip.org)

GRAYSON COLLEGE
PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS (UNAUDITED)

Table 13
Page 1 of 2

Employer	2023	
	Number of Employees	Percentage of Total Employment
Texoma Medical Center	4000-4250	6.51%
Tyson Fresh Meats	1500-1749	2.56%
Sherman ISD	1000-1249	1.77%
RUIZ Foods	1000-1249	1.77%
Walmart	750-999	1.38%
CIGNA	750-999	1.38%
Denison ISD	500-749	0.99%
Carrus Specialty Hospital	500-749	0.99%
Texas Instruments	500-749	0.99%
Coherent (formerly Finisar)	500-749	0.99%

Source:

Texas Workforce Commission

Notes:

Percentages are calculated using the midpoints of the ranges

GRAYSON COLLEGE
PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS (UNAUDITED)

Table 13
Page 2 of 2

Employer	2014	
	Number of Employees	Percentage of Total Employment
Tyson Fresh Meats	1250-1499	2.52%
Texoma Health Care Systems	1250-1499	2.52%
CIGNA Company	1000-1249	2.06%
Texas Instruments	1000-1249	2.06%
Texas Health Presbyterian-WNJ	1000-1249	1.60%
Sherman ISD	750-999	1.60%
Ruiz Foods	500-749	1.14%
Denison ISD	500-749	1.14%
Grayson County	500-749	1.14%
Caterpillar, Inc.	250-499	0.69%

GRAYSON COLLEGE
FACULTY, STAFF AND ADMINISTRATORS STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

Table 14
Page 1 of 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Faculty					
Full-Time	125	113	116	112	114
Part-Time	<u>77</u>	<u>72</u>	<u>72</u>	<u>82</u>	<u>104</u>
Total	<u>202</u>	<u>185</u>	<u>188</u>	<u>194</u>	<u>218</u>
Full-Time	61.9%	61.1%	61.7%	57.7%	52.3%
Part-Time	<u>38.1%</u>	<u>38.9%</u>	<u>38.3%</u>	<u>42.3%</u>	<u>47.7%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Average Annual Faculty Salary	<u>\$ 66,389</u>	<u>\$ 58,431</u>	<u>\$ 58,431</u>	<u>\$ 58,849</u>	<u>\$ 57,407</u>
Staff and Administrators					
Full-Time	202	183	196	188	170
Part-Time	<u>293</u>	<u>190</u>	<u>220</u>	<u>197</u>	<u>251</u>
Total	<u>495</u>	<u>373</u>	<u>416</u>	<u>385</u>	<u>421</u>
Full-Time	40.8%	49.1%	47.1%	48.8%	40.4%
Part-Time	<u>59.2%</u>	<u>50.9%</u>	<u>52.9%</u>	<u>51.2%</u>	<u>59.6%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
FTSE per Full-Time Faculty	24.9	27.7	26.9	31.6	30.2
FTSE per Full-Time Staff Member	15.4	17.1	15.9	18.8	20.3

GRAYSON COLLEGE
FACULTY, STAFF AND ADMINISTRATORS STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

Table 14
Page 2 of 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Faculty					
Full-Time	109	108	108	108	100
Part-Time	<u>143</u>	<u>169</u>	<u>150</u>	<u>131</u>	<u>143</u>
Total	<u>252</u>	<u>277</u>	<u>258</u>	<u>239</u>	<u>243</u>
Full-Time	43.3%	39.0%	41.9%	45.2%	41.2%
Part-Time	<u>56.7%</u>	<u>61.0%</u>	<u>58.1%</u>	<u>54.8%</u>	<u>58.8%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Average Annual Faculty Salary	<u>\$ 55,309</u>	<u>\$ 55,477</u>	<u>\$ 55,085</u>	<u>\$ 54,443</u>	<u>\$ 53,822</u>
Staff and Administrators					
Full-Time	163	151	146	136	135
Part-Time	<u>258</u>	<u>226</u>	<u>219</u>	<u>204</u>	<u>203</u>
Total	<u>421</u>	<u>377</u>	<u>365</u>	<u>340</u>	<u>338</u>
Full-Time	38.7%	40.1%	40.0%	40.0%	39.9%
Part-Time	<u>61.3%</u>	<u>59.9%</u>	<u>60.0%</u>	<u>60.0%</u>	<u>60.1%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
FTSE per Full-Time Faculty	31.8	33.3	35.2	36.8	43.2
FTSE per Full-Time Staff Member	21.3	23.8	26.0	29.2	32.0

GRAYSON COLLEGE
ENROLLMENT DETAILS
LAST SIX FISCAL YEARS (UNAUDITED)

Table 15
Page 1 of 2

	Fall 2022		Fall 2021		Fall 2020		Fall 2019	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Student Classification								
00-30 hours	2,619	65.39%	2,585	65.41%	2,581	62.83%	3,000	66.77%
31-60 hours	835	20.85%	858	21.71%	931	22.66%	929	20.68%
> 60 hours	551	13.76%	509	12.88%	596	14.51%	564	12.55%
Total	4,005	100.00%	3,952	100.00%	4,108	100.00%	4,493	100.00%
Semester Hour Load								
Less than 3	34	0.85%	40	1.01%	51	1.24%	18	0.40%
3-5 semester hours	832	20.77%	835	21.13%	925	22.52%	967	21.52%
6-8 semester hours	1,197	29.89%	1,081	27.35%	1,133	27.58%	1,246	27.73%
9-11 semester hours	667	16.65%	670	16.95%	664	16.16%	689	15.33%
12-14 semester hours	857	21.40%	925	23.41%	922	22.44%	1,113	24.77%
15-17 semester hours	347	8.66%	303	7.67%	324	7.89%	349	7.77%
18 & over	71	1.77%	98	2.48%	89	2.17%	111	2.47%
Total	4,005	100.00%	3,952	100.00%	4,108	100.00%	4,493	100.00%
Tuition Status								
Texas Resident (in-District)	2,939	73.38%	2,937	74.92%	3,447	83.91%	3,754	83.55%
Texas Resident (out-of-District)	839	20.95%	781	20.27%	542	13.19%	574	12.78%
Non-Resident Tuition	227	5.67%	157	4.81%	119	2.90%	165	3.67%
Total	4,005	100.00%	3,952	100.00%	4,108	100.00%	4,493	100.00%

GRAYSON COLLEGE
ENROLLMENT DETAILS
LAST SIX FISCAL YEARS (UNAUDITED)

Table 15
Page 2 of 2

	<u>Fall 2018</u>		<u>Fall 2017</u>		<u>Fall 2016</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Student Classification						
00-30 hours	2,790	65.13%	2,786	63.28%	2,885	63.80%
31-60 hours	1,167	27.24%	998	22.67%	1,017	22.49%
> 60 hours	327	7.63%	619	14.06%	620	13.71%
Total	4,284	100.00%	4,403	100.00%	4,522	100.00%
Semester Hour Load						
Less than 3	23	0.54%	13	0.30%	12	0.27%
3-5 semester hours	814	19.00%	833	18.92%	867	19.17%
6-8 semester hours	1,323	30.88%	1,265	28.73%	1,246	27.55%
9-11 semester hours	663	15.48%	673	15.29%	700	15.48%
12-14 semester hours	1,057	24.67%	1,123	25.51%	1,196	26.45%
15-17 semester hours	353	8.24%	408	9.27%	428	9.46%
18 & over	51	1.19%	88	2.00%	73	1.61%
Total	4,284	100.00%	4,403	100.00%	4,522	100.00%
Tuition Status						
Texas Resident (in-District)	3,558	83.05%	3,161	71.79%	3,493	77.24%
Texas Resident (out-of-District)	651	15.20%	1,052	23.89%	869	19.22%
Non-Resident Tuition	75	1.75%	190	4.32%	160	3.54%
Total	4,284	100.00%	4,403	100.00%	4,522	100.00%

GRAYSON COLLEGE
STUDENT PROFILE
LAST SEVEN FISCAL YEARS (UNAUDITED)

Table 16
Page 1 of 2

Gender	Fall 2022		Fall 2021		Fall 2020		Fall 2019	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	2,426	60.57%	2,438	61.69%	2,582	62.85%	2,711	60.34%
Male	1,553	38.78%	1,496	37.85%	1,526	37.15%	1,782	39.66%
Blank	26	0.65%	18	0.46%	-	0.00%	-	0.00%
Total	4,005	100.00%	3,952	100.00%	4,108	100.00%	4,493	100.00%
Ethnic Origin								
White	2,628	65.62%	2,659	67.28%	2,791	67.94%	3,124	69.53%
Hispanic	719	17.95%	646	16.35%	621	15.12%	580	12.91%
African American	353	8.81%	337	8.53%	364	8.86%	356	7.92%
Multi-Racial	27	0.67%	22	0.56%	35	0.85%	81	1.80%
Native American	166	4.14%	182	4.61%	178	4.33%	217	4.83%
International	3	0.07%	9	0.23%	23	0.56%	34	0.76%
Asian	95	2.37%	84	2.13%	82	2.00%	79	1.76%
Native Hawaiian or Pacific Islander	14	0.35%	13	0.33%	14	0.34%	22	0.49%
Total	4,005	100.00%	3,952	100.00%	4,108	100.00%	4,493	100.00%
Age								
Under 18	573	14.31%	599	15.16%	557	13.56%	489	10.88%
18 - 21	1,933	48.26%	1,780	45.04%	1,877	45.69%	2,109	46.94%
22 - 24	431	10.76%	483	12.22%	467	11.37%	550	12.24%
25 - 29	368	9.19%	390	9.87%	438	10.66%	450	10.02%
30-34	283	7.07%	258	6.53%	272	6.62%	312	6.94%
35-50	330	8.24%	354	8.96%	386	9.40%	473	10.53%
51 & over	87	2.17%	88	2.23%	111	2.70%	110	2.45%
Total	4,005	100.00%	3,952	100.00%	4,108	100.00%	4,493	100.00%
Average Age	23		24		24		25	

GRAYSON COLLEGE
STUDENT PROFILE
LAST SEVEN FISCAL YEARS (UNAUDITED)

Table 16
Page 2 of 2

Gender	Fall 2018		Fall 2017		Fall 2016	
	Number	Percent	Number	Percent	Number	Percent
Female	2,614	61.02%	2,650	60.19%	2,702	59.75%
Male	1,670	38.98%	1,753	39.81%	1,820	40.25%
Male	-	0.00%	-	0.00%	-	0.00%
Total	4,284	100.00%	4,403	100.00%	4,522	100.00%
Ethnic Origin						
White	2,989	69.77%	3,172	72.04%	3,246	71.78%
African American	415	9.69%	542	12.31%	595	13.16%
Hispanic	349	8.15%	304	6.90%	325	7.19%
Multi-Racial	222	5.18%	98	2.23%	143	3.16%
Native American	203	4.74%	194	4.41%	145	3.21%
International	32	0.75%	32	0.73%	27	0.60%
Asian	74	1.73%	61	1.39%	41	0.91%
Native Hawaiian or Pacific Islander	-	0.00%	-	0.00%	-	0.00%
Total	4,284	100.00%	4,403	100.00%	4,522	100.00%
Age						
Under 18	1,118	26.10%	1,119	25.41%	1,057	23.37%
18 - 21	1,589	37.09%	1,612	36.61%	1,646	36.40%
22 - 24	406	9.48%	415	9.43%	489	10.81%
25 - 29	384	8.96%	432	9.81%	478	10.57%
30-34	280	6.54%	289	6.56%	297	6.57%
35-50	417	9.73%	428	9.72%	440	9.73%
51 & over	90	2.10%	108	2.45%	115	2.54%
Total	4,284	100.00%	4,403	100.00%	4,522	100.00%
Average Age	25		24		24	

GRAYSON COLLEGE

Table 17

TRANSFERS TO SENIOR INSTITUTIONS

2020 – 2021 GRADUATES, COMPLETERS AND NON-RETURNERS

(UNAUDITED)

Name	Transfer Student Count	Transfer Student Count	Total of all Sample Transfer Students	% of all Sample Transfer Students
	Academic	Technical		
1 Angelo State University	2	-	2	0.62%
2 Lamar University	-	1	1	0.31%
3 Midwestern State University	10	4	14	4.33%
4 Sam Houston State University	1	4	5	1.55%
5 Stephen F. Austin State University	8	2	10	3.10%
6 Sul Ross State University	-	1	1	0.31%
7 Tarleton State University	20	1	21	6.50%
8 Texas A & M University	18	6	24	7.43%
9 Texas A & M University- Commerce	34	20	54	16.72%
10 Texas A & M University- Kingsville	1	-	1	0.31%
11 Texas A & M University- Corpus Christi	2	-	2	0.62%
12 Texas A & M University- Texarkana	1	-	1	0.31%
13 Texas Southern University	-	1	1	0.31%
14 Texas State University	4	8	12	3.72%
15 Texas Tech University	25	12	37	11.46%
16 Texas Woman's University	16	6	22	6.81%
17 The University of Texas Permian Basin	2	-	2	0.62%
18 The University of Texas at Arlington	5	4	9	2.79%
19 The University of Texas at Austin	12	3	15	4.64%
20 The University of Texas at Dallas	13	4	17	5.26%
21 The University of Texas at El Paso	1	-	1	0.31%
22 The University of Texas at San Antonio	1	-	1	0.31%
23 The University of Texas at Tyler	2	2	4	1.24%
24 University of North Texas	45	14	59	18.27%
25 West Texas A & M University	4	3	7	2.17%
Totals	227	96	323	100.00%

GRAYSON COLLEGE
CAPITAL ASSET INFORMATION
LAST SIX FISCAL YEARS (UNAUDITED)

Table 18

	2023	2022	2021	2020	2019	2018
Academic buildings	22	22	22	22	22	22
Square footage (in thousands)	4,371,316	437,316	437,316	437,316	433,260	433,260
Libraries	1	1	1	1	1	1
Square footage (in thousands)	-	18,503	18,503	18,503	18,503	18,503
Number of Volumes (in thousands)	51,800	51,800	51,800	51,800	51,800	51,800
Administrative and support buildings	4	4	4	4	4	3
Square footage (in thousands)	61,385	61,385	61,385	61,385	61,385	39,953
Dormitories/Apartments	2	3	3	3	3	3
Square footage (in thousands)	59,466	82,589	82,589	82,589	82,589	82,589
Number of Beds	379	379	379	379	379	379
Golf Course	2	2	2	2	2	2
Square footage (in thousands)	4,122	4,122	4,122	4,122	4,122	4,122
Dining Facilities	1	1	1	1	1	1
Square footage (in thousands)	9,750	9,750	9,750	9,750	9,750	9,750
Average daily customers	300	300	300	300	300	300
Athletic Facilities	4	4	4	4	4	4
Square footage (in thousands)	30,003	30,003	30,003	30,003	30,003	30,003
Gymnasiums	1	1	1	1	1	1
Baseball Field	1	1	1	1	1	1
Softball Field	1	1	1	1	1	1
Batting Cage	1	1	1	1	1	1
Plant Facilities	3	3	3	3	3	3
Square footage (in thousands)	6,797	6,797	6,797	6,797	6,797	6,797
Transportation						
Cars	1	1	1	1	1	1
Light Trucks/Vans	10	11	11	11	11	11
Buses	3	3	3	2	2	2



**OVERALL COMPLIANCE, INTERNAL CONTROL, AND
FEDERAL AND STATE AWARDS SECTION**



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Grayson College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Grayson College (the “College”), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated December 1, 2023. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation.

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

Our consideration of 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 or significant deficiencies may exist that have not been identified.

To the Board of Trustees
Grayson College

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive style with a large, stylized "P" for "Penn".

Plano, Texas
December 1, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND THE TEXAS GRANT MANAGEMENT STANDARDS**

To the Board of Trustees
Grayson College

Report on Compliance for Each Major Federal and State Program

Opinion On Each Major Program

We have audited Grayson College (the "College") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the Texas Comptroller of Public Accounts *Texas Grant Management Standards* (TxGMS) that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2023. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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); and the audit requirements of the TxGMS. Our responsibilities under those standards, the Uniform Guidance, and the TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the TxGMS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Board of Trustees
Grayson College

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Whitley Penn LLP

Plano, Texas
December 1, 2023

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) and TxGMS?	No

Identification of major programs:

<u>Name of Program or Cluster - Federal</u>	<u>Assistance Listing Number (ALN)</u>
<i>Covid-19 Higher Education Emergency Relief Fund Student Aid Portion</i>	84.425E
<i>Covid-19 Higher Education Emergency Relief Fund Institutional Portion</i>	84.425F
<i>Covid-19 Higher Education Emergency Relief Fund Strengthening Institution</i>	84.425M
<i>Covid-19 Higher Education Emergency Relief Fund Institutional Resilience</i>	84.425P
<i>Covid-19 Higher Education Emergency Relief Fund Governor's Emergency Education Relief - TRUE Grant</i>	84.425C
<i>Covid-19 Higher Education Emergency Relief Fund Governor's Emergency Education Relief - Accelerating Credentials Planning Grant</i>	84.425C
<i>Covid-19 Higher Education Emergency Relief Fund Governor's Emergency Education Relief - Accelerating Credentials of Purpose & Value</i>	84.425C
<i>Covid-19 Higher Education Emergency Relief Fund Governor's Emergency Education Relief - Reskill Grant</i>	84.425C
<i>Adult Education - Basic Grants</i>	84.002A
<i>Covid-19 Coronavirus State and Local Fiscal Recovery Funds</i>	21.027
<u>Name of Program or Cluster - State</u>	
<i>Skills Development Fund</i>	N/A
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Dollar Threshold Considered Between Type A and Type B State Programs	\$750,000
Auditee qualified as low risk auditee?	Yes

II - Financial Statement Findings

None noted.

III - Federal Award Findings and Questioned Costs

None noted.

IV - State Award Findings and Questioned Costs

None noted.

GRAYSON COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

Schedule E

Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through Grantor Number	Federal Expenditures
National Science Foundation			
Direct Programs:			
<i>Education and Human Resources</i>	47.076	1954176	\$ 114,418
Total National Science Foundation			114,418
U.S. Small Business Administration			
Passed through Dallas County Community College District:			
<i>Small Business Development Center (SBDC)</i>	59.037	SBAOEDSB230018-01-00	78,501
<i>Small Business Development Center (SBDC)</i>	59.037	SBAHQ22B0006	76,468
Total U.S. Small Business Administration			154,969
U.S. Department of Education			
Direct Programs:			
<i>Opportunity Grant (FSEOG)</i>	84.007	N/A	77,171
<i>Federal Work study Program</i>	84.033	N/A	126,391
<i>Federal Pell Grant Program</i>	84.063	N/A	5,714,905
<i>Direct Student Loans</i>	84.268	N/A	2,314,354
<i>Total Student Financial Aid Cluster (ALN 84.007, 84.033, 84.063, 84.268)</i>			<u>8,232,821</u>
<i>TRIO Student Support Services</i>	84.042A	P042A200051	256,471
<i>North Texas Semi Conductor Workforce Consortium</i>	84.162	P116Z230261	17,037
<i>Covid-19 Higher Education Emergency Relief Fund Student Aid Portion</i>	84.425E	P425E203715	554,012
<i>Covid-19 Higher Education Emergency Relief Fund Institutional Portion</i>	84.425F	P425F202412	1,722,007
<i>Covid-19 Higher Education Emergency Relief Fund Strengthening Institution</i>	84.425M	P425M200810	661,932
<i>Covid-19 Higher Education Emergency Relief Fund Institutional Resilience</i>	84.425P	P425P200010	540,707
Passed through Texas Higher Education Coordinating Board:			
<i>Covid-19 Higher Education Emergency Relief Fund Governor's Emergency Education Relief - TRUE Grant</i>	84.425C	25711	374,161
<i>Covid-19 Higher Education Emergency Relief Fund Governor's Emergency Education Relief - Accelerating Credentials Planning Grant</i>	84.425C	27074	47,150
<i>Covid-19 Higher Education Emergency Relief Fund Governor's Emergency Education Relief - Accelerating Credentials of Purpose & Value</i>	84.425C	25903	229,800
<i>Covid-19 Higher Education Emergency Relief Fund Governor's Emergency Education Relief - Reskilling Support Fund</i>	84.425C	26886	14,009
<i>Total ALN 84.425</i>			<u>4,143,778</u>
<i>Adult Education - Basic Grants</i>	84.002A	2518ALAD00	84,986
<i>Adult Education - Basic Grants</i>	84.002A	2518ALAE00	534,050
<i>Adult Education - Basic Grants</i>	84.002A	0419ALAD01	524,863
<i>Adult Education - Basic Grants</i>	84.002A	0419ALAE01	1,595,321
<i>Total ALN 84.002</i>			<u>2,739,220</u>
<i>Career and Technical Education - Basic Grants to States</i>	84.048	27623	639,975
Total U.S. Department of Education			16,029,302
U.S. Department of Environmental Protection Agency			
Passed through Texas Workforce Commission:			
<i>Brownfields Multipurpose Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements</i>	66.818	01F64801	549,343
Total U.S. Department of Environmental Protection Agency			549,343
U.S. Department of Treasury			
Passed through Texas Higher Education Coordinating Board:			
<i>Covid-19 Coronavirus State and Local Fiscal Recovery Funds</i>	21.027	27276	941,362
Total Department of Treasury			941,362
Total Expenditures of Federal Awards			\$ 17,789,394

GRAYSON COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

Note 1 - Federal Revenue Reconciliation

Federal revenues for the year ended August 31, 2023 are reported in the basic financial statements as follows:

Federal grants and contracts per Schedule A	\$ 9,556,573
Federal grants and contracts, non-operating per Schedule C	5,918,467
Reconciling Items:	
Direct Student Loans	<u>2,314,354</u>
Total per Schedule of Expenditures Federal Awards	<u><u>\$ 17,789,394</u></u>

Note 2 - Summary of Significant Accounting Policies

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds that have been expended by the College for the purposes of the award. The expenditures reported may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts included in the schedule may differ from amounts used in preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed applicable guidelines issued by various entities in the preparation of the schedule. Since the College has agency approved Indirect Cost Recovery Rate, it has elected not to use the 10% de minimis cost rate as permitted in the Uniform Guidance, Section 200.414.

GRAYSON COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2023

Schedule F

Grantor/Pass-Through Grantor/ Program Title	Grant Contract Number	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board		
<i>College Work Study Program</i>	None	\$ 39,908
<i>Student Financial Aid (Texas Educational Opportunity Grant)</i>	None	283,279
<i>Nursing Shortage Reduction</i>	None	125,320
<i>Jobs and Education for Texans 21-22</i>	2521JET001	9
Total Passed Through Texas Higher Education Coordinating Board		448,516
Dallas County Community College District		
<i>Small Business Development Center (SBDC)</i>	SBAHQ22B0006	15,885
<i>Small Business Development Center (SBDC)</i>	SBAOEDSB230018-01-00	31,341
Total Passed Through Dallas County Community College District		47,226
Texas Workforce Commission		
<i>Skills Development Fund</i>	2521SDF001	89,509
<i>Skills Development Fund</i>	2521SDF002	43,678
<i>Skills Development Fund</i>	2521SDF003	319,264
<i>Self Sufficiency Fund</i>	2522SSF001	86,223
<i>Skills for Small Businesses</i>	2522SSD001	6,218
<i>Adult Education Professional Development</i>	2518ALAE00	12,039
<i>Adult Education Professional Development</i>	0419ALAE01	39,158
<i>Jobs and Education for Texans 22-23</i>	2522JET001	337,868
Total Passed Through Texas Workforce Commission		933,957
Total Expenditures of State Awards		\$ 1,429,699

GRAYSON COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2023

Note 1 - State Revenue Reconciliation

State revenues for the year ended August 31, 2023 are reported in the basic financial statements as follows:

State grants and contracts per Schedule A	\$ 1,429,699
Total per Schedule of State Expenditures	<u><u>\$ 1,429,699</u></u>

Note 2 - Summary of Significant Accounting Policies

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

GRAYSON COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended August 31, 2023

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings". The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended August 31, 2023 has been prepared to address these responsibilities.

I. Prior Audit Findings

Not Applicable.

GRAYSON COLLEGE
CORRECTIVE ACTION PLAN
Year Ended August 31, 2023

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

As part of this responsibility, the College's corrective action plans are presented below.

I. Corrective Action Plan

Not Applicable.

