FSCContinuingDisclosureServices
A Division of Hilltop Securities
(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated October 3, 2016

Ratings:
Moody's: "Aa2"
Fitch: "AA"
See "OTHER INFORMATION – Ratings" herein

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

$27,225,000*
GRAYSON COUNTY JUNIOR COLLEGE DISTRICT
(Grayson County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

Dated Date: October 1, 2016 **Due: February 15, as shown on page 2**
Interest to accrue from Date of Delivery

PAYMENT TERMS. . . Interest on the $27,225,000* Grayson County Junior College District General Obligation Refunding Bonds, Series 2016 (the "Bonds"), will accrue from the Date of Delivery, will be payable on February 15, 2017, and on each August 15 and February 15 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly, Texas Government Code, Chapter 1207, as amended, and an order (the "Order") to be adopted by the Board of Trustees of the Grayson County Junior College District (the "District"). The Bonds are direct obligations of the District payable from the levy and collection of a continuing annual ad valorem tax levied on all taxable property within the District, within the limits prescribed by law, as provided in the Order (see "THE BONDS - Authority for Issuance").

PURPOSE. . . Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the District's outstanding debt (the "Refunded Obligations") in order to lower overall debt service requirements of the District (see "PLAN OF FINANCING"; also see Schedule I attached hereto for a detailed description of the Refunded Obligations), and (ii) the payment of the costs associated with the issuance of the Bonds.

CUSIP PREFIX: 389712
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY. . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser of the Bonds and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas Bond Counsel (see Appendix C, "Form of Opinion of Bond Counsel").

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on November 3, 2016.

BIDS DUE TUESDAY OCTOBER 11, 2016, AT 10:00 A.M., CDT

* Preliminary, subject to change. The District reserves the right to adjust the principal amounts of the Bonds shown on the Maturity Schedule on page 2.

CUSIP Prefix: 389712[(1)]

MATURITY SCHEDULE*

Amount	Maturity 15-Feb	Interest Rate	Initial Yield	CUSIP Suffix[(1)]
$ 260,000	2017			
	***			
1,945,000	2019			
2,030,000	2020			
2,115,000	2021			
2,215,000	2022			
2,320,000	2023			
2,430,000	2024			
2,535,000	2025			
2,655,000	2026			
2,775,000	2027			
2,910,000	2028			
3,035,000	2029			

(Interest to accrue from the Date of Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Co-Financial Advisors shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION. . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2027, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Bonds are structured as "term" Bonds at the option of the Initial Purchaser, such term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Order, which provisions will be included in the final Official Statement.

* Preliminary, subject to change. The District reserves the right to adjust the principal amounts of the Bonds shown on the Maturity Schedule above.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes a Preliminary Official Statement of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Preliminary Official Statement, which includes the cover page, Schedule I and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Preliminary Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Preliminary Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE DISTRICT, ITS FINANCIAL ADVISOR, NOR THE INITIAL PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS PRELIMINARY OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT OR OTHER MATTERS DESCRIBED HEREIN. SEE "CONTINUING DISCLOSURE OF INFORMATION" FOR A DESCRIPTION OF THE DISTRICT'S UNDERTAKING TO PROVIDE CERTAIN INFORMATION ON A CONTINUING BASIS.

THIS PRELIMINARY OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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The cover pages hereof, this page, the Appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT	The Grayson County Junior College District (the "District") is a Texas political subdivision located in Grayson County. The District was created by a vote of the citizens of Grayson County on April 15, 1963. The board members are elected for staggered six-year terms. The Board of Trustees (the "Board") formulates operating policy for the District and Grayson College (the "College") and the President of the College is the chief administrative officer. The District is located in, and coterminous with the boundaries of, Grayson County, embracing 940 square miles in area. See "Introduction: Description of the District and the College."
THE BONDS	The $27,225,000* Grayson County Junior College District General Obligation Refunding Bonds, Series 2016 are issued as serial bonds maturing on February 15 in each of the years 2017 and 2019 through 2029 inclusive (see "THE BONDS - Description of the Bonds"; also see "Redemption" below).
PAYMENT OF INTEREST	Interest on the Bonds accrues from the Date of Delivery, and is payable February 15, 2017, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds").
AUTHORITY FOR ISSUANCE	The Bonds are authorized and issued pursuant to the constitution and general laws of the State, particularly, Texas Government Code, Chapter 1207, as amended, and the Order authorizing the issuance of the Bonds (see "THE BONDS - Authority for Issuance").
SECURITY FOR THE BONDS	The Bonds are direct obligations of the District payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the District, as provided in the Order (see "THE BONDS - Security and Source of Payment").
REDEMPTION	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption"). In the event any of the Bonds are structured as "term" Bonds, such term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Order, which provisions will be included in the final Official Statement.
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax on corporations.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the District's outstanding debt (the "Refunded Obligations") in order to lower overall debt service requirements of the District (see "PLAN OF FINANCING"; also see Schedule I attached hereto for a detailed description of the Refunded Obligations), and (ii) the payment of the costs associated with the issuance of the Bonds.
RATINGS	The Bonds and the presently outstanding tax supported debt of the District are rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"), and "AA" by Fitch Ratings ("Fitch"), without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

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* Preliminary, subject to change. The District reserves the right to adjust the principal amounts of the Bonds shown on the Maturity Schedule on page 2.

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

PAYMENT RECORD .... The District has never defaulted in payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated Population(1)	Taxable Assessed Valuation(2)	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2013	121,935	$ 7,183,880,000	$ 58,916	$ 39,145,000	0.54%	$ 321
2014	122,353	7,317,327,000	59,805	35,765,000	0.49%	292
2015	124,000	7,776,682,772	62,715	35,570,000	0.46%	287
2016	124,500	8,344,103,644	67,021	33,615,000	0.40%	270
2017	125,000	8,883,919,993	71,071	29,070,000 (3)	0.33% (3)	233 (3)

(1) Source: The District.
(2) As reported in the District's FYE 2015 Audited Financial Report (Statistical Section). Taxable Assessed Valuation for FY 2016 and FY 2017 is as reported by the Grayson County Appraisal District.
(3) Projected. Excludes the Refunded Obligations. Includes the Bonds. Preliminary, subject to change.

For additional information regarding the District, please contact:

Grayson College
Dr. Jeremy P. McMillen, President
6101 Grayson Drive
Denison, TX 75020
(903) 463-8600
mcmillenj@grayson.edu

FirstSouthwest, a Division of Hilltop Securities Inc.
Mr. James Sabonis
1201 Elm Street, Suite 3500
Dallas, TX 75270
(214) 953-4000
Jim.sabonis@hilltopsecurities.com

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Term Expires	Occupation
Mr. Ronnie Cole Chair	2018	Realtor
Dr. Deborah Ann Plyler Vice Chair	2018	Retired Educator
Ms. Jackie Butler (1) Secretary	2016	Retired Educator
Dr. Mack Broiles Member	2018	Retired Banker
Mr. Ralph Jones Member	2020	Retired Banker
Mr. Bill McFatridge (2) Member	2016	Retired Businessman
Mr. Eby Radford Richardson Member	2020	Retired Chamber of Commerce President

(1) Ms. Butler's term ends October 31, 2016. She is running unopposed in the upcoming election. Her new term will expire in 2022.
(2) Mr. McFatridge's term ends October 31, 2016 and he is not running for re-elections. Ms. Krista Hartman, business owner, is running unopposed for the seat currently held by Mr. McFatridge. Once elected, Ms. Hartman's term will expire in 2022.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service With District	Total Length of Educational Service
Dr. Jeremy P. McMillen	President	4	21
Mr. Giles Brown	Vice President for Business Services	9	9

CONSULTANTS AND ADVISORS

Auditors .... Adami, Lindsey & Company
Sherman, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor .... FirstSouthwest, a Division of Hilltop Securities Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$27,225,000*
GRAYSON COUNTY JUNIOR COLLEGE DISTRICT
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

INTRODUCTION

This Preliminary Official Statement, which includes Schedule I and the Appendices hereto, provides certain information regarding the issuance of $27,225,000* Grayson County Junior College District General Obligation Refunding Bonds, Series 2016 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order to be adopted by the board of trustees (the "Board") of the District, which will authorize the issuance of the Bonds (the "Order"), except as otherwise indicated herein.

GENERAL . . . There follows in this Preliminary Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, FirstSouthwest, a Division of Hilltop Securities Inc., Dallas, Texas ("FirstSouthwest").

References to website addresses presented in this document are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless otherwise specified, references to websites and the information or links contained therein are not incorporated into, and are not part of, this Preliminary Official Statement.

DESCRIPTION OF THE DISTRICT. . . The Grayson County Junior College District (the "District") is a Texas political subdivision located in Grayson County. The District was created by a vote of the citizens of Grayson County on April 15, 1963. The board members are elected for staggered six-year terms. The Board formulates operating policy for the District and Grayson County College (the "College") and the President of the College is the chief administrative officer. The District is located in, and coterminous with the boundaries of Grayson County, embracing 940 square miles in area. For additional information regarding the District, see "Grayson County Junior College District" and "Appendix A – General Information Regarding the District".

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the District's outstanding debt (the "Refunded Obligations") in order to lower overall debt service requirements of the District (see "PLAN OF FINANCING"; also see Schedule I attached hereto for a detailed description of the Refunded Obligations), and (ii) the payment of the costs associated with the issuance of the Bonds.

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the redemption date of such Refunded Obligations, from funds to be deposited pursuant to a certain escrow agreement (the "Escrow Agreement") between the District and U.S. Bank National Association, Dallas, Texas (the "Escrow Agent"). The Order provides that from the proceeds of the sale of the Bonds received from the Initial Purchaser and funds contributed by the District, if any, the District will deposit with the Escrow Agent the amount that when invested will accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality, and that on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

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* Preliminary, subject to change. The District reserves the right to adjust the principal amounts of the Bonds shown on the Maturity Schedule on page 2.

Grant Thornton LLP, a nationally recognized accounting firm, will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Purchaser the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. **Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds** (see "OTHER INFORMATION -- Verification of Arithmetical and Mathematical Computations").

By the deposit of the Escrowed Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Obligations in accordance with State law and in reliance upon the Report. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Report, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt, and the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Obligations from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrowed Securities.

THE BONDS

DESCRIPTION OF THE BONDS. . . The Bonds are dated October 1, 2016. The Bonds mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of delivery to the Initial Purchaser, will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on February 15, 2017, and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully-registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE. . . The Bonds are being authorized and issued pursuant to the Constitution and general laws of the State, particularly Chapter 1207, Texas Government Code, as amended, and the Order.

SECURITY AND SOURCE OF PAYMENT. . . The Bonds constitute direct obligations of the District payable from a continuing ad valorem tax levied against all taxable property within the District, within the limits prescribed by law (see "THE BONDS - Tax Rate Limitation" below).

TAX RATE LIMITATION. . . Section 130.122 of the Texas Education Code limits a community college district's tax rate to $1.00 per $100 taxable assessed valuation (of which a maximum of $0.50 may be pledged for bond debt service), and the District is further restricted by local referendum which limits the tax rate for local maintenance and general obligation debt service to $0.70 per $100 of assessed valuation.

OPTIONAL REDEMPTION. . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Bonds are structured as "term" Bonds, such term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Order, which provisions will be included in the final Official Statement.

NOTICE OF REDEMPTION. . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONIES FOR THE PAYMENT OF THE

REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DEFEASANCE. . . The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other securities or obligations hereafter authorized under applicable state law in existence at the time of such defeasance that are eligible to discharge obligations such as the Bonds. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM. . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Bond payments to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Bonds. In that event, the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement. . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Co-Financial Advisors or the Initial Purchaser.

Effect of Termination of Book-Entry-Only System. . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District with respect the Bonds, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued with respect to the Bonds, printed Bonds will be issued to the registered owners of the Bonds and thereafter such printed Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar will be required to make any transfer, conversion, or exchange of a Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

PAYMENT PROVISIONS. . . Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent by United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption of a Bond upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

REPLACEMENT BONDS. . . If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the District and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BONDHOLDERS' REMEDIES. . . The Order defines "Event of Default" as the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable or the default in the performance or observance of any other covenant, agreement or obligation of the District under the Order, the failure to perform which materially, adversely affects the rights of the registered owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District. The Order further provides that upon the occurrence of an Event of Default, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and thus rests within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition, and, accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

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SOURCES AND USES OF BOND PROCEEDS. . . Proceeds from the sale of the Bonds are expected to be expended approximately as follows:

Sources of Funds	
Par Amount of Bonds	
Premium	
Total Sources of Funds	$0.00
Uses of Funds	
Deposit to Escrow Fund	
Purchaser Discount	
Total Uses of Funds	$0.00

GRAYSON COUNTY JUNIOR COLLEGE DISTRICT

THE DISTRICT

The District is located in, and coterminous with, the boundaries of Grayson County, Texas on the border of Texas and Oklahoma approximately 71 miles north of Dallas. The District owns, operates and administers the activities of the College.

Grayson County was created in 1846 from Fannin County. The county is primarily a manufacturing, distribution and trade center for northern Texas. The Texas Almanac designates livestock, wheat, oats, sorghum, peanuts and hay as principal sources of agricultural income.

EXISTING COLLEGE FACILITIES

MAIN CAMPUS

The main campus of the College has brick and reinforced concrete permanent buildings of similar architecture. These buildings house modern equipment and apparatus for students and staff in maintaining instructional programs both academic and technical. To promote a healthy campus environment, the College does not allow the use of tobacco products in any college building.

EXTENSION OF MAIN CAMPUS

The College acquired approximately four hundred acres of the Perrin Air Force facilities in 1971. It is the location of the T.V. Munson Viticulture Enology Center and Memorial Vineyard.

T.V. MUNSON VITICULTURE ENOLOGY CENTER AND MEMORIAL VINEYARD

The memorial to Dr. Thomas Volney Munson was established in 1974 through the generosity of the W. B. Munson Foundation of Denison, Texas. Through the efforts of Dr. Munson, native Texas grapevine rootstocks, resistant to phylloxera, were located and shipped to France where their vinifera winegrape varieties were grafted to the Texas rootstocks, thus saving French vines from destruction. This monumental achievement gained Munson the title of "Chevalier du Merite Agricole" in the French Legion of Honor in 1888. Other major achievements included a reclassification of the Vitis species; authoring the classic book, Foundations of American Grape Culture in 1909; originating over 300 disease-resistant grape varieties specifically hybridized for the southwest; patenting several agricultural and mechanical devices, including the first helicopter. He not only hybridized grapes, but fruits of all kinds, flowers, vegetables, and many type of ornamentals.

The T. V. Munson Viticulture Enology Center was officially opened on September 10, 1988. The Munson Center serves as a state and regional center for the delivery of educational programs in viticulture and enology and is a repository for historical documents of international significance to the grape and wine industry. The building houses a library for research documents and historic memorabilia; classroom and office space; and workroom facilities for processing grape plants, juice, and wine. Academic credit and credit-free courses, as well as meetings are conducted in the facility.

The T. V. Munson Vineyard received the first grapevines in 1974. The Munson Vineyard has over sixty-five varieties of grapes developed by T. V. Munson and many other native and improved grape varieties from around the world. Dr. Munson experimented with and developed thousands of new grape varieties, but only introduced those that were superior in fruit production and exhibited a high degree of disease resistance. The Munson Vineyard has a greenhouse, work and storage building, and equipment pertinent to the production of quality grapes.

Through the generosity of Dr. and Mrs. John Anderson of Denton, Texas, the T. V. Munson Instructional Winery came into existence in 1997. Formerly known as the Schoppaul Hill Winery at Ivanhoe, Texas, the Anderson's donated the winery to the Grayson County Junior College District Foundation to assist with training of students in the viticulture and enology program at the College.

As a result of the relationships developed through the Munson Memorial project, Denison and Cognac, France have become Sister Cities and annually exchange students, business leaders, medical professionals, and citizens of the two cities. In 2000 a major event celebrating the twenty-fifth anniversary of the Munson Memorial was held at the T. V. Munson Viticulture Enology Center on the GCC campus with dignitaries from around the world, including a delegation from Cognac, France headed by the Mayor of Cognac, and his wife.

Reprints of Munson's book Foundations of American Grape Culture and a biography of W. B. Munson, his brother, entitled Ten Million Acres are available through the Grayson County Junior College District Foundation.

SOUTH CAMPUS

The College provides higher education services for the citizens of the southern rim of Grayson County at the South Campus in Van Alstyne, Texas. College credit and credit-free courses are offered.

MISSION STATEMENT

The mission of Grayson College is to cultivate student success and community-building in North Texas by:

1. Recognizing our interdependence with various communities
2. Providing a broad and dynamic curriculum to support university transfer, career technical education, developmental, and community education
3. Developing innovative curricula and services facilitated by appropriate technology
4. Creating a supportive learning environment
5. Promoting diversity and cultural enrichment
6. Supporting economic development
7. Committing to an institutional effectiveness process for continuous improvement in the pursuit of excellence.

VISION STATEMENT

Grayson College is a premier learning college that transforms individuals, builds communities, and inspires excellence.

PHILOSOPHY

Grayson College, as the community's college, embraces lifelong learning focused on educational, cultural, social, and public service activities designed to tangibly enrich the individual and our community.

ACCREDITATION

Grayson College is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award Associate Degrees. Contact the Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097 or call 404-679-4500 for questions about the accreditation of Grayson College.

Other affiliations and accreditations include: The Texas Association of Public Junior Colleges, Accreditation Commission on Education in Nursing, Commission on Dental Accreditation, American Dental Association, The National Accrediting Agency for Clinical Laboratory Sciences, the College Reading and Learning Association, The Committee on Accreditation of Education Programs for EMS Professions, American Culinary Federation, National Association for the education of Young Children, The National Accrediting Agency for Clinical Laboratory Sciences, and the Northern Texas Junior College Athletic Conference. The College has also been approved by the Coordinating Board, the Texas College and University System, and the Texas Board of Nursing. The Southern Association accreditation makes possible the transfer of Grayson College credits not only to Texas colleges and universities, but also to colleges and universities across the nation as well.

TAX INFORMATION

AD VALOREM TAX LAW. . . The appraisal of property within the District is the responsibility of the Grayson County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title I of the Texas Tax Code (the "the Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the Appraisal District or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The District may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the District by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead.

Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory.

Pursuant to changes enacted during the 2011 Texas Legislative Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 1, 2011, to provide for the taxation of the goods-in-transit. After holding a public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking such official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body of the taxing unit rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt, taxes may continue to be imposed on goods-in-transit until the debt is discharged, if cessation of the imposition of the tax would impair the obligation of the contract by which the debt was created.

A city or a county may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, as amended, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation. The District also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The District in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE. . . By each September 1 or as soon thereafter as practicable, the Board adopts a tax rate per $100 taxable value for the current year. The Board is required to adopt the annual tax rate for the District before the later of August 31 or the 60th day after the date the certified appraisal roll is received by the District. If the Board does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the District for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the District must annually calculate and publicize its "effective tax rate" and "rollback tax rate". Under current law, a tax rate cannot be adopted by the Board that exceeds the lower of the rollback tax rate or of the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the District's website if the District owns, operates or controls an internet website and public notice be given by television if the District has free access to a television channel) and the Board has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the District by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT. . . Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recent published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST. . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment of the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the District's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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DISTRICT APPLICATION OF TAX CODE... The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $15,000; the disabled are granted an exemption.

The District has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax nonbusiness personal property; and Grayson County Tax Assessor Collector collects taxes for the District.

The District does not permit split payments, and discounts are not allowed.

The District does not tax Freeport property (exemption granted).

The District has adopted a tax abatement policy. The value of the property subject to abatement is shown on Table 1

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2016/2017 Market Valuation Established by Grayson County Appraisal District (excluding totally exempt property)		$ 11,722,183,005
Less Exemptions/Reductions at 100% Market Value:		
Productivity Loss	$ 2,082,104,045	
Disabled Veterans Exemption Loss	70,999,843	
Disabled/Over-65 Loss	163,878,592	
Abatement Value Loss	81,032,608	
Pollution Control Exemption Loss	27,401,517	
Homestead Cap Loss	280,094,384	
Other	655,406	
Freeport Exemption	132,096,618	2,838,263,012
2016/2017 Net Taxable Assessed Valuation		$ 8,883,919,993
Funded Debt Payable from Ad Valorem Taxes (As of 8/31/16)		
General Obligation Bonds(1)		$ 4,135,000
The Bonds (2)		27,225,000
		$ 31,360,000
Ratio Funded Tax Debt to Taxable Assessed Valuation		0.31%

2017 Estimated Population - 125,000

Per Capita Taxable Assessed Valuation $71,071

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $251

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(1) Does not include the currently outstanding $8,605,000 tuition and combined fees revenue bonds, as these bonds are payable solely from the revenues of the District. Excludes the Refunded Obligations. Preliminary, subject to change.

(2) Preliminary, subject to change.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2017		2016		2015	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 4,548,769,629	38.80%	$ 3,939,164,351	35.82%	$ 3,702,022,801	35.96%
Real, Residential Multi-Family	213,165,448	1.82%	202,738,027	1.84%	201,521,209	1.96%
Real, Vacant Lots/Tracts	205,016,761	1.75%	200,371,581	1.82%	193,538,514	1.88%
Real, Acreage (Land Only)	2,200,266,060	18.77%	2,113,315,012	19.22%	1,976,543,307	19.20%
Real, Farm and Ranch Improvements	930,093,424	7.93%	797,918,089	7.26%	727,061,175	7.06%
Real, Commercial and Industrial	1,899,422,541	16.20%	1,873,646,987	17.04%	1,686,142,910	16.38%
Real, Oil, Gas and Other Minerals Reserves	145,001,147	1.24%	224,926,368	2.05%	281,967,500	2.74%
Real Property, Inventory	35,588,677	0.30%	36,191,683	0.33%	28,619,646	0.28%
Real and Tangible Personal, Utilities	368,749,008	3.15%	358,119,938	3.26%	304,773,405	2.96%
Tangible Personal, Commercial	457,943,999	3.91%	455,991,140	4.15%	467,594,290	4.54%
Tangible Personal, Industrial	634,780,376	5.42%	717,157,187	6.52%	652,455,295	6.34%
Tangible Personal, Other, Mobile Homes	42,115,867	0.36%	39,851,928	0.36%	39,256,545	0.38%
Special Inventory Tax	41,270,068	0.35%	38,173,339	0.35%	34,557,045	0.34%
Total Appraised Value Before Exemptions	$ 11,722,183,005	100.00%	$ 10,997,565,630	100.00%	$ 10,296,053,642	100.00%
Less: Total Exemptions/Reductions	(2,838,263,012)		(2,653,461,986)		(2,519,370,870)	
Adjustments	-		-		-	
Taxable Assessed Value	$ 8,883,919,993		$ 8,344,103,644		$ 7,776,682,772	

	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2014		2013	
Category	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 3,608,451,073	36.83%	$ 3,547,323,548	36.58%
Real, Residential Multi-Family	194,387,656	1.98%	199,917,373	2.06%
Real, Vacant Lots/Tracts	192,900,787	1.97%	182,589,522	1.88%
Real, Acreage (Land Only)	2,004,730,940	20.46%	2,095,459,635	21.61%
Real, Farm and Ranch Improvements	697,140,342	7.11%	655,533,431	6.76%
Real, Commercial and Industrial	1,360,654,669	13.89%	1,318,348,491	13.59%
Real, Oil, Gas and Other Minerals Reserves	291,490,534	2.97%	280,356,599	2.89%
Real Property, Inventory	33,158,813	0.34%	28,657,083	0.30%
Real and Tangible Personal, Utilities	279,838,851	2.86%	266,138,994	2.74%
Tangible Personal, Commercial	460,009,478	4.69%	478,127,831	4.93%
Tangible Personal, Industrial	605,312,276	6.18%	577,021,564	5.95%
Tangible Personal, Other, Mobile Homes	40,122,404	0.41%	41,876,849	0.43%
Special Inventory Tax	30,205,435	0.31%	27,064,832	0.28%
Total Appraised Value Before Exemptions	$ 9,798,403,258	100.00%	$ 9,698,415,752	100.00%
Less: Total Exemptions/Reductions	(2,481,448,596)		(2,514,535,523)	
Adjustments	372,338		(229)	
Taxable Assessed Value	$ 7,317,327,000		$ 7,183,880,000	

NOTE: Valuations shown are certified taxable assessed values reported by the Grayson County Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2013	121,935	$ 7,183,880,000	$ 58,916	$ 39,145,000	0.54%	$ 321
2014	122,353	7,317,327,000	59,805	35,765,000	0.49%	292
2015	124,000	7,776,682,772	62,715	35,570,000	0.46%	287
2016	124,500	8,344,103,644	67,021	33,615,000	0.40%	270
2017	125,000	8,883,919,993	71,071	29,070,000 (3)	0.33% (3)	233 (3)

(1) Source: The District.
(2) As reported in the District's FYE 2015 Audited Financial Report (Statistical Section). Taxable Assessed Valuation for FY 2016 and FY 2017 is as reported by the Grayson County Appraisal District.
(3) Projected. Excludes the Refunded Obligations. Includes the Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Total Tax Rate	Distribution M&O Fund	Distribution Interest and Sinking Fund	Tax Levy[(1)]	% Current Collections[(2)]	% Total Collections[(2)]
2013	$ 0.1818	$ 0.1306	$ 0.0512	$ 12,517,000	97.60%	98.72%
2014	0.1816	0.1293	0.0524	12,831,000	97.78%	97.78%
2015	0.1815	0.1306	0.0509	13,707,017	98.13%	99.98%
2016	0.1814	0.1338	0.0476	14,645,623	97.75%	99.96%
2017	0.1813	0.1361	0.0452	15,402,594	NA	NA

(1) As reported in the District's Audited Financial Report, except for FY 2016 and FY 2017.
(2) As reported in the District's Audited Financial Report, except for FY 2016.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2016/2017 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Panda Sherman Power LLC	Electric Utility	$309,565,093	3.48%
UHS of Texoma, Inc.	Healthcare Services	106,000,000	1.19%
Oncor Electric Delivery Co. LLC	Electric Utility	96,130,725	1.08%
Caterpillar Global	Manufacturer	85,964,483	0.97%
MB Sherman Town Center LP	Real Estate Developer	55,133,016	0.62%
Union Pacific Railroad Co.	Railroad	49,407,309	0.56%
Gulf Crossing Pipeline Co.	Oil & Gas Producer	38,378,984	0.43%
BNSF Railway Co.	Railroad	34,359,230	0.39%
Ruiz Food Products Inc.	Manufacturer	33,336,272	0.38%
HCII-Heritage Park LLC	Real Estate Developer	33,287,985	0.37%
		$ 841,563,097	9.47%

TAX SUPPORTED DEBT LIMITATION. . . Section 130.122 of the Texas Education Code limits a community college district's tax rate to $1.00 per $100 taxable assessed valuation (of which a maximum of $0.50 may be pledged for bond debt service), and the District is further restricted by local referendum which limits the tax rate for local maintenance to $0.70 per $100 of assessed valuation. Of the $0.70 that may be levied, $0.50 may be used to pay general obligation debt service.

TABLE 6 - TAX ADEQUACY(1)

2017 Principal and Interest Requirements	$	3,388,809
$.03940 Tax Rate at 97% Collection Produces	$	3,395,257
Average Annual Principal and Interest Requirements, 2017-2029	$	3,150,040
$.03660 Tax Rate at 97% Collection Produces	$	3,153,969
Maximum Annual Principal and Interest Requirements, 2017	$	3,388,809
$.03940 Tax Rate at 97% Collection Produces	$	3,395,257

(1) Includes the Bonds; excludes the Refunded Obligations. Preliminary, subject to change.

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Governmental Subdivision	2015/2016 Taxable Assessed Value	2015/2016 Tax Rate	Total G.O. Tax Debt	Estimated % Applicable	Overlapping Tax Debt 8/31/2016
Grayson County Junior College District	$ 8,883,919,993 (1)	$ 0.1813 (1)	$ 31,360,000 (2)	100.00%	$ 31,360,000
Bells ISD	182,055,207	1.4800	9,954,419	100.00%	9,954,419
City of Bells	54,519,133	0.5510	175,000	100.00%	175,000
Celina ISD	771,166,547	1.6400	72,597,161	0.03%	21,779
Collinsville ISD	132,211,411	1.2440	9,540,000	99.05%	9,449,370
City of Collinsville	59,067,926	0.3820	-	100.00%	-
Denison ISD	1,300,405,630	1.4990	79,813,186	97.85%	78,097,203
Grayson County	6,626,980,116	0.4910	-	100.00%	-
Gunter ISD	202,331,515	1.6200	16,925,000	99.80%	16,891,150
City of Gunter	89,856,652	0.6130	1,965,000	99.96%	1,964,214
Howe ISD	186,256,327	1.4500	8,157,133	100.00%	8,157,133
City of Howe	82,303,590	0.6900	1,205,000	100.00%	1,205,000
Pilot Point ISD	517,999,994	1.3700	1,745,000	1.90%	33,155
Pottsboro ISD	747,457,672	1.1750	5,479,484	100.00%	5,479,484
City of Pottsboro	130,922,021	0.6420	2,195,000	100.00%	2,195,000
Sadler & Southmayd CISD	311,919,287	1.3000	5,235,000	100.00%	5,235,000
Sherman ISD	2,647,923,114	1.4400	67,950,000	100.00%	67,950,000
City of Sherman	2,525,716,064	0.3720	21,235,000	100.00%	21,235,000
Tioga ISD	74,986,441	1.5300	6,550,193	100.00%	6,550,193
City of Tioga	47,265,049	0.5470	1,530,000	100.00%	1,530,000
Tom Bean ISD	163,189,696	1.2900	9,455,000	100.00%	9,455,000
City of Tom Bean	36,089,131	0.6240	-	100.00%	-
Trenton ISD	160,491,713	1.4600	6,940,000	3.26%	226,244
Van Alstyne ISD	518,165,174	1.5200	35,685,000	93.56%	33,386,886
City of Van Alstyne	230,358,532	0.6130	3,110,000	100.00%	3,110,000
Whitesboro ISD	611,179,864	1.4000	11,795,000	90.78%	10,707,501
City of Whitesboro	177,817,899	1.3700	7,196,086	85.16%	6,128,187

Total Direct and Consolidated Overlapping Tax Debt $ 330,496,917

Ratio of Direct and Consolidated Overlapping Tax Debt to Taxable Assessed Valuation 3.72%

Per Capita Consolidated Overlapping Tax Debt . . . . $ 2,643.98

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(1) Represents Tax Year 2016, Fiscal Year 2017 information for the District.
(2) Includes the Bonds; excludes the Refunded Obligations. Preliminary, subject to change.

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 8/31	Total Outstanding Debt Service(1) Principal	Interest	Total	The Bonds(2) Principal	Interest	Total	Total Debt Service Requirements	% of Principal Retired
2017	$ 2,030,000	$ 154,438	$ 2,184,438	$ 260,000	$ 944,372	$ 1,204,372	$ 3,388,809	
2018	2,105,000	77,013	2,182,013	-	1,203,700	1,203,700	3,385,713	
2019	-	-	-	1,945,000	1,164,800	3,109,800	3,109,800	
2020	-	-	-	2,030,000	1,080,225	3,110,225	3,110,225	
2021	-	-	-	2,115,000	986,963	3,101,963	3,101,963	33.43%
2022	-	-	-	2,215,000	889,538	3,104,538	3,104,538	
2023	-	-	-	2,320,000	787,500	3,107,500	3,107,500	
2024	-	-	-	2,430,000	680,625	3,110,625	3,110,625	
2025	-	-	-	2,535,000	568,913	3,103,913	3,103,913	
2026	-	-	-	2,655,000	452,138	3,107,138	3,107,138	72.19%
2027	-	-	-	2,775,000	329,963	3,104,963	3,104,963	
2028	-	-	-	2,910,000	202,050	3,112,050	3,112,050	
2029	-	-	-	3,035,000	68,288	3,103,288	3,103,288	100.00%
	$ 4,135,000	$ 231,450	$ 4,366,450	$ 27,225,000	$ 9,359,072	$ 36,584,072	$ 40,950,522	

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(1) Does not include the currently outstanding $8,605,000 tuition and combined fees revenue bonds, as these bonds are payable solely from the revenues of the District. Excludes the Refunded Obligations. Preliminary, subject to change.
(2) Preliminary, subject to change.

TABLE 9 - OTHER OBLIGATIONS

At August 31, 2016 the District had $8,605,000 of Tuition and Combined Fees Revenue debt outstanding.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The District does not anticipate the issuance of additional general obligation debt in the next 12 months.

PENSION FUND . . . Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). The individual employees contribute a fixed amount of their salary to the System, currently 6.7%, and the State of Texas contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by federally funded programs. (For more detailed information concerning the retirement plan, see APPENDIX B, "Excerpts from the Grayson County Junior College District Annual Financial Report" - Note #H.)

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

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

For more information concerning the College's post-employment benefits, see the financial statements of the College, and the notes thereto.

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FINANCIAL INFORMATION

TABLE 10 - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Fiscal Year Ended August 31,				
	2015	2014	2013	2012	2011
Operating Revenues:					
Tuition & Fees	$ 4,670,880	$ 4,813,795	$ 4,877,086	$ 4,923,045	$ 4,590,793
Federal Grants and Contracts	1,051,598	1,090,413	1,245,439	1,833,206	1,222,727
State Grants and Contracts	1,759,263	1,526,448	999,128	1,365,458	1,670,978
Nongovernmental Grants and Contracts	354,320	359,695	282,291	247,106	308,850
Sales & Service of Educational Activities	44,804	48,921	51,123	49,346	47,705
Investment Income (Program Restricted)	-	-	-	-	-
Auxiliary Enterprises	868,900	1,549,396	1,859,497	1,700,829	2,082,368
Other Operating Revenues	153,184	273,370	200,283	180,954	239,799
Total Current Funds Revenue	$ 8,902,949	$ 9,662,038	$ 9,514,847	$ 10,299,944	$ 10,163,220
Operating Expenses:					
Instruction	$ 13,007,346	$ 13,158,701	$ 12,660,386	$ 13,235,594	$ 13,088,651
Public Service	765,742	598,566	596,817	630,664	693,903
Academic Support	1,775,333	1,823,300	1,618,817	1,512,159	1,489,883
Student Services	2,751,568	2,632,018	2,217,698	2,155,275	2,263,197
Institutional Support	4,226,314	3,857,182	3,805,382	3,898,636	3,731,280
Operation and Maintenance of Plant	3,146,448	3,321,440	4,374,472	3,073,430	4,420,886
Scholarships & Fellowships	5,831,178	5,008,040	5,450,594	6,510,510	7,469,020
Auxiliary Enterprises	1,368,797	3,640,275	3,715,719	3,589,818	4,151,032
Depreciation Expenses	2,228,583	2,096,184	2,047,191	1,990,328	1,790,417
Total Educational & General Expenditures	$ 35,101,309	$ 36,135,706	$ 36,487,076	$ 36,596,414	$ 39,098,269
Operating Income (Loss)	(26,198,360)	(26,473,668)	(26,972,229)	(26,296,470)	(28,935,049)
Non-operating Revenues (Expenses):					
State Appropirations	$ 9,209,940	$ 9,426,603	$ 8,966,973	$ 9,002,532	$ 9,038,194
Ad-Valorem Taxes for Maintenance and Operations	10,096,252	9,296,000	9,244,001	9,445,550	9,208,795
Ad-Valorem Taxes for General Obligation Bonds	3,900,174	3,748,419	3,578,686	3,133,192	3,341,105
Federal Grants and Contracts, Non-Operating	8,492,808	9,227,901	9,745,101	11,187,966	11,802,432
Gifts	116,374	-	-	-	-
Investment Income (Net of Investment Expenses)	130,450	81,026	64,590	92,886	136,030
Interest on Capital Related Debt	(1,914,728)	(1,999,127)	(2,159,643)	(2,226,909)	(2,331,680)
Gain (Loss) of Disposition of Property	(2,140)	-	(20,782)	-	(36,196)
Other Non-Operating Revenues (Expenses)	-	1,021	66	-	20
Net Nonoperating Revenues	$ 30,029,130	$ 29,781,843	$ 29,418,992	$ 30,635,217	$ 31,158,700
Other Revenues, (Expenses), Gains, (Losses)			-	-	-
Income Before Transfers	$ 3,830,770	$ 3,308,175	$ 2,446,763	$ 4,338,747	$ 2,223,651
Transfer from GCC Foundation	$ -	$ -	$ 10,000	$ 10,000	$ 10,000
Federal Grant - Capital Contribution	-	891,246	1,108,754	-	-
Increase (Decrease in Net Assets)	$ 3,830,770	$ 4,199,421	$ 3,565,517	$ 4,348,747	$ 2,233,651
Net Assets - Beginning of Year	$ 49,821,643	$ 46,683,431	$ 43,117,914	$ 38,769,167	$ 36,535,516
Prior Period Adjustment	(3,351,628)	(1,061,209)	-	-	-
Net Assets - End of Year	$ 50,300,785	$ 49,821,643	$ 46,683,431	$ 43,117,914	$ 38,769,167

(1) Audited financial operations in accordance with GASB 34/35.

TABLE 11 - STATEMENTS OF NET ASSETS

	Fiscal Year Ended August 31,				
	2015	2014	2013	2012	2011
Current Assets:					
Cash and Cash Equivalents	$ 18,722,960	$ 14,842,796	$ 13,301,538	$ 11,585,358	$ 4,668,542
Short-Term Investments	6,656,118	6,655,043	8,265,949	15,864,622	11,091,422
Receivables (Net of Allowance for Uncollectible Accounts)	1,482,401	1,328,467	1,756,184	1,268,545	1,685,516
Prepaid Expenses	103,937	297,933	105,085	109,144	97,774
Inventories for Resale	44,504	865,247	896,081	888,924	850,371
Total Current Assets	$ 27,009,920	$ 23,989,486	$ 24,324,837	$ 29,716,593	$ 18,393,625
Non Current Assets:					
Endowment Investments	$ -	$ -	$ -	$ -	$ -
Restricted Investments - Construction	-	-	159,529	806,200	806,200
Other Long-Term Investments	7,065,396	7,554,757	6,908,091	250,501	10,123,258
Capital Assets (net of accumulated depreciation)	69,462,559	70,150,197	69,644,728	68,964,140	68,400,561
Bond Issuance Costs (net of accumulated amortization)	-	-	1,061,209	1,136,773	1,212,337
Total Noncurrent Assets	$ 76,527,955	$ 77,704,954	$ 77,773,557	$ 71,157,614	$ 80,542,356
Total Assets	$ 103,537,875	$ 101,694,440	$ 102,098,394	$ 100,874,207	$ 98,935,981
Deferred Outflows of Resources					
Deferred Outflows - Pension Plan	$ 607,559	$ -	$ -	$ -	$ -
Deferred Charge on Bond Refundings	494,343	550,375	-	-	-
Total Deferred Outflows of Resources	$ 1,101,902	$ 550,375	$ -	$ -	$ -
Current Liabilities:					
Accounts Payable	$ 631,103	$ 797,574	$ 1,559,236	$ 1,189,252	$ 1,525,473
Accrued Liabilities	189,023	205,128	209,574	228,180	269,500
Funds Held for Others	619,086	526,459	471,364	549,243	538,532
Other Liabilities	-	-	-	-	-
Deferred Revenues	2,335,839	1,019,691	938,604	795,214	237,235
Deposits Payable	41,005	40,505	42,980	44,780	48,105
Notes and Leases Payable (current portion)	62,190	90,387	40,782	38,638	36,525
Bonds Payable (current portion)	3,091,037	3,135,307	2,755,908	2,618,091	2,455,032
Total Current Liabilities	$ 6,969,283	$ 5,815,051	$ 6,018,448	$ 5,463,398	$ 5,110,402
Noncurrent Liabilities:					
Accured Compensated Absences	$ 154,050	$ 152,091	$ 157,114	$ 146,497	$ 142,978
Notes and Leases Payable (Net of Current Portion)	-	12,428	100,560	141,342	179,980
Bonds Payable (Net of Current Portion)	43,352,565	46,443,602	49,138,841	52,005,056	54,733,454
Pension Liability	2,958,179	-	-	-	-
Total Noncurrent Liabilities	$ 46,464,794	$ 46,608,121	$ 49,396,515	$ 52,292,895	$ 55,056,412
Total Liabilities	$ 53,434,077	$ 52,423,172	$ 55,414,963	$ 57,756,293	$ 60,166,814
Deferred Inflows of Resources					
Deferred Inflows - Pension Plan	$ 904,915	$ -	$ -	$ -	$ -
Invested in Capital Assets, Net of Related Debt	$ 23,451,110	$ 21,018,847	$ 18,669,846	$ 15,297,786	$ 13,420,315
Restricted for:					
Student Financial Aid Programs	528,374	529,642	517,667	504,820	490,447
Instructional Programs	58,361	41,754	47,580	53,062	48,691
Loans	47,558	47,558	46,537	46,471	46,471
Endowments - Expendable	-	-	-	-	-
Endowments - Nonexpendable	-	-	-	-	-
Capital Projects	408,415	637,405	662,202	1,307,420	1,890,721
Debt Service	1,914,530	1,486,723	1,079,651	794,084	875,296
Other	4,864	4,863	6,879	7,432	7,207
Unrestricted	23,887,573	26,054,851	25,653,069	25,106,839	21,990,019
Total Net Assets	$ 50,300,785	$ 49,821,643	$ 46,683,431	$ 43,117,914	$ 38,769,167

(1) Audited financial operations in accordance with GASB 34/35.

FINANCIAL POLICIES

Report Guidelines . . . The significant accounting policies followed by the District in preparing its financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges* and are presented in accordance with accounting principles generally accepted in the United States of America (US GAAP). The District applies all applicable GASB pronouncements.

Tuition Discounting . . . The District's tuition discounting is classified as follows:

Texas Public Education Grant: Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. The amount awarded to a student for tuition from this grant is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Administration (HEA) Program Funds: Certain Title IV HEA Program funds are received by the District to pass through to students. These funds are initially received by the District and recorded as revenue. When the student is awarded these funds for tuition, the amount is recorded as a tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts: The District awards certain tuition scholarships from institutional and grant funds to students who qualify. When these amounts are transferred to the student for tuition, the amounts are recorded as tuition revenue and a corresponding amount is recorded as a tuition discount.

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

INVESTMENTS

The District invests its investable funds in investments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change.

LEGAL INVESTMENTS. . . Under current State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit meeting the requirements of the PFIA that are issued by or through an institution that either has its main office or a branch in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District and held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with the Securities and Exchange Commission that have a dollar-weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of no less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups.

All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) market ability of each investment, (5) diversification of the portfolio, and (6) yield. The District is required to designate one or more officers or employees as investment officers to be responsible for the investment of its funds. In the administration of the duties of an investment officer, the person so designated shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person's own affairs. Unless authorized by law, a person may not deposit, withdraw, or manage in any other manner the funds of the District.

Under State law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report for the period. The report must: (1) describe the investment position of the District, (2) be prepared jointly and signed by each investment officer, (3) contain a summary of each pooled fund group that states: the beginning market value and the ending value for the period and fully accrued interest for the reporting period, (4) state the book value and market value of each separately listed asset at the end of the reporting period, (5) state the maturity date of each separately invested asset, (6) state the account or pooled fund group for which each individual investment was acquired, and (7) state the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. If the District invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers shall be reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Boards. No person may invest District funds without express written authority from the Board.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer, and other investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District 's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and prohibit the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service, and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

The District's current investment policy is in compliance with the State law requirements described above.

TABLE 12 - CURRENT INVESTMENTS

As of May 31, 2016, the District's investable general funds were invested in the following categories:

Investment Description	Book Value	Market Value	% of Total Portfolio (Market Value)
Certificates of Deposit	$ 6,445,637	$ 6,445,637	50.72%
Local Investment Pools	6,262,969	6,262,969	49.28%
	$ 12,708,606	$ 12,708,606	100.00%

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity Bonds", the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C - Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) covenants of the District contained in the documents authorizing the Bonds relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the Refunded Obligations and the property financed or refinanced therewith and (c) the verification report of Grant Thornton LLP as to sufficiency of amounts to pay the principal of and interest on the Refunded Obligations to the date of their redemption (see "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations"). Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is rendered in reliance upon the compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds or the Refunded Obligations. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the maturity amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bond should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Bonds, although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price or, in the case of a Bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the Bond bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law, and could affect the market price or marketability of the Bonds. Any of the foregoing could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any of the foregoing becoming effective cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("EMMA") at http://emma.msrb.org/.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 12 (the "Annual Operating Report"). The District will update and provide this information within six months after the end of each fiscal year ending in and after 2016. The District will additionally provide audited financial statements of the District (the "Financial Statements") and such Financial Statements will be provided within 12 months after the end of each fiscal year ending in or after 2016. Any such Financial Statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation. The District may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC"). While the District will not be obligated to provide Financial Statements until 12 months after fiscal year end, it intends to attempt to do so within 6 months after year end. If the District is unable to provide the Financial Statements within the twelve month period described above, the District will provide notice that the Financial Statements are not available, and will provide unaudited financial statements by the end of the twelve month period and will file the Financial Statements with the MSRB when and if the Financial Statement becomes available.

The District's current fiscal year end is August 31. Accordingly, the Annual Operating Report must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The District will also provide to the MSRB notices of certain events on a timely basis, but not later than 10 business days after the event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of any trustee, if material. (Neither the Bonds nor the Order makes any provision for a bond trustee, debt service reserves or credit enhancement.)

The District shall notify the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data as described above by the time required as described above. As used in clause 12 above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if jurisdiction has been assumed by leaving the District and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. The term "Business Day" shall mean a day other than a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

Limitations and Amendments . . . The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings . . . During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

Ratings

The Bonds and the presently outstanding tax supported debt of the District are rated “Aa2” by Moody’s and “AA” by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the respective views of such companies and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

Litigation

There is no pending litigation against the District that would have a material adverse financial impact upon the District or its operations.

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The District will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect, and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. Though it may represent the Financial Advisor and purchasers of bonds, such as the Initial Purchaser from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from District records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

FirstSouthwest is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor fees for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor has agreed, in the Financial Advisory contract, not to bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. FirstSouthwest in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid of ____________________ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page 2 of this Official Statement at a price of __________________. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The initial yields shown on page 2 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The District has no control over the determination of the initial yields and has no control over the prices at which the Bonds are sold in the secondary market.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants, will deliver to the District, on or before the settlement date of the Bonds, its Report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of and interest on the

Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by FirstSouthwest on behalf of the District. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by FirstSouthwest on behalf of the District and has not evaluated or examined the assumptions or information used in the computations.

CERTIFICATION AS TO OFFICIAL STATEMENT AND NO LITIGATION

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by an authorized representative of the District, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District and (e) no litigation of any nature has been filed or is pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The Order authorizing the issuance of the Bonds approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Initial Purchaser.

Chairman, Board of Trustees
Grayson County Junior College District

ATTEST:

Secretary, Board of Trustees
Grayson County Junior College District

SCHEDULE OF REFUNDED OBLIGATIONS*

General Obligation Bonds, Series 2007

Original Dated Date	Original Maturity (Aug. 15)	Interest Rate	Principal Amount Outstanding	Redmeption Date
11/15/2007	2019	4.250%	$ 465,000	8/15/2018
	2020	4.250%	485,000	8/15/2018
	2021	4.250%	505,000	8/15/2018
	2022	4.000%	525,000	8/15/2018
	2023	4.000%	545,000	8/15/2018
	2024	4.000%	570,000	8/15/2018
	2025	4.100%	590,000	8/15/2018
	2026	4.125%	615,000	8/15/2018
	2027	4.150%	640,000	8/15/2018
	2028	4.200%	670,000	8/15/2018
	2029	4.200%	695,000	8/15/2018
			$ 6,305,000	

General Obligation Bonds, Series 2008

Original Dated Date	Original Maturity (Aug. 15)	Interest Rate	Principal Amount Outstanding	Redmeption Date
1/15/2008	2019	3.500%	$ 1,720,000	8/15/2018
	2020	3.625%	1,780,000	8/15/2018
	2021	4.000%	1,840,000	8/15/2018
	2022	4.000%	1,915,000	8/15/2018
	2023	4.000%	1,995,000	8/15/2018
	2024	4.150%	2,075,000	8/15/2018
	2025	4.125%	2,160,000	8/15/2018
	2026	5.000%	2,250,000	8/15/2018
	2027	5.000%	2,360,000	8/15/2018
	2028	5.000%	2,480,000	8/15/2018
	2029	5.000%	2,600,000	8/15/2018
			$ 23,175,000	

* Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

GRAYSON COUNTY JUNIOR COLLEGE DISTRICT

THE DISTRICT

For detailed information on the District and projects to be accomplished with the Bond proceeds, see "Grayson County Junior College District" located after "The Bonds – Sources and Uses of Bond Proceeds" and before "Tax Information".

HEADCOUNT ENROLLMENT

Certified Enrollment Trends		
FYE Aug. 31	Fall Semester	Spring Semester
2012	5,515	5,485
2013	4,996	5,255
2014	5,114	5,035
2015	4,780	4,890
2016	4,783	5,005

GENERAL INFORMATION REGARDING THE COUNTY OF GRAYSON, TEXAS

LOCATION . . . Created in 1846 from Fannin County and encompassing an area of 954 square miles, Grayson County is located in north central Texas and adjoins the southern border of the State of Oklahoma. Lake Texoma comprises much of the County's northern border. The County is traversed by United States Highway 75 and 82. The County is located approximately 65 miles north of the Dallas/Fort Worth Metroplex and 195 miles south of Tulsa. The City of Sherman serves as the county seat while other cities within the County include Denison, Whitesboro, Van Alstyne, Howe, Whitewright, Gordonville, Sadler, Collinsville, Southmayd and Pottsboro.

POPULATION AND ECONOMY . . . The County's estimated 2006 population was 118,478, which is a 7.1% growth from the 2000 Census population of 110,595. The County is primarily a manufacturing, distribution and trade center for northern Texas and Southern Oklahoma. Tourism, minerals, and agri-business also play a significant role in the County's economy.

GRAYSON COUNTY LABOR FORCE ESTIMATES (1)(2)

	Annual Averages				
	2016 (3)	2015	2014	2013	2012
Grayson County					
Civilian Labor Force	62,114	60,503	60,335	60,683	6,080
Total Employment	59,521	85,081	57,422	56,913	55,969
Unemployment	2,593	2,422	2,913	3,770	4,111
Percent Unemployment	4.2%	4.0%	4.8%	6.2%	6.8%
State of Texas					
Civilian Labor Force	13,386,738	13,078,304	13,022,851	12,891,255	12,682,204
Total Employment	12,706,976	12,494,350	12,358,703	12,090,501	11,830,356
Unemployment	679,762	583,954	664,148	800,754	851,848
Percent Unemployment	5.1%	4.5%	5.1%	6.2%	6.7%

(1) Source: Texas Workforce Commission.
(2) Subject to revision.
(3) As of July 2016.

MAJOR EMPLOYERS IN GRAYSON COUNTY [(1)]

Employer	Number of Employees	Percentage of Total County Employment
Tyson Fresh Meats	1,000 - 1,249	2.13%
Texoma Health Care Systems	1,000 - 1,249	2.13%
CIGNA Company	1,000 - 1,249	2.13%
Wilson N. Jones Regional Health Systems	1,000 - 1,249	2.13%
Sherman ISD	750 - 999	1.65%
Texas Instruments	750 - 999	1.65%
Ruiz Foods	500 - 749	1.18%
Denison ISD	500 - 749	1.18%
Trailblazer	250 - 499	0.71%
Grayson County	250 - 499	0.71%
Total	7,000 - 9,490	

(1) Sources: Grayson County

APPENDIX B

EXCERPTS FROM THE

GRAYSON COUNTY JUNIOR COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2015

The information contained in this Appendix consists of excerpts from the Grayson County Junior College District Annual Financial Report for the Year Ended August 31, 2015, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

ADAMI, LINDSEY & COMPANY, L.L.P.
Certified Public Accountants

123 NORTH CROCKETT STREET, SUITE 100
SHERMAN, TEXAS 75090

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

Independent Auditor's Report

Board of Trustees
Grayson College
6101 Grayson Drive
Denison, Texas

Members of the Board:

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

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Grayson College as of August 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 15, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

Sherman, Texas
December 15, 2015

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

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

FINANCIAL HIGHLIGHTS

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

EXPLANATION OF FINANCIAL STATEMENTS

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

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

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

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

CONDENSED COMPARATIVE FINANCIAL INFORMATION

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

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

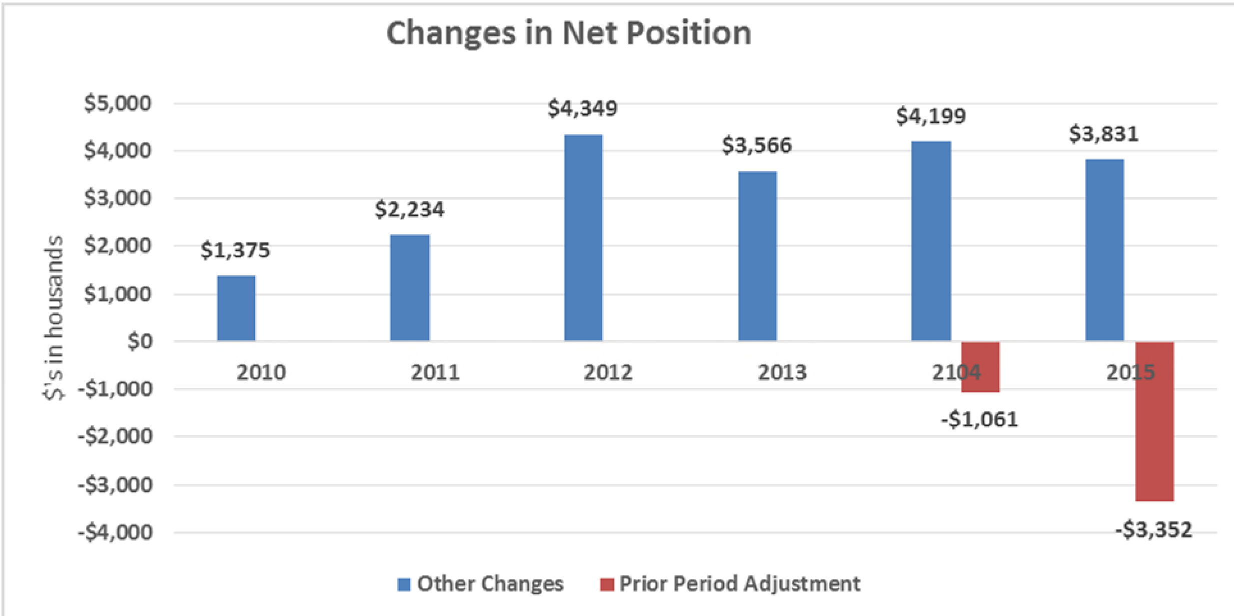
	2015	2014	2013
Assets			
Capital assets (net of accumulated depreciation)	$ 69,462,559	$ 70,150,197	$ 69,644,728
All other	34,075,316	31,544,243	32,453,666
Total Assets	103,537,875	101,694,440	102,098,394
Deferred Outflows of Resources	1,101,902	550,375	-
Liabilities			
Non-current liabilities	46,464,764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

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

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

DISCUSSION OF NET POSITION AND GASB STATEMENT 65

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



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

DISCUSSION OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

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

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

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

OPERATING OUTLOOK

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

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

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

Exhibit 1

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

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

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

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

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

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

Exhibit 2

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 - REPORTING ENTITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Guidelines

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

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

> *Net Investment in Capital Assets* – This component consists of capital assets net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction or improvement of those assets.
>
> *Restricted* – This component includes those assets upon which constraints have been placed on their utilization. Such constraints may be placed externally (by creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.
>
> *Unrestricted* – This component represents the net position that is available for use to fulfill the educational purposes of the College. It includes all net position that are not classified as "invested in capital assets, net of related debt" or "restricted."

B. Adoption of New Accounting Standard

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Adoption of New Accounting Standards (Continued)
The adoption of GASB Statement Number 68 requires certain restatements to the statement of net position as of August 31, 2014. The net decrease in the College's net position is $3,351,628, as shown in the following schedule::

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

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

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

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

L. Unearned Revenues

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

M. Estimates

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

N. Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The College had no unrelated business income tax liability for the year ended August 31, 2015.

O. Restricted Resources

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

P. Pensions

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

NOTE 3 - AUTHORIZED INVESTMENTS

Authorized Investments

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Section 2256.001 Texas Government Code). These investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments or obligations authorized by statute.

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

NOTE 4 - DEPOSITS AND INVESTMENTS

Cash and Deposits

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

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

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

Investments

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

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

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

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

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

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

NOTE 5 - RECEIVABLES

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

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

NOTE 6 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

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

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

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

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

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

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

NOTE 7 - CAPITAL ASSETS

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

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

NOTE 7 - CAPITAL ASSETS (Continued)

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

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

NOTE 8 - LONG-TERM DEBT

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

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

NOTE 8 - LONG-TERM DEBT (Continued)

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

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

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

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

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

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

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

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

NOTE 8 - LONG-TERM DEBT (Continued)

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

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

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

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

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

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

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

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

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

NOTE 9 - EMPLOYEES' RETIREMENT PLAN

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

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

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

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

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

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

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

Contribution Rates

	2014	**2015**
Member	6.4%	6.7%
Non-Employer Contributing Entity (State of Texas)	6.8%	6.8%
Employers	6.8%	6.8%

College's 2014 Employer Contributions	$	280,771
College's 2014 Member Contributions	$	519,831
College's 2014 NECE On-Behalf Contributions	$	290,918

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)

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

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

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

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

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

* *Includes Inflation of 3%*

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

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)

Teacher Retirement System of Texas (Continued)

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

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

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

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, the College reported a liability of $2,958,179 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's Proportionate Share of Collective Net Pension Liability	$ 2,958,179
State's Proportionate Share that is Associated with the College	3,146,824
Total	$ 6,105,003

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

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

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

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

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

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)

Teacher Retirement System of Texas (Continued)
At August 31, 2015, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 45,749	$ -
Changes in Actuarial Assumptions	192,285	-
Difference Between Projected and Actual Investment Earnings	-	904,140
Changes in Proportion and Difference Between the College's Contributions and the Proportionate Share of Contributions	-	775
Contributions Paid to TRS Subsequent to the Measurement Date	369,525	-
Total	$ 607,559	$ 904,915

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

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

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

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

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (Continued)

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

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

NOTE 10 - COMPENSATED ABSENCES

Full-time employees who work twelve months during the year are allowed to accumulate annual leave based upon the number of hours required for the workweek and the number of years employed at the College. For employees with a 35-hour regular workweek, six (6) hours per month are accrued for those employees with less than 15 years of service and nine (9) hours are accrued per month with more than 15 years of service. For employees with a 40-hour regular workweek, seven (7) hours per month are accrued for those employees with less than 15 years of service and 10 hours per month are accrued with more than 15 or more years of service, 9 hours of annual leave are accrued. The maximum number of hours that may be carried forward to the next fiscal year is 105 and120 for employees with 35-hour and 40-hour workweeks, respectively. A calculated percentage is applied to part-time contractual employees to determine their accrual rates.

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

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

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

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

NOTE 11 - DEFERRED COMPENSATION PROGRAM

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

NOTE 12 - PENDING LAWSUITS AND CLAIMS

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

NOTE 13 - CONTRACT AND GRANT AWARDS

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

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

NOTE 14 - RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 16 - SUBSEQUENT EVENTS

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

NOTE 17 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT

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

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

GENERAL AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

NOTE 17 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT

General and Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

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

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

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

Investments

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

Capital Assets and Depreciation

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

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

Contributions

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

Contributed Services

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

Federal Income Taxes

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

NOTE 17 - GRAYSON COLLEGE FOUNDATION - DISCRETE COMPONENT UNIT

GENERAL AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

INVESTMENTS

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

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

CAPITAL ASSETS

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

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

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

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

**GRAYSON COUNTY JUNIOR COLLEGE DISTRICT
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016
IN THE AGGREGATE PRINCIPAL AMOUNT OF $________**

AS BOND COUNSEL for the Grayson County Junior College District (the "Issuer"), the issuer of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing, unless redeemed prior to maturity in accordance with the terms of the Bonds, serially, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, **IT IS OUR OPINION** that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by governmental immunity and general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, without limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,